MARKET SUMMARY

Complete Recap of Today's Market Activity

Another Paradoxical Reaction to an Inflation Report

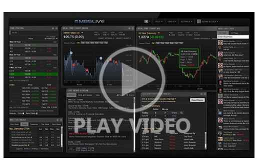
Market Summary: Wednesday, March 12, 2025 - 4:22PM

For the 2nd month in a row, the market's reaction to a CPI/PPI report ended up being less about the report itself and more about its implications for the more highly regarded PCE inflation data. While we have to wait 2 weeks for official word on PCE, the CPI/PPI combination goes a long way toward revealing the outcome. In today's case, CPI suggested higher PCE inflation, so bonds ended up selling off, albeit modestly, despite core CPI coming in lower than expected. Thursday's PPI once again has the opportunity to punch above its typical weight for the same reason.

Market Movement Recap

09:31 AM	Weaker overnight and mixed reaction to CPI (mostly ignored). MBS down 1 tick (0.03) and 10yr up 3.6bps at 4.316
12:46 PM	MBS up 1 tick (.03) and 10yr up 2.8bps at 4.308
03:41 PM	Fairly flat in the afternoon, despite some noise in both directions. MBS are unchanged and 10yr yields are up 3.6bps at 4.317

Latest Video Analysis



Another Paradoxical Reaction to an Inflation Report

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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

Highest Mortgage Rates in Just Over 2 Weeks

have moved up over the past 2 days, ultimately hitting the highest levels since February 24th today. While that sounds somewhat unpleasant or unfortunate, context paints a softer picture. Specifically, since February 25th, the average top tier 30yr fixed rate has been in a fairly narrow 0.12% range centered on 6.75%. That makes the past 2 weeks the best 2 weeks we've seen since early October.

Today's contribution ended up being surprisingly uneventful. Why surprising? Markets were eagerly anticipating the Consumer Price Index (CPI) release this morning. As is always the case these days, CPI stands a good chance to send rates higher or lower at a faster pace than most other economic reports.

Today's CPI showed softer than expected inflation for February and an upward revision for January. Some of the underlying components suggested future inflation readings would be slightly higher than expected. Those counterpoints prevented rates from moving lower despite the apparent victory in the headlines.

Looking ahead, tomorrow's Producer Price Index (PPI) is a similar report, but focused on wholesale inflation as opposed to consumer inflation. It, too, can have a bearing on the same future inflation data as CPI. Last month, PPI actually had a bigger impact, and it helped push rates back down after CPI pushed them higher. While this certainly doesn't mean history will repeat itself, it illustrates the possibility of disagreement among these reports.

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
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 (bl)	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		3.3%	3.5%
8:30AM	Feb Producer Prices (%)		0.3%	0.4%
8:30AM	Feb PPI Ex Food, Energy and Trade MoM			0.3%
8:30AM	Feb PPI Ex Food, Energy and Trade YoY			3.4%
8:30AM	Feb Core Producer Prices YY (%)		3.6%	3.6%
8:30AM	Mar/08 Jobless claims 4-wk avg (k)			224.25K
8:30AM	Feb Core Producer Prices MM (%)		0.3%	0.3%
8:30AM	Feb PPI			147.716
8:30AM	Mar/01 Continued Claims (ml)		1900K	1897K

Time	Event	Actual	Forecast	Prior
8:30AM	Mar/08 Jobless Claims (k)		225K	221K
10:30AM	Mar/07 Nat gas-EIA, change bcf		-46Bcf	-80Bcf
11:30AM	8-Week Bill Auction			4.220%
11:30AM	4-Week Bill Auction			4.230%
12:00PM	Mar/13 15-Year Mortgage Rate			5.79%
12:00PM	Mar/13 30-Year Mortgage Rate			6.63%
1:00PM	30-Yr Bond Auction (bl)	22		
1:00PM	30-Year Bond Auction			4.748%
4:30PM	Mar/12 Central Bank Balance Sheet			$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?

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