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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

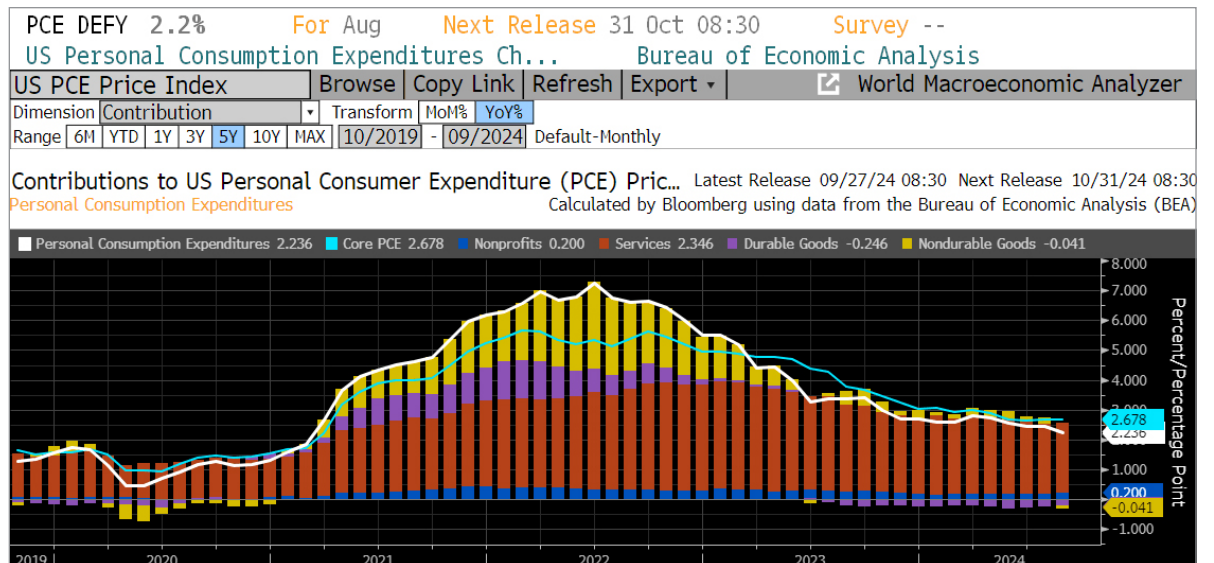
Good news this morning on the inflation front to end the last full week of the quarter. The Fed's preferred measure of inflation, the Personal Consumption Expenditure (PCE) price index, rose less than expected in August. The headline measure fell to 2.2% year over year, below estimates of 2.3%. Core PCE, which excludes food and energy, printed in line with forecasts at 2.7% YoY. Both measures rose just 0.1% MoM.

Markets have taken the readings as justification for the Fed to stay the course on rate cuts in the months ahead and reignited the debate over how big the next cuts should be. The Fed opted for an outsized 50bp cut last week to start the easing cycle and telegraphed 50bps more cuts to come before year-end. That implies two 25bp cuts at each of the Fed's last two meetings of the year if policymakers were to move gradually. Futures markets, however, have ~75bps of cuts priced in through December and are split over whether the next cut in November will be 25 or 50bps, with the 50bps outcome having the slight edge.

