



Luke Mikles

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UPCOMING EVENTS

Banks

Webinars:

Q4 Bank Investment Strategies
Oct 9, 2024

Credit Unions

Webinars:

Q4 CU Strategies
Oct 10, 2024

Banks and CUs

Seminar:

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

Is it ridiculous of me to say that the anticipation leading up to this weeks FOMC meeting had me feeling like a kid on Christmas Eve? You knew something was coming, in this case a rate cut, but you just did not quite know what that something would be. Would the Fed deliver a 25 basis point cut on the back of a strong economy and solid retail sales we saw earlier this week? Or would they come in swinging and start off strong with a 50 basis point cut to avoid further deterioration in the labor market? Ultimately Chairman Powell came down the chimney at Jackson Hole and gave the US Economy a present in the form of a 50 basis point cut. Prior to the decision the market was split on which way the Fed would go. In fact, even the FOMC themselves were split. Michelle Bowman became the first Fed Governor since 2005 to dissent, instead favoring a 25 basis point cut. Let's take a look into Chairman Powell's comments following the 50 basis point decision, and what their projections are going forward.

Chairman Powell stated that "This decision reflects our growing confidence that, with an appropriate recalibration of our policy stance, strength in the labor market can be maintained in a context of moderate growth and inflation moving sustainably down to 2 percent." Powell continues his comments with notes on the strength of the economy, rising GDP, resilient consumer spending and improving housing supply. The decision made on Wednesday was based upon the recent movement in the labor market and to avoid a further deterioration of that market. The current unemployment rate currently sits at 4.2%, an increase of 0.8% from the low of 3.4% we saw in April of 2023. The FOMC is aware that a large cut in its' target rate has the potential to hinder, or even reverse, the progress made on inflation, but Powell also states that "reducing restraint too slowly could unduly weaken economic activity and employment". The fight to lower inflation is not over just yet, but the upside risks have started to wane as the downside risks to employment ramp up.

Initial stock market reactions were mixed on Wednesday. The S&P 500 and Dow Jones Industrial Average both rose on the news, before ending the day in the red. This quickly shifted on Thursday and both indexes have seen gains of over 1% this past week with the Dow closing above 42,000 for the first time. Treasury yields also saw an increase this week. The 10 year US Treasury has risen 14 basis points from Monday, currently sitting at 3.75%. The 2 year US Treasury also rose by 8 basis points to 3.63%. The higher movement in Treasury yields be attributed to the FOMC's long term projections for their terminal rate and Powell's comments on the economy.

The Fed's dot plot, which is a chart that records individual Fed officials' projections on short term rates over time, was updated on Wednesday. In June, the dot plot laid out 25 basis points worth of cuts for 2024. With this week's meeting, we have now exceeded that figure. The current dot plot shows 50 basis points worth of cuts to end the year, settling at a target rate of 4.375%. Over the long term the terminal rate is slated to fall to 2.875%. This is the 3rd release in a row where the long term rate has increased from the previous report. The Fed Funds Futures market is currently pricing in between 2 and 3 rate cuts to end the year and another 5 cuts by the end of 2025.

(Continued)



