

John Downs
SVP | Certified Mortgage Planner, Vellum Mortgage
NMLS #476406
115 West St., Suite 201 Annapolis, MD 21401

Office: 202-899-2603
jdowns@vellummortgage.com
View My Website

Sharply Lower Inflation Brings Fed Rate Cuts Into Focus

There was a lot riding on this week's economic data and it delivered in a big way. The Consumer Price Index (CPI) has had the biggest influence on interest rates of any of the scheduled monthly economic reports, and for good reason. It is one of the two biggest and most detailed inflation reports on any given month, and it comes out about 2 weeks before the other one.

That's incredibly important at this moment in economic history which has seen the first major battle against hyperinflation in more than 40 years. CPI had been an inconsequential report in the decade leading up to the post-pandemic inflation explosion, but ever since then, it's a bellwether for a potential shift.

Winds of change have seemingly picked up speed a few times over the past year, but the first few months of 2024 brought the most recent reality check. In other words, inflation looked to be dropping in late 2023, but then bounced noticeably in early 2024. It's only been in the last few months that the data has grown more favorable and really since the CPI report in early June that the market could begin to ask the question: is inflation finally turning a corner?

With that in mind, this week's CPI report was in a unique position to speak to the corner turning question. The answer ended up being great for rates.

CPI is a complex report, but the most important line item is "Core" CPI which excludes more volatile food and energy prices. The Federal Reserve targets a core inflation rate of 2% in year over year terms (or 0.168% in month over month terms). That's one more reason the early June report was exciting: monthly core CPI hit 0.163.

How'd we do this time around? Was 0.163 a fluke or a sign of a shift? While we can't know what the next report will look like, at 0.065, we can definitely say it's moving in the right direction.

National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.45%	-0.01	0.00
15YR Fixed	6.99%	+0.01	0.00
30YR FHA	7.05%	+0.01	0.00
30YR Jumbo	7.50%	0.00	0.00
7/6 SOFR	7.00%	-0.07	0.00
30YR VA	7.07%	+0.01	0.00

Rates as of: 11/19

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	99.34	+0.24
10 YR Treasury	4.9863	-0.0573
30 YR Treasury	5.3649	-0.0413

Pricing as of: 11/20 9:16AM EST

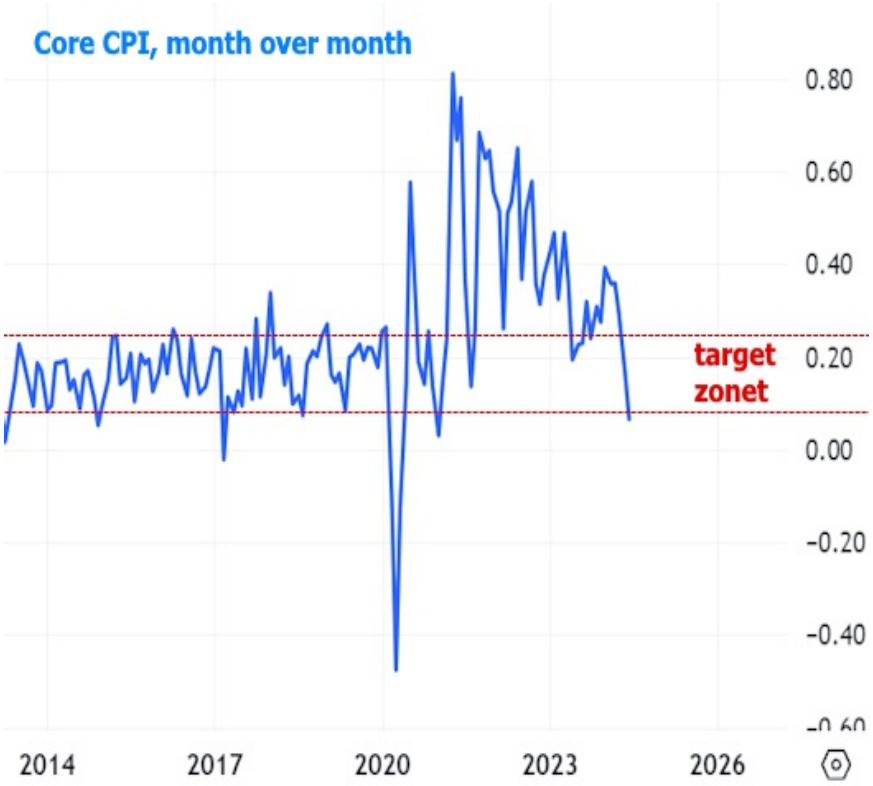
Recent Housing Data

		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%

© 2026 MBS Live, LLC. - This newsletter is a service of MarketNewsletters.com.

