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“Today we received news that our economy had 0 percent inflation in the month of July,” stated President Biden last Wednesday morning after Consumer Price Index was released. Additionally, he stated “Zero percent. Here’s what that means. While the price of some things went up last month, the price of other things went down by the same amount. The result, 0 inflation last month.” Technically, he isn’t wrong, the headline consumer price index (CPI) month over month change was 0.00% for the month of July, below expectations for a 0.2% month over month change. However, the year over year change of 8.5% is still a high print, even though it was below expectations of an 8.7% increase and a reduction from the previous month. A reduction in energy price including what we pay at the pump helped to cool inflation some. Core CPI (excludes food and energy) increased 0.3% month over month, lowered than the expected 0.5% increase. The year over year Core CPI also came in lower than expected at 5.9%. Is it time to print out and setup the “Mission Accomplished” banners? Not quite yet! The is all good news for the Fed, but they still know they have a long way to go. Only time will tell if inflation is truly moving lower towards the Fed’s goal of averaging 2 percent over time. The month over month and year over year decline in both measurements of CPI brought joy to the equity investors this week.

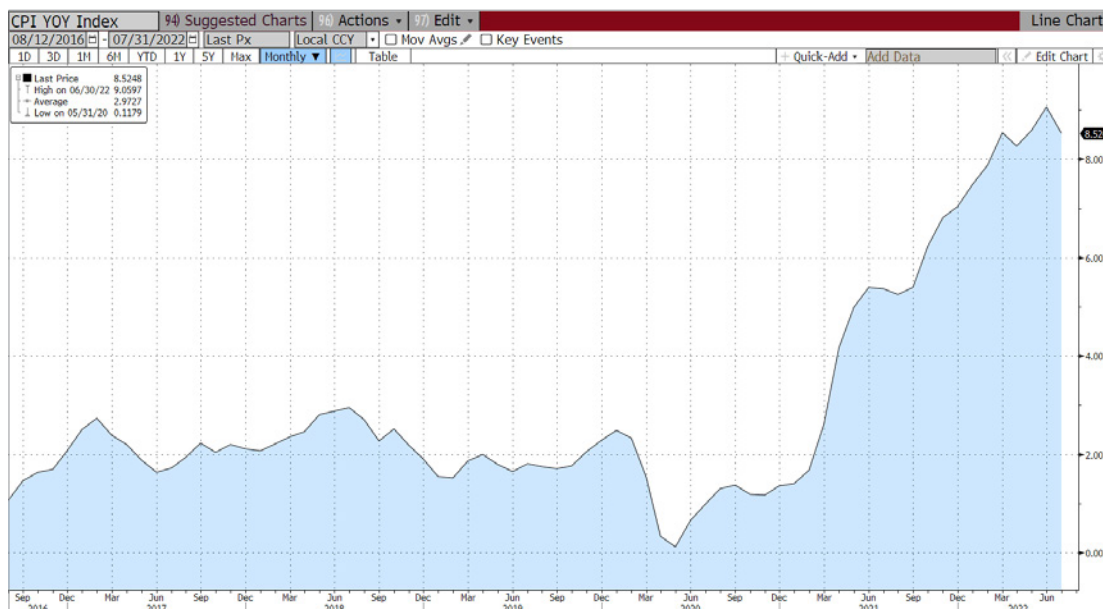
More news hot off the press this morning is this month’s University of Michigan index of consumer sentiment. The index rose to 55.1 this month from a July reading of 51.1, which also beat expectations of a smaller increase to 52.5. Americans remain concerned about the rapidly rising cost of key goods like food and rent, thought declines in the price of gasoline in recent weeks has helped the overall mood of the consumer. Inflation still remains a top concern for Americans, as the share of consumers blaming inflation for eroding their living standards remained near 48%.

This morning, we are seeing a rally in the longer part of the yield curve with the 30-year Treasury bond yielding a 3.13%. The yield curve remains inverted from the 1-year bill to the 30-year bond, with the 1-year bill yield 11 basis points more than the long bond. Stocks have had a strong week with continued momentum this morning as the Dow Jones Industrial Average is up 200 points early.

