# Baker Market Update Week in Review





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### **UPCOMING EVENTS**

• Banks •

Webinars: Bank Trends Q4 Webinar Feb 14, 2024

Q2 Bank CC Webinar Apr 4, 2024

Schools: Baker Bond School Apr 9-10, 2024

Baker ALM School Aug 20-21, 2024

### - CUs -

Webinars: Q2 CU CC Webinar Apr 11, 2024

Schools: Baker CU Virtual Bond School Mar 13-14, 2024

Baker CU Virtual ALM School Jul 24-25, 2024

Baker Bond School Apr 9-10, 2024

Baker ALM School Aug 20-21, 2024

Banks and CUs

Seminar: Scottsdale, AZ 45th Anniversary Celebration Seminar Nov 7-8, 2024 After last week's volatility with the FOMC meeting and Powell's subsequent comments advocating caution on the path of rate cuts as well as a blowout January jobs report, this week gave us a much-needed reprieve. There was not much happening on the data front, so eyes turned to Fed officials who have returned to the speaking stage in droves since their pre-meeting quiet period ended.

On Monday, we also got the Fed's quarterly Senior Loan Officer Survey which showed credit tightening continuing, albeit at a slower pace. Banks reported they will likely tighten lending standards further on commercial real estate, credit cards, and auto loans as a less favorable economic outlook and deterioration in collateral values give cause for concern. The survey also showed most banks expect loan quality to deteriorate across most loan types. However, the survey showed a smaller share of banks tightening credit in the fourth quarter compared to the prior quarter. Despite the recent wobble in regional bank stocks, the outlook for the sector appears stable enough for the Fed and unlikely to deter them from a cautious approach to easing monetary policy.

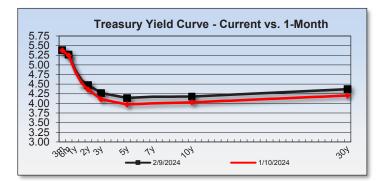
Comments from the stream of Fed officials speaking this week echoed a very similar 'wait and see' approach to cutting rates. They gave a range of reasons for preferring patience over easing too soon or moving too quickly once they do. "For the moment, policy remains well positioned, as we carefully assess the evolving data and outlook," Boston Fed President Susan Collins told the Boston Economic Club on Wednesday. "As we gain more confidence ... I believe it will likely become appropriate to begin easing policy restraint later this year."

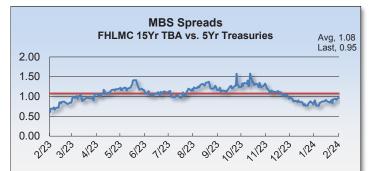
Federal Reserve Bank of Cleveland President Loretta Mester said in a speech on Tuesday that, "The current strength in labor market conditions and the strong spending data give us the opportunity to keep the nominal funds rate at its current level while we gather more evidence that inflation truly is on a sustainable and timely path back to 2%." Similar sentiment was heard from the many other Fed speakers on the docket this week as they communicate to the market their desire to hold off on cutting rates until they see more data confirming inflation is easing in a sustainable way.

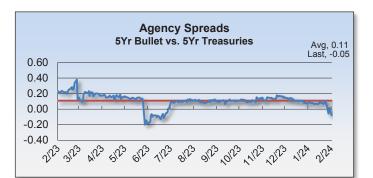
Next week will bring some of that data to light as we get fresh readings of the Consumer Price Index (CPI) and Producer Price Index (PPI) as well as retail sales and housing data, which will all undoubtedly help shape the Fed's monetary policy decisions in the months ahead. CPI comes out on Tuesday followed by retail sales on Wednesday, and we end the week with a bang as Friday brings housing starts, building permits, PPI, and University of Michigan Sentiment. Have a great weekend!

