Baker Market Update
Week in Review

The Baker Group

March 1, 2024

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Email

UPCOMING EVENTS

Banks

Webinars:
Q1 IRR Management Webinar
Mar 19, 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

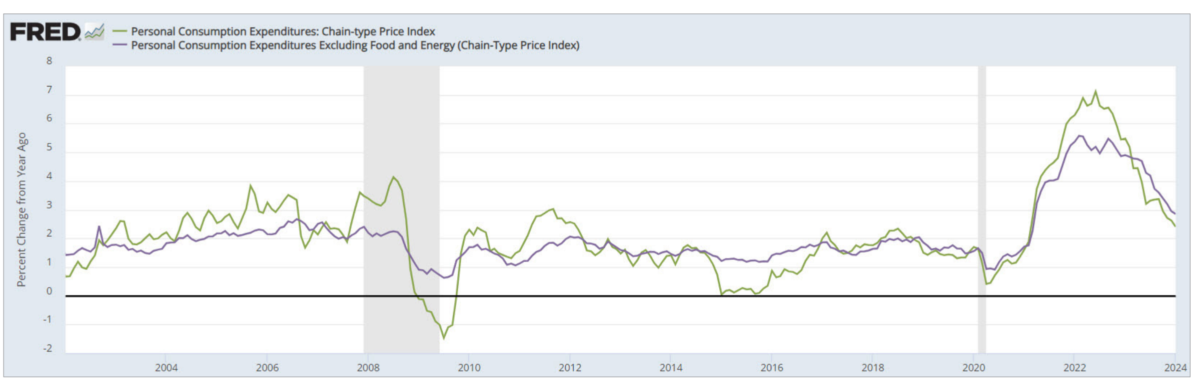
Happy Friday, everyone! It is March 1st already and the rule of thumb is that the jobs report comes out the "First Friday of the Month". So where is the jobs report for the month of February? Well, rules of thumb are not always perfect rules. The Bureau of Labor Statistics (BLS) actual rule is that the report release "is scheduled for the third Friday after the conclusion of the survey reference week." Therefore, we will have to wait until next Friday to get the jobs report from the BLS, where expectations are for 190,000 more jobs and the unemployment rate to hold steady at 3.7%.

Yesterday, all eyes were on the release of the Fed's preferred measure of inflation, the Personal Consumption Expenditure (PCE) Deflator, rose just 0.3% in January (est = 0.3%) and 2.4% (est = 2.4%) from a year ago, the lowest annual reading since February 2021 and down from 7.1% in June 2022. PCE inflation is nearly at the Fed's target of 2% and this report will be welcome news for the Fed as it decides when to begin lowering interest rates from the highest level in 23 years. Excluding food and energy, Core PCE rose 0.4% (est = 0.4%) and 2.8% from a year ago (est = 2.8%). The Fed believes core inflation is a better indicator of the trend for underlying inflation as headline inflation tends to be more volatile and moves towards core inflation over time. Core inflation has not moved down as much as headline inflation mainly due to more "sticky" services which remain stubbornly high. Personal Income was also reported this morning and it showed a much stronger gain of 1.0% (est = 0.4%) as payrolls surged in January. But the higher income did not boost spending with Personal Spending rising just 0.2% (est = 0.2%) and once you adjust for inflation, Real Personal Spending fell 0.1% (-0.1%). Real consumer spending makes up 60-70% of GDP so this report could lead to a downgrade of Q1 growth estimates.

Earlier in the week, the Conference Board, a business research group, said that its consumer confidence index fell to 106.7 from a revised 110.9 in January. Expectations were for the index to remain unchanged month over month. The index measures both Americans' assessment of current economic conditions and their outlook for the next six months. As mentioned prior, consumer spending accounts for about 60-70% of U.S. economic activity, so economists pay close attention to consumer behavior as they take measure of the broader economy. The index measuring Americans short-term expectations for income, business and the job market fell to 79.8 from 81.5 in January. A reading under 80 has often signaled an upcoming recession.

Stocks are flat early on this Friday morning trading session and bonds are flat as well. The markets will look to next Friday's job report to get further insight into the strength of the labor market. Until then, have a great weekend!

