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ALERT: First Move is Weaker Following Stronger Econ Data

This morning's first glut of economic data is out just now and it has an endorsement for Fed rate hikes written all over it. OK, well not ALL over it, but at least it doesn't do anything to argue against a Fed hike. More importantly, the stronger-than-expected Core CPI keeps the concerns about inflation (like, will we ever see any again) in the spotlight.

Here's a run-down:

CPI

- CPI -0.2 vs -0.2 forecast
- Core CPI +0.3 vs +0.2 forecast

Starts and Permits

- Housing Starts 1.178 mln vs 1.15 mln forecast
- Building Permits 1.167 mln vs 1.20 mln forecast

The housing data is definitely the sideshow this morning. CPI is the reason for the quick jump in bond yields and the quick drop in MBS Prices. 10yr yields rose 2bps from roughly 1.96 to 1.98 and Fannie 3.0s fell a quick eighth of a point from 101-13 to 101-09.

After the initial jump, bond markets consolidated/corrected just a bit--giving the impression that the weakness might have been a knee-jerk reaction that could be worked-through. But now we're right back to the post-data weak points, and are anxiously waiting to see if the weakness continues. As I type this sentence, 10yr yields are breaking to the highest levels since January (1.991 and rising...).

MBS & Treasury Market Data

| | Price / Yield | Change |
|----------------|---------------|----------------|
| MBS UMBS 6.0 | 100.59 | -0.02 |
| MBS GNMA 6.0 | 100.75 | +0.01 |
| 10 YR Treasury | 4.2876 | +0.0058 |
| 30 YR Treasury | 4.4768 | -0.0089 |

Pricing as of: 7/8 11:51AM EST

Average Mortgage Rates

| | Rate | Change | Points |
|--------------------------------|-------|--------------|--------|
| Mortgage News Daily | | | |
| 30 Yr. Fixed | 7.01% | -0.02 | 0.00 |
| 15 Yr. Fixed | 6.41% | -0.03 | 0.00 |
| 30 Yr. FHA | 6.48% | -0.02 | 0.00 |
| 30 Yr. Jumbo | 7.22% | -0.02 | 0.00 |
| 5/1 ARM | 7.03% | -0.02 | 0.00 |
| Freddie Mac | | | |
| 30 Yr. Fixed | 6.95% | +0.09 | 0.00 |
| 15 Yr. Fixed | 6.25% | +0.09 | 0.00 |
| Mortgage Bankers Assoc. | | | |
| 30 Yr. Fixed | 7.03% | +0.09 | 0.62 |
| 15 Yr. Fixed | 6.56% | +0.09 | 0.54 |
| 30 Yr. FHA | 6.90% | +0.11 | 0.95 |
| 30 Yr. Jumbo | 7.11% | -0.01 | 0.50 |
| 5/1 ARM | 6.38% | +0.11 | 0.54 |

Rates as of: 7/8



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