### **Baker Market Update** Week in Review











| Treasury Market Historical |         |        |            |      | Fixed Rate Market |        |        |             |                     |                     |      |      |                          |            |       |      |
|----------------------------|---------|--------|------------|------|-------------------|--------|--------|-------------|---------------------|---------------------|------|------|--------------------------|------------|-------|------|
| Maty                       | Current | 1Wk    | Historical |      | Maty              | N-Call | US     | AAA BQ Muni |                     | Tax                 |      |      | Agency                   | Calls - Eu | ro    |      |
| Wiaty                      | Current | Change | 1 Mo       | 6 Mo | 1 Yr              | /AL    | Agency | Swap        | C-Corp <sup>2</sup> | S-Corp <sup>3</sup> | Muni | Mty  | 3Mo                      | 6mo        | 1Yr   | 2Yr  |
| 3mo                        | 5.38    | 0.01   | 5.38       | 5.44 | 4.75              | 2yr    | 4.50   | 4.33        | 3.82                | 4.07                | 4.52 | 2Yr  | 5.28                     | 5.28       | 5.28  | -    |
| 6mo                        | 5.27    | 0.02   | 5.23       | 5.50 | 4.92              | 3yr    | 4.34   | 4.06        | 3.58                | 3.81                | 4.46 | 3Yr  | 5.07                     | 5.08       | 5.00  | 5.07 |
| 1yr                        | 4.86    | 0.06   | 4.83       | 5.35 | 4.87              | 5yr    | 4.21   | 3.87        | 3.37                | 3.59                | 4.34 | 5Yr  | 5.03                     | 5.03       | 5.02  | 4.96 |
| 2yr                        | 4.48    | 0.11   | 4.37       | 4.81 | 4.48              | 7yr    | 4.36   | 3.81        | 3.37                | 3.59                | 4.62 | 7Yr  | 5.06                     | 5.08       | 5.07  | 5.01 |
| 3yr                        | 4.27    | 0.13   | 4.13       | 4.44 | 4.28              | 10yr   | 4.39   | 3.80        | 3.40                | 3.62                | 4.72 | 10Yr | 5.11                     | 5.17       | 5.16  | 5.10 |
| 5yr                        | 4.14    | 0.16   | 3.97       | 4.14 | 3.86              | 15yr   | 4.43   | 3.83        | 4.12                | 4.38                | 4.94 |      | March TBA MBS            |            |       |      |
| 7yr                        | 4.17    | 0.17   | 4.00       | 4.08 | 3.78              | 20yr   | 4.46   | 3.81        | 4.55                | 4.84                | 5.36 | Cpn  | 15Yr -Yld/AL 30Yr -Yld/A |            | ld/AL |      |
| 10yr                       | 4.18    | 0.16   | 4.01       | 4.01 | 3.66              | 25yr   | 4.50   | 3.73        | 4.77                | 5.08                | 5.42 | 2.50 | 5.03                     | 5.3y       | 4.97  |      |
| 30yr                       | 4.37    | 0.15   | 4.19       | 4.17 | 3.73              | 30yr   |        | 3.64        | 5.00                | 5.32                | 5.47 | 3.00 | 5.14                     | 5.3y       |       |      |
|                            |         |        |            |      |                   |        |        |             | 3.50                | 4.90                | 5.2y | 5.18 | 9.8v                     |            |       |      |

| Key Market Indices |            |        |       |       |       |  |  |  |  |  |  |
|--------------------|------------|--------|-------|-------|-------|--|--|--|--|--|--|
|                    |            | 1Wk    |       |       |       |  |  |  |  |  |  |
| Index              | ex Current |        | 1 Mo  | 6 Mo  | 1 Yr  |  |  |  |  |  |  |
| Fed Funds          | 5.50       |        | 5.50  | 5.50  | 4.75  |  |  |  |  |  |  |
| Primary Discount   | 5.50       |        | 5.50  | 5.50  | 4.75  |  |  |  |  |  |  |
| 2ndary Discount    | 6.00       |        | 6.00  | 6.00  | 5.25  |  |  |  |  |  |  |
| Prime Rate         | 8.50       |        | 8.50  | 8.50  | 7.75  |  |  |  |  |  |  |
| Sec. O.N. Finance  | 5.31       | (0.01) | 5.31  | 5.30  |       |  |  |  |  |  |  |
| 1 Month LIBOR      | 5.44       | (0.01) | 5.45  | 5.43  | 4.58  |  |  |  |  |  |  |
| 3 Month LIBOR      | 5.58       | (0.00) | 5.59  | 5.63  | 4.85  |  |  |  |  |  |  |
| 6 Month LIBOR      | 5.62       | 0.03   | 5.62  | 5.86  | 5.14  |  |  |  |  |  |  |
| 1 Year LIBOR       | 6.04       | 0.12   | 5.73  | 5.48  | 3.62  |  |  |  |  |  |  |
| 6 Month CD         | 5.34       | 0.10   | 5.30  | 5.75  | 5.05  |  |  |  |  |  |  |
| 1 Year CMT         | 4.83       | 0.15   | 4.82  | 5.35  | 4.87  |  |  |  |  |  |  |
| REPO O/N           | 5.38       |        | 5.35  | 5.33  | 4.58  |  |  |  |  |  |  |
| REPO 1Wk           | 5.36       | (0.03) | 5.38  | 5.39  | 4.61  |  |  |  |  |  |  |
| CoF Federal 3.855  |            |        | 3.848 | 3.544 | 2.794 |  |  |  |  |  |  |
| 11th D. CoF (Dec)  | 0.223      |        | 0.218 | 0.282 | 0.460 |  |  |  |  |  |  |

