MARKET SUMMARY
Complete Recap of Today's Market Activity

Mixed Reaction Thanks to Messy Internal CPI Components

Market Summary: Tuesday, August 12, 2025 - 2:05PM

There's something for everyone in this morning's CPI data. The monthly headline was on target at 0.2 vs 0.2. Same story for the core at 0.3 vs 0.3. Bonds are just a hair stronger, but it's hard to make a case that they should be based on other internals:

- The unrounded monthly core was 0.322 versus the median big bank forecast at 0.31
- Supercore (core CPI excluding housing) was 0.481 vs 0.212 previously
- Core goods (tariff sensitive) is now 1.2% year over year - highest since June 2023

All these bullet points argue for bonds to be selling off today and likely justify the backpedaling in the initial rally. Bonds are still modestly green on the day, but right in line with yesterday's range. It wouldn't be a surprise to see gains continue to erode as markets digest the implications.

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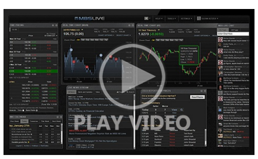

Bonds Mostly Steady Ahead of CPI

MBS & Treasury Markets

UMBS 5.5	100.10	+0.19	10YR	4.292%	+0.007%	8/12/2025 5:00PM EST

Gains Erased in 10yr; MBS Down an Eighth From Highs

Most of the post-CPI gains are now erased. In fact, 10yr yields are at new highs for the day, up 1.7bps at 4.301. This reaction is more in line with the internal components addressed in our

MBS are still technically stronger on the morning, but have given up all of the post-CPI gains. 2yr yields have also back-tracked, but Fed Funds Futures are still doing a bit better. Bottom line, only the very shortest-term debt is seeing any benefit at this point.

MBS MORNING: Mixed Reaction Thanks to Messy Internal CPI Components

UPDATE: Mixed CPI, Bonds Rallying

30YR Fixed	6.58%	+0.00%	15YR Fixed	5.92%	-0.01%	8/12/2025

Mortgage Rates Steady Ahead of High Stakes Inflation Report

The average top tier 30yr fixed rate held exceptionally steady last week after moving just a bit lower over the weekend. By comparison, today's rates are much closer to Friday's latest levels and still very close to the lowest we've seen since October, 2024.

If the two key economic considerations for are jobs and inflation, the two key economic reports are the jobs report seen earlier this month and the Consumer Price Index which comes out tomorrow morning. It's often repeated that the PCE Price Index is a preferable gauge of inflation, but CPI comes out 2 weeks earlier and thus gets most of the market's attention.

Just like last month, market participants are watching to see the extent of tariff-driven inflation in tomorrow's data. If it contributes to a higher-than-expected result, we'll likely see some upward pressure on rates.

Notably, traders are already expecting an increase over last month, so it won't be "news" to interest rates if inflation is merely higher (the expectation is baked-in to current levels).

Bottom line, volatility potential is higher tomorrow morning due to the inflation data and there's no way to know if it will help or hurt until the market is already reacting.

Economic Calendar

Last Week | This Week | Next Week

Time	Event	Actual	Forecast	Prior
Tuesday, Aug 12				
12:00AM	Roll Date - UMBS 30YR			
6:00AM	Jul NFIB Business Optimism Index	100.3	98.6	98.6
8:30AM	Jul y/y Headline CPI (%) ☆	2.7%	2.8%	2.7%
8:30AM	Jul m/m Headline CPI (%) ★	0.2%	0.2%	0.3%
8:30AM	Jul y/y CORE CPI (%) ★★	3.1%	3%	2.9%
8:30AM	Jul m/m CORE CPI (%) ★★	0.3%	0.3%	0.2%
10:00AM	Fed Barkin Speech ☆			
10:30AM	Fed Schmid Speech ☆			
12:00PM	WASDE Report (%)			
2:00PM	Jul Federal budget, $ (bl)	$-291B	$-215B	$27B
Wednesday, Aug 13				
7:00AM	Aug/08 MBA Refi Index	956.2		777.4
7:00AM	Aug/08 MBA Purchase Index	160.2		158.0
7:30AM	Fed Barkin Speech ☆			
10:30AM	Aug/08 Crude Oil Inventory (ml)	3.037M	-0.8M	-3.029M
1:00PM	Fed Goolsbee Speech ☆			
1:30PM	Fed Bostic Speech ☆			

Recent Housing News

- Falling Rates Spark Modest Rebound in Mortgage Applications
- Mortgage Applications Fall as Rates Held Near Highs
- Pending Home Sales Slip Again, Underscoring Market Stagnation

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Calmly Holding the Lowest Rates Since October, But for How Long?

Last Friday's jobs report sparked a big rally in the bond market, and thus a big improvement for mortgage rates. This week was very light in terms of market data and volatility, but it helped solidify the improvement from the jobs report. Specifically, the average lender wasn't even able to fully adjust their rates to account for market movement last Friday. When bonds maintained those ga...

Mortgage Calculators

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