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UPCOMING EVENTS

Banks

Webinars:

[Virtual Bond
Education Series](#)
Sep 10,12,17,19, 2024

[Q3 IRR Management](#)
Sep 11, 2024

Banks and CUs

Seminar:

[Scottsdale, AZ
45th Anniversary
Celebration Seminar](#)
Nov 7-8, 2024

The volatility that plagued markets in early August has mostly calmed, and with light data this week, attention has been focused on FedSpeak and minutes from the FOMC meeting in July. This morning at the Fed's annual Jackson Hole Symposium, Fed Chair Jerome Powell gave his strongest signal yet that rate cuts are on the way. "We do not seek or welcome further cooling in labor market conditions," Powell said in prepared remarks. "The time has come for policy to adjust."

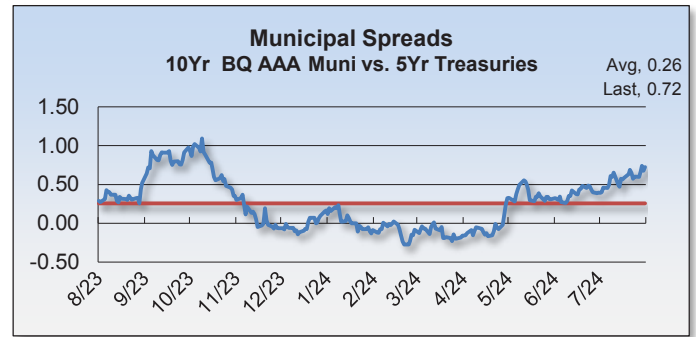
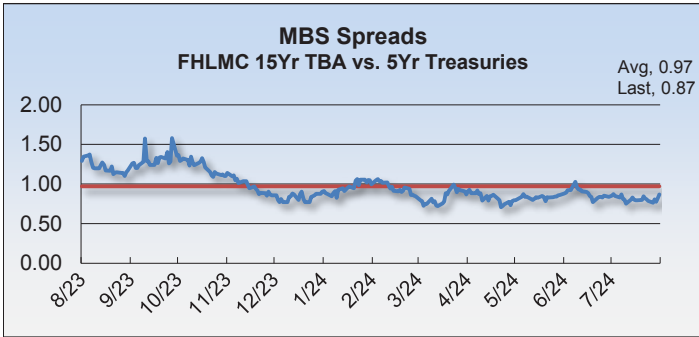
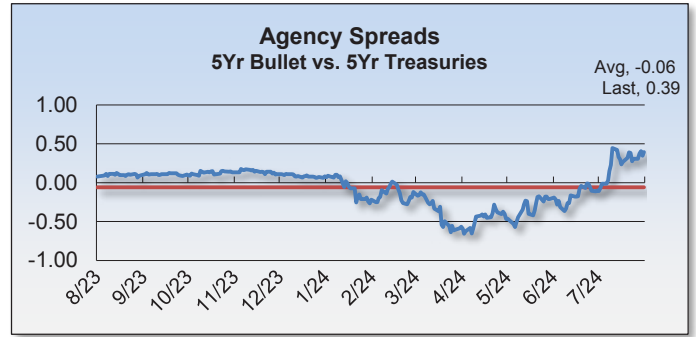
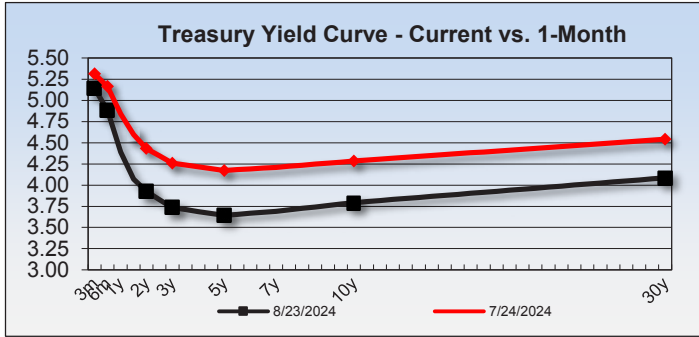
Powell didn't offer any details around the magnitude of the rate cuts coming next month but by virtually promising a cut is coming, he was much less ambiguous than in his press conference following the July meeting. At that time, Powell suggested the Fed needed more data to confirm that inflation was continuing to come down. His comments today suggest the Fed now has that data. Fed officials will have one more monthly jobs report, and more readings on inflation to digest before assessing the magnitude of their cut at their September 17-18 meeting.

