

MBS & TREASURY MARKETS

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The Day Ahead: Strong Start After Sharply Lower CPI

The Consumer Price Index came in FAR below expectations with a core reading of 0.0 vs 0.2 forecasts. In rounded terms, it was -0.17%. Headline CPI was more sharply negative than expected at -0.4 vs a -0.1 forecast. Supercore (which excludes housing) was down -0.2 which is the first negative reading in over a year. Core goods also remained in negative territory for a second straight month. Bonds rallied instantly, led by the short end of the curve (more closely tied to Fed rate expectations). But even 10yr yields are down over 5bps and MBS are up more than 3/8ths of a point.

SUPERCORE M/M



Core Goods



Edgar Jaramillo

Lending Broker, New Dawn Capital

www.anewdawncapital.com

P: (800) 306-7211

ed@anewdawncapital.com

8271 Waverly Lane
San Diego CA 92129

358874

2674261



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