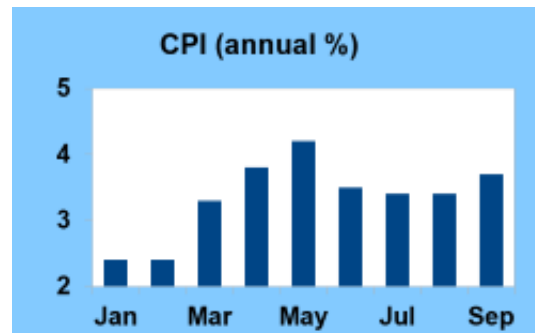


What Happened Last week to Affect Mortgage Rates?

Inflation Climbs

Despite some discouraging economic news, mortgage rates had a surprisingly strong week, ending noticeably lower. Oil prices climbed, and the latest inflation reports came in hotter than expected. So, what helped rates move down? Investors began shifting money out of riskier technology stocks and into safer investments, including bonds, helping push mortgage rates lower.

The Consumer Price Index (CPI) report, one of the most closely watched inflation indicators, delivered some unwelcome news. In September, prices jumped 0.6% from August. On an annual basis, CPI was 3.7% higher, up from 3.4% in August and the highest level since May. Diesel prices were up over 60% compared with a year ago, hitting a record high.



To reduce short-term volatility and get a clearer picture of underlying inflation trends, investors look at core CPI, which excludes food and energy. In September, Core CPI was 2.6% higher than a year ago, also up from last month. Shelter (housing) costs were up 3.2% on an annual basis and continue to be a primary reason why bringing inflation down to the 2% target of the Fed remains challenging. Airline fares, computers, and used vehicle prices also posted significant increases this month.

A different inflation report released last week, which measures wholesale costs for producers, added to the concerns. The September Producer Price Index (PPI) was 6.3% higher than a year ago, up from 5.6% in the prior month and far above the consensus forecast. Investors generally tend to place more weight each month on the Consumer Price Index report, which better reflects overall inflation levels in the economy. However, the surprisingly strong PPI reading gave mortgage markets a bigger shock than usual this month.

Despite rising prices and economic uncertainty, consumer spending showed few signs of moderating. Retail sales in September surged 0.8% from August, roughly double the consensus forecast. Consumer spending was a solid 6.3% higher than a year ago, even with higher gas prices. Much of that spending continues to come from higher-income households, supported by continued strength in the stock market. Sustained consumer spending can keep prices elevated, making the path toward lower inflation more complicated.

Bottom Line: Expect more volatility in mortgage rates as investors weigh comments from Fed officials, upcoming economic reports, and changing oil prices tied to the conflict in the Middle East. For homebuyers and homeowners watching rates, inflation data will be especially important in the weeks ahead.

Looking ahead, attention will remain fixed on the conflict in the Middle East and oil prices. It will be a light week for economic reports. The NAHB Housing Index will be released on Monday, and Housing Starts will come out on Tuesday.

Calendar			Weekly Change		
Mon	10/19	NAHB Housing	10yr Treasury	fell	0.15
Tue	10/20	Housing Starts	Dow	rose	900
Fri	10/23	Sentiment	NASDAQ	fell	800

All material Copyright © Ress No. 1, LTD (DBA [MBSQuoteline](#)) and may not be reproduced without permission.



Alan Feigenbaum

Loan Officer NMLS 1539757

o 972.996.1973 | m 972.489.2846

alanf@vipmtginc.com

alanf.vipmtginc.com

17304 Preston Road, Suite 800

Dallas, TX 75252

Scan to
Visit my Website



V.I.P. Mortgage, Inc. and V.I.P. Independent Mortgage, Inc. (Texas & California) do Business in Accordance with Federal Fair Lending Laws. NMLS ID 145502. TX: SML Mortgage Banker Registration No. 145502; Residential Mortgage Loan Servicer Registration No. 145502. For all other state licensing, visit www.vipmtginc.com/national-licenses/. V.I.P. Mortgage, Inc. is not acting on behalf of or at the direction of the FHA/HUD or the Federal Government. This product or service has not been approved or endorsed by any governmental agency, and this offer is not being made by any agency of the government. V.I.P. Mortgage, Inc. is approved to participate in FHA programs but the products and services performed by V.I.P. Mortgage, Inc. are not coming directly from HUD or FHA. Information, rates, and programs are subject to change without notice. All products are subject to credit and property approval. Not all products are available in all states or for all loan amounts. Other restrictions may apply. This is not an offer to enter into an agreement. Not all customers will qualify.