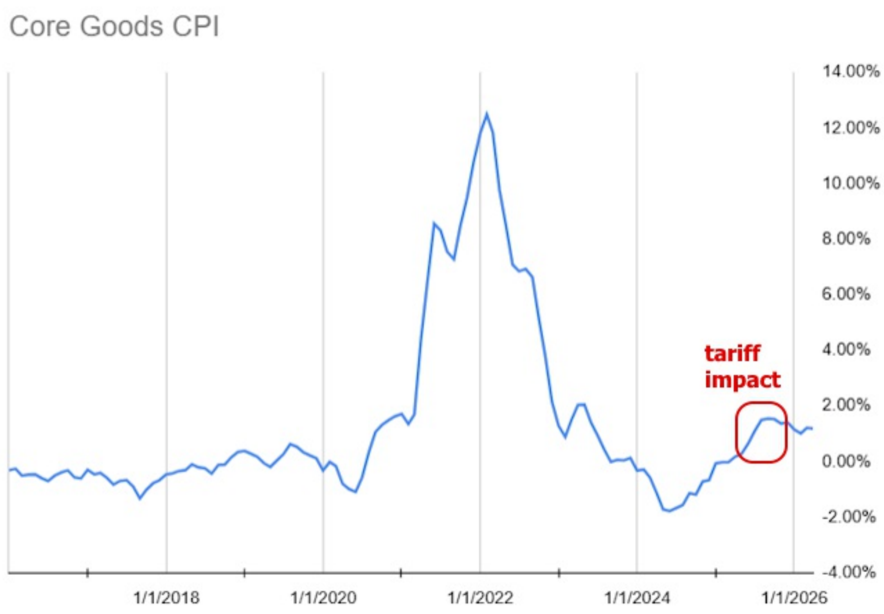
The Day Ahead: Slightly Hotter CPI No Problem For Bonds

This morning's Consumer Price Index (CPI) came in slightly hotter than expected with core inflation running 2.8% annual vs 2.7% forecasts and overall inflation at 3.8% vs 3.7%. Bonds have traded both ways after the data, but after 20 minutes, yields were actually LOWER by a hair. What gives? We know traders are trading the data based on volume. The stalemate could have to do with core goods (a proxy for tariff-related inflation) moving lower. The Fed has called this category out as a prerequisite for considering rate cuts again. The rest of the data was less friendly but housing played an outsized role. This is actually better for the rate outlook because traders think housing will ultimately trend lower over time. That said, the non-housing metric (supercore, .454% monthly and 3.32% annually) remains far too high for a rate cut discussion to be on the table for the foreseeable future.



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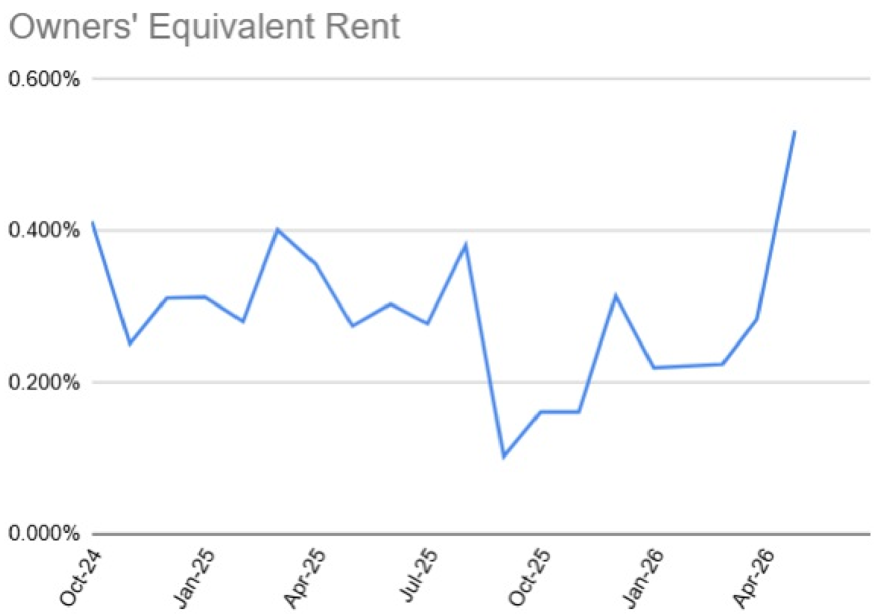

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