

MARKET SUMMARY

Complete Recap of Today's Market Activity

Big Drop in Annual CPI, But Only a Cautious Rally So Far

Market Summary: Thursday, December 18, 2025 - 3:25PM

Great news for bonds on the inflation front this morning: Core annual inflation came in at 2.6% compared to a 3.0% forecast and 3.0% last time. It's the lowest reading of the cycle and the first attempt to break below the stagnant sideways/elevated levels that have prevented more aggressive Fed rate cuts. Despite those facts, the bond market is only rallying moderately (but certainly rallying). Traders could be skeptical about the thoroughness of post-shutdown data collection, or this could foreshadow year-end bearish biases. Whatever the case, the data itself was better for bonds than anyone could have hoped for (and better than any economist predicted). NOTE: there is no month-over-month data due to the non-existence of October CPI.



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Latest Video Analysis



Slightly More Focus Than Normal on Thursday's CPI

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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UPDATE: MBS Nearly an Eighth Off Best Levels

MBS MORNING: Quiet Calendar Ahead of Thursday's CPI

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				
9:20AM	NY Fed Bill Purchases 1 to 4 months (%)		\$8.165 million	
10:00AM	Dec Sentiment: 5y Inflation (%) ☆	3.2%	3.2%	3.4%
10:00AM	Dec U Mich conditions ☆	50.4	50.7	51.1
10:00AM	Dec Consumer Sentiment (ip) ☆	52.9	53.4	51.0
10:00AM	Dec Sentiment: 1y Inflation (%) ☆	4.2%	4.1%	4.5%
10:00AM	Nov Exist. home sales % chg (%) ☆	0.5%		1.2%
10:00AM	Nov Existing home sales (ml) ☆	4.13M	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...

Mortgage Calculators

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