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UPCOMING EVENTS

Banks

Webinars:

Virtual Bond
Education Series
Sep 10,12,17,19, 2024

Q3 IRR Management

Sep 11, 2024

Schools:

Baker ALM School
Aug 20-21, 2024

CUs

Schools:

Baker ALM School
Aug 20-21, 2024

Banks and CUs

Seminar:

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

We almost made it through the week with fairly benign volatility until a surprise retail sales print on Thursday shifted momentum again. But markets are starting off calmer this morning and Treasury yields are not far from where they were on Monday. The 2-year is up about 9bps to ~4.11%. the 5-year is up ~5bps to 3.79% but the 10-year is basically flat as is the <1-year part of the curve.

The focus of the week was on Wednesday's latest inflation reading, which was right in line with expectations, and showed the annualized rates of both headline CPI (Consumer Price Index) and core CPI easing for the fourth consecutive month in July. Headline CPI rose 0.2% in July (est = 0.2%) and 2.9% from a year ago (est = 3.0%) while Core CPI rose 0.2% in July (est = 0.2%) and 3.2% from a year ago (est = 3.2%). There were price declines in commodities, new and used vehicles, apparel and medical care services while food, transportation services, and shelter prices rose. Importantly, the 3-month annualized rate of Core CPI, which the Fed considers a better gauge of underlying inflation trends, fell to 1.6%, well below the its 2% target.

Wednesday's CPI report also came on the heels of a softer than expected wholesale inflation print on Tuesday, which really clears the deck for the Fed to start easing next month. The Producer Price Index (PPI) rose 0.1% (est = 0.2%) in June and 2.2% from a year ago (est = 2.3%) while Core PPI was unchanged in June (est = 0.2%) and up 2.4% from a year ago (est = 2.6%). Wholesale inflation tends to lead consumer inflation, so this report came as a welcome sign that inflation is continuing to trend towards the Fed's target.

Thursday's data, however, showed some signs that perhaps the economy may not be slowing as fast as some traders had expected. Initial jobless claims for the week fell more than forecast to 227k last week (est = 235k) and continuing claims fell to 1.864mm (est = 1.870mm). Retail sales, which makes up about 40% of overall consumption, the largest component of GDP, are an important measure of the health of the economy as American's who feel confident about their job and earnings potential tend to spend more. July's data showed retail sales rising 1%, well above estimates of 0.4%.

The ongoing resilience of consumer spending has eased recession fears and reduced the odds that markets have placed on a larger (half-point) rate cut at the Fed's meeting next month. Fed funds futures are now pricing in less than a quarter percent chance of a 50bp cut in September and just shy of 100bps of cuts before year end. At the start of the week, there had been more than 100bps of puts priced in for 2024 and a great chance of an initial 50bp cut in September.

However, it does appear that most Fed officials are prepared to start easing next month. St. Louis Fed President, Alberto Musalem, said on Thursday that, "It now appears the balance of risks on inflation and unemployment has shifted... the time may be nearing when an adjustment to moderately restrictive policy may be appropriate." Atlanta Fed President, Raphael Bostic, also told Thursday's Financial Times that he was open to a rate cut in September and added the Fed could not "afford to be late" to ease policy.

(Continued)



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The Fed's annual Jackson Hole symposium starts late next week and should provide further insight into the central bank's current thinking. We will also get meeting minutes from the Fed's Open Market Committee meeting last month on Wednesday. Have a great weekend!

