



Dale Sheller

Associate Partner

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

The big news this Friday morning is whether the groundhog (aka Punxsutawney Phil) saw his shadow or not. After years of seeing his shadow, he did not see his shadow, which we all know means an early spring! As Bill Murray says in the hilarious 1993 comedy, *Groundhog Day*, "This is the one time where television really fails to capture the true excitement of a large squirrel predicting the weather."

The other big news this Friday morning was the release of the first Friday of the month employment report. The US economy defied expectations again and added a much stronger than expected 353,000 jobs in January (est = 185k) and the prior two months were revised higher by 126k. Jobs gains were broad based with the largest gains in Education & Health Services (+112k), Professional & Business Services (+74k) and Trade & Transportation (+64k). With most of the gains occurring in higher paying sectors, wage gains came in stronger than expected, up 0.6% for the month (est = 0.3%) and 4.5% from a year ago (est = 4.1%). As was the case the prior month, the separate survey of households (the main nonfarm payrolls number comes from a survey of businesses) showed a drop of -31,000 jobs. The household survey has now shown a decline in jobs in 3 of the last 4 months. The Unemployment Rate held steady at 3.7% (est = 3.8%) and the Labor Force Participation Rate also held steady at 62.5% (est = 62.6%). A less focused-on data point showed unexpected weakness with the Average Weekly Hours Worked unexpectedly falling to 34.1 (est = 34.3) from 34.3 the prior month. That is the lowest weekly hours worked since the depth of the pandemic and the Global Financial Crisis. That is not something you normally see in a strong labor market and suggests businesses are cutting worker hours rather than laying off workers.

Two days ago, the FOMC did as expected and left rates unchanged for the 4th consecutive meeting, but they made significant changes to the statement indicating their formal adjustment from a tightening bias to an easing bias. They feel risks are more balanced and they want more evidence inflation will not bounce back before cutting rates. Here are some of the highlights from the Fed meeting this week:

- Leaves rates unchanged at 5.25-5.5% for 4th consecutive meeting
- Vote was unanimous
- Upgraded assessment of the economy that has "been expanding at a solid pace"
- Removed language related to the banking system and tighter credit and financial conditions
- Added: "The Committee judges that the risks to achieving its employment and inflation goals are moving into better balance. The economic outlook is uncertain, and the Committee remains highly attentive to inflation risks."
- Added: "The Committee does not expect it will be appropriate to reduce the target range until it has gained a greater confidence that inflation is moving sustainably toward 2 percent."

(Continued)



Dale Sheller

Associate Partner

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

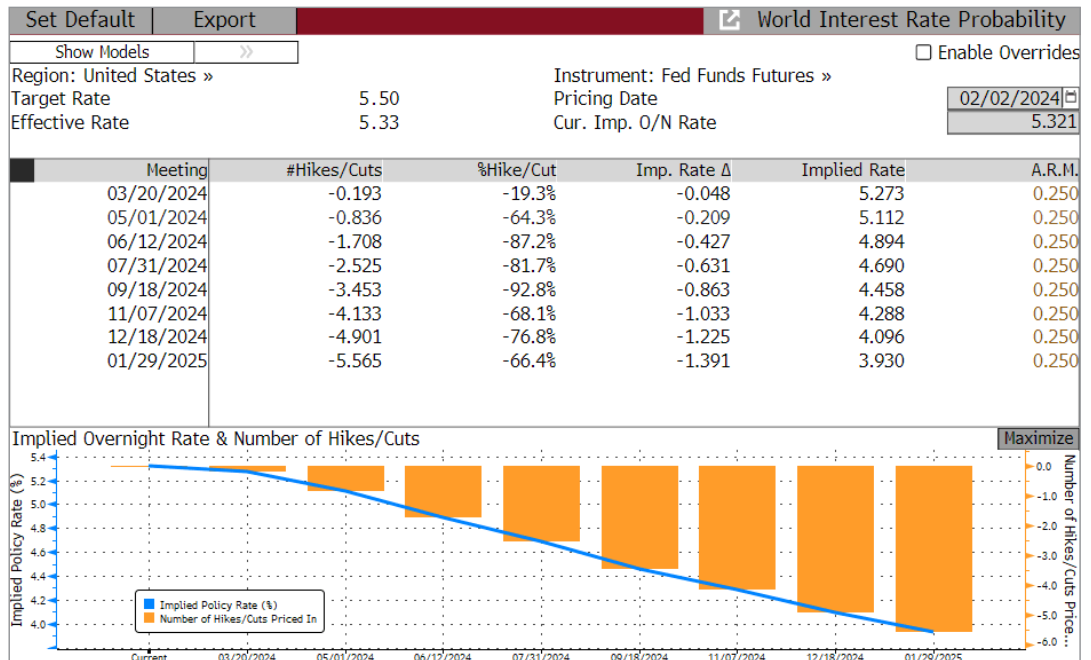
Seminar:

