Mortgage Rates Shrug Off Seemingly Threatening Inflation Data to hit 5 Month Lows

Yesterday was all about the CONSUMER Price Index (CPI), which helped mortgage rates drop at the 2nd fastest pace of the year. Today brough the PRODUCER Price Index (PPI), and the message was a bit different.

While PPI is not in the same league as CPI in terms of its impact on rates, there have been several recent examples that have left a mark on the market, for better or worse. When this morning's installment came out, it looked like we'd have another example to count, and not the good kind.

Between the new headline and the revision to last month's numbers, annual PPI ended up a half a percent higher than the market expected. If that sort of thing happened in CPI, rates would absolutely skyrocket. Even though it was a PPI problem, it still would not have been a surprise to see at least SOME upward pressure today.

But instead, rates managed to move LOWER, albeit not by much. Still... any improvement in the wake of such numbers requires an explanation. In this case, it came down to the underlying components of the PPI data not translating to the consumer-facing inflation metrics that guide rate policy.

In other words, sometimes higher PPI suggests upward pressure on the PCE inflation data (the broadest national measure of consumer inflation and the most closely-watched by the Fed), but today's report did not. Bonds initially panicked for a split second, but then eased into modestly stronger territory and stayed there all day without any drama.

Tom Payne
Senior Loan Consultant, loanDepot
www.loandepot.com/tpayne
P: (702) 303-0243
M: (702) 303-0243
tpayne@loandepot.com
2835 St. Rose Parkway
Henderson NV 89052
1017004
174457

The average lender was able to drop rates by just a hair, but even if victory were limited to preserving yesterday's victory, that would be victory enough.