WEEKLY MARKET UPDATES

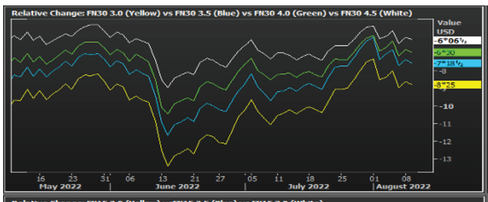
COMMENTARY FROM THE DENVER DESK…

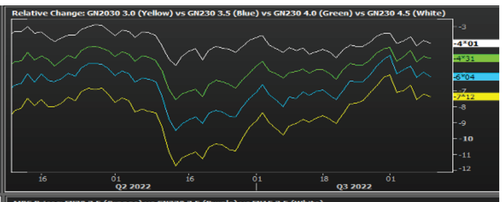
Month in and month out the word of 2022 is undoubtedly "inflation" - and if you're anything like me you can't escape the onslaught of articles postulating about how to handle it and where the safe havens lie. Articles aside, rubber meets pavement once again this week with CPI releasing Wednesday morning and the University of Michigan's numbers on it's heels Friday. Likely the mortgage world will see the greatest disruptions to pricing on Wednesday. The median expectation is for a decrease to an annualized rate of 8.7% from last month's 9.1% but expect rates to rally and a volatile session in the case of a hot reading. From a medium-term perspective start thinking about additional rate increases on top of the current expectation in the coming months in this scenario as well.

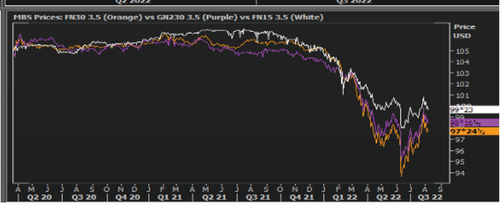
The Conforming 30yr average rate per OBMMI was seen floating at 5.44% Monday night - about 18 basis points higher from last week's 5.26%. Rates are still about 60 basis points off the highs observed in early and mid-June. The weekend saw the US Senate pass Biden's Inflation Reduction Act after the Democrats secured the votes of their two most rebellious members, Joe Manchin (D, West Virginia) and Kyrsten Sinema (D, Arizona). The bill would raise about three-quarters of a trillion dollars over 10 years through a more aggressive IRS and a 15% minimum corporate tax rate. The House still has to pass the bill and it's final ratification in the Senate will remain questionable until it happens with the oft changing opinions of both Manchin and Sinema.

MARKET INDICATORS

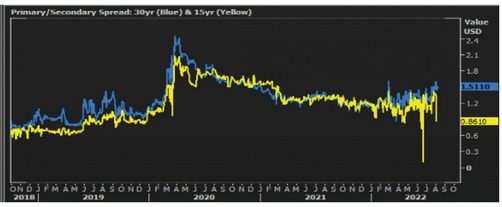
BENCHMARK	FN30 CURRENT CPN	FN30 5.0	FN15 3.5	GNII30 4.5	OBMMI 30-YR RATE
ONE WEEK AGO	3.822	102 14/32	100 22/32	101 20/32	5.259
CURRENT	4.090	102 2/32	99 23/32	101 10/32	5.442
DELTA	0.268	12/32	31/32	10/32	0.183







BENCHMARK	Overnight LIBOR	UST 2-YR. YIELD	UST 10-YR. YIELD	UST 30-YR. YIELD	10-YR./30-YR. SPREAD
ONE WEEK AGO	1.56586	3.004	2.739	2.981	0.242
CURRENT	2.31157	2.953	2.623	2.935	0.312
DELTA	0.74571	-0.051	-0.116	-0.046	0.070