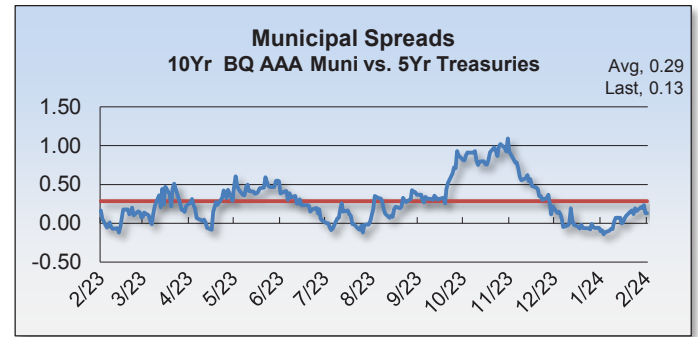
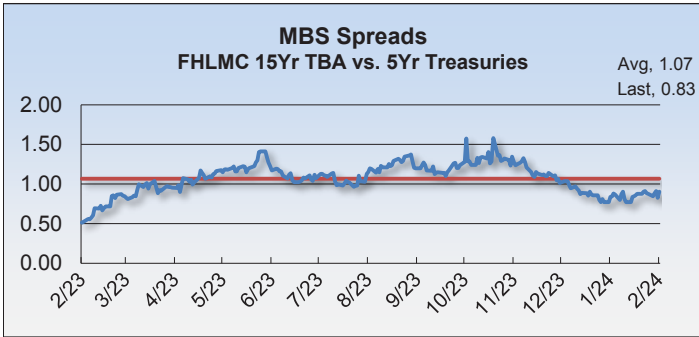
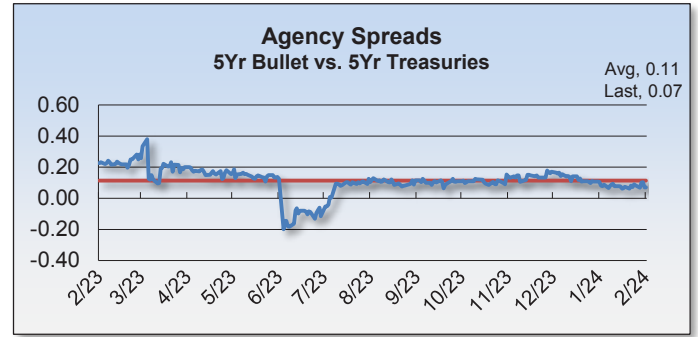
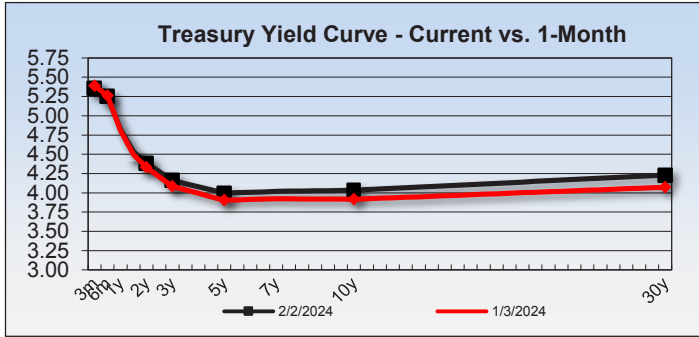
[Scottsdale, AZ 45th Anniversary Celebration Seminar](#)
Nov 7-8, 2024

This morning bond yields are rising because of the strong jobs report. The 2yr yield had surged 18bp to 4.39% and the 10yr was up 16bp to 4.04%. Fed funds futures have now “unpriced” one full rate cut in 2024 and now expect a total of about 125bp of cuts this year with the probability of a March cut down to just 19%.

Enjoy your Groundhog’s Day Weekend!