The interest rates provided in this newsletter are national averages from independent data sources. Rate/APR terms may differ from those listed above based on the creditworthiness of the borrower. All information provided "as is" for informational purposes only, not intended for trading purposes or financial advice.

Read or subscribe to my newsletter online at: http://housingnewsletters.com/downsgroup



As the chart suggests, we can also say that monthly core inflation is not only the lowest it's been since topping out in 2021, but it's also in line with the lowest levels seen in more than a decade, initial covid lockdown months notwithstanding.

One of the persistent "yeah buts" that has held investors back from believing in the sustainability of low inflation readings has been elevated housing inflation. CPI measures this under the "shelter" category, which had fizzled sideways at levels that were too high for the Fed's liking for months and months. This week's data not only marked the first big break below that "fizzle" range, but it also showed shelter inflation back at the lower end of the pre-pandemic range. Even if it drops no further from here. this is fertile soil for Fed rate cuts.

© 2026 MBS Live, LLC. - This newsletter is a service of MarketNewsletters.com.

The interest rates provided in this newsletter are national averages from independent data sources. Rate/APR terms may differ from those listed above based on the creditworthiness of the borrower. All information provided "as is" for informational purposes only, not intended for trading purposes or financial advice.

Read or subscribe to my newsletter online at: http://housingnewsletters.com/downsgroup



So why isn't the Fed cutting already? Part of the reason is that they want to be absolutely sure inflation is going to go all the way back to 2%. Again, that's an annual target, and while the last two CPIs imply a much lower annual number, the last 12 CPIs are definitely not quite there yet.

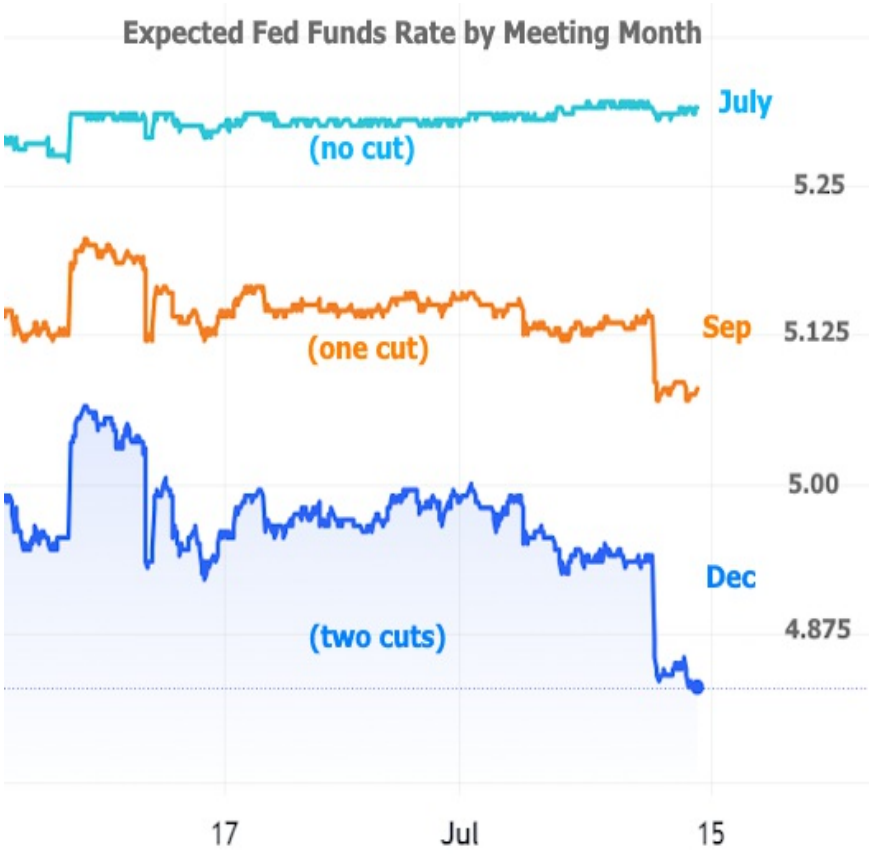


© 2026 MBS Live, LLC. - This newsletter is a service of MarketNewsletters.com.

