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UPCOMING EVENTS

Banks

Seminar:

Minneapolis, MN

Dec 5, 2023

Webinar:

Bank Trends for Q3

Nov 15, 2023

Credit Unions

CU Seminar:

Dallas, TX

Nov 9, 2023

Halloween decorations were not the only sight haunting the halls of investors' offices this week. The sight of 10-year Treasury yields topping 5% for the first time in 16 years early Monday spooked some major bond buyers right out of their shorts (literally and figuratively)! Billionaire investor Bill Ackman, along with other major investors, covered their previous bets against Treasuries, pointing to expectations that U.S. economic data would deteriorate from here and that the war in Gaza would draw more investor dollars into U.S. government bonds.

Monday's bond market bounce saw U.S. Treasury yields close nearly 20bps below their early peak at 5.02% but the gyrations were not over from there. News from Gaza along with strong economic data resumed their pressure on long-term bonds and brought the 10-year Treasury yields back to within a whisper of the 5% peak reached early in the week but reversed again. At the time of this writing, we look to end the week down from last week. The 5-year Treasury rate is currently down 7.5bps from last Friday's close at 4.785% and the 10-year is down 6bps to 4.85%.

In terms of data, we saw impressive strength in the 3Q GDP number, reflecting growth on the back of resilient consumer spending. GDP rose 4.9% in the third quarter, beating expectations of a 4.7% increase. Looking ahead, however, the numbers may not be quite as rosy for this quarter as student loan payments resume and the war in Gaza brings uncertainty into the market. Exports also soared by 6.2%, rebounding from a negative position last quarter. Initial jobless claims came in at 210,000, slightly above estimates of 207,000.

Housing data was a true Tale of Two Home Sales story with New Home Sales unexpectedly surging 12.3%, well beyond estimates of +0.7%. This is the highest level of New Home Sales in 20 months, as homebuilders work to combat high mortgage rates by offering rate buy downs and other financial incentives in effort to lure buyers. Pending Home Sales, on the other hand, told a much different story as they depend on homeowners listing their homes. Pending Sales rose slightly, up 1.1% MoM, but that was from a starting point when sales matched the lowest level in data back to 2001.

The most widely watched set of economic data for the week was this morning's release of the BEA's Personal Income and Outlays survey, which gives us Personal Income and Spending data as well as the Fed's preferred inflation indicator, Personal Consumption Expenditures (PCE). The survey showed consumers were living beyond their means in September, with personal spending growth far outpacing income growth. Personal Spending rose more than expected, up 0.7% vs. 0.5% survey, while Personal Income rose less than expected, up 0.3% vs. 0.4% survey. As a result, the personal savings rate fell to its lowest level since December 2022. Spending momentum is expected to fall in the fourth quarter as student loan payments resume, excess savings diminish, and the labor market loses some steam. PCE printed in line with expectations at 3.4% YoY.

(Continued)



