

Bond Market Ignores Rising Producer Prices

Wholesale prices were slightly warmer-than-expected in October, although the subsequent bond market rally suggests investor attentions are focused elsewhere.

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Final demand PPI rose +0.2% last month after a +0.1% advance the previous month. Most of the increase was a result of higher prices for services, and according to BLS data, one-third of the rise in services is attributed to a +3.6% increase in the cost of portfolio management. Goods prices were more restrained. On a year-over-year basis, headline PPI rose from a revised +1.9% to a four-month high of +2.4%.

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