

MORTGAGE RATE WATCH

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Mortgage Rates Drop Back to Last Week's Levels After Softer Inflation Data

We knew that today's Consumer Price Index (CPI) was a hotly anticipated economic report that at least had the potential to give rates a big push, and it didn't disappoint.

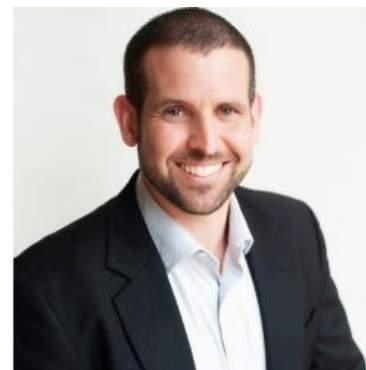
Any time we're dealing with an important economic report that gives rates a big push, there's generally an equal chance of getting pushed in either direction. We can know this with confidence because rates are based on financial markets and traders wouldn't wait to make their move if they already knew what that move would look like.

All that having been said, there are occasionally situations where these pushes end up being more likely to be bigger in one direction vs the other. Today could be argued to be benefiting from such a phenomenon simply because rates were at the highest levels in 8 months over the past few days. Some of the biggest single day rate drops we've seen have followed a similar formula (i.e. rates at long term highs followed by an obviously rate-friendly economic report).

The past examples of this have only tended to involve 2 economic reports: the jobs report (which hurt us last week) and the Consumer Price Index (CPI), which helped us today.

Long story short, the relevant components of the CPI data were lower than the market expected. Bonds improved immediately and lenders were able to move rates back down to the levels seen earlier last week.

Granted, the levels seen earlier last week were still the highest in many months at the time, but any move back toward lower rates has to start somewhere. We won't know how long this one will last until we see the extent to which additional economic data supports the same conclusion.



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