The interest rates provided in this newsletter are national averages from independent data sources. Rate/APR terms may differ from those listed above based on the creditworthiness of the borrower. All information provided "as is" for informational purposes only, not intended for trading purposes or financial advice.

Read or subscribe to my newsletter online at: http://housingnewsletters.com/downsgroup

To be fair, the Fed won't wait until this line actually hits 2%. They just want to see one of two things: either another CPI report like this week's, or some weakness elsewhere in the economy that threatens the labor market and cools wage growth. The market is already re-ramping rate cut bets for 2024, with the first seen in September and the 2nd in December.



As for the more tangible reaction for consumer rates in the short term, CPI's impact is easily seen in terms of 10yr Treasury yields.

© 2026 MBS Live, LLC. - This newsletter is a service of MarketNewsletters.com.

The interest rates provided in this newsletter are national averages from independent data sources. Rate/APR terms may differ from those listed above based on the creditworthiness of the borrower. All information provided "as is" for informational purposes only, not intended for trading purposes or financial advice.

Read or subscribe to my newsletter online at: http://housingnewsletters.com/downsgroup



In the bigger picture, this victory actually goes a long way toward reinforcing the existing trend leading toward gradually lower rates. The CPI-driven drop helped yields make a new low--one of the things needed to establish and maintain such trends.

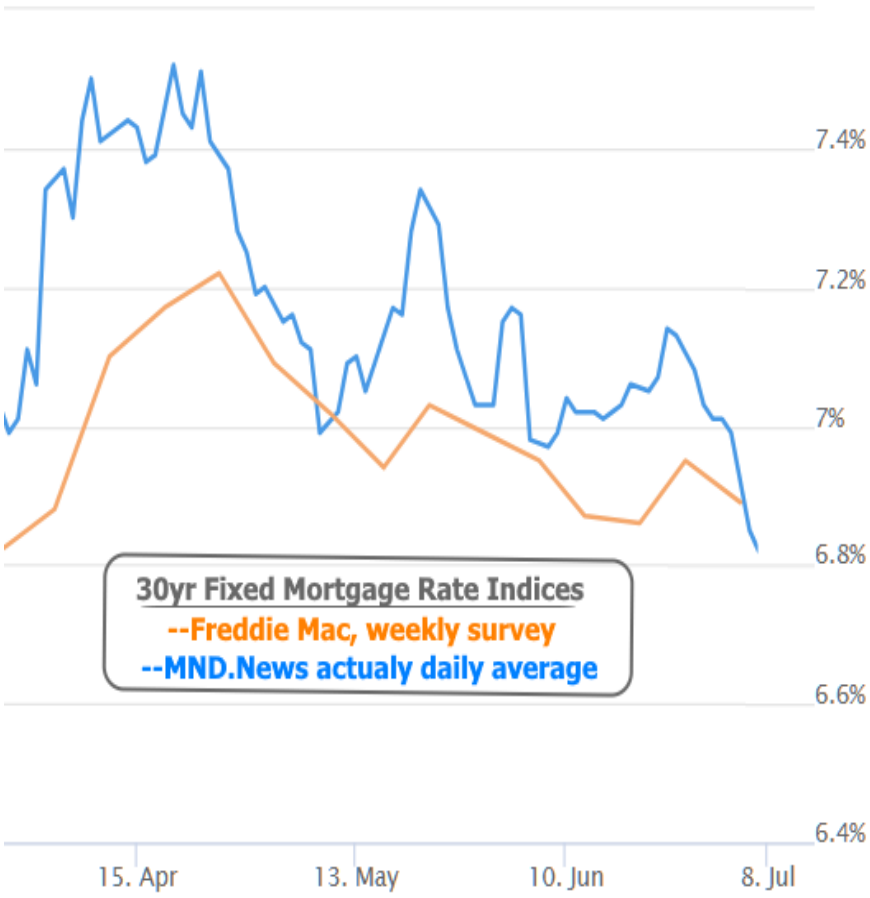


Mortgage rates benefited as well. Weekly survey numbers have yet to capture the impact, largely because CPI day is not part of the survey methodology. But the shift is easy to see in daily rate tracking.