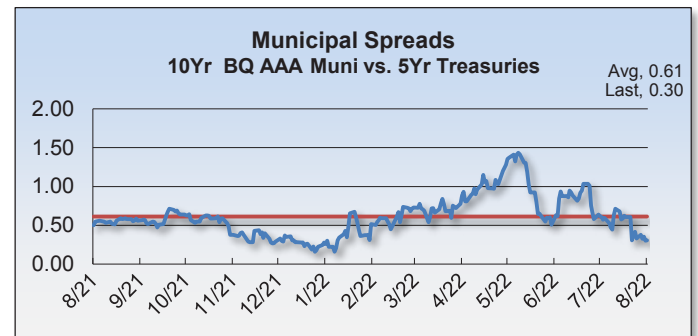
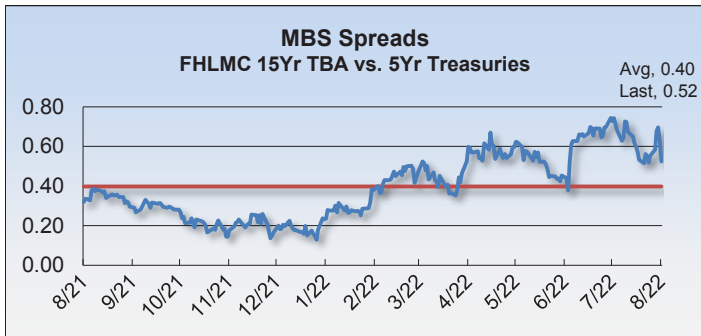
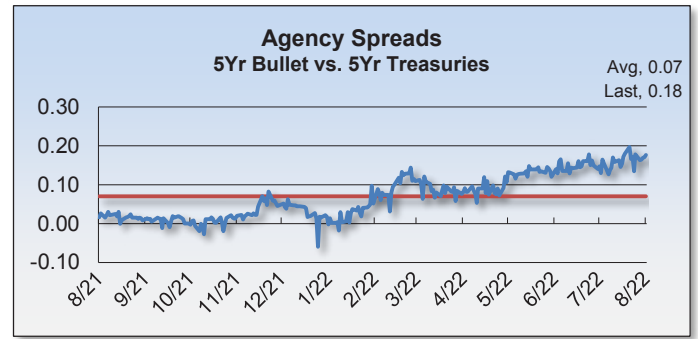
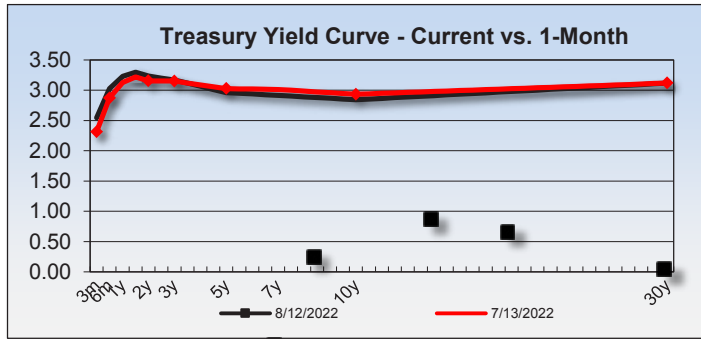
Next week’s key releases bring of a variety of insight on the real estate market and retail sales. On Tuesday, we will get new building permits and housing starting and existing home sales on Friday. Important retail sales data comes mid-week alongside the Fed’s July meeting minutes release.

I hope everyone has a great and relaxing weekend! Until next time!

Headline Consumer Price Index YOY Change: 2016 - Today



Source: Bloomberg Finance L.P.



Treasury Market -- Historical						Fixed Rate Market										
Maty	Current	1Wk Change	Historical			Maty /AL	N-Call Agency	US Swap	AAA BQ Muni		Tax Muni	Agency Calls - Euro				
			1 Mo	6 Mo	1 Yr				C-Corp ²	S-Corp ³		Mty	3Mo	6mo	1Yr	2Yr
3mo	2.54	0.04	2.17	0.36	0.05	2yr	3.29	3.55	2.37	2.52	3.46	2Yr	3.23	3.23	3.23	-
6mo	3.03	(0.02)	2.73	0.69	0.05	3yr	3.26	3.31	2.39	2.55	3.41	3Yr	3.17	3.17	3.10	3.16
1yr	3.23	(0.01)	2.95	1.03	0.08	5yr	3.08	3.03	2.55	2.71	3.30	5Yr	3.05	3.05	3.04	2.98
2yr	3.23	0.01	3.05	1.50	0.22	7yr	3.08	2.94	2.87	3.05	3.47	7Yr	3.01	3.03	3.03	2.96
3yr	3.17	(0.00)	3.09	1.73	0.42	10yr	3.22	2.92	3.14	3.34	3.72	10Yr	2.99	3.05	3.04	2.98
5yr	2.96	0.00	3.02	1.86	0.82	15yr	3.26	2.98	3.58	3.81	3.91	September TBA MBS				
7yr	2.91	0.01	3.03	1.94	1.13	20yr	3.30	2.97	3.88	4.13	4.16	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	2.84	0.01	2.97	1.94	1.36	25yr	3.35	2.90	3.98	4.23	4.22	2.00	3.28	5.6y	3.53	
30yr	3.12	0.05	3.16	2.24	2.00	30yr		2.83	4.07	4.34	4.27	2.50	3.42	5.5y		
												3.00	3.32	5.3y	3.70	9.9y
												3.50	3.45	5.0y	3.84	9.2y
												4.00			4.03	7.5y
												4.50			4.11	4.8y