World Interest Rate Probability Screen





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	5.36	0.00	5.37	5.41	4.63	2yr	4.41	4.09	3.58	3.81	4.29	2Yr	5.18	5.18	5.18	-
6mo	5.25	0.04	5.26	5.49	4.77	3yr	4.20	3.79	3.40	3.62	4.21	3Yr	4.96	4.97	4.90	4.96
1yr	4.82	0.04	4.80	5.37	4.63	5yr	4.04	3.58	3.16	3.37	4.06	5Yr	4.88	4.88	4.87	4.81
2yr	4.39	0.04	4.32	4.88	4.11	7yr	4.20	3.53	3.16	3.37	4.29	7Yr	4.90	4.92	4.91	4.85
3yr	4.16	0.01	4.09	4.55	3.90	10yr	4.24	3.52	3.19	3.40	4.41	10Yr	4.96	5.02	5.01	4.95
5yr	3.99	(0.04)	3.91	4.24	3.49	15yr	4.28	3.57	3.95	4.20	4.63	March TBA MBS				
7yr	4.02	(0.08)	3.94	4.17	3.44	20yr	4.32	3.56	4.34	4.62	5.08	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	4.03	(0.11)	3.93	4.08	3.40	25yr	4.37	3.48	4.56	4.86	5.14	2.50	4.83	5.3y	4.83	
30yr	4.23	(0.14)	4.07	4.18	3.55	30yr		3.40	4.79	5.10	5.19	3.00	4.95	5.3y		
												3.50	4.72	5.1y	5.00	9.5y
												4.00	4.63	5.1y	5.04	9.1y
												4.50			5.15	8.7y
												5.00			5.31	7.6y

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	5.50	--	5.50	5.50	4.75
Primary Discount	5.50	--	5.50	5.50	4.50
2ndary Discount	6.00	--	6.00	6.00	5.00
Prime Rate	8.50	--	8.50	8.50	7.75
Sec. O.N. Finance	5.32	--	5.38	5.31	--
1 Month LIBOR	5.44	(0.01)	5.47	5.43	4.57
3 Month LIBOR	5.58	(0.01)	5.59	5.63	4.81
6 Month LIBOR	5.59	(0.02)	5.59	5.86	5.10
1 Year LIBOR	6.04	0.12	5.73	5.48	3.62
6 Month CD	5.24	(0.04)	5.30	5.75	4.93
1 Year CMT	4.68	(0.08)	4.79	5.38	4.66
REPO O/N	5.38	0.03	5.35	5.34	4.32
REPO 1Wk	5.36	(0.02)	5.34	5.39	4.61
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	5.50	5.53	5.53
6mo	5.37	5.38	5.42
1yr	4.95	4.97	5.10
2yr	4.47	4.49	4.58
3yr	4.26	4.30	4.36
4yr	4.20	4.26	4.29
5yr	4.11	4.17	4.18
7yr	4.28	4.37	4.36
10yr	4.40	4.51	4.47
5yr Am	4.15		4.40
10yr Am	4.21		4.44

Fed Fund Futures	
Maturity	Rate
Feb-24	5.320
Mar-24	5.300
Apr-24	5.270
May-24	5.105
Jun-24	4.970
Jul-24	4.885
Aug-24	4.680
Sep-24	4.585
Oct-24	4.440
Nov-24	4.310
Dec-24	4.190

