

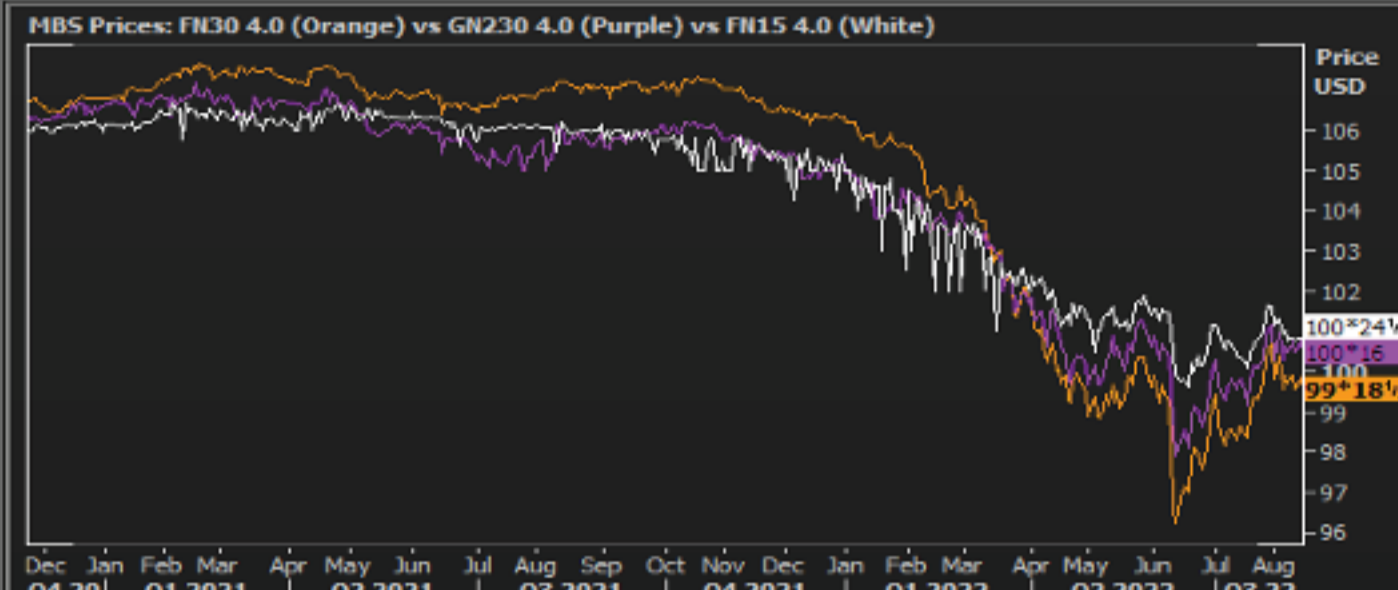
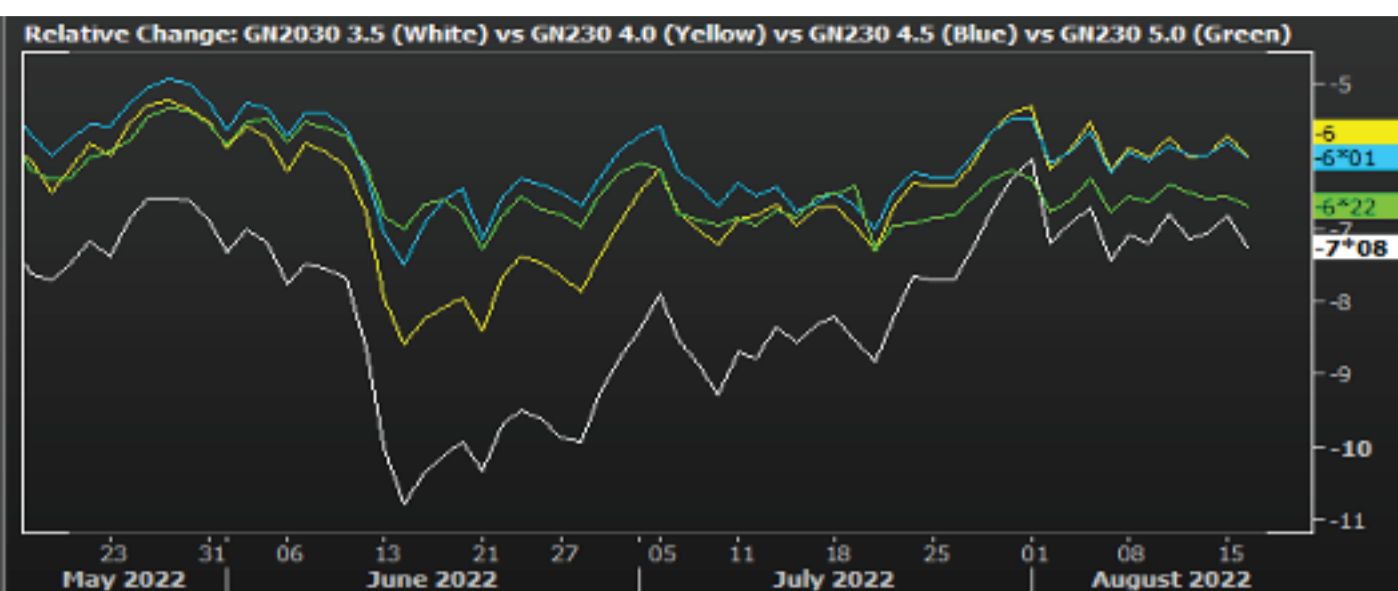
