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### UPCOMING EVENTS

#### Banks

##### Webinars:

[Q1 IRR Management Webinar](#)  
Mar 19, 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

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#### Banks and CUs

##### Seminar:

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

The upcoming three-day weekend could not come soon enough after a whipsaw week for the markets. The stock market was yanked back from record highs and Treasury yields rocketed to new highs of the year on Tuesday after January's Consumer Price Index (CPI) came in hotter than expected. Fed officials have been touting the importance of ensuring inflation is on a "sustainable" path to 2% in the wake of their January meeting and markets clearly had that in mind on Tuesday. Given the dramatic response, you would be forgiven for thinking CPI had increased in the month of January rather than fallen from 3.4% to 3.1%. However, expectations were for the inflation reading to come in at 2.9% and fall below 3.0% for the first time in three years. The 3.1% print obviously disappointed.

The core measure, which excludes volatile food and energy prices in order to better track inflation's underlying trend, also disappointed. Core CPI increased 0.4% in January, the most in eight months, and 3.9% from a year ago. Markets took this as evidence that the Fed will wait longer to cut rates and took almost a full quarter-point cut out of their easing expectations for the year. Some of that was given back on Wednesday and Thursday as things settled down and participants remembered that the Fed targets the Personal Consumption Expenditure (PCE) measure of inflation, not CPI, and PCE is not as heavily influenced by housing costs. Shelter costs were responsible for much of the increase in January's CPI reading and those costs have a much lower weight in the PCE measure.

The spotlight on January's PCE reading, which comes out on February 29th, will be even brighter than usual as markets will be looking for a reality check on the CPI print. The question will be whether inflation is in fact more stubborn than expected or whether the subtle differences between CPI and PCE, as well as the change in the weights of the elements in the CPI basket that are adjusted each January, are enough to write off January's elevated CPI print.

There is evidence that CPI's shelter costs should be expected to come down, but there is a significant lag in the data. The high-frequency data on rents, which give a better picture of what is happening with rents in real time, shows that they are already falling but that data captures what is happening with "new leases" (the price renters would have to pay if they were to move right now). The CPI data measures a lot more "existing leases," which captures renters who rented at high prices and are still paying that elevated price. Eventually, when those renters move and sign "new leases," CPI's shelter costs should better catch up with current market measures.

After calming on Wednesday and Thursday, markets were thrown for a loop yet again this morning as the Producer Price Index (PPI), which can offer some insights into possible future movements in PCE, jumped more than expected in January. PPI rose 0.3% MoM and 0.9% from

