## WEEKLY MARKET UPDATES
COMMENTARY FROM THE DENVER DESK...

Since our last update, MBS market experienced a significant rally paired with volatility as traders continue to digest the dovish sentiment made by the Fed after last Wednesday's FOMC minutes. The Fed voted to hold rates for another term, which has seemingly been interpreted by the markets as an indicator of the Fed becoming more dovish on the prospect of rate relief in the near future. This dovish sentiment can also be seen when analyzing the recently released December Fed Dot. Currently, the Fed is projecting a 75bp cut between now and the end of December 2024, further followed by a projected 100bps cut in 2025. When put in comparison with prior 2023 Dot-plots, there is a noticeable dovish outlook on rate projections. A large driving factor in this shift in thought is due to PCE dropping significantly throughout this quarter. These factors have led markets to rally, as these trends lend to the possibility of a soft-landing to be more attainable.

As we gear up for the holidays over the next couple weeks, traders focus will be on US Core PCE data, which will be released on Friday, December 22nd. As mentioned above, PCE is an indicator that the Fed looks at closely when it comes to assessing the effect inflation still has on consumers and the Economy. Estimate for PCE is currently 2.8%, which if hit, is coming closer and closer to the Fed's target of 2%. Other than PCE, we should expect relatively slow week on the Economic data front. As a reminder, try and avoid trading unnecessarily on half-market days. We typically see higher levels of volatility as liquidity tends to dry up.

