

## January Consumer Price Index, February Mortgage Apps

### Consumer Prices Stay Cool, Despite Warmer Headlines

- The Consumer Price Index for January was unchanged from December.
- Mortgage Applications fell by 3.7 percent for the week ending February 8.

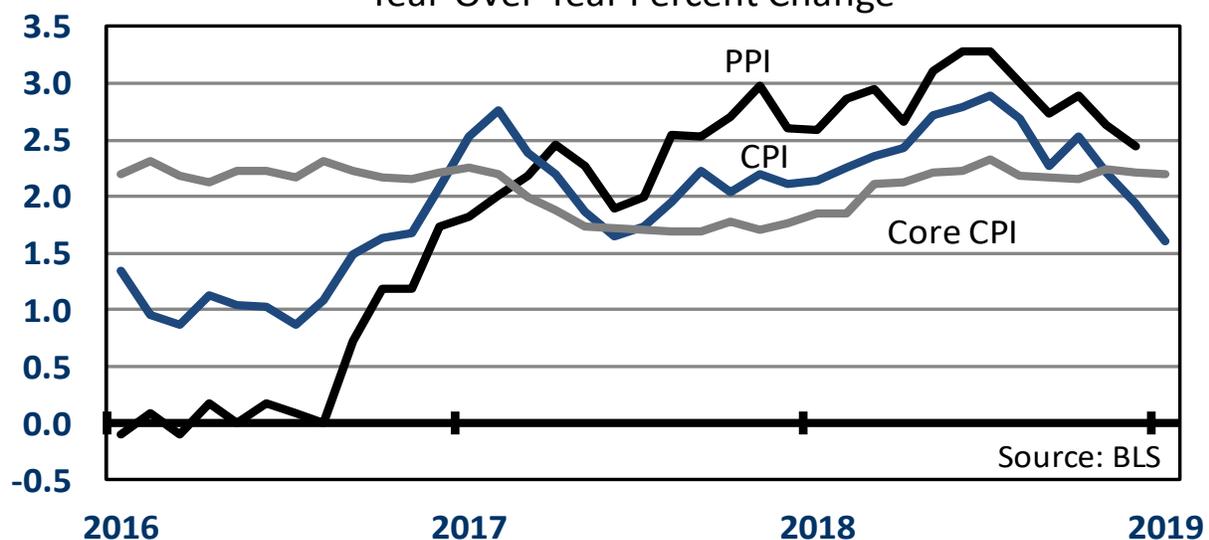
The headline Consumer Price Index for January was unchanged from December. We are seeing some anecdotal reports of companies raising prices for food and other consumer goods. The reports of higher prices for consumer goods may show up in the CPI data later this spring, but through January, consumer prices were well contained. Also, OPEC just announced crude oil production cuts that put some upward pressure on crude oil prices. However, tighter OPEC supply in 2019 could be countered by increased U.S. oil production. Also, a cooler global economy is pulling crude oil demand estimates down for 2019. Consumer food prices in January were up by 0.2 percent. Energy was an offset, falling by 3.1 percent for the month. Commodities other than food and energy gained 0.4 percent in January. Excluding food and energy, core CPI was up by 0.2 percent for the fifth consecutive month in January. Over the 12 months ending in January, the headline CPI was up by 1.6 percent, while core CPI was up by 2.2 percent. For now, consumer inflation is well contained, but there is potential for warmer readings later this spring.

The composite mortgage application index fell for the fourth consecutive week in early February, down 3.7 percent. Most of the pull is coming from purchase apps, which were down 6.1 percent for the week. Refi apps lost just 0.1 percent for the week. Bad weather may be a factor, but housing market trends have been soft since last summer. On a four-week moving average basis, purchase apps are down 0.2 percent from a year ago. Refi apps are down 17.3 percent from a year ago, consistent with rising mortgage rates. According to the Mortgage Bankers Association, the rate for a 30-year fixed-rate mortgage eased to 4.65 percent for the week ending February 8, down noticeably from 4.86 percent in mid-December. We expect housing metrics to remain soft this year, providing little push to the U.S. economy.

**Market Reaction:** U.S. equity markets opened with gains. The 10-Year Treasury bond yield is up to 2.70 percent. NYMEX crude oil is up to \$54.14/barrel. Natural gas futures are down to \$2.59/mmbtu.

## Consumer Inflation Well Behaved

Year-Over-Year Percent Change



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