

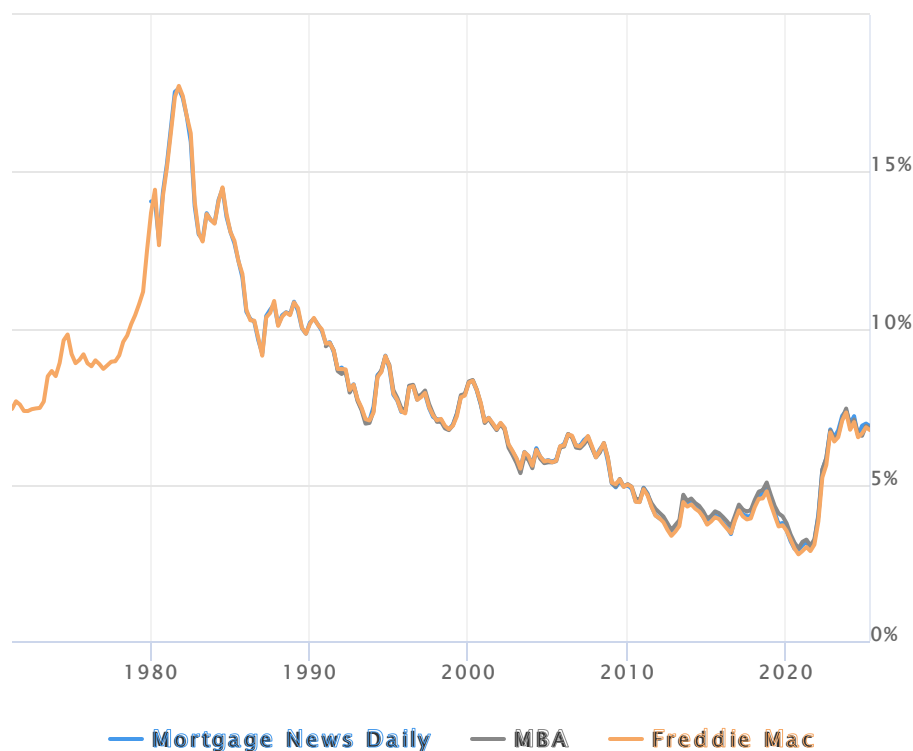
MORTGAGE RATE WATCH

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Mortgage Rates Slightly Lower Today. Upcoming Inflation Data Could Have a Big Impact

Mortgage rates started the week slightly higher for the average lender, but still below last week's highs. Most of what was lost yesterday was gained back today.

All of the above makes the recent movement seem bigger than it actually has been. The last 5 business days have been some of the narrowest since mid-July with 30yr fixed rates moving less than 0.125% from trough to peak.



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The absence of volatility makes sense because there's also been an absence of big ticket economic data since last Wednesday. That will change tomorrow with the release of the Consumer Price Index (CPI).

CPI is the most closely-watched monthly inflation report. Given that inflation is the biggest reason for high rates, markets are poised to react to any unexpected results. Traders already assume that fuel/energy inflation will push the headline number higher, but that "core inflation" (which excludes food/energy) will be in line with last month's reading.

The rate market is more focused on core inflation. If it surprises to the high side, rates would likely rise--potentially abruptly. If it comes in lower than expected, rates would likely move down. The larger the departure from expectations, the bigger the potential move.

CPI will be released at 8:30am ET, which is before almost any mortgage lender has rates available to lock.