MARKET INDICATORS

BENCHMARK	FN30 CURRENT CPN	FN30 6.5	FN15 5.5	GNII30 6.5	OBMMI 30-YR RATE
ONE WEEK AGO	5.784	101 26/32	100 10/32	102	6.999
CURRENT	5.386	102 10/32	101 4/32	102 7/32	6.676
DELTA	-0.398	0.500	0.813	0.219	-0.323
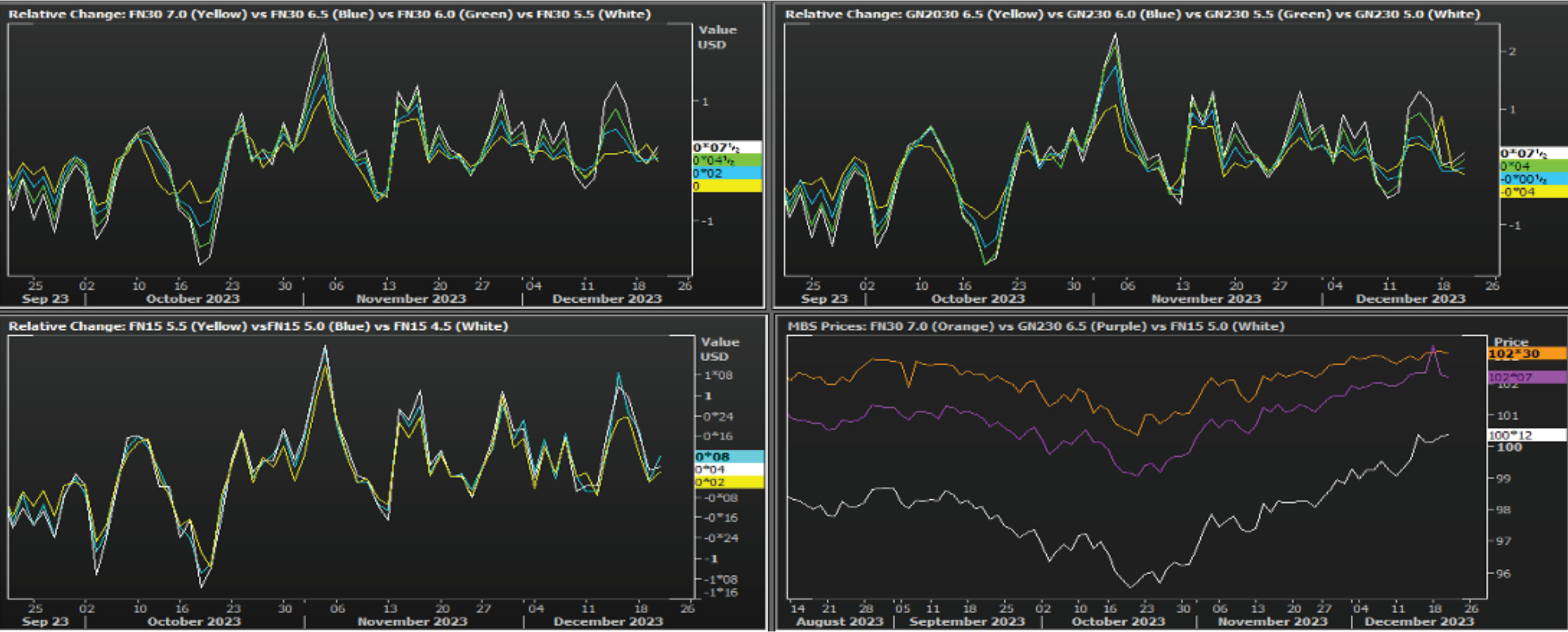
BENCHMARK	SOFR	UST 2-YR. YIELD	UST 10-YR. YIELD	UST 30-YR. YIELD	10-YR./30-YR. SPREAD
ONE WEEK AGO	5.320	4.720	4.239	4.351	0.112
CURRENT	5.310	4.390	3.898	4.015	0.117
DELTA	0.010	-0.330	-0.341	-0.336	0.005
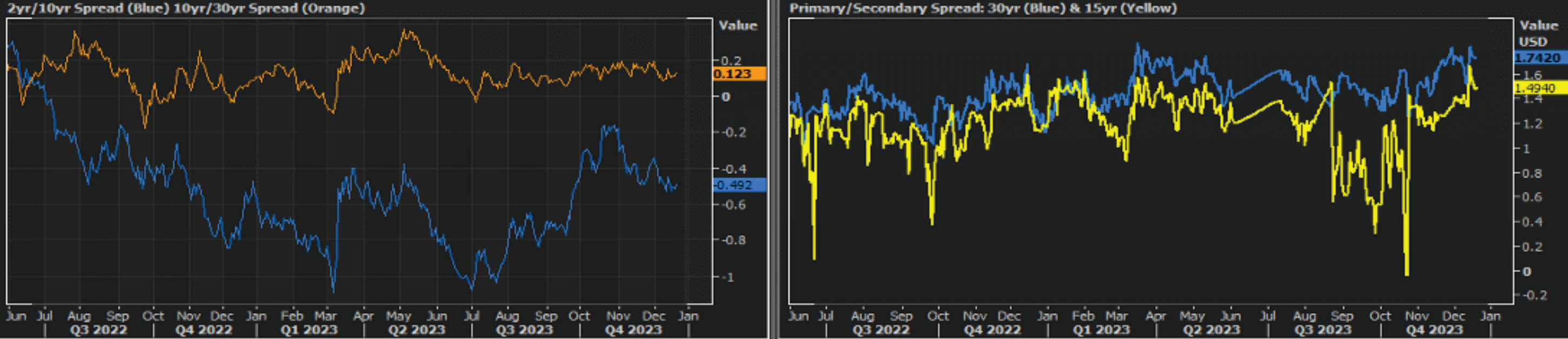
– Prices/Yields are current as of 10:00 AM EST on December 20, 2023 –

THOMSON REUTERS EIKON

ECONOMIC DATA

Housing Starts	November	October	September	3-MO Moving Average	1-YR Moving Average
ACTUAL	1,560,000	1,370,000	1,360,000	1,430,000	1,420,583
EXPECTED	1,360,000	1,350,000	1,370,000		
CHANGE	190,000	10,000	80,000		

