

Mortgage Rates Seeing Some Underlying Pressure Ahead of Inflation Data

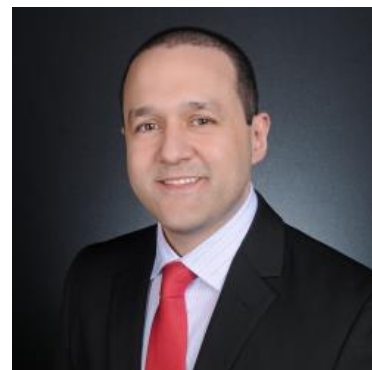
Mortgage rates were effectively unchanged on Thursday with the average lender very close to the best levels in over a year. But when it comes to the underlying bond market and the rates available to consumers, there are some dislocations that suggest risk is increasing.

Specifically, bonds lost ground today. This normally implies higher mortgage rates. But the timing and magnitude of bond market losses can dictate the size of mortgage rate changes as well as the timing. In today's case, bonds were in better shape this morning when mortgage lenders published their daily rate offerings.

There was additional bond market weakness as the day progressed, but not enough to trigger a mid-day rate change from lenders (mortgage lenders prefer to avoid mid-day changes unless bonds make bigger moves).

Bottom line: instead of going into tomorrow with a cushion from the bond market, mortgage lenders will have to raise rates a bit in order to catch up. NOTE: this assumes that bonds hold their exact same levels through tomorrow morning. That's certainly NOT a guarantee considering we'll get the release of September's CPI inflation data at 8:30am ET.

There's no way to know how CPI will come in. Markets have already positioned for everything they think they know about the data. In other words, there is a consensus expectation that monthly core CPI will be 0.3% and non-core (headline) CPI will be 0.4%. If the actual numbers are higher, rates would be more likely to rise tomorrow, but if they're lower, bonds could bounce back enough that mortgage rates continue to hold steady, or actually improve.



Dagoberto Castillo

Broker Owner, Obtain A Mortgage, LLC

ObtainAMortgage.com

M: (954) 271-2995

3750 NW 87th Ave, Suite 700
Doral FL 33178

Dagoberto Castillo - NMLS #
385009

Obtain A Mortgage, LLC - NMLS #
2636344


OBTAIN A MORTGAGE.COM