Kelly Cuffe
, Ascent Mortgage Partners
PO Box 3193 Columbia Falls, MT 59912
kelly@ascent-mtg.com

# Inflation Ends Mortgage Rates' Winning Streak

Last week, we noted that rates had managed to withstand surprisingly strong jobs data, but that inflation could be a tougher test. We also cautioned that further improvement depended heavily on continued trouble in the tech sector. This week brought hotter inflation and a stock market that wasn't nearly troubled enough to offset it.

Mortgage rates moved sharply higher, giving back most of the improvement seen since early October. The average top-tier 30yr fixed rate rose nearly a third of a percentage point in just three trading days. Tuesday and Thursday did most of the damage, with Friday adding to the increase.

### Inflation didn't need to be shocking to cause problems

Tuesday's Consumer Price Index (CPI) was the week's biggest turning point. Core inflation, which excludes food and energy, rose 0.3% in October. That wasn't an extraordinary number on its own, but it was higher than expected and added to concerns that inflation was heading in the wrong direction.

The details didn't offer much reassurance. Price pressures were broad enough that higher fuel costs couldn't explain them away. Nor could everything be chalked up to spending associated with the AI boom. Even categories that improved generally did so from elevated readings in the previous month.

Adding to the problem is the fact that the Fed has made it clear that inflation is its main concern. Before the report even came out, Fed Governor Christopher Waller said a 0.3% core reading could warrant considering a half-point rate hike in December. The data then delivered that reading, and investors quickly raised their expectations for future Fed rates.

Mortgage rates don't have to wait for the Fed to act. The bonds that determine mortgage rates trade throughout the day, allowing investors to respond immediately when the outlook changes. By the time an expected Fed hike actually happens, markets have generally already accounted for it. This week's damage came from the change in expectations about how much hiking might be ahead.

### Tech couldn't come to the rescue this time

## National Average Mortgage Rates




| Mortgage News Daily | Rate | Change | Points |
|---|---|---|---|
| 30YR Fixed | 7.34% | +0.01 | 0.00 |
| 15YR Fixed | 6.89% | 0.00 | 0.00 |
| 30YR FHA | 6.96% | +0.01 | 0.00 |
| 30YR Jumbo | 7.45% | +0.01 | 0.00 |
| 7/6 SOFR | 6.83% | +0.02 | 0.00 |
| 30YR VA | 6.97% | 0.00 | 0.00 |

Rates as of: 11/23

## MBS and Treasury

| | Price / Yield | Change |
|---|---|---|
| MBS UMBS 6.0 | 99.76 | +0.21 |
| 10 YR Treasury | 4.8958 | -0.0504 |
| 30 YR Treasury | 5.2830 | -0.0254 |

Pricing as of: 11/24 11:51AM EST

## Recent Housing Data

| | | Value | Change |
|---|---|---|---|
| Mortgage Apps | Nov 11 | 199.8 | -2.35% |
| Building Permits | Oct | 1.3M | -7.5% |
| Housing Starts | Oct | 1.31M | +7.21% |
| New Home Sales | Sep | 676K | -1.17% |
| Pending Home Sales | Oct | 63 | -4.69% |
| Existing Home Sales | Oct | 3.99M | +0.25% |
| Builder Confidence | Nov | 25 | -13.79% |

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Recent newsletters have covered how concerns about the AI boom helped bring rates lower. Investors sought safer investments, including bonds, while questioning whether tech spending and borrowing could continue at the same pace. That combination helped push bond yields and mortgage rates down, even when the prevailing economic reports would normally have pushed them higher.

But that support depended on those concerns continuing to intensify. As we noted last week, each additional round of tech selling was already producing a smaller benefit for rates.

This week, tech stocks proved more resilient. Without a fresh wave of concern to support bonds, inflation and the prospect of additional Fed hikes carried more weight. Thursday's sharp increase in bond yields reflected another move higher in Fed rate expectations, reinforced by comments from several Fed officials.

Friday offered little new information to change that picture, but Mortgage rates were still catching up with bond market losses from late Thursday. As a result, Friday saw the highest rates of the week.

**What would help rates recover?**

The same possibilities remain in play. Renewed trouble in tech could bring investors back toward bonds, while cooler inflation would give the Fed less reason to keep raising rates. Economic reports showing slower growth could help as well.

But if tech holds its ground and inflation remains stubborn, rates will have a harder time recovering. While this week doesn't mean every bit of the recent improvement has to disappear. It does show how quickly that improvement can unravel when the economic data pushes one way and the market's biggest source of support stops pushing back.

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## Recent Economic Data

| Date | Event | Actual | Forecast | Prior |
|---|---|---|---|---|
| **Tuesday, Nov 10** | | | | |
| 8:30AM | Oct m/m Headline CPI (%) | 0.4% | 0.3% | 0.6% |
| 8:30AM | Oct m/m CORE CPI (%) | 0.3% | 0.2% | 0.3% |
| **Wednesday, Nov 11** | | | | |
| 7:00AM | Nov/06 MBA Refi Index | 540.7 | | 517.5 |
| 7:00AM | Nov/06 MBA Purchase Index | 141.2 | | 131.4 |
| **Thursday, Nov 12** | | | | |
| 8:30AM | Nov/07 Jobless Claims (k) | 200K | 195K | 189K |
| 10:00AM | Oct Existing home sales (ml) | 3.75M | 3.85M | 3.99M |
| **Friday, Nov 13** | | | | |
| 8:30AM | Oct PPI y/y | 6.5% | 6.6% | 6.3% |
| 8:30AM | Oct PPI m/m (%) | 0.3% | 0.4% | 1.3% |
| 8:30AM | Oct Core PPI m/m (%) | 0.3% | 0.3% | 0.7% |
| **Monday, Nov 16** | | | | |
| 8:30AM | Nov NY Fed Manufacturing | 7.80 | 18 | 25.50 |
| **Tuesday, Nov 17** | | | | |

## Event Importance:

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

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| Date | Event | Actual | Forecast | Prior |
|---|---|---|---|---|
| 8:30AM | Oct Import prices mm (%) | 1.1% | 0.7% | 1.1% |
| 8:30AM | Oct Retail Sales (%) | 0.2% | 0.2% | 0.8% |
| 9:15AM | Oct Industrial Production (%) | -0.4% | 0.1% | 0.7% |
| 10:00AM | Nov NAHB housing market indx | 25 | 29 | 29 |
| **Wednesday, Nov 18** | | | | |
| 8:30AM | Oct Housing starts number mm (ml) | 1.309M | 1.25M | 1.221M |
| 10:00AM | Oct Pending Home Sales (%) | -4.7% | -2% | -7.3% |
| 2:00PM | FOMC Minutes | | | |
| **Thursday, Nov 19** | | | | |
| 8:30AM | Nov/14 Jobless Claims (k) | 203K | 197K | 200K |
| 8:30AM | Nov Philly Fed Business Index | 6.3 | 20 | 20.9 |

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