



Market Conditions

December 2, 2024

| MBS | Current Price | Change | OAS Dur | OAS Yld | Vol |
|-----------------|---------------|--------|---------|---------|------|
| FNMA30 6.0 DEC | 101 4/32 | -2/32 | 3.62 | 5.79% | 2.85 |
| FNMA15 5.5 DEC | 101 6/32 | +1/32 | 4.53 | 4.92% | 3.56 |
| GNMAI30 6.0 DEC | 101 0/32 | -2/32 | 3.30 | 5.98% | 2.59 |

| Treasuries | Current Price | Change | Dur | Yld | Vol |
|---------------|---------------|--------|-------|------|-------|
| 5yr Treasury | 100 4/32 | -5/32 | 4.48 | 4.10 | 3.81 |
| 10yr Treasury | 100 13/32 | -4/32 | 8.06 | 4.21 | 6.49 |
| 30yr Treasury | 102 9/32 | +3/32 | 16.63 | 4.38 | 13.15 |

| Stocks | Current Price | % Change | Commodities | Current Price | Change |
|---------|---------------|----------|-------------|---------------|--------|
| Dow | 44,765.98 | -0.31% | Dollar | \$106.51 | +0.72% |
| S&P 500 | 6,046.74 | +0.24% | Gold | \$2,661.01 | -0.73% |
| Nasdaq | 19,401.77 | +0.96% | Crude Oil | \$68.05 | +0.04% |

Economic Commentary

MBS prices are down about 2/32 this morning while the DOW is down about 150 points as investors look ahead to a week of labor market data that could influence the scope of interest rate cuts. Investors are starting to count down to the November jobs report on Friday, a key input for the Federal Reserve's policy making, as well as to job openings and private payrolls readings. A surprise monthly jobs print could reset the expectations for rate cuts that have supported stocks' stellar performance this year. That said, bets on a slower path of Fed easing haven't made a significant dent in the recent appetite for stocks. Meanwhile, the dollar climbed as investors assessed Trump's latest tariff threat. The incoming president warned BRICS countries (Brazil, Russia, India, China, and South Africa) not to create a rival to the US currency, saying on Saturday that they will face 100% tariffs if they move away from it. Trump has already put markets on alert with promises to hit Canada, Mexico, and China with big new tariffs. Today's economic reports showed that total construction spending increased 0.4% month-over-month in October (Briefing.com consensus 0.1%) following an unrevised 0.1% increase in September. Total private construction was up 0.7% month-over-month while total public construction declined 0.5% month-over-month. On a year-over-year basis, total construction spending was up 5.0%. The key takeaway from the report is that residential construction activity rebounded nicely, led by single family construction. The November ISM Manufacturing Index checked in at 48.4% (Briefing.com consensus 47.6%) versus 46.5% in October. The dividing line between expansion and contraction is 50.0%, so the November reading suggests manufacturing sector activity contracted versus the prior month but at a slower pace. This was the eighth straight month (and 24th out of 25) that economic activity in the manufacturing sector contracted. The key takeaway from the report is that manufacturing sector activity overall continues to be weak, but showed a green shoot with the new orders index returning to expansion territory after seven straight months of contraction.

Economic Calendar

| | PERIOD | ACTUAL | FORECAST | PREVIOUS |
|----------------------------------|-----------|---------------------|-------------|---------------|
| MONDAY, DEC. 2 | | | | |
| S&P final U.S. manufacturing PMI | Nov. | 49.70 | 48.80 | 48.80 |
| ISM manufacturing | Nov. | 48.40% | 47.50% | 46.50% |
| Construction spending | Oct. | 0.40% | 0.20% | 0.10% |
| TUESDAY, DEC. 3 | | | | |
| Job openings | Oct. | Waiting For Results | 7.6 million | 7.4 million |
| Auto sales | Nov. | Waiting For Results | -- | 16.0 million |
| WEDNESDAY, DEC. 4 | | | | |
| ADP employment | Nov. | Waiting For Results | 158,000 | 233,000 |
| S&P final U.S. services PMI | Nov. | Waiting For Results | 55.00 | 54.00 |
| ISM services | Nov. | Waiting For Results | 57.00 | 57.00 |
| Factory orders | Oct. | Waiting For Results | 0.00 | -0.01 |
| Fed Chair Jerome Powell speaks | | | | |
| Fed Beige Book | | | | |
| THURSDAY, DEC. 5 | | | | |
| Initial jobless claims | Nov. 30 | Waiting For Results | 215,000 | 213,000 |
| U.S. trade deficit | Oct. | Waiting For Results | -74.8B | -\$84.4B |
| FRIDAY, DEC. 6 | | | | |
| U.S. employment report | Nov. | Waiting For Results | 200,000 | 12,000 |
| U.S. unemployment rate | Nov. | Waiting For Results | 4.10% | 4.10% |
| U.S. hourly wages | Nov. | Waiting For Results | 0.30% | 0.40% |
| Hourly wages year over year | 2023-2024 | Waiting For Results | 3.90% | 4.00% |
| Consumer sentiment (prelim) | Dec. | Waiting For Results | 73.00 | 70.50 |
| Consumer credit | Oct. | Waiting For Results | \$10B | \$6.0 billion |
| MONDAY, DEC. 9 | | | | |
| Wholesale inventories | Oct. | Waiting For Results | -- | -0.20% |
| TUESDAY, DEC. 10 | | | | |
| NFIB optimism index | Nov. | Waiting For Results | -- | 93.70 |
| U.S. productivity (revision) | Q3 | Waiting For Results | -- | 2.20% |
| WEDNESDAY, DEC. 11 | | | | |
| Consumer price index | Nov. | Waiting For Results | -- | 0.20% |
| CPI year over year | 0-Jan | Waiting For Results | -- | 2.60% |
| Core CPI | Nov. | Waiting For Results | -- | 0.30% |
| Core CPI year over year | 0-Jan | Waiting For Results | -- | 3.30% |
| THURSDAY, DEC. 12 | | | | |
| Initial jobless claims | Dec. 7 | Waiting For Results | -- | -- |
| Producer price index | Nov. | Waiting For Results | -- | 0.20% |
| Core PPI | Nov. | Waiting For Results | -- | 0.30% |
| PPI year over year | 2023-2024 | Waiting For Results | -- | 2.40% |
| Core PPI year over year | 0-Jan | Waiting For Results | -- | 3.50% |
| FRIDAY, DEC. 13 | | | | |
| Import price index | Nov. | Waiting For Results | -- | 0.30% |
| Import price index minus fuel | Nov. | Waiting For Results | -- | 0.20% |

Chart of the Day: US Construction Spending (% Change)

