Bonds Weren't Prepared For Fed's Inflation Fears

Market Summary: Wednesday, March 18, 2026 - 8:00PM

If anything, you'd think the market would have been pricing in a hawkish Fed day, given the run up in energy prices. But Powell threw reporters a curve ball during the press conference and instead placed the focus on other categories of inflation that were under the microscope before the energy price spike (like core goods and non-housing services), saying there'd been less progress than hoped. The takeaway was that rate cuts are on hold for the foreseeable future. The market agrees, as it is now pricing the next rate cut at more than a year in the future. Bonds were already losing ground on oil price spikes (and PPI to a lesser extent). The net effect took yields back near recent highs and hit MBS for almost half a point.

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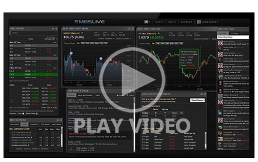
Market Movement Recap

08:32 AM	Slightly weaker after PPI data. MBS unchanged after being up a few ticks and 10yr up .8bps at 4.207
09:16 AM	additional weakness with oil prices spiking. 10yr up 2.8bps at 4.227 and MBS down more than an eighth of a point
02:12 PM	modestly stronger after Fed announcement. MBS still down 3 ticks (.09) and 10yr up 1.5bps at 4.214
02:57 PM	MBS are now down 9 ticks (.28) and 10yr up 5.3bps at 4.253
04:13 PM	Weakest levels. MBS down nearly half a point and 10yr up 6.6bps at 4.266

Latest Video Analysis



Powell Throws Curve Ball to Traders Expecting Oil-Fueled Inflation Concerns

MBS & Treasury Markets

UMBS 5.0	98.94	-0.44	10YR	4.269%	+0.070%	3/18/2026 5:00PM EST

Negative Reprice Risk Increasing

MBS are now down 9 ticks (.28) and almost 6 ticks (.19) from some lenders' rate sheet print times. As such, negative reprices are becoming increasingly possible.

ALERT: Weakest levels as Powell answers inflation questions

UPDATE: Minimal Reaction to Fed Announcement and Dots So Far

Today's Mortgage Rates

30YR Fixed	6.36%	+0.07%	15YR Fixed	5.97%	+0.04%	3/18/2026

Mortgage Rates Move Back Up Near Recent Highs

got hit 3 times on Wednesday, with the net effect being a move back up to the highest levels in several months. The average lender isn't quite as high as they were last Friday, but after late-day "reprices" many are fairly close.

The least of the bond market's concerns (bonds dictate rates) was this morning's inflation data. The Producer Price Index (PPI) was higher than expected on multiple fronts, including those that translate directly to higher consumer prices in the more robust PCE inflation data that comes out on April 9th. Higher inflation = higher rates, all else equal.

Inflation also figured into the morning's other development: a renewed surge in oil prices. Granted, it's not as big as some of the recent spikes, but as crude jumped roughly $6 per barrel, bond yields followed with a strong correlation.

The 3rd market mover was also inflation-related, but this time in the form of Fed comments. Fed Chair Powell's characterization of inflation progress left the market feeling hopeless regarding potential rate cuts any time soon. As always, it is the market's rate cut expectations that actually correlate with interest rate movement (whereas actual Fed rate cuts are old news by the time they happen).

Today's post-Fed press conference resulted in financial markets moving expectations for the next rate cut out to April of 2027. A day ago, the market saw no chance of a rate HIKE at the next Fed meeting. Today, it's nearly 5% (not high, but a notable shift nonetheless).

Economic Calendar

Last Week | This Week | Next Week

Time	Event	Actual	Forecast	Prior
Wednesday, Mar 18				
12:00AM	Roll Date - Ginnie Mae 30YR			
7:00AM	Mar/13 Mortgage Market Index	347.1		389.6
7:00AM	Mar/13 MBA Refi Index	1341.0		1646.3
7:00AM	Mar/13 MBA Purchase Index	172.9		171.3
8:30AM	Feb PPI y/y ☆	3.4%	2.9%	2.9%
8:30AM	Feb Core PPI m/m (%) ★	0.5%	0.3%	0.8%
8:30AM	Feb PPI m/m (%) ★	0.7%	0.3%	0.5%
10:00AM	Jan Factory orders mm (%)	0.1%	0.1%	-0.7%
10:30AM	Mar/13 Crude Oil Inventory (ml)	6.156M	0.4M	3.824M
2:00PM	Interest Rate Projection - 2nd Yr	3.1%		3.1%
2:00PM	Interest Rate Projection - 1st Yr	3.1%		3.4%
2:00PM	Interest Rate Projection - Current	3.4%		3.6%
2:00PM	Interest Rate Projection - Longer	3.1%		3%
2:00PM	FOMC Economic Projections ★★			
2:00PM	Fed Interest Rate Decision ★★	3.75%	3.75%	3.75%
2:30PM	Fed Press Conference ★★			
2:30PM	Powell Press Conference ★★			
Thursday, Mar 19				
8:30AM	Mar Philly Fed Prices Paid			38.90
8:30AM	Mar Philly Fed Business Index ☆		10	16.3
8:30AM	Mar/07 Continued Claims (k) ☆		1850K	1850K
8:30AM	Mar/14 Jobless Claims (k) ☆		215K	213K
9:20AM	NY Fed Bill Purchases 1 to 4 months (%)			
10:00AM	Jan New Home Sales (%) (%)			-1.7%
10:00AM	Jan CB Leading Index MoM (%)			-0.2%
10:00AM	Jan New Home Sales (ml) ☆		0.72M	0.745M
1:00PM	10-yr Note Auction (bl) ★	19		

Recent Housing News

- Purchase Applications Buoy Mortgage Demand Amid Rising Rates
- Modest Recovery Keeps Existing Home Sales in The Same Old Range
- Highest Refi Demand in 4 Years After Last Week's Rate Rally

Read My Latest Newsletter

From 3 Year Lows to 7 Month Highs in 2 Weeks

February ended with 30yr fixed rates at the lowest level in more than 3 years. There's been a grueling march higher since then with average rates ending the week at 7-month highs. While the first few days of March were open to some debate about the reasons for the rate spike, there's now only one elephant in the room, and it's a war elephant. Wars have various effects on financial...

Mortgage Calculators

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