



Calibrate | Focus | Execute

Market Conditions

February 3, 2025

MBS	Current Price	Change	OAS Dur	OAS Yld	Vol
FNMA30 6.0 FEB	100 23/32	+3/32	3.48	5.74%	2.62
FNMA15 5.5 FEB	100 23/32	+1/32	4.50	5.01%	3.39
GNMAII30 6.0 FEB	100 27/32	+3/32	2.76	5.89%	2.07

Treasuries	Current Price	Change	Dur	Yld	Vol
5yr Treasury	99 18/32	-2/32	4.44	4.34	3.63
10yr Treasury	97 25/32	+3/32	7.72	4.52	5.97
30yr Treasury	95 28/32	+15/32	15.24	4.75	11.54

Stocks	Current Price	% Change	Commodities	Current Price	Change
Dow	44,378.11	-0.34%	Dollar	\$108.94	0.53%
S&P 500	5,987.44	-0.91%	Gold	\$2,858.40	+0.83%
Nasdaq	19,366.09	-1.35%	Crude Oil	\$72.73	+0.21%

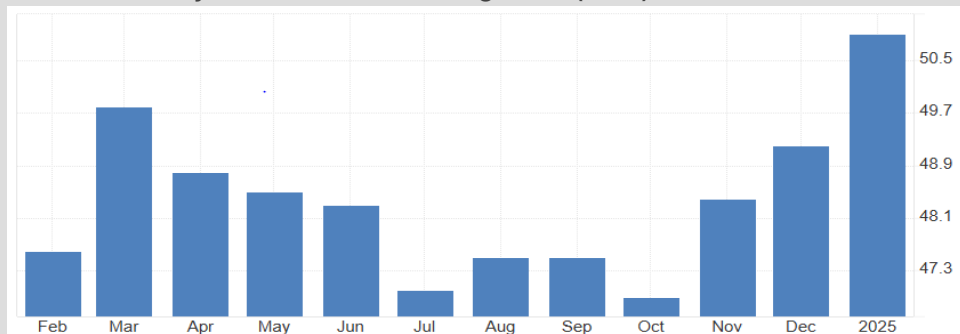
Economic Commentary

MBS prices are up about 3/32 this morning while the DOW is down about 160 points in reaction to President Donald Trump's announcement of tariffs on China, Mexico, and Canada. But the major averages pared losses mid-morning after Trump said he would delay tariffs against Mexico by a month. The tariffs, initially set to take effect on Tuesday, include 25% duties on Canada and Mexico, and 10% on China. Energy imports from Canada will carry a lower 10% duty. But after a Monday morning call with Mexico's president Claudia Sheinbaum, Trump delayed the implementation of tariffs on its imports. He said Sheinbaum agreed to send Mexican soldiers to the border to stop the flow of fentanyl and illegal migrants into the US. "The Canada/Mexico tariffs are likely about leverage," Claudio Irgoyen, lead global economist at Bank of America, wrote in a note to clients on Monday. "Our view continues to be that temporary tariffs and threats of tariffs on Canada and to Mexico will last until [a new US, Canada, and Mexico trade agreement] is renegotiated," Irgoyen said, noting that a trade agreement is due for review in 2026. The January ISM Manufacturing Index checked in at 50.9% (Briefing.com consensus 49.1%) versus a downwardly revised 49.2% (from 49.3%) in December. The dividing line between expansion and contraction is 50.0%, so the January reading suggests manufacturing sector activity accelerated versus the prior month and returned to expansion territory. The key takeaway from the report is that manufacturing sector activity overall moved into expansion territory for the first time after 26 straight months of contraction, underscoring an improved demand backdrop seen in the pickup in the new orders and employment indexes. Total construction spending increased 0.5% month-over-month in December (Briefing.com consensus 0.2%) following an upwardly revised 0.2% increase (from 0.0%) in November. Total private construction was up 0.9% month-over-month while total public construction declined 0.5% month-over-month. On a year-over-year basis, total construction spending was up 4.3%. The key takeaway from the report is that new single-family construction activity picked up despite rising interest rates.

Economic Calendar

	PERIOD	ACTUAL	FORECAST	PREVIOUS
MONDAY, FEB. 3				
S&P final U.S. manufacturing PMI	Jan.	51.20	--	50.10
Construction spending	Dec.	0.50%	0.30%	0.20%
ISM manufacturing	Jan.	50.90%	50.00%	49.20%
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 ISM Manufacturing Index (MoM)



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Sources: Bloomberg, Reuters, MarketWatch.com, edwardjones.com, advisorperspectives.com, taintedalpha.com, options express, yahoo finance, estimote.com, stockcharts.com, tradingeconomics.com, investing.com