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### UPCOMING EVENTS

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Feb 14, 2024

[Q2 Bank CC Webinar](#)

Apr 4, 2024

#### CUs

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Apr 11, 2024

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Aug 20-21, 2024

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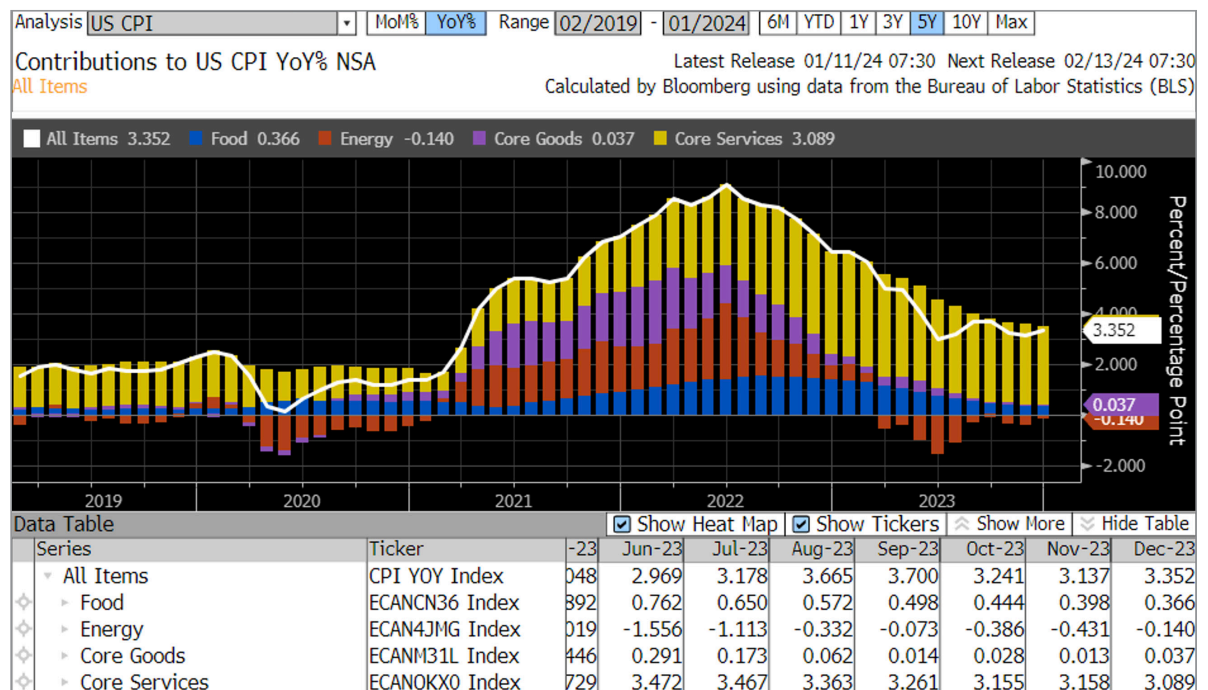
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Nov 7-8, 2024

Bond markets seemed to be in a bit of a holding pattern to start the week awaiting Thursday's release of the Consumer Price Index (CPI). The 10-year Treasury yield hovered around the 4% psychological level through Wednesday with limited economic news. When the inflation numbers finally hit the wires Thursday morning, it caused a confused, 2-way reaction that ultimately settled with yields down on the day as investors tried to reconcile hot headline numbers with the fact that the core measure dropped below 4% for the first time since May 2021.

Headline CPI rose higher than expected in December, up 0.3% month-over-month (vs. 0.2% consensus) and 3.4% year-over-year (vs. 3.2% consensus). Excluding food and energy, Core CPI rose 0.3% MoM (0.3% consensus) and 3.9% YoY (3.8% consensus), but it also marked the first time that Core CPI printed below 4% in nearly 2.5 years. The closely watched shelter component accelerated in December, rising 0.5% and making up more than half of the monthly gain in CPI.

Bond yields initially rose following the report but reversed course, perhaps as investors reckoned that a hotter than expected CPI print driven by higher shelter prices will be less of an issue for the Fed's favorite inflation measure, Personal Consumption Expenditures (PCE), which comes out in two weeks. PCE weights housing costs much lower than CPI where housing costs are the largest single category by far and can have a disproportionately large impact on the overall measure of inflation. The report was not enough to deter Fed Funds futures traders who remained confident that the first rate cut from the Fed will be in March.



