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UPCOMING EVENTS

Banks

Webinars:

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
ALM School
Jul 24-25, 2024

Baker Bond School
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Banks and CUs

Seminar:

Scottsdale, AZ
45th Anniversary
Celebration Seminar
Nov 7-8, 2024

All eyes were on the FOMC meeting this week that took place March 19-20. Following the two-day policy meeting, the central bank's rate-setting Federal Open Market Committee (FOMC) left its benchmark overnight borrowing rate in a range between 5.25%-5.50%, as expected. There were no major changes to the policy statement nor were there changes to the FOMC's quarterly projections for rate cuts this year, which pleased markets. The overall sentiment seemed to be relief; relief that the Committee had not dialed back December's rate cut forecasts for 2024 even though they did eliminate a cut from their 2025 forecast.

The "dot plot," which reflects expected policy rates for the next three years and in the long run from the 19 officials who comprise the FOMC, was unchanged for year-end 2024 at 4.6%, implying the Committee expects to cut rates 75bps by the end of this year. However, the median dot for next year rose to 3.9%, up from 3.6% in the December dot plot, which indicates three potential cuts in 2025, one less cut than the December forecast. The 2026 forecast showed three cuts as well. For the long run "neutral rate," policymakers nudged up their forecast to 2.6% from 2.5% in December.

In addition to the dot plot, the Summary of Economic Projections (SEP) also provides the Fed's estimates for Gross Domestic Product (GDP), inflation (PCE), and unemployment. In the March SEP, the FOMC raised its 2024 GDP forecast to 2.1% from 1.4% previously and held its long-run growth estimate at 1.8%. On the inflation front, the FOMC maintained its 2024 forecast for headline PCE inflation at 2.4% but lifted its Core PCE inflation expectation to 2.6% from 2.4%. The unemployment rate forecast for 2024 was lowered to 4.0% from 4.1%.

Markets rallied following the release. All three major U.S. stock indexes finished at their highest closing levels ever for the first time in more than two years and Treasury yields headed mostly lower. With no more economic releases for the week, Treasury yields look to end the week down ~1-13 bps across the curve. The 2-year UST is currently down 13bps from last week to 4.59%, the 5-year UST is also down 13bps to 4.195%, and the 10-year UST is down 9bps on the week to 4.21%. Fed Funds futures markets currently have the first rate cut fully priced in by the July meeting and are showing the greatest probability that the cut comes in June. Futures are also currently reflecting slightly more than the Fed's three rate cuts for 2024.

Elsewhere this week, we got a variety of housing data which showed housing starts popped 10.7% in February to an annual rate of 1.521 million, 5.9% higher than a year ago. Building permits were also up 1.9% in February to 1.518 million vs. 1.496 million expected. Existing home sales came in well above expectations rising 9.5% to 4.38 million in February from 4 million in January, the largest increase in a year after ticking up 3.1% in January. Expectations were for existing home sales to fall 1.3% month-over-month.