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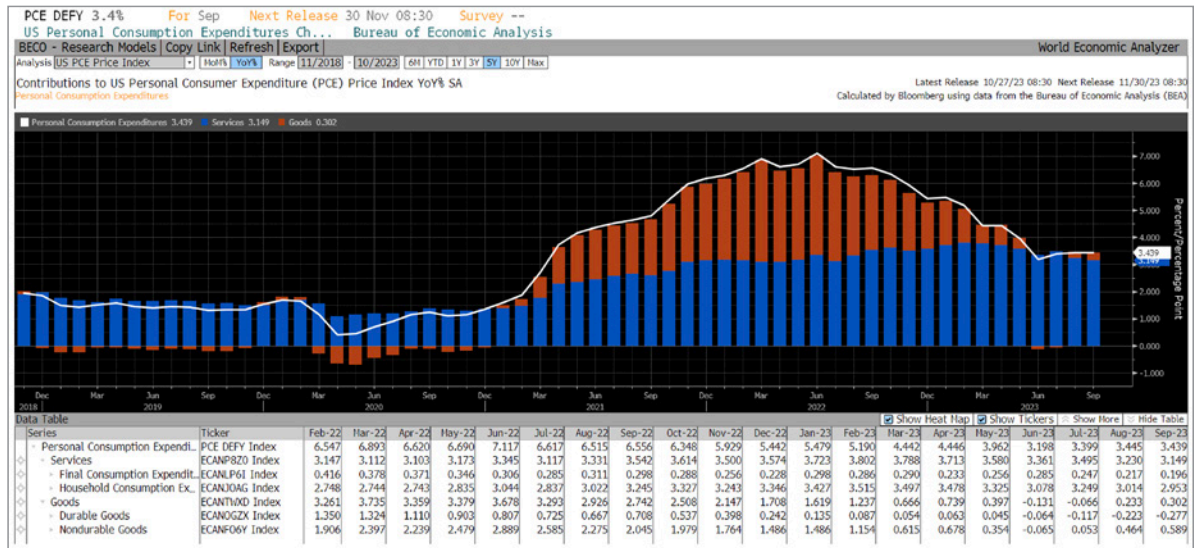
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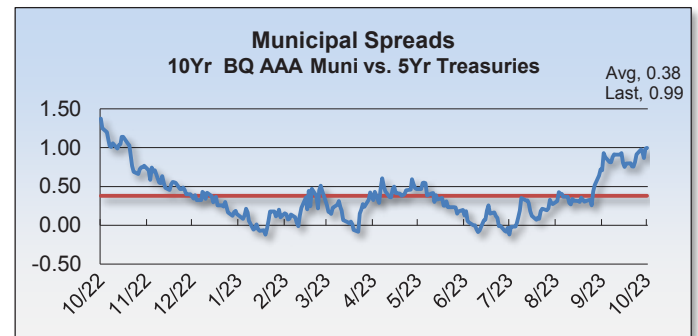
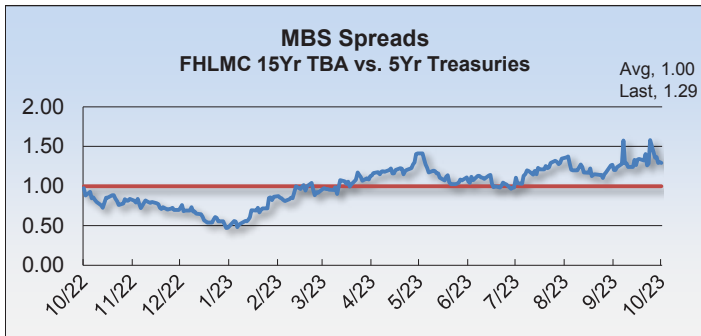
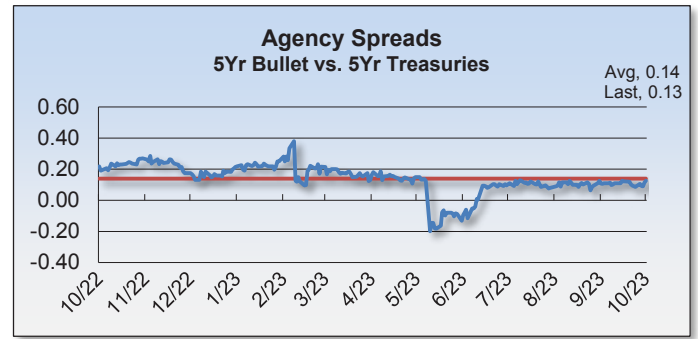
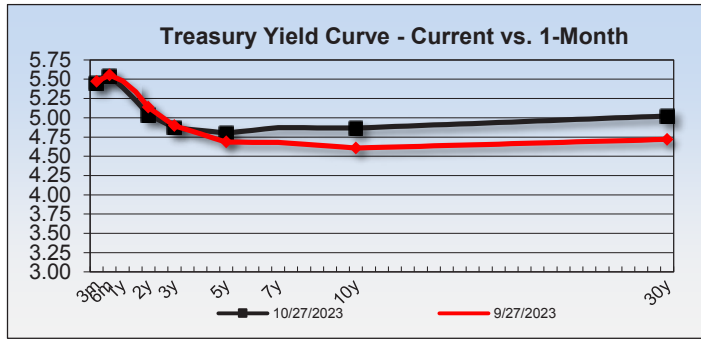
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Source: Bloomberg & BEA (Bureau of Economic Analysis)

Next week there is plenty on the docket to give markets direction. We will get the FOMC Rate Decision as well as the all-important press conference that follows. It is widely expected the Fed will hold rates steady at their meeting next week. Futures markets are also pricing in a near 80% probability that they hold rates steady in December as well. Next week is also employment week, with ADP, JOLTS, nonfarm payrolls, unemployment rate, wage growth, and more all being released in the first three days of November.



