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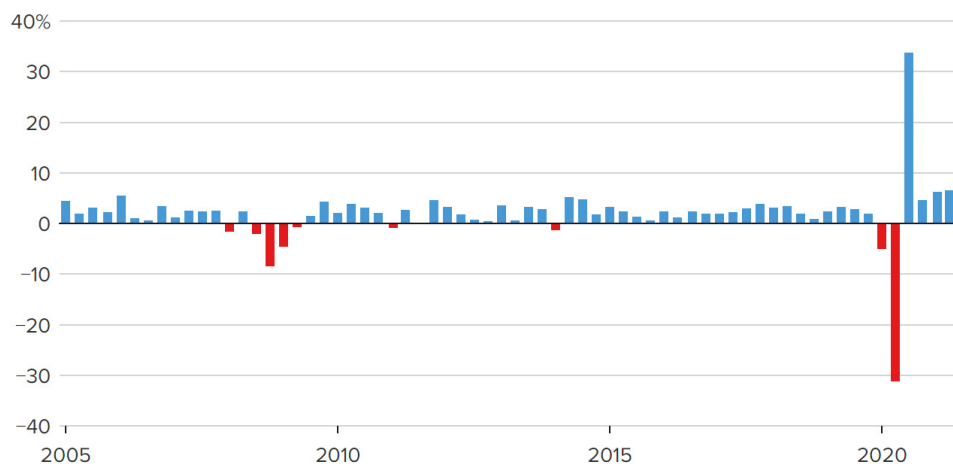
As we close another hot July week, eyes were on this morning's release of an inflation indicator the Federal Reserve uses as its key guide, the personal consumption expenditures price index. The core personal expenditures price index, which excludes food and energy, increased 3.5% year-over-year, slightly below expectations of 3.6%. On a month over month calculation, the core PCE index rose 0.4%, which was below the 0.6% estimate, potentially indicating that inflationary pressures may be starting to subside at least a bit.

New consumer spending data was also released this morning and it rebounded 1.0% last month after dropping 0.1% in May. While consumer spending on goods remains strong, the pace has slowed amid shortages of motor vehicles and some household appliances, whose production has been constrained by a shortage of semiconductors worldwide. Additionally, personal income increased unexpectedly 0.1% after falling by a revised 2.2 percent in May.

Earlier in the week, the Federal Reserve wrapped up their two-day meeting on Wednesday and updated the world on their thoughts about inflation and employment in the United States. The central bank decided not to raise interest rates from near zero nor adjust the pace at which it buys government bonds each month. Investors hang onto every word Chairman Jerome Powell speaks during his post Fed meeting press conference and Powell said, "The U.S. economy is still a good deal away from making substantial further progress" toward the Fed's dual mandates of stable prices and maximum employment. Additionally, Powell stated, "I'd say we have some ground to cover on the labor market side. I think we're some way away from having had substantial further progress toward the maximum employment goal." Some analysts have questioned why the Fed is buying billions of mortgage-backed securities each month at a time when home prices have surged. Powell states that he didn't think the purchases of those assets had a significant impact on the housing market outside of the broader accommodative approach from the central bank.

The first estimate of U.S. gross domestic product was released Wednesday and the U.S. economy rose at a disappointing rate in the second quarter of 6.5% on an annualized basis. Yes, you read that correctly, I said disappointing as expectations were much higher at 8.4%. With the impact of fiscal stimulus waning, surging prices, and the delta variant running throughout the country, many are expecting GDP growth to slow in the second half of this year.

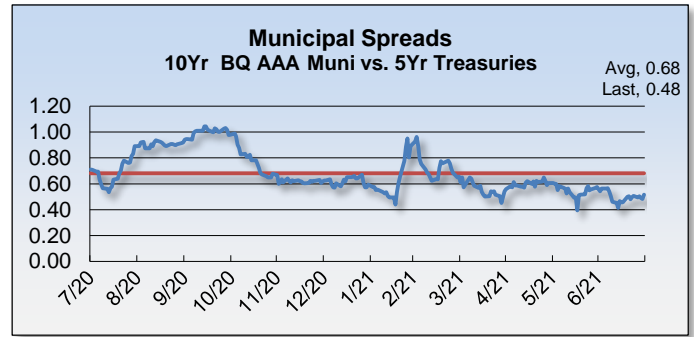
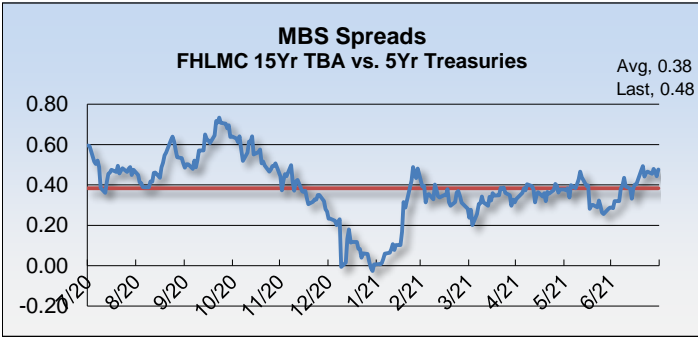
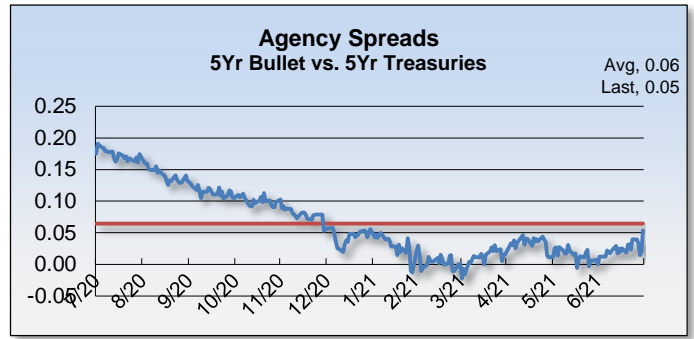
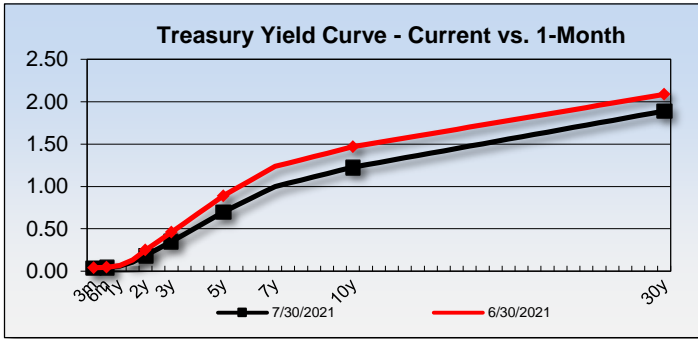
U.S. gross domestic product, change from previous quarter



Source: Bureau of Economic Analysis. Data is seasonally adjusted at an annual rate.

In taking a look at the markets this morning, the 10-year Treasury yield is down this morning to 1.23% and yields across most parts of the curve are also down slightly. The Dow Jones Industrial Average is off slightly this morning, down around 100 points.

Next Friday brings monthly job and employment data for the month of July. Estimates are for an increase of 850,000 in nonfarm payrolls and a headline unemployment rate of 5.9%. Early next week we will get the updated ISM manufacturing index as well as the ISM services index. Stay safe!



Treasury Market -- Historical						Fixed Rate Market										
Maty	Current	1Wk Change	Historical			Maty /AL	N-Call Agency	US Swap	AAA BQ Muni		Tax Muni	Agency Calls - Euro				
			1 Mo	6 Mo	1 Yr				C-Corp ²	S-Corp ³		Mty	3Mo	6mo	1Yr	2Yr
3mo	0.04	(0.01)	0.04	0.05	0.09	2yr	0.20	0.27	0.08	0.09	0.27	2Yr	0.11	0.11	0.11	-
6mo	0.05	(0.00)	0.05	0.07	0.10	3yr	0.36	0.48	0.18	0.19	0.46	3Yr	0.27	0.28	0.20	0.27
1yr	0.06	(0.01)	0.07	0.08	0.11	5yr	0.73	0.79	0.50	0.54	0.84	5Yr	0.70	0.70	0.69	0.63
2yr	0.19	(0.01)	0.25	0.11	0.12	7yr	1.04	1.03	0.80	0.85	1.13	7Yr	1.01	1.03	1.02	0.95
3yr	0.35	(0.03)	0.46	0.17	0.16	10yr	1.35	1.26	1.15	1.22	1.59	10Yr	1.28	1.34	1.33	1.27
5yr	0.70	(0.02)	0.89	0.42	0.23	15yr	1.65	1.49	1.43	1.52	2.04	August TBA MBS				
7yr	1.00	(0.03)	1.24	0.76	0.41	20yr	1.95	1.60	1.67	1.77	2.36	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	1.23	(0.05)	1.47	1.07	0.55	25yr	2.25	1.64	1.81	1.92	2.41	2.00	0.96	3.9y	1.63	
30yr	1.89	(0.03)	2.09	1.83	1.21	30yr		1.65	1.95	2.07	2.46	2.50	0.80	3.0y		
												3.00	0.91	2.6y	1.48	3.6y
												3.50	0.49	2.4y	1.54	3.4y
												4.00			1.72	3.3y
												4.50			2.04	3.6y

