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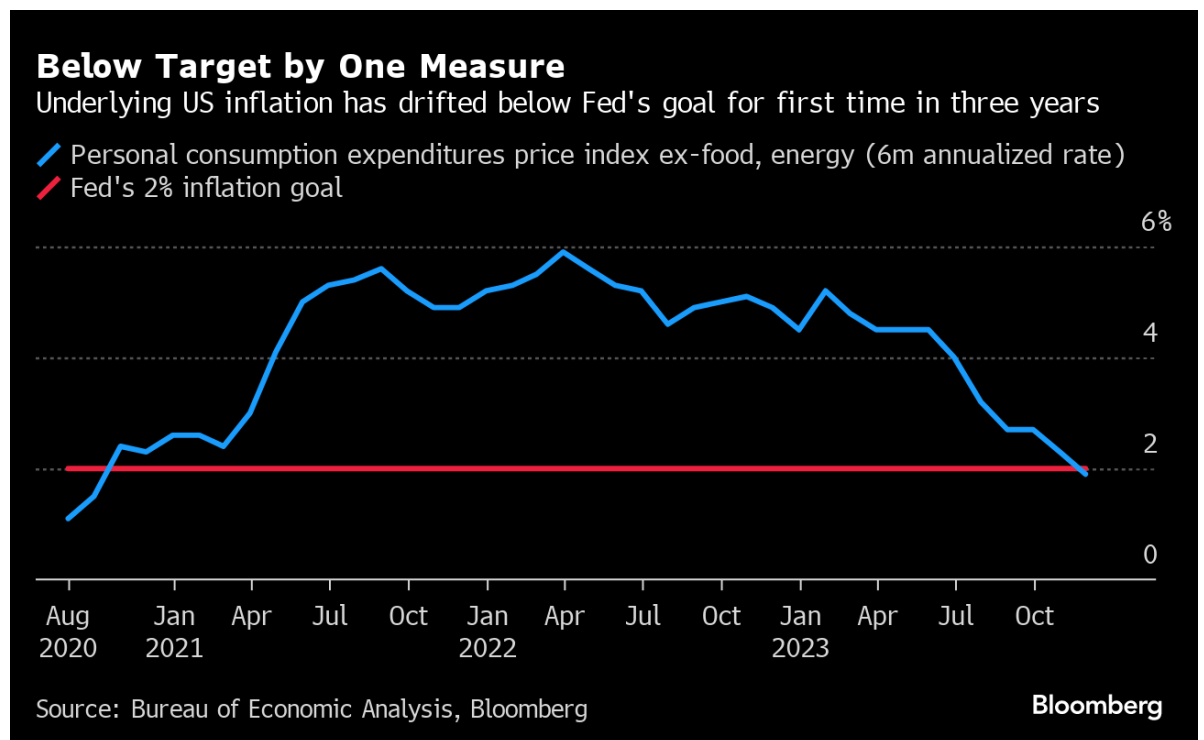
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Nov 7-8, 2024

Markets are basking in the warm holiday glow of easing Fed policy ahead this morning as fresh data on inflation came in softer than expected. Policymakers have been on the speaking circuit trying to rein in some of the optimism since their meeting last week as Treasury notes and bond yields have fallen dramatically since. Even the dovish Chicago Fed President, Austan Goolsbee, warned that markets were getting “a little ahead of themselves” and promised that inflation progress would dictate the pace of Fed easing. But news this morning that the Personal Consumption Expenditure Price Index (PCE), the Fed’s preferred inflation measure, fell more than forecast in November, gave markets just what they needed to feel cheery heading into the year-end holidays.

The PCE Deflator fell 0.1% in November vs. expectations of a flat 0.0% change. Year over year, PCE rose just 2.6% vs. estimates of 2.8%, edging closer to the Fed’s 2.0% target. That marks the lowest reading on PCE since February 2021 and a significant decline from its peak at 7.1% in June 2022. Excluding food and energy, Core PCE rose 0.1%, shy of the consensus estimate of 0.2%, and 3.2% from a year ago, shy of the estimate of 3.3%. Interestingly, on a six-month annualized basis, the core metric rose just 1.9%, which marks the first time in more than three years that this measure has come in below the Fed’s 2.0% target.



There is an early market close today and activity is light, but Treasuries have still managed to spawn a little bit of a post-PCE rally. At the time of this writing, yields are down around 1.5-3bps across the curve. The 10-year Treasury yield now sits at 3.87%, the lowest level since July. Fed Funds futures markets are also increasing their rate cut bets for 2024. At the moment, the highest probability in the futures market is for 175bps of cuts next year, twice what last week’s Fed dot plot projected. Futures also appear convinced that the cuts will begin in March. They are predicting 25bps of cuts at the March 20th meeting with 74% probability.

(Continued)



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Other important economic data releases this week have been primarily on the housing front. Building Permits came in marginally shy of expectations while Housing Starts jumped 14.8% in November, beating the consensus forecast, which called for a 0.9% decline. Existing Home Sales edged up from a 13-year low to 3.82mm annual pace in November. Sales were up 0.8% from a month earlier, which marked the first respite in two years as higher borrowing costs and low inventory have kept many would-be-buyers on the sidelines. However, New Home Sales unexpectedly fell in November, suggesting the road to recovery for the housing market will be a bumpy one.

Next week will likely be another light one with many out on holiday. However, there is still data to digest. We will get a few more numbers on the housing front, with FHFA and Case-Shiller house price indexes coming out on Tuesday. There is also a spattering of business and manufacturing data due throughout the week. Hope everyone enjoys the long weekend. Happy holidays to all!

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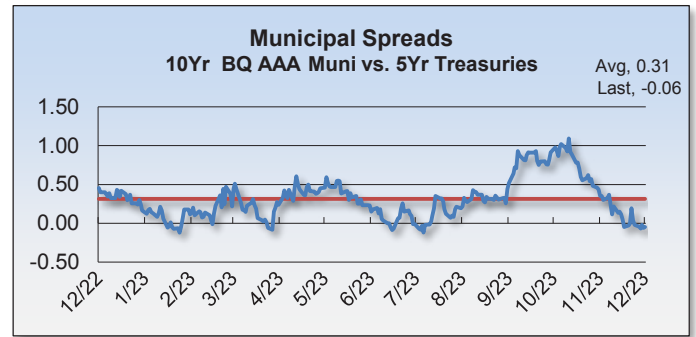
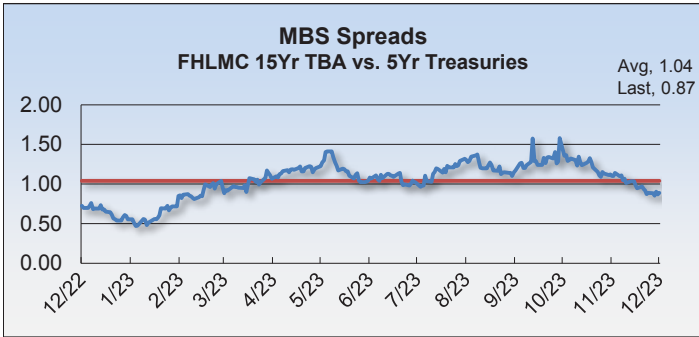
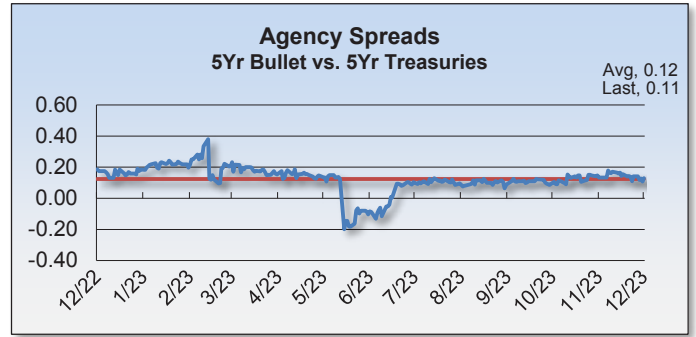
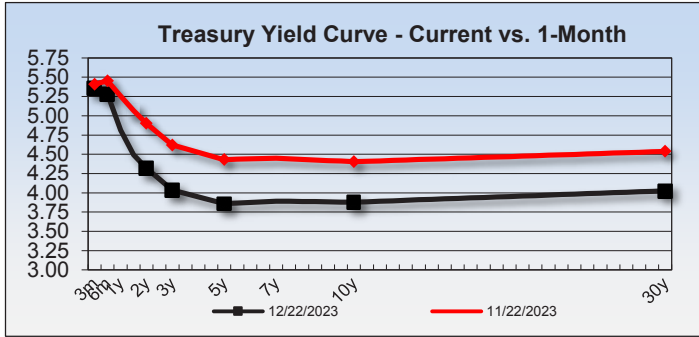
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Treasury Market -- Historical						Fixed Rate Market										
Maty	Current	1Wk Change	Historical			Maty /AL	N-Call Agency	US Swap	AAA BQ Muni		Tax Muni	Agency Calls - Euro				
