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Bond yields are sharply higher this morning on news that US hiring topped all estimates in the month of September and the odds of another big 50bp Fed rate cut have dropped significantly. The report was universally strong with better-than-expected payrolls gains, positive revisions to prior months' gains, a lower unemployment rate, and higher than expected wage growth.

Nonfarm payrolls increased 254k in September (vs. 150k estimate), the most in six months. The prior two months' gains were also revised higher in contrast to the overwhelming trend of the last several reports that saw downward revisions in 11 out of the last 15 nonfarm payrolls prints. The unemployment rate unexpectedly fell to 4.1% (vs. 4.2% est.) and average hourly earnings increased 0.4% MoM (vs. 0.3% est.), up 4.0% YoY (vs. 3.8% est.).

This week's earlier employment data also showed that demand for workers remains solid and layoffs remain low. Thursday's ADP data showed job growth surprised to the upside with 143k private employment gains (vs. 125k est.). On Tuesday, JOLTS data showed job openings jumped 329k to 8.04 million (vs. 7.69mm est.) in August, though that only partially offsets the declines over the prior two months. Layoffs also declined 105k following a 153k increase in July.

This was undoubtedly welcome news for the Fed who has been concerned about further deterioration in the labor market. Chairman Powell reaffirmed this week that shielding the labor market from erosion was part of the reason the Fed opted to kick off its easing cycle with an outsized 50bp cut. Powell also said that policymakers believe no further cooling is needed to bring inflation down to the Fed's 2% target.

Futures traders slashed their bets on the pace of future Fed cuts following this morning's release. The odds of a half-point rate cut in November were virtually wiped out and futures contracts now show just a 5.5% chance of that occurring at the next meeting. Markets now show ~58bps of cuts expected for the last two meetings of the year combined.

The 2-year Treasury rate, which is especially sensitive to Fed policy, initially popped as much as 17bps to 3.87% this morning and is just shy of 3.86% as of this writing. The 10-year note backed up as much as 12bps to 3.96% and is still near peak at 3.95% at the time of this writing.

Markets continue to weigh signs of persistent growth in the economy with the need for growth to come at a pace soft enough to sustain disinflation. Fortunately, the economy appears to have dodged a potential inflationary bullet late yesterday. U.S. East Coast and Gulf Coast ports began reopening, quashing the threat that ports strikes could drive retail prices higher in the coming months. However, tensions remain in the middle east, threatening energy prices and geopolitical stability. Add a looming presidential election just weeks away and there is plenty of fuel for volatility.

Next week brings key consumer and producer inflation readings, FOMC minutes, and no fewer than 20 Fed speakers. As well as the esteemed OU-TX game for all who celebrate! Hope everyone has a wonderful weekend!

UPCOMING EVENTS

Banks

Webinars:

Q4 Bank Investment Strategies
Oct 9, 2024

Q3 Bank Trends
Nov 13, 2024

Credit Unions

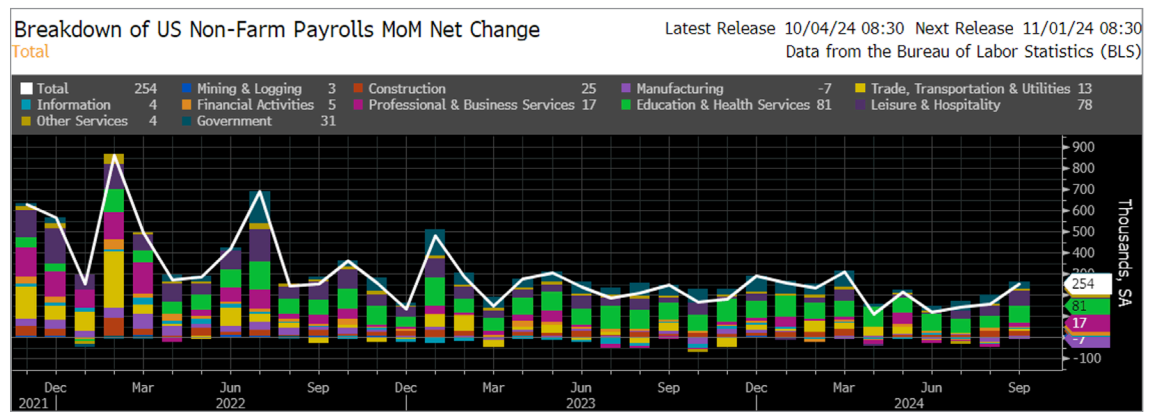
Webinars:

