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Feb 14, 2024

[Q2 Bank CC Webinar](#)

Apr 4, 2024

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Aug 20-21, 2024

CUs

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Nov 7-8, 2024

Following last week's trading volatility, the markets were relatively calm this week. As of the time of this writing, yields across the Treasury curve were within a few basis points of where they started on Monday. Markets may not have reflected it, but there was plenty of opportunity for volatility with some of the economic data that was released this week.

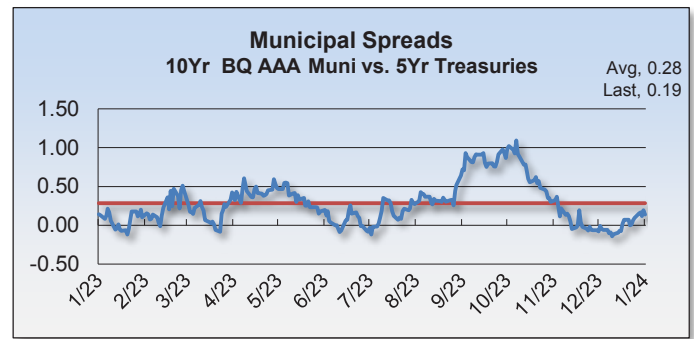
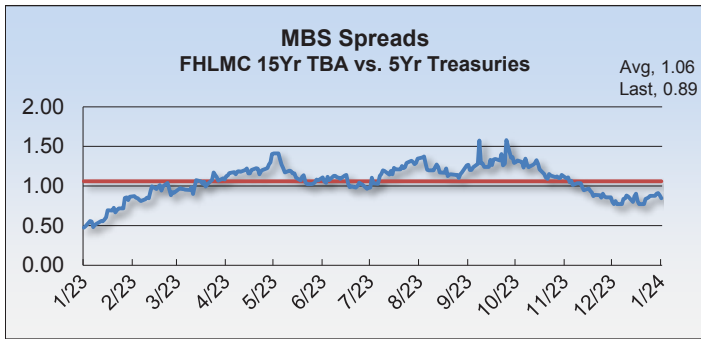
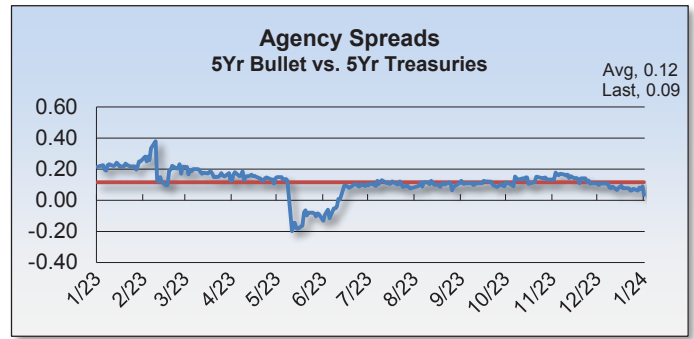
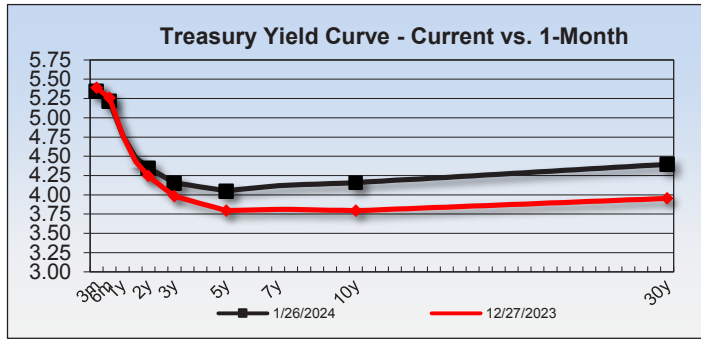
The Conference Board's Leading Economic Indicators Index was released for December and fell 0.1%, continuing the negative streak by falling for the 21st consecutive month. This remains a closely watched data point for Investors looking to explain the large gap between the market's expectations for rate cuts in 2024 vs the Fed's. Markets currently see one path for the economy that leads to a potential recession while the Fed is focused on navigating a soft landing.

