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UPCOMING EVENTS

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Aug 14, 2024

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[Scottsdale, AZ](#)
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Nov 7-8, 2024

Happy Friday everyone, there has been a lot of news to digest this week and even more on the horizon so buckle up for the ride. The stock market has continued to sell off this week, with the S&P 500 and the NASDAQ having their worst single days since 2022 on Wednesday. This sell off has been primarily led by Tesla and Nvidia and the rest of the Magnificent Seven which drove the NASDAQ down over 3%. The bond market has sold off slightly since the start of the week as well with the 10 year treasury dropping below 4.20% as of this writing.

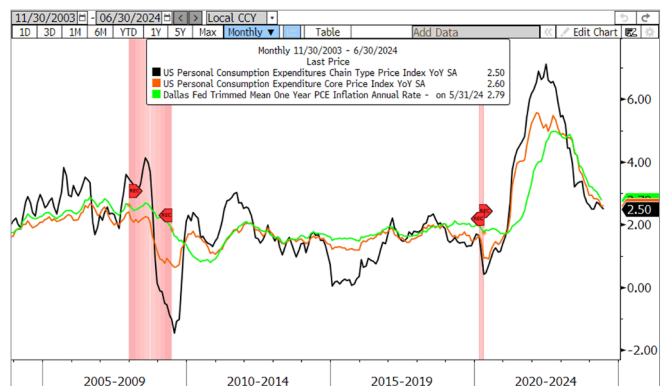
This week we received the first estimate for Q2 GDP growth coming in at 2.8% versus estimates of 2.0% and accelerating from Q1 GDP at 1.4%. The Q2 reading was bolstered by an increase in consumer spending and business inventories continuing to build. Personal Consumption beat expectations, coming in hot at 2.3%, which was an .8% increase from the last quarter. According to the Commerce Department this increase in consumer spending contributed 1.6% to the rise in Q2 GDP. This is the first of three estimates for Q2 GDP, so expect these numbers to be revised in the upcoming weeks.

New Home Sales came in lower than expected, falling 0.6% month over month and marking the fourth straight month of declining sales. This marked a disappointing end to the spring real estate market, which is typically the busiest time of the year for home sales and as homes once again hit record high prices. Home prices continue to rise due to low inventory well below historical norms.

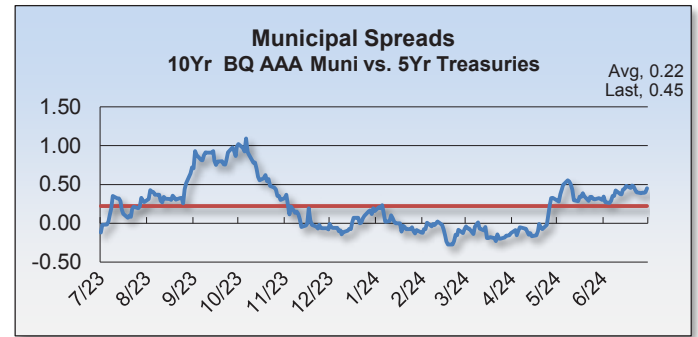
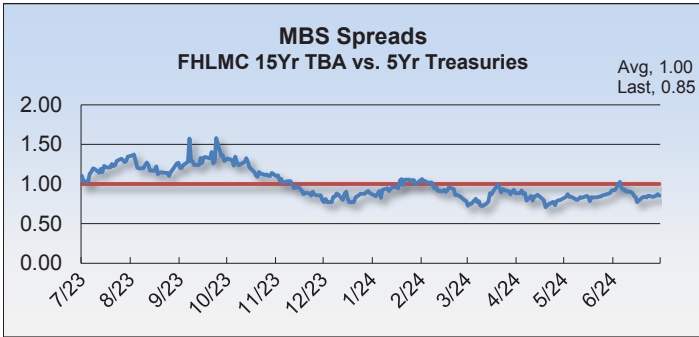
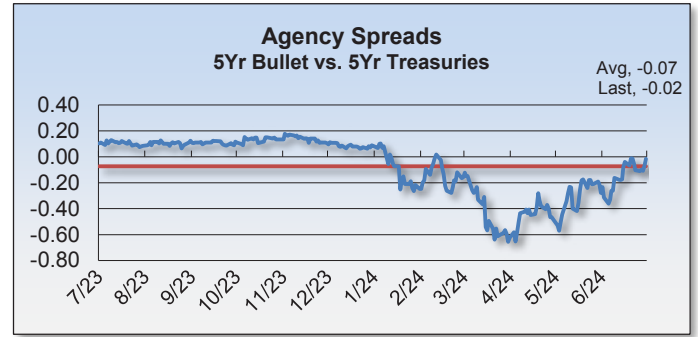
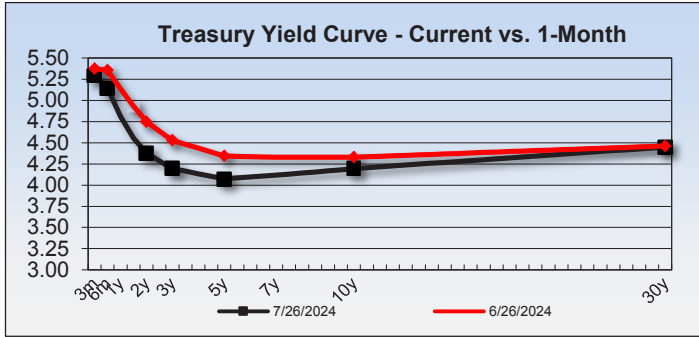
Today we received the ever so important PCE Price Index readings. Headline PCE is the Federal Reserves preferred measure of inflation and plays a pivotal role in policy decisions. PCE rose 0.1% in June and 2.5% from a year ago, both meeting expectations. These readings match the lowest numbers since the pandemic. Core PCE, which excludes food and energy, rose 0.2% in June and 2.6% from a year ago. The Core YOY change was slightly higher than the estimate of 2.5%, however the overall inflation report was in-line with market expectations and continues to show the Fed that inflation is moving towards their goal of 2%.