Q4 CU Strategies
Oct 10, 2024

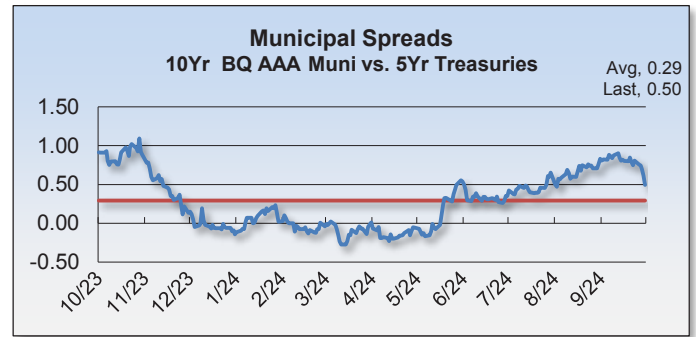
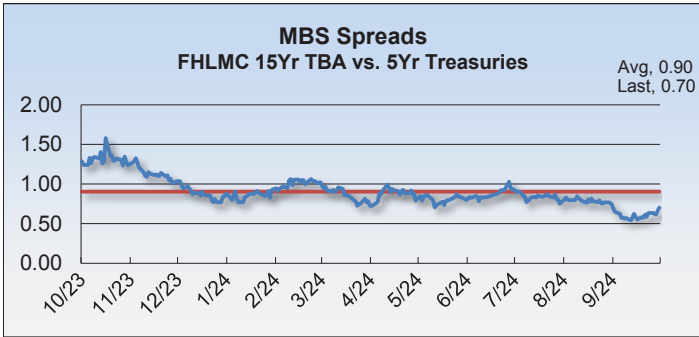
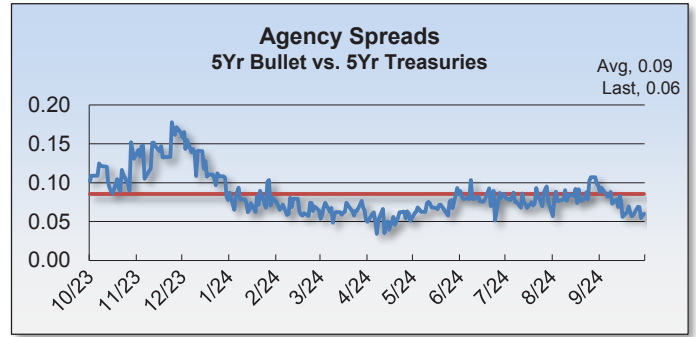
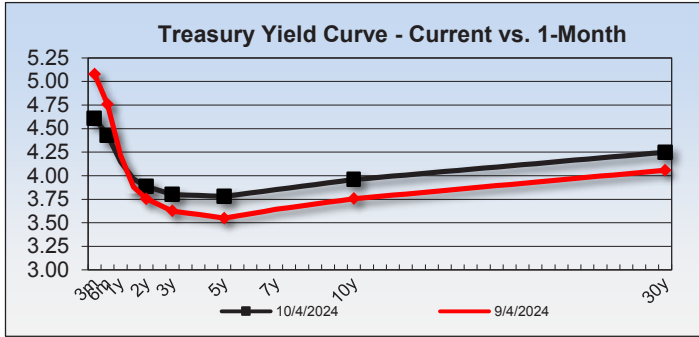
Banks and CUs

Seminar:

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



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	4.61	(0.00)	5.08	5.36	5.50	2yr	3.93	3.52	3.19	3.40	3.80	2Yr				
6mo	4.43	0.04	4.77	5.30	5.57	3yr	3.85	3.39	3.14	3.34	3.80	3Yr				
1yr	4.15	0.22	4.22	5.01	5.42	5yr	3.88	3.33	3.18	3.38	3.79	5Yr				
2yr	3.89	0.33	3.76	4.65	5.05	7yr	3.97	3.34	3.36	3.58	4.04	7Yr				
3yr	3.80	0.32	3.63	4.46	4.94	10yr	4.14	3.39	3.56	3.78	4.30	10Yr				
5yr	3.78	0.28	3.55	4.30	4.73	15yr	4.32	3.48	3.93	4.19	4.45		November TBA MBS			
7yr	3.85	0.24	3.64	4.31	4.76	20yr	4.50	3.49	4.45	4.74	4.96	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	3.96	0.21	3.76	4.31	4.73	25yr	4.69	3.44	4.67	4.97	5.02	2.50	4.63	4.9y	4.69	
30yr	4.25	0.14	4.06	4.48	4.86	30yr		3.37	4.89	5.20	5.07	3.00	4.62	4.8y		
												3.50	4.33	4.6y	4.83	8.9y
												4.00	4.31	4.5y	4.87	8.3y
												4.50			4.97	8.0y
												5.00			5.15	6.0y

* 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	4.85	0.02	5.34	5.32	--
1 Month LIBOR	4.96	(0.01)	5.31	5.44	5.43
3 Month LIBOR	4.85	(0.08)	5.28	5.56	5.66
6 Month LIBOR	4.68	(0.08)	5.14	5.65	5.90
1 Year LIBOR	6.04	0.12	5.73	5.48	3.62
6 Month CD	4.44	0.04	4.79	5.29	5.74
1 Year CMT	4.02	0.06	4.35	5.03	5.49
REPO O/N	4.95	0.09	5.44	5.37	5.36
REPO 1Wk	4.89	0.04	5.38	5.38	5.37
CoF Federal	3.988	--	4.003	3.889	3.698
11th D. CoF (Aug)	3.259	--	3.274	3.160	2.969

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	4.82	4.87	4.87
6mo	4.60	4.62	4.66
1yr	4.27	4.27	4.41
2yr	3.99	4.03	4.06
3yr	3.90	3.95	3.97
4yr	3.91	3.98	3.98
5yr	3.90	3.96	3.96
7yr	4.15	4.22	4.21
10yr	4.37	4.47	4.43
5yr Am	4.15		4.05
10yr Am	4.21		4.27

Fed Fund Futures		
Maturity	Rate	
Oct-24	4.825	
Nov-24	4.625	
Dec-24	4.435	
Jan-25	4.240	
Feb-25	4.020	
Mar-25	3.940	
Apr-25	3.805	
May-25	3.690	
Jun-25	3.595	
Jul-25	3.500	
Aug-25	3.415	

