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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 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.



Nathaniel Rutkoski

Mortgage Broker, Zoom Loans

www.ZMLoans.com

M: (408) 767-6311

2140 W Grantline Rd
Tracy CA 95376
NMLS# 356590

ZOOM LOANS



Melissa Jimenez

Realtor, Realty ONE Group
Zoom

melissajimenezrealtor.com

P: (209) 627-0612

mjrealestate12@gmail.com

01916015

ONE REALTY **ONEGROUP**
ZOOM



