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UPCOMING EVENTS

Banks

Seminar:

[Minneapolis, MN](#)
 Dec 5, 2023

Banks and CUs

School:

[Baker Bond School](#)
 Apr 9-10, 2024

Save The Date:

[Baker ALM School](#)
 Aug 20-21, 2024

Scottsdale, AZ

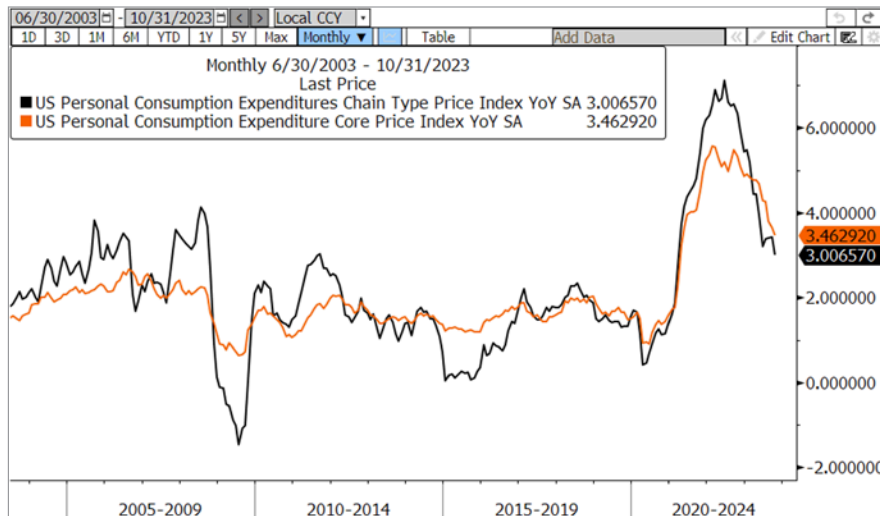
[45th Anniversary
 Celebration Seminar](#)
 Nov 7-8, 2024

Treasury yields are down again this week on softening economic data and well-received Treasury sales. In fact, the 10-year fell during the month of November the most since 2008, when the financial crisis prompted the Fed to drop rates to near zero and launch its first quantitative easing program. We open the final month of the year with the 2-year UST rate down 25bps since last Friday to ~4.70%. The 10-year is down 13bps to 4.34% and the 30-year is down 9bps to 4.51% at the time of this writing. Fed funds futures markets have also moved up their calls for the next rate cut and are now fully pricing in a rate cut by the May meeting with a near 50% chance they cut in March.

On Monday, Treasuries snapped back into action after the holiday weekend with a strong bond auction where \$109 billion of 2-year and 5-year notes were digested without much market disruption. The benchmark 10-year yield fell 10bps to 4.37% on Monday as the well-received auction calmed jitters about another heavy load of debt sales from the U.S. government.

Enticing yields lower on Tuesday were comments from the particularly hawkish Fed Governor, Christopher Waller, who said, "I am increasingly confident that policy is currently well positioned to slow the economy and get inflation back to 2%." He also said there was "no reason" to mandate that interest rates remain "really high" if inflation maintains a consistent decline. The more dovish Fed President, Austan Goolsbee, also highlighted the risks of keeping rates too high for too long in his comments, saying, "Anybody who cooks a turkey knows that you got to pull it out of the oven before it's to the point where you want it to be, because it's going to have residual heat."

Thursday's release of the Personal Consumption Expenditures (PCE) price index, the Fed's targeted measure of inflation, showed inflation cooler than expected in October. Prices rose 3.0% vs. 3.1% consensus, the lowest level since March 2021 and down considerably from the peak of 7.1% in June 2022. The numbers reinforce most analysts' view that inflation will continue its downward trajectory in the months ahead as the economy cools. Also on Thursday, the Department of Labor's report of continuing jobless claims showed claims rose more than expected to 1.927 million vs. 1.865 million consensus for the week ended November 18th. This figure has been climbing since September, suggesting unemployed Americans are finding it more difficult to find a new job.



Source: Bloomberg, L.P.

(Continued)



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The week's spattering of housing data showed mixed results. New home sales came in shy of expectations at 679k vs. 721k consensus. The FHFA House Price Index for September came in stronger than forecast, up 0.6% month-over-month vs. 0.5% consensus; while the Case-Shiller home price index for September also posted an increase, albeit smaller than expected (+0.67% MoM versus +0.8% consensus). Pending home sales, which declined less than expected, still fell to the lowest level on record going back to 2001 in October. Contract signings to purchase previously owned homes declined 1.5% vs. a drop of 2.0% expected.

