

MARKET SUMMARY

Complete Recap of Today's Market Activity

PPI Reaction Playing Out Better Than CPI So Far

Market Summary: Wednesday, July 16, 2025 - 12:11PM

Tuesday's CPI reaction was frustrating. Bonds rallied for an hour only to sell off for the rest of the day starting at 9:30am. Things are off to a different sort of start today. PPI was a bit lower than expected and didn't immediately suggest a major tariff impact in the same way as some of the categories in yesterday's CPI. Imports themselves are not included in PPI, but if a domestic producer raises prices on something with tariffed components, tariffs would effectively be responsible for the increase unless the producer had a separate reason to raise prices. Bottom line: it was easy to see tariffs spilling over to several CPI categories yesterday, thus the reversal, but the worst offenders in today's PPI are distinctly domestic. This likely the reason we haven't seen a similar reversal of the initial headline reaction (which was a modest rally).

Latest Video Analysis



What's Up With The Paradoxical CPI Reaction?



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UMBS 5.5	99.06	+0.14	10YR	4.456%	-0.029%	7/16/2025 5:00PM EST
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Some Selling on Trump/Powell Headlines

TRUMP LIKELY TO FIRE POWELL SOON, WHITE HOUSE OFFICIAL SAYS

OFFICIAL CAUTIONS THERE IS NO EXACT TIMELINE

The newswires above are causing a huge explosion of volume in the bond market with the first 5 minutes outpacing the 5 minutes following yesterday's CPI release. 10yr yields have risen, which is to be expected in this scenario (i.e. shorter term bonds/bills would hold steady or improve based on expectations for a more Fed chair but the market would trade the longer end higher in yield).

10yr yields are nearly back to unchanged levels at 4.48.

MBS are doing a bit better by comparison--still up almost an eighth on the day, but also down an eighth from the highs. Jumpy lenders could technically justify a negative reprice if this move doesn't reverse course quickly.

- MBS MORNING: PPI Reaction Playing Out Better Than CPI So Far
- ALERT: Selling Continues; Reprice Risk Picking Up

30YR Fixed	6.83%	-0.02%	15YR Fixed	6.08%	+0.01%	7/16/2025
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Mortgage Rates Move Higher Despite Decent Inflation Reading

are based on bonds and bonds don't like inflation. When inflation reports are higher than the market expected, rates tend to rise, all other things being equal.

But today's inflation numbers were a bit lower than the median forecast. This scenario is typically more likely to push rates lower. Indeed, in the first hour following today's Consumer Price Index (CPI) release, bond trading implied lower rates.

Then things changed.

Recall our closing reminder from yesterday which qualified the conventional wisdom reactions, saying "even then, traders will look into the underlying composition of the number and assess whether changes were driven by tariff-dependent categories. For example, if CPI comes in at 0.2, but it was due to a big shift in rental costs or health care, rates could still rise if tariff-dependent categories showed higher inflation."

This is essentially what happened. The "shelter" component of CPI (the one that measures housing costs and that has been stubborn in moving down as quickly as hoped) fell to its lowest monthly level since inflation first began soaring in 2021. This is great news for inflation in general and it contributed to the initial market reaction.

Then the "yeah buts" showed up. At issue is the fact that tariffs are increasingly having an impact on certain CPI categories. Granted, it's not enough to raise the overall price index above forecast levels, but the market decided it was enough to justify the Fed's "wait and see" approach on rate cuts. Notably, today's reaction in terms of the Fed rate cut outlook was far milder than the reaction after the jobs report 2 weeks ago, but this one is perhaps more frustrating because the headline inflation numbers suggested the opposite move for rates.

Time	Event	Actual	Forecast	Prior
Wednesday, Jul 16				
12:00AM	Roll Date - UMBS 15YR, Ginnie Mae 15YR			
7:00AM	Jul/11 MBA Refi Index	767.6		829.3
7:00AM	Jul/11 MBA Purchase Index	159.6		180.9
8:30AM	Jun Producer Prices (%)	0%	0.2%	0.1%
8:30AM	Jun Core Producer Prices MM (%) ★	0%	0.2%	0.1%
8:30AM	Jun Core Producer Prices YY (%) ★	2.6%	2.7%	3%
9:15AM	Jun Industrial Production (%) ☆	0.3%	0.1%	-0.2%
9:15AM	Fed Hammack Speech ☆			
10:00AM	Fed Barr Speech ☆			
10:30AM	Jul/11 Crude Oil Inventory (ml)	-3.859M	-0.9M	7.07M
2:00PM	Fed Beige Book			
6:30PM	Fed Williams Speech ☆			
Thursday, Jul 17				
8:30AM	Jun Retail Sales (%) ☆	0.6%	0.1%	-0.9%
8:30AM	Jul/12 Jobless Claims (k) ★	221K	235K	227K
8:30AM	Jun Retail Sales (ex-autos) (%)	0.5%	0.3%	-0.3%
8:30AM	Jul Philly Fed Business Index ☆	15.9	-1	-4.0
8:30AM	Jul/05 Continued Claims (ml)	1956K	1970K	1965K
8:30AM	Jun Import prices mm (%)	0.1%	0.3%	0%
8:30AM	Jun Export prices mm (%)	0.5%	0%	-0.9%
8:30AM	Jul Philly Fed Prices Paid	58.80		41.40
8:30AM	Jun Retail Sales Control Group MoM ★	0.5%	0.3%	0.4%
10:00AM	May Business Inventories (%) ☆	0%	0%	0%
10:00AM	Jul NAHB housing market indx ☆	33	33	32
10:00AM	Fed Kugler Speech ☆			
1:30PM	Fed Cook Speech ☆			
6:30PM	Fed Waller Speech ☆			








Recent Housing News

- Big Jump in Mortgage Demand, But Rates Are Already Rising Again
- Refis Pick Up Steam as Rate Relief Returns
- Pending Home Sales Data Scores Some Points, But Not Enough to Change The Game

After Holiday Hangover, Rates Are Ready to Get Serious About Inflation Data

Mortgage rates partied hard for most of June and into the middle of last week--right up until stronger economic data killed the vibe. The resulting bounce in rates carried momentum through to the beginning of this week, but from there on out, things were broadly sideways. That's not too surprising considering the lack of virtually any major economic data this week. Such data is one of the...

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