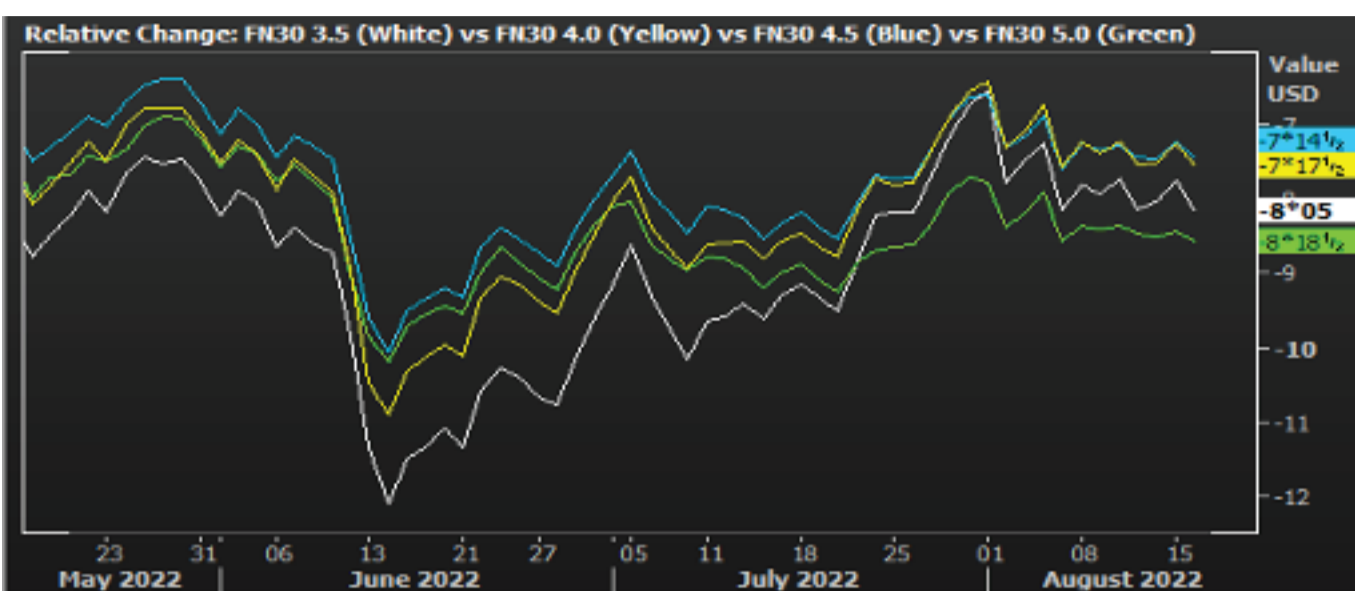
WEEKLY MARKET UPDATES
COMMENTARY FROM THE DENVER DESK...