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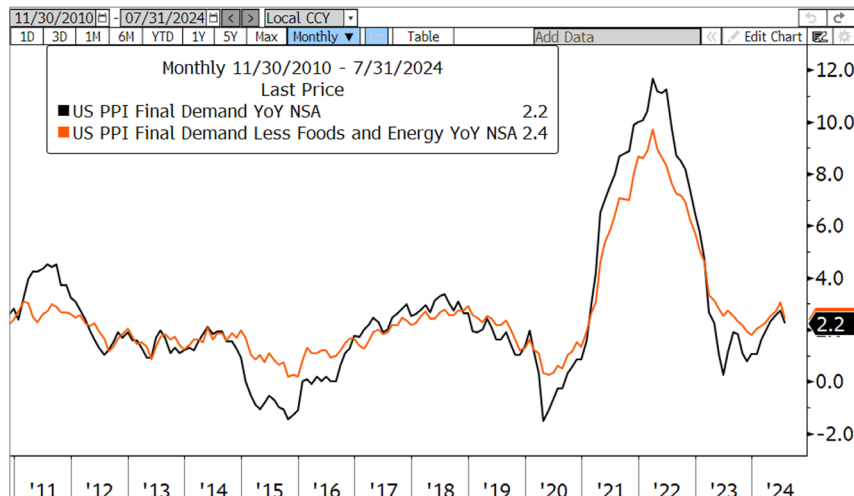
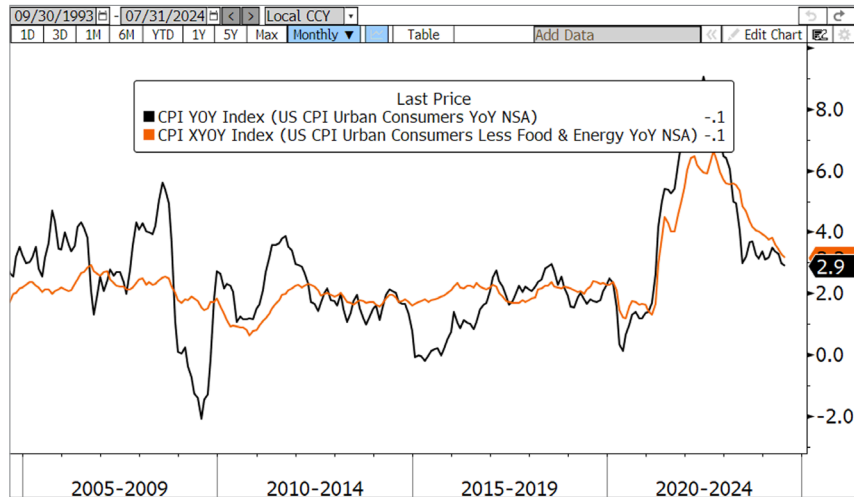
Seminar:

Scottsdale, AZ

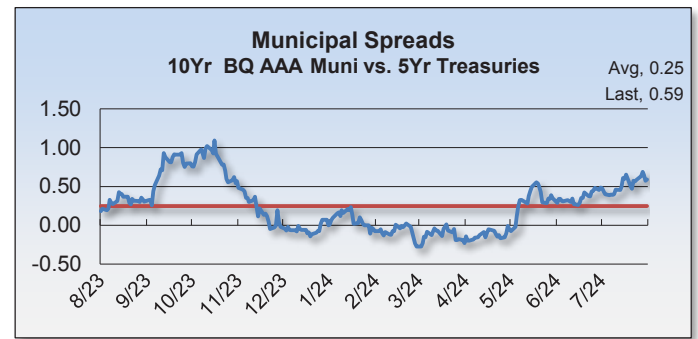
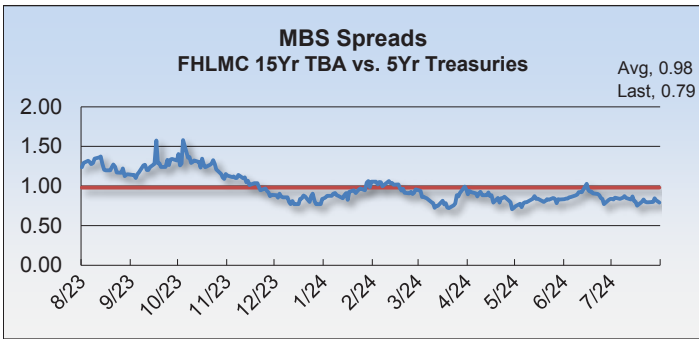
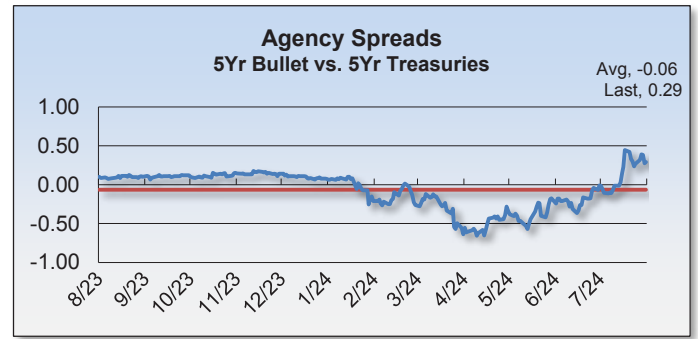
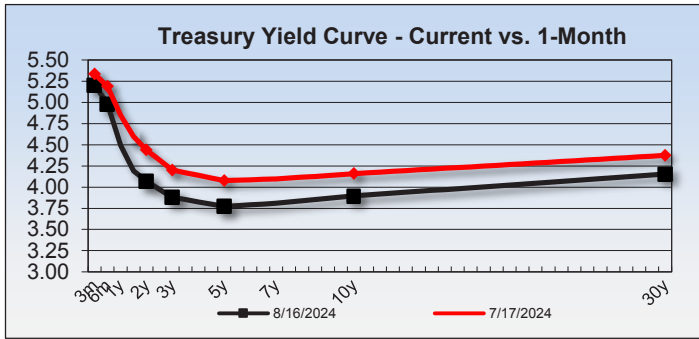
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Source: Bloomberg, L.P.



