

MARKET SUMMARY

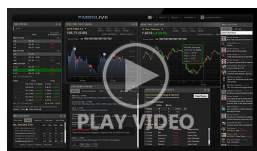
Complete Recap of Today's Market Activity

Dueling Narratives: Inflation vs Flight to Safety

Market Summary: Wednesday, October 14, 2026 - 5:08PM

The ultimate inflation takeaway will depend on Thursday's PPI to some extent, but this morning's CPI data--in and of itself--was unequivocally bad for the bond market. Fed funds futures reacted immediately (as did the rest of the yield curve, for that matter) as the results greatly increased the odds of additional rate hikes. Even now, rate hike odds remain higher today than for most of the past 2 weeks, but there was a rather stunning correction that resulted in longer-term rates making it all the way back to positive territory (more than 15bps in the 10yr, peak to trough)! This is not an example of traders parsing the CPI data and having second thoughts (CPI didn't have any secret good news for bonds). The only obvious way to even attempt to reconcile the reversal in bonds is via the biggest day of selling in the stock market in more than 2 months. The damage is even worse for tech stocks and AI-related concerns could further play into a flight-to-safety in the bond market. No objections here.

Latest Video Analysis



Dueling Narratives Help Bonds Defy The Odds



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UMBS 6.0	98.58	+0.07	10YR	5.184%	-0.034%	10/14/2026 3:04PM EST
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CPI Puts a Floor Under Recent Rate Rally

Unrounded core CPI came in at 0.335, which nearly rounds to 0.4% versus an expectations of 0.2%. This is a big surprise when it comes to inflation data, and it matters more at the moment given the rapidly evolving Fed rate hike outlook. Recent Fed speeches caused a significant pull-back in rate hike expectations. Today's inflation data undoes most of that progress. It may not cause rates to break into new highs, but it makes a strong case for this week's lows being the floor until further notice.

Confused about the market reaction? Let's talk more.

For those wondering why forecasters didn't expect more inflation, the first thing to check is that you're not confusing the concept of "higher price" with "inflation." Two different things... We all know prices are up. The question is about the pace.

Assuming we're on the same page there, the next thing to understand is that there isn't even the slightest possibility that an individual person's anecdotal observations about prices could ever hope to accurately inform the reality of the CPI data set. They're looking at a lot more prices than we individuals could ever see--let alone mentally process.

80-100 professional forecasters are evaluating the entire data set (although, some take this more seriously than others) and submitting forecasts each month. By the day of the release, the median forecast is the entire market's best guess as to where the data comes in. If the data comes in hotter than expected (which today's did... and significantly so), bonds sell off in proportion to the significance of the report in question.

If you're wondering why today's reaction was so big despite core CPI being 0.3 vs 0.2, we can break that down too. First off, you're right that we've seen far smaller responses to similar data. But today's report was critically important to the Fed rate outlook (which has been very volatile recently).

Fed rate expectations fell sharply at the end of September and then have been in a holding pattern as traders waited to see if today's data would validate that sharp fall or reverse it. Core CPI of 0.335% and supercore at 0.423% is more than enough to throw lots of cold water on recently Fed speakers who've called additional hikes into question.

ALERT: Selling Off After Hotter CPI

MBS MORNING: Stronger Start. It's Complicated

Today's Mortgage Rates

30YR Fixed 7.45% -0.01%

15YR Fixed 7.14% +0.00%

10/14/2026

Epic Round Trip as Rates Launch Higher Only to End Lower

You won't see too many days like today when it comes to and the underlying bond market that drives them. Bonds were eagerly awaiting this morning's Consumer Price Index (CPI), a key inflation report and an important source of guidance for the Fed rate outlook.

Reminder: while the Fed Funds Rate itself does not control mortgage rates, Fed rate EXPECTATIONS tend to correlate much better.

Fed rate expectations leapt higher this morning after inflation came in hotter than expected. The rest of the interest rate world followed in lock step. When lenders released their initial mortgage rates this morning, the daily average 30yr fixed was up 0.1% from yesterday--a very big move for a single day.

But roughly half an hour later, the bond market began gradually moving back in the other direction. The recovery continued at a remarkably steady pace (not the sort of linear pace normally seen on days with sharp reactions to important economic data). The only other thing happening in a similarly linear fashion was the HEAVY selling in stocks.

I'd be the first to point out that it's generally a mistake to assume that a certain development in the stock market reliably predicts an outcome in the bond market. That correlation can be positive or negative depending on the day and the underlying motivations. In today's case, there were solid examples of both positive and negative correlation.

Immediately following the inflation data, stocks and bonds lost ground in unison. We'd reconcile that by saying higher Fed rate expectations spell bad news for both. But then the stock selling continued--ultimately progressing toward the worst day of losses in over 2 months.

Huge moves in the stock market can often get the attention of the bond market--especially if stocks are tanking after recently hitting all-time highs in a market where there is some speculation about the longevity of bullish sentiment (as there is now surrounding the AI buildout). For today's purposes, we don't need to know if stocks ultimately get back on track. We only need to imagine that there was enough selling pressure in stocks to cause a decent chunk of investors to increase allocations in bonds.

Such a turn of events would help explain how bonds got all the way back to positive territory (i.e. good for rates) by the end of the day. Thankfully, mortgage lenders were surprisingly willing to make the appropriate adjustments to their rate offerings. The average lender actually ended the day 0.01% LOWER than yesterday--something that seemed all but impossible at 8:31am ET this morning.

[thirtyyearmortgagerates]

Time	Event	Actual	Forecast	Prior
Wednesday, Oct 14				
12:00AM	Roll Date - UMBS 15YR, Ginnie Mae 15YR			
7:00AM	Oct/09 MBA Refi Index	513.5		515.8
7:00AM	Oct/09 MBA Purchase Index	139.3		145.1
7:00AM	Oct/09 Mortgage Market Index	199.2		204.7
8:30AM	Sep y/y Headline CPI (%) ☆	3.7%	3.6%	3.4%
8:30AM	Sep m/m Headline CPI (%) ★	0.6%	0.6%	0.4%
8:30AM	Sep y/y CORE CPI (%) ★★	2.6%	2.5%	2.4%
8:30AM	Sep m/m CORE CPI (%) ★★	0.3%	0.2%	0.3%
2:00PM	Fed Beige Book			
Thursday, Oct 15				
8:30AM	Oct Philly Fed Prices Paid			48.60
8:30AM	Sep Core PPI m/m (%) ☆		0.3%	0.2%
8:30AM	Sep Core PPI y/y (%) ☆		4.4%	4.6%
8:30AM	Oct/03 Continued Claims (k) ☆		1710K	1716K
8:30AM	Oct/10 Jobless Claims (k) ☆		200K	197K
8:30AM	Oct NY Fed Manufacturing ☆		10.3	7.60
8:30AM	Oct Philly Fed Business Index ☆		28.4	37.8
8:30AM	Sep PPI m/m (%) ☆		0.5%	0.4%
8:30AM	Sep PPI y/y ☆		5.3%	5.4%
8:30AM	Sep Retail Sales Control Group MoM ★★		0.3%	1.4%
8:30AM	Sep Retail Sales (%) ★★		0.3%	1.2%
10:00AM	Aug Business Inventories (%) ☆		0.4%	0.8%
12:00PM	NOPA Crush Report (%)			
12:00PM	Oct/09 Crude Oil Inventory (ml)			-3.186M