



Dale Sheller

Associate Partner
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UPCOMING EVENTS

2025 Destination Seminar

Austin, TX
May 8, 2025

Banks

Webinars:

Q4 IRR Management
Dec 11, 2024

"To cut rate or not to cut rates...that is thy question." My high school literature teacher would be proud of my attempt to blend classic Shakespeare with the upcoming December Federal Open Market Committee meeting. The FOMC will meet in just under two weeks to partake in their final two-day policy meeting of the year. There are still some key data releases between now and then with some of those key data releases coming to us this morning in the November job reports. I almost forgot to say it...Happy Jobs Friday!

This morning, the Bureau of Labor Statistics reported that the U.S. added a seasonally adjusted 227,000 jobs in November, slightly higher than the 220,000 estimated. This was up from an increase of 36,000 jobs in October. Job gains were focused in health care (54,000), leisure and hospitality (53,000) and government (33,000), sectors that have consistently led payroll growth for the past few years. The headline unemployment rate, which is based on a separate survey (Household Survey) rose from 4.1% to 4.2%. Expectations were for the unemployment rate to remain unchanged at 4.1%. Worker pay continued to rise, with average hourly earnings up 0.4% from a month ago and 4% on a 12-month basis. Both numbers were 0.1% above the expectations. The household survey showed the economy lost 355,000 jobs in November following a loss of 368,000 jobs in October. Some economists say the household survey does a better job of identifying labor market weakness during turns in the economic cycle. Lastly, the labor force participation rate fell to 62.5% (expected at 62.7%) in November, down from 62.6% in October. On Tuesday, the Job Openings and Labor Turnover Survey, or JOLTS report, from the Labor Department reported 7.744 million job openings for October versus a forecast of 7.48 million. Altogether, this morning's employment report paints a mixed picture of the labor market, with stronger than expected payrolls growth in the establishment survey, but job losses, declining labor force participation and rising unemployment in the household survey.

Later this morning, the University of Michigan's Consumer Sentiment Index rose for the fifth consecutive month in December, increasing 3% to its highest reading since May. Republicans' feelings improved the most, while they declined the most among Democrats, who cited concerns about President-elect Trump's proposed tariff hikes.

Earlier this week, the ISM Purchasing Manufacturing Index (PMI) rose from 46.5 in October to 48.4 (expected at 47.5) in November. A reading below 50 indicates contraction in the manufacturing section, which accounts for just over 10% of the overall economy. Additionally, the ISM Services PMI registered a 52.1, 3.9 points lower than October's figure of 56. November's reading marked the ninth time the composite index has been in expansion territory this year.

A check-in on the markets shows a slightly lower stock market and a small rally in Treasuries with prices up and yields down. The 10-Year Treasury is currently sitting at 4.15% and the 2-Year Treasury at 4.08%.

Next week will mark the last full week before the Fed's final policy meeting of the year. The Fed and traders will be focused on next Wednesday morning's release of the latest Consumer Price Index (CPI) data on inflation. Headline CPI is expected to increase 0.3% month over

(Continued)