BEST EFFORTS – MANDATORY SPREAD INDEX

	Conforming 30-Year	Government 30-Year	Conforming 15-Year
Weekly	0.387	0.184	0.489
30 days	0.372	0.171	0.638
90 days	0.369	0.163	0.507
1 year	0.395	0.168	0.390
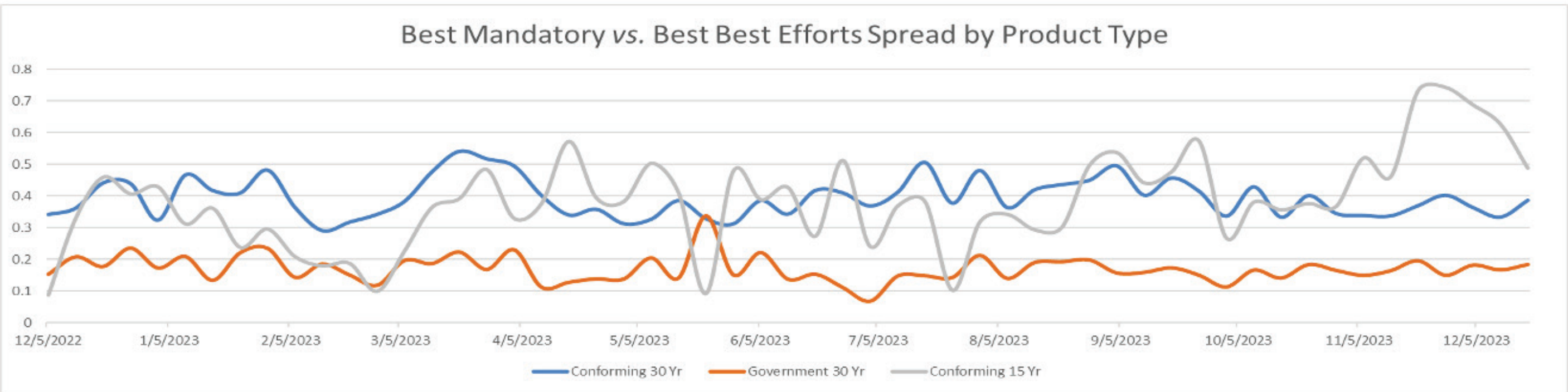
LIGHT READING

Reuters: US Senate will not finish Ukraine, border deal this year

ECONOMIC CALENDAR: DATA and EVENTS

TIME (ET)	REPORT	PERIOD	ACTUAL	MEDIAN FORECAST	PREVIOUS
WEDNESDAY, DEC. 20					
8:30 AM	U.S. current account	Q3		-$197.5.4B	-$217.1B
10:00 AM	Existing home sales	Nov.		3.76 million	3.79 million
10:00 AM	Consumer confidence	Dec.		104.50	102.00
THURSDAY, DEC. 21					
8:30 AM	Initial jobless claims	Dec. 16		215,000	202,000
8:30 AM	GDP (revision)	Q3		0	0
8:30 AM	Philadelphia Fed manufacturing survey	Dec.		(4)	(6)
10:00 AM	U.S. leading economic indicators	Nov.		(0)	(0)
FRIDAY, DEC. 22					
8:30 AM	Durable-goods orders	Nov.		0	(0)
8:30 AM	Durable-goods minus transportation	Nov.		--	(0)
8:30 AM	Personal income	Nov.		0	0
8:30 AM	Personal spending	Nov.		0	0
8:30 AM	PCE index	Nov.		--	
8:30 AM	Core PCE index	Nov.		0.00	0.00
8:30 AM	PCE (year-over-year)	Nov.		--	0.03
8:30 AM	Core PCE (year-over-year)	Nov.		0.03	0.04
10:00 AM	New home sales	Nov.		688000.00	679000.00
10:00 AM	Consumer sentiment (final)	Dec.		69.40	69.40
MONDAY, DEC. 25					
Christmas holiday, none scheduled					
TUESDAY, DEC. 26					
9:00 AM	S&P Case-Shiller home price index (20 cities)	Oct.			
10:00 AM	Consumer confidence	Dec.			