



Market Conditions

January 31, 2025

| MBS | Current Price | Change | OAS Dur | OAS Yld | Vol |
|------------------|---------------|--------|---------|---------|------|
| FNMA30 6.0 FEB | 100 25/32 | +2/32 | 3.52 | 5.74% | 2.64 |
| FNMA15 5.5 FEB | 100 26/32 | +2/32 | 4.48 | 4.98% | 3.36 |
| GNMAII30 6.0 FEB | 100 29/32 | +2/32 | 2.75 | 5.87% | 2.07 |

| Treasuries | Current Price | Change | Dur | Yld | Vol |
|---------------|---------------|--------|-------|------|-------|
| 5yr Treasury | 99 23/32 | +2/32 | 4.44 | 4.31 | 3.62 |
| 10yr Treasury | 97 30/32 | +2/32 | 7.72 | 4.52 | 5.95 |
| 30yr Treasury | 95 26/32 | +1/32 | 15.24 | 4.77 | 11.50 |

| Stocks | Current Price | % Change | Commodities | Current Price | Change |
|---------|---------------|----------|-------------|---------------|--------|
| Dow | 44,901.90 | +0.02% | Dollar | \$107.95 | 0.14% |
| S&P 500 | 6,112.28 | +0.66% | Gold | \$2,839.50 | -0.20% |
| Nasdaq | 19,928.94 | +1.26% | Crude Oil | \$72.15 | -0.81% |

Economic Commentary

MBS prices are up about 2/32 this morning while the DOW is up about 40 points as the Federal Reserve's preferred inflation gauge matched expectations. Investors also braced for a looming tariff deadline. Personal income increased 0.4% month-over-month in December, as expected, following a 0.3% increase in November. Personal spending jumped 0.7% month-over-month (Briefing.com consensus 0.5%) on the heels of an upwardly revised 0.6% increase (from 0.4%) in November. The PCE Price Index rose 0.3% month-over-month, as expected, leaving it up 2.6% year-over-year versus 2.4% in November. The core-PCE Price Index increased 0.2% month-over-month, as expected, leaving it up 2.8% year-over-year for the third month in a row. The key takeaway from the report is that consumer spending is strong (which we knew from the Adv. Q4 GDP report) and that inflation is sticky above the Fed's 2% target, making it clear why the Fed said it isn't in a hurry to adjust its policy stance. The Q4 Employment Cost Index showed compensation costs for civilian workers increased 0.9% (Briefing.com consensus 0.9%), seasonally adjusted, for the three-month period ending in December 2024 versus 0.8% for the third quarter. The key takeaway from the report is that compensation costs moderated to 3.8% for the 12-month period ending in December 2024 from 4.2% for the 12-month period ending in December 2023. Chicago PMI for January (39.5; Briefing.com consensus 41.5; prior 36.9) showed a smaller than expected increase. Trump on Thursday doubled down on a threat to impose a first round of 25% tariffs on Canada and Mexico on Feb. 1. The looming Saturday deadline has revived worries about the impact on the economy from a clampdown on the US's biggest trading partners.

Economic Calendar

| | PERIOD | ACTUAL | FORECAST | PREVIOUS |
|----------------------------------|-----------|---------------------|----------|--------------|
| FRIDAY, JAN. 31 | | | | |
| Employment cost index | Q4 | 0.90% | 0.90% | 0.80% |
| Personal income (nominal) | Dec. | 0.40% | 0.40% | 0.30% |
| Personal spending (nominal) | Dec. | 0.70% | 0.60% | 0.60% |
| PCE index | Dec. | 0.30% | 0.30% | 0.10% |
| PCE (year-over-year) | 2024-2025 | 2.60% | 2.60% | 2.50% |
| Core PCE index | Dec. | 0.20% | 0.20% | 0.10% |
| Core PCE (year-over-year) | 2024-2025 | 2.80% | 2.80% | 2.80% |
| Chicago Business Barometer (PMI) | Jan. | 39.50 | 41.00 | 36.90 |
| MONDAY, FEB. 3 | | | | |
| S&P final U.S. manufacturing PMI | Jan. | Waiting for Results | -- | 50.10 |
| Construction spending | Dec. | Waiting for Results | -- | 0.00% |
| ISM manufacturing | Jan. | Waiting for Results | -- | 49.30% |
| Auto sales | Jan. | Waiting for Results | -- | 16.8 million |
| TUESDAY, FEB. 4 | | | | |
| Job openings | Dec. | Waiting for Results | -- | 8.1 million |
| Factory orders | Dec. | Waiting for Results | -- | -0.40% |
| WEDNESDAY, FEB. 5 | | | | |
| ADP employment | Jan. | Waiting for Results | -- | 122,000 |
| U.S. trade deficit | Dec. | Waiting for Results | -- | -\$78.2B |
| S&P final U.S. services PMI | Jan. | Waiting for Results | -- | 52.80 |
| ISM services | Jan. | Waiting for Results | -- | 54.10% |
| THURSDAY, FEB. 6 | | | | |
| Initial jobless claims | Feb. 1 | Waiting for Results | -- | -- |
| U.S. productivity | Q4 | Waiting for Results | -- | 2.20% |
| FRIDAY, FEB. 7 | | | | |
| U.S. employment report | Jan. | Waiting for Results | -- | 256,000 |
| U.S. unemployment rate | Jan. | Waiting for Results | -- | 4.10% |
| U.S. hourly wages | Jan. | Waiting for Results | -- | 0.30% |
| Hourly wages year over year | 0-Jan | Waiting for Results | -- | 3.90% |
| Wholesale inventories | Dec. | Waiting for Results | -- | -0.20% |
| Consumer sentiment (prelim) | Jan. | Waiting for Results | -- | 71.10 |
| Consumer credit | Dec. | Waiting for Results | -- | -\$7.5B |

Chart of the Day: US PCE Index (Annual Change)

