

Why Aren't Bonds Happier About CPI?

Market Summary: Wednesday, March 12, 2025 - 2:10PM

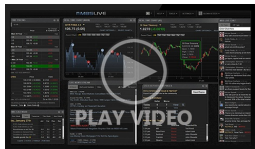
Today's CPI came in lower than expected. That would normally help bonds rally, but they didn't seem too eager to do that. One explanation is that the components of CPI that have a bearing on PCE suggest PCE will be higher than previously expected. While we don't usually see PCE move markets as much as CPI, that's because PCE is much easier to forecast after CPI and PPI come out. As far as the Fed is concerned, PCE has the final say when it comes to measuring progress toward 2% inflation. As such, if today's CPI says that PCE (2 weeks from now) looks like it will be higher than previously expected, the implication is for bond market weakness as opposed to strength.



Matt Graham
Founder and CEO, MBS Live

MBSLIVE

Latest Video Analysis



Consolidation Continues Ahead of CPI

MBS & Treasury Markets

UMBS 5.0	97.77	+0.05	10YR	4.311%	+0.031%	3/12/2025 5:00PM EST
----------	-------	-------	------	--------	---------	----------------------

Why Aren't Bonds Happier About CPI?

Today's CPI came in lower than expected. That would normally help bonds rally, but they didn't seem too eager to do that. One explanation is that the components of CPI that have a bearing on PCE suggest PCE will be higher than previously expected. While we don't usually see PCE move markets as much as CPI, that's because PCE is much easier to forecast after CPI and PPI come out. As far as the Fed is concerned, PCE has the final say when it comes to measuring progress toward 2% inflation. As such, if today's CPI says that PCE (2 weeks from now) looks like it will be higher than previously expected, the implication is for bond market weakness as opposed to strength.

UPDATE: Mixed Reaction After CPI Comes in Lower

ALERT: Negative Reprice Risk Increasing

30YR Fixed	6.82%	+0.03%	15YR Fixed	6.24%	+0.03%	3/12/2025
------------	-------	--------	------------	-------	--------	-----------

Mortgage Rates Slightly Higher Ahead of Important Inflation Data

With fiscal and geopolitical developments dominating the news cycle, it would be easy to forget that prefer to take their primary cues from economic data. This is an important reminder considering tomorrow morning brings one of the most closely watched economic reports: the Consumer Price Index (CPI).

CPI is one of only a few inflation reports from the U.S. government. It is also the out 2 weeks earlier than its only real competitor. Because of that, and the fact that rates are greatly impact by inflation, CPI is one of the biggest potential sources of rate volatility.

There are certainly other economic reports that matter. Even today's Job Openings data managed to cause small scale volatility this morning, but CPI is far more capable. As always, in order to have a truly big impact on rates, the data would need to come in much higher or lower than forecast, and there's no way to know where it will come in ahead of time (economists have already done their best to forecast that).

As for today, stock market fluctuations proved to be a bigger influence than the Job Openings data, ultimately pushing rates slightly higher compared to yesterday's latest levels.

Time	Event	Actual	Forecast	Prior
Wednesday, Mar 12				
12:00AM	Roll Date - UMBS 30YR			
7:00AM	Mar/07 MBA Purchase Index	154.6		144.5
7:00AM	Mar/07 MBA Refi Index	911.3		784.2
8:30AM	Feb y/y Headline CPI (%) ☆	2.8%	2.9%	3%
8:30AM	Feb m/m Headline CPI (%) ★	0.2%	0.3%	0.5%
8:30AM	Feb y/y CORE CPI (%) ★★	3.1%	3.2%	3.3%
8:30AM	Feb m/m CORE CPI (%) ★★	0.2%	0.3%	0.4%
10:30AM	Mar/07 Crude Oil Inventory (ml)	1.448M	2M	3.614M
11:30AM	17-Week Bill Auction (%)	4.175%		4.180%
1:00PM	10-Year Note Auction ★	4.310%		4.632%
2:00PM	Feb Federal budget, \$ (bl)	\$-307B	\$-303.2B	\$-129B
Thursday, Mar 13				
8:30AM	Feb Producer Prices (%)	0%	0.3%	0.4%
8:30AM	Mar/01 Continued Claims (ml)	1870K	1900K	1897K
8:30AM	Feb Core Producer Prices YY (%) ★	3.4%	3.5%	3.6%
8:30AM	Feb Core Producer Prices MM (%) ★	-0.1%	0.3%	0.3%
8:30AM	Mar/08 Jobless Claims (k) ★	220K	225K	221K
1:00PM	30-Year Bond Auction ☆	4.623%		4.748%

Recent Housing News

- Big Bounce in Refi Demand Thanks to Lower Rates
- Why Didn't Refi Demand Spike This Week?
- New Home Sales Drop 10.5%. Should You Care?

Read My Latest Newsletter

The Secret Reason That Rates Bounced This Week

There's a lot for financial markets to digest at the moment. Over the past few weeks, the net effect of that digestion has been good for bonds/rates and bad for stocks. But the prevailing correlation broke down this week and few people in the U.S. truly understand why. That's forgivable, considering there has been a lot to react to in terms of economic data and fiscal updates. Monday's weaker&n...

Mortgage Calculators

-  Mortgage Payment w Amortization
-  Loan Comparison
-  Advanced Loan Comparison
-  Early Payoff
-  Should I Refinance?
-  Rent vs. Buy
-  Blended Rate