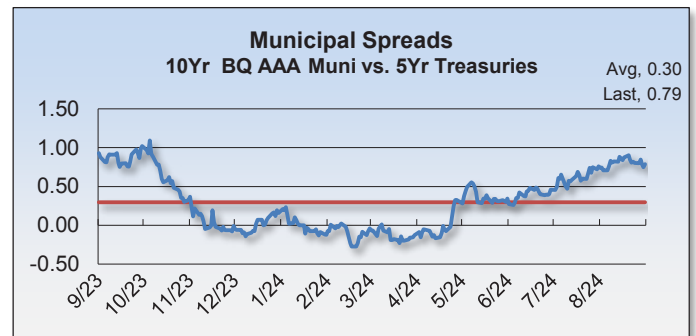
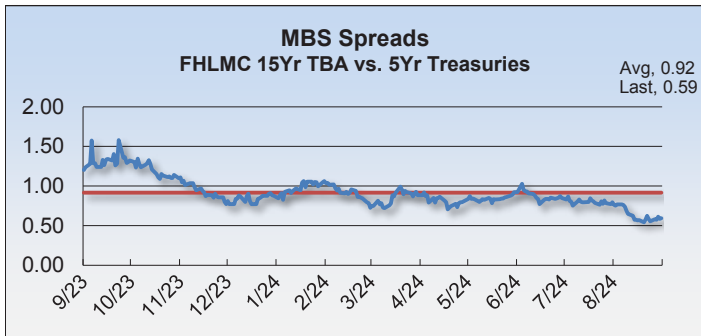
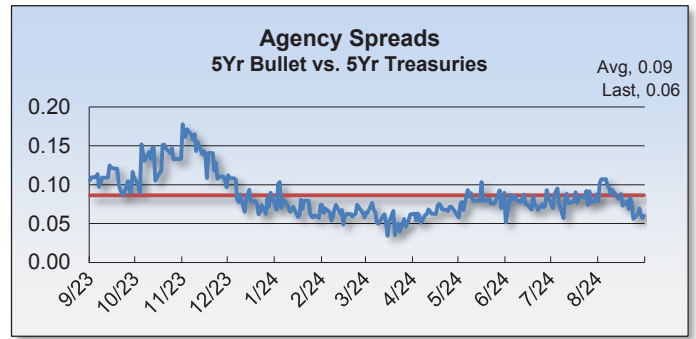
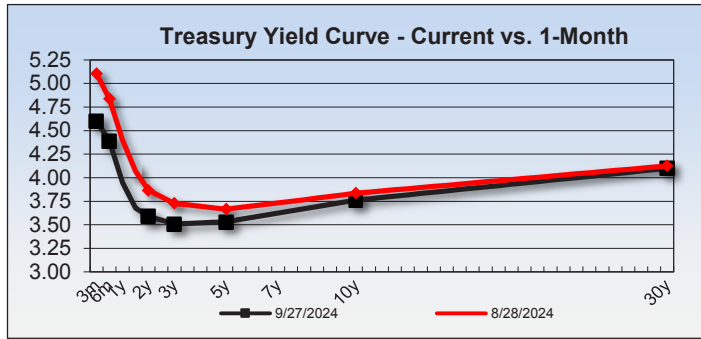
Details of the report showed inflation moderating broadly across sectors. Services prices, excluding housing and energy rose 0.2% for the second month in a row, and goods prices, excluding food and energy, declined 0.2%, the biggest drop in three months. The personal income and spending numbers also posted downside surprises, underscoring a gradually cooling economy. Personal income rose just 0.2% MoM in August, half the 0.4% expected. Personal spending underwhelmed as well, rising 0.2% MoM vs. 0.3% expected, suggesting that as income growth cools, consumers are becoming more discerning in their spending habits.

Markets are rallying across the board this morning in the wake of this morning's PCE report which comes on the heels of yesterday's strong GDP and initial jobless claims readings that showed continued resilience in the economy. The third and final reading of US GDP showed that the economy grew at a 3.0% annual rate in the second quarter, a notch above market expectations of 2.9%. Initial jobless claims came in at 218k, shy of estimates of 223k, suggesting that even if hiring is slowing, those that have jobs are holding onto them.

Stocks are surfing new highs this morning with both the S&P 500 and Dow trading at record levels. Treasury prices are also up this morning though yields are mostly flat week over week. Next week, we will have a fresh round of jobs data capped off with the latest unemployment report on Friday. These numbers may be especially impactful as the Fed is increasingly emphasizing the maximum employment side of its dual mandate. The committee will have just one more employment report after next week's before meeting again on November 6-7 to decide its next policy move. Hope everyone has a great weekend!