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	5.21	(0.01)	5.34	5.38	5.45	2yr	4.13	3.85	3.65	3.89	4.32	2Yr						
6mo	4.98	0.00	5.18	5.33	5.51	3yr	3.96	3.62	3.64	3.87	4.27	3Yr						
1yr	4.49	0.01	4.84	4.97	5.36	5yr	3.86	3.45	3.58	3.81	4.16	5Yr						
2yr	4.07	0.02	4.42	4.64	4.97	7yr	3.97	3.42	3.68	3.92	4.25	7Yr						
3yr	3.88	0.00	4.19	4.42	4.78	10yr	4.08	3.43	3.79	4.04	4.46	10Yr						
5yr	3.77	(0.02)	4.07	4.27	4.40	15yr	4.18	3.49	4.16	4.43	4.58		September TBA MBS					
7yr	3.81	(0.03)	4.10	4.30	4.35	20yr	4.28	3.49	4.63	4.93	5.01	Cpn	15Yr -Yld/AL		30Yr -Yld/AL			
10yr	3.90	(0.04)	4.16	4.28	4.25	25yr	4.38	3.42	4.83	5.14	5.07	3.00	4.72	5.0y	4.76			
30yr	4.15	(0.07)	4.37	4.44	4.35	30yr		3.34	5.03	5.35	5.12	3.50	4.48	4.8y				
												4.00	4.42	4.8y	4.89	8.7y		
												4.50	4.54	4.6y	4.99	8.5y		
												5.00			5.18	7.5y		
												5.50			5.33	5.4y		

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	5.50	--	5.50	5.50	5.50
Primary Discount	5.50	--	5.50	5.50	5.50
2ndary Discount	6.00	--	6.00	6.00	6.00
Prime Rate	8.50	--	8.50	8.50	8.50
Sec. O.N. Finance	5.35	0.01	5.34	5.31	--
1 Month LIBOR	5.45	0.01	5.44	5.44	5.43
3 Month LIBOR	5.36	(0.01)	5.55	5.59	5.63
6 Month LIBOR	5.21	(0.01)	5.59	5.69	5.86
1 Year LIBOR	6.04	0.12	5.73	5.48	3.62
6 Month CD	4.96	0.03	5.24	5.36	5.76
1 Year CMT	4.52	0.04	4.85	4.93	5.36
REPO O/N	5.38	--	5.40	5.32	5.33
REPO 1Wk	5.37	0.01	5.36	5.35	5.37
CoF Federal	3.969	--	3.956	3.855	3.544
11th D. CoF (Jun)	3.240	--	3.227	3.126	2.815

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	5.34	5.38	5.39
6mo	5.07	5.08	5.16
1yr	4.57	4.56	4.75
2yr	4.16	4.17	4.29
3yr	3.99	4.02	4.11
4yr	3.98	4.03	4.10
5yr	3.92	3.97	4.04
7yr	4.13	4.20	4.25
10yr	4.31	4.41	4.43
5yr Am	4.15		4.19
10yr Am	4.21		4.32

Fed Fund Futures	
Maturity	Rate
Aug-24	5.325
Sep-24	5.195
Oct-24	5.015
Nov-24	4.775
Dec-24	4.565
Jan-25	4.355
Feb-25	4.120
Mar-25	4.020
Apr-25	3.860
May-25	3.735
Jun-25	3.640