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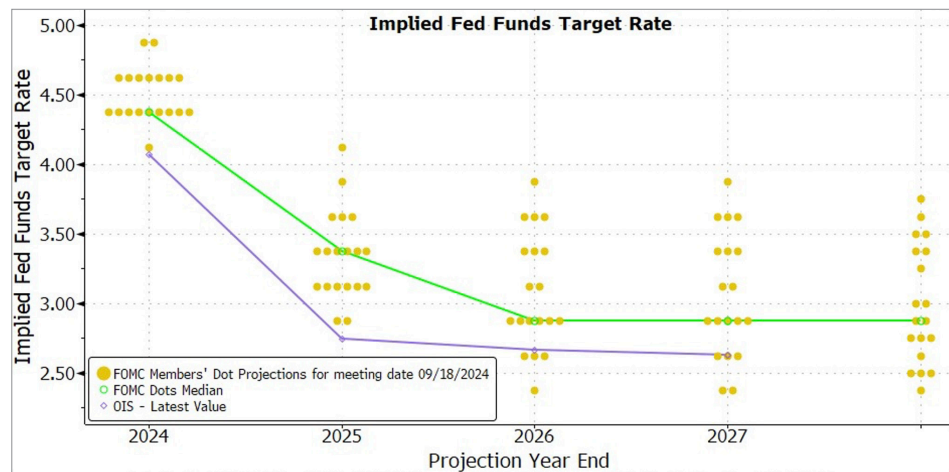
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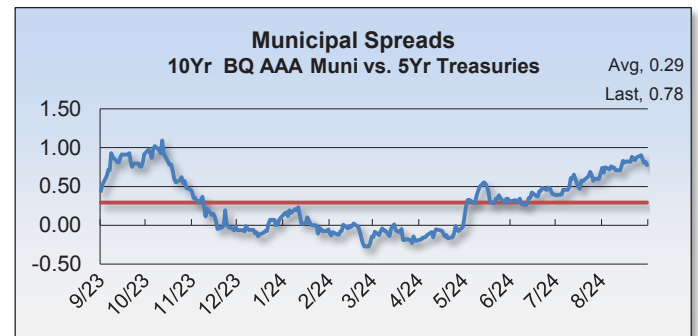
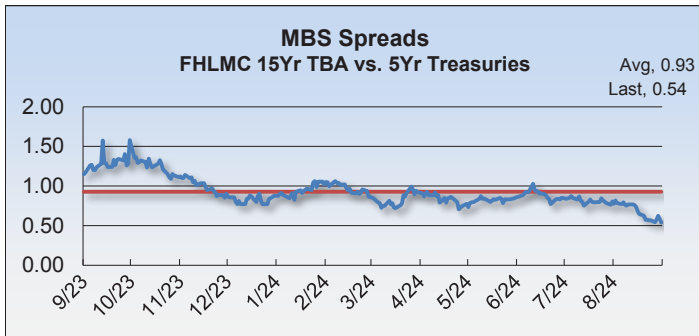
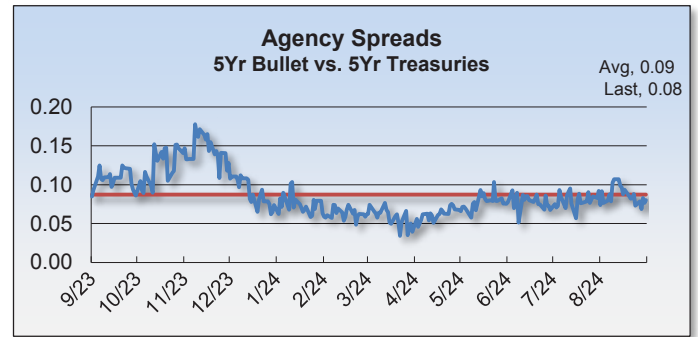
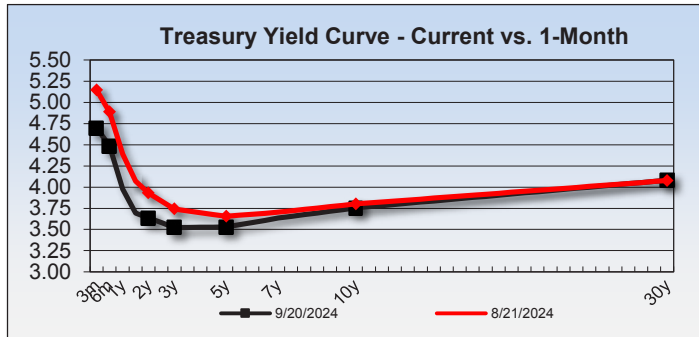
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Next week we will get an updated reading on PCE, Durable Goods, GDP and Consumer Sentiment. There is also quite a bit of Fed Speak over the next week that could provide valuable insight into this week's decision to cut 50 basis points. Dissenting Fed Governor Michelle Bowman is slated to speak 3 times over the next week, and I for one am very keen to get her take on the future of the US economy and labor market. Have a great weekend everyone!



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	4.70	(0.19)	5.17	5.39	5.48	2yr	3.69	3.40	3.22	3.43	3.72	2Yr					
6mo	4.49	(0.15)	4.92	5.30	5.53	3yr	3.60	3.27	3.21	3.41	3.73	3Yr					
1yr	3.98	(0.04)	4.43	4.99	5.48	5yr	3.60	3.20	3.23	3.44	3.75	5Yr					
2yr	3.64	0.05	3.99	4.60	5.18	7yr	3.77	3.22	3.46	3.68	3.99	7Yr					
3yr	3.52	0.08	3.79	4.40	4.98	10yr	3.93	3.27	3.68	3.92	4.24	10Yr					
5yr	3.53	0.10	3.69	4.25	4.59	15yr	4.09	3.36	4.03	4.29	4.39		October TBA MBS				
7yr	3.63	0.11	3.72	4.27	4.52	20yr	4.25	3.38	4.54	4.83	4.90	Cpn	15Yr -Yld/AL		30Yr -Yld/AL		
10yr	3.75	0.10	3.81	4.27	4.41	25yr	4.41	3.32	4.73	5.04	4.96	2.50	4.26	4.9y	4.45		
30yr	4.08	0.10	4.06	4.45	4.45	30yr		3.25	4.93	5.24	5.01	3.00	4.26	4.8y			
* Interpolated													3.50	4.00	4.7y	4.53	8.8y
													4.00	4.05	4.5y	4.59	8.2y
													4.50			4.70	7.7y
													5.00			4.91	6.3y
Key Market Indices																	
		1Wk	Historical														