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	Mty	Agency Calls - Euro			
			1 Mo	6 Mo	1 Yr				C-Corp ²	S-Corp ³			3Mo	6mo	1Yr	2Yr
3mo	4.60	(0.06)	5.11	5.38	5.49	2yr	3.65	3.42	3.22	3.43	3.74	2Yr				
6mo	4.39	(0.08)	4.84	5.31	5.56	3yr	3.59	3.30	3.19	3.40	3.76	3Yr				
1yr	3.94	0.00	4.39	4.99	5.49	5yr	3.60	3.25	3.23	3.44	3.80	5Yr				
2yr	3.59	(0.00)	3.90	4.57	5.14	7yr	3.76	3.27	3.46	3.68	4.03	7Yr				
3yr	3.51	0.03	3.71	4.36	4.99	10yr	3.92	3.32	3.68	3.92	4.29	10Yr				
5yr	3.53	0.03	3.65	4.19	4.69	15yr	4.08	3.41	4.03	4.29	4.44					
7yr	3.63	0.01	3.72	4.20	4.68	20yr	4.23	3.43	4.54	4.83	4.95					
10yr	3.76	0.02	3.82	4.19	4.61	25yr	4.39	3.38	4.73	5.04	5.01					
30yr	4.10	0.01	4.11	4.35	4.72	30yr		3.31	4.93	5.24	5.06					
													October TBA MBS			
												Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
												2.50	4.28	4.9y	4.46	
												3.00	4.26	4.8y		
												3.50	4.01	4.7y	4.59	8.9y
												4.00	4.11	4.6y	4.64	8.3y
												4.50			4.75	8.0y
												5.00			4.95	6.3y

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	5.00	--	5.50	5.50	5.50
Primary Discount	5.00	--	5.50	5.50	5.50
2ndary Discount	5.50	--	6.00	6.00	6.00
Prime Rate	8.00	--	8.50	8.50	8.50
Sec. O.N. Finance	4.83	0.01	5.34	5.32	--
1 Month LIBOR	4.97	(0.11)	5.39	5.45	5.43
3 Month LIBOR	4.90	(0.17)	5.34	5.57	5.65
6 Month LIBOR	4.71	(0.16)	5.20	5.65	5.90
1 Year LIBOR	6.04	0.12	5.73	5.48	3.62
6 Month CD	4.40	(0.07)	4.89	5.28	5.76
1 Year CMT	3.96	0.03	4.38	5.00	5.45
REPO O/N	4.86	--	5.46	5.37	5.33
REPO 1Wk	4.85	(0.06)	5.37	5.39	5.43
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	4.78	4.78	4.83
6mo	4.51	4.52	4.56
1yr	4.05	4.05	4.15
2yr	3.72	3.77	3.78
3yr	3.64	3.69	3.70
4yr	3.67	3.73	3.73
5yr	3.67	3.73	3.72
7yr	3.95	4.02	4.01
10yr	4.19	4.28	4.24
5yr Am	4.15		3.79
10yr Am	4.21		4.06

Fed Fund Futures	
Maturity	Rate
Sep-24	5.130
Oct-24	4.825
Nov-24	4.530
Dec-24	4.285
Jan-25	4.050
Feb-25	3.750
Mar-25	3.640
Apr-25	3.455
May-25	3.300
Jun-25	3.190
Jul-25	3.085

