

# MORTGAGE RATE WATCH

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## Mortgage Rates Recover Some of The Lost Ground

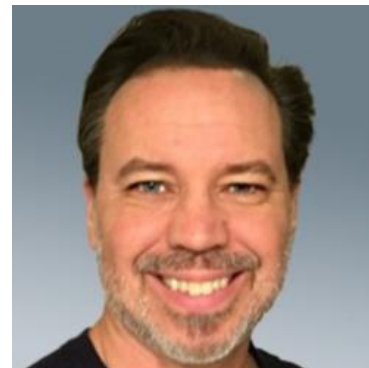
The week's big story is still the big jump in rates that took place after Wednesday's Fed announcement. And while rates remain noticeably elevated on the week due to that jump, they're set to end the week at slightly less elevated levels.

Credit this morning's inflation data for that development! Part of Wednesday's Fed Day drama involved a renewed focus on inflation reports. That added to anxiety because Friday's PCE inflation index is one of the two big inflation reports that come out each month.

The bond market that underlies day-to-day interest rate movement is most focused on what's known as "core" inflation, which discounts the more volatile food and energy components. If month over month core inflation is running just under 0.2%, annual inflation would eventually hit its 2.0% target.

Today's monthly core PCE came in at 0.1%, which was lower than the market expected. In year over year terms, there's more work to do, as PCE remained at 2.8%. The market actually expected a 0.1% increase on the annual number.

In general, when reports like PCE (or its counterpoint, CPI) come in lower than expected, it puts downward pressure on rates. Today was no exception with the average lender getting back almost half of the ground lost on Wednesday. Top tier 30yr fixed rates are still over 7%, but only just.



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