All of this news leads us into next week, where the FOMC will have their July meeting on Tuesday and Wednesday. The current consensus is that there will be no rate cut at this meeting with the first full cut currently priced in for September. Despite the markets current view, the former President of the New York Fed Bill Dudley released an Op-Ed on Bloomberg calling for rate cuts at next weeks meeting. Dudley makes the argument that a deteriorating labor market is on the horizon and references an economic theory called the Sahm Rule. The Sahm Rule was developed as a signal to show the start of a recession when the three-month moving average of the national unemployment rate rises by 0.50% or more relative to its low during the previous 12 months. Currently we sit at 0.43%, right below that threshold.

We have a lot to look forward to next week outside of the FOMC meeting. On Tuesday we get the JOLTS report, followed by ADP Employment Change on Wednesday, Initial and Continuing Jobless Claims on Thursday and finally the Bureau of Labor Statistics Employment Report on Friday. We also jump full swing into the 2024 Paris Olympics with the opening ceremony tonight, and I for one cannot wait to cheer on the USA as it competes in sports that I only watch ever 4 years. Have a great weekend everyone!



Source: Bloomberg, L.P.



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	5.29	(0.04)	5.38	5.36	5.43	2yr	4.46	4.27	3.99	4.25	4.61	2Yr					
6mo	5.14	(0.05)	5.36	5.21	5.49	3yr	4.28	4.02	3.91	4.16	4.55	3Yr					
1yr	4.81	(0.07)	5.14	4.78	5.37	5yr	4.20	3.84	3.85	4.10	4.43	5Yr					
2yr	4.38	(0.13)	4.75	4.35	4.85	7yr	4.27	3.79	3.88	4.13	4.51	7Yr					
3yr	4.19	(0.10)	4.53	4.15	4.61	10yr	4.37	3.79	3.92	4.17	4.69	10Yr					
5yr	4.07	(0.09)	4.34	4.04	4.12	15yr	4.48	3.83	4.26	4.53	4.81		August TBA MBS				
7yr	4.12	(0.07)	4.33	4.10	4.01	20yr	4.58	3.82	4.76	5.07	5.23	Cpn	15Yr -Yld/AL		30Yr -Yld/AL		
10yr	4.19	(0.05)	4.33	4.14	3.87	25yr	4.69	3.75	4.96	5.27	5.29	3.00	5.10	5.1y	5.11		
30yr	4.45	0.00	4.46	4.37	3.94	30yr		3.66	5.15	5.48	5.34	3.50	4.80	5.1y			
												4.00	4.71	5.1y	5.18	9.4y	
												4.50	4.77	4.9y	5.24	9.4y	
												5.00			5.38	8.9y	
												5.50			5.57	7.2y	