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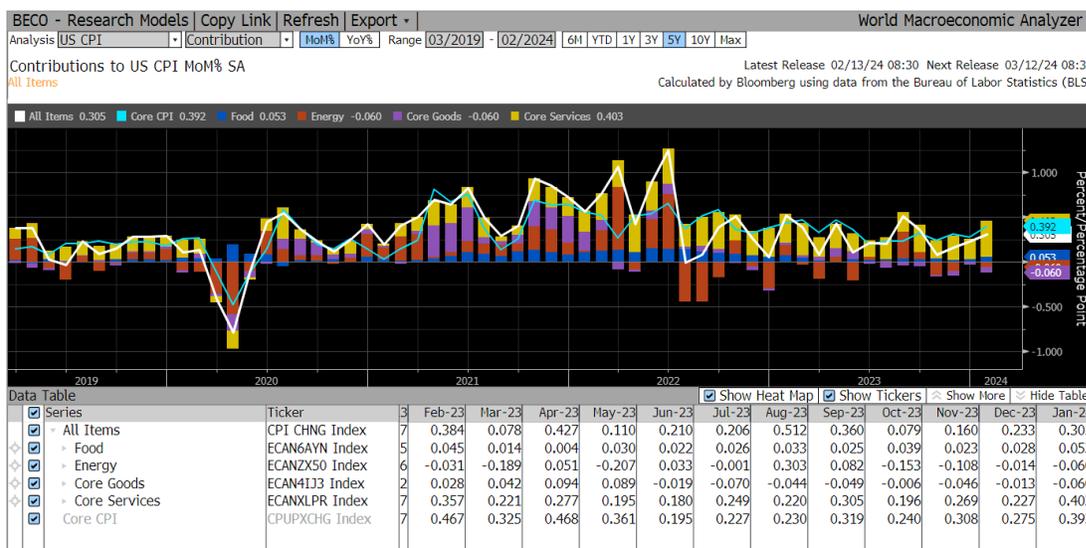
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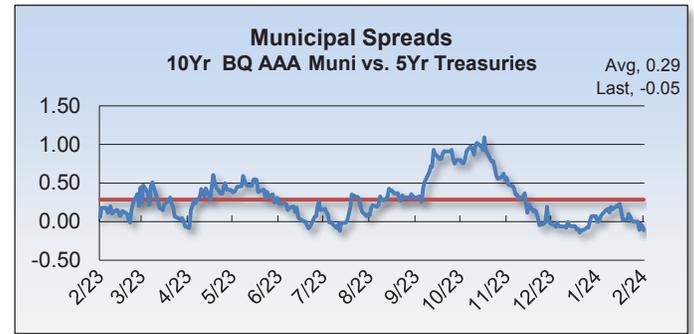
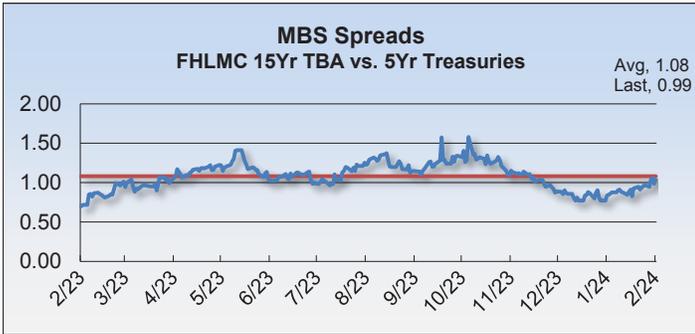
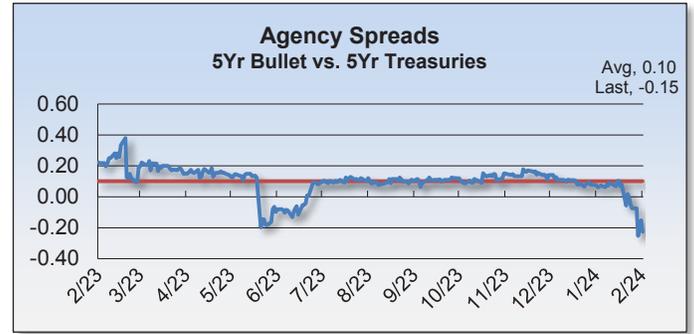
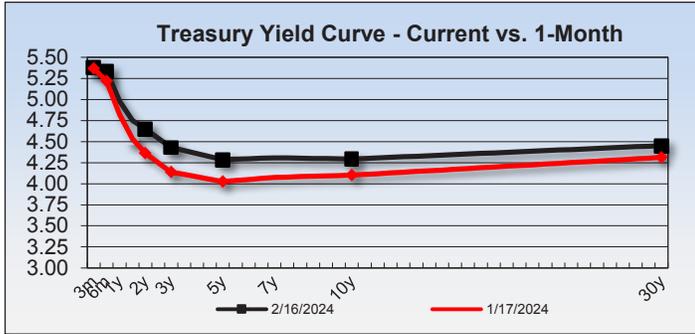
a year earlier. Expectations were for a 0.1% MoM increase and a 0.6% annual increase. The bump was led by increases in services categories. The portfolio management and investment advice category, which feeds directly into PCE, jumped 5% in January on the back of the stock market rally late last year. The category, which is calculated using market returns, indicates that PCE may get an undesirable boost from equity performance in the January print.

Next week, we have only four market days and little economic data. The Leading Economic Indicator Index will come out on Tuesday and Existing Home Sales data will be released on Thursday. We will also get the minutes from the FOMC's January meeting on Wednesday.



Source: Bloomberg, L.P.

