

Producer Prices Surge, Complicating The Rate Cut Outlook

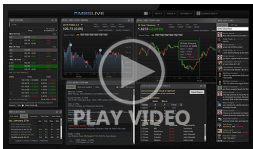
Market Summary: Thursday, August 14, 2025 - 1:51PM

There's no question that today's Producer Price Index came in surprisingly hot. Both the headline and core numbers were 0.9% vs forecasts of 0.2%. The biggest impact came from "trade services" which speaks to wholesalers and retailers marking up margins. There were similar anecdotes in other categories with BLS specifically calling out machinery/equipment, portfolio management, and vegetables. This was enough to erase a moderate overnight rally and cause some weakness in bonds, but it's not nearly as big of a reaction as we'd be seeing if Tuesday's CPI reported a similar beat. PPI is a much more volatile data series and the components that flow through to PCE inflation suggest a smaller spike in consumer inflation. Nonetheless, upward movement in consumer inflation is eroding some of the recent improvement in Fed rate cut expectations.

Market Movement Recap

- 08:43 AM stronger overnight but losing ground after PPI. MBS unchanged and 10yr nearly unchanged at 4.237
- 11:14 AM Additional weakness now. MBS down an eighth and 10yr up 3.7bps at 4.278
- 11:45 AM MBS down 6 ticks (.19) and 10yr up 5bps at 4.291
- 01:38 PM Off the weakest levels. MBS down 5 ticks (.16) and 10yr up 4.8bps at 4.289

Latest Video Analysis



Data-Free Rally Day



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MBS & Treasury Markets

| | | | | | | |
|----------|--------|-------|------|--------|---------|----------------------|
| UMBS 5.5 | 100.14 | -0.17 | 10YR | 4.286% | +0.045% | 8/14/2025 5:51PM EST |
|----------|--------|-------|------|--------|---------|----------------------|

Additional Weakness. Some Negative Reprice Risk

After working through the AM volatility, bonds have continued losing ground at modest pace. Losses are adding up now--not in the bigger picture, but in intraday terms. 10yr yields are up 4.4bps on the day at 4.285 and MBS are down an eighth of a point.

For MBS, this is an eighth of a point below some of the early lenders' rate sheet print times. Most lenders tend to price conservatively on a morning with data-driven weakness, but the jumpiest lenders could see this as the threshold of reprice risk consideration.

- MBS MORNING: Producer Prices Surge, Complicating The Rate Cut Outlook
- ALERT: Huge Jump in PPI Hurting Bonds

Today's Mortgage Rates

| | | | | | | |
|------------|-------|--------|------------|-------|--------|-----------|
| 30YR Fixed | 6.56% | +0.03% | 15YR Fixed | 5.94% | +0.04% | 8/14/2025 |
|------------|-------|--------|------------|-------|--------|-----------|

Mortgage Rates Mostly Steady Despite Some Market Volatility

hit fresh long term lows yesterday with the average top tier 30yr fixed rate at the best levels since October 3rd, 2024. There wasn't anything exceptional about the movement yesterday or on any other day in the past week. Rather, it was the jobs report at the beginning of the month that accounted for a 2-day rally. Rates have been holding near longer-term lows with little fanfare ever since.

Because mortgage rates are based on bonds, the absence of fanfare reflects an absence of volatility in the underlying bond market. Today presented the biggest threat to that calm trend since the August 1st jobs report. Unlike the jobs report, today's inflation data caused a volatile reaction in an unfriendly direction.

In other words, the economic data put upward pressure on rates. The catch is that rates were set to start the day at even lower levels before the data came out. The net effect is another day of fairly minimal change.

| Time | Event | Actual | Forecast | Prior |
|------------------|--|--------|----------|-------|
| Thursday, Aug 14 | | | | |
| 8:30AM | Aug/02 Continued Claims (k) | 1953K | 1960K | 1974K |
| 8:30AM | Jul Producer Prices (%) | 0.9% | 0.2% | 0% |
| 8:30AM | Aug/09 Jobless Claims (k) ★ | 224K | 228K | 226K |
| 8:30AM | Jul Core Producer Prices YY (%) ★ | 3.7% | 2.9% | 2.6% |
| 8:30AM | Jul Core Producer Prices MM (%) ★ | 0.9% | 0.2% | 0% |
| 2:00PM | Fed Barkin Speech ☆ | | | |
| Friday, Aug 15 | | | | |
| 12:00AM | Roll Date - UMBS 15YR, Ginnie Mae 15YR | | | |
| 8:30AM | Jul Export prices mm (%) | | 0.1% | 0.5% |
| 8:30AM | Jul Import prices mm (%) | | 0% | 0.1% |
| 8:30AM | Jul Retail Sales (ex-autos) (%) | | 0.3% | 0.5% |
| 8:30AM | Aug NY Fed Manufacturing ☆ | | 0 | 5.50 |
| 8:30AM | Jul Retail Sales (%) ☆ | | 0.5% | 0.6% |
| 8:30AM | Jul Retail Sales Control Group MoM ★ | | 0.4% | 0.5% |
| 9:15AM | Jul Industrial Production (%) ☆ | | 0% | 0.3% |
| 10:00AM | Jun Business Inventories (%) ☆ | | 0.2% | 0% |
| 10:00AM | Aug Consumer Sentiment (ip) ☆ | | 62 | 61.7 |
| 10:00AM | Aug U Mich conditions ☆ | | 67.9 | 68.0 |
| 10:00AM | Aug Sentiment: 5y Inflation (%) ☆ | | | 3.4% |
| 10:00AM | Aug Sentiment: 1y Inflation (%) ☆ | | | 4.5% |
| 12:00PM | NOPA Crush Report (%) | | | |

Recent Housing News

- Refi Demand Surged as Rates Hit Longer-Term Lows
- Falling Rates Spark Modest Rebound in Mortgage Applications
- Mortgage Applications Fall as Rates Held Near Highs

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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...

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