Huge Drop in Mortgage Rates After Friendly Inflation Data

November 3rd's jobs report brought an outstanding week for Treasuries and mortgage rates to an outstanding conclusion. From there, the following week (last week) was sorely lacking in inspiration. Markets were anxiously awaiting today's release of the Consumer Price Index (CPI) and it did not disappoint.

If we had to pick the single, biggest consideration for interest rates these days, it would surely be inflation. CPI is the biggest market mover among the inflation reports and this one left no doubt. By merely coming in 0.1% lower than expected for the month, CPI sparked one of the biggest single-day bond market rallies since last year (incidentally also due to a CPI report in November 2022).

While this is important confirmation of the prospective shift away from the recent rate ceiling, there are other economic reports and other factors that could make for a bumpy road on the way down. In fact, we should keep in mind that there have been a few "false starts" in rates that have looked quite a lot like the past few weeks only to give way to another surge toward higher highs.

Either way, it will be the balance of economic data and the Fed's response to that data that will do the most to dictate the broader trends in rates. On that note, tomorrow morning brings more important reports. The Producer Price Index and Retail Sales are certainly not on the same level as today's CPI, but if they speak loudly enough and in unison, they could add momentum to today's improvement or make a case for more consolidation before rates move any lower (equivocal, but accurate).

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