



**Dillon Wiedemann**

Financial Analyst

The Baker Group LP

[Email](#)

### UPCOMING EVENTS

#### Banks

##### Webinars:

[Bank Trends Q4 Webinar](#)

Feb 14, 2024

[Q2 Bank CC Webinar](#)

Apr 4, 2024

##### Schools:

[Baker Bond School](#)

Apr 9-10, 2024

[Baker ALM School](#)

Aug 20-21, 2024

#### CUs

##### Webinars:

[Q2 CU CC Webinar](#)

Apr 11, 2024

##### Schools:

[Baker CU Virtual](#)

[Bond School](#)

Mar 13-14, 2024

[Baker CU Virtual](#)

[ALM School](#)

Jul 24-25, 2024

[Baker Bond School](#)

Apr 9-10, 2024

[Baker ALM School](#)

Aug 20-21, 2024

#### Banks and CUs

##### Seminar:

[Scottsdale, AZ](#)

[45th Anniversary](#)

[Celebration Seminar](#)

Nov 7-8, 2024

Following last week's trading volatility, the markets were relatively calm this week. As of the time of this writing, yields across the Treasury curve were within a few basis points of where they started on Monday. Markets may not have reflected it, but there was plenty of opportunity for volatility with some of the economic data that was released this week.

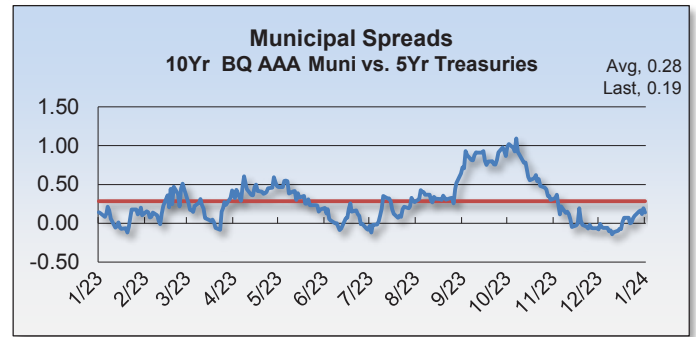
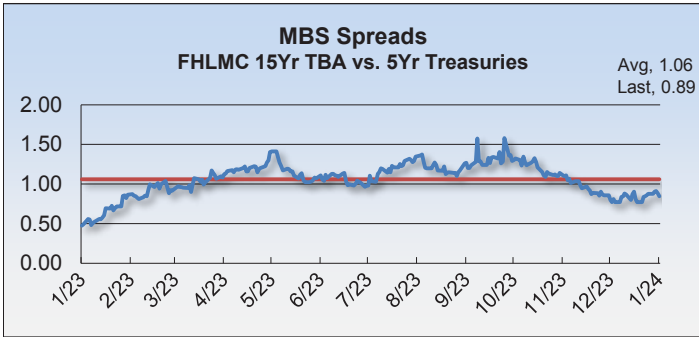
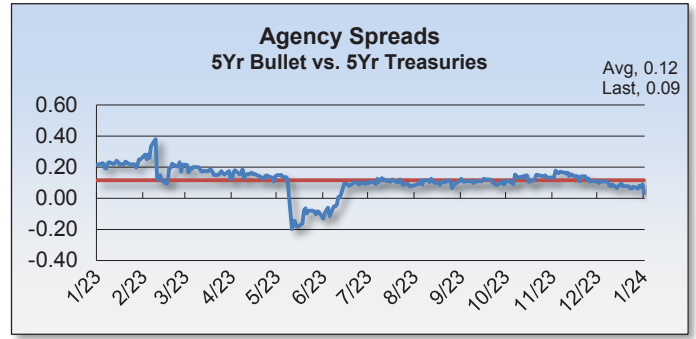
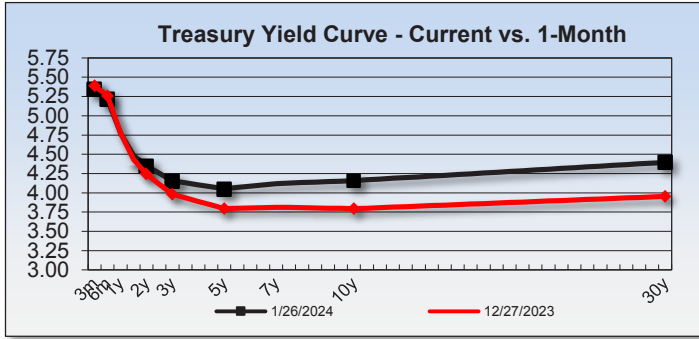
The Conference Board's Leading Economic Indicators Index was released for December and fell 0.1%, continuing the negative streak by falling for the 21st consecutive month. This remains a closely watched data point for Investors looking to explain the large gap between the market's expectations for rate cuts in 2024 vs the Fed's. Markets currently see one path for the economy that leads to a potential recession while the Fed is focused on navigating a soft landing.