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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 <sup>2</sup>	S-Corp <sup>3</sup>		Mty	3Mo	6mo	1Yr	2Yr
3mo	5.38	(0.00)	5.36	5.45	4.80	2yr	4.66	4.48	3.84	4.08	4.63	2Yr	5.45	5.45	5.45	-
6mo	5.33	0.06	5.21	5.51	5.01	3yr	4.49	4.22	3.60	3.83	4.57	3Yr	5.24	5.25	5.20	5.24
1yr	4.98	0.11	4.72	5.36	4.98	5yr	4.33	4.01	3.42	3.64	4.44	5Yr	5.18	5.18	5.17	5.11
2yr	4.65	0.17	4.22	4.97	4.64	7yr	4.48	3.94	3.42	3.64	4.71	7Yr	5.20	5.22	5.21	5.15
3yr	4.43	0.16	4.01	4.67	4.45	10yr	4.51	3.91	3.44	3.67	4.79	10Yr	5.23	5.29	5.28	5.22
5yr	4.29	0.15	3.93	4.40	4.07	15yr	4.55	3.93	4.13	4.40	5.01	March TBA MBS				
7yr	4.31	0.14	4.00	4.35	3.99	20yr	4.58	3.90	4.58	4.87	5.40	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	4.29	0.12	4.06	4.25	3.86	25yr	4.62	3.81	4.80	5.11	5.46	3.00	5.35	5.4y	5.24	
30yr	4.45	0.08	4.30	4.35	3.92	30yr		3.71	5.03	5.35	5.51	3.50	5.08	5.3y		
												4.00	4.95	5.4y	5.32	9.7y
												4.50	5.00	5.3y	5.43	9.5y
												5.00			5.55	8.6y
												5.50			5.75	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	4.75
2ndary Discount	6.00	--	6.00	6.00	5.25
Prime Rate	8.50	--	8.50	8.50	7.75
Sec. O.N. Finance	5.31	--	5.31	5.30	--
1 Month LIBOR	5.44	0.00	5.45	5.43	4.59
3 Month LIBOR	5.59	0.01	5.58	5.63	4.87
6 Month LIBOR	5.69	0.06	5.58	5.86	5.16
1 Year LIBOR	6.04	0.12	5.73	5.48	3.62
6 Month CD	5.36	0.02	5.25	5.76	5.12
1 Year CMT	4.93	0.10	4.65	5.36	4.96
REPO O/N	5.32	(0.06)	5.35	5.33	4.58
REPO 1Wk	5.36	(0.02)	5.35	5.37	4.68
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	5.44	5.45	5.50
1yr	5.11	5.11	5.27
2yr	4.76	4.77	4.88
3yr	4.57	4.60	4.67
4yr	4.50	4.55	4.61
5yr	4.44	4.50	4.54
7yr	4.61	4.69	4.71
10yr	4.70	4.80	4.80
5yr Am	4.15		4.72
10yr Am	4.21		4.78

Fed Fund Futures	
Maturity	Rate
Feb-24	5.330
Mar-24	5.320
Apr-24	5.305
May-24	5.240
Jun-24	5.150
Jul-24	5.085
Aug-24	4.935
Sep-24	4.860
Oct-24	4.755
Nov-24	4.650
Dec-24	4.545

