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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

CU

Webinars:

Q2 CU CC Webinar
Apr 11, 2024

Schools:

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

Markets appear to be stabilizing this morning after a week of volatility. Yesterday's hotter than expected Producer Price Index (PPI) print was read as weakening the case for imminