



Market Conditions

May 15, 2024

MBS	Current Price	Change	OAS Dur	OAS Yld	Vol
FNMA30 6.0 JUNE	100 22/32	+10/32	4.48	5.99%	3.64
FNMA15 5.0 JUNE	99 14/32	+8/32	4.53	5.33%	3.68
GNMAI30 6.0 JUNE	100 27/32	+9/32	3.74	6.04%	3.04

Treasuries	Current Price	Change	Dur	Yld	Vol
5yr Treasury	101 3/32	+12/32	4.41	4.39	3.90
10yr Treasury	100 0/32	+19/32	7.58	4.38	6.34
30yr Treasury	101 18/32	+31/32	14.97	4.54	12.25

Stocks	Current Price	% Change	Commodities	Current Price	Change
Dow	39,752.13	+0.50%	Dollar	\$104.57	-0.42%
S&P 500	5,283.64	+0.71%	Gold	\$2,376.40	+0.67%
Nasdaq	16,650.52	+0.84%	Crude Oil	\$77.47	-0.74%

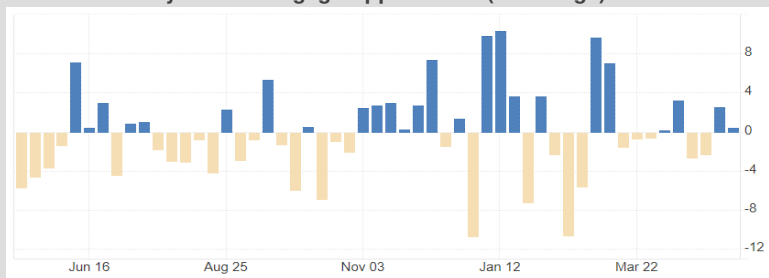
Economic Commentary

MBS prices are up about 10/32 this morning while the DOW is up about 200 points as a soft reading on consumer prices fueled hopes that the Federal Reserve could cut interest rates sooner than expected. U.S. Treasuries have also rallied in reaction to this morning's batch of data, which included a slightly cooler-than-expected headline CPI for April, below-consensus Retail Sales, and a weak Empire State Manufacturing survey for May. The post-data rally has sent the 10-yr yield past its 50-day moving average (4.417%) toward its 200-day moving average (4.334%). Total CPI increased 0.3% month-over-month in April versus an expected 0.4%. Core CPI, which excludes food and energy, increased 0.3% month-over-month, as expected. There were no revisions to the March readings, which showed total CPI up 0.4% and core CPI up 0.4%. On a year-over-year basis, total CPI was up 3.4%, down from 3.5% in March and in-line with market expectations. Core CPI was up 3.6%, down from 3.8% in March and also in-line with market expectations. The key takeaway from the report is that there were no negative surprises. The line on consumer inflation is that it improved year-over-year, which is important if the Fed is ever going to walk the line to a rate cut; however, the disinflation in April is still only a baby step toward the Fed's 2% inflation target, which will leave the Fed stuck in a watch-and-wait mode. The April Retail Sales Report suggested consumer spending on goods was stuck a bit, too. Total sales were flat month-over-month in April (Briefing.com consensus 0.4%) following a downwardly revised 0.6% increase (from 0.7%) in March. Excluding autos, retail sales rose 0.2% month-over-month, as expected, following a downwardly revised 0.9% increase (from 1.1%) in March. The key takeaway from the report is that it reflects more discernment on the part of the consumer with discretionary spending activity, which is consistent with a growing body of anecdotal reports highlighting the weakening activity seen from low-income and middle-income consumers. The New York Fed's Empire State Manufacturing Survey for May checked in at -15.6 (Briefing.com consensus -9.0) versus -14.3 for April. A number below 0.0 is indicative of a contraction, so the May number suggests the contraction in manufacturing activity in the New York Fed region accelerated in May. Notably, optimism about the outlook remained subdued with the index for future business conditions slipping to 14.5 from 16.7.

Economic Calendar

	PERIOD	ACTUAL	FORECAST	PREVIOUS
WEDNESDAY, MAY 15				
Consumer price index	April	0.30%	0.40%	0.40%
CPI year over year	2023-2024	3.40%	3.40%	3.50%
Core CPI	April	0.30%	0.30%	0.40%
Core CPI year over year	2023-2024	3.60%	3.60%	3.80%
U.S. retail sales	April	0.00%	0.40%	0.60%
Retail sales minus autos	April	0.20%	0.20%	0.90%
Empire State manufacturing survey	May	-15.6	-9.0	-14.30
Home builder confidence index	May	45.0	51.0	51.0
Business inventories	March	-0.10%	0.00%	0.30%
THURSDAY, MAY 16				
Initial jobless claims	11-May	Waiting for Results	221,000	231,000
Philadelphia Fed manufacturing survey	May	Waiting for Results	9.40	15.50
Housing starts	April	Waiting for Results	1.40 million	1.32 million
Building permits	April	Waiting for Results	1.48 million	1.46 million
Import price index	April	Waiting for Results	0.20%	0.40%
Import price index minus fuel	April	Waiting for Results	--	0.10%
Industrial production	April	Waiting for Results	0.10%	0.40%
Capacity utilization	April	Waiting for Results	78.40%	78.40%
FRIDAY, MAY 17				
U.S. leading economic indicators	April	Waiting for Results	-0.30%	-0.30%
MONDAY, MAY 20				
None scheduled				
TUESDAY, MAY 21				
None scheduled				
WEDNESDAY, MAY 22				
Existing home sales	April	Waiting for Results	--	4.19 million
Minutes of Fed's May FOMC meeting				
THURSDAY, MAY 23				
Initial jobless claims	11-May	Waiting for Results	--	--
S&P flash U.S. services PMI	May	Waiting for Results	--	51.70
S&P flash U.S. manufacturing PMI	May	Waiting for Results	--	50.00
New home sales	April	Waiting for Results	--	693,000
FRIDAY, MAY 24				
Durable-goods orders	April	Waiting for Results	--	--
Durable-goods minus transportation	April	Waiting for Results	--	--
Consumer sentiment (final)	May	Waiting for Results	--	--

Chart of the Day: MBA Mortgage Applications (% Change)



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Sources: Bloomberg, Reuters, MarketWatch.com, mortgageweekly.com, advisorsperspectives.com, taintedalpha.com, options express, yahoo finance, estimote.com, stockcharts.com, tradingeconomics.com, dshort.com