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ALERT: Why Are We Red?! It's CPI!

Consumer Price Index (CPI)

- +0.1 vs +0.2 forecast
- CORE CPI (more important) +0.3 vs +0.2 forecast and +0.1 previously
- CORE y/y CPI +1.8 vs +1.7 forecast and +1.7 previously

Retail Sales

- +0.4 vs +0.4 forecast

CPI is the biggest market mover we have right now in terms of econ data. The uptick in core inflation (both monthly and year-over-year) is the sole source of weakness just now. Core year-over-year numbers had been running at a steady 1.7% for several months before ticking up to 1.8% in October (reported in November) and then back down to 1.7% again in Nov (reported in Dec).

With today's return to 1.8%, investors are once again considering a broad-based, sustainable uptick in inflation. Such an uptick would solidify the Fed's rate hike outlook--essentially guaranteeing higher rates in the short term (at least until the inverted yield curve brings about another recession).

Today's reaction is logical: a quick spike in 10yr yields from 2.54 to 2.58%. In other words, CPI is the new NFP when it comes to the month's biggest economic data market mover (as discussed in the [Day Ahead](#)). Fannie 3.5 MBS are down a quick quarter point to 101-25. Bottom line, we knew a deviation from the forecast in CPI would be big news. Unfortunately, the deviation wasn't in a friendly direction for bonds.



MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	99.34	+0.04
MBS GNMA 6.0	100.07	+0.01
10 YR Treasury	4.6176	-0.0089
30 YR Treasury	4.7106	-0.0212

Pricing as of: 4/19 3:58PM EST

Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.44%	+0.01	0.00
15 Yr. Fixed	6.85%	+0.01	0.00
30 Yr. FHA	6.92%	+0.02	0.00
30 Yr. Jumbo	7.62%	0.00	0.00
5/1 ARM	7.41%	+0.01	0.00
Freddie Mac			
30 Yr. Fixed	7.10%	-0.34	0.00
15 Yr. Fixed	6.39%	-0.37	0.00
Mortgage Bankers Assoc.			
30 Yr. Fixed	7.13%	+0.12	0.00
15 Yr. Fixed	6.64%	+0.18	0.64
30 Yr. FHA	6.90%	+0.10	0.99
30 Yr. Jumbo	7.40%	+0.27	0.46
5/1 ARM	6.52%	+0.11	0.60

Rates as of: 4/19

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