<u>Commentary Week of Sept 06</u>

Mortgage rates continue to climb in sympathy with Treasuries; the 30-year rate hit its calendar year high of 6.71% as the 10-year Treasury yield also sits at a 1 year high of 4.77%.
The 194-basis point (bp) spread between these two securities remains elevated compared to the long-term average of 175bp, which generally indicates a market experiencing high volatility.
Both securities have been rising this year due to the US war with Iran which has resulted in inflation running hotter than the Federal Reserve's 2% target. Last week Fed Chairman Kevin Warsh signaled a more hawkish tone, indicating that the Federal Reserve may need to do more to tame inflation.