

# Annual Inflation Rate Eases in March



**Ryan Champion**  
NMLS# 2294595 • Maverick Capital Lending  
Cell: (970) 403-5677  
[ryan@championmortgagepros.com](mailto:ryan@championmortgagepros.com)  
[www.championmortgagepros.com](http://www.championmortgagepros.com)



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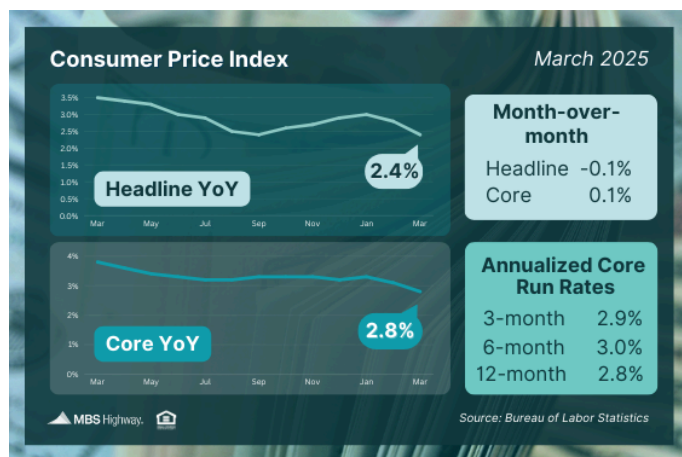


## Week of April 7, 2025 in Review

While inflation came in lower than anticipated in March, this positive development was overshadowed by ongoing news about trade tariffs. Read on for these updates and more.

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## Consumer Inflation Eases in March



Inflation was cooler than expected last month, with both the headline and core Consumer Price Index (CPI) readings falling short of forecasts. Headline CPI dipped 0.1% from the prior month, while the year-over-year figure softened from 2.8% to 2.4% - a decline driven largely by a sharp drop in gasoline prices.

Core CPI, which excludes volatile food and energy costs, inched up 0.1% month-over-month but eased to a 2.8% annual rate, down from 3.1% previously. This marked the lowest core inflation reading since March 2021.

Shelter costs remain the primary driver of ongoing inflationary pressures, accounting for 35% of the headline CPI and 44% of the core reading. While shelter costs were relatively favorable in March, this was largely due to a significant decline in lodging away from home, which coincides with reduced travel and other signs of economic slowdown.

**What's the bottom line?** The cooler-than-expected inflation report would normally be welcomed news for the bond market, as lower inflation helps preserve the buying power of fixed investments like mortgage bonds. However, the March data preceded the imposition of new tariffs, which have continued to be the major market driver.

## Wholesale Inflation Also Eases, Key Components Cool

The Producer Price Index (PPI), a key measure of wholesale inflation, declined 0.4% from February to March, with the annual rate dropping from 3.2% to 2.7%. This was much cooler than the 3.3% reading that had been forecasted. The decline was largely due to a plunge in gasoline prices, like in the CPI report.

Excluding the more volatile food and energy sectors, the Core PPI still slipped 0.1% month over month, and the year-over-year rate fell from 3.5% to 3.3% - also below expectations.

**What's the bottom line?** This PPI data is crucial, as it impacts the Personal Consumption Expenditures (PCE) index, the Federal Reserve's preferred inflation gauge. An analysis shows that many shared components, such as airline passenger services, portfolio management, and healthcare, were much cooler in March compared to February's PPI report.

This suggests the upcoming PCE report (set for April 30) could also indicate easing inflation. However, with the PCE report covering March data, the market reaction may be muted if ongoing trade and tariff issues remain the key focus later this month.

## Homeownership Remains a Solid Investment Option

Recent data shows that home prices across the nation continued their upward trajectory in February. According to Cotality (formerly CoreLogic), prices rose 0.3% during the month and 2.9% on an annual basis. ICE reported a smaller 0.11% monthly increase, with their index showing annual growth slowing to 2.7% in February from 3.4% in the previous report.

**What's the bottom line?** Cotality forecasts a 0.4% increase in home prices for March, with an estimated 4.2% annual gain over the next year. This aligns with other industry projections of approximately 4% appreciation over the next year. Such forecasts affirm that homeownership remains an effective means for Americans to build wealth.

For example, purchasing a \$500,000 home that appreciates 4% in a year would result in a \$20,000 gain in home value – a solid return on the investment.

## Elevated Unemployment Claims Persist

Weekly initial jobless claims rose slightly to 223,000, staying historically low. Continuing unemployment claims fell by 43,000 to 1.85 million, however they have remained persistently above 1.8 million since last June.

**What's the bottom line?** While new unemployment filings are low, the elevated continuing claims suggest individuals are taking longer to find new jobs. With many people exhausting their 26 weeks of benefits, the stubbornly high number of continuing claims indicates underlying weakness in the labor market and a slower overall pace of hiring.

## Family Hack of the Week

Celebrate National Brunch Month with this delectable Blueberry Coffee Cake recipe from Allrecipes. Serving 12, this indulgent treat is perfect for the occasion.

Preheat your oven to 350 degrees Fahrenheit and grease a 9-inch Bundt pan. In a large bowl, cream together 2 cups of sugar and 1 cup of softened butter until light and fluffy. Beat in 2 eggs one at a time, then stir in 1 cup of sour cream and 1 teaspoon of vanilla. In a separate bowl, whisk together 1 5/8 cups of flour, 1 teaspoon of baking powder, and 1/4 teaspoon of salt. Fold the dry ingredients into the wet mixture until just combined, then gently fold in 1 cup of fresh or frozen blueberries.

Spoon half the batter into the prepared pan. In a small bowl, mix 1/2 cup of brown sugar, 1/2 cup of chopped pecans, and 1 teaspoon of cinnamon. Sprinkle half of this mixture over the batter. Top with the remaining batter and sprinkle over the rest of the pecan mixture. Use a knife to swirl the pecan layer into the cake.

Bake for 1 to 1 1/4 hours, until a toothpick inserted in the center comes out clean. Allow the cake to cool briefly on a wire rack before carefully inverting it onto a serving plate. Dust with confectioners' sugar just before serving, if desired.

## What to Look for This Week

Key housing reports to monitor include homebuilder confidence on Wednesday and new construction data on Thursday. Additionally, March Retail Sales numbers are scheduled for Wednesday, and the newest unemployment claims will come out on Thursday.

## Technical Picture

Last week, Mortgage Bonds declined, closing Friday near the 100.2 support level. Meanwhile, the 10-year Treasury yield rose, ending the week trading within a range bounded by the 4.588% Fibonacci level as the ceiling and the 100-day Moving Average as the floor.