			1 Mo	6 Mo	1 Yr				C-Corp ²	S-Corp ³		Mty	3Mo	6mo	1Yr	2Yr
3mo	5.36	(0.03)	5.42	5.29	4.32	2yr	4.39	4.11	3.56	3.78	4.58	2Yr	5.12	5.12	5.12	-
6mo	5.28	(0.04)	5.46	5.40	4.66	3yr	4.11	3.79	3.35	3.56	4.47	3Yr	4.83	4.84	4.80	4.83
1yr	4.81	(0.14)	5.26	5.27	4.61	5yr	3.94	3.56	3.19	3.40	4.24	5Yr	4.74	4.74	4.73	4.67
2yr	4.32	(0.13)	4.90	4.79	4.27	7yr	4.13	3.49	3.15	3.35	4.45	7Yr	4.78	4.80	4.79	4.72
3yr	4.03	(0.09)	4.62	4.38	4.12	10yr	4.14	3.48	3.19	3.40	4.52	10Yr	4.82	4.87	4.86	4.80
5yr	3.86	(0.05)	4.43	4.04	3.80	15yr	4.16	3.51	3.91	4.16	4.72	January TBA MBS				
7yr	3.89	(0.05)	4.45	3.92	3.78	20yr	4.18	3.48	4.35	4.63	5.08	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	3.88	(0.03)	4.41	3.80	3.68	25yr	4.20	3.40	4.61	4.90	5.14	3.00	4.85	5.3y	4.77	
30yr	4.03	0.02	4.54	3.87	3.74	30yr	4.20	3.31	4.86	5.17	5.19	3.50	4.62	5.3y		
												4.00	4.52	5.4y	4.90	9.4y
												4.50	4.68	5.2y	5.04	8.9y
												5.00			5.21	7.8y
												5.50			5.39	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	4.50
Primary Discount	5.50	--	5.50	5.25	4.50
2ndary Discount	6.00	--	6.00	5.75	5.00
Prime Rate	8.50	--	8.50	8.25	7.50
Sec. O.N. Finance	5.31	--	5.31	5.05	--
1 Month LIBOR	5.47	(0.00)	5.45	5.15	4.36
3 Month LIBOR	5.63	(0.01)	5.63	5.52	4.75
6 Month LIBOR	5.67	(0.09)	5.80	5.67	5.18
1 Year LIBOR	6.04	0.12	5.73	5.48	3.62
6 Month CD	5.32	(0.09)	5.62	5.58	5.21
1 Year CMT	4.84	(0.06)	5.24	5.25	4.60
REPO O/N	5.35	(0.01)	5.38	5.10	4.34
REPO 1Wk	5.39	0.05	5.40	5.11	4.99
CoF Federal	3.848	--	3.814	3.460	2.568
11th D. CoF (Dec)	0.223	--	0.218	0.282	0.460