Last week's CPI reading for July came in below expectations at 8.5% headline versus 8.7% expected and 5.9% core compared to 6.1% estimates. The ensuing bond rally was short lived, however, as markets realized that although inflation may have peaked, we are still a long ways from the Fed's target of 2%. Significant decreases in the price of gasoline drove the undershoot yet there are signs that some of the stickier costs, such as shelter/housing, are showing signs of cooling price pressures that could be borne out in the data later this year. Despite more rate hikes certainly coming from the FOMC, longer term bonds remain convinced of recession in response to the Fed's aggressive tightening cycle with the 10yr Treasury yielding near 2.8% while the 2yr Treasury is yielding substantially more at 3.23%. Despite this, hard economic data indicating recession remains elusive except for the housing sector. Housing starts came in Tuesday at 1.446mm units annualized, the lowest level since early 2021 and building permits dropped as well with both readings pointing to continued softening (at least in terms of transaction volume) in the housing sector for the remainder of 2022.

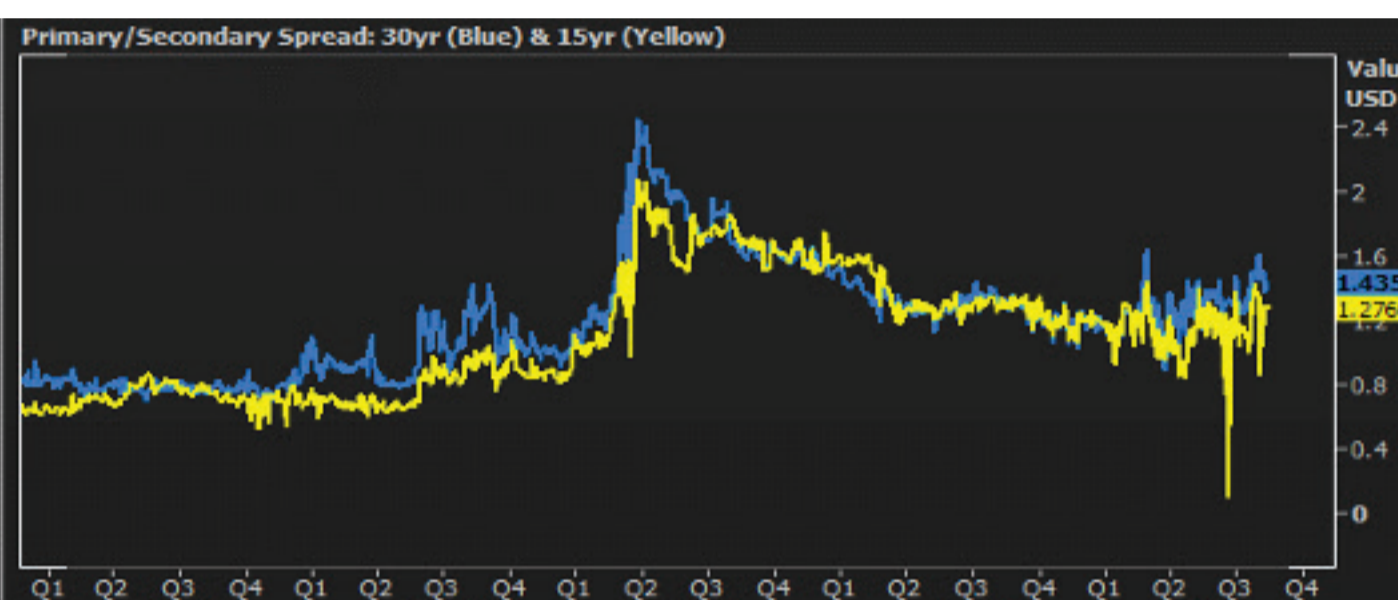
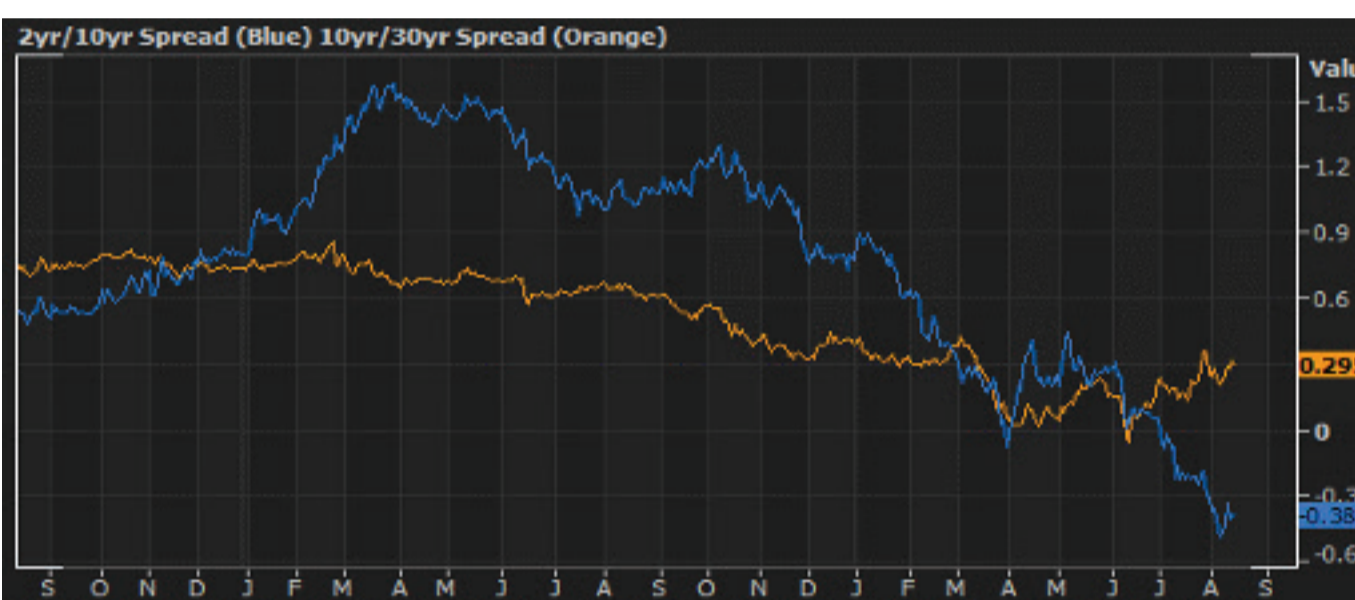
OBMMI for 30yr conforming rests near 5.37%, slightly lower than last week but clearly the source of this year's housing market woes after several years of ultra-low rates. This week, keep an eye out for the FOMC minutes from the July meeting on Wednesday at 1pm ET where discussions surrounding further rate hikes or balance sheet wind down adjustments could move markets. Retail sales is also released tomorrow shortly after market open which could give additional insight into the U.S. consumer. Despite no FOMC meeting in August, the Fed will meet for their annual symposium in Jackson Hole on August 25-27 and traders will certainly be listening for any shifts in policy guidance.

MARKET INDICATORS

BENCHMARK	FN30 CURRENT CPN	FN30 5.0	FN15 3.5	GNII30 4.5	OBMMI 30-YR RATE
ONE WEEK AGO	4.090	102 2/32	99 23/32	101 10/32	5.442
CURRENT	4.161	101 26/32	99 23/32	101 11/32	5.37
DELTA	0.071	8/32	0	- 1/32	-0.072