On a broader level, the US economy finished on a strong note with GDP growing 3.3% in Q4 (est = 2.0%) while the broadest measure of inflation fell below the Fed's long term target of 2.0%. The GDP Price Index, which measures the price change of every good and service in the economy, rose just 1.5% in Q4 (est = 2.2%), the lowest level since June of 2020 and below the 20-year average of 2.3%. Excluding food and energy, the Core GDP Price index rose just 2.0% (est = 2.0%). Consumer spending was strong in Q4, adding 1.91 percentage points to GDP while business investment added 0.26 points and inventories unexpectedly grew.

The PCE Deflator (the inflation metric the Fed uses to target 2% inflation) rose 0.2% in December and 2.6% from a year ago. That matches last month's reading and is the lowest since February 2021. Excluding food and energy, Core PCE rose 0.2% for the month and 2.9% from a year ago, the first time Core PCE has been below 3% since March 2021. For reference, the core PCE number was sitting at 4.9% a year ago. While still above the Fed's target of 2% inflation, the steady drop in both the headline and core PCE should give the Fed comfort that higher rates are having the desired effect. Fed funds futures are still pricing in about a 50% chance the Fed will cut rates in March and will cut rates 125-150bp for all of 2024. We will get more clarity on that when the FOMC meets on Wednesday of next week.

CME FEDWATCH TOOL - MEETING PROBABILITIES									
MEETING DATE	325-350	350-375	375-400	400-425	425-450	450-475	475-500	500-525	525-550
1/31/2024				0.0%	0.0%	0.0%	0.0%	2.6%	97.4%
3/20/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.2%	46.2%	52.6%
5/1/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.9%	36.2%	51.2%	11.7%
6/12/2024	0.0%	0.0%	0.0%	0.0%	1.4%	36.4%	50.6%	11.5%	0.0%
7/31/2024	0.0%	0.0%	0.0%	1.2%	32.2%	48.9%	16.3%	1.4%	0.0%
9/18/2024	0.0%	0.0%	1.2%	30.0%	47.7%	18.6%	2.4%	0.1%	0.0%
11/7/2024	0.0%	0.7%	18.3%	40.6%	30.4%	9.0%	1.0%	0.0%	0.0%
12/18/2024	0.5%	14.5%	35.8%	32.6%	13.6%	2.8%	0.3%	0.0%	0.0%

Source: Bloomberg, L.P.



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	5.35	(0.00)	5.37	5.43	4.67	2yr	4.41	4.16	3.79	4.04	4.41	2Yr	5.16	5.16	5.16	-
6mo	5.21	(0.02)	5.27	5.49	4.82	3yr	4.31	3.91	3.65	3.89	4.37	3Yr	4.96	4.97	4.90	4.96
1yr	4.77	(0.09)	4.81	5.37	4.67	5yr	4.12	3.75	3.40	3.62	4.28	5Yr	4.94	4.94	4.93	4.87
2yr	4.35	(0.04)	4.36	4.85	4.18	7yr	4.31	3.73	3.42	3.64	4.55	7Yr	5.01	5.03	5.02	4.95
3yr	4.16	(0.01)	4.07	4.49	3.99	10yr	4.37	3.75	3.44	3.67	4.68	10Yr	5.09	5.15	5.14	5.08
5yr	4.05	(0.00)	3.89	4.12	3.59	15yr	4.43	3.81	4.21	4.48	4.90	February TBA MBS				
7yr	4.12	0.02	3.92	4.01	3.55	20yr	4.49	3.80	4.61	4.90	5.36	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	4.16	0.03	3.90	3.87	3.50	25yr	4.55	3.73	4.83	5.14	5.42	2.50	4.94	5.4y	4.92	
30yr	4.39	0.07	4.05	3.94	3.64	30yr		3.65	5.05	5.38	5.47	3.00	5.03	5.4y		
												3.50	4.79	5.3y	5.10	9.8y
												4.00	4.68	5.3y	5.14	9.4y
												4.50			5.25	9.0y
												5.00			5.36	8.2y