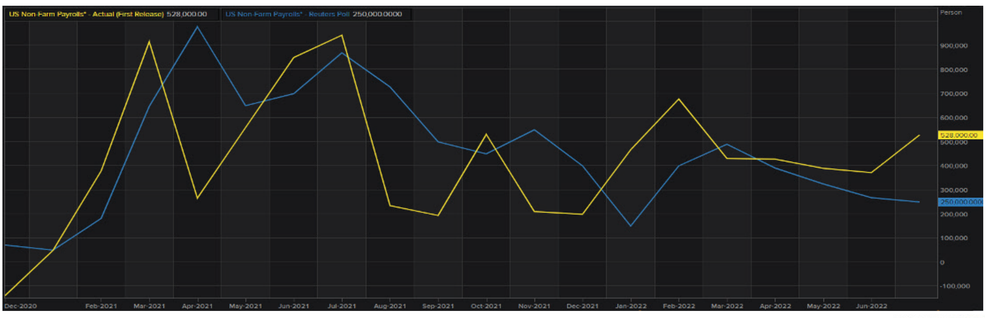


– Prices/Yields are current as of 9:30AM ET on August 9, 2022 –

THOMSON REUTERS EIKON

ECONOMIC DATA

Non-Farm Payrolls	July	June	May	3-MO Moving Average	1-YR Moving Average
ACTUAL	528,000	372,000	390,000	430,000	388,583
EXPECTED	250,000	268,000	325,000		
DIFFERENCE	278,000	104,000	65,000		



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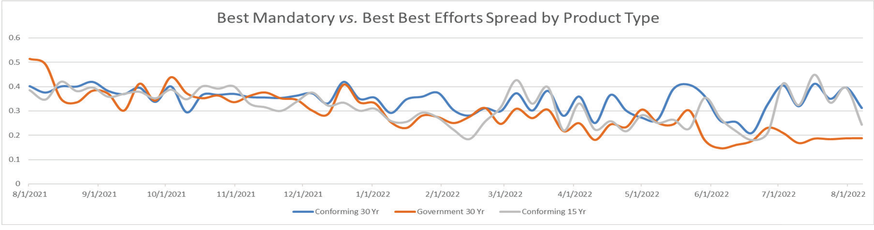
BEST EFFORTS – MANDATORY SPREAD INDEX

	Conforming 30-Year	Government 30-Year	Conforming 15-Year
Weekly	0.312	0.188	0.244
30 days	0.368	0.187	0.356
90 days	0.339	0.197	0.298
1 year	0.340	0.279	0.310



FED SPEAK

"It's very concerning… we keep getting inflation readings… and we keep getting surprised. It's higher than we expect and it's not just a few categories."
-Minneapolis Fed President Neel Kashkari

"I think that inflation has come in hotter than what I would have expected during the second quarter…I think we're going to have to go a little bit higher than what I said before."
-St. Louis Fed President James Bullard

LIGHT READING

Federal Reserve Reports: Fighting Inflation in Challenging Times
Federal Reserve Bank of Atlanta Reports: Market Probability Tracker

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. 10					
8:30 AM	Consumer price index	July		0.30%	1.30%
8:30 AM	Core CPI	July		0.60%	0.70%
8:30 AM	CPI (year-over-year)	July		0	0
8:30 AM	Core CPI (year-over-year)	July		6.10%	5.90%
10:00 AM	Wholesale inventories (revision)	June		0.02	0.02
2:00 PM	Federal budget (compared with year earlier)	July		--	-$302 billion
THURSDAY, AUG. 11					
8:30 AM	Initial jobless claims	Aug. 6		265,000	260,000
8:30 AM	Continuing jobless claims	30-Jul		--	1.42 million
8:30 AM	Producer price index	July		0	0
FRIDAY, AUG. 12					
8:30 AM	Import price index	July		0	0
10:00 AM	UMich consumer sentiment index (preliminary)	Aug.		53	52
10:00 AM	UMich 5-year inflation expectations (preliminary)	Aug.		--	0
MONDAY, AUG. 15					
8:30 AM	Empire State manufacturing index	Aug.		--	11
10:00 AM	NAHB home builders' index	Aug.		--	55
TUESDAY, AUG. 16					
8:30 AM	Building permits (SAAR)	July		--	1.70 million
8:30 AM	Housing starts (SAAR)	July		--	1.56 million
9:15 AM	Industrial production	July		--	-0.20%
9:15 AM	Capacity utilization rate	July		--	80.00%