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
9/23	Chicago Fed Nat Activity Index	Aug	-0.20	0.12	-0.34	-0.42
9/23	S&P Global US Manufacturing PMI	Sep P	48.6	47.0	47.9	--
9/23	S&P Global US Services PMI	Sep P	55.2	55.4	55.7	--
9/23	S&P Global US Composite PMI	Sep P	54.3	54.4	54.6	--
9/24	FHFA House Price Index MoM	Jul	0.2%	0.1%	-0.1%	0.0%
9/24	S&P CoreLogic CS 20-City MoM SA	Jul	0.40%	0.27%	0.42%	0.47%
9/24	S&P CoreLogic CS US HPI YoY NSA	Jul	--	4.96%	5.42%	5.50%
9/24	S&P CoreLogic CS 20-City YoY NSA	Jul	5.90%	5.92%	6.47%	6.54%
9/25	MBA Mortgage Applications	9/20	--	11.0%	14.2%	--
9/26	GDP Annualized QoQ	2Q T	2.9%	3.0%	3.0%	--
9/26	Personal Consumption	2Q T	2.9%	2.8%	2.9%	--
9/26	GDP Price Index	2Q T	2.5%	2.5%	2.5%	--
9/26	Core PCE Price Index QoQ	2Q T	2.8%	2.8%	2.8%	--
9/26	Initial Jobless Claims	9/21	223k	218k	219k	222k
9/26	Continuing Claims	9/14	1828k	1834k	1829k	1821k
9/27	Personal Income	Aug	0.4%	0.2%	0.3%	--
9/27	Personal Spending	Aug	0.3%	0.2%	0.5%	--
9/27	Real Personal Spending	Aug	0.1%	0.1%	0.4%	--
9/27	PCE Price Index MoM	Aug	0.1%	0.1%	0.2%	--
9/27	PCE Price Index YoY	Aug	2.3%	2.2%	2.5%	--
9/27	Core PCE Price Index MoM	Aug	0.2%	0.1%	0.2%	--
9/27	Core PCE Price Index YoY	Aug	2.7%	2.7%	2.6%	--
9/27	U. of Mich. Sentiment	Sep F	69.4	70.1	69.0	--
9/27	U. of Mich. Current Conditions	Sep F	63.0	63.3	62.9	--
9/27	U. of Mich. 1 Yr Inflation	Sep F	2.7%	2.7%	2.7%	--
9/30	MNI Chicago PMI	Sep	46.4	--	46.1	--
10/1	JOLTS Job Openings	Aug	7693k	--	7673k	--
10/1	ISM Manufacturing	Sep	47.7	--	47.2	--
10/1	ISM Prices Paid	Sep	--	--	54.0	--
10/1	ISM New Orders	Sep	--	--	44.6	--
10/1	ISM Employment	Sep	--	--	46.0	--
10/2	ADP Employment Change	Sep	120k	--	99k	--
10/3	Challenger Job Cuts YoY	Sep	--	--	1.0%	--
10/3	ISM Services Index	Sep	51.5	--	51.5	--
10/3	ISM Services Prices Paid	Sep	--	--	57.3	--
10/3	ISM Services Employment	Sep	--	--	50.2	--
10/3	ISM Services New Orders	Sep	--	--	53.0	--
10/4	Change in Nonfarm Payrolls	Sep	130k	--	142k	--
10/4	Two-Month Payroll Net Revision	Sep	--	--	-86k	--
10/4	Change in Private Payrolls	Sep	110k	--	118k	--
10/4	Change in Manufact. Payrolls	Sep	--	--	-24k	--
10/4	Unemployment Rate	Sep	4.2%	--	4.2%	--
10/4	Average Hourly Earnings MoM	Sep	0.3%	--	0.4%	--
10/4	Average Hourly Earnings YoY	Sep	3.7%	--	3.8%	--
10/4	Average Weekly Hours All Employees	Sep	34.3	--	34.3	--
10/4	Labor Force Participation Rate	Sep	--	--	62.7%	--
10/4	Underemployment Rate	Sep	--	--	7.9%	--

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	10.8	11.9	13.3	14.3	16.3	22.7
FH/FN 15y	7.6	8.6	9.8	11.6	18.3	24.9
GN 15y	9.7	10.0	12.1	11.8	12.4	12.7
FH/FN 20y	7.0	8.0	8.8	9.8	11.0	13.3
FH/FN 30y	5.9	6.7	7.1	8.3	9.4	12.6
GN 30y	6.0	7.1	7.2	10.5	9.4	10.3

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	142.51	(1.34)	144.78	151.20	149.22
Euro	1.12	0.00	1.12	1.08	1.06
Dollar Index	100.28	(0.44)	100.55	104.35	106.67
Major Stock Indices					
Dow Jones	42,394	331	41,251	39,760	33,550
S&P 500	5,751.0	48.5	5,625.8	5,248.5	4,274.5
NASDAQ	18,205.3	257	17,754.8	16,399.5	13,092.9
Commodities					
Gold	2,664.5	42.1	2,516.0	2,190.6	1,872.3
Crude Oil	67.40	(4.52)	75.53	81.35	93.68
Natural Gas	2.86	0.43	1.90	1.72	2.76
Wheat	576.0	7.5	508.3	547.5	579.5
Corn	413.8	12.0	367.3	426.8	483.3

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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