



## The Day Ahead: Overnight Weakness, Limited CPI Impact, MBS Outperformance

There was a very high bar for today's CPI to cause any serious market reaction due to all the new inflationary impulses that may be created by record volatility in energy markets that hasn't yet made it into the official data. In other words, CPI is a time capsule for a bygone era and the market is already trading the implications on future inflation reports to the best of its ability using oil prices as a proxy. Before the data, 10yr yields were a few bps higher overnight and haven't moved since the data. MBS are unchanged to a hair stronger after accounting for "the roll."

Rather than dissect the data that failed to move the market (it was fairly boring anyway as everything came in right in line with forecasts), we can take another look at the interesting impact of chart scaling. Specifically, we talked about how Treasuries broke up and away from the path suggested by oil prices yesterday. A full 3-day chart reiterates that assessment:

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But if we zoom in to a 2-day chart (which chops off the super high oil prices on Monday), it's much easier to see that oil and yields are still strongly correlated.

