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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.



April Palacios

Branch Sales Manager,
Fairway Independent
Mortgage Corporation

P: (980) 290-4140

M: (704) 989-2961

6431 Old Monroe Rd, Suite 201
Indian Trail North Carolina 28079
124941



Jennifer Buenau

Broker/REALTOR, Untied
Real Estate Queen City

<https://youknowbuenau.com/>

M: (845) 800-5878

jennybsellsthecarolinas@gmail.com

7880 Idlewild Rd
Indian Trail NC 28079-____