|          |                         |           | .00  |     | 45 8.2v   |       |
|----------|-------------------------|-----------|------|-----|-----------|-------|
| FH       | LB Fixed                | Advance   |      |     | d Futures |       |
| Maturity | y Chicago Boston Topeka |           |      | Î 🛛 | Maturity  | Rate  |
| 3mo      | 5.50                    | 5.53      | 5.53 |     | Feb-24    | 5.325 |
| 6mo      | 5.36                    | 5.37      | 5.40 |     | Mar-24    | 5.310 |
| 1yr      | 4.97                    | 5.00      | 5.09 |     | Apr-24    | 5.285 |
| 2yr      | 4.58                    | 4.60      | 4.65 |     | May-24    | 5.145 |
| 3yr      | 4.39                    | 4.43 4.44 |      |     | Jun-24    | 5.020 |
| 4yr      | 4.33                    | 4.40      | 4.38 |     | Jul-24    | 4.935 |
| 5yr      | 4.28                    | 4.35      | 4.32 |     | Aug-24    | 4.745 |
| 7yr      | 4.46                    | 4.55      | 4.52 |     | Sep-24    | 4.660 |
| 10yr     | 4.57                    | 4.68      | 4.62 |     | Oct-24    | 4.535 |
| 5yr Am   | 4.15                    |           | 4.49 |     | Nov-24    | 4.425 |
| 10yr Am  | 4.21                    |           | 4.58 | I   | Dec-24    | 4.315 |

4.00 4.50

4.81

5.2y

5.22

5.33

9.3y

8.9y

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# Baker Market Update Week in Review