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	5.50	--	5.50	5.50	5.50
Primary Discount	5.50	--	5.50	5.50	5.25
2ndary Discount	6.00	--	6.00	6.00	5.75
Prime Rate	8.50	--	8.50	8.50	8.25
Sec. O.N. Finance	5.35	0.01	5.33	5.32	--
1 Month LIBOR	5.46	0.01	5.46	5.45	5.42
3 Month LIBOR	5.54	(0.00)	5.60	5.59	5.61
6 Month LIBOR	5.57	0.01	5.70	5.62	5.85
1 Year LIBOR	6.04	0.12	5.73	5.48	3.62
6 Month CD	5.21	(0.10)	5.35	5.28	5.76
1 Year CMT	4.83	(0.03)	5.10	4.76	5.38
REPO O/N	5.44	0.04	5.46	5.35	5.11
REPO 1Wk	5.35	(0.00)	5.35	5.39	5.36
CoF Federal	3.969	--	3.956	3.855	3.544
11th D. CoF (May)	3.227	--	3.198	3.119	2.731

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	5.44	5.47	5.51
6mo	5.27	5.26	5.33
1yr	4.88	4.88	5.05
2yr	4.48	4.56	4.62
3yr	4.31	4.38	4.43
4yr	4.26	4.34	4.38
5yr	4.22	4.28	4.33
7yr	4.42	4.50	4.54
10yr	4.61	4.72	4.72
5yr Am	4.15		4.49
10yr Am	4.21		4.61

Fed Fund Futures		
Maturity	Rate	
Jul-24	5.330	
Aug-24	5.315	
Sep-24	5.210	
Oct-24	5.050	
Nov-24	4.920	
Dec-24	4.780	
Jan-25	4.630	
Feb-25	4.465	
Mar-25	4.380	
Apr-25	4.255	
May-25	4.115	