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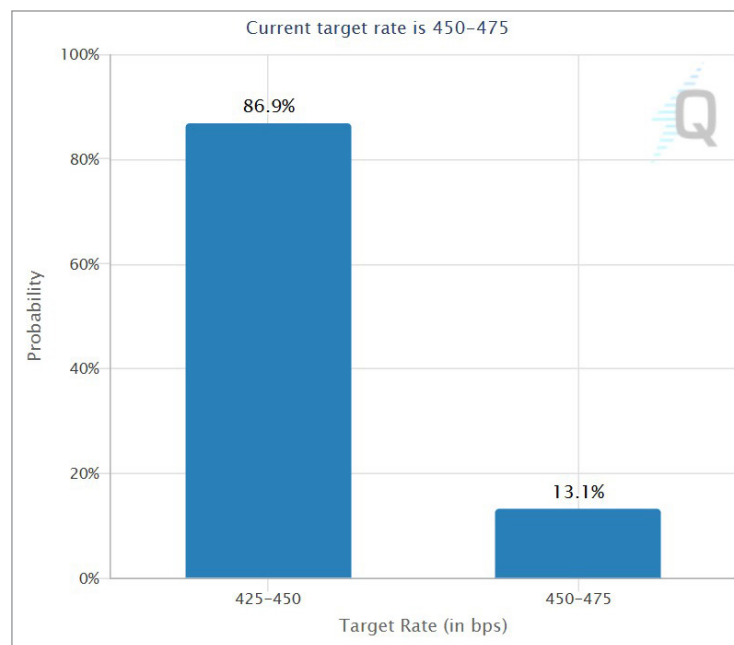
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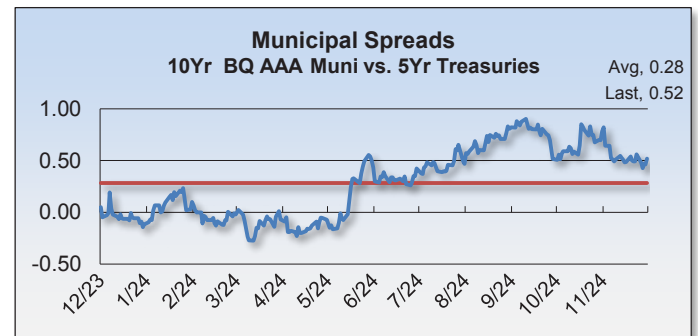
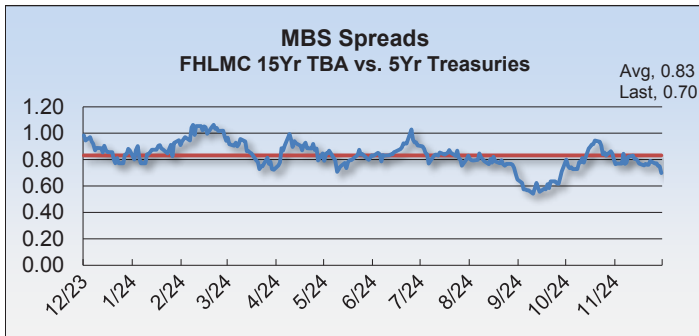
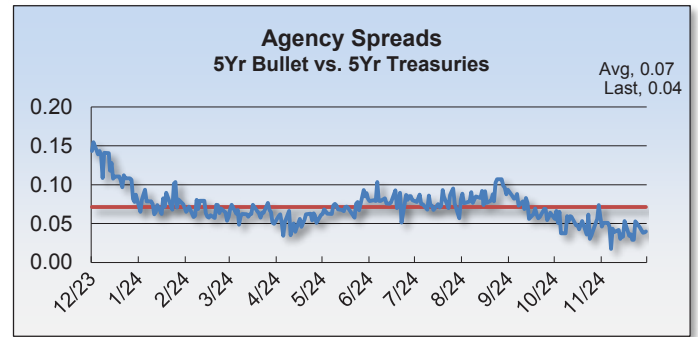
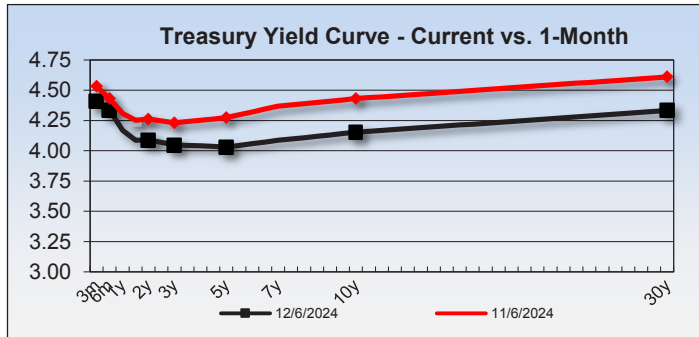
month and 2.7% year over year. Core CPI (excludes food and energy) is expected to increase 0.3% as well month over month and 3.3% year over year.

With today's jobs report and next week's CPI release, the Fed will have more of their data to make upcoming rate policy decision. "To cut rate or not to cut rates...that is thy question." The Fed Funds Futures market is now calling for an 87% chance of a 25-basis point rate cut at the December 18th meeting. Before this morning's job report, that probability was near 70%. Stay tuned and have a great weekend!