Next week, markets will have to rely on data for direction as today marks the final day before the Fed's blackout period in which central bank officials are prohibited from public speaking ahead of their December 14 rate announcement. And there is plenty of market-moving data on the docket as next week is the all-important employment week culminating with the unemployment and non-farm payrolls figures on Friday.

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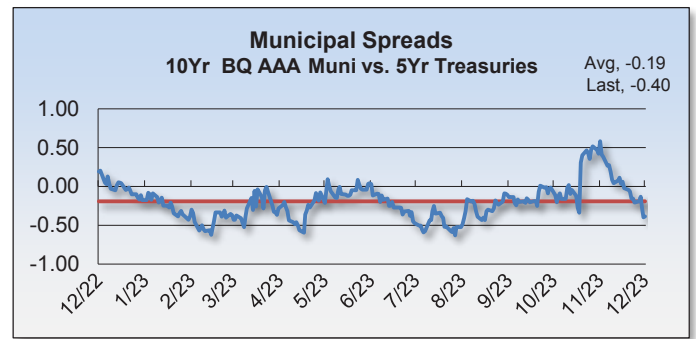
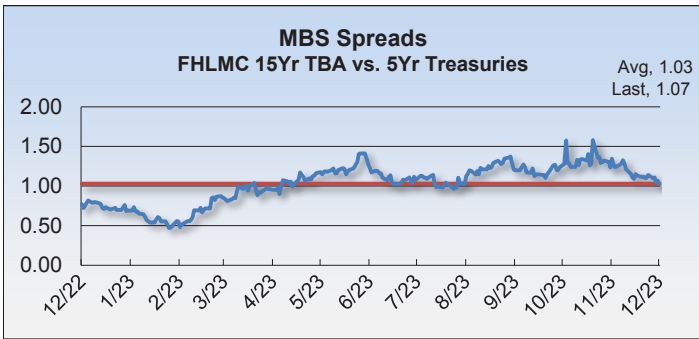
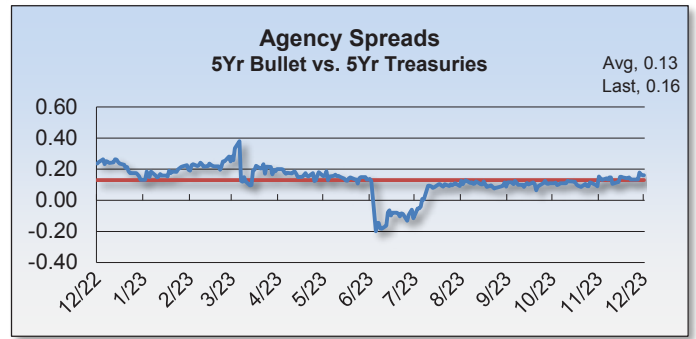
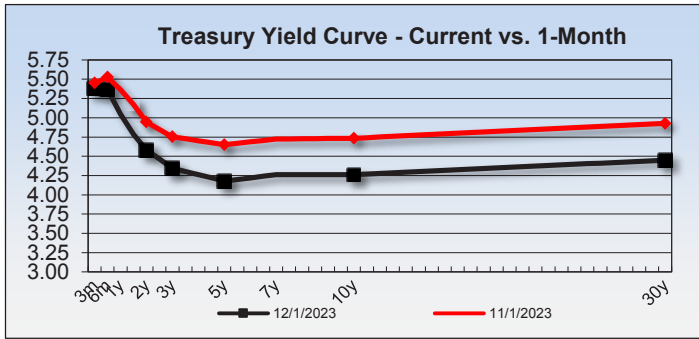
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Treasury Market -- Historical						Fixed Rate Market										
Maty	Current	1Wk Change	Historical			Maty /AL	N-Call Agency	US Swap	AAA BQ Muni		Tax Muni	Agency Calls - Euro				
			1 Mo	6 Mo	1 Yr				C-Corp ²	S-Corp ³		Mty	3Mo	6mo	1Yr	2Yr
3mo	5.38	(0.03)	5.46	5.37	4.31	2yr	4.74	4.47	3.98	4.23	4.90	2Yr	5.40	5.40	5.40	-
6mo	5.37	(0.11)	5.53	5.41	4.65	3yr	4.45	4.17	3.77	4.01	4.81	3Yr	5.17	5.18	5.10	5.17
1yr	5.04	(0.23)	5.37	5.14	4.64	5yr	4.31	3.96	3.63	3.86	4.63	5Yr	5.08	5.08	5.07	5.01
2yr	4.58	(0.37)	4.95	4.34	4.23	7yr	4.29	3.92	3.64	3.87	4.88	7Yr	5.17	5.19	5.18	5.11
3yr	4.34	(0.32)	4.75	3.98	4.04	10yr	4.53	3.94	3.68	3.92	4.94	10Yr	5.21	5.27	5.26	5.19
5yr	4.18	(0.31)	4.65	3.70	3.67	15yr	4.76	3.99	4.41	4.69	5.14	January TBA MBS				
7yr	4.26	(0.25)	4.73	3.65	3.60	20yr	5.00	3.98	4.82	5.13	5.54	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	4.26	(0.21)	4.74	3.60	3.51	25yr	5.24	3.89	5.05	5.37	5.60	3.50	5.13	5.4y	5.40	
30yr	4.45	(0.15)	4.93	3.82	3.60	30yr		3.80	5.28	5.62	5.65	4.00	4.95	5.6y		
												4.50	5.04	5.4y	5.51	9.6y
												5.00	5.18	5.2y	5.61	8.9y
												5.50			5.71	7.8y
												6.00			5.86	6.6y

