Highest Mortgage Rates in More Than a Week

If you're at all tuned in to economic and financial news, you've probably heard the the phrase "data dependent" more than a few times recently. It refers to the outlook for the Fed's monetary policy and interest rates in general. If the data shows less growth and inflation, the Fed will set friendlier policies and rates will move lower. If the data is stronger and inflation is higher, rates will remain high or move higher.

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Today brought the week's only true top tier economic report. You may have never heard of the ISM Non-Manufacturing Index, but it's the most closely watched version of a class of economic indices (PMIs or "purchasing managers indices) that are highly regarded by financial markets. All that to say, if the ISM Non-Manufacturing PMI comes in much higher or lower than expected, the market tends to react.

Today's version was higher than expected across the board (there are multiple sub-indices that factor into the overall headline). Of particular note, the "prices paid" index rose for the 2nd straight month and is now back in line with the highest levels since March/April.

The market isn't too worried about the outright levels of that price index, but the trajectory matters. Today's increase gives the impression of the first legitimate bounce in service sector inflation since the price index began a serious downtrend in mid-2022.

Who cares? Mortgage rates! Rates are high due to inflation. If it looks like inflation is bouncing, rates will have a hard time moving lower. Today's reaction was fairly small in the bigger picture, but it nonetheless took the average lender back up to the highest rates in more than a week.

From here, the next critical update from economic data is a full week away in the form of the Consumer Price Index (CPI)--an even bigger report than today's ISM data.