CME Group FedWatch Tool – Probabilities for December 18th Fed Meeting



Source: CME Group



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	4.41	(0.08)	4.54	5.40	5.40	2yr	4.07	3.98	3.53	3.75	4.28	2Yr					
6mo	4.34	(0.11)	4.44	5.34	5.37	3yr	4.03	3.88	3.50	3.73	4.26	3Yr					
1yr	4.17	(0.12)	4.32	5.09	5.08	5yr	4.10	3.76	3.57	3.80	4.23	5Yr					
2yr	4.09	(0.06)	4.26	4.73	4.59	7yr	4.17	3.72	3.63	3.86	4.38	7Yr					
3yr	4.05	(0.04)	4.23	4.51	4.43	10yr	4.31	3.71	3.82	4.07	4.56	10Yr					
5yr	4.03	(0.02)	4.28	4.30	4.10	15yr	4.45	3.74	4.12	4.38	4.69						January TBA MBS
7yr	4.09	(0.02)	4.37	4.29	4.14	20yr	4.60	3.72	4.61	4.90	4.98	Cpn	15Yr -Yld/AL		30Yr -Yld/AL		
10yr	4.15	(0.02)	4.43	4.29	4.10	25yr	4.75	3.64	4.80	5.11	5.04	3.00	4.82	4.9y	4.91		
30yr	4.33	(0.03)	4.61	4.44	4.21	30yr		3.54	5.00	5.32	5.09	3.50	4.65	4.8y			
* Interpolated													4.00	4.64	4.8y	4.97	9.0y
													4.50	4.64	5.3y	5.10	9.3y
													5.00			5.25	8.2y
													5.50			5.42	6.1y
Key Market Indices																	
		1Wk	Historical														

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	4.75	--	5.00	5.50	5.50
Primary Discount	4.75	--	5.00	5.50	5.50
2ndary Discount	5.25	--	5.50	6.00	6.00
Prime Rate	7.75	--	8.00	8.50	8.50
Sec. O.N. Finance	4.59	0.02	4.82	5.33	--
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	4.45	(0.03)	4.50	5.34	5.50
1 Year CMT	4.23	(0.11)	4.27	5.08	5.06
REPO O/N	4.65	0.01	4.84	5.37	5.42
REPO 1Wk	4.61	(0.01)	4.64	5.38	5.35
CoF Federal	3.834	--	3.942	3.927	3.814
11th D. CoF (Oct)	3.105	--	3.213	3.198	3.085

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	4.60	4.61	4.65
6mo	4.49	4.50	4.58
1yr	4.33	4.31	4.49
2yr	4.19	4.21	4.35
3yr	4.15	4.18	4.31
4yr	4.16	4.19	4.32
5yr	4.14	4.19	4.31
7yr	4.33	4.39	4.48
10yr	4.47	4.55	4.62
5yr Am	4.15		4.37
10yr Am	4.21		4.52

Fed Fund Futures	
Maturity	Rate
Dec-24	4.488
Jan-25	4.355
Feb-25	4.285
Mar-25	4.220
Apr-25	4.120
May-25	4.040
Jun-25	3.970
Jul-25	3.895
Aug-25	3.830
Sep-25	3.800
Oct-25	3.755

