

Slightly More Focus Than Normal on Thursday's CPI

Market Summary: Thursday, December 18, 2025 - 6:59AM

Wednesday ended up being an uneventful trading day with bonds mostly sideways and well within the recent trading range. This isn't hard to believe given the absence of any relevant market movers. Thursday could be different thanks to the Consumer Price Index (CPI). This is one of those reports that has occasionally swung for the fences, but that can also have almost no impact. The present example could receive a bit more focus than normal as it will be the first time we've seen this data since October 24th. In addition, recent Fed speeches have reintroduced inflation concerns as a reason to be patient when it comes to additional rate cuts. None of this guarantees fireworks, but at the very least, it's the last potential source of fireworks this year as far as econ data is concerned.

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MBS & Treasury Markets

UMBS 5.0	99.73	+0.22	10YR	4.119%	-0.040%	12/18/2025 5:00PM EST
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MBS Nearly an Eighth Off Best Levels

Bonds staged a decent recovery heading into the 11am hour, but they've been selling somewhat steadily since then. While the selling seems to have leveled off for now, it leaves 5.0 MBS teetering on the edge of an eighth of a point of weakness vs the 11am highs. Most lenders publish rate sheets more than an hour before that and MBS were lower at that time.

In other words, compared to rate sheet print times, we're only down about 2 ticks (.06). As such, we'd need to see another 2 ticks of weakness before assuming much negative reprice risk.

10yr yields were briefly unchanged at 11am but are now up 1.8bps at 4.158.

MBS MORNING: Quiet Calendar Ahead of Thursday's CPI

MBS MORNING: Frustratingly Flat After Deceptively Friendly Jobs Report

Today's Mortgage Rates

30YR Fixed	6.22%	-0.05%	15YR Fixed	5.74%	-0.02%	12/18/2025
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Mortgage Rates Unchanged Ahead of Important Inflation Data

were perfectly unchanged compared to yesterday's levels for the average lender. This wasn't a huge surprise considering the absence of any high stakes economic data, but tomorrow could be a different story.

Rates are driven by bonds and the economy is one of the primary sources of motivation for the bond market. In general, the two reports that get more of the bond market's attention than any others are the jobs report and the Consumer Price Index (CPI).

The jobs report obviously pertains to the labor market. This is the report that came out yesterday and although it didn't cause a big move in rates, bond volume was nonetheless at its highest levels since the last jobs report on November 20th.

CPI pertains to inflation. Recent Fed speeches have expressed slightly more concern over inflation's impact on the rate outlook. Longer term rates (like mortgages) also take cues from inflation. If CPI is higher than expected, it tends to put upward pressure on rates and vice versa. This will be the first CPI report since the government shutdown (the last report came out on 10/24/25) which makes it all the more likely that rates will react to any major departure from expectations.

Economic Calendar

Last Week | This Week | Next Week

Time	Event	Actual	Forecast	Prior
Thursday, Dec 18				
8:30AM	Dec Philly Fed Prices Paid	43.60		56.10
8:30AM	Nov y/y Headline CPI (%) ☆	2.7%	3.1%	3.0%
8:30AM	Dec/13 Jobless Claims (k) ☆	224K	225K	236K
8:30AM	Dec/06 Continued Claims (k) ☆	1897K	1930K	1838K
8:30AM	Dec Philly Fed Business Index ☆	-10.2	3	-1.7
8:30AM	Nov y/y CORE CPI (%) ★★	2.6%	3%	3.0%
1:00PM	5-Yr Note Auction (bl) ★	24		
Friday, Dec 19				
10:00AM	Dec Sentiment: 5y Inflation (%) ☆		3.2%	3.4%
10:00AM	Dec U Mich conditions ☆		50.7	51.1
10:00AM	Dec Consumer Sentiment (ip) ☆		53.4	51.0
10:00AM	Dec Sentiment: 1y Inflation (%) ☆		4.1%	4.5%
10:00AM	Nov Exist. home sales % chg (%) ☆			1.2%
10:00AM	Nov Existing home sales (ml) ☆		4.2M	4.1M

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Once Again, Fed Rate Cut Was Meaningless For Mortgage Rates

Friends don't let friends believe the myth that Fed rate cuts result in lower mortgage rates. If you'd rather not immerse yourself in the "why," here is a solid "what:" This isn't an anomaly. The Fed Funds Rate governs loans that last less than 24 hours whereas a mortgage can last 30 years. Loans of different durations frequently see their interest rates walk vastly different path...

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