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Mortgage Rates Move Higher Despite Decent Inflation Reading

Mortgage rates are based on bonds and bonds don't like inflation. When inflation reports are higher than the market expected, rates tend to rise, all other things being equal.

But today's inflation numbers were a bit lower than the median forecast. This scenario is typically more likely to push rates lower. Indeed, in the first hour following today's Consumer Price Index (CPI) release, bond trading implied lower rates.

Then things changed.

Recall our closing reminder from yesterday which qualified the conventional wisdom reactions, saying "even then, traders will look into the underlying composition of the number and assess whether changes were driven by tariff-dependent categories. For example, if CPI comes in at 0.2, but it was due to a big shift in rental costs or health care, rates could still rise if tariff-dependent categories showed higher inflation."

This is essentially what happened. The "shelter" component of CPI (the one that measures housing costs and that has been stubborn in moving down as quickly as hoped) fell to its lowest monthly level since inflation first began soaring in 2021. This is great news for inflation in general and it contributed to the initial market reaction.

Then the "yeah buts" showed up. At issue is the fact that tariffs are increasingly having an impact on certain CPI categories. Granted, it's not enough to raise the overall price index above forecast levels, but the market decided it was enough to justify the Fed's "wait and see" approach on rate cuts. Notably, today's reaction in terms of the Fed rate cut outlook was far milder than the reaction after the jobs report 2 weeks ago, but this one is perhaps more frustrating because the headline inflation numbers suggested the opposite move for rates.

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National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.50%	+0.08	0.00
15YR Fixed	7.03%	+0.03	0.00
30YR FHA	7.05%	+0.05	0.00
30YR Jumbo	7.50%	+0.04	0.00
7/6 SOFR	7.13%	+0.08	0.00
30YR VA	7.07%	+0.06	0.00

Rates as of: 11/13

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	98.69	-0.07
10 YR Treasury	5.1413	+0.0117
30 YR Treasury	5.4682	+0.0134

Pricing as of: 11/13 5:59PM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Nov 4	204.6	+6.23%
Building Permits	Sep	1.4M	+0.43%
Housing Starts	Sep	1.22M	-4.24%
New Home Sales	Sep	676K	-1.17%
Pending Home Sales	Aug	71.2	0%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Oct	29	-9.38%

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