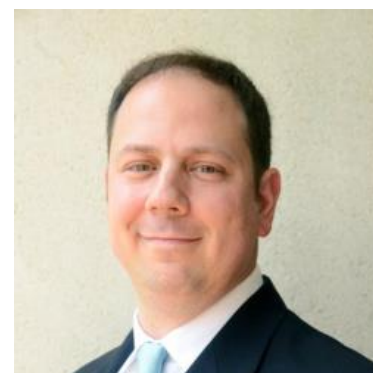


MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

The Day Ahead: Thank You PPI

If nothing else, this morning offers confirmation of just how nervous the market is about inflation. The producer price index barely beat its forecast (in fact y/y CORE PPI was on the screws), but this was enough for bonds to add on to modest overnight gains in a modestly enthusiastic way. We almost never see this much of a reaction to this small of a beat/miss in PPI. The other consideration is that oil has been trending lower since 3am, and bonds stayed almost perfectly flat from 4am-8:30am, but this should only be viewed as a small supporting actor in this morning's rally. Stocks jumped at 9:30am as well, arguably adding evidence that retail stock investors appreciated the inflation message as well.



Michael Levine

Senior Loan Officer,
CrossCountry Mortgage

M: 914-391-1183

2900 Westchester Ave.
Purchase NY 10577-____
307827