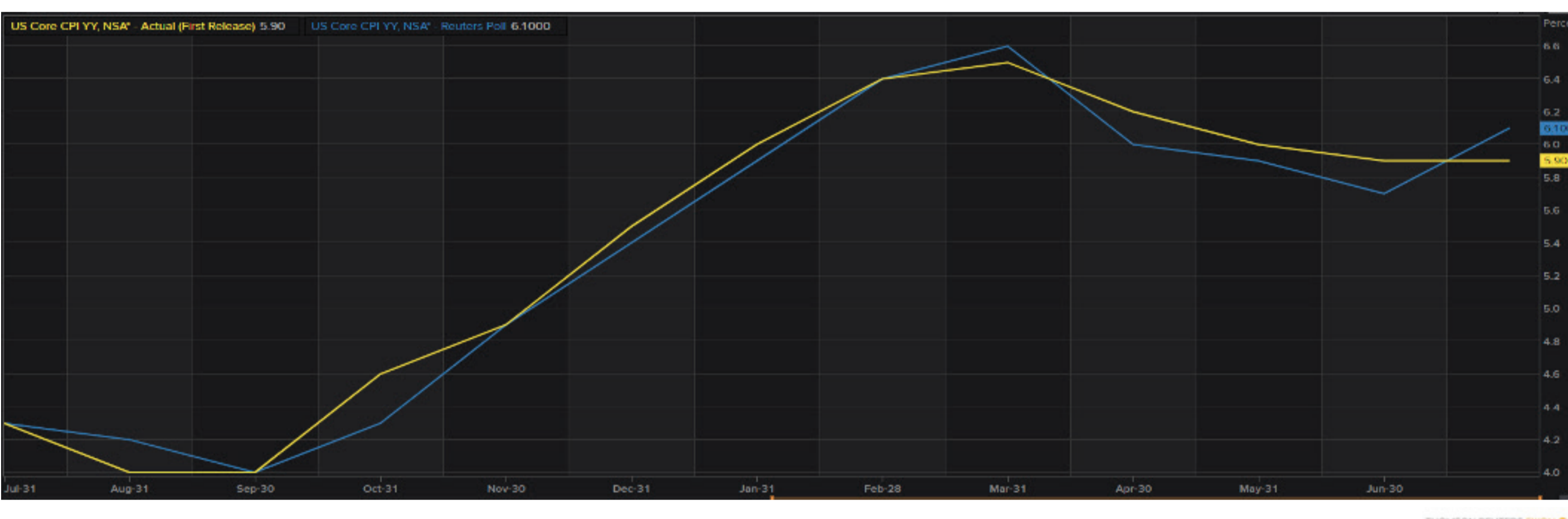
BENCHMARK	Overnight LIBOR	UST 2-YR. YIELD	UST 10-YR. YIELD	UST 30-YR. YIELD	10-YR./30-YR. SPREAD
ONE WEEK AGO	2.31157	2.953	2.623	2.935	0.312
CURRENT	2.31886	3.243	2.860	3.155	0.295
DELTA	0.00729	0.290	0.237	0.220	-0.017