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
9/30	MNI Chicago PMI	Sep	46.0	46.6	46.1	--
10/1	JOLTS Job Openings	Aug	7693k	8040k	7673k	7711k
10/1	ISM Manufacturing	Sep	47.5	47.2	47.2	--
10/1	ISM Prices Paid	Sep	53.5	48.3	54.0	--
10/1	ISM New Orders	Sep	45.0	46.1	44.6	--
10/1	ISM Employment	Sep	47.1	43.9	46.0	--
10/2	MBA Mortgage Applications	9/27	--	-1.3%	11.0%	--
10/2	ADP Employment Change	Sep	125k	143k	99k	103k
10/3	Challenger Job Cuts YoY	Sep	--	53.4%	1.0%	--
10/3	Initial Jobless Claims	9/28	221k	225k	218k	219k
10/3	Continuing Claims	9/21	1830k	1826k	1834k	1827k
10/3	S&P Global US Services PMI	Sep F	55.4	55.2	55.4	--
10/3	S&P Global US Composite PMI	Sep F	54.4	54.0	54.4	--
10/3	Factory Orders	Aug	0.1%	-0.2%	5.0%	4.9%
10/3	Factory Orders Ex Trans	Aug	0.2%	-0.1%	0.4%	0.3%
10/3	Durable Goods Orders	Aug F	0.0%	0.0%	0.0%	--
10/3	Durables Ex Transportation	Aug F	0.5%	0.5%	0.5%	--
10/3	Cap Goods Orders Nondef Ex Air	Aug F	0.2%	0.3%	0.2%	--
10/3	Cap Goods Ship Nondef Ex Air	Aug F	--	-0.1%	0.1%	--
10/3	ISM Services Index	Sep	51.7	54.9	51.5	--
10/3	ISM Services Prices Paid	Sep	56.0	59.4	57.3	--
10/3	ISM Services Employment	Sep	50.0	48.1	50.2	--
10/3	ISM Services New Orders	Sep	52.5	59.4	53.0	--
10/4	Change in Nonfarm Payrolls	Sep	150k	254k	142k	159k
10/4	Two-Month Payroll Net Revision	Sep	--	72k	-86k	--
10/4	Change in Private Payrolls	Sep	125k	223k	118k	114k
10/4	Change in Manufact. Payrolls	Sep	-8k	-7k	-24k	-27k
10/4	Unemployment Rate	Sep	4.2%	4.1%	4.2%	--
10/4	Average Hourly Earnings MoM	Sep	0.3%	0.4%	0.4%	0.5%
10/4	Average Hourly Earnings YoY	Sep	3.8%	4.0%	3.8%	3.9%
10/4	Average Weekly Hours All Employees	Sep	34.3	34.2	34.3	--
10/4	Labor Force Participation Rate	Sep	62.7%	62.7%	62.7%	--
10/4	Underemployment Rate	Sep	--	7.7%	7.9%	--
10/10	CPI MoM	Sep	0.1%	--	0.2%	--
10/10	CPI Ex Food and Energy MoM	Sep	0.2%	--	0.3%	--
10/10	CPI YoY	Sep	2.3%	--	2.5%	--
10/10	CPI Ex Food and Energy YoY	Sep	3.2%	--	3.2%	--
10/10	CPI Index NSA	Sep	314.86	--	314.80	--
10/10	CPI Core Index SA	Sep	--	--	319.77	--
10/10	Real Avg Hourly Earning YoY	Sep	--	--	1.3%	1.4%
10/10	Real Avg Weekly Earnings YoY	Sep	--	--	0.9%	1.0%
10/11	PPI Final Demand MoM	Sep	0.1%	--	0.2%	--
10/11	PPI Ex Food and Energy MoM	Sep	0.2%	--	0.3%	--
10/11	PPI Ex Food, Energy, Trade MoM	Sep	--	--	0.3%	--
10/11	PPI Final Demand YoY	Sep	1.6%	--	1.7%	--
10/11	PPI Ex Food and Energy YoY	Sep	--	--	2.4%	--
10/11	PPI Ex Food, Energy, Trade YoY	Sep	--	--	3.3%	--

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	10.7	11.8	13.2	14.2	16.1	22.5
FH/FN 15y	7.6	8.6	9.8	11.5	18.4	24.5
GN 15y	9.7	10.0	12.0	11.8	12.4	12.7
FH/FN 20y	7.0	7.9	8.8	9.8	11.0	13.2
FH/FN 30y	5.9	6.7	7.1	8.3	9.4	12.9
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	148.42	6.21	145.07	151.70	149.03
Euro	1.10	(0.02)	1.11	1.09	1.05
Dollar Index	102.53	2.15	101.36	104.12	106.80
Major Stock Indices					
Dow Jones	42,058	(255)	40,975	38,597	33,130
S&P 500	5,709.3	(28.9)	5,520.1	5,147.2	4,263.8
NASDAQ	18,022.4	(97)	17,084.3	16,049.1	13,236.0
Commodities					
Gold	2,651.0	6.7	2,502.7	2,288.8	1,818.5
Crude Oil	74.08	5.90	69.20	86.59	84.22
Natural Gas	2.88	(0.02)	2.15	1.77	2.96
Wheat	594.8	14.8	565.3	556.3	560.0
Corn	425.5	7.5	390.5	435.3	486.0

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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Source for the aforementioned indices, rates, descriptions, & economic indicators: Bloomberg, L.P. This report was printed as of: 10/04/2024 9:59AM