February 9, 2024

|                     | Weekly Eco   | MBS Prepayments <sup>4</sup> |           |          |                      |           |   |                 |         |          |         |       |          |
|---------------------|--|------------------------------|-----------|----------|----------------------|-----------|---|-----------------|---------|----------|---------|-------|----------|
| This Week & Next    |  |                              |           |          |                      |           |   | 3-Month CPR     |         |          |         |       |          |
| Date                | Release  | Per.                         | Est.      | Actual   | Prior                | Revised   | Туре  | 2.5             | 3.0     | 3.5      | 4.0     | 4.5   | 5.0      |
| 2/5                 | S&P Global US Services PMI                         | Jan F                        | 52.9      | 52.5     | 52.9                 |           | FN 10y  | 11.0            | 11.8    | 11.8     | 12.2    | 11.2  | 10.4     |
| 2/5                 | S&P Global US Composite PMI                        | Jan F                        | 52.3      | 52.0     | 52.3                 |           | FH/FN 15y   | 5.3             | 6.2     | 7.3      | 11.0    | 16.5  | 19.4     |
| 2/5                 | ISM Services Index                                 | Jan                          | 52.0      | 53.4     | <del>50.6</del>      | 50.5      | GN 15y  | 11.5            | 12.5    | 17.2     | 19.7    | 27.6  | 37.6     |
| 2/5                 | ISM Services Prices Paid                           | Jan                          | 56.7      | 64.0     | <del>57.4</del>      | 56.7      | FH/FN 20y   | 4.3             | 5.3     | 6.2      | 7.1     | 8.9   | 10.4     |
| 2/5                 | ISM Services Employment                            | Jan                          | 49.4      | 50.5     | 43.3                 | 43.8      | FH/FN 30y   | 2.9             | 4.2     | 4.4      | 4.3     | 6.3   | 5.3      |
| 2/5                 | ISM Services New Orders                            | Jan                          | 54.8      | 55.0     | 52.8                 |           | GN 30y  | 3.7             | 6.0     | 8.0      | 5.4     | 5.8   | 6.4      |
| 2/7                 | MBA Mortgage Applications                          | 2/2                          |           | 3.7%     | -7.2%                |           | CPR Projections   |                 |         |          |         |       |          |
| 2/7                 | Trade Balance                                      | Dec                          | -\$62.0b  | -\$62.2b | <del>-\$63.2b</del>  | -\$61.9b  | Туре  | 2.5             | 3.0     | 3.5      | 4.0     | 4.5   | 5.0      |
| 2/7                 | Consumer Credit                                    | Dec                          | \$16.000b | \$1.561b | <del>\$23.751b</del> | \$23.480b | FN 10y  | 10.6            | 10.9    | 11.5     | 11.9    | 13.0  | 16.2     |
| 2/8                 | Initial Jobless Claims                             | 2/3                          | 220k      | 218k     | <del>224k</del>      | 227k      | FH/FN 15y   | 6.2             | 7.1     | 8.2      | 11.1    | 15.2  | 14.4     |
| 2/8                 | Continuing Claims                                  | 1/27                         | 1875k     | 1871k    | <del>1898k</del>     | 1894k     | GN 15y  | 9.2             | 9.4     | 11.9     | 12.5    | 13.3  | 13.0     |
| 2/8                 | Wholesale Trade Sales MoM                          | Dec                          | 0.3%      | 0.7%     | 0.0%                 | -0.1%     | FH/FN 20y   | 6.1             | 6.5     | 6.9      | 8.3     | 9.4   | 11.0     |
| 2/8                 | Wholesale Inventories MoM                          | Dec F                        | 0.4%      | 0.4%     | 0.4%                 |           | FH/FN 30y   | 5.4             | 5.9     | 6.2      | 7.1     | 8.3   | 9.3      |
| 2/12                | NY Fed 1-Yr Inflation Expectations                 | Jan                          |           |          | 3.01%                |           | GN 30y  | 5.3             | 6.1     | 6.9      | 8.8     | 9.5   | 9.4      |
| 2/13                | NFIB Small Business Optimism                       | Jan                          |           |          | 91.9                 |           |   |                 |         | <u> </u> |         |       |          |
| 2/13                | CPI MoM  | Jan                          | 0.2%      |          | 0.3%                 | 0.2%      |   |                 |         |          |         |       |          |
| 2/13                | CPI Ex Food and Energy MoM                         | Jan                          | 0.3%      |          | 0.3%                 |           |   |                 |         |          |         |       |          |
| 2/13                | CPI YoY  | Jan                          | 2.9%      |          | 3.4%                 |           |   |                 |         |          |         |       |          |
| 2/13                | CPI Ex Food and Energy YoY                         | Jan                          | 3.7%      |          | 3.9%                 |           |   |                 |         |          |         |       |          |
| 2/13                | CPI Index NSA                                      | Jan                          | 307.92    |          | 306.75               |           |   |                 | Other ] | Markets  |         |       |          |
| 2/13                | CPI Core Index SA                                  | Jan                          |           |          | 313.22               | 313.21    |   |                 | 1Wk     |          | Histo   | rical |          |
| 2/13                | Real Avg Weekly Earnings YoY                       | Jan                          |           |          | 0.5%                 | 0.7%      | Index   | Current         | Chng    | 1 Mo     | 6 M     |       | 1 Yr     |
| 2/13                | Real Avg Hourly Earning YoY                        | Jan                          |           |          | <del>0.8%</del>      | 1.0%      | Currencies  | Guirein         | oning   | 11110    | 0 112   | -     |          |
