



Market Conditions

MBS	Current Price	Change	MBS	Current Price	Change
FNMA30 3.5	102 19.5/32	-6.5/32	FNMA30 3.0	99 29.5/32	-5.5/32
FNMA15 2.5	99 29.5/32	-6/32	FNMA15 3.0	101 31/32	-4.5/32
Treasuries	Current Price	Change	Yield		
3m Treasury	1.30	1.75/32	1.322%		
2yr Treasury	99 27.25/32	-3/32	1.827%		
5yr Treasury	99 8.25/32	-7.5/32	2.159%		
10yr Treasury	98 26.5/32	-10/32	2.383%		
30yr Treasury	99 30/32	-15/32	2.753%		
Stocks	Current Price	Change	Commodities	Current Price	Change
Dow	24,623.13	0.15%	DOLLAR	93.649	0.22
Nasdaq	6,411.64	0.26%	Gold	1250.7	+5.3
S&P 500	2,667.09	0.16%	Crude Oil	56.48	-0.21%

Economic Commentary

Yesterday bond and mortgage prices ended with solid gains after climbing off their overnight lows. The trading day began on a broadly lower note, but prices surged in response to the November CPI report (actual: 0.4%; consensus: 0.4%), which matched headline expectations, but included a weaker than expected core CPI reading (actual: 0.1%; consensus: 0.2%). This report follows yesterday's hotter than expected core PPI which likely increased market expectations for an above-consensus reading in today's CPI report. Prices made additional gains after FOMC Statement. As expected, the fed funds rate range was increased 25 bps to 1.25%-1.50%, but the Fed's dot plot pointed to expectations for three hikes in 2018 and suggested a more aggressive rate-hike path in the long run as compared to projections from September. the fed funds rate range unchanged.

In the overnight session 10 Yr. treasury futures retraced a portion of yesterday's gains in overnight action. The People's Bank of China followed Wednesday's FOMC hike by increasing short-term reverse repurchase rates and raising its one-year lending facility rate by 5 bps apiece. Hong Kong's Monetary Authority raised its base rate 25 bps to 1.75%.

This morning bond and mortgage prices were lower at the open and became quite choppy after the release of the early economic data. November Retail Sales blew through estimates for November (0.80% actual vs 0.30% estimate). Initial jobless claims fell, but there was no indication of inflation in import prices, but increases in export prices. Business inventories declined slightly. The FNMA30 3.5 coupon is off 6/32nds in choppy trading. The price remains in an intermediate term wedge, but is nearing the head. 2-10 spreads remain low with a flattening yield curve.

Economic Calendar

	Date	Actual	Estimated	Prior
MONDAY, DEC. 11				
Job openings	Oct.	5,996 mln		6.1 mln
TUESDAY, DEC. 12				
NFIB small-business index	Nov.	107.50		103.80
Producer price index	Nov.	0.40%	0.40%	0.40%
Federal budget	Nov.			-\$137 bln
WEDNESDAY, DEC. 13				
Consumer price index	Nov.	0.40%	0.40%	0.10%
Core CPI	Nov.	0.10%	0.20%	0.20%
FOMC announcement		1.25-1.50%	1.25-1.50%	1-1.25%
Janet Yellen press conference				
THURSDAY, DEC. 14				
Weekly jobless claims	12/9/2017	225,000	239,000	236,000
Retail sales	Nov.	0.80%	0.30%	0.20%
Retail sales ex-autos	Nov.	0.80%	0.60%	0.10%
Import prices	Nov.	0.00%		0.20%
Markit manufacturing PMI (flash)	Dec.	55.00		53.90
Markit services PMI (flash)	Dec.	52.4		--
Business inventories	Oct.	-0.10%	-0.10%	0.00%
FRIDAY, DEC. 15				
Empire state index	Dec.			19.40
Industrial production	Nov.			0.90%
Capacity utilization	Nov.			77.00%

Chart of the Day: FNMA30 3.5 Coupon Price



Sources: Bloomberg, Reuters, MarketWatch.com, mortgageweekly.com, Wall Street Journal, Yahoo Finance, chart from taintedalpha.com, optionspress.dshort.com, estimate.com, stockcharts.com, tradingeconomics.com

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