Yields Slide as Producer Prices Retreat

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This morning, the December producer price index (PPI), like CPI last week, indicated further deceleration of price pressures. This suggests that Fed tightening is having the desired effect, and that fewer rate hikes may be required going forward.

Headline final demand PPI dropped -0.5%, last month, well below the -0.1% median forecast and matching the tamest producer price reading in 2½ years. Year-over-year producer inflation was rising at a +6.2% pace in December, down from a revised +7.2% in November. Just six months earlier, headline PPI was increasing at a troubling +11.3% pace.

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