On a broader level, the US economy finished on a strong note with GDP growing 3.3% in Q4 (est = 2.0%) while the broadest measure of inflation fell below the Fed's long term target of 2.0%. The GDP Price Index, which measures the price change of every good and service in the economy, rose just 1.5% in Q4 (est = 2.2%), the lowest level since June of 2020 and below the 20-year average of 2.3%. Excluding food and energy, the Core GDP Price index rose just 2.0% (est = 2.0%). Consumer spending was strong in Q4, adding 1.91 percentage points to GDP while business investment added 0.26 points and inventories unexpectedly grew.

The PCE Deflator (the inflation metric the Fed uses to target 2% inflation) rose 0.2% in December and 2.6% from a year ago. That matches last month's reading and is the lowest since February 2021. Excluding food and energy, Core PCE rose 0.2% for the month and 2.9% from a year ago, the first time Core PCE has been below 3% since March 2021. For reference, the core PCE number was sitting at 4.9% a year ago. While still above the Fed's target of 2% inflation, the steady drop in both the headline and core PCE should give the Fed comfort that higher rates are having the desired effect. Fed funds futures are still pricing in about a 50% chance the Fed will cut rates in March and will cut rates 125-150bp for all of 2024. We will get more clarity on that when the FOMC meets on Wednesday of next week.

| CME FEDWATCH TOOL - MEETING PROBABILITIES |         |         |         |         |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| MEETING DATE                              | 325-350 | 350-375 | 375-400 | 400-425 | 425-450 | 450-475 | 475-500 | 500-525 | 525-550 |
| 1/31/2024                                 |         |         |         | 0.0%    | 0.0%    | 0.0%    | 0.0%    | 2.6%    | 97.4%   |
| 3/20/2024                                 | 0.0%    | 0.0%    | 0.0%    | 0.0%    | 0.0%    | 0.0%    | 1.2%    | 46.2%   | 52.6%   |
| 5/1/2024                                  | 0.0%    | 0.0%    | 0.0%    | 0.0%    | 0.0%    | 0.9%    | 36.2%   | 51.2%   | 11.7%   |
| 6/12/2024                                 | 0.0%    | 0.0%    | 0.0%    | 0.0%    | 1.4%    | 36.4%   | 50.6%   | 11.5%   | 0.0%    |
| 7/31/2024                                 | 0.0%    | 0.0%    | 0.0%    | 1.2%    | 32.2%   | 48.9%   | 16.3%   | 1.4%    | 0.0%    |
| 9/18/2024                                 | 0.0%    | 0.0%    | 1.2%    | 30.0%   | 47.7%   | 18.6%   | 2.4%    | 0.1%    | 0.0%    |
| 11/7/2024                                 | 0.0%    | 0.7%    | 18.3%   | 40.6%   | 30.4%   | 9.0%    | 1.0%    | 0.0%    | 0.0%    |
| 12/18/2024                                | 0.5%    | 14.5%   | 35.8%   | 32.6%   | 13.6%   | 2.8%    | 0.3%    | 0.0%    | 0.0%    |

