Mortgage Rates Highest in Nearly a Month After Inflation Report

Today's mortgage rate movement is very straightforward. Unfortunately, it's also marked by a straight line toward higher levels--in this case, the highest since January 14th.

Incidentally, January 14th was the day before the last instance of the Consumer Price Index (CPI), the same inflation report that caused rates to surge higher today. Back in January, inflation was a bit better than the market was expecting. Today, it was much worse (i.e. "higher").

Rates are based on bonds, and inflation is an arch enemy of the bond market. To understand this, consider the fact that bonds are "fixed income" investments in that they pay out on a fixed schedule that is determined at origination. An investor buying a mortgage at any given interest rate is doing to get the same number of dollars in interest regardless of inflation.

In a hypothetical scenario on an extremely small scale, imagine the investor earns 3 dollars this month--enough to buy 12 eggs back in the olden times. Fast forward to the present and the investor still earns 3 dollars, but inflation means they'll have to settle for half as many eggs.

In response to the inflation impact, investors effectively require higher interest payments before deciding to invest in fixed income debt like the mortgage market.

The average lender moved up by nearly an eighth of a percent, which is actually not as bad as it could have been, all things considered.

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