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	5.50	--	5.50	5.25	4.00
Primary Discount	5.50	--	5.50	5.25	4.00
2ndary Discount	6.00	--	6.00	5.75	4.50
Prime Rate	8.50	--	8.50	8.25	7.00
Sec. O.N. Finance	5.33	0.02	5.31	5.06	--
1 Month LIBOR	5.46	(0.00)	5.44	5.15	4.12
3 Month LIBOR	5.64	(0.00)	5.64	5.48	4.76
6 Month LIBOR	5.80	(0.01)	5.87	5.58	5.21
1 Year LIBOR	6.04	0.12	5.73	5.48	3.62
6 Month CD	5.54	(0.09)	5.77	5.55	4.88
1 Year CMT	5.16	(0.10)	5.41	5.22	4.74
REPO O/N	5.38	--	5.33	5.17	3.82
REPO 1Wk	5.37	(0.03)	5.36	5.11	3.89
CoF Federal	3.814	--	3.743	3.302	2.278
11th D. CoF (Dec)	0.223	--	0.218	0.282	0.460

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	5.52	5.56	5.56
6mo	5.50	5.51	5.50
1yr	5.23	5.25	5.33
2yr	4.82	4.87	4.91
3yr	4.59	4.65	4.67
4yr	4.50	4.57	4.57
5yr	4.44	4.52	4.50
7yr	4.71	4.80	4.77
10yr	4.86	4.97	4.92
5yr Am	4.15		4.67
10yr Am	4.21		4.80

Fed Fund Futures	
Maturity	Rate
Dec-23	5.333
Dec-23	5.333
Jan-24	5.335
Mar-24	5.260
Apr-24	5.175
May-24	5.015
Jun-24	4.895
Jul-24	4.825
Aug-24	4.640
Aug-24	4.640
Oct-24	4.455

