



Market Conditions

MBS	Current Price	Change	MBS	Current Price	Change
FNMA30 3.5	102 28/32	-5/32	FNMA15 2.5	100 12/32	-3.5/32
FNMA15 2.5	100 12/32	-3.5/32	FNMA15 3.0	102 15/32	-3.5/32
Treasuries	Current Price	Change	Yield		
3m Treasury	1.08	-0.75/32	1.093%		
2yr Treasury	99 20.25/32	-1/32	1.567%		
5yr Treasury	99 14.5/32	-4.5/32	1.992%		
10yr Treasury	99 5.5/32	-12/32	2.345%		
30yr Treasury	97 28.5/32	-33/32	2.855%		
Stocks	Current Price	Change	Commodities	Current Price	Change
Dow	23,109.13	0.48%	DOLLAR	93.603	0.117
Nasdaq	6,111.14	-0.19%	Gold	1283	+0
S&P 500	2,560.36	0.04%	Crude Oil	52.25	0.71%

Economic Commentary

Yesterday bond and mortgage prices ended on a mixed note as longer-dated maturities finished with modest gains while 2s and 5s settled near their flat lines. The Treasury complex retreated during morning action, hitting its session low just ahead of the release of a better than expected Industrial Production report for September (actual: +0.3%; consensus: 0.2%). After reversing off morning lows, the 30-yr bond assumed the lead, climbing into the early afternoon. The 10-yr note also turned positive in early afternoon trading. The 2s10s spread now sits at its low from 2016 and just above levels that were last seen in late 2007. This dynamic suggests the Treasury market is not anticipating any sort of a meaningful acceleration in growth. Instead, the market is becoming more concerned about a potential deceleration.

In the overnight session 10 YR treasury futures were lower after overnight trading saw the 2s10s spread compress to 74.9 bps, its tightest level since late 2007. China sold 2- and 5-yr notes with the 5-yr offering drawing the highest yield (3.73%) since May 2014.

This morning bond and mortgage prices opened lower following the trend of the overnight markets. The FNMA30 3.5 coupon was down 5/32nds at the onset and only bumped higher by a tick after weaker September Housing Starts (1.127M actual; 1.160M expected) and Building Permits (1.215M actual; 1.225M expected). The pressure on prices is stemming from comments from Fed President's Williams and Kaplans who both were speaking coming into the open of the bond market. The 10 year treasury yield is now up to 2.343%, nearing its trend line resistance of 2.357%.

Economic Data

	Date	Actual	Estimated	Prior
MONDAY, OCT. 16				
Empire state index	Oct.	30.20	21.00	24.40
TUESDAY, OCT. 17				
Import price index	Sept.	0.30%		0.60%
Industrial production	Sept.	0.30%	0.20%	-0.90%
Capacity utilization	Sept.	76.00%	76.10%	76.10%
Home builders' index	Oct.	68	64	64.00
WEDNESDAY, OCT. 18				
Housing starts	Sept.	1.127mln	1.160mln	1.180mln
Building permits	Sept.	1.115mln	1.225mln	1.272mln
Beige book				
THURSDAY, OCT. 19				
Weekly jobless claims	10/14/2017			
Philly Fed	Oct.			23.80
Leading economic indicators	Sept.			0.40%
FRIDAY, OCT. 20				
Existing home sales	Sept.			5.35mln

Chart of the Day: 10 Year Treasury Yield



Source: Bloomberg, Reuters, MarketWatch.com, mortgagenewsdaily.com, Wall Street Journal, Yahoo Finance, chart from iainedaph.com, optionspress,short.com, estimate.com, stockcharts.com, tradingeconomics.com

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