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	5.50	--	5.50	5.50	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	5.32	0.01	5.32	5.06	--
1 Month LIBOR	5.45	0.00	5.47	5.42	4.52
3 Month LIBOR	5.59	0.01	5.61	5.61	4.82
6 Month LIBOR	5.62	0.07	5.62	5.85	5.11
1 Year LIBOR	6.04	0.12	5.73	5.48	3.62
6 Month CD	5.28	(0.01)	5.37	5.76	5.04
1 Year CMT	4.76	(0.04)	4.82	5.38	4.67
REPO O/N	5.35	--	5.35	5.11	4.32
REPO 1Wk	5.38	(0.00)	5.40	5.36	4.41
CoF Federal	3.855	--	3.848	3.544	2.794
11th D. CoF (Dec)	0.223	--	0.218	0.282	0.460

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	5.47	5.50	5.52
6mo	5.30	5.31	5.38
1yr	4.86	4.88	5.03
2yr	4.43	4.51	4.59
3yr	4.26	4.31	4.38
4yr	4.22	4.28	4.34
5yr	4.19	4.23	4.30
7yr	4.40	4.46	4.50
10yr	4.57	4.65	4.67
5yr Am	4.15		4.45
10yr Am	4.21		4.58

Fed Fund Futures		
Maturity	Rate	
Jan-24	5.330	
Feb-24	5.325	
Mar-24	5.280	
Apr-24	5.205	
May-24	5.010	
Jun-24	4.855	
Jul-24	4.755	
Aug-24	4.540	
Sep-24	4.445	
Oct-24	4.305	
Nov-24	4.180	

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
1/22	Leading Index	Dec	-0.3%	-0.1%	-0.5%	--
1/23	Richmond Fed Manuf. Index	Jan	-8	-15	-11	--
1/23	Richmond Fed Business Conditions	Jan	--	-3	0	--
1/24	S&P Global US Manufacturing PMI	Jan P	47.6	50.3	47.9	--
1/24	S&P Global US Services PMI	Jan P	51.5	52.9	51.4	--
1/24	S&P Global US Composite PMI	Jan P	51.0	52.3	50.9	--
1/25	Chicago Fed Nat Activity Index	Dec	6%	-15%	3%	1%
1/25	GDP Annualized QoQ	4Q A	2.0%	3.3%	4.9%	--
1/25	Personal Consumption	4Q A	2.5%	2.8%	3.1%	--
1/25	GDP Price Index	4Q A	2.2%	1.5%	3.3%	--
1/25	Core PCE Price Index QoQ	4Q A	2.0%	2.0%	2.0%	--
1/25	Durables Ex Transportation	Dec P	0.2%	0.6%	0.4%	0.5%
1/25	Cap Goods Orders Nondef Ex Air	Dec P	0.1%	0.3%	0.8%	1.0%
1/25	Cap Goods Ship Nondef Ex Air	Dec P	0.0%	0.1%	-0.2%	--
1/25	Initial Jobless Claims	1/20	200k	214k	487k	189k
1/25	Continuing Claims	1/13	1823k	1833k	1806k	--
1/26	Personal Income	Dec	0.3%	0.3%	0.4%	--
1/26	Real Personal Spending	Dec	0.3%	0.5%	0.3%	0.5%
1/26	PCE Deflator MoM	Dec	0.2%	0.2%	-0.1%	--
1/26	PCE Deflator YoY	Dec	2.6%	2.6%	2.6%	--
1/26	PCE Core Deflator MoM	Dec	0.2%	0.2%	0.1%	--
1/26	PCE Core Deflator YoY	Dec	3.0%	2.9%	3.2%	--
1/26	Pending Home Sales MoM	Dec	2.0%	8.3%	0.0%	-0.3%
1/26	Pending Home Sales NSA YoY	Dec	-4.3%	-1.0%	-5.4%	-5.5%
1/30	FHFA House Price Index MoM	Nov	0.2%	--	0.3%	--
1/30	S&P CoreLogic CS 20-City YoY NSA	Nov	--	--	4.87%	--
1/30	S&P CoreLogic CS US HPI YoY NSA	Nov	--	--	4.77%	--
1/30	Conf. Board Present Situation	Jan	--	--	148.5	--
1/30	Conf. Board Expectations	Jan	--	--	85.6	--
1/30	JOLTS Job Openings	Dec	8700k	--	8790k	--
1/31	ADP Employment Change	Jan	143k	--	164k	--
1/31	Employment Cost Index	4Q	1.00%	--	1.10%	--
1/31	FOMC Rate Decision (Upper Bound)	1/31	5.50%	--	5.50%	--
1/31	FOMC Rate Decision (Lower Bound)	1/31	5.25%	--	5.25%	--
1/31	Interest on Reserve Balances Rate	2/1	5.40%	--	5.40%	--
2/1	Challenger Job Cuts YoY	Jan	--	--	-20.2%	--
2/1	Unit Labor Costs	4Q P	1.8%	--	-1.2%	--
2/2	Two-Month Payroll Net Revision	Jan	--	--	-71k	--
2/2	Change in Nonfarm Payrolls	Jan	178k	--	216k	--
2/2	Change in Private Payrolls	Jan	143k	--	164k	--
2/2	Change in Manuf. Payrolls	Jan	2k	--	6k	--
2/2	Unemployment Rate	Jan	3.8%	--	3.7%	--
2/2	Average Hourly Earnings MoM	Jan	0.3%	--	0.4%	--
2/2	Average Hourly Earnings YoY	Jan	4.1%	--	4.1%	--
2/2	Average Weekly Hours All Employees	Jan	34.3	--	34.3	--
2/2	Labor Force Participation Rate	Jan	62.6%	--	62.5%	--
2/2	Underemployment Rate	Jan	--	--	7.1%	--