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	0.25	--	0.25	0.25	0.25
Primary Discount	0.25	--	0.25	0.25	0.25
2ndary Discount	0.75	--	0.75	0.75	0.75
Prime Rate	3.25	--	3.25	3.25	3.25
Sec. O.N. Finance	0.05	--	0.05	0.06	--
1 Month LIBOR	0.09	0.01	0.10	0.12	0.17
3 Month LIBOR	0.13	(0.01)	0.15	0.21	0.27
6 Month LIBOR	0.15	0.00	0.17	0.22	0.32
1 Year LIBOR	0.24	(0.01)	0.25	0.31	0.46
6 Month CD	0.22	0.07	0.10	0.18	0.23
1 Year CMT	0.08	0.01	0.08	0.10	0.13
REPO O/N	0.04	(0.02)	0.04	0.13	0.12
REPO 1Wk	0.11	--	0.14	0.07	0.13
CoF Federal	0.785	--	0.806	0.925	1.158
11th D. CoF (May)	0.306	--	0.343	0.466	0.755

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	0.22	0.34	0.26
6mo	0.22	0.32	0.26
1yr	0.28	0.29	0.29
2yr	0.39	0.57	0.43
3yr	0.57	0.77	0.61
4yr	0.75	0.96	0.80
5yr	0.91	1.12	0.97
7yr	1.21	1.47	1.29
10yr	1.53	1.81	1.60
5yr Am	0.65		0.76
10yr Am	1.15		1.25

Fed Fund Futures	
Maturity	Rate
Jul-21	0.100
Aug-21	0.090
Sep-21	0.090
Oct-21	0.085
Nov-21	0.080
Dec-21	0.080
Jan-22	0.080
Feb-22	0.085
Mar-22	0.090
Apr-22	0.090
May-22	0.095

