

Mortgage Rates Little-Changed Despite Decent Inflation Data

This morning brought the release of the much-anticipated Consumer Price Index (CPI). This is one of the two biggest inflation reports from the U.S. government, and the only government inflation report that's coming out during the shutdown. With big government data being a key consideration for interest rates, this special release got extra attention.

Core monthly inflation was lower than expected (.227% vs 0.3 forecast) as was the annual level at 3.0% versus a median forecast of 3.1%. Inflation is the nemesis of interest rates, so the lower-than-expected result is rate-friendly at face value. The underlying bond market agreed to some extent. The first reaction was stronger, thus implying lower mortgage rates.

But mortgage lenders don't tend to publish rates for the day until around 10am ET, 90 minutes after CPI came out. In that time, bonds had second thoughts about how strong their reaction would be--possibly due to internal components of the data that suggested non-tariff-related inflation remains elevated outside after removing the impact from housing payments.

Bonds remained in just barely stronger territory, but didn't quite make it back to yesterday morning's levels. As such, most mortgage lenders were just a hair higher in rate compared to yesterday--a completely logical outcome based on how bonds were trading.

The best way to view today's rate move (or lack thereof) in the context of the inflation data is to say that rates would have been more noticeably higher in the absence of CPI.



Marc Erickson

Branch Manager, Better Rate Mortgage, Inc.

www.themortgagemarc.com

P: (970) 657-2925

M: (720) 295-0704

110 N College Ave
Fort Collins CO 80524
1245157