Powell's Jackson Hole comments come on the heels of Wednesday's release of the FOMC meeting minutes from July, which showed a "vast majority" of officials ready to cut rates in September and some policymakers even willing to cut rates at the July meeting. The minutes also noted that "many" Fed officials considered current rates to be restrictive and "a few participants" reasoned that with inflationary pressures cooling, no change in rates would mean that monetary policy would increase the drag on economic activity. The release also showed the sect of policymakers who feared a premature easing in monetary policy could restart inflation was shrinking.

The most notable data release of the week showed the U.S. economy added far fewer jobs over the last four quarters than originally reported, suggesting the labor market began moderating much sooner than originally thought. The Labor Department's estimate for total payroll employment for Q2'23 through Q1'24 was lowered by 818,000. This means that monthly job gains during that period averaged roughly 174,000, compared to the previously reported figure of 242,000. This is one of two "benchmark" annual revisions undertaken by the department as it collects more accurate data. If the number holds through the final revision in February, it will mark the largest downward revision since the Great Financial Crisis (March of 2009). Some economists, including Bloomberg Economics, have raised concerns that recent strong job gains have been systematically overestimated for some time due to flawed adjustments for the creation and closure of businesses (Birth-Death model).

Markets have priced in a faster pace of easing from the Fed this year and see 100 bps of rate cuts by the end of 2024. With only three FOMC meetings left, that implies a 50bp cut at one of the next few meetings. Policy makers have made a point to steer investors away from a 50 bps move, touting a favored "gradual methodical approach to revisiting our policy stance over time." (Boston Federal Reserve President Susan Collins). As of this morning, the messaging appears to be working as futures markets have priced in a 65.5% probability of a 25bp cut in September and a 34.5% probability of a 50bp cut.

Next week, is heavy on the data-front culminating with the release of the Fed's preferred inflation gauge, PCE on Friday. Have a great weekend!



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	5.14	(0.07)	5.30	5.41	5.45	2yr	4.00	3.78	3.50	3.73	4.18	2Yr					
6mo	4.88	(0.09)	5.15	5.35	5.50	3yr	3.83	3.57	3.49	3.71	4.13	3Yr					
1yr	4.39	(0.09)	4.88	5.00	5.37	5yr	3.74	3.41	3.44	3.67	4.04	5Yr					
2yr	3.93	(0.13)	4.49	4.69	4.97	7yr	3.87	3.39	3.61	3.84	4.18	7Yr					
3yr	3.73	(0.12)	4.27	4.45	4.77	10yr	3.98	3.41	3.79	4.04	4.39	10Yr					
5yr	3.64	(0.11)	4.16	4.28	4.37	15yr	4.09	3.46	4.16	4.43	4.51		September TBA MBS				
7yr	3.69	(0.11)	4.19	4.28	4.31	20yr	4.19	3.46	4.63	4.93	4.97	Cpn	15Yr -Yld/AL		30Yr -Yld/AL		
10yr	3.79	(0.09)	4.25	4.25	4.19	25yr	4.29	3.40	4.83	5.14	5.02	3.00	4.64	4.9y	4.70		
30yr	4.09	(0.06)	4.49	4.37	4.27	30yr	3.31	3.31	5.03	5.35	5.07	3.50	4.41	4.8y			
												4.00	4.37	4.7y	4.85	8.6y	
												4.50	4.53	4.6y	4.94	8.4y	
												5.00			5.12	7.2y	
												5.50			5.26	4.9y	

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	5.50	--	5.50	5.50	5.50
Primary Discount	5.50	--	5.50	5.50	5.50
2ndary Discount	6.00	--	6.00	6.00	6.00
Prime Rate	8.50	--	8.50	8.50	8.50
Sec. O.N. Finance	5.31	(0.04)	5.33	5.30	--
1 Month LIBOR	5.42	(0.03)	5.46	5.44	5.43
3 Month LIBOR	5.36	0.01	5.54	5.58	5.64
6 Month LIBOR	5.24	0.03	5.56	5.67	5.86
1 Year LIBOR	6.04	0.12	5.73	5.48	3.62
6 Month CD	4.91	(0.05)	5.26	5.38	5.84
1 Year CMT	4.43	(0.09)	4.88	5.02	5.39
REPO O/N	5.38	0.00	5.40	5.32	5.33
REPO 1Wk	5.35	(0.01)	5.38	5.41	5.38
CoF Federal	4.003	--	3.969	3.876	3.619
11th D. CoF (Jun)	3.240	--	3.227	3.126	2.815

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	5.30	5.32	5.36
6mo	5.02	5.03	5.08
1yr	4.54	4.54	4.67
2yr	4.10	4.13	4.18
3yr	3.93	3.98	4.01
4yr	3.90	3.96	3.98
5yr	3.85	3.91	3.92
7yr	4.08	4.16	4.15
10yr	4.26	4.36	4.33
5yr Am	4.15		4.07
10yr Am	4.21		4.22

Fed Fund Futures	
Maturity	Rate
Aug-24	5.330
Sep-24	5.205
Oct-24	5.015
Nov-24	4.770
Dec-24	4.560
Jan-25	4.350
Feb-25	4.105
Mar-25	3.995
Apr-25	3.830
May-25	3.700
Jun-25	3.600

