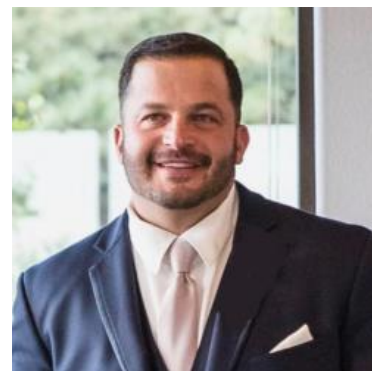


MBS & TREASURY MARKETS

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The Day Ahead: CPI Comes in Low Enough to Help

Heading into today's CPI data, our stance was that we'd need to see the monthly core number come in at 0.1 vs 0.3 in order to see much of a friendly response, and that is exactly what's playing out. If markets weren't taking inflation with a grain of salt at the moment, this would likely be worth a much bigger response. As it stands, Fed Funds Futures didn't even erase the spike seen after last Friday's jobs report, and 10yr yields only dropped to 4.42 before bouncing--well short of the 4.39 pre-NFP levels.



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