MORTGAGE RATE WATCH

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Mortgage Rates Make a Modest Recovery Ahead of Important Inflation Data

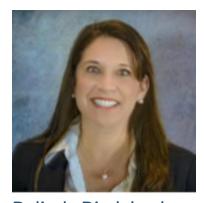
Mortgage rates officially hit the highest levels since May 2024 yesterday, even though the average was almost imperceptibly higher than last Friday's. We saw a similarly small move today, but in the opposite direction.

In other words, the average rate moved lower by an amount that won't even have an impact on many of yesterday's rate quotes. As always, keep in mind that our rate index is an average of multiple lenders and on days with very small changes, some lenders can be noticeably better or worse compared to the previous day.

This morning's economic data featured the Producer Price Index (PPI)--a report that measures inflation at the wholesale level. It came in at lower levels than expected. That would normally be good for rates, but it didn't have much of an impact today.

Tomorrow's inflation report--the Consumer Price Index (CPI)--is in a different league. If it undershoots forecasts by the same margin, rates would almost certainly move lower. Conversely, rates would almost certainly rise if inflation overshoots forecasts.

There's no guarantee of rate-friendly data tomorrow simply because today's inflation report was lower than expected. CPI frequently departs from PPI on any given month, even though the two tend to do the same things over longer time horizons.



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