

## Favorable Revisions Cushion Otherwise Warm PPI

Both the final demand producer price index and core PPI increased +0.5% in April, topping median forecasts of +0.3% and +0.2% respectively. However, the larger-than-expected headline advance in April was due largely to downward adjustments to the previous months. The overall PPI for March as well as the core were trimmed from +0.2% to -0.1%.

On an annual basis, overall PPI rose +2.2%, the largest increase in a year but *exactly matching the median forecast*. Core CPI was up +2.4% year-over-year, slightly above the median forecast. The annual increase in producer prices isn't far from the Fed's target, but the pace has accelerated in recent months.

According to the Bureau of Labor Statistics (BLS), the index for final demand services climbed +0.6% in April, contributing almost three-quarters of the total month's increase. BLS data indicated that an odd +3.9% rise in the index for portfolio management was a major factor in the outsized services gain. The goods index was up +0.4% in April with roughly three-quarters of the gain attributed to a +5.4% increase in gasoline prices. So far in May, according to AAA, pump prices are down slightly.

Notable April declines were found in the overall food category (-0.7%), airfare (-3.8%), life insurance (-0.7%), and outpatient care (-0.1%).

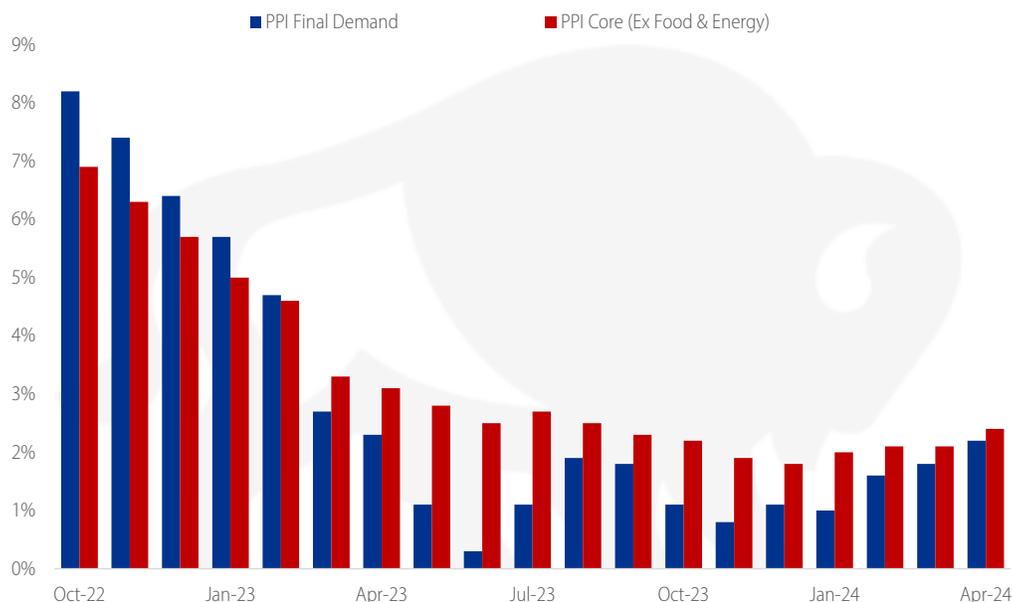
The bond market has chosen to rally in early trading as investors look past the headline misses and strain to see the underlying positives. In total, the April PPI report still indicates prices are trending higher.

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### Producer Price Index (Year-over-Year Percent Change)



Source: Bureau of Labor Statistics

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The consumer price index (CPI), arguably the most important data series of 2024, is scheduled for release tomorrow morning. After three months of uncomfortably warm readings, the April report is expected to show a slight dip in consumer prices. This morning's numbers suggest possible upside risk.

## Market Indications as of 9:28 AM. Central Time

DOW	Up 450 to 38,676 (HIGH: 39,807)
NASDAQ	Up 315 to 16,156 (HIGH: 16,442)
S&P 500	Up 64 to 5,128 (HIGH: 5,254)
1-Yr T-bill	current yield 5.13%; opening yield 5.14%
2-Yr T-note	current yield 4.82%; opening yield 4.79%
3-Yr T-note	current yield 4.65%; opening yield 4.63%
5-Yr T-note	current yield 4.50%; opening yield 4.55%
10-Yr T-note	current yield 4.51%; opening yield 4.56%
30-Yr T-bond	current yield 4.67%; opening yield 4.70%

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