

# MORTGAGE RATE WATCH

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## Mortgage Rates Start Higher But Recover Ahead of Key Inflation Report

Mortgage rates began the day at the highest levels in nearly 2 weeks. The underlying bond market had been losing ground steadily since last Thursday and there was some follow-through to that negative momentum early today. Weaker bonds = higher rates, all other things being equal.

But bonds recovered from 10am through the end of the day and the specific bonds that underlie mortgage rates did even better than their Treasury benchmarks. This allowed almost every lender to issue updated, improved pricing in the afternoon. With that, lenders were fairly close to the rate offerings seen on Friday.

All bets are off as far as tomorrow is concerned. The Consumer Price Index (CPI) will be released at 8:30am ET and it has the power to send rates sharply higher or lower depending on the outcome.

CPI is the most important inflation report for the bond market and one of the only pieces of economic data that can rival the big jobs report when it comes to market movement potential. The key word here is "potential." CPI can always thread the needle and garner a mixed response in the market, but if it's significantly higher or lower than expected, rates will be on the move.



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