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
11/27	New Home Sales	Oct	721k	679k	759k	719k
11/27	Dallas Fed Manf. Activity	Nov	-16.0	-19.9	-19.2	--
11/28	House Price Purchase Index QoQ	3Q	--	2.1%	1.7%	1.9%
11/28	Conf. Board Consumer Confidence	Nov	101.0	102.0	102.6	99.1
11/28	Richmond Fed Manufact. Index	Nov	1.0	-5.0	3.0	--
11/29	MBA Mortgage Applications	11/24	--	0.3%	3.0%	--
11/29	Advance Goods Trade Balance	Oct	-\$86.5b	-\$89.8b	-\$85.8b	-\$86.8b
11/29	GDP Annualized QoQ	3Q S	5.0%	5.2%	4.9%	--
11/29	Personal Consumption	3Q S	4.0%	3.6%	4.0%	--
11/29	GDP Price Index	3Q S	3.5%	3.6%	3.5%	--
11/29	Core PCE Price Index QoQ	3Q S	2.4%	2.3%	2.4%	--
11/30	Initial Jobless Claims	11/25	218k	218k	209k	211k
11/30	Continuing Claims	11/18	1865k	1927k	1840k	1841k
11/30	Personal Income	Oct	0.2%	0.2%	0.3%	0.4%
11/30	Personal Spending	Oct	0.2%	0.2%	0.7%	--
11/30	Real Personal Spending	Oct	0.1%	0.2%	0.4%	0.3%
11/30	PCE Deflator YoY	Oct	3.1%	3.0%	3.4%	--
11/30	PCE Core Deflator YoY	Oct	3.5%	3.5%	3.7%	--
11/30	Pending Home Sales NSA YoY	Oct	-8.8%	-6.6%	-13.1%	-13.3%
12/1	S&P Global US Manufacturing PMI	Nov F	49.5	49.4	49.4	--
12/1	ISM Manufacturing	Nov	47.8	46.7	46.7	--
12/1	ISM Prices Paid	Nov	46.0	49.9	45.1	--
12/1	ISM Employment	Nov	47.6	45.8	46.8	--
12/1	ISM New Orders	Nov	46.7	48.3	45.5	--
12/1	Wards Total Vehicle Sales	Nov	15.50m	--	15.50m	--
12/4	Factory Orders	Oct	-2.7%	--	2.8%	--
12/4	Durable Goods Orders	Oct F	-5.4%	--	-5.4%	--
12/4	Cap Goods Orders Nondef Ex Air	Oct F	--	--	-0.1%	--
12/5	S&P Global US Services PMI	Nov F	--	--	50.8	--
12/5	S&P Global US Composite PMI	Nov F	--	--	50.7	--
12/5	JOLTS Job Openings	Oct	9375k	--	9553k	--
12/5	ISM Services Index	Nov	52.5	--	51.8	--
12/6	ADP Employment Change	Nov	120k	--	113k	--
12/6	Nonfarm Productivity	3Q F	4.9%	--	4.7%	--
12/6	Unit Labor Costs	3Q F	-0.9%	--	-0.8%	--
12/6	Trade Balance	Oct	-\$64.0b	--	-\$61.5b	--
12/7	Household Change in Net Worth	3Q	--	--	\$5494b	--
12/7	Consumer Credit	Oct	\$8.500b	--	\$9.057b	--
12/8	Change in Nonfarm Payrolls	Nov	200k	--	150k	--
12/8	Two-Month Payroll Net Revision	Nov	--	--	-101k	--
12/8	Change in Private Payrolls	Nov	155k	--	99k	--
12/8	Change in Manufact. Payrolls	Nov	35k	--	-35k	--
12/8	Unemployment Rate	Nov	3.9%	--	3.9%	--
12/8	Average Hourly Earnings YoY	Nov	4.0%	--	4.1%	--
12/8	Average Weekly Hours All Employees	Nov	34.3	--	34.3	--
12/8	Labor Force Participation Rate	Nov	--	--	62.7%	--
12/8	Underemployment Rate	Nov	--	--	7.2%	--

MBS Prepayments ⁴						
3-Month CPR						
Type	3.5	4.0	4.5	5.0	5.5	6.0
FN 10y	13.0	13.2	14.5	15.2	20.3	27.8
FH/FN 15y	8.3	12.0	16.4	25.4	43.6	48.8
GN 15y	16.6	21.1	24.0	37.3	57.7	84.4
FH/FN 20y	7.1	7.7	9.0	11.8	14.0	14.5
FH/FN 30y	5.6	6.2	6.8	9.4	7.5	8.4
GN 30y	5.5	7.4	6.4	6.7	7.1	7.3
CPR Projections						
Type	3.5	4.0	4.5	5.0	5.5	6.0
FN 10y	12.6	12.4	10.6	11.1	11.7	12.4
FH/FN 15y	7.5	10.2	13.9	14.2	15.2	22.1
GN 15y	11.3	11.5	12.2	12.1	14.9	15.0
FH/FN 20y	6.2	7.5	8.6	9.8	11.1	12.2
FH/FN 30y	5.6	6.3	7.3	8.2	9.6	10.8
GN 30y	6.5	8.3	8.6	8.3	9.6	11.4

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	147.53	(1.91)	150.95	138.80	135.33
Euro	1.08	(0.01)	1.06	1.08	1.05
Dollar Index	103.63	0.23	106.88	103.56	104.73
Major Stock Indices					
Dow Jones	36,010	620	33,275	33,062	34,395
S&P 500	4,557.9	(1.5)	4,237.9	4,221.0	4,076.6
NASDAQ	14,176.6	(74)	13,061.5	13,101.0	11,482.5
Commodities					
Gold	2,048.7	45.7	1,987.5	1,978.0	1,801.1
Crude Oil	76.34	0.80	80.44	70.10	81.22
Natural Gas	2.83	(0.03)	3.49	2.16	6.74
Wheat	569.8	21.0	561.8	610.8	758.8
Corn	461.8	-1.5	475.0	592.5	650.0

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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