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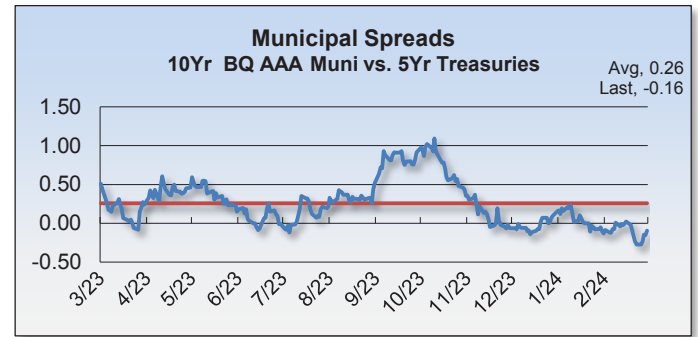
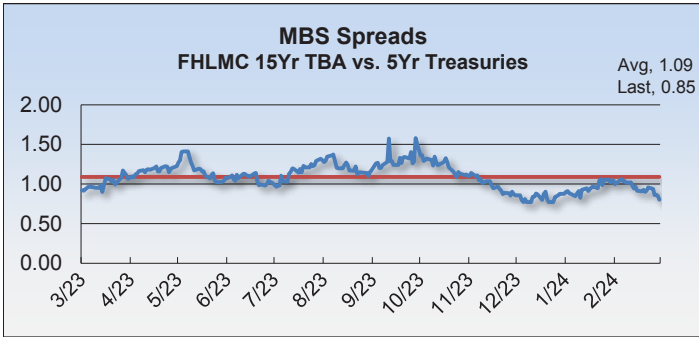
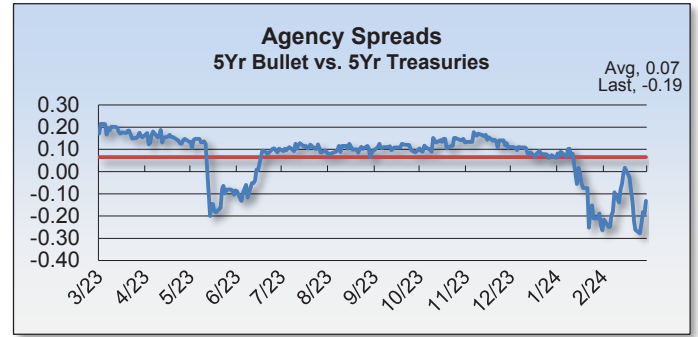
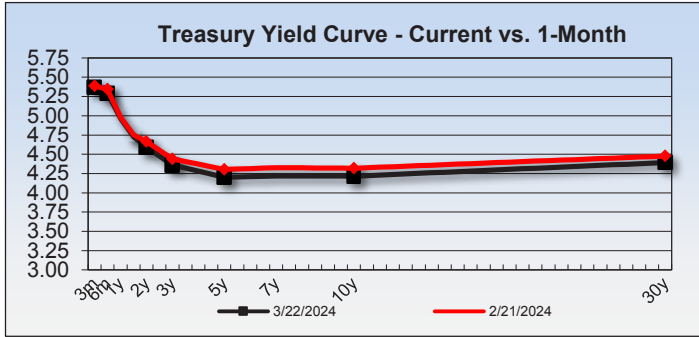
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Next week, markets will switch attention to the release of the Fed's favored inflation gauge, Personal Consumption Expenditures (PCE) on Friday. We will also get Q4 2023 GDP revision, and more housing data.

Variable	Median ¹				Central Tendency ²				Range ³		
	2024	2025	2026	Longer run	2024	2025	2026	Longer run	2024	2025	2026
Change in real GDP	2.1	2.0	2.0	1.8	2.0-2.4	1.9-2.3	1.8-2.1	1.7-2.0	1.3-2.7	1.7-2.5	1.7-2.5
December projection	1.4	1.8	1.9	1.8	1.2-1.7	1.5-2.0	1.8-2.0	1.7-2.0	0.8-2.5	1.4-2.5	1.6-2.5
Unemployment rate	4.0	4.1	4.0	4.1	3.9-4.1	3.9-4.2	3.9-4.3	3.8-4.3	3.8-4.5	3.7-4.3	3.7-4.3
December projection	4.1	4.1	4.1	4.1	4.0-4.2	4.0-4.2	3.9-4.3	3.8-4.3	3.9-4.5	3.8-4.7	3.8-4.7
PCE inflation	2.4	2.2	2.0	2.0	2.3-2.7	2.1-2.2	2.0-2.1	2.0	2.2-2.9	2.0-2.5	2.0-2.3
December projection	2.4	2.1	2.0	2.0	2.2-2.5	2.0-2.2	2.0	2.0	2.1-2.7	2.0-2.5	2.0-2.3
Core PCE inflation ⁴	2.6	2.2	2.0		2.5-2.8	2.1-2.3	2.0-2.1		2.4-3.0	2.0-2.6	2.0-2.3
December projection	2.4	2.2	2.0		2.4-2.7	2.0-2.2	2.0-2.1		2.3-3.0	2.0-2.6	2.0-2.3
Memo: Projected appropriate policy path											
Federal funds rate	4.6	3.9	3.1	2.6	4.6-5.1	3.4-4.1	2.6-3.4	2.5-3.1	4.4-5.4	2.6-5.4	2.4-4.9
December projection	4.6	3.6	2.9	2.5	4.4-4.9	3.1-3.9	2.5-3.1	2.5-3.0	3.9-5.4	2.4-5.4	2.4-4.9

