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UPDATE: Bonds Little-Changed After Inflation Data

- Consumer Price Index (CPI)
 - +0.219 vs +0.3 forecast (m/m)
 - +2.3 vs +2.3 forecast (y/y)
- Core CPI (excludes food/energy)
 - +0.1133 vs +0.2 forecast (m/m)
 - +2.3 vs +2.3 (y/y)

Inflation data has a strong history of moving the bond market, but there are two reasons we're not seeing big movement right now. First off, this report was fairly close to the forecast. More importantly, markets just aren't perceiving a big risks of rising inflation right now--nor are they surprised to see lackluster inflation growth. Moreover, even the Fed has flat-out said that they do not see inflation having an easy time moving up and, indeed, they are more worried about their ability to keep inflation at or above their target levels.

With all of the above in mind, it's no surprise to see essentially no change since the 8:30am release. 10yr yields are 0.006% higher at 1.842% and Fannie 3.0 MBS are up 1 tick on the day at 101-22 (+0.03 at 101.69).



MBS & Treasury Market Data

| | Price / Yield | Change |
|----------------|---------------|----------------|
| MBS UMBS 6.0 | 100.09 | +0.31 |
| MBS GNMA 6.0 | 101.03 | +0.29 |
| 10 YR Treasury | 4.5138 | -0.0657 |
| 30 YR Treasury | 4.6711 | -0.0579 |

Pricing as of: 5/3 5:04PM EST

Average Mortgage Rates

| | Rate | Change | Points |
|----------------------------|-------|--------------|--------|
| Mortgage News Daily | | | |
| 30 Yr. Fixed | 7.28% | -0.09 | 0.00 |
| 15 Yr. Fixed | 6.75% | -0.07 | 0.00 |
| 30 Yr. FHA | 6.70% | -0.12 | 0.00 |
| 30 Yr. Jumbo | 7.48% | -0.07 | 0.00 |
| 5/1 ARM | 7.35% | -0.07 | 0.00 |

Freddie Mac

| | | | |
|--------------|-------|--------------|------|
| 30 Yr. Fixed | 7.22% | -0.22 | 0.00 |
| 15 Yr. Fixed | 6.47% | -0.29 | 0.00 |

Mortgage Bankers Assoc.

| | | | |
|--------------|-------|--------------|------|
| 30 Yr. Fixed | 7.24% | +0.11 | 0.66 |
| 15 Yr. Fixed | 6.75% | +0.11 | 0.64 |
| 30 Yr. FHA | 7.01% | +0.11 | 0.94 |
| 30 Yr. Jumbo | 7.45% | +0.05 | 0.56 |
| 5/1 ARM | 6.64% | +0.12 | 0.87 |

Rates as of: 5/3

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