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
2/12	NY Fed 1-Yr Inflation Expectations	Jan	--	3.00%	3.01%	--
2/13	CPI MoM	Jan	0.2%	0.3%	0.3%	0.2%
2/13	CPI Ex Food and Energy MoM	Jan	0.3%	0.4%	0.3%	--
2/13	CPI YoY	Jan	2.9%	3.1%	3.4%	--
2/13	CPI Ex Food and Energy YoY	Jan	3.7%	3.9%	3.9%	--
2/13	CPI Index NSA	Jan	308.01	308.42	306.75	--
2/13	CPI Core Index SA	Jan	314.08	314.44	313.22	313.21
2/13	Real Avg Weekly Earnings YoY	Jan	--	-0.1%	0.5%	0.7%
2/13	Real Avg Hourly Earning YoY	Jan	--	1.4%	0.8%	1.0%
2/14	MBA Mortgage Applications	2/9	--	-2.3%	3.7%	--
2/15	Empire Manufacturing	Feb	-12.5	-2.4	-43.7	--
2/15	Retail Sales Advance MoM	Jan	-0.2%	-0.8%	0.6%	0.4%
2/15	Retail Sales Ex Auto MoM	Jan	0.2%	-0.6%	0.4%	--
2/15	Retail Sales Ex Auto and Gas	Jan	0.2%	-0.5%	0.6%	--
2/15	Retail Sales Control Group	Jan	0.2%	-0.4%	0.8%	--
2/15	Philadelphia Fed Business Outlook	Feb	-8.1	5.2	-10.6	--
2/15	Import Price Index MoM	Jan	0.0%	0.8%	0.0%	-0.7%
2/15	Import Price Index ex Petroleum MoM	Jan	0.0%	0.6%	0.0%	--
2/15	Import Price Index YoY	Jan	-1.3%	-1.3%	-1.6%	-2.4%
2/15	Export Price Index MoM	Jan	-0.1%	0.8%	-0.9%	-0.7%
2/15	Export Price Index YoY	Jan	--	-2.4%	-3.2%	-2.9%
2/15	Initial Jobless Claims	2/10	220k	212k	218k	220k
2/15	Continuing Claims	2/3	1880k	1895k	1871k	1865k
2/15	Industrial Production MoM	Jan	0.2%	-0.1%	0.4%	0.0%
2/15	Capacity Utilization	Jan	78.8%	78.5%	78.6%	78.7%
2/15	Manufacturing (SIC) Production	Jan	0.0%	-0.5%	0.1%	--
2/15	Business Inventories	Dec	0.4%	0.4%	-0.1%	--
2/15	NAHB Housing Market Index	Feb	46	48	44	--
2/16	Housing Starts	Jan	1460k	1331k	1460k	1562k
2/16	Housing Starts MoM	Jan	0.0%	-14.8%	-4.3%	3.3%
2/16	Building Permits	Jan	1512k	1470k	1495k	1493k
2/16	Building Permits MoM	Jan	1.3%	-1.5%	4.9%	1.8%
2/16	PPI Final Demand MoM	Jan	0.1%	0.3%	-0.1%	--
2/16	PPI Ex Food and Energy MoM	Jan	0.1%	0.5%	0.0%	-0.1%
2/16	PPI Ex Food, Energy, Trade MoM	Jan	0.1%	0.6%	0.2%	--
2/16	PPI Final Demand YoY	Jan	0.6%	0.9%	1.0%	--
2/16	PPI Ex Food and Energy YoY	Jan	1.6%	2.0%	1.8%	1.7%
2/16	PPI Ex Food, Energy, Trade YoY	Jan	--	2.6%	2.5%	2.6%
2/16	U. of Mich. Sentiment	Feb P	80.0	79.6	79.0	--
2/16	U. of Mich. Current Conditions	Feb P	82.5	81.5	81.9	--
2/16	U. of Mich. Expectations	Feb P	77.0	78.4	77.1	--
2/16	U. of Mich. 1 Yr Inflation	Feb P	2.9%	3.0%	2.9%	--
2/16	U. of Mich. 5-10 Yr Inflation	Feb P	2.8%	2.9%	2.9%	--
2/22	Chicago Fed Nat Activity Index	Jan	--	--	-0.15	-0.15
2/22	S&P Global US Manufacturing PMI	Feb P	50.1	--	50.7	--
2/22	S&P Global US Services PMI	Feb P	52.0	--	52.5	--
2/22	S&P Global US Composite PMI	Feb P	--	--	52.0	--

MBS Prepayments <sup>4</sup>						
3-Month CPR						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	11.8	11.8	12.2	11.2	10.4	17.5
FH/FN 15y	6.2	7.3	11.0	16.5	19.4	21.3
GN 15y	12.5	17.2	19.7	27.6	37.6	23.1
FH/FN 20y	5.3	6.2	7.1	8.9	10.4	13.4
FH/FN 30y	4.2	4.4	4.3	6.3	5.3	5.9
GN 30y	6.0	8.0	5.4	5.8	6.4	6.9
CPR Projections						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	10.8	11.4	11.8	12.9	15.2	17.1
FH/FN 15y	6.9	7.7	10.4	14.7	13.1	18.7
GN 15y	9.2	11.8	12.2	13.0	12.6	15.4
FH/FN 20y	6.5	6.4	7.7	8.8	10.5	12.3
FH/FN 30y	5.7	6.0	6.6	7.7	8.7	9.8
GN 30y	6.1	6.7	8.3	8.6	9.2	11.4

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
<b>Currencies</b>					
Japanese Yen	150.36	1.07	146.66	145.61	133.94
Euro	1.08	(0.00)	1.09	1.09	1.07
Dollar Index	104.49	0.38	103.36	103.43	103.86
<b>Major Stock Indices</b>					
Dow Jones	38,701	29	37,361	34,766	33,697
S&P 500	5,007.8	(18.8)	4,766.0	4,404.3	4,090.4
NASDAQ	15,797.2	(193)	14,944.4	13,474.6	11,855.8
<b>Commodities</b>					
Gold	1,996.5	(26.8)	2,030.2	1,896.1	1,842.0
Crude Oil	78.25	1.41	72.40	79.38	78.49
Natural Gas	1.62	(0.23)	2.90	2.59	2.39
Wheat	566.5	-30.3	582.0	597.8	765.0
Corn	419.5	-9.5	443.5	469.5	676.0

### 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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