Source: Federal Reserve



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	5.37	(0.02)	5.40	5.48	4.70	2yr	4.62	4.51	3.98	4.23	4.70	2Yr	5.53	5.53	5.53	-
6mo	5.29	(0.04)	5.35	5.54	4.84	3yr	4.44	4.24	3.74	3.98	4.61	3Yr	5.31	5.32	5.30	5.31
1yr	4.96	(0.11)	5.01	5.46	4.49	5yr	4.26	3.99	3.46	3.68	4.42	5Yr	5.21	5.21	5.20	5.14
2yr	4.59	(0.14)	4.71	5.11	3.94	7yr	4.34	3.91	3.43	3.65	4.64	7Yr	5.22	5.24	5.23	5.16
3yr	4.36	(0.15)	4.49	4.80	3.80	10yr	4.40	3.88	3.46	3.68	4.67	10Yr	5.25	5.30	5.30	5.23
5yr	4.20	(0.13)	4.33	4.56	3.51	15yr	4.47	3.89	4.12	4.38	4.79	April TBA MBS				
7yr	4.22	(0.11)	4.35	4.52	3.49	20yr	4.53	3.86	4.66	4.96	5.14	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	4.22	(0.09)	4.32	4.43	3.44	25yr	4.60	3.77	4.89	5.20	5.20	3.00	5.20	5.4y	5.11	
30yr	4.39	(0.04)	4.46	4.53	3.65	30yr	4.60	3.68	5.11	5.44	5.25	3.50	4.94	5.2y		
												4.00	4.81	5.3y	5.19	9.5y
												4.50	4.84	5.2y	5.29	9.3y
												5.00			5.42	8.5y
												5.50			5.59	7.2y

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	5.50	--	5.50	5.50	5.00
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	--	5.30	5.30	--
1 Month LIBOR	5.44	0.00	5.43	5.44	4.75
3 Month LIBOR	5.59	(0.00)	5.59	5.66	4.95
6 Month LIBOR	5.70	0.02	5.69	5.90	4.85
1 Year LIBOR	6.04	0.12	5.73	5.48	3.62
6 Month CD	5.30	(0.05)	5.37	5.76	5.10
1 Year CMT	5.01	(0.03)	4.98	5.46	4.68
REPO O/N	5.37	--	5.32	5.33	4.59
REPO 1Wk	5.39	0.04	5.37	5.43	4.85
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	5.49	5.52	5.53
6mo	5.39	5.38	5.44
1yr	5.05	5.04	5.23
2yr	4.67	4.73	4.79
3yr	4.47	4.53	4.58
4yr	4.38	4.46	4.50
5yr	4.31	4.38	4.42
7yr	4.47	4.55	4.57
10yr	4.57	4.68	4.68
5yr Am	4.15		4.61
10yr Am	4.21		4.66

Fed Fund Futures	
Maturity	Rate
Mar-24	5.330
Apr-24	5.325
May-24	5.290
Jun-24	5.190
Jul-24	5.125
Aug-24	5.005
Sep-24	4.925
Oct-24	4.805
Nov-24	4.705
Dec-24	4.600
Jan-25	4.495