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	5.45	(0.01)	5.49	5.15	4.03	2yr	5.17	4.93	5.11	5.44	5.21	2Yr	5.89	5.89	5.89	-
6mo	5.54	0.00	5.56	5.05	4.43	3yr	4.97	4.69	4.97	5.29	5.17	3Yr	5.73	5.74	5.70	5.73
1yr	5.39	(0.00)	5.49	4.77	4.46	5yr	4.91	4.54	4.89	5.20	5.10	5Yr	5.75	5.75	5.74	5.68
2yr	5.04	(0.04)	5.14	4.07	4.28	7yr	5.13	4.52	4.96	5.27	5.35	7Yr	5.82	5.84	5.83	5.76
3yr	4.87	(0.05)	4.90	3.81	4.21	10yr	5.13	4.53	5.03	5.35	5.41	10Yr	5.86	5.91	5.91	5.84
5yr	4.80	(0.06)	4.69	3.59	4.06	15yr	5.13	4.56	5.73	6.09	5.61	November TBA MBS				
7yr	4.87	(0.05)	4.68	3.57	3.99	20yr	5.13	4.52	6.06	6.45	6.02	Cpn				
10yr	4.87	(0.05)	4.61	3.52	3.92	25yr	5.12	4.42	6.23	6.63	6.08	3.00	6.43	5.5y	6.06	
30yr	5.02	(0.05)	4.72	3.75	4.09	30yr	5.12	4.31	6.40	6.81	6.13	3.50	6.04	5.6y		
												4.00	5.73	6.0y	6.19	10.3y
												4.50	5.72	5.9y	6.18	10.8y
												5.00			6.27	10.3y
												5.50			6.37	9.7y

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	5.50	--	5.50	5.00	3.25
Primary Discount	5.50	--	5.50	5.00	3.25
2ndary Discount	6.00	--	6.00	5.50	3.75
Prime Rate	8.50	--	8.50	8.00	6.25
Sec. O.N. Finance	5.31	0.01	5.31	4.80	--
1 Month LIBOR	5.44	(0.01)	5.43	5.02	3.60
3 Month LIBOR	5.65	(0.03)	5.65	5.29	4.36
6 Month LIBOR	5.88	(0.03)	5.90	5.41	4.92
1 Year LIBOR	6.04	0.12	5.73	5.48	3.62
6 Month CD	5.75	(0.00)	5.76	5.33	4.96
1 Year CMT	5.39	(0.05)	5.45	4.64	4.54
REPO O/N	5.33	(0.04)	5.33	4.84	3.04
REPO 1Wk	5.37	(0.01)	5.43	5.04	3.28
CoF Federal	3.743	--	3.698	3.239	2.022
11th D. CoF (Dec)	0.223	--	0.218	0.282	0.460

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	5.59	5.61	5.62
6mo	5.65	5.65	5.66
1yr	5.48	5.47	5.66
2yr	5.16	5.22	5.36
3yr	5.02	5.06	5.22
4yr	4.95	5.00	5.14
5yr	4.95	4.99	5.14
7yr	5.21	5.27	5.39
10yr	5.39	5.46	5.56
5yr Am	4.15		5.23
10yr Am	4.21		5.41

Fed Fund Futures	
Maturity	Rate
Oct-23	5.330
Nov-23	5.330
Dec-23	5.355
Jan-24	5.375
Feb-24	5.400
Mar-24	5.385
Apr-24	5.360
May-24	5.250
Jun-24	5.175
Jul-24	5.125
Aug-24	4.985