(Continued)



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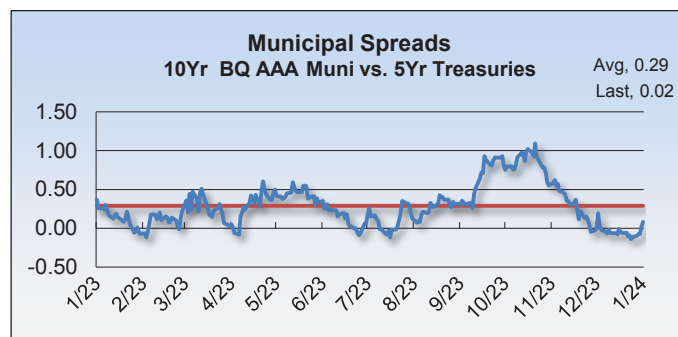
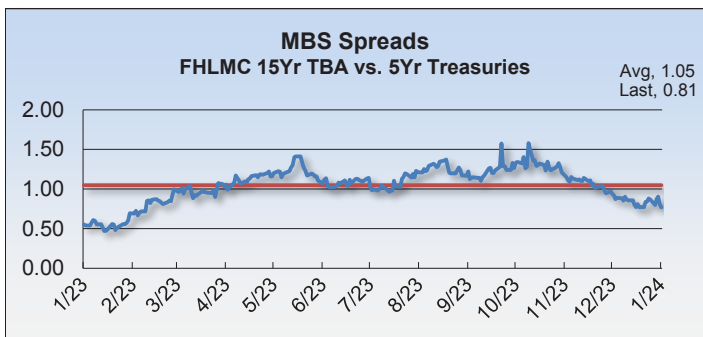
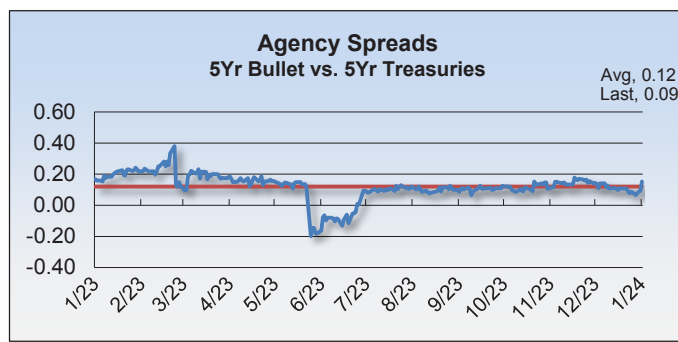
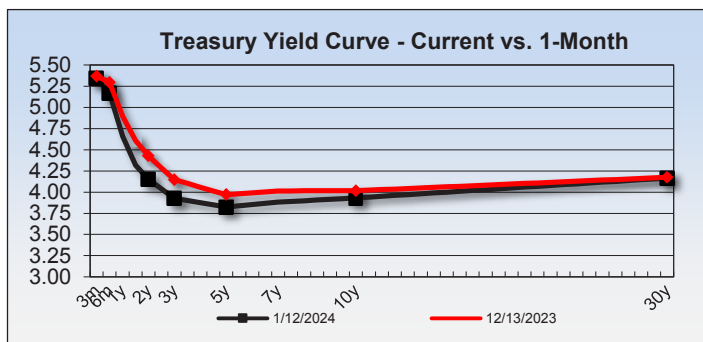
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Friday's read of the less closely watched but still important inflation measure of producer prices also spurred rate cut bets. Producer prices, which tend to lead consumer prices, unexpectedly declined 0.1% MoM in December (vs. a 0.1% increase expected). YoY PPI increased just 1.0% (vs. 1.3% expected). Following the report, the 2-year Treasury yield fell to the lowest level since May and the 10-year Treasury yield is down ~5bps at the time of this writing. Futures markets increased their bets on a March rate cut following the report. The probability of a first quarter cut now stands at 77.7% according to the CME Fed Watch Tool and futures markets are betting on a 25bp rate cut in every subsequent meeting through the end of the year.

Next week will be another important one for markets. It is a short week with the Martin Luther King Jr. holiday on Monday, but a lot of data will be released in the days that follow. A slew of housing data is due throughout the week as well as the reading of retail sales for the final month of the year on Wednesday. Hope everyone is able to enjoy the long weekend and stay warm.