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
3/18	NAHB Housing Market Index	Mar	48	51	48	--
3/19	Housing Starts	Feb	1440k	1521k	1334k	1374k
3/19	Building Permits	Feb	1496k	1518k	1470k	1489k
3/19	Housing Starts MoM	Feb	8.2%	10.7%	-14.8%	-12.3%
3/19	Building Permits MoM	Feb	0.5%	1.9%	-1.5%	-0.3%
3/19	Total Net TIC Flows	Jan	--	-\$8.8b	-\$139.8b	\$137.4b
3/19	Net Long-term TIC Flows	Jan	--	\$36.1b	-\$160.2b	\$158.6b
3/20	MBA Mortgage Applications	3/15	--	-1.6%	7.1%	--
3/20	FOMC Rate Decision (Upper Bound)	3/20	5.50%	5.50%	5.50%	--
3/20	FOMC Rate Decision (Lower Bound)	3/20	5.25%	5.25%	5.25%	--
3/20	Interest on Reserve Balances Rate	3/21	5.40%	5.40%	5.40%	--
3/21	Philadelphia Fed Business Outlook	Mar	-2.5	3.2	5.2	--
3/21	Initial Jobless Claims	3/16	213k	210k	209k	212k
3/21	Continuing Claims	3/9	1820k	1807k	1844k	1803k
3/21	S&P Global US Manufacturing PMI	Mar P	51.8	52.5	52.2	--
3/21	S&P Global US Services PMI	Mar P	52.0	51.7	52.3	--
3/21	S&P Global US Composite PMI	Mar P	52.2	52.2	52.5	--
3/21	Leading Index	Feb	-0.1%	0.1%	-0.4%	--
3/21	Existing Home Sales	Feb	3.95m	4.38m	4.00m	--
3/21	Existing Home Sales MoM	Feb	-1.3%	9.5%	3.1%	--
3/25	Chicago Fed Nat Activity Index	Feb	-0.34	--	-0.30	--
3/25	New Home Sales	Feb	675k	--	661k	--
3/25	New Home Sales MoM	Feb	2.1%	--	1.5%	--
3/26	Durable Goods Orders	Feb P	1.4%	--	-6.2%	--
3/26	Durables Ex Transportation	Feb P	0.3%	--	-0.4%	--
3/26	Cap Goods Orders Nondef Ex Air	Feb P	0.1%	--	0.0%	--
3/26	Cap Goods Ship Nondef Ex Air	Feb P	--	--	0.9%	--
3/26	FHFA House Price Index MoM	Jan	--	--	0.1%	--
3/26	S&P CoreLogic CS 20-City MoM SA	Jan	0.20%	--	0.21%	--
3/26	S&P CoreLogic CS US HPI YoY NSA	Jan	--	--	5.53%	--
3/26	S&P CoreLogic CS 20-City YoY NSA	Jan	--	--	6.13%	--
3/26	Conf. Board Consumer Confidence	Mar	107.0	--	106.7	--
3/26	Conf. Board Present Situation	Mar	--	--	147.2	--
3/26	Conf. Board Expectations	Mar	--	--	79.8	--
3/28	GDP Annualized QoQ	4Q T	3.2%	--	3.2%	--
3/28	Personal Consumption	4Q T	--	--	3.0%	--
3/28	GDP Price Index	4Q T	1.6%	--	1.6%	--
3/28	Core PCE Price Index QoQ	4Q T	--	--	2.1%	--
3/28	MNI Chicago PMI	Mar	46	--	44	--
3/28	Pending Home Sales MoM	Feb	--	--	-4.9%	--
3/28	Pending Home Sales NSA YoY	Feb	--	--	-6.8%	--
3/28	U. of Mich. Sentiment	Mar F	76.6	--	76.5	--
3/28	U. of Mich. Current Conditions	Mar F	--	--	79.4	--
3/28	U. of Mich. 1 Yr Inflation	Mar F	--	--	3.0%	--
3/29	Personal Income	Feb	0.4%	--	1.0%	--
3/29	Personal Spending	Feb	--	--	0.2%	--
3/29	Real Personal Spending	Feb	--	--	-0.1%	--

MBS Prepayments ⁴						
3-Month CPR						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	12.3	13.0	12.3	9.9	11.1	17.0
FH/FN 15y	6.4	7.3	11.6	17.8	20.9	26.8
GN 15y	13.7	17.3	21.4	29.5	37.7	24.8
FH/FN 20y	5.3	6.2	7.1	9.1	10.1	14.1
FH/FN 30y	4.3	4.8	4.7	5.8	5.8	5.9
GN 30y	4.5	5.7	3.8	5.3	6.2	6.8
CPR Projections						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	10.9	11.5	11.9	13.0	15.6	17.6
FH/FN 15y	6.9	8.0	10.6	14.8	13.3	18.7
GN 15y	8.9	10.8	11.0	11.7	12.9	15.9
FH/FN 20y	6.5	6.4	7.8	9.0	10.7	12.6
FH/FN 30y	5.7	6.1	6.8	8.0	9.0	10.3
GN 30y	6.1	6.7	8.4	8.9	8.9	10.9

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	151.12	2.08	150.16	148.37	132.81
Euro	1.08	(0.01)	1.09	1.07	1.08
Dollar Index	104.24	0.80	103.96	105.58	102.35
Major Stock Indices					
Dow Jones	39,729	1,014	39,069	33,964	32,030
S&P 500	5,236.0	118.9	5,087.0	4,320.1	3,937.0
NASDAQ	16,414.9	442	16,041.6	13,211.8	11,670.0
Commodities					
Gold	2,179.1	17.6	2,019.7	1,927.2	1,949.6
Crude Oil	80.95	(0.09)	78.61	90.03	70.90
Natural Gas	1.66	0.00	1.73	2.64	2.17
Wheat	544.8	16.3	583.3	579.5	663.5
Corn	438.0	1.3	406.0	477.3	633.5

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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