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
10/24	S&P Global US Manufacturing PMI	Oct P	49.5	50.0	49.8	--
10/24	S&P Global US Services PMI	Oct P	49.9	50.9	50.1	--
10/24	S&P Global US Composite PMI	Oct P	50.0	51.0	50.2	--
10/24	Richmond Fed Business Conditions	Oct	--	-15	-5	--
10/25	MBA Mortgage Applications	10/20	--	-1.0%	-6.9%	--
10/25	New Home Sales	Sep	680k	759k	675k	676k
10/25	New Home Sales MoM	Sep	0.7%	12.3%	-8.7%	-8.2%
10/26	Advance Goods Trade Balance	Sep	-\$86.0b	-\$85.8b	-\$84.3b	-\$84.6b
10/26	GDP Annualized QoQ	3Q A	4.5%	4.9%	2.1%	--
10/26	Personal Consumption	3Q A	4.0%	4.0%	0.8%	--
10/26	GDP Price Index	3Q A	2.7%	3.5%	1.7%	--
10/26	Core PCE Price Index QoQ	3Q A	2.5%	2.4%	3.7%	--
10/26	Durables Ex Transportation	Sep P	0.2%	0.5%	0.4%	0.5%
10/26	Cap Goods Ship Nondef Ex Air	Sep P	0.2%	0.0%	0.7%	0.8%
10/26	Initial Jobless Claims	10/21	207k	210k	198k	200k
10/26	Continuing Claims	10/14	1740k	1790k	1734k	1727k
10/26	Pending Home Sales NSA YoY	Sep	-14.6%	-13.1%	-18.8%	--
10/27	Personal Income	Sep	0.4%	0.3%	0.4%	--
10/27	Real Personal Spending	Sep	0.3%	0.4%	0.1%	--
10/27	PCE Deflator YoY	Sep	3.4%	3.4%	3.5%	3.4%
10/27	PCE Core Deflator YoY	Sep	3.7%	3.7%	3.9%	3.8%
10/27	U. of Mich. Sentiment	Oct F	63.0	63.8	63.0	--
10/27	U. of Mich. Current Conditions	Oct F	--	70.6	66.7	--
10/27	U. of Mich. 1 Yr Inflation	Oct F	3.8%	4.2%	3.8%	--
10/31	Employment Cost Index	3Q	1.0%	--	1.0%	--
10/31	FHFA House Price Index MoM	Aug	0.5%	--	0.8%	--
10/31	S&P CoreLogic CS 20-City MoM SA	Aug	0.70%	--	0.87%	--
10/31	S&P CoreLogic CS 20-City YoY NSA	Aug	--	--	0.13%	--
10/31	S&P CoreLogic CS US HPI YoY NSA	Aug	--	--	0.98%	--
10/31	MINI Chicago PMI	Oct	44.6	--	44.1	--
11/1	ADP Employment Change	Oct	135k	--	89k	--
11/1	JOLTS Job Openings	Sep	9200k	--	9610k	--
11/1	FOMC Rate Decision (Upper Bound)	11/1	5.50%	--	5.50%	--
11/1	FOMC Rate Decision (Lower Bound)	11/1	5.25%	--	5.25%	--
11/1	Interest on Reserve Balances Rate	11/2	--	--	5.40%	--
11/2	Challenger Job Cuts YoY	Oct	--	--	58.2%	--
11/2	Unit Labor Costs	3Q P	1.0%	--	2.2%	--
11/2	Factory Orders Ex Trans	Sep	--	--	1.4%	--
11/3	Change in Nonfarm Payrolls	Oct	175k	--	336k	--
11/3	Two-Month Payroll Net Revision	Oct	--	--	119k	--
11/3	Change in Private Payrolls	Oct	140k	--	263k	--
11/3	Change in Manufact. Payrolls	Oct	0k	--	17k	--
11/3	Unemployment Rate	Oct	3.8%	--	3.8%	--
11/3	Average Hourly Earnings YoY	Oct	4.0%	--	4.2%	--
11/3	Average Weekly Hours All Employees	Oct	34.4	--	34.4	--
11/3	Labor Force Participation Rate	Oct	62.8%	--	62.8%	--
11/3	Underemployment Rate	Oct	--	--	7.0%	--

MBS Prepayments ⁴						
3-Month CPR						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	13.5	13.2	11.9	15.7	16.0	20.1
FH/FN 15y	7.4	8.6	12.5	17.3	26.9	40.2
GN 15y	14.5	17.0	20.1	21.8	34.1	50.8
FH/FN 20y	6.6	7.6	8.0	8.8	11.8	14.5
FH/FN 30y	5.3	6.0	6.5	6.3	10.3	7.9
GN 30y	6.5	6.7	8.7	6.7	6.7	7.6
CPR Projections						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	12.3	12.3	12.0	10.1	10.4	10.5
FH/FN 15y	6.6	6.3	9.9	13.3	13.1	14.1
GN 15y	8.6	10.8	11.1	11.8	11.6	14.4
FH/FN 20y	6.4	6.2	6.7	7.0	8.4	9.6
FH/FN 30y	5.1	5.5	5.8	5.9	6.7	7.9
GN 30y	5.9	6.4	7.1	7.0	8.3	9.4

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	149.69	(0.17)	149.22	133.59	146.31
Euro	1.06	(0.00)	1.06	1.10	1.00
Dollar Index	106.33	0.17	106.67	101.50	110.59
Major Stock Indices					
Dow Jones	32,676	(451)	33,550	33,826	32,033
S&P 500	4,147.1	(77.1)	4,274.5	4,135.4	3,807.3
NASDAQ	12,704.0	(280)	13,092.9	12,142.2	10,792.7
Commodities					
Gold	1,987.2	18.8	1,901.6	1,985.7	1,664.0
Crude Oil	83.67	(5.08)	93.68	74.76	89.08
Natural Gas	3.29	0.39	2.76	2.36	5.19
Wheat	579.5	-6.5	579.5	614.8	838.5
Corn	483.5	-12.0	483.3	627.0	682.3

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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