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
7/26	New Home Sales	Jun	796k	676k	769k	724k
7/27	Durables Ex Transportation	Jun P	0.8%	0.3%	0.3%	0.5%
7/27	Cap Goods Ship Nondef Ex Air	Jun P	0.8%	0.6%	1.1%	0.9%
7/27	FHFA House Price Index MoM	May	1.6%	1.7%	1.8%	--
7/27	S&P CoreLogic CS 20-City YoY NSA	May	16.33%	16.99%	14.88%	15.01%
7/27	S&P CoreLogic CS US HPI YoY NSA	May	--	16.61%	14.59%	14.84%
7/27	Conf. Board Consumer Confidence	Jul	123.9	129.1	127.3	128.9
7/27	Conf. Board Present Situation	Jul	--	160.3	157.7	159.6
7/27	Conf. Board Expectations	Jul	--	108.4	107.0	108.5
7/28	MBA Mortgage Applications	7/23	--	5.7%	-4.0%	--
7/28	Advance Goods Trade Balance	Jun	-\$88.0b	-\$91.2b	-\$88.1b	-\$88.2b
7/28	FOMC Rate Decision (Lower Bound)	7/28	0.00%	0.00%	0.00%	--
7/28	FOMC Rate Decision (Upper Bound)	7/28	0.25%	0.25%	0.25%	--
7/28	Interest on Reserve Balances Rate	7/29	0.15%	0.15%	0.15%	--
7/29	Personal Consumption	2Q A	10.5%	11.8%	11.4%	--
7/29	GDP Price Index	2Q A	5.4%	6.0%	4.3%	--
7/29	Core PCE QoQ	2Q A	6.1%	6.1%	2.5%	2.7%
7/29	Initial Jobless Claims	7/24	385k	400k	419k	424k
7/29	Continuing Claims	7/17	3183k	3269k	3236k	3262k
7/29	Langer Consumer Comfort	7/25	--	53.2	51.5	--
7/29	Pending Home Sales NSA YoY	Jun	-3.3%	-3.3%	13.9%	14.2%
7/30	Employment Cost Index	2Q	0.9%	0.7%	0.9%	--
7/30	Personal Income	Jun	-0.3%	0.1%	2.0%	-2.2%
7/30	Real Personal Spending	Jun	0.3%	0.5%	0.4%	-0.6%
7/30	PCE Deflator YoY	Jun	4.0%	4.0%	3.9%	4.0%
7/30	PCE Core Deflator YoY	Jun	3.7%	3.5%	3.4%	--
7/30	MNI Chicago PMI	Jul	64.2	73.4	66.1	--
7/30	U. of Mich. Sentiment	Jul F	80.8	81.2	80.8	--
7/30	U. of Mich. Current Conditions	Jul F	84.5	84.5	84.5	--
7/30	U. of Mich. 1 Yr Inflation	Jul F	4.8%	4.7%	4.8%	--
8/2	Markit US Manufacturing PMI	Jul F	63.1	--	63.1	--
8/2	ISM Manufacturing	Jul	60.7	--	60.6	--
8/2	ISM Prices Paid	Jul	88.0	--	92.1	--
8/2	ISM New Orders	Jul	64.3	--	66.0	--
8/2	ISM Employment	Jul	51.4	--	49.9	--
8/3	Factory Orders Ex Trans	Jun	--	--	0.7%	--
8/4	ADP Employment Change	Jul	675k	--	692k	--
8/5	Challenger Job Cuts YoY	Jul	--	--	-88.0%	--
8/6	Change in Nonfarm Payrolls	Jul	900k	--	850k	--
8/6	Two-Month Payroll Net Revision	Jul	--	--	15k	--
8/6	Change in Private Payrolls	Jul	808k	--	662k	--
8/6	Change in Manufact. Payrolls	Jul	33k	--	15k	--
8/6	Unemployment Rate	Jul	5.7%	--	5.9%	--
8/6	Average Hourly Earnings YoY	Jul	3.9%	--	3.6%	--
8/6	Average Weekly Hours All Employees	Jul	34.7	--	34.7	--
8/6	Labor Force Participation Rate	Jul	--	--	61.6%	--
8/6	Underemployment Rate	Jul	--	--	9.8%	--

MBS Prepayments ⁴						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	15.8	25.4	27.5	29.0	28.6	23.3
FH/FN 15y	11.8	31.4	38.5	44.3	34.2	23.4
GN 15y	22.7	20.7	20.5	19.1	20.5	18.3
FH/FN 20y	54.0	26.1	31.2	31.2	31.5	24.4
FH/FN 30y	4.4	21.8	48.5	52.5	54.8	52.1
GN 30y	5.9	21.3	39.1	50.5	54.4	31.1
CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	18.3	19.1	19.6	20.9	22.0	20.5
FH/FN 15y	16.0	20.0	23.4	27.2	24.5	21.5
GN 15y	14.6	14.8	14.9	14.0	13.2	12.9
FH/FN 20y	15.7	18.5	17.6	17.6	17.5	17.0
FH/FN 30y	12.1	16.5	24.1	24.9	26.1	23.8
GN 30y	9.6	12.6	17.0	18.1	18.6	13.4

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	109.78	(0.77)	111.11	104.93	104.73
Euro	1.19	0.01	1.19	1.21	1.18
Dollar Index	92.07	(0.84)	92.44	90.58	93.02
Major Stock Indices					
Dow Jones	34,992	(69)	34,503	29,983	26,314
S&P 500	4,407.7	(4.1)	4,297.5	3,714.2	3,246.2
NASDAQ	14,695.9	(141)	14,504.0	13,070.7	10,587.8
Commodities					
Gold	1,824.1	22.3	1,771.6	1,847.3	1,942.3
Crude Oil	73.73	1.66	73.47	52.20	39.92
Natural Gas	3.88	(0.18)	3.65	2.56	1.83
Wheat	700.0	16.0	671.5	663.0	529.5
Corn	548.5	1.3	720.0	547.0	315.8

Notes

- 1 Call Agy = Maturity at left w/ a 1-Year Call at Par
- 2 Muni TEY (21% Fed, 0.75% CoF)
- 3 S-Corp TEY Muni (29.6%, no TEFERA)
- 4 MBS Prepayments are provided by Bloomberg

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