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
8/12	NY Fed 1-Yr Inflation Expectations	Jul	--	2.97%	3.02%	--
8/13	NFIB Small Business Optimism	Jul	91.5	93.7	91.5	--
8/13	PPI Final Demand MoM	Jul	0.2%	0.1%	0.2%	--
8/13	PPI Ex Food and Energy MoM	Jul	0.2%	0.0%	0.4%	0.3%
8/13	PPI Ex Food, Energy, Trade MoM	Jul	0.2%	0.3%	0.0%	0.1%
8/13	PPI Final Demand YoY	Jul	2.3%	2.2%	2.6%	2.7%
8/13	PPI Ex Food and Energy YoY	Jul	2.6%	2.4%	3.0%	--
8/13	PPI Ex Food, Energy, Trade YoY	Jul	--	3.3%	3.4%	3.2%
8/14	MBA Mortgage Applications	8/9	--	16.8%	6.9%	--
8/14	CPI MoM	Jul	0.2%	0.2%	-0.1%	--
8/14	CPI Ex Food and Energy MoM	Jul	0.2%	0.2%	0.1%	--
8/14	CPI YoY	Jul	3.0%	2.9%	3.0%	--
8/14	CPI Ex Food and Energy YoY	Jul	3.2%	3.2%	3.3%	--
8/14	CPI Index NSA	Jul	314.77	314.54	314.18	--
8/14	CPI Core Index SA	Jul	318.95	318.87	318.35	--
8/14	Real Avg Hourly Earning YoY	Jul	--	0.7%	0.8%	--
8/14	Real Avg Weekly Earnings YoY	Jul	--	0.4%	0.6%	0.5%
8/15	Empire Manufacturing	Aug	-6.0	-4.7	-6.6	--
8/15	Retail Sales Advance MoM	Jul	0.4%	1.0%	0.0%	-0.2%
8/15	Retail Sales Ex Auto MoM	Jul	0.1%	0.4%	0.4%	0.5%
8/15	Retail Sales Ex Auto and Gas	Jul	0.2%	0.4%	0.8%	--
8/15	Retail Sales Control Group	Jul	0.1%	0.3%	0.9%	--
8/15	Initial Jobless Claims	8/10	235k	227k	233k	234k
8/15	Continuing Claims	8/3	1870k	1864k	1875k	1871k
8/15	Import Price Index MoM	Jul	-0.1%	0.1%	0.0%	--
8/15	Import Price Index ex Petroleum MoM	Jul	0.1%	0.2%	0.2%	--
8/15	Import Price Index YoY	Jul	1.5%	1.6%	1.6%	1.5%
8/15	Export Price Index MoM	Jul	0.0%	0.7%	-0.5%	-0.3%
8/15	Export Price Index YoY	Jul	0.1%	1.4%	0.7%	1.0%
8/15	Manufacturing (SIC) Production	Jul	-0.3%	-0.3%	0.4%	0.0%
8/15	NAHB Housing Market Index	Aug	43	39	42	41
8/15	Total Net TIC Flows	Jun	--	\$107.5b	\$15.8b	\$16.1b
8/15	Net Long-term TIC Flows	Jun	--	\$96.1b	-\$54.6b	-\$54.1b
8/16	Housing Starts	Jul	1333k	1238k	1353k	1329k
8/16	Housing Starts MoM	Jul	-1.5%	-6.8%	3.0%	1.1%
8/16	Building Permits MoM	Jul	-2.0%	-4.0%	3.4%	3.9%
8/16	New York Fed Services Business Activity	Aug	--	1.8	-4.5	--
8/16	U. of Mich. Sentiment	Aug P	66.9	67.8	66.4	--
8/16	U. of Mich. Current Conditions	Aug P	63.1	60.9	62.7	--
8/16	U. of Mich. 1 Yr Inflation	Aug P	2.8%	2.9%	2.9%	--
8/19	Leading Index	Jul	-0.3%	--	-0.2%	--
8/20	Philadelphia Fed Non-Manufacturing Activity	Aug	--	--	-19.1	--
8/22	S&P Global US Manufacturing PMI	Aug P	--	--	49.6	--
8/22	S&P Global US Services PMI	Aug P	--	--	55.0	--
8/22	S&P Global US Composite PMI	Aug P	--	--	54.3	--
8/22	Existing Home Sales	Jul	--	--	3.89m	--
8/23	New Home Sales	Jul	631k	--	617k	--

MBS Prepayments ⁴						
3-Month CPR						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	14.3	14.4	13.2	16.2	20.0	19.1
FH/FN 15y	8.2	9.3	11.6	18.5	20.1	45.0
GN 15y	16.0	18.4	24.3	30.1	76.4	66.4
FH/FN 20y	6.7	7.7	8.3	9.3	11.4	15.4
FH/FN 30y	6.3	6.5	6.8	6.3	7.3	7.4
GN 30y	8.2	6.1	5.9	6.5	7.0	7.3
CPR Projections						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	11.3	12.6	13.6	15.1	19.8	21.7
FH/FN 15y	8.0	9.1	12.5	15.6	16.6	22.4
GN 15y	9.4	11.5	11.4	12.2	12.6	15.9
FH/FN 20y	7.4	8.0	9.2	10.1	12.6	14.8
FH/FN 30y	6.3	6.8	7.8	8.8	10.7	13.7
GN 30y	6.7	6.8	9.8	8.9	9.8	10.9

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	147.99	1.38	158.43	150.21	145.61
Euro	1.10	0.01	1.09	1.08	1.09
Dollar Index	102.65	(0.48)	104.27	104.28	103.43
Major Stock Indices					
Dow Jones	40,579	1,082	40,954	38,628	34,766
S&P 500	5,531.0	186.8	5,667.2	5,005.6	4,404.3
NASDAQ	17,573.2	828	18,509.3	15,775.7	13,474.6
Commodities					
Gold	2,488.8	56.7	2,467.8	2,011.5	1,896.1
Crude Oil	77.10	0.26	80.76	79.19	79.38
Natural Gas	2.17	0.02	2.19	1.61	2.59
Wheat	528.8	-13.8	530.8	560.5	597.8
Corn	369.3	-7.5	395.8	416.5	469.5

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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