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Mortgage Rates Just a Hair Higher Ahead of Important Inflation Report

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Today's movement in mortgage rates, in and of itself, is barely worth mentioning. The average lender remains close enough to Friday's levels but is technically just a hair higher. That fact is offset by the counterpoint that most of the past two months saw higher rates.

The future is far more interesting than the present--specifically, the immediate future. Tomorrow morning brings the release of the Consumer Price Index (CPI). This is one of the most important economic reports as far as interest rates are concerned and tomorrow's example is especially notable.

This CPI marks the first major opportunity for the official data to show (or not show) a meaningful impact on inflation from tariffs. Because the Fed has acknowledged this and because the prospect of tariff-driven inflation is the reason they're waiting to cut the Fed Funds Rate, things could get pretty spicy (in a good way) if CPI fails to show the expected uptick.

Conversely, there's every possibility that tariff-driven inflation does indeed show up in the data, in which case the path forward for rates is slightly less certain. It would really depend on the extent of the shift.

As it stands, the market is expecting the monthly change in core inflation to rise from 0.1% to 0.3% in this report. If it instead rose to 0.4% or higher, rates would likely move up. 0.2% or lower, and rates would likely recover a bit.

But even then, traders will look into the underlying composition of the number and assess whether changes were driven by tariff-dependent categories. For example, if CPI comes in at 0.2, but it was due to a big shift in rental costs or health care, rates could still rise if tariff-dependent categories showed higher inflation. Granted, this is a big "if," but the point is that the market will consider the nuance under the numbers as opposed to pure headlines.