



Calibrate | Focus | Execute

Market Conditions

August 5, 2024

MBS	Current Price	Change	OAS Dur	OAS Yld	Vol
FNMA30 6.0 AUG	101 23/32	-5/32	4.02	5.78%	3.54
FNMA15 5.0 AUG	100 24/32	-4/32	4.51	5.14%	3.96
GNMAII30 6.0 AUG	101 9/32	-6/32	3.40	5.98%	2.99

Treasuries	Current Price	Change	Dur	Yld	Vol
5yr Treasury	101 16/32	-6/32	4.48	3.67	4.24
10yr Treasury	104 19/32	-2/32	8.04	3.82	7.23
30yr Treasury	109 12/32	+17/32	16.81	4.12	14.84

Stocks	Current Price	% Change	Commodities	Current Price	Change
Dow	38,865.32	-2.18%	Dollar	\$102.78	-0.42%
S&P 500	5,215.60	-2.45%	Gold	\$2,444.30	-1.02%
Nasdaq	16,304.35	-2.83%	Crude Oil	\$72.92	-0.83%

Economic Commentary

MBS prices are down about 5/32 this morning while the DOW is down 900 points as concerns mounted over the health of the US economy. Wall Street's "fear gauge", the CBOE Volatility Index, soared, reaching its highest level since the early days of the COVID-19 pandemic in March 2020. Treasury yields had plummeted, with the benchmark 10-year Treasury yield hovering near 3.8%. The global stock market is in the midst of a rapidly intensifying sell-off after Friday's lackluster US jobs report added to concerns about the economy and on whether the Federal Reserve had waited too long to begin cutting interest rates. Of note, almost 100% of bets are on the central bank to cut rates by 0.5% by its September meeting, according to the CME FedWatch tool. Some of the biggest companies in the stock market saw their values plummet at the open. Apple declined 4% amid the sell-off and news that Berkshire Hathaway had cut its stake in the company in half. Nvidia's pullback continued, as it dropped as much as 13% before paring some of its losses. Tesla fell more than 3%. Crypto also took a beating, with bitcoin sinking more than 8% to creep back toward the \$54,000 level. The concerns have spread throughout the world, as well. Traders in Asia greeted the week with a similar sell-off, as Japan's Nikkei 225 was routed by more than 12% in its biggest-ever daily loss after a surprise interest rate hike from the Bank of Japan last week. The sharp rise in the Japanese yen against the US dollar has spurred heavy selling as speculators who had borrowed money at Japan's near-0% interest rate to buy US risk assets have been liquidating their holdings. The US market is headed into a quieter week of data and earnings. With the jobs market still in focus, weekly unemployment claims due Thursday will take a bigger spotlight than usual. Today's economic reports showed that the ISM Services PMI in the US rose to 51.4 in July of 2024 from the April 2020-low of 48.8 in the previous month, above market expectations of 51 to indicate a moderate rebound in US services activity. New orders recovered (52.5 vs 47.3 in June), lifting business activity (54.5 vs 49.6) and the backlog of orders (50.6 vs 44) amid a sharper rise in demand from foreign markets (58.5 vs 52.7). Additionally, employment levels for service providers rose for the second time this year (51.1 vs 46.1), challenging the weak jobs report that triggered sharp concerns for the health of the US economy. Still, the ISM's price gauge accelerated further (57 vs 56.3), amid higher costs in public administration services, accommodation and food services, finance, educational services, and healthcare.

Economic Calendar

	PERIOD	ACTUAL	FORECAST	PREVIOUS
MONDAY, AUG. 5				
S&P final U.S. services PMI	July	55.0	56.00	55.03%
ISM services	July	51.40	51.00	48.80%
TUESDAY, AUG. 6				
U.S. trade deficit	June	Waiting for Results	--	-\$75.1B
WEDNESDAY, AUG. 7				
Consumer credit	June	Waiting for Results	--	\$11.3B
THURSDAY, AUG. 8				
Initial jobless claims	Aug. 3	Waiting for Results	--	249,000
Wholesale inventories	June	Waiting for Results	--	0.60%
FRIDAY, AUG. 9				
None scheduled				
MONDAY, AUG. 12				
Monthly U.S. federal budget	July	Waiting for Results	--	-\$347B
TUESDAY, AUG. 13				
NFIB optimism index	July	Waiting for Results	--	81.50
Producer price index	July	Waiting for Results	--	0.20%
Core PPI	July	Waiting for Results	--	0.00%
PPI year over year	2023-2024	Waiting for Results	--	2.60%
Core PPI year over year	2023-2024	Waiting for Results	--	3.10%
WEDNESDAY, AUG. 14				
Consumer price index	July	Waiting for Results	--	-0.10%
CPI year over year	2023-2024	Waiting for Results	--	3.00%
Core CPI	July	Waiting for Results	--	0.10%
Core CPI year over year	2023-2024	Waiting for Results	--	3.30%
THURSDAY, AUG. 15				
Initial jobless claims	Aug. 10	Waiting for Results	--	0.00%
Empire State manufacturing survey	Aug.	Waiting for Results	--	-6.80
Philadelphia Fed manufacturing survey	Aug.	Waiting for Results	--	13.90
U.S. retail sales	July	Waiting for Results	--	0.00%
Retail sales minus autos	July	Waiting for Results	--	0.40%
Import price index	July	Waiting for Results	--	0.00%
Import price index minus fuel	July	Waiting for Results	--	0.20%
Industrial production	July	Waiting for Results	--	0.60%
Capacity utilization	July	Waiting for Results	--	78.80%
Business inventories	June	Waiting for Results	--	0.50%
FRIDAY, AUG. 16				
Consumer sentiment (prelim)	Aug.	Waiting for Results	--	66.40
Housing starts	July	Waiting for Results	--	1.35 million
Building permits	July	Waiting for Results	--	1.45 million
Home builder confidence index	July	Waiting for Results	--	42.00

Chart of the Day: United States ISM Services PMI