| 2/15                | Retail Sales Advance MoM                           | Jan                          | -0.2%     |          | 0.6%                 |           | Japanese Yen  | 149.33          | 0.95    | 144.0    | 6 14    | 3.37  | 130.85   |
| 2/15                | Retail Sales Ex Auto MoM                           | Jan                          | 0.1%      |          | 0.4%                 |           | Euro  | 1.08            | (0.00)  | 1.0      |         | 1.10  | 1.08     |
| 2/15                | Retail Sales Ex Auto and Gas                       | Jan                          | 0.2%      |          | 0.6%                 |           | Dollar Index  | 104.10          | 0.17    | 102.5    |         | )2.49 | 103.22   |
| 2/15                | Retail Sales Control Group                         | Jan                          | 0.2%      |          | 0.8%                 |           | Major Stock   |                 | 0.17    | 102.5    | 1 10    | . 17  | 105.22   |
| 2/15                | Import Price Index MoM                             | Jan                          | -0.1%     |          | 0.0%                 |           | Dow Jones   | 38,671          | 17      | 37,525   | 35      | 123   | 33,700   |
| 2/15                | Import Price Index ex Petroleum MoM                | Jan                          |           |          | 0.0%                 |           | S&P 500   | 5,005.5         | 46.9    | 4,756.5  |         | 67.7  | 4,081.5  |
| 2/15                | Import Price Index YoY                             | Jan                          |           |          | -1.6%                |           | NASDAQ  | 15,874.7        | 246     | 14,857.7 | · · · · |       | 11,789.6 |
| 2/15                | Export Price Index YoY                             | Jan                          |           |          | -3.2%                |           | Commoditie  |                 | 240     | 14,037.  | 1.5,7   | 55.1  | 11,702.0 |
| 2/15                | Capacity Utilization                               | Jan                          | 79.0%     |          | 78.6%                |           | Gold  | 2,028.6         | (7.5)   | 2,033.   | 0 10    | 015.4 | 1,866.2  |
| 2/15                | Manufacturing (SIC) Production                     | Jan                          |           |          | 0.1%                 |           | Crude Oil   | 77.21           | 4.93    | 72.2     | · · · · | 34.40 | 78.06    |
| 2/15                | Business Inventories                               | Dec                          | 0.4%      |          | -0.1%                |           | Natural Gas   | 1.87            | (0.21)  | 3.1      |         | 2.96  | 2.43     |
| 2/15                | Total Net TIC Flows                                | Dec                          |           |          | \$260.2b             |           | Wheat   | 605.3           | 5.5     | 610.     |         | 535.0 | 757.3    |
| 2/15                | Net Long-term TIC Flows                            | Dec                          |           |          | \$126.1b             |           | Corn  | 436.3           | -6.5    | 459.     |         | 81.0  | 670.8    |
| 2/16                | Housing Starts                                     | Jan                          | 1460k     |          | 1460k                |           |   |                 | 5.5     |          | - 1     |       | 07010    |
| 2/16                | Building Permits                                   |                              | 1515k     |          | 1495k                | 1493k     |   |                 |         |          |         |       |          |
| $\frac{2}{16}$ 2/16 | PPI Final Demand MoM                               | Jan<br>Jan                   | 0.1%      |          | -0.1%                |           |   |                 |         |          |         |       |          |
| $\frac{2}{16}$ 2/16 | PPI Final Demand MoM<br>PPI Ex Food and Energy MoM | Jan<br>Jan                   | 0.1%      |          | 0.0%                 |           |   |                 |         |          |         |       |          |
| $\frac{2}{16}$ 2/16 | PPI Ex Food, Energy, Trade MoM                     | Jan                          | 0.170     |          | 0.0%                 |           |   |                 |         |          |         |       |          |
| 2/16                | PPI Final Demand YoY                               | Jan                          |           |          | 1.0%                 |           |   |                 | N       | otes     |         |       |          |
| 2/16                | PPI Ex Food and Energy YoY                         | -                            |           |          | 1.8%                 |           | 1 Call Agy = Ma   | aturity at left |         |          | ar      |       |          |
| $\frac{2}{16}$ 2/16 | PPI Ex Food, Energy, Trade YoY                     | Jan                          |           |          | 2.5%                 |           | 1 Call Agy = Maturity at left w/ a 1-Year Call at Par   |                 |         |          |         |       |          |
| $\frac{2}{16}$ 2/16 | U. of Mich. Sentiment                              | Jan<br>Feb P                 | 79.0      |          | 79.0                 |           | 2 Muni TEY (21% Fed, 0.75% CoF)   |                 |         |          |         |       |          |
|                     | U. of Mich. Current Conditions                     |                              | , 2.0     |          | 81.9                 |           | <ul> <li>3 S-Corp TEY Muni (29.6%, no TEFERA)</li> <li>4 MBS Prepayments are provided by Bloomberg</li> </ul> |                 |         |          |         |       |          |
| 2/16<br>2/16        | U. of Mich. 1 Yr Inflation                         | Feb P<br>Feb P               |           |          | 2.9%                 |           | - mbo r repayments are provided by biodifibery  |                 |         |          |         |       |          |
| 2/10                | C. Or MICH. 1 11 Initiation                        | 1001                         |           |          | 2.770                |           |   |                 |         |          |         |       |          |

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