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
12/2	S&P Global US Manufacturing PMI	Nov F	48.8	49.7	48.8	--
12/2	ISM Manufacturing	Nov	47.5	48.4	46.5	--
12/2	ISM Prices Paid	Nov	55.2	50.3	54.8	--
12/2	ISM New Orders	Nov	48.0	50.4	47.1	--
12/2	ISM Employment	Nov	47.0	48.1	44.4	--
12/3	JOLTS Job Openings	Oct	7519k	7744k	7443k	7372k
12/4	ADP Employment Change	Nov	150k	146k	233k	184k
12/4	S&P Global US Services PMI	Nov F	57.0	56.1	57.0	--
12/4	S&P Global US Composite PMI	Nov F	55.3	54.9	55.3	--
12/4	ISM Services Index	Nov	55.7	52.1	56.0	--
12/4	ISM Services Prices Paid	Nov	57.0	58.2	58.1	--
12/4	ISM Services Employment	Nov	53.0	51.5	53.0	--
12/4	ISM Services New Orders	Nov	56.6	53.7	57.4	--
12/4	Factory Orders Ex Trans	Oct	--	0.1%	0.1%	--
12/4	Durables Ex Transportation	Oct F	0.1%	0.2%	0.1%	--
12/4	Cap Goods Ship Nondef Ex Air	Oct F	--	0.3%	0.2%	--
12/5	Challenger Job Cuts YoY	Nov	--	26.8%	50.9%	--
12/5	Initial Jobless Claims	11/30	215k	224k	243k	215k
12/5	Continuing Claims	11/23	1904k	1871k	1907k	1896k
12/6	Change in Nonfarm Payrolls	Nov	220k	227k	42k	36k
12/6	Two-Month Payroll Net Revision	Nov	--	56k	-112k	--
12/6	Change in Private Payrolls	Nov	205k	194k	-28k	-2k
12/6	Change in Manufact. Payrolls	Nov	30k	22k	-46k	-48k
12/6	Unemployment Rate	Nov	4.1%	4.2%	4.1%	--
12/6	Average Hourly Earnings MoM	Nov	0.3%	0.4%	0.4%	--
12/6	Average Hourly Earnings YoY	Nov	3.9%	4.0%	4.0%	--
12/6	Average Weekly Hours All Employees	Nov	34.3	34.3	34.3	34.2
12/6	Labor Force Participation Rate	Nov	62.7%	62.5%	62.6%	--
12/6	Underemployment Rate	Nov	--	7.8%	7.7%	--
12/6	U. of Mich. Sentiment	Dec P	73.2	74.0	71.8	--
12/6	U. of Mich. Current Conditions	Dec P	65.2	77.7	63.9	--
12/6	U. of Mich. 1 Yr Inflation	Dec P	2.7%	2.9%	2.6%	--
12/10	Nonfarm Productivity	3Q F	2.2%	--	2.2%	--
12/10	Unit Labor Costs	3Q F	1.4%	--	1.9%	--
12/11	CPI YoY	Nov	2.7%	--	2.6%	--
12/11	CPI Ex Food and Energy YoY	Nov	3.3%	--	3.3%	--
12/11	CPI Index NSA	Nov	315.34	--	315.66	--
12/11	CPI Core Index SA	Nov	--	--	321.67	--
12/11	Real Avg Hourly Earning YoY	Nov	--	--	1.4%	--
12/11	Real Avg Weekly Earnings YoY	Nov	--	--	1.4%	1.1%
12/11	Federal Budget Balance	Nov	--	--	-\$257.5b	--
12/12	PPI Final Demand YoY	Nov	--	--	2.4%	--
12/12	PPI Ex Food and Energy YoY	Nov	--	--	3.1%	--
12/12	PPI Ex Food, Energy, Trade YoY	Nov	--	--	3.5%	--
12/12	Household Change in Net Worth	3Q	--	--	\$2760b	--
12/13	Import Price Index YoY	Nov	--	--	0.8%	--
12/13	Export Price Index YoY	Nov	--	--	-0.1%	--

MBS Prepayments ⁴						
3-Month CPR						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	14.3	13.9	14.0	14.1	20.7	22.9
FH/FN 15y	7.6	8.5	12.0	19.6	18.7	51.7
GN 15y	16.8	20.4	26.6	36.9	79.1	44.3
FH/FN 20y	6.6	7.1	8.0	10.0	14.1	19.4
FH/FN 30y	5.2	6.0	6.1	5.0	7.8	8.7
GN 30y	6.1	4.7	5.2	6.5	6.6	6.7
CPR Projections						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	10.7	12.1	12.7	14.8	17.9	19.9
FH/FN 15y	7.4	8.6	10.1	15.8	16.0	23.6
GN 15y	9.1	11.6	11.3	12.2	11.8	15.0
FH/FN 20y	6.6	7.5	8.5	9.6	11.9	14.1
FH/FN 30y	6.0	6.4	7.3	8.3	9.6	12.1
GN 30y	6.5	6.7	9.4	8.3	9.4	10.3

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	149.86	0.09	154.00	156.04	147.36
Euro	1.06	(0.00)	1.07	1.09	1.08
Dollar Index	105.91	0.17	105.09	104.10	104.15
Major Stock Indices					
Dow Jones	44,816	(94)	43,730	38,886	36,054
S&P 500	6,096.5	64.1	5,929.0	5,353.0	4,549.3
NASDAQ	19,838.3	620	18,983.5	17,173.1	14,146.7
Commodities					
Gold	2,631.1	(25.9)	2,676.3	2,370.3	2,030.5
Crude Oil	67.38	(0.62)	71.69	75.55	69.38
Natural Gas	3.05	(0.31)	2.75	2.82	2.57
Wheat	546.8	9.0	572.5	646.8	620.8
Corn	428.0	5.0	426.3	452.0	464.8

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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