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	5.00	(0.50)	5.50	5.50	5.50
Primary Discount	5.00	(0.50)	5.50	5.50	5.50
2ndary Discount	5.50	(0.50)	6.00	6.00	6.00
Prime Rate	8.00	(0.50)	8.50	8.50	8.50
Sec. O.N. Finance	4.82	(0.51)	5.32	5.31	--
1 Month LIBOR	5.08	(0.14)	5.45	5.44	5.44
3 Month LIBOR	5.08	(0.12)	5.39	5.59	5.66
6 Month LIBOR	4.87	(0.11)	5.27	5.70	5.89
1 Year LIBOR	6.04	0.12	5.73	5.48	3.62
6 Month CD	4.48	(0.16)	4.94	5.32	5.74
1 Year CMT	3.93	(0.16)	4.48	5.06	5.45
REPO O/N	4.86	(0.56)	5.38	5.37	5.33
REPO 1Wk	4.92	(0.26)	5.36	5.36	5.35
CoF Federal	3.988	--	4.003	3.889	3.698
11th D. CoF (Jul)	3.274	--	3.240	3.147	2.890

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	4.89	4.90	4.95
6mo	4.60	4.62	4.66
1yr	4.09	4.08	4.20
2yr	3.74	3.77	3.79
3yr	3.64	3.67	3.69
4yr	3.69	3.72	3.73
5yr	3.67	3.72	3.72
7yr	3.94	4.00	3.99
10yr	4.17	4.25	4.22
5yr Am	4.15		3.79
10yr Am	4.21		4.04

Fed Fund Futures		
Maturity	Rate	
Sep-24	5.130	
Oct-24	4.825	
Nov-24	4.555	
Dec-24	4.325	
Jan-25	4.095	
Feb-25	3.795	
Mar-25	3.675	
Apr-25	3.490	
May-25	3.330	
Jun-25	3.220	
Jul-25	3.120	