- Prices/Yields are current as of 10:30AM ET on August 16, 2022 -

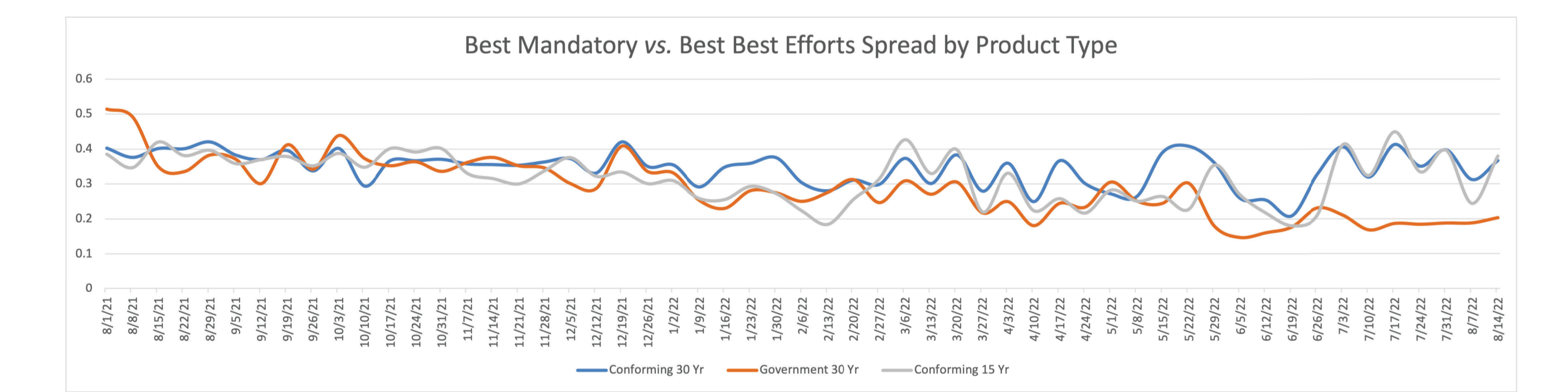
ECONOMIC DATA

Core CPI	July	June	May	3-MO Moving Average	1-YR Moving Average
ACTUAL	5.9%	5.9%	6.0%	5.9%	5.5%
EXPECTED	6.1%	5.7%	5.9%		
DIFFERENCE	-0.2%	0.2%	0.1%		



BEST EFFORTS - MANDATORY SPREAD INDEX

	Conforming 30-Year	Government 30-Year	Conforming 15-Year
Weekly	0.367	0.203	0.380
30 days	0.357	0.191	0.338
90 days	0.337	0.194	0.307
1 year	0.340	0.275	0.310



FED SPEAK

"We're happy to see inflation start to move down. I'd like to see a period of sustained inflation under control. And until we do that, I think we're just going to have to continue to move rates into restrictive territory."
- **Richmond Fed President, Tom Barkin**

"Whether we are technically in a recession or not doesn't change my analysis. I'm focused on the inflation data. I'm focused on the wage data. And so far, inflation continues to surprise us to the upside. Wages continue to grow."
- **Minneapolis Fed President, Neel Kashkari**

LIGHT READING

- [HousingWire Reports: Wells Fargo to shutter correspondent lending?](#)
- [Bloomberg Report: US Housing Cools Further With Fewer Starts, More Canceled Deals](#)

WEEKLY TECH TIP

DID YOU KNOW...

Curious about what securities/coupons your loan pipeline is slotting into? If you hedge with TBA's, there is an Agency Index subtab in the Current Data tab that breaks down your entire pipeline by security/coupon. This information can be useful in a volatile market when loans are flipping coupons and betas are moving.

ECONOMIC CALENDAR: DATA and EVENTS

TIME (ET)	REPORT	PERIOD	ACTUAL	MEDIAN FORECAST	PREVIOUS
WEDNESDAY, AUG. 17					
8:30 AM	Retail sales	July		0.1%	1.0%
8:30 AM	Retail sales ex-motor vehicles	July		0.0%	1.0%
8:30 AM	Real retail sales	July		--	-1.0%
9:30 AM	Fed Gov. Michelle Bowman speaks				
10:00 AM	Business inventories	June		1.4%	1.4%
2:00 PM	Federal Open Market Committee minutes				
2:30 PM	Fed Gov. Michelle Bowman speaks				
THURSDAY, AUG. 18					
8:30 AM	Initial jobless claims	Aug. 13		265,000	262,000
8:30 AM	Continuing jobless claims	Aug. 6		--	1.43 million
8:30 AM	Philadelphia Fed manufacturing index	Aug.		-4.5	-12.3
10:00 AM	Existing home sales (SAAR)	July		4.80 million	5.12 million
10:00 AM	Leading economic indicators	July		-0.5%	-0.8%
1:20 PM	Kansas City Fed President Esther George speaks				
1:45 PM	Minneapolis Fed President Neel Kashkari speaks				
FRIDAY, AUG. 19					
9:00 AM	Richmond Fed President Tom Barkin speaks				
10:00 AM	Advance report on selected services	Q2			
MONDAY, AUG. 22					
8:30 AM	Chicago Fed national activity index	July		--	-0.19
TUESDAY, AUG. 23					
9:45 AM	S&P U.S. manufacturing PMI (flash)	Aug.		--	52.2
9:45 AM	S&P U.S. services PMI (flash)	Aug.		--	47.3
10:00 AM	New home sales (SAAR)	July		--	590,000