

Baker Market Update

Week In Review

January 3, 2025



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For an odd week that started out in one year and ended in the next, markets have been relatively calm. 2025 is kicking off similar to where 2024 ended, with stocks trying again to halt their recent slide, the dollar holding strong, and Treasury yields materially higher than just a few weeks ago. There was little in the way of economic data out this week, so investors have been eagerly looking ahead to important releases out next week for more insight on the health of the economy and trying to brace for likely policy changes to come under the next Trump administration.

Members of the newly-elected 119th Congress are being sworn in today and President-elect Trump will be sworn in on January 20th. Economic analysts believe there is a lot of uncertainty around how the policies of the new administration could impact the economy. Trump's campaign proposals to lower corporate taxes, ease regulations, impose tariffs, and restrict illegal immigration could help boost corporate profitability and the economy, but could also stall progress on inflation and the pace of monetary easing.

A still stable labor market and stubborn inflation has lifted Treasury yields in recent weeks and boosted demand for the U.S. currency. The yield on the 10-year Treasury note now appears pinned near the psychological level of 4.5%. Data out yesterday supported the view that the labor market is holding up well. Initial jobless claims showed that Americans filing new applications for unemployment benefits dropped to an eight-month low last week. Continuing claims, a proxy for the number of people receiving benefits, also fell to a three-month low.

As data continues to signal resilience in the economy, Fed funds futures traders are betting that the Federal Reserve will lower interest rates by less than 50bps over the course of the year. December's "dot plot" from the Federal Open Market Committee (FOMC) showed that committee members expected to cut 50bps in 2025 at their last meeting.

Next week is the all-important "jobs week" where we get several readings on the state of the U.S. labor market. Wednesday will also bring the release of December's FOMC meeting minutes, which will provide more detailed information on the Committee members' views about the economic outlook and their near-term monetary policy inclination.

Happy 2025 to all! Wishing all our clients a prosperous new year, one that brings each of you as much luck as our own Justin Kinzer who ended the year with not one but TWO holes-in-one in a single round! Kickingbird Golf Course, #6 and #16.

UPCOMING EVENTS

2025 Destination Seminar

Austin, TX
May 8, 2025

Banks

Webinars:

Q1 Investment Strategies
Jan 8, 2025

Seminars:

IA Seminar
Jun 17, 2025

Credit Unions

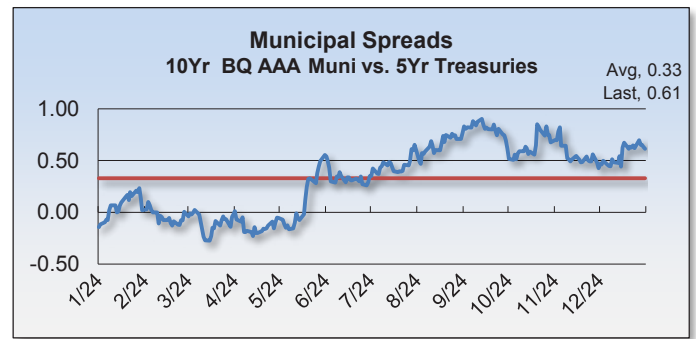
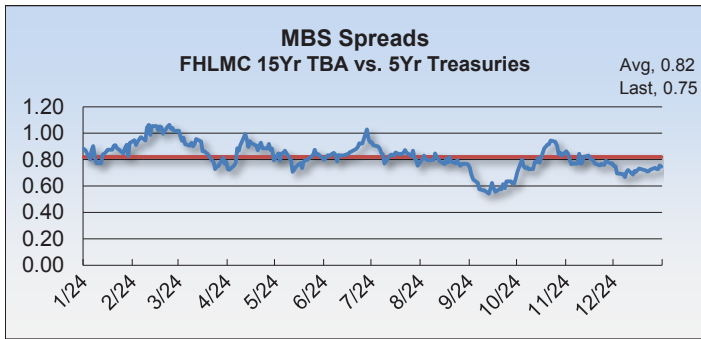
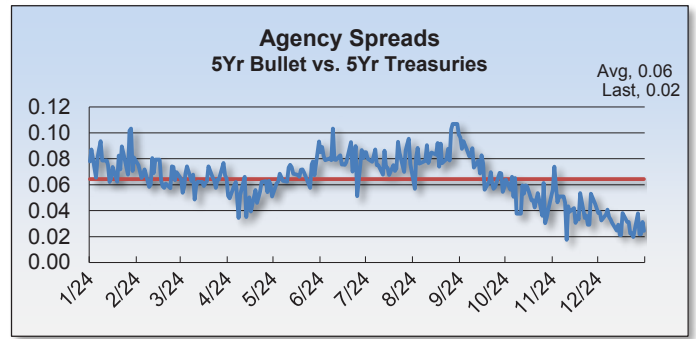
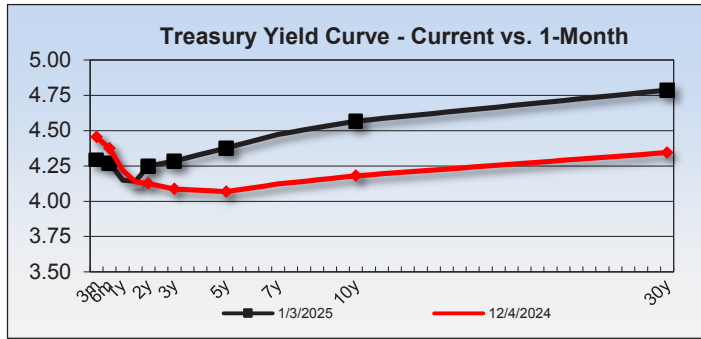
Webinars:

Q1 Strategies
Jan 9, 2025

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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	4.29	0.01	4.46	5.39	5.39	2yr	4.26	4.08	3.89	4.14	4.38	2Yr					
6mo	4.27	(0.03)	4.41	5.30	5.27	3yr	4.28	4.05	3.89	4.14	4.43	3Yr					
1yr	4.15	(0.04)	4.27	5.05	4.81	5yr	4.44	4.03	4.00	4.26	4.53	5Yr					
2yr	4.25	(0.08)	4.18	4.71	4.33	7yr	4.57	4.03	4.03	4.29	4.74	7Yr					
3yr	4.28	(0.08)	4.14	4.49	4.19	10yr	4.74	4.05	4.28	4.56	4.97	10Yr					
5yr	4.38	(0.09)	4.11	4.33	3.90	15yr	4.91	4.10	4.65	4.95	5.11		February TBA MBS				
7yr	4.47	(0.07)	4.17	4.32	3.92	20yr	5.07	4.08	5.12	5.45	5.42	Cpn	15Yr -Yld/AL		30Yr -Yld/AL		
10yr	4.57	(0.06)	4.23	4.36	3.92	25yr	5.23	4.01	5.29	5.62	5.48	3.00	5.34	5.0y	5.38		
30yr	4.79	(0.03)	4.40	4.53	4.07	30yr		3.92	5.45	5.80	5.54	3.50	5.15	4.9y			
												4.00	5.03	4.9y	5.43	9.3y	
												4.50	5.01	5.3y	5.50	9.8y	
												5.00			5.59	9.3y	
												5.50			5.76	7.2y	

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	4.50	--	4.75	5.50	5.50
Primary Discount	4.50	--	4.75	5.50	5.50
2ndary Discount	5.00	--	5.25	6.00	6.00
Prime Rate	7.50	--	7.75	8.50	8.50
Sec. O.N. Finance	4.40	(0.13)	4.64	5.35	--
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	4.33	(0.04)	4.43	5.37	5.30
1 Year CMT	4.17	(0.06)	4.30	5.07	4.80
REPO O/N	4.80	0.23	4.65	5.40	5.35
REPO 1Wk	4.38	(0.20)	4.61	5.37	5.34
CoF Federal	3.767	--	3.834	3.956	3.848
11th D. CoF (Nov)	3.038	--	3.105	3.227	3.119

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	4.46	4.49	4.51
6mo	4.40	4.42	4.47
1yr	4.33	4.34	4.44
2yr	4.34	4.37	4.39
3yr	4.38	4.42	4.42
4yr	4.43	4.48	4.49
5yr	4.48	4.53	4.53
7yr	4.68	4.75	4.73
10yr	4.85	4.94	4.90
5yr Am	4.15		4.52
10yr Am	4.21		4.75

Fed Fund Futures		
Maturity	Rate	
Jan-25	4.328	
Feb-25	4.305	
Mar-25	4.265	
Apr-25	4.190	
May-25	4.150	
Jun-25	4.100	
Jul-25	4.045	
Aug-25	4.005	
Sep-25	3.990	
Oct-25	3.965	
Nov-25	3.930	

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Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
12/30	MNI Chicago PMI	Dec	43.0	36.9	40.2	--
12/30	Pending Home Sales NSA YoY	Nov	7.9%	5.6%	6.6%	6.5%
12/31	FHFA House Price Index MoM	Oct	0.4%	0.4%	0.7%	--
12/31	S&P CoreLogic CS 20-City YoY NSA	Oct	4.10%	4.22%	4.57%	4.61%
12/31	S&P CoreLogic CS US HPI YoY NSA	Oct	--	3.6%	3.9%	3.9%
12/31	Dallas Fed Services Activity	Dec	--	9.6	9.8	--
1/2	MBA Mortgage Applications	12/27	--	-12.6%	-10.7%	--
1/2	Initial Jobless Claims	12/28	221k	211k	249k	220k
1/2	Continuing Claims	12/21	1890k	1844k	1940k	1896k
1/2	S&P Global US Manufacturing PMI	Dec F	48.3	49.4	48.3	--
1/2	Construction Spending MoM	Nov	0.3%	0.0%	0.4%	0.5%
1/3	ISM Manufacturing	Dec	48.2	49.3	48.4	--
1/3	ISM Prices Paid	Dec	51.8	52.5	50.3	--
1/3	ISM New Orders	Dec	--	52.5	50.4	--
1/3	ISM Employment	Dec	--	45.3	48.1	--
1/6	S&P Global US Services PMI	Dec F	58.5	--	58.5	--
1/6	S&P Global US Composite PMI	Dec F	--	--	56.6	--
1/6	Factory Orders Ex Trans	Nov	--	--	0.1%	--
1/6	Durables Ex Transportation	Nov F	0.3%	--	-0.1%	--
1/6	Cap Goods Orders Nondef Ex Air	Nov F	0.1%	--	0.7%	--
1/6	Cap Goods Ship Nondef Ex Air	Nov F	0.2%	--	0.5%	--
1/7	JOLTS Job Openings	Nov	7775k	--	7744k	--
1/7	JOLTS Job Openings Rate	Nov	--	--	4.6%	--
1/7	JOLTS Quits Level	Nov	--	--	3326k	--
1/7	JOLTS Quits Rate	Nov	--	--	2.1%	--
1/7	JOLTS Layoffs Level	Nov	--	--	1633k	--
1/7	JOLTS Layoffs Rate	Nov	--	--	1.0%	--
1/7	ISM Services Prices Paid	Dec	--	--	58.2	--
1/7	ISM Services Index	Dec	53.2	--	52.1	--
1/7	ISM Services Employment	Dec	--	--	51.5	--
1/7	ISM Services New Orders	Dec	--	--	53.7	--
1/8	ADP Employment Change	Dec	130k	--	146k	--
1/9	Challenger Job Cuts YoY	Dec	--	--	26.8%	--
1/9	Wholesale Trade Sales MoM	Nov	--	--	-0.1%	--
1/10	Average Hourly Earnings YoY	Dec	4.0%	--	4.0%	--
1/10	Average Hourly Earnings MoM	Dec	0.3%	--	0.4%	--
1/10	Underemployment Rate	Dec	--	--	7.8%	--
1/10	Labor Force Participation Rate	Dec	--	--	62.5%	--
1/10	Change in Manufact. Payrolls	Dec	--	--	22k	--
1/10	Change in Nonfarm Payrolls	Dec	153k	--	227k	--
1/10	Two-Month Payroll Net Revision	Dec	--	--	56k	--
1/10	Unemployment Rate	Dec	4.2%	--	4.2%	--
1/10	Change in Private Payrolls	Dec	133k	--	194k	--
1/10	Average Weekly Hours All Employees	Dec	34.3	--	34.3	--
1/10	U. of Mich. Sentiment	Jan P	--	--	74.0	--
1/10	U. of Mich. Current Conditions	Jan P	--	--	75.1	--
1/10	U. of Mich. 1 Yr Inflation	Jan P	--	--	2.8%	--

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	6.7	6.7

CPR Projections						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	10.3	11.4	12.1	14.1	16.9	18.3
FH/FN 15y	7.2	8.2	9.6	15.2	14.1	21.1
GN 15y	8.9	11.6	11.2	12.1	11.6	14.8
FH/FN 20y	6.2	6.8	7.7	8.9	11.4	13.0
FH/FN 30y	5.7	6.1	6.9	7.7	8.3	10.4
GN 30y	6.3	6.4	7.7	7.6	8.9	9.7

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	157.34	(0.53)	150.05	161.94	142.65
Euro	1.03	(0.01)	1.05	1.08	1.09
Dollar Index	109.01	0.88	106.37	105.40	102.49
Major Stock Indices					
Dow Jones	42,552	(774)	44,706	39,308	37,430
S&P 500	5,902.3	(135.3)	6,049.9	5,537.0	4,704.8
NASDAQ	19,466.3	(554)	19,480.9	18,188.3	14,592.2
Commodities					
Gold	2,659.9	21.1	2,644.7	2,369.4	2,042.8
Crude Oil	73.63	4.01	69.94	83.88	72.70
Natural Gas	3.47	(0.24)	3.04	2.42	2.67
Wheat	536.5	-4.5	536.8	554.5	600.3
Corn	453.8	--	423.3	403.5	465.3

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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