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	2.50	--	1.75	0.25	0.25
Primary Discount	2.50	--	1.75	0.25	0.25
2ndary Discount	3.00	--	2.25	0.75	0.75
Prime Rate	5.50	--	4.75	3.25	3.25
Sec. O.N. Finance	2.28	(0.01)	1.53	0.05	--
1 Month LIBOR	2.40	0.02	1.90	0.12	0.10
3 Month LIBOR	2.92	0.09	2.42	0.39	0.12
6 Month LIBOR	3.55	0.16	3.05	0.66	0.16
1 Year LIBOR	4.00	0.16	3.64	1.12	0.24
6 Month CD	3.40	0.10	3.22	0.80	0.20
1 Year CMT	3.25	0.14	2.97	1.07	0.08
REPO O/N	2.30	--	1.54	0.05	0.05
REPO 1Wk	2.35	(0.09)	1.68	0.20	0.11
CoF Federal	1.283	--	1.096	0.736	0.785
11th D. CoF (Dec)	0.223	--	0.218	0.282	0.460

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	2.81	2.81	2.84
6mo	3.21	3.28	3.27
1yr	3.41	3.48	3.51
2yr	3.36	3.51	3.48
3yr	3.29	3.46	3.42
4yr	3.22	3.35	3.35
5yr	3.15	3.28	3.27
7yr	3.25	3.39	3.37
10yr	3.45	3.59	3.56
5yr Am	3.26		3.38
10yr Am	3.37		3.47

Fed Fund Futures	
Maturity	Rate
Aug-22	2.333
Sep-22	2.520
Oct-22	2.925
Nov-22	3.280
Dec-22	3.410
Jan-23	3.495
Feb-23	3.570
Mar-23	3.580
Apr-23	3.600
May-23	3.575
Jun-23	3.535

