

MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

The Day Ahead: Big Drop in Annual CPI, But Only a Cautious Rally So Far

Great news for bonds on the inflation front this morning: Core annual inflation came in at 2.6% compared to a 3.0% forecast and 3.0% last time. It's the lowest reading of the cycle and the first attempt to break below the stagnant sideways/elevated levels that have prevented more aggressive Fed rate cuts. Despite those facts, the bond market is only rallying moderately (but certainly rallying). Traders could be skeptical about the thoroughness of post-shutdown data collection, or this could foreshadow year-end bearish biases. Whatever the case, the data itself was better for bonds than anyone could have hoped for (and better than any economist predicted). NOTE: there is no month-over-month data due to the non-existence of October CPI.



Craig O'Neil

Senior Loan Officer, United American Mortgage Corp

www.oneilteamhomelending.com

P: (858) 243-4442

coneil@uamco.com

2305 Historic Decatur Rd. #100
San Diego CA 92106

NMLS858644

DRE 01858739