Baker Market Update

Week in Review

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
8/19	Leading Index	Jul	-0.4%	-0.6%	-0.2%	--
8/20	Philadelphia Fed Non-Manufacturing Ac	Aug	--	-25.1	-19.1	--
8/21	MBA Mortgage Applications	8/16	--	-10.1%	16.8%	--
8/22	Chicago Fed Nat Activity Index	Jul	0.03	-0.34	0.05	-0.09
8/22	Initial Jobless Claims	8/17	232k	232k	227k	228k
8/22	Continuing Claims	8/10	1870k	1863k	1864k	1859k
8/22	S&P Global US Manufacturing PMI	Aug P	49.5	48.0	49.6	--
8/22	S&P Global US Services PMI	Aug P	54.0	55.2	55.0	--
8/22	S&P Global US Composite PMI	Aug P	53.2	54.1	54.3	--
8/22	Existing Home Sales	Jul	3.94m	3.95m	3.89m	3.90m
8/22	Existing Home Sales MoM	Jul	1.3%	1.3%	-5.4%	-5.1%
8/22	Kansas City Fed Manf. Activity	Aug	-9	-3	-13	--
8/23	New Home Sales	Jul	623k	739k	647k	668k
8/23	New Home Sales MoM	Jul	1.0%	10.6%	-0.6%	0.3%
8/23	Kansas City Fed Services Activity	Aug	--	--	-4	--
8/26	Durable Goods Orders	Jul P	4.2%	--	-6.7%	--
8/26	Durables Ex Transportation	Jul P	0.0%	--	0.4%	--
8/26	Cap Goods Orders Nondef Ex Air	Jul P	0.1%	--	0.9%	--
8/26	Cap Goods Ship Nondef Ex Air	Jul P	0.1%	--	0.2%	--
8/26	Dallas Fed Manf. Activity	Aug	-16.0	--	-17.5	--
8/27	FHFA House Price Index MoM	Jun	--	--	0.0%	--
8/27	House Price Purchase Index QoQ	2Q	--	--	1.1%	--
8/27	S&P CoreLogic CS 20-City MoM SA	Jun	0.30%	--	0.34%	--
8/27	S&P CoreLogic CS US HPI YoY NSA	Jun	--	--	5.94%	--
8/27	S&P CoreLogic CS 20-City YoY NSA	Jun	--	--	6.81%	--
8/27	Conf. Board Consumer Confidence	Aug	100.1	--	100.3	--
8/27	Conf. Board Present Situation	Aug	--	--	133.6	--
8/27	Conf. Board Expectations	Aug	--	--	78.2	--
8/27	Richmond Fed Manufact. Index	Aug	--	--	-17	--
8/27	Richmond Fed Business Conditions	Aug	--	--	-9	--
8/27	Dallas Fed Services Activity	Aug	--	--	-10.0%	--
8/29	GDP Annualized QoQ	2Q S	2.8%	--	2.8%	--
8/29	Personal Consumption	2Q S	2.2%	--	2.3%	--
8/29	GDP Price Index	2Q S	2.3%	--	2.3%	--
8/29	Core PCE Price Index QoQ	2Q S	2.8%	--	2.9%	--
8/29	Advance Goods Trade Balance	Jul	-\$97.0b	--	-\$96.8b	-\$96.6b
8/29	Pending Home Sales NSA YoY	Jul	--	--	-7.8%	--
8/30	Personal Income	Jul	0.2%	--	0.2%	--
8/30	Personal Spending	Jul	0.5%	--	0.3%	--
8/30	Real Personal Spending	Jul	0.3%	--	0.2%	--
8/30	PCE Price Index MoM	Jul	0.2%	--	0.1%	--
8/30	PCE Price Index YoY	Jul	2.6%	--	2.5%	--
8/30	Core PCE Price Index MoM	Jul	0.2%	--	0.2%	--
8/30	Core PCE Price Index YoY	Jul	2.7%	--	2.6%	--
8/30	MNI Chicago PMI	Aug	44.5	--	45.3	--
8/30	U. of Mich. Sentiment	Aug F	--	--	67.8	--
8/30	U. of Mich. Current Conditions	Aug F	--	--	60.9	--

MBS Prepayments ⁴						
3-Month CPR						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	14.3	14.4	13.2	16.2	20.0	19.1
FH/FN 15y	8.2	9.3	11.6	18.5	20.1	45.0
GN 15y	16.0	18.4	24.3	30.1	76.4	66.4
FH/FN 20y	6.7	7.7	8.3	9.3	11.4	15.4
FH/FN 30y	6.3	6.5	6.8	6.3	7.3	7.4
GN 30y	8.2	6.1	5.9	6.5	7.0	7.3
CPR Projections						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	11.4	12.7	13.7	15.3	20.1	22.2
FH/FN 15y	8.1	9.2	12.7	15.7	17.0	22.9
GN 15y	9.5	11.6	11.5	12.3	12.7	15.9
FH/FN 20y	7.5	8.3	9.3	10.4	12.7	15.0
FH/FN 30y	6.5	6.8	7.9	8.9	11.0	14.8
GN 30y	6.8	6.8	10.0	9.0	10.0	11.0

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	145.90	(1.73)	156.05	150.51	145.44
Euro	1.11	0.01	1.09	1.08	1.08
Dollar Index	101.54	(0.92)	104.45	103.94	103.42
Major Stock Indices					
Dow Jones	40,992	332	40,358	39,132	34,473
S&P 500	5,607.9	53.6	5,555.7	5,088.8	4,436.0
NASDAQ	17,849.5	218	17,997.4	15,996.8	13,721.0
Commodities					
Gold	2,493.9	(4.7)	2,407.3	2,038.6	1,918.5
Crude Oil	74.35	(2.30)	76.96	76.49	78.89
Natural Gas	2.02	(0.10)	2.19	1.60	2.50
Wheat	506.5	-23.5	542.8	573.5	612.5
Corn	371.3	0.8	402.5	399.8	476.3

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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