PCE and Core PCE (Year over Year Percentage Change) – 2002 to Current



Source: St. Louis FRED

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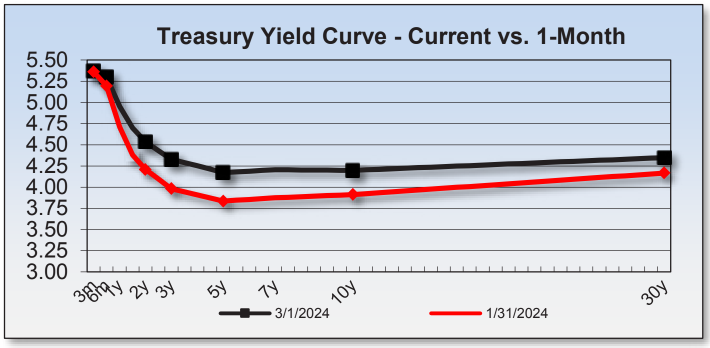

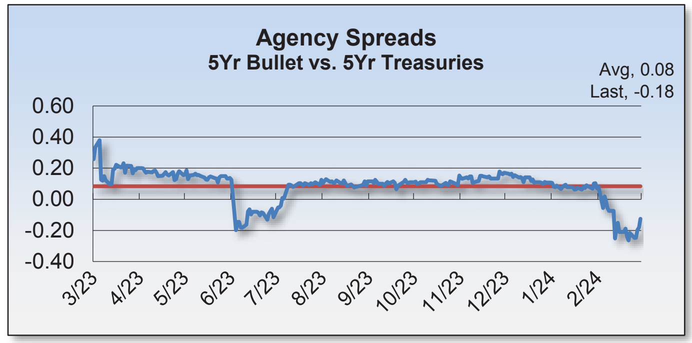

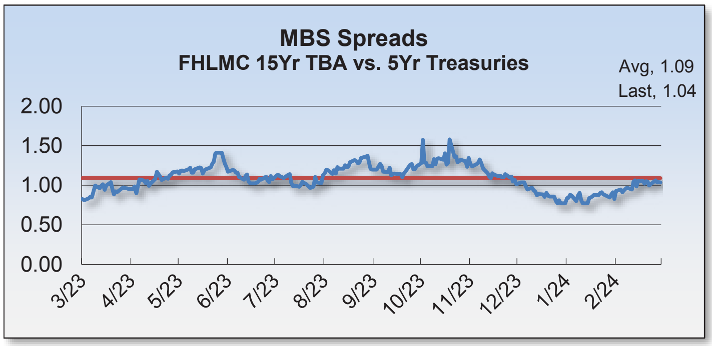

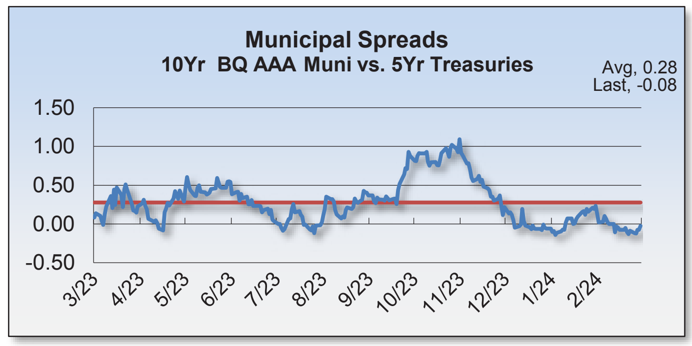

Treasury Market -- Historical

Maty	Current	1Wk Change	Historical 1 Mo	6 Mo	1 Yr
3mo	5.37	(0.04)	5.37	5.42	4.85
6mo	5.30	(0.05)	5.18	5.49	5.14
1yr	4.95	(0.05)	4.69	5.37	5.04
2yr	4.53	(0.16)	4.20	4.88	4.88
3yr	4.33	(0.12)	3.98	4.58	4.67
5yr	4.17	(0.11)	3.81	4.30	4.26
7yr	4.21	(0.08)	3.85	4.26	4.16
10yr	4.20	(0.05)	3.88	4.18	4.00
30yr	4.35	(0.02)	4.12	4.30	3.96

* *Interpolated*

Fixed Rate Market

Maty /AL	N-Call Agency	US Swap	AAA BQ Muni C-Corp[2]	S-Corp[3]	Tax Muni
2yr	4.66	4.48	3.84	4.08	4.74
3yr	4.37	4.19	3.60	3.83	4.66
5yr	4.33	3.95	3.42	3.64	4.51
7yr	4.35	3.87	3.42	3.64	4.77
10yr	4.43	3.84	3.44	3.67	4.83
15yr	4.52	3.84	4.07	4.34	5.02
20yr	4.60	3.81	4.58	4.87	5.36
25yr	4.69	3.72	4.80	5.11	5.42
30yr		3.62	5.03	5.35	5.47

Mty	Agency Calls - Euro 3Mo	6mo	1Yr	2Yr
2Yr	5.34	5.34	5.34	-
3Yr	5.14	5.15	5.10	5.14
5Yr	5.06	5.06	5.05	4.99
7Yr	5.09	5.12	5.11	5.04
10Yr	5.13	5.19	5.18	5.12

Cpn	April TBA MBS 15Yr -Yld	/AL	30Yr -Yld	/AL
2.50	5.27	5.4y	5.05	
3.00	5.40	5.4y		
3.50	5.09	5.3y	5.29	9.9y
4.00	4.89	5.4y	5.31	9.5y
4.50			5.38	9.2y
5.00			5.49	8.5y

Key Market Indices

Index	Current	1Wk Change	Historical 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	**5.32**	0.02	5.31	5.30	--
1 Month LIBOR	**5.44**	0.00	5.45	5.45	4.67
3 Month LIBOR	**5.60**	0.01	5.57	5.68	4.97
6 Month LIBOR	**5.70**	0.02	5.58	5.93	5.26
1 Year LIBOR	**6.04**	0.12	5.73	5.48	3.62
6 Month CD	**5.39**	0.01	5.28	5.83	5.25
1 Year CMT	**5.01**	(0.01)	4.76	5.37	5.02
REPO O/N	**5.37**	0.05	5.38	5.33	4.57
REPO 1Wk	**5.37**	(0.04)	5.39	5.37	4.61
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	5.50	5.52	5.55
6mo	5.41	5.40	5.46
1yr	5.08	5.07	5.24
2yr	4.71	4.74	4.82
3yr	4.51	4.55	4.61
4yr	4.44	4.49	4.54
5yr	4.37	4.44	4.46
7yr	4.55	4.62	4.64
10yr	4.66	4.76	4.74
5yr Am	4.15		4.65
10yr Am	4.21		4.71

Fed Fund Futures

Maturity	Rate
Mar-24	5.328
Mar-24	5.328
May-24	5.275
May-24	5.275
Jul-24	5.115
Jul-24	5.115
Aug-24	4.955
Sep-24	4.875
Oct-24	4.765
Nov-24	4.650
Dec-24	4.540