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
8/9	NFIB Small Business Optimism	Jul	89.5	89.9	89.5	--
8/9	Nonfarm Productivity	2Q P	-4.6%	-4.6%	-7.3%	-7.4%
8/9	Unit Labor Costs	2Q P	9.5%	10.8%	12.6%	12.7%
8/10	MBA Mortgage Applications	8/5	--	0.2%	1.2%	--
8/10	CPI MoM	Jul	0.2%	0.0%	1.3%	--
8/10	CPI Ex Food and Energy MoM	Jul	0.5%	0.3%	0.7%	--
8/10	CPI YoY	Jul	8.7%	8.5%	9.1%	--
8/10	CPI Ex Food and Energy YoY	Jul	6.1%	5.9%	5.9%	--
8/10	CPI Index NSA	Jul	296.76	296.28	296.31	--
8/10	CPI Core Index SA	Jul	295.98	295.28	294.35	--
8/10	Real Avg Hourly Earning YoY	Jul	--	-3.0%	-3.6%	-3.4%
8/10	Real Avg Weekly Earnings YoY	Jul	--	-3.6%	-4.4%	-4.0%
8/10	Wholesale Inventories MoM	Jun F	1.9%	1.8%	1.9%	--
8/10	Wholesale Trade Sales MoM	Jun	0.5%	1.8%	0.5%	0.7%
8/10	Monthly Budget Statement	Jul	-\$175.0b	-\$211.1b	-\$302.1b	--
8/11	Initial Jobless Claims	8/6	265k	262k	260k	248k
8/11	Continuing Claims	7/30	1420k	1428k	1416k	1420k
8/11	PPI Final Demand MoM	Jul	0.2%	-0.5%	1.1%	1.0%
8/11	PPI Ex Food and Energy MoM	Jul	0.4%	0.2%	0.4%	--
8/11	PPI Ex Food, Energy, Trade MoM	Jul	0.4%	0.2%	0.3%	--
8/11	PPI Final Demand YoY	Jul	10.4%	9.8%	11.3%	--
8/11	PPI Ex Food and Energy YoY	Jul	7.7%	7.6%	8.2%	8.4%
8/11	PPI Ex Food, Energy, Trade YoY	Jul	5.9%	5.8%	6.4%	--
8/12	Import Price Index MoM	Jul	-1.0%	-1.4%	0.2%	0.3%
8/12	Import Price Index ex Petroleum MoM	Jul	-0.2%	-0.7%	-0.4%	-0.5%
8/12	Import Price Index YoY	Jul	9.4%	8.8%	10.7%	--
8/12	Export Price Index MoM	Jul	-1.0%	-3.3%	0.7%	--
8/12	Export Price Index YoY	Jul	--	13.1%	18.2%	18.1%
8/12	U. of Mich. Sentiment	Aug P	52.5	55.1	51.5	--
8/12	U. of Mich. Current Conditions	Aug P	57.8	55.5	58.1	--
8/12	U. of Mich. Expectations	Aug P	48.5	54.9	47.3	--
8/12	U. of Mich. 1 Yr Inflation	Aug P	5.1%	5.0%	5.2%	--
8/12	U. of Mich. 5-10 Yr Inflation	Aug P	2.8%	3.0%	2.9%	--
8/15	Empire Manufacturing	Aug	5.0	--	11.1	--
8/15	NAHB Housing Market Index	Aug	55	--	55	--
8/15	Net Long-term TIC Flows	Jun	--	--	\$155.3b	--
8/15	Total Net TIC Flows	Jun	--	--	\$182.5b	--
8/16	Building Permits	Jul	1645k	--	1685k	1696k
8/16	Housing Starts	Jul	1537k	--	1559k	--
8/16	Capacity Utilization	Jul	80.2%	--	80.0%	--
8/16	Manufacturing (SIC) Production	Jul	0.2%	--	-0.5%	--
8/17	Retail Sales Advance MoM	Jul	0.1%	--	1.0%	--
8/17	Retail Sales Ex Auto and Gas	Jul	0.3%	--	0.7%	--
8/17	Retail Sales Control Group	Jul	0.6%	--	0.8%	--
8/17	Business Inventories	Jun	1.4%	--	1.4%	--
8/17	FOMC Meeting Minutes	7/27	--	--	--	--
8/18	Philadelphia Fed Business Outlook	Aug	-4.0	--	-12.3	--

MBS Prepayments ⁴						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	9.4	15.2	16.8	17.0	18.2	14.5
FH/FN 15y	7.8	8.9	10.3	13.1	14.7	21.3
GN 15y	14.7	13.1	15.6	17.5	20.2	20.2
FH/FN 20y	52.8	8.1	10.3	11.7	13.4	14.9
FH/FN 30y	4.1	6.7	9.4	10.1	12.4	13.9
GN 30y	4.6	8.3	15.0	15.4	12.7	14.3
CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	9.7	9.9	10.5	11.8	13.2	13.1
FH/FN 15y	8.2	8.1	9.4	10.7	15.8	20.1
GN 15y	10.6	9.6	10.4	13.9	14.4	15.0
FH/FN 20y	6.2	6.9	7.4	8.4	9.9	11.2
FH/FN 30y	5.9	6.3	6.9	8.1	10.6	15.5
GN 30y	6.8	7.0	7.9	9.9	12.6	12.1

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	133.80	(1.21)	136.87	115.54	110.41
Euro	1.03	0.01	1.00	1.13	1.17
Dollar Index	105.54	(1.08)	108.07	96.08	93.04
Major Stock Indices					
Dow Jones	33,432	629	30,981	34,738	35,500
S&P 500	4,226.9	81.7	3,818.8	4,418.6	4,460.8
NASDAQ	12,864.2	207	11,264.7	13,791.2	14,816.3
Commodities					
Gold	1,794.2	21.3	1,724.8	1,840.8	1,749.0
Crude Oil	92.48	3.47	95.84	93.10	69.09
Natural Gas	8.71	0.65	6.16	3.94	3.93
Wheat	793.3	17.5	801.5	797.8	753.5
Corn	631.0	20.8	732.8	651.0	567.0

Notes	
1 Call Agy = Maturity at left w/ a 1-Year Call at Par	
2 Muni TEY (21% Fed, 0.75% CoF)	
3 S-Corp TEY Muni (29.6%, no TEFERA)	
4 MBS Prepayments are provided by Bloomberg	

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