© 2026 MBS Live, LLC. - This newsletter is a service of MarketNewsletters.com.

The interest rates provided in this newsletter are national averages from independent data sources. Rate/APR terms may differ from those listed above based on the creditworthiness of the borrower. All information provided "as is" for informational purposes only, not intended for trading purposes or financial advice.

Read or subscribe to my newsletter online at: http://housingnewsletters.com/downsgroup



The next week and a half will be relatively less exciting in terms of scheduled economic data. The key exception would be the Retail Sales report on Tuesday. Otherwise, the next big ticket doesn't arrive until Friday, July 26th. At that point, the stakes will be getting high yet again with the following weeks bringing a Fed announcement, the jobs report, and ultimately, the next CPI report.

Subscribe to my newsletter online at: http://housingnewsletters.com/downsgroup

Recent Economic Data

Date	Event	Actual	Forecast	Prior
Monday, Jul 08				
11:00AM	Jun Consumer Inflation Expectations	3%		3.2%
3:00PM	May Consumer credit (bl)	$11.35B	$10B	$6.4B
Tuesday, Jul 09				
6:00AM	Jun NFIB Business Optimism Index	91.5	89.5	90.5
Wednesday, Jul 10				
7:00AM	Jul/05 MBA Purchase Index	144.3		142.9
7:00AM	Jul/05 MBA Refi Index	532.3		544.1
Thursday, Jul 11				
8:30AM	Jun m/m CORE CPI (%)	0.1%	0.2%	0.2%

Event Importance:

No Stars = Insignificant
☆ Low
★ Moderate
★★ Important
★★ Very Important

© 2026 MBS Live, LLC. - This newsletter is a service of MarketNewsletters.com.

The interest rates provided in this newsletter are national averages from independent data sources. Rate/APR terms may differ from those listed above based on the creditworthiness of the borrower. All information provided "as is" for informational purposes only, not intended for trading purposes or financial advice.

Read or subscribe to my newsletter online at: http://housingnewsletters.com/downsgroup

Date	Event	Actual	Forecast	Prior
8:30AM	Jun y/y CORE CPI (%)	3.3%	3.4%	3.4%
Friday, Jul 12				
8:30AM	Jun Core Producer Prices MM (%)	0.4%	0.2%	0%
8:30AM	Jun Core Producer Prices YY (%)	3%	2.5%	2.3%
10:00AM	Jul Consumer Sentiment (ip)	66.0	68.5	68.2
10:00AM	Jul Sentiment: 1y Inflation (%)	2.9%	2.9%	3%
10:00AM	Jul Sentiment: 5y Inflation (%)	2.9%	3%	3%
Monday, Jul 15				
8:30AM	Jul NY Fed Manufacturing	-6.60	-6	-6.00
Tuesday, Jul 16				
8:30AM	Jun Retail Sales (%)	0%	0%	0.1%
8:30AM	Jun Import prices mm (%)	0%	0.2%	-0.4%
10:00AM	Jul NAHB housing market indx	42	44	43
Wednesday, Jul 17				
8:30AM	Jun Housing starts number mm (ml)	1.353M	1.30M	1.277M
8:30AM	Jun Building permits: number (ml)	1.446M	1.40M	1.399M
9:15AM	Jun Industrial Production (%)	0.6%	0.3%	0.7%
Thursday, Jul 18				
8:30AM	Jul/13 Jobless Claims (k)	243K	230K	222K
8:30AM	Jul Philly Fed Business Index	13.9	2.9	1.3

© 2026 MBS Live, LLC. - This newsletter is a service of MarketNewsletters.com.

The interest rates provided in this newsletter are national averages from independent data sources. Rate/APR terms may differ from those listed above based on the creditworthiness of the borrower. All information provided "as is" for informational purposes only, not intended for trading purposes or financial advice.

Read or subscribe to my newsletter online at: http://housingnewsletters.com/downsgroup