

MARKET SUMMARY

Complete Recap of Today's Market Activity

Is All News Bad News For Bonds? Will CPI Matter?

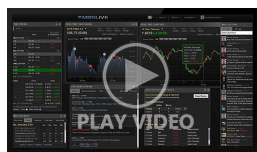
Market Summary: Tuesday, May 13, 2025 - 9:47AM

At times these day, it may seem like all news is bad news for bonds. Higher tariffs hurt us in mid April, and lower tariffs are hurting us now. There are reasons for the paradox. Higher tariffs initially helped quite a bit, but overly high tariffs caused a liquidation that hurt both sides of the market. The 90 day US/China pause announced this morning leaves tariffs high enough to put upward pressure on rates via the inflation channel, and low enough to rob rates of the bullish impulse from the recession channel. The lack of finality means we're waiting months and months before accurately understanding the impacts, and the big bounce in stocks suggests there's room to unwind previous "risk-off" trades in the meantime.

Market Movement Recap

08:48 AM MBS up about an eighth and 10yr down 2.4bps at 4.446

Latest Video Analysis



Is All News Bad News For Bonds?



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MBS & Treasury Markets

UMBS 5.5	98.66	-0.09	10YR	4.498%	+0.028%	5/13/2025 1:47PM EST
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CPI Comes in Lower. Bonds Aren't Mad

- Monthly Core CPI
 - 0.237 vs 0.3 f'cast, 0.1 prev
- Annual Core CPI
 - 2.8 vs 2.8 f'cast, 2.8 prev

The market wasn't expecting fireworks from today's CPI and despite a brief, initial reaction, that looks like a fair assessment. Had these numbers arrived without the tariff backdrop, the case for a Fed rate cut would be building, but not so much as to be a no-brainer. After all, monthly CPI needs to be averaging 0.17, and 0.237 is higher than that.

One could also note 6 month annualized CPI at 3.0% is higher than 2.0% to make a strong case against rate cuts.

But back to the bond reaction... 10s were down just over 2bps before the data and are down 2.6bps now at 4.445. MBS are up an eighth of a point. Stocks rallied back to yesterday's highs on the news, but have paused there for the moment.

ALERT: Negative Reprice Risk Increasing

ALERT: Down More Than an Eighth From Highs

Today's Mortgage Rates

30YR Fixed	6.92%	+0.00%	15YR Fixed	6.26%	-0.01%	5/13/2025
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Mortgage Rates Jump to 2 Week Highs After US/China Trade Talks

Tariffs and trade policy have been a new and important consideration for the bond market for just over a month now. That matters to because mortgage pricing is primarily determined by bond prices.

The reaction function for rates is a bit complicated at first glance because tariffs can exert influence in opposite directions. To whatever extent trade policy results in lower economic growth, it would generally be good for rates, all other things being equal.

To whatever extent trade policy results in higher prices, lower revenue, and lower foreign demand for US assets (which tends to correlate with trade relationships), it would push rates higher.

Over the weekend, the US and China agreed on a 90 day pause on the more extreme tariff brinksmanship. While levels remain elevated enough to cause some inflation concern (remember: bad for rates), they've come down enough to alleviate some concern about the global economy (also bad for rates).

Today's move wasn't huge as far as mortgage rate volatility goes, but the average lender is now up to the highest levels in just over 2 weeks.

[thirtyyearmortgagerates]

Time	Event	Actual	Forecast	Prior
Tuesday, May 13				
6:00AM	Apr NFIB Business Optimism Index	95.8	94.5	97.4
8:30AM	Apr m/m Headline CPI (%) ★	0.2%	0.3%	-0.1%
8:30AM	Apr m/m CORE CPI (%) ★★	0.2%	0.3%	0.1%
8:30AM	Apr y/y Headline CPI (%) ☆	2.3%	2.4%	2.4%
8:30AM	Apr y/y CORE CPI (%) ★★	2.8%	2.8%	2.8%
Wednesday, May 14				
12:00AM	Roll Date - UMBS 15YR, Ginnie Mae 15YR			
5:15AM	Fed Waller Speech ☆			
7:00AM	May/09 MBA Purchase Index			162.8
7:00AM	May/09 MBA Refi Index			721
9:10AM	Fed Jefferson Speech ☆			
10:30AM	May/09 Crude Oil Inventory (ml)		-2.4M	-2.032M
5:40PM	Fed Daly Speech ☆			

Recent Housing News

- Home Price Appreciation Remains, But Interesting Trend Emerges
- Mortgage Applications Contract Slightly, But Remain Above 2 Year Average
- Existing Home Sales at 5 Month Lows

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Fed Rate Expectations Have Fully Erased The Tariff Impact (For Now)

The market is constantly making bets on where the Fed Funds Rate will end up for any given moment many months into the future. As such, that rate expectation is constantly changing. It will continue to change, and it will change in different ways for different time frames. For example the futures contracts that pertain to June's Fed meeting will indicate a different rate than the contracts for ...

Mortgage Calculators

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