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	5.49	5.51	5.54
6mo	5.39	5.40	5.39
1yr	4.90	4.90	5.06
2yr	4.41	4.47	4.49
3yr	4.17	4.22	4.23
4yr	4.08	4.15	4.13
5yr	3.98	4.04	4.01
7yr	4.21	4.29	4.24
10yr	4.37	4.47	4.39
5yr Am	4.15		4.22
10yr Am	4.21		4.30

Fed Fund Futures	
Maturity	Rate
Dec-23	5.330
Jan-24	5.330
Feb-24	5.290
Mar-24	5.220
Apr-24	5.080
May-24	4.810
Jun-24	4.635
Jul-24	4.520
Aug-24	4.285
Sep-24	4.190
Oct-24	4.065

Baker Market Update

Week in Review

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
12/18	New York Fed Services Business Activit	Dec	--	-14.6	-11.9	--
12/18	NAHB Housing Market Index	Dec	37	37	34	--
12/19	Housing Starts	Nov	1360k	1560k	1372k	1359k
12/19	Building Permits	Nov	1465k	1460k	1487k	1498k
12/19	Housing Starts MoM	Nov	-0.9%	14.8%	1.9%	0.2%
12/19	Building Permits MoM	Nov	-2.2%	-2.5%	1.4%	1.8%
12/19	Net Long-term TIC Flows	Oct	--	\$3.3b	-\$1.7b	\$0.9b
12/19	Total Net TIC Flows	Oct	--	-\$83.8b	-\$67.4b	-\$64.8b
12/20	MBA Mortgage Applications	12/15	--	-1.5%	7.4%	--
12/20	Existing Home Sales	Nov	3.78m	3.82m	3.79m	--
12/20	Existing Home Sales MoM	Nov	-0.3%	0.8%	-4.1%	--
12/20	Conf. Board Consumer Confidence	Dec	104.5	110.7	102.0	101.0
12/20	Conf. Board Present Situation	Dec	--	148.5	138.2	136.5
12/20	Conf. Board Expectations	Dec	--	85.6	77.8	77.4
12/21	Personal Consumption	3Q T	3.6%	3.1%	3.6%	--
12/21	GDP Price Index	3Q T	3.6%	3.3%	3.6%	--
12/21	Core PCE Price Index QoQ	3Q T	2.3%	2.0%	2.3%	--
12/21	Initial Jobless Claims	12/16	215k	205k	202k	203k
12/21	Continuing Claims	12/9	1880k	1865k	1876k	1866k
12/21	Philadelphia Fed Business Outlook	Dec	-3.0	-10.5	-5.9	--
12/21	Leading Index	Nov	-0.5%	-0.5%	-0.8%	-1.0%
12/22	Personal Income	Nov	0.4%	0.4%	0.2%	0.3%
12/22	Personal Spending	Nov	0.3%	0.2%	0.2%	0.1%
12/22	Real Personal Spending	Nov	0.3%	0.3%	0.2%	0.1%
12/22	PCE Deflator MoM	Nov	0.0%	-0.1%	0.0%	--
12/22	PCE Deflator YoY	Nov	2.8%	2.6%	3.0%	2.9%
12/22	PCE Core Deflator MoM	Nov	0.2%	0.1%	0.2%	0.1%
12/22	PCE Core Deflator YoY	Nov	3.3%	3.2%	3.5%	3.4%
12/22	Durable Goods Orders	Nov P	2.3%	5.4%	-5.4%	-5.1%
12/22	Durables Ex Transportation	Nov P	0.1%	0.5%	0.0%	-0.3%
12/22	Cap Goods Orders Nondef Ex Air	Nov P	0.1%	0.8%	-0.3%	-0.6%
12/22	Cap Goods Ship Nondef Ex Air	Nov P	0.0%	-0.1%	0.0%	-0.1%
12/22	New Home Sales	Nov	690k	590k	679k	672k
12/22	New Home Sales MoM	Nov	1.6%	-12.2%	-5.6%	-4.0%
12/22	U. of Mich. Sentiment	Dec F	69.4	69.7	69.4	--
12/22	U. of Mich. Expectations	Dec F	67.5	67.4	66.4	--
12/22	U. of Mich. Current Conditions	Dec F	74.6	73.3	74.0	--
12/22	U. of Mich. 1 Yr Inflation	Dec F	3.1%	3.1%	3.1%	--
12/22	U. of Mich. 5-10 Yr Inflation	Dec F	2.8%	2.9%	2.8%	--
12/26	S&P CoreLogic CS 20-City YoY NSA	Oct	5.00%	--	3.92%	--
12/26	S&P CoreLogic CS US HPI YoY NSA	Oct	--	--	3.93%	--
12/27	Richmond Fed Manufact. Index	Dec	--	--	-5.0	--
12/27	Richmond Fed Business Conditions	Dec	--	--	-9.0	--
12/27	Dallas Fed Services Activity	Dec	--	--	-11.6	--
12/28	Advance Goods Trade Balance	Nov	-\$89.6b	--	-\$89.8b	-\$89.6b
12/28	Pending Home Sales NSA YoY	Nov	--	--	-6.6%	--
12/29	MNI Chicago PMI	Dec	50.0	--	55.8	--

MBS Prepayments ⁴						
3-Month CPR						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	12.3	12.1	13.7	11.6	12.6	19.8
FH/FN 15y	6.7	7.7	11.1	14.5	22.7	35.6
GN 15y	13.3	15.7	19.8	24.2	40.4	46.0
FH/FN 20y	5.6	6.5	7.0	8.8	11.1	12.5
FH/FN 30y	5.4	4.4	5.1	6.5	5.5	6.5
GN 30y	5.6	7.2	5.8	6.1	6.3	7.0

CPR Projections						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	12.7	12.9	12.6	11.1	12.2	13.2
FH/FN 15y	7.2	8.4	10.7	14.3	15.4	17.9
GN 15y	9.3	11.8	12.2	12.8	12.3	15.0
FH/FN 20y	6.2	7.3	8.6	9.7	10.4	11.9
FH/FN 30y	5.8	6.2	7.1	8.1	9.6	11.0
GN 30y	6.6	6.9	9.2	9.4	9.4	11.7

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	142.04	(0.11)	148.90	142.06	132.06
Euro	1.10	0.01	1.09	1.10	1.06
Dollar Index	101.44	(1.11)	103.92	102.39	104.43
Major Stock Indices					
Dow Jones	37,520	215	35,273	33,947	33,027
S&P 500	4,770.6	51.4	4,556.6	4,381.9	3,822.4
NASDAQ	15,035.6	222	14,265.9	13,630.6	10,476.1
Commodities					
Gold	2,068.7	47.6	1,992.8	1,912.7	1,787.0
Crude Oil	74.76	3.33	77.10	69.51	77.49
Natural Gas	2.54	0.05	2.90	2.61	5.00
Wheat	614.3	-15.0	555.8	739.0	762.3
Corn	472.8	-10.3	468.8	660.5	660.5

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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