MORTGAGE RATE WATCH
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Mortgage Rates Rise After Inflation Data, But it Could Have Been Worse

Today brought the release of one of the most consequential economic reports that comes out on any given month: the Consumer Price Index (CPI). CPI measures inflation and inflation is a big deal for interest rates. Higher inflation means higher rates and vice versa. That correlation held true today with CPI coming in higher than expected and mortgage rates moving higher, but the details are more nuanced.

The last time CPI came out (February 13), the most important line item (core month over month CPI) was at the same level as today's report. The impact on 30yr mortgage rates at the time was a big jump of 0.17% for the average lender. Today's increase was only 0.05%, and it didn't even bring rates up to levels seen BEFORE last month's big jump.

That all adds up to a very nice silver lining for an otherwise downbeat day. It suggests the market is starting to see more convincing signs that inflation and the economy stand a better chance deliver rate-friendly news in the near future as opposed to news that would cause a big resurgence.

But why was today's outcome so much better? There were some mitigating factors in today's CPI that weren't present last time. Most importantly, the largest and most stubborn component of that core month over month number managed to drop back into its prevailing range (last month's reading represented a spike to the highest level in nearly a year--something that caused investors to worry about new upward momentum in inflation).

All that having been said, to whatever extent the data was "less bad" than it might have been, it also wasn't great news for those hoping for lower rates. It basically means we'll have to keep waiting for additional data to provide more confidence that inflation has turned a corner.

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