

MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

The Day Ahead: Why Don't Bonds Care About The Massive Miss in PPI?

PPI... The Producer Price Index. It sounds a lot like CPI because both are published by the Bureau of Labor Statistics and they share lots of methodology and structure. Given that CPI has been responsible for some of the biggest bond market reactions, you'd be well within your rights to expect a big sell-off after seeing something like Core PPI coming in at 0.7 vs a 0.2 forecast and 0.0 previous reading. After all, if that happened in CPI, bond yields could easily be shooting 10bps higher. But PPI is notoriously more volatile. In addition, it's most useful to the bond market due to its implications for consumer inflation. To that end, we can track the categories that flow through to PCE inflation, and those categories didn't paint nearly as inflationary a picture as the headline and core readings.



Paul E Smith

Owner, Main Street
Mortgage Company

www.texasmainstreet.com

P: (713) 528-1245

M: (713) 480-7385

3100 Richmond Ave
Houston TX 77098

MSMC NMLS 296814

Paul E Smith NMLS 193580



