

MARKET SUMMARY

Complete Recap of Today's Market Activity

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 5.5 | 99.66 | +0.04 | 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

Today's Mortgage Rates

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.

Economic Calendar

Last Week

This Week

Next Week

| Time | Event | Actual | Forecast | Prior |
|--------------------------|---------------------------------------|---------|----------|---------|
| Wednesday, Mar 12 | | | | |
| 12:00AM | Roll Date - UMBS 30YR | | | |
| 7:00AM | Mar/07 MBA 30-yr mortgage rate (%) | 6.67% | | 6.73% |
| 7:00AM | Mar/07 MBA Mortgage Applications | 11.2% | | 20.4% |
| 7:00AM | Mar/07 MBA Purchase Index | 154.6 | | 144.5 |
| 7:00AM | Mar/07 Mortgage Market Index | 269.3 | | 242.2 |
| 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 CPI index, nsa | 319.082 | 319.22 | 317.67 |
| 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% |
| 8:30AM | Feb Core CPI index, sa | 319.775 | | 319.086 |
| 10:30AM | Mar/07 EIA Crude Oil Imports Change | 0.503M | | -0.054M |
| 10:30AM | Mar/07 Crude Oil Inventory (ml) | 1.448M | 2M | 3.614M |
| 10:30AM | Mar/07 EIA Gasoline Production Change | -0.078M | | 0.464M |
| 10:30AM | Mar/07 EIA Gasoline Stocks Change | -5.737M | -2M | -1.433M |

| Time | Event | Actual | Forecast | Prior |
|-------------------------|--|---------|-----------|---------|
| 10:30AM | Mar/07 EIA Cushing Crude Oil Stocks Change | -1.228M | | 1.124M |
| 10:30AM | Mar/07 EIA Distillate Stocks Change | -1.559M | -1.3M | -1.318M |
| 10:30AM | Mar/07 EIA Distillate Fuel Production Change | -0.113M | | -0.587M |
| 10:30AM | Mar/07 EIA Heating Oil Stocks Change | -0.183M | | -0.067M |
| 10:30AM | Mar/07 EIA Refinery Crude Runs Change | 0.321M | | -0.346M |
| 11:30AM | 17-Week Bill Auction (%) | 4.175% | | 4.180% |
| 1:00PM | 10-yr Note Auction (b) ★ | 39 | | |
| 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 PPI YoY | 3.2% | 3.3% | 3.5% |
| 8:30AM | Feb Producer Prices (%) | 0% | 0.3% | 0.4% |
| 8:30AM | Feb PPI Ex Food, Energy and Trade MoM | 0.2% | | 0.3% |
| 8:30AM | Feb PPI Ex Food, Energy and Trade YoY | 3.3% | | 3.4% |
| 8:30AM | Feb Core Producer Prices YY (%) ★ | 3.4% | 3.5% | 3.6% |
| 8:30AM | Mar/08 Jobless claims 4-wk avg (k) | 226K | | 224.25K |
| 8:30AM | Feb Core Producer Prices MM (%) ★ | -0.1% | 0.3% | 0.3% |
| 8:30AM | Feb PPI | 147.953 | | 147.716 |
| 8:30AM | Mar/01 Continued Claims (ml) | 1870K | 1900K | 1897K |
| 8:30AM | Mar/08 Jobless Claims (k) ★ | 220K | 225K | 221K |
| 10:30AM | Mar/07 Nat gas-EIA, change bcf | -62Bcf | -50Bcf | -80Bcf |
| 11:30AM | 8-Week Bill Auction | 4.220% | | 4.220% |
| 11:30AM | 4-Week Bill Auction | 4.225% | | 4.230% |
| 12:00PM | Mar/13 15-Year Mortgage Rate | 5.8% | | 5.79% |
| 12:00PM | Mar/13 30-Year Mortgage Rate | 6.65% | | 6.63% |
| 1:00PM | 30-Yr Bond Auction (bl) ☆ | 22 | | |
| 1:00PM | 30-Year Bond Auction ☆ | 4.623% | | 4.748% |
| 4:30PM | Mar/12 Central Bank Balance Sheet | \$6.76T | | \$6.76T |

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?

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...

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