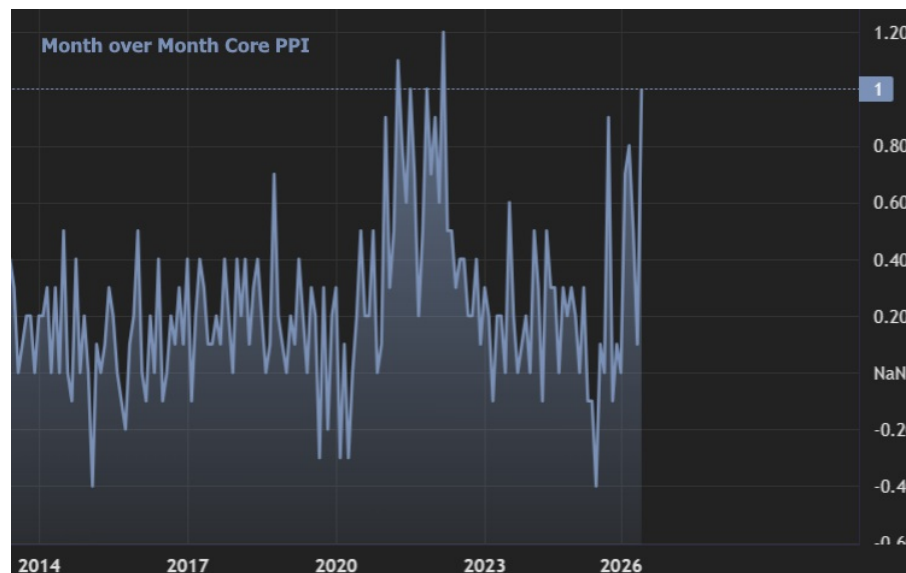
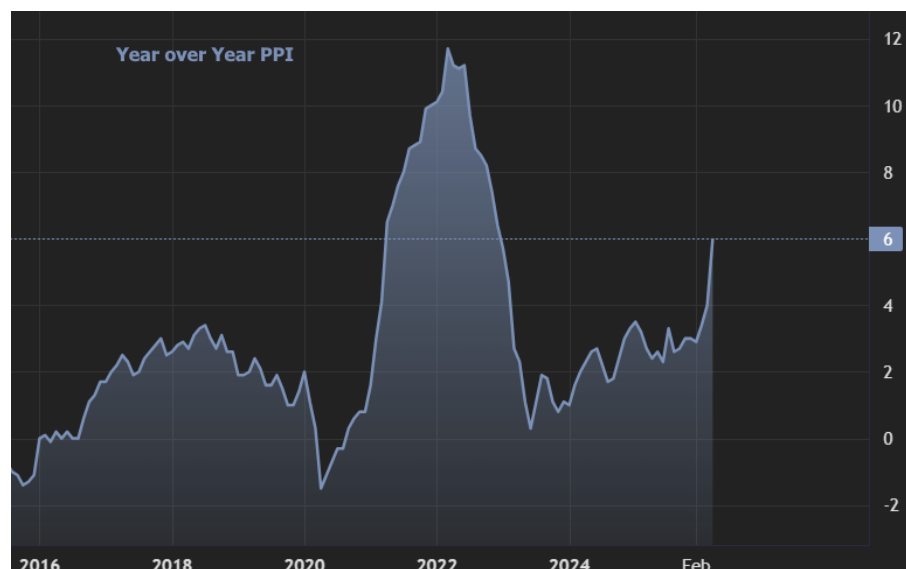


MBS & TREASURY MARKETS

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The Day Ahead: PPI Hit Even Harder Than CPI, But Damage is Minimal

The Producer Price Index (PPI) is much more volatile and, on average, much less of a market mover than the Consumer Price Index (CPI), but occasionally, it swings for the fences. Today's release is a clear example with the monthly headline coming in at 1.5 vs 0.5 forecast. In annual terms, headline inflation is a whopping 6.0% versus a 4.9% forecast--up sharply from last month's 4.3% (itself upwardly revised from 4.0%). This is easily the most onerous spike since the pandemic. Even though PPI hit the market harder than CPI, that's not saying much. Bonds are only 2bps weaker at 10am ET--a testament to how little this data tends to matter.



Ryan and Jaime Ingram

Husband and Wife
Mortgage Team, Interstate
Mortgage Service

www.InterstateMortgage.net

P: (480) 553-5555

M: (480) 329-0707

jaime@interstatemortgage.net

25062 S. 190th Street
Queen Creek AZ 85142

NMLS ID: 89235

Company ID: 37053



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