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 <sup>2</sup> | S-Corp <sup>3</sup> |          | Mty                 | 3Mo          | 6mo  | 1Yr          | 2Yr  |
| 3mo                           | 5.35    | (0.00)     | 5.37       | 5.43 | 4.67 | 2yr               | 4.41          | 4.16    | 3.79                | 4.04                | 4.41     | 2Yr                 | 5.16         | 5.16 | 5.16         | -    |
| 6mo                           | 5.21    | (0.02)     | 5.27       | 5.49 | 4.82 | 3yr               | 4.31          | 3.91    | 3.65                | 3.89                | 4.37     | 3Yr                 | 4.96         | 4.97 | 4.90         | 4.96 |
| 1yr                           | 4.77    | (0.09)     | 4.81       | 5.37 | 4.67 | 5yr               | 4.12          | 3.75    | 3.40                | 3.62                | 4.28     | 5Yr                 | 4.94         | 4.94 | 4.93         | 4.87 |
| 2yr                           | 4.35    | (0.04)     | 4.36       | 4.85 | 4.18 | 7yr               | 4.31          | 3.73    | 3.42                | 3.64                | 4.55     | 7Yr                 | 5.01         | 5.03 | 5.02         | 4.95 |
| 3yr                           | 4.16    | (0.01)     | 4.07       | 4.49 | 3.99 | 10yr              | 4.37          | 3.75    | 3.44                | 3.67                | 4.68     | 10Yr                | 5.09         | 5.15 | 5.14         | 5.08 |
| 5yr                           | 4.05    | (0.00)     | 3.89       | 4.12 | 3.59 | 15yr              | 4.43          | 3.81    | 4.21                | 4.48                | 4.90     | February TBA MBS    |              |      |              |      |
| 7yr                           | 4.12    | 0.02       | 3.92       | 4.01 | 3.55 | 20yr              | 4.49          | 3.80    | 4.61                | 4.90                | 5.36     | Cpn                 | 15Yr -Yld/AL |      | 30Yr -Yld/AL |      |
| 10yr                          | 4.16    | 0.03       | 3.90       | 3.87 | 3.50 | 25yr              | 4.55          | 3.73    | 4.83                | 5.14                | 5.42     | 2.50                | 4.94         | 5.4y | 4.92         |      |
| 30yr                          | 4.39    | 0.07       | 4.05       | 3.94 | 3.64 | 30yr              |               | 3.65    | 5.05                | 5.38                | 5.47     | 3.00                | 5.03         | 5.4y |              |      |
|                               |         |            |            |      |      |                   |               |         |                     |                     |          | 3.50                | 4.79         | 5.3y | 5.10         | 9.8y |
|                               |         |            |            |      |      |                   |               |         |                     |                     |          | 4.00                | 4.68         | 5.3y | 5.14         | 9.4y |
|                               |         |            |            |      |      |                   |               |         |                     |                     |          | 4.50                |              |      | 5.25         | 9.0y |
|                               |         |            |            |      |      |                   |               |         |                     |                     |          | 5.00                |              |      | 5.36         | 8.2y |

\* Interpolated

| Key Market Indices |         |            |            |       |       |
|--------------------|---------|------------|------------|-------|-------|
| Index              | Current | 1Wk Change | Historical |       |       |
|                    |         |            | 1 Mo       | 6 Mo  | 1 Yr  |
| Fed Funds          | 5.50    | --         | 5.50       | 5.50  | 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  | 5.32    | 0.01       | 5.32       | 5.06  | --    |
| 1 Month LIBOR      | 5.45    | 0.00       | 5.47       | 5.42  | 4.52  |
| 3 Month LIBOR      | 5.59    | 0.01       | 5.61       | 5.61  | 4.82  |
| 6 Month LIBOR      | 5.62    | 0.07       | 5.62       | 5.85  | 5.11  |
| 1 Year LIBOR       | 6.04    | 0.12       | 5.73       | 5.48  | 3.62  |
| 6 Month CD         | 5.28    | (0.01)     | 5.37       | 5.76  | 5.04  |
| 1 Year CMT         | 4.76    | (0.04)     | 4.82       | 5.38  | 4.67  |
| REPO O/N           | 5.35    | --         | 5.35       | 5.11  | 4.32  |
| REPO 1Wk           | 5.38    | (0.00)     | 5.40       | 5.36  | 4.41  |
| CoF Federal        | 3.855   | --         | 3.848      | 3.544 | 2.794 |
| 11th D. CoF (Dec)  | 0.223   | --         | 0.218      | 0.282 | 0.460 |

| FHLB Fixed Advance Rates |         |        |        |
|--------------------------|---------|--------|--------|
| Maturity                 | Chicago | Boston | Topeka |
| 3mo                      | 5.47    | 5.50   | 5.52   |
| 6mo                      | 5.30    | 5.31   | 5.38   |
| 1yr                      | 4.86    | 4.88   | 5.03   |
| 2yr                      | 4.43    | 4.51   | 4.59   |
| 3yr                      | 4.26    | 4.31   | 4.38   |
| 4yr                      | 4.22    | 4.28   | 4.34   |
| 5yr                      | 4.19    | 4.23   | 4.30   |
| 7yr                      | 4.40    | 4.46   | 4.50   |
| 10yr                     | 4.57    | 4.65   | 4.67   |
| 5yr Am                   | 4.15    |        | 4.45   |
| 10yr Am                  | 4.21    |        | 4.58   |

| Fed Fund Futures |       |  |
|------------------|-------|--|
| Maturity         | Rate  |  |
| Jan-24           | 5.330 |  |
| Feb-24           | 5.325 |  |
| Mar-24           | 5.280 |  |
| Apr-24           | 5.205 |  |
| May-24           | 5.010 |  |
| Jun-24           | 4.855 |  |
| Jul-24           | 4.755 |  |
| Aug-24           | 4.540 |  |
| Sep-24           | 4.445 |  |
| Oct-24           | 4.305 |  |
| Nov-24           | 4.180 |  |

| Weekly Economic Calendar |                                    |       |       |        |        |         |
|--------------------------|------------------------------------|-------|-------|--------|--------|---------|
| This Week & Next         |                                    |       |       |        |        |         |
| Date                     | Release                            | Per.  | Est.  | Actual | Prior  | Revised |
| 1/22                     | Leading Index                      | Dec   | -0.3% | -0.1%  | -0.5%  | --      |
| 1/23                     | Richmond Fed Manuf. Index          | Jan   | -8    | -15    | -11    | --      |
| 1/23                     | Richmond Fed Business Conditions   | Jan   | --    | -3     | 0      | --      |
| 1/24                     | S&P Global US Manufacturing PMI    | Jan P | 47.6  | 50.3   | 47.9   | --      |
| 1/24                     | S&P Global US Services PMI         | Jan P | 51.5  | 52.9   | 51.4   | --      |
| 1/24                     | S&P Global US Composite PMI        | Jan P | 51.0  | 52.3   | 50.9   | --      |
| 1/25                     | Chicago Fed Nat Activity Index     | Dec   | 6%    | -15%   | 3%     | 1%      |
| 1/25                     | GDP Annualized QoQ                 | 4Q A  | 2.0%  | 3.3%   | 4.9%   | --      |
| 1/25                     | Personal Consumption               | 4Q A  | 2.5%  | 2.8%   | 3.1%   | --      |
| 1/25                     | GDP Price Index                    | 4Q A  | 2.2%  | 1.5%   | 3.3%   | --      |
| 1/25                     | Core PCE Price Index QoQ           | 4Q A  | 2.0%  | 2.0%   | 2.0%   | --      |
| 1/25                     | Durables Ex Transportation         | Dec P | 0.2%  | 0.6%   | 0.4%   | 0.5%    |
| 1/25                     | Cap Goods Orders Nondef Ex Air     | Dec P | 0.1%  | 0.3%   | 0.8%   | 1.0%    |
| 1/25                     | Cap Goods Ship Nondef Ex Air       | Dec P | 0.0%  | 0.1%   | -0.2%  | --      |
| 1/25                     | Initial Jobless Claims             | 1/20  | 200k  | 214k   | 487k   | 189k    |
| 1/25                     | Continuing Claims                  | 1/13  | 1823k | 1833k  | 1806k  | --      |
| 1/26                     | Personal Income                    | Dec   | 0.3%  | 0.3%   | 0.4%   | --      |
| 1/26                     | Real Personal Spending             | Dec   | 0.3%  | 0.5%   | 0.3%   | 0.5%    |
| 1/26                     | PCE Deflator MoM                   | Dec   | 0.2%  | 0.2%   | -0.1%  | --      |
| 1/26                     | PCE Deflator YoY                   | Dec   | 2.6%  | 2.6%   | 2.6%   | --      |
| 1/26                     | PCE Core Deflator MoM              | Dec   | 0.2%  | 0.2%   | 0.1%   | --      |
| 1/26                     | PCE Core Deflator YoY              | Dec   | 3.0%  | 2.9%   | 3.2%   | --      |
| 1/26                     | Pending Home Sales MoM             | Dec   | 2.0%  | 8.3%   | 0.0%   | -0.3%   |
| 1/26                     | Pending Home Sales NSA YoY         | Dec   | -4.3% | -1.0%  | -5.4%  | -5.5%   |
| 1/30                     | FHFA House Price Index MoM         | Nov   | 0.2%  | --     | 0.3%   | --      |
| 1/30                     | S&P CoreLogic CS 20-City YoY NSA   | Nov   | --    | --     | 4.87%  | --      |
| 1/30                     | S&P CoreLogic CS US HPI YoY NSA    | Nov   | --    | --     | 4.77%  | --      |
| 1/30                     | Conf. Board Present Situation      | Jan   | --    | --     | 148.5  | --      |
| 1/30                     | Conf. Board Expectations           | Jan   | --    | --     | 85.6   | --      |
| 1/30                     | JOLTS Job Openings                 | Dec   | 8700k | --     | 8790k  | --      |
| 1/31                     | ADP Employment Change              | Jan   | 143k  | --     | 164k   | --      |
| 1/31                     | Employment Cost Index              | 4Q    | 1.00% | --     | 1.10%  | --      |
| 1/31                     | FOMC Rate Decision (Upper Bound)   | 1/31  | 5.50% | --     | 5.50%  | --      |
| 1/31                     | FOMC Rate Decision (Lower Bound)   | 1/31  | 5.25% | --     | 5.25%  | --      |
| 1/31                     | Interest on Reserve Balances Rate  | 2/1   | 5.40% | --     | 5.40%  | --      |
| 2/1                      | Challenger Job Cuts YoY            | Jan   | --    | --     | -20.2% | --      |
| 2/1                      | Unit Labor Costs                   | 4Q P  | 1.8%  | --     | -1.2%  | --      |
| 2/2                      | Two-Month Payroll Net Revision     | Jan   | --    | --     | -71k   | --      |
| 2/2                      | Change in Nonfarm Payrolls         | Jan   | 178k  | --     | 216k   | --      |
| 2/2                      | Change in Private Payrolls         | Jan   | 143k  | --     | 164k   | --      |
| 2/2                      | Change in Manuf. Payrolls          | Jan   | 2k    | --     | 6k     | --      |
| 2/2                      | Unemployment Rate                  | Jan   | 3.8%  | --     | 3.7%   | --      |
| 2/2                      | Average Hourly Earnings MoM        | Jan   | 0.3%  | --     | 0.4%   | --      |
| 2/2                      | Average Hourly Earnings YoY        | Jan   | 4.1%  | --     | 4.1%   | --      |
| 2/2                      | Average Weekly Hours All Employees | Jan   | 34.3  | --     | 34.3   | --      |
| 2/2                      | Labor Force Participation Rate     | Jan   | 62.6% | --     | 62.5%  | --      |
| 2/2                      | Underemployment Rate               | Jan   | --    | --     | 7.1%   | --      |

| 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                       | 10.6 | 10.9 | 11.4 | 11.9 | 13.1 | 16.3 |
| FH/FN 15y                    | 6.2  | 7.1  | 8.2  | 11.1 | 15.2 | 14.3 |
| GN 15y                       | 9.1  | 9.2  | 11.8 | 12.2 | 13.0 | 12.5 |
| FH/FN 20y                    | 6.1  | 6.1  | 6.8  | 8.1  | 9.3  | 11.0 |
| FH/FN 30y                    | 5.4  | 5.8  | 6.1  | 7.0  | 8.3  | 9.3  |
| GN 30y                       | 5.3  | 6.0  | 6.8  | 8.6  | 9.4  | 9.2  |

| Other Markets              |          |          |            |          |          |
|----------------------------|----------|----------|------------|----------|----------|
| Index                      | Current  | 1Wk Chng | Historical |          |          |
|                            |          |          | 1 Mo       | 6 Mo     | 1 Yr     |
| <b>Currencies</b>          |          |          |            |          |          |
| Japanese Yen               | 148.02   | (0.10)   | 142.34     | 140.39   | 129.68   |
| Euro                       | 1.09     | (0.00)   | 1.10       | 1.11     | 1.09     |
| Dollar Index               | 103.28   | (0.01)   | 101.47     | 100.89   | 101.84   |
| <b>Major Stock Indices</b> |          |          |            |          |          |
| Dow Jones                  | 38,083   | 219      | 37,545     | 35,520   | 33,949   |
| S&P 500                    | 4,887.7  | 47.9     | 4,774.8    | 4,566.8  | 4,060.4  |
| NASDAQ                     | 15,459.6 | 149      | 15,074.6   | 14,127.3 | 11,512.4 |
| <b>Commodities</b>         |          |          |            |          |          |
| Gold                       | 2,020.2  | (9.1)    | 2,058.2    | 1,970.1  | 1,930.0  |
| Crude Oil                  | 77.13    | 3.72     | 75.57      | 78.78    | 81.01    |
| Natural Gas                | 2.56     | 0.04     | 2.55       | 2.67     | 2.94     |
| Wheat                      | 596.5    | 3.3      | 636.3      | 720.0    | 752.5    |
| Corn                       | 446.3    | 0.8      | 480.3      | 540.3    | 682.5    |

| 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           |  |

INTENDED FOR INSTITUTIONAL INVESTORS ONLY. The data provided in these reports is for informational purposes only and is intended solely for your private use. Information herein is believed to be reliable but The Baker Group LP does not guarantee its completeness or accuracy. Opinions constitute our judgment and are subject to change without notice. Past performance is not indicative of future results. The investments and strategies discussed here may not be suitable for all investors; if you have

Source for the aforementioned indices, rates, descriptions, & economic indicators: Bloomberg, LP. This report was printed as of: 01/26/2024 9:24AM