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 <sup>2</sup>	S-Corp <sup>3</sup>			3Mo	6mo	1Yr	2Yr
3mo	5.34	(0.04)	5.39	5.39	4.59	2yr	4.19	4.09	3.67	3.90	4.46	2Yr	4.95	4.95	4.95	-
6mo	5.17	(0.09)	5.37	5.47	4.78	3yr	4.00	3.81	3.49	3.71	4.39	3Yr	4.73	4.74	4.70	4.73
1yr	4.66	(0.19)	5.13	5.34	4.66	5yr	3.89	3.62	3.15	3.35	4.25	5Yr	4.71	4.71	4.70	4.64
2yr	4.15	(0.23)	4.73	4.75	4.15	7yr	4.08	3.58	3.16	3.37	4.45	7Yr	4.76	4.79	4.78	4.71
3yr	3.93	(0.24)	4.43	4.38	3.94	10yr	4.15	3.60	3.19	3.40	4.57	10Yr	4.86	4.92	4.91	4.85
5yr	3.82	(0.18)	4.22	4.07	3.54	15yr	4.21	3.65	3.99	4.25	4.80	February TBA MBS				
7yr	3.88	(0.16)	4.24	3.98	3.49	20yr	4.27	3.64	4.38	4.66	5.21	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	3.93	(0.12)	4.20	3.86	3.44	25yr	4.34	3.57	4.61	4.90	5.27	2.50	4.69	5.4y	4.60	
30yr	4.17	(0.04)	4.31	3.95	3.58	30yr	4.34	3.49	4.83	5.14	5.32	3.00	4.77	5.3y	4.60	
												3.50	4.53	5.3y	4.80 9.9y	
												4.00	4.44	5.4y	4.87 9.6y	
												4.50			4.99 9.1y	
												5.00			5.13 8.2y	

\* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	5.50	--	5.50	5.25	4.50
Primary Discount	5.50	--	5.50	5.25	4.50
2ndary Discount	6.00	--	6.00	5.75	5.00
Prime Rate	8.50	--	8.50	8.25	7.50
Sec. O.N. Finance	5.31	(0.01)	5.32	5.06	--
1 Month LIBOR	5.45	(0.01)	5.47	5.31	4.43
3 Month LIBOR	5.59	(0.00)	5.63	5.56	4.81
6 Month LIBOR	5.61	0.02	5.72	5.83	5.14
1 Year LIBOR	6.04	0.12	5.73	5.48	3.62
6 Month CD	5.26	(0.06)	5.54	5.77	4.99
1 Year CMT	4.75	(0.10)	5.14	5.44	4.73
REPO O/N	5.35	--	5.40	5.13	4.34
REPO 1Wk	5.37	0.02	5.35	5.14	4.39
CoF Federal	3.848	--	3.814	3.460	2.568
11th D. CoF (Dec)	0.223	--	0.218	0.282	0.460

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	5.49	5.52	5.53
6mo	5.34	5.31	5.41
1yr	4.76	4.76	5.07
2yr	4.23	4.32	4.56
3yr	4.05	4.13	4.31
4yr	4.02	4.09	4.25
5yr	3.98	4.05	4.19
7yr	4.23	4.32	4.41
10yr	4.40	4.50	4.55
5yr Am	4.15		4.37
10yr Am	4.21		4.48

Fed Fund Futures	
Maturity	Rate
Jan-24	5.328
Feb-24	5.310
Mar-24	5.240
Apr-24	5.105
May-24	4.825
Jun-24	4.635
Jul-24	4.515
Aug-24	4.265
Sep-24	4.165
Oct-24	4.020
Nov-24	3.880

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
1/8	NY Fed 1-Yr Inflation Expectations	Dec	--	3.01%	3.36%	--
1/8	Consumer Credit	Nov	\$8.550b	\$23.751b	\$5.134b	\$5.779b
1/9	NFIB Small Business Optimism	Dec	91.0	91.9	90.6	--
1/9	Trade Balance	Nov	-\$64.9b	-\$63.2b	-\$64.3b	-\$64.5b
1/10	MBA Mortgage Applications	1/5	--	9.9%	-10.7%	--
1/10	Wholesale Inventories MoM	Nov F	-0.2%	-0.2%	-0.2%	--
1/10	Wholesale Trade Sales MoM	Nov	0.4%	0.0%	-1.3%	-1.5%
1/11	CPI MoM	Dec	0.2%	0.3%	0.1%	--
1/11	CPI Ex Food and Energy MoM	Dec	0.3%	0.3%	0.3%	--
1/11	CPI YoY	Dec	3.2%	3.4%	3.1%	--
1/11	CPI Ex Food and Energy YoY	Dec	3.8%	3.9%	4.0%	--
1/11	CPI Index NSA	Dec	306.60	306.75	307.05	--
1/11	CPI Core Index SA	Dec	313.01	313.22	312.25	--
1/11	Real Avg Hourly Earning YoY	Dec	--	0.8%	0.8%	0.9%
1/11	Real Avg Weekly Earnings YoY	Dec	--	0.5%	0.5%	0.6%
1/11	Initial Jobless Claims	1/6	210k	202k	202k	203k
1/11	Continuing Claims	12/30	1870k	1834k	1855k	1868k
1/11	Monthly Budget Statement	Dec	-\$87.5b	-\$129.4b	-\$85.0b	--
1/12	PPI Final Demand MoM	Dec	0.1%	-0.1%	0.0%	-0.1%
1/12	PPI Ex Food and Energy MoM	Dec	0.2%	0.0%	0.0%	--
1/12	PPI Ex Food, Energy, Trade MoM	Dec	0.2%	0.2%	0.1%	--
1/12	PPI Final Demand YoY	Dec	1.3%	1.0%	0.9%	0.8%
1/12	PPI Ex Food and Energy YoY	Dec	2.0%	1.8%	2.0%	--
1/12	PPI Ex Food, Energy, Trade YoY	Dec	2.5%	2.5%	2.5%	2.4%
1/16	Empire Manufacturing	Jan	-2.9	--	-14.5	--
1/17	New York Fed Services Business Activit	Jan	--	--	-14.6	--
1/17	Retail Sales Advance MoM	Dec	0.4%	--	0.3%	--
1/17	Retail Sales Ex Auto MoM	Dec	0.2%	--	0.2%	--
1/17	Retail Sales Ex Auto and Gas	Dec	0.3%	--	0.6%	--
1/17	Retail Sales Control Group	Dec	0.2%	--	0.4%	--
1/17	Import Price Index MoM	Dec	-0.7%	--	-0.4%	--
1/17	Import Price Index ex Petroleum MoM	Dec	--	--	0.2%	--
1/17	Import Price Index YoY	Dec	--	--	-1.4%	--
1/17	Export Price Index YoY	Dec	--	--	-5.2%	--
1/17	Capacity Utilization	Dec	78.7%	--	78.8%	--
1/17	Manufacturing (SIC) Production	Dec	-0.1%	--	0.3%	--
1/17	Business Inventories	Nov	-0.1%	--	-0.1%	--
1/17	NAHB Housing Market Index	Jan	39	--	37	--
1/18	Building Permits MoM	Dec	0.9%	--	-2.5%	-2.1%
1/18	Building Permits	Dec	1480k	--	1460k	1467k
1/18	Philadelphia Fed Business Outlook	Jan	-6.5	--	-10.5	-12.8
1/18	Housing Starts	Dec	1418k	--	1560k	--
1/19	U. of Mich. Sentiment	Jan P	69.0	--	69.7	--
1/19	U. of Mich. Expectations	Jan P	66.1	--	67.4	--
1/19	U. of Mich. 1 Yr Inflation	Jan P	--	--	3.1%	--
1/19	Existing Home Sales	Dec	3.83m	--	3.82m	--
1/19	Existing Home Sales MoM	Dec	0.3%	--	0.8%	--

MBS Prepayments <sup>4</sup>						
3-Month CPR						
Type	2.5	3.0	3.5	4.0	4.5	5.0
FN 10y	10.8	11.7	11.3	13.7	10.4	10.8
FH/FN 15y	5.4	6.4	7.6	10.8	14.9	17.6
GN 15y	10.8	12.7	16.2	20.0	27.7	44.5
FH/FN 20y	4.3	5.5	6.2	7.0	8.8	10.3
FH/FN 30y	3.3	5.2	4.3	4.5	7.5	5.2
GN 30y	3.6	5.1	8.6	4.6	5.9	6.6

CPR Projections						
Type	2.5	3.0	3.5	4.0	4.5	5.0
FN 10y	12.8	12.8	13.0	12.8	11.2	12.4
FH/FN 15y	6.1	7.2	8.3	10.5	14.4	14.0
GN 15y	9.0	9.3	11.9	12.3	13.1	12.5
FH/FN 20y	6.3	6.1	7.1	8.5	9.6	10.4
FH/FN 30y	5.4	5.7	6.2	6.9	7.9	9.2
GN 30y	5.7	6.4	6.9	9.0	9.4	9.3

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
<b>Currencies</b>					
Japanese Yen	144.44	(0.19)	145.29	139.55	131.01
Euro	1.10	0.00	1.08	1.10	1.08
Dollar Index	102.18	(0.23)	103.87	100.52	102.25
<b>Major Stock Indices</b>					
Dow Jones	37,570	104	36,578	34,347	34,190
S&P 500	4,793.8	96.5	4,643.7	4,472.2	3,983.2
NASDAQ	14,980.5	456	14,533.4	13,919.0	11,001.1
<b>Commodities</b>					
Gold	2,061.0	11.2	1,977.8	1,961.7	1,898.8
Crude Oil	74.08	0.27	68.61	75.75	78.39
Natural Gas	3.33	0.44	2.31	2.63	3.70
Wheat	605.0	-11.0	607.0	621.3	742.8
Corn	456.3	-4.5	462.5	549.8	671.0

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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