



Market Conditions

MBS	Current Price	Change	MBS	Current Price	Change
FNMA30 4.0	102 5/32	-3/32	FNMA30 3.5	99 22.5/32	-4/32
FNMA15 3.0	99 11.5/32	-3.5/32	FNMA15 3.5	97 13/32	-4.5/32
Treasuries	Current Price	Change	Yield		
3m Treasury	1.77	0.75/32	1.8%		
2yr Treasury	99 21.25/32	-2/32	2.427%		
5yr Treasury	98 31.5/32	-4.5/32	2.721%		
10yr Treasury	99 5.5/32	-4.5/32	2.847%		
30yr Treasury	99 22.5/32	1/32	3.015%		
Stocks	Current Price	Change	Commodities	Current Price	Change
Dow	24,786.75	0.00%	DOLLAR	89.547	0.031
Nasdaq	6,832.83	0.24%	Gold	1354.2	+7
S&P 500	2,715.55	0.34%	Crude Oil	68.05	2.30%

Economic Commentary

Yesterday bonds and mortgages ended the day mixed with the front-end underperforming and the back-end outperforming. The disparate showing resulted in a further curve flattening, which saw the 10-yr-2-yr spread narrow to 42 basis points from 46 basis points on Monday. The weakness at the front end was helped along by a remark from San Francisco Fed President Williams (an FOMC voter) who said he sees inflation hitting 2.0% this year and remaining at, or above, 2.0% for another couple of years. Weak data out of Europe and a dovish remark by an ECB official also seemed to promote some interest rate differential trades that propped up longer-dated maturities. The FNMA30 4.0 coupon was basically flat on the day.

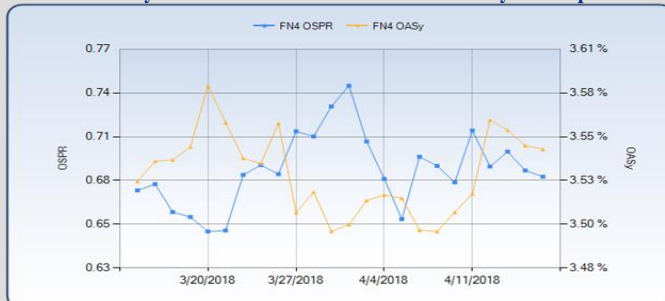
In the overnight session 10 Yr. treasury futures price action saw some selling in the futures market. Treasury futures retreated during a mostly positive Asian session, during which it was revealed that CIA Director, and Secretary of State nominee, Mike Pompeo met with North Korea's Supreme Leader Kim Jong-un. President Trump, meanwhile, expressed his support for North and South Korea to continue talking about a potential unification.

This morning bonds and mortgages opened just lower and have remained there with no economic data to give direction. Prices are moving sideways and even equities are flatish to start the morning. There will be some Fed speak during the day and that is what most likely will move the market if there is anything different from other speeches over the last 2 days. The FNMA30 4.0 coupon is down 3/32nds at the moment, its lowest level of the day.

Economic Calendar

	Date	Actual	Estimated	Prior
MONDAY, APRIL 16				
Retail sales	March	0.60%	0.4%	-0.10%
Retail sales ex-autos	March	0.20%	0.20%	0.20%
Empire State index	April	15.8	--	22.5
Home builders' index	April	69	--	70
Business inventories	Feb.	0.60%	--	0.60%
Raphael Bostic speech				
TUESDAY, APRIL 17				
Housing starts	March	1.319mln	1.253mln	1.236mln
Building permits	March	1.354mln	--	1.298mln
Industrial production	March	0.50%	0.30%	0.90%
Capacity utilization	March	78.00%	77.90%	77.70%
John Williams speech				
Randal Quarles testimony				
Charles Evans speech				
WEDNESDAY, APRIL 18				
Beige book				
William Dudley speech				
Randal Quarles speech				
THURSDAY, APRIL 19				
Weekly jobless claims	4/14/2018		230,000	233,000
Philly Fed index	April		--	22.3
Leading economic indicators	March		--	0.60%
Randal Quarles testimony				
Loretta Mester speech				
FRIDAY, APRIL 20				
Charles Evans speech				

Chart of the Day: FNMA30 4.0 Yield vs 10 Year Treasury Yield Spread



Mortgage Capital Management

1660 Hotel Circle North, Suite 700
San Diego, California 92108
Phone: 858.483.4404
Email: info@mortcap.com
www.mortcap.com