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
9/16	Empire Manufacturing	Sep	-4.0	11.5	-4.7	--
9/17	Retail Sales Advance MoM	Aug	-0.2%	0.1%	1.0%	1.1%
9/17	Retail Sales Ex Auto MoM	Aug	0.2%	0.1%	0.4%	--
9/17	Retail Sales Ex Auto and Gas	Aug	0.3%	0.2%	0.4%	--
9/17	Retail Sales Control Group	Aug	0.3%	0.3%	0.3%	0.4%
9/17	Manufacturing (SIC) Production	Aug	0.2%	0.9%	-0.3%	-0.7%
9/17	NAHB Housing Market Index	Sep	41	41	39	--
9/18	MBA Mortgage Applications	9/13	--	14.2%	1.4%	--
9/18	Housing Starts	Aug	1318k	1356k	1238k	1237k
9/18	Housing Starts MoM	Aug	6.5%	9.6%	-6.8%	-6.9%
9/18	Building Permits	Aug	1410k	1475k	1396k	1406k
9/18	Building Permits MoM	Aug	1.0%	4.9%	-4.0%	-3.3%
9/18	FOMC Rate Decision (Upper Bound)	9/18	5.25%	5.00%	5.50%	--
9/18	FOMC Rate Decision (Lower Bound)	9/18	5.00%	4.75%	5.25%	--
9/18	Fed Interest on Reserve Balances Rate	9/19	5.15%	4.90%	5.40%	--
9/18	FOMC Median Rate Forecast: Current Yr	9/18	4.63%	4.38%	5.13%	--
9/18	FOMC Median Rate Forecast: Next Yr	9/18	3.63%	3.38%	4.13%	--
9/18	FOMC Median Rate Forecast: +2 Yrs	9/18	2.88%	2.88%	3.13%	--
9/18	FOMC Median Rate Forecast: +3 Yrs	9/18	2.88%	2.88%	--	--
9/18	FOMC Median Rate Forecast: Long-Run	9/18	2.80%	2.88%	2.75%	--
9/19	Initial Jobless Claims	9/14	230k	219k	230k	231k
9/19	Continuing Claims	9/7	1850k	1829k	1850k	1843k
9/19	Leading Index	Aug	-0.3%	-0.2%	-0.6%	--
9/19	Existing Home Sales	Aug	3.90m	3.86m	3.95m	3.96m
9/19	Existing Home Sales MoM	Aug	-1.3%	-2.5%	1.3%	1.5%
9/23	Chicago Fed Nat Activity Index	Aug	-0.20	--	-0.34	--
9/23	S&P Global US Manufacturing PMI	Sep P	48.6	--	47.9	--
9/23	S&P Global US Services PMI	Sep P	55.3	--	55.7	--
9/23	S&P Global US Composite PMI	Sep P	54.7	--	54.6	--
9/24	FHFA House Price Index MoM	Jul	0.2%	--	-0.1%	--
9/24	S&P CoreLogic CS 20-City MoM SA	Jul	0.40%	--	0.42%	--
9/24	S&P CoreLogic CS US HPI YoY NSA	Jul	--	--	5.42%	--
9/24	S&P CoreLogic CS 20-City YoY NSA	Jul	5.90%	--	6.47%	--
9/24	Conf. Board Consumer Confidence	Sep	103.0	--	103.3	--
9/24	Conf. Board Present Situation	Sep	--	--	134.4	--
9/24	Conf. Board Expectations	Sep	--	--	82.5	--
9/26	GDP Annualized QoQ	2Q T	2.9%	--	3.0%	--
9/26	Personal Consumption	2Q T	--	--	2.9%	--
9/26	GDP Price Index	2Q T	2.5%	--	2.5%	--
9/26	Core PCE Price Index QoQ	2Q T	--	--	2.8%	--
9/26	Durables Ex Transportation	Aug P	0.1%	--	-0.2%	--
9/26	Cap Goods Ship Nondef Ex Air	Aug P	--	--	-0.3%	--
9/26	Pending Home Sales NSA YoY	Aug	--	--	-4.6%	--
9/27	Personal Income	Aug	0.4%	--	0.3%	--
9/27	Real Personal Spending	Aug	--	--	0.4%	--
9/27	PCE Price Index YoY	Aug	--	--	2.5%	--
9/27	Core PCE Price Index YoY	Aug	2.7%	--	2.6%	--

MBS Prepayments ⁴						
3-Month CPR						
Type	2.5	3.0	3.5	4.0	4.5	5.0
FN 10y	12.5	14.2	14.1	12.8	15.4	19.9
FH/FN 15y	6.9	7.9	9.4	11.4	17.9	20.9
GN 15y	14.1	15.3	18.8	24.8	31.3	48.6
FH/FN 20y	5.8	6.9	7.6	8.2	10.0	11.3
FH/FN 30y	5.4	5.8	6.5	6.8	6.4	7.2
GN 30y	5.7	8.6	5.0	4.9	6.6	6.5
CPR Projections						
Type	2.5	3.0	3.5	4.0	4.5	5.0
FN 10y	10.9	12.0	13.4	14.4	16.5	23.1
FH/FN 15y	7.8	8.7	9.9	13.7	18.3	25.4
GN 15y	9.7	10.0	12.1	11.8	12.4	12.7
FH/FN 20y	7.1	8.2	9.1	10.0	11.5	13.5
FH/FN 30y	6.0	6.8	7.2	8.5	9.8	12.8
GN 30y	6.0	7.1	7.2	10.7	9.5	10.7

Other Markets					
Index	Current	1Wk	Historical		
		Chng	1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	144.19	3.34	146.45	151.67	147.87
Euro	1.11	0.01	1.11	1.08	1.07
Dollar Index	100.91	(0.20)	101.44	103.39	105.33
Major Stock Indices					
Dow Jones	41,888	494	40,835	39,512	34,441
S&P 500	5,691.6	65.5	5,597.1	5,224.6	4,402.2
NASDAQ	17,933.0	249	17,816.9	16,369.4	13,469.1
Commodities					
Gold	2,608.2	21.4	2,511.3	2,161.0	1,948.6
Crude Oil	71.50	2.85	74.04	81.68	90.28
Natural Gas	2.33	0.02	2.20	1.70	2.73
Wheat	574.5	3.3	533.0	545.0	588.8
Corn	405.0	14.3	375.0	439.0	482.3

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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