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Market Conditions

September 5, 2024

MBS	Current Price	Change	OAS Dur	OAS Yld	Vol
FNMA30 5.5 SEP	101 2/32	-1/32	4.14	5.44%	3.78
FNMA15 5.0 SEP	101 3/32	-1/32	4.32	4.70%	3.94
GNMAII30 5.5 SEP	100 28/32	-1/32	3.79	5.60%	3.46

Treasuries	Current Price	Change	Dur	Yld	Vol
5yr Treasury	100 8/32	-2/32	4.51	3.57	4.44
10yr Treasury	100 30/32	-1/32	8.23	3.76	7.68
30yr Treasury	103 12/32	+3/32	17.35	4.06	15.91

Stocks	Current Price	% Change	Commodities	Current Price	Change
Dow	40,898.93	-0.11%	Dollar	\$101.29	-0.07%
S&P 500	5,533.57	+0.26%	Gold	\$2,546.40	+0.82%
Nasdaq	17,253.40	+0.99%	Crude Oil	\$70.23	+1.53%

Economic Commentary

MBS prices are down about 1/32 this morning while the DOW is down about 50 points as investors digest a bevy of economic reports including more weaker-than-expected labor market data that could help set expectations for both interest-rate cut hopes and the health of the US economy. The ADP report showed private-sector employment increased by 99,000 jobs in August. That was the lowest level of job creation in the private sector since 2021. The job gains were concentrated across medium-sized establishments (68,000) and large-sized establishments (42,000). Small-sized establishments showed a decrease of 9,000 positions. Separately, initial jobless claims for the week ending August 31 decreased by 5,000 to 227,000 (Briefing.com consensus 236,000) while continuing jobless claims for the week ending August 24 decreased by 22,000 to 1.838 million. That is the 13th consecutive week that continuing claims have been above 1.800 million. The key takeaway from the report is that layoff activity remains relatively tame; however, so does hiring activity, evidenced by the elevated stickiness of continuing jobless claims. The revised Q2 Productivity report showed productivity revised up to 2.5% (Briefing.com consensus 2.3%) from the preliminary reading of 2.3%. Unit labor costs were revised down to 0.4% (Briefing.com consensus 0.9%) from the preliminary reading of 0.9%. The key takeaway from the report was the friendly inflation view embedded in the softening unit labor costs. They were up just 0.3% over the last four quarters, which is the lowest rate since the fourth quarter of 2013. The ISM Services PMI edged up to 51.5% in August (Briefing.com consensus 51.0%) from 51.4% in July. The dividing line between expansion and contraction is 50.0%, so the August reading reflects services sector activity expanding at nearly the same pace as July. The key takeaway from the report is that overall activity in the largest sector of the U.S. economy remains in an expansion mode, which is what the market, worried about a possible hard landing, wants to see. Slow to moderate growth, the report said, was noted across many industries. Stocks are seesawing with the market torn between conflicting impulses as data releases paint a downbeat picture of the economy. Recent soft readings make the case for deeper rate cuts. But they could also be a sign the US is on the brink of recession and a "soft landing" is no longer in the cards. Traders now see an almost 50-50 chance the Federal Reserve will lower rates by 0.5% at its September meeting.

Economic Calendar

	PERIOD	ACTUAL	FORECAST	PREVIOUS
THURSDAY, SEPT. 5				
ADP employment	Aug.	99,000	140,000	111,000
Initial jobless claims	Aug. 31	227,000	225,000	232,000
U.S. productivity (revision)	Q2	2.50%	2.50%	2.30%
U.S. unit-labor costs (revision)	Q2	0.40%	0.80%	0.90%
S&P final U.S. services PMI	Aug.	55.70	55.10	55.20
ISM services	Aug.	51.50%	51.30%	51.40%
FRIDAY, SEPT. 6				
U.S. employment report	Aug.	Waiting For Results	161,000	114,000
U.S. unemployment rate	Aug.	Waiting For Results	4.20%	4.30%
U.S. hourly wages	Aug.	Waiting For Results	0.30%	0.20%
Hourly wages year over year	2023-2024	Waiting For Results	3.70%	3.60%
New York Fed Pres Williams speaks				
Fed Gov. Christopher Waller speaks				
MONDAY, SEPT. 9				
Wholesale inventories	July	Waiting For Results	--	--
Consumer credit	Aug.	Waiting For Results	--	\$8.9B
TUESDAY, SEPT 10				
NFIB optimism index	Aug.	Waiting For Results	--	93.70
WEDNESDAY, SEPT. 11				
Consumer price index	Aug.	Waiting For Results	--	0.00
CPI year over year	2023-2024	Waiting For Results	--	0.03
Core CPI	Aug.	Waiting For Results	--	0.00
Core CPI year over year	2023-2024	Waiting For Results	--	0.03
THURSDAY, SEPT 12				
Initial jobless claims	Sept. 7	Waiting For Results	--	0.00
Producer price index	Aug.	Waiting For Results	--	0.00
Core PPI	Aug.	Waiting For Results	--	0.00
PPI year over year	2023-2024	Waiting For Results	--	0.02
Core PPI year over year	2023-2024	Waiting For Results	--	0.03
Monthly U.S. federal budget	Aug.	Waiting For Results	--	0.00
FRIDAY, SEPT 13				
Import price index	Aug.	Waiting For Results	--	0.00
Import price index minus fuel	Aug.	Waiting For Results	--	0.00
Consumer sentiment (prelim)	Sept.	Waiting For Results	--	--

Chart of the Day: US Weekly Jobless Claims (Thousands)