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Weekly Economic Calendar

This Week & Next

Date	Release	Per.	Est.	Actual	Prior	Revised
2/26	New Home Sales	Jan	684k	661k	~~664k~~	651k
2/26	Dallas Fed Manf. Activity	Feb	-15.0	-11.3	-27.4	--
2/27	Durable Goods Orders	Jan P	-5.0%	-6.1%	~~0.0%~~	-0.3%
2/27	Durables Ex Transportation	Jan P	0.2%	-0.3%	~~0.5%~~	-0.1%
2/27	Cap Goods Orders Nondef Ex Air	Jan P	0.1%	0.1%	~~0.2%~~	-0.6%
2/27	Cap Goods Ship Nondef Ex Air	Jan P	0.1%	0.8%	~~0.0%~~	0.1%
2/27	House Price Purchase Index QoQ	4Q	--	1.5%	2.1%	--
2/27	S&P CoreLogic CS 20-City YoY NSA	Dec	6.1%	6.1%	~~5.4%~~	5.4%
2/27	S&P CoreLogic CS US HPI YoY NSA	Dec	--	5.5%	~~5.1%~~	5.0%
2/27	Conf. Board Consumer Confidence	Feb	115.0	106.7	~~114.8~~	110.9
2/27	Conf. Board Present Situation	Feb	--	147.2	~~161.3~~	154.9
2/27	Conf. Board Expectations	Feb	--	79.8	~~83.8~~	81.5
2/27	Richmond Fed Manufact. Index	Feb	-9.0	-5.0	-15.0	--
2/27	Richmond Fed Business Conditions	Feb	--	-7.0	-3.0	--
2/27	Dallas Fed Services Activity	Feb	--	-3.9	-9.3	--
2/28	MBA Mortgage Applications	2/23	--	-5.6%	-10.6%	--
2/28	GDP Annualized QoQ	4Q S	3.3%	3.2%	3.3%	--
2/28	Personal Consumption	4Q S	2.7%	3.0%	2.8%	--
2/28	GDP Price Index	4Q S	1.5%	1.6%	1.5%	--
2/28	Core PCE Price Index QoQ	4Q S	2.0%	2.1%	2.0%	--
2/28	Advance Goods Trade Balance	Jan	-$88.5b	-$90.2b	~~-$88.5b~~	-$87.9b
2/29	Personal Income	Jan	0.4%	1.0%	0.3%	--
2/29	Personal Spending	Jan	0.2%	0.2%	0.7%	--
2/29	Real Personal Spending	Jan	-0.1%	-0.1%	~~0.5%~~	0.6%
2/29	PCE Deflator YoY	Jan	2.4%	2.4%	2.6%	--
2/29	PCE Core Deflator YoY	Jan	2.8%	2.8%	2.9%	--
2/29	Initial Jobless Claims	2/24	210k	215k	~~201k~~	202k
2/29	Continuing Claims	2/17	1875k	1905k	~~1862k~~	1860k
2/29	MNI Chicago PMI	Feb	48.0	44.0	46.0	--
2/29	Pending Home Sales NSA YoY	Jan	-4.4%	-6.8%	-1.0%	--
2/29	Kansas City Fed Manf. Activity	Feb	-2.0	-4.0	-9.0	--
3/1	S&P Global US Manufacturing PMI	Feb F	51.5	52.2	51.5	--
3/1	U. of Mich. Sentiment	Feb F	79.6	76.9	79.6	--
3/1	U. of Mich. Current Conditions	Feb F	81.6	79.4	81.5	--
3/1	U. of Mich. Expectations	Feb F	78.7	75.2	78.4	--
3/1	U. of Mich. 1 Yr Inflation	Feb F	3.0%	3.0%	3.0%	--
3/1	U. of Mich. 5-10 Yr Inflation	Feb F	2.9%	2.9%	2.9%	--
3/1	ISM Manufacturing	Feb	49.5	47.8	49.1	--
3/1	ISM Prices Paid	Feb	53.0	52.5	52.9	--
3/1	ISM New Orders	Feb	52.7	49.2	52.5	--
3/1	ISM Employment	Feb	48.5	45.9	47.1	--
3/1	Kansas City Fed Services Activity	Feb	--	12.0	-2.0	--
3/1	Wards Total Vehicle Sales	Feb	15.40m	--	15.00m	--
3/5	S&P Global US Services PMI	Feb F	51.4	--	51.3	--
3/5	S&P Global US Composite PMI	Feb F	--	--	51.4	--
3/5	Factory Orders	Jan		--	0.2%	--
3/5	Factory Orders Ex Trans	Jan	0.0%	--	0.4%	--

MBS Prepayments[4]

3-Month CPR

Type	2.5	3.0	3.5	4.0	4.5	5.0
FN 10y	11.0	11.8	11.8	12.2	11.2	10.4
FH/FN 15y	5.3	6.2	7.3	11.0	16.5	19.4
GN 15y	11.5	12.5	17.2	19.7	27.6	37.6
FH/FN 20y	4.3	5.3	6.2	7.1	8.9	10.4
FH/FN 30y	2.9	4.2	4.4	4.3	6.3	5.3
GN 30y	3.7	6.0	8.0	5.4	5.8	6.4

CPR Projections

Type	2.5	3.0	3.5	4.0	4.5	5.0
FN 10y	10.5	11.4	12.2	12.1	11.5	12.5
FH/FN 15y	6.5	7.0	7.6	9.2	12.1	13.0
GN 15y	7.1	7.3	7.5	8.1	9.4	10.0
FH/FN 20y	6.1	7.0	7.8	8.6	9.8	11.3
FH/FN 30y	5.1	5.7	6.0	6.9	7.6	8.4
GN 30y	4.6	5.6	5.6	5.7	6.8	6.7

Other Markets

		1Wk	Historical		
Index	Current	Chng	1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	150.19	(0.32)	146.43	146.22	136.19
Euro	1.08	0.00	1.09	1.08	1.07
Dollar Index	103.93	(0.01)	103.05	104.24	104.48
Major Stock Indices					
Dow Jones	39,032	(100)	38,520	34,838	32,662
S&P 500	5,120.0	31.2	4,906.2	4,515.8	3,951.4
NASDAQ	16,189.0	192	15,361.6	14,031.8	11,379.5
Commodities					
Gold	2,089.7	40.3	2,071.1	1,948.4	1,845.4
Crude Oil	80.84	4.35	73.82	85.55	77.69
Natural Gas	1.83	0.23	2.05	2.77	2.81
Wheat	558.5	-15.0	601.5	595.5	710.0
Corn	424.0	24.3	447.3	481.5	635.8

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

Source for the aforementioned indices, rates, descriptions, & economic indicators: Bloomberg, LP. This report was printed as of: 03/01/2024 11:36AM

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