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
7/23	Existing Home Sales MoM	Jun	-3.2%	-5.4%	-0.7%	--
7/24	MBA Mortgage Applications	7/19	--	-2.2%	3.9%	--
7/24	Retail Inventories MoM	Jun	0.5%	0.7%	0.7%	0.6%
7/24	S&P Global US Manufacturing PMI	Jul P	51.6	49.5	51.6	--
7/24	S&P Global US Services PMI	Jul P	54.9	56.0	55.3	--
7/24	S&P Global US Composite PMI	Jul P	54.2	55.0	54.8	--
7/24	New Home Sales MoM	Jun	3.4%	-0.6%	-11.3%	-14.9%
7/25	GDP Annualized QoQ	2Q A	2.0%	2.8%	1.4%	--
7/25	Personal Consumption	2Q A	2.0%	2.3%	1.5%	--
7/25	GDP Price Index	2Q A	2.6%	2.3%	3.1%	--
7/25	Core PCE Price Index QoQ	2Q A	2.7%	2.9%	3.7%	--
7/25	Initial Jobless Claims	7/20	238k	235k	243k	245k
7/25	Continuing Claims	7/13	1868k	1851k	1867k	1860k
7/25	Durable Goods Orders	Jun P	0.3%	-6.6%	0.1%	--
7/25	Durables Ex Transportation	Jun P	0.2%	0.5%	-0.1%	--
7/25	Cap Goods Orders Nondef Ex Air	Jun P	0.2%	1.0%	-0.6%	-0.9%
7/25	Cap Goods Ship Nondef Ex Air	Jun P	0.2%	0.1%	-0.6%	-0.7%
7/26	Personal Income	Jun	0.4%	0.2%	0.5%	0.4%
7/26	Personal Spending	Jun	0.3%	0.3%	0.2%	0.4%
7/26	Real Personal Spending	Jun	0.3%	0.2%	0.3%	0.4%
7/26	PCE Price Index MoM	Jun	0.1%	0.1%	0.0%	--
7/26	PCE Price Index YoY	Jun	2.5%	2.5%	2.6%	--
7/26	Core PCE Price Index MoM	Jun	0.2%	0.2%	0.1%	--
7/26	Core PCE Price Index YoY	Jun	2.5%	2.6%	2.6%	--
7/26	U. of Mich. Sentiment	Jul F	66.5	66.4	66.0	--
7/26	U. of Mich. Current Conditions	Jul F	64.4	62.7	64.1	--
7/26	U. of Mich. 1 Yr Inflation	Jul F	2.9%	2.9%	2.9%	--
7/30	S&P CoreLogic CS US HPI YoY NSA	May	--	--	6.3%	--
7/30	S&P CoreLogic CS 20-City YoY NSA	May	--	--	7.2%	--
7/30	JOLTS Job Openings	Jun	--	--	8140k	--
7/30	Conf. Board Consumer Confidence	Jul	99.7	--	100.4	--
7/30	Conf. Board Present Situation	Jul	--	--	141.5	--
7/30	Conf. Board Expectations	Jul	--	--	73.0	--
7/31	ADP Employment Change	Jul	168k	--	150k	--
7/31	Employment Cost Index	2Q	1.0%	--	1.2%	--
7/31	MNI Chicago PMI	Jul	44.0	--	47.4	--
7/31	FOMC Rate Decision (Upper Bound)	7/31	5.50%	--	5.50%	--
7/31	FOMC Rate Decision (Lower Bound)	7/31	5.25%	--	5.25%	--
7/31	Fed Interest on Reserve Balances Rate	8/1	--	--	5.40%	--
8/1	Challenger Job Cuts YoY	Jul	--	--	19.8%	--
8/2	Two-Month Payroll Net Revision	Jul	--	--	-111k	--
8/2	Change in Nonfarm Payrolls	Jul	175k	--	206k	--
8/2	Change in Private Payrolls	Jul	148k	--	136k	--
8/2	Change in Manufact. Payrolls	Jul	--	--	-8k	--
8/2	Unemployment Rate	Jul	4.1%	--	4.1%	--
8/2	Labor Force Participation Rate	Jul	--	--	62.6%	--
8/2	Underemployment Rate	Jul	--	--	7.4%	--

MBS Prepayments ⁴						
3-Month CPR						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	14.8	14.2	13.0	15.6	19.8	21.9
FH/FN 15y	8.2	9.1	11.9	18.3	22.7	38.1
GN 15y	16.1	19.1	23.6	30.5	74.5	32.3
FH/FN 20y	6.6	7.6	8.3	9.2	11.4	15.9
FH/FN 30y	6.8	6.5	6.8	6.4	6.7	7.3
GN 30y	6.4	4.9	7.5	6.6	7.0	7.1
CPR Projections						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	10.4	11.7	12.7	14.2	17.1	18.9
FH/FN 15y	7.2	8.2	11.3	14.5	14.2	19.3
GN 15y	9.1	11.1	11.0	11.9	12.7	16.0
FH/FN 20y	6.1	7.0	8.0	9.2	11.1	13.6
FH/FN 30y	5.7	6.2	7.0	7.7	8.8	10.7
GN 30y	6.5	6.6	8.6	7.7	9.1	9.9

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	153.97	(3.51)	160.30	148.15	140.39
Euro	1.09	(0.00)	1.07	1.09	1.11
Dollar Index	104.25	(0.15)	106.05	103.43	100.89
Major Stock Indices					
Dow Jones	40,527	239	39,128	38,109	35,520
S&P 500	5,448.4	(56.6)	5,477.9	4,891.0	4,566.8
NASDAQ	17,343.9	(383)	17,805.2	15,455.4	14,127.3
Commodities					
Gold	2,379.5	(19.6)	2,299.2	2,017.3	1,970.1
Crude Oil	77.41	(2.72)	80.90	78.01	78.78
Natural Gas	2.03	(0.10)	2.63	2.71	2.67
Wheat	532.5	-10.3	541.3	600.3	720.0
Corn	400.3	9.8	420.0	446.3	540.3

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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