MBS Prepayments ⁴						
3-Month CPR						
Type	2.5	3.0	3.5	4.0	4.5	5.0
FN 10y	10.8	11.7	11.3	13.7	10.4	10.8
FH/FN 15y	5.4	6.4	7.6	10.8	14.9	17.6
GN 15y	10.8	12.7	16.2	20.0	27.7	44.5
FH/FN 20y	4.3	5.5	6.2	7.0	8.8	10.3
FH/FN 30y	3.3	5.2	4.3	4.5	7.5	5.2
GN 30y	3.6	5.1	8.6	4.6	5.9	6.6
CPR Projections						
Type	2.5	3.0	3.5	4.0	4.5	5.0
FN 10y	10.6	10.9	11.4	11.9	13.1	16.3
FH/FN 15y	6.2	7.1	8.2	11.1	15.2	14.3
GN 15y	9.1	9.2	11.8	12.2	13.0	12.5
FH/FN 20y	6.1	6.1	6.8	8.1	9.3	11.0
FH/FN 30y	5.4	5.8	6.1	7.0	8.3	9.3
GN 30y	5.3	6.0	6.8	8.6	9.4	9.2

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	148.02	(0.10)	142.34	140.39	129.68
Euro	1.09	(0.00)	1.10	1.11	1.09
Dollar Index	103.28	(0.01)	101.47	100.89	101.84
Major Stock Indices					
Dow Jones	38,083	219	37,545	35,520	33,949
S&P 500	4,887.7	47.9	4,774.8	4,566.8	4,060.4
NASDAQ	15,459.6	149	15,074.6	14,127.3	11,512.4
Commodities					
Gold	2,020.2	(9.1)	2,058.2	1,970.1	1,930.0
Crude Oil	77.13	3.72	75.57	78.78	81.01
Natural Gas	2.56	0.04	2.55	2.67	2.94
Wheat	596.5	3.3	636.3	720.0	752.5
Corn	446.3	0.8	480.3	540.3	682.5

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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