

# MBS & TREASURY MARKETS

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## The Day Ahead: Higher Bar For Additional Gains Despite Lower PPI

This morning's PPI did its best impression of yesterday's CPI with the core monthly number coming in at 0.1 vs 0.3 forecast. In yesterday's case, this was good enough for a reasonably big rally. Today, not so much. While bonds did manage to add to overnight gains in the immediate wake of the data, they're pushing back above pre-data yields now. The key difference between today and yesterday--and possibly the simplest explanation for the different outcome--is that today began with a fairly big overnight rally whereas yesterday began with an overnight sell-off. In other words, this result may have been priced-in to some extent. The other consideration is the yield curve. Fed Funds Rate expectations have helped the shortest maturities maintain some gains vs pre-data levels.



### Brian Borchard

Managing Director  
National Sales & Recruiting,  
1st 2nd Mortgage Company  
of NJ, Inc.

**P:** (201) 681-9785

**M:** (201) 681-9785

50 Spring St.  
Cresskill NEW JERSEY 07626  
91047

