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Highest Rates Since November After Inflation Remains Elevated

The Fed generally wants annual inflation to be around 2% at the core level. "Core" is fancy market jargon for an economic metric that excludes some of its more volatile components. In the case of inflation data, "core" excludes food and energy prices.

Today's Consumer Price Index (CPI) came in a monthly core level of 0.4%. Granted, neither the Fed nor the financial market expects 0.4% to persist month in and month out, but some basic math tells us that a year's worth of such inflation would result in a core reading of 4.8%.

The Fed expects inflation to fall more in line with 3.5% by the end of this year before getting back into the 2% range next year. That's the point at which they see themselves going easier on rates. But until that victory is much more clearly in sight, they will continue to raise overnight lending rates periodically and those rate hikes will continue exerting some upward pressure on longer-term rates like mortgages.

If there's a silver lining to Fed's game plan it's that financial markets can adjust mortgage rates immediately based on future expectations. In other words, all of the future rate hikes foreseen by traders were already priced in to yesterday's mortgage rates.

The problem is that markets now see more rate hikes after today's CPI data. Or more specifically, they see the Fed holding on to the ceiling rate for longer than they did yesterday. All told, between the jobs report 2 weeks ago and today's CPI, the market now sees the Fed keeping the Fed Funds Rate slightly over 5% through December 2023. Before these two pieces of data, December's Fed meeting was expected to result in a rate closer to 4.5%.

Unsurprisingly, mortgage rates are up about half a percent over the same time frame. Last week's rate surveys (which suggested the average 30yr fixed rate remained in the low 6% range) are now hopelessly stale. Today's actual going rates are moving back into the upper-middle 6% range (think 6.625-6.75%). This is as high as we've been since mid-to-late November, depending on the lender.

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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	98.79	+0.03
10 YR Treasury	5.1291	-0.0005
30 YR Treasury	5.4564	+0.0016

Pricing as of: 11/12 7:32PM 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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