

## September 2021 CPI, October Mortgage Apps Enduring Inflation

- The Consumer Price Index for September increased by 0.4 percent for the month.
- Core CPI increased by 0.2 percent in September.
- Mortgage Apps for Purchase increased by 1.5 percent for the week of October 8.

The headline Consumer Price Index increased by 0.4 percent in September pushed by energy prices. For the year ending in September, headline CPI was up by a strong 5.4 percent. The energy price sub-index increased by 1.3 percent for the month with climbing petroleum and natural gas prices. Consumer energy prices were up by 24.8 percent over the previous 12 months. Food prices were up 0.9 percent for the month and have now posted their sixth consecutive strong monthly gain. The food price sub-index was up 4.6 percent over the previous year. Excluding food and energy, core CPI was calm, posting a 0.2 percent monthly gain and a 4.0 percent year-over-year gain. Declining apparel and used car prices kept core CPI in check in September. The sub-index for shelter was up by 0.4 percent for the month and 3.2 percent over the previous year.

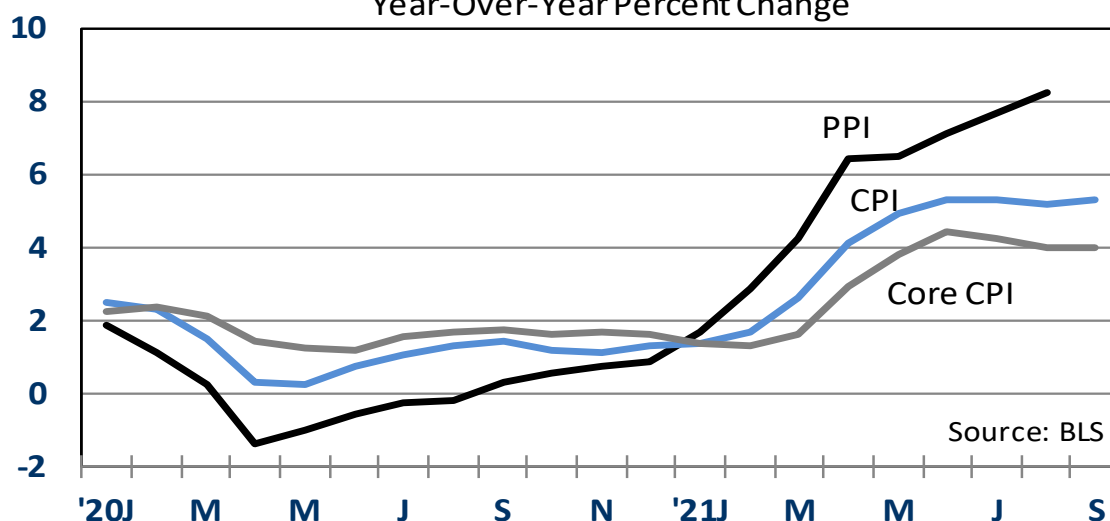
Hot inflation numbers in September, and hot energy prices already in October, will keep the Federal Reserve focused on unwinding extraordinary monetary policy at the upcoming Federal Open Market Committee meeting over November 2/3. We expect the Fed to announce that they will soon begin to pare down their rate of asset purchases. Fed Chair Jay Powell has already said that he expects the tapering process to run through mid-2022. The ending of new asset purchases by mid-2022 will set the stage for interest rate liftoff, possibly by the end of 2022. Many other central banks have expressed concern about inflation and have already begun to increase interest rates or will soon begin.

Mortgage apps for purchase increased by 1.5 percent for the week of October 8. There is still no clear trend for purchase apps. On a four-week moving average basis, purchase apps were down 12.2 percent from the equivalent week a year ago. Refi apps have been soft too, down 9.5 percent from a year ago. According to the Mortgage Bankers Association, the rate for a 30-year fixed rate mortgage increased to 3.18 percent. We look for a gradual increase in long rates over the next year.

**Market Reaction:** U.S. equity markets were mixed after the open. The 10-Year Treasury bond yield is down to 1.54 percent. NYMEX crude oil is down to \$79.77/barrel. Natural gas futures are down to \$5.42/mmbtu.

## Energy Prices Will Fuel Inflation in October

Year-Over-Year Percent Change



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