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
1/30	FHFA House Price Index MoM	Nov	0.3%	0.3%	0.3%	--
1/30	S&P CoreLogic CS 20-City MoM SA	Nov	0.50%	0.15%	0.64%	0.63%
1/30	S&P CoreLogic CS 20-City YoY NSA	Nov	5.80%	5.40%	4.87%	4.88%
1/30	S&P CoreLogic CS US HPI YoY NSA	Nov	--	5.14%	4.77%	4.69%
1/30	Conf. Board Consumer Confidence	Jan	114.8	114.8	110.7	108.0
1/30	Conf. Board Present Situation	Jan	--	161.3	148.5	147.2
1/30	Conf. Board Expectations	Jan	--	83.8	85.6	81.9
1/30	JOLTS Job Openings	Dec	8750k	9026k	8790k	8925k
1/31	MBA Mortgage Applications	1/26	--	-7.2%	3.7%	--
1/31	ADP Employment Change	Jan	150k	107k	164k	158k
1/31	Employment Cost Index	4Q	1.0%	0.9%	1.1%	--
1/31	MNI Chicago PMI	Jan	48.0	46.0	46.9	47.2
1/31	FOMC Rate Decision (Upper Bound)	1/31	5.50%	5.50%	5.50%	--
1/31	FOMC Rate Decision (Lower Bound)	1/31	5.25%	5.25%	5.25%	--
1/31	Interest on Reserve Balances Rate	2/1	5.40%	5.40%	5.40%	--
2/1	Challenger Job Cuts YoY	Jan	--	-20.0%	-20.2%	--
2/1	Nonfarm Productivity	4Q P	2.5%	3.2%	5.2%	4.9%
2/1	Unit Labor Costs	4Q P	1.2%	0.5%	-1.2%	-1.1%
2/1	Initial Jobless Claims	1/27	212k	224k	214k	215k
2/1	Continuing Claims	1/20	1839k	1898k	1833k	1828k
2/1	S&P Global US Manufacturing PMI	Jan F	50.3	50.7	50.3	--
2/1	ISM Manufacturing	Jan	47.2	49.1	47.4	47.1
2/1	ISM Prices Paid	Jan	46.9	52.9	45.2	--
2/1	ISM New Orders	Jan	48.2	52.5	47.1	47.0
2/1	ISM Employment	Jan	47.0	47.1	48.1	47.5
2/2	Two-Month Payroll Net Revision	Jan	--	126k	--	--
2/2	Change in Nonfarm Payrolls	Jan	185k	353k	216k	333k
2/2	Change in Private Payrolls	Jan	170k	317k	164k	278k
2/2	Change in Manufact. Payrolls	Jan	3k	23k	6k	8k
2/2	Unemployment Rate	Jan	3.8%	3.7%	3.7%	--
2/2	Average Hourly Earnings MoM	Jan	0.3%	0.6%	0.4%	--
2/2	Average Hourly Earnings YoY	Jan	4.1%	4.5%	4.1%	4.3%
2/2	Average Weekly Hours All Employees	Jan	34.3	34.1	34.3	--
2/2	Labor Force Participation Rate	Jan	62.6%	62.5%	62.5%	--
2/2	Underemployment Rate	Jan	--	7.2%	7.1%	--
2/2	U. of Mich. Sentiment	Jan F	78.9	79.0	78.8	--
2/2	U. of Mich. Current Conditions	Jan F	83.5	81.9	83.3	--
2/2	U. of Mich. 1 Yr Inflation	Jan F	2.9%	2.9%	2.9%	--
2/2	Factory Orders	Dec	0.2%	0.2%	2.6%	--
2/2	Factory Orders Ex Trans	Dec	0.2%	0.4%	0.1%	0.2%
2/2	Durable Goods Orders	Dec F	0.0%	0.0%	0.0%	--
2/2	Durables Ex Transportation	Dec F	0.6%	0.5%	0.6%	--
2/2	Cap Goods Orders Nondef Ex Air	Dec F	--	0.2%	0.3%	--
2/2	Cap Goods Ship Nondef Ex Air	Dec F	--	0.0%	0.1%	--
2/5	S&P Global US Services PMI	Jan F	52.9	--	52.9	--
2/5	S&P Global US Composite PMI	Jan F	--	--	52.3	--
2/5	ISM Services Index	Jan	52.0	--	50.6	50.5

MBS Prepayments ⁴						
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	11.6	12.1	13.5	16.9
FH/FN 15y	6.3	7.3	8.6	11.5	15.3	14.7
GN 15y	9.2	9.5	11.9	12.5	13.2	12.7
FH/FN 20y	6.2	6.3	7.4	8.9	9.8	11.8
FH/FN 30y	5.5	5.9	6.5	7.6	8.6	10.2
GN 30y	5.5	6.0	6.9	9.4	9.5	9.4

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	148.18	0.03	141.65	142.74	128.91
Euro	1.08	(0.01)	1.10	1.10	1.10
Dollar Index	103.88	0.44	102.20	102.59	101.75
Major Stock Indices					
Dow Jones	38,402	293	37,715	35,283	34,054
S&P 500	4,916.7	25.8	4,742.8	4,513.4	4,179.8
NASDAQ	15,488.6	33	14,765.9	13,973.5	12,200.8
Commodities					
Gold	2,028.1	10.8	2,073.4	1,937.4	1,916.3
Crude Oil	72.54	(5.47)	70.38	79.49	75.88
Natural Gas	2.07	(0.64)	2.57	2.48	2.46
Wheat	608.5	8.3	606.8	640.0	761.0
Corn	447.0	0.8	463.8	488.3	675.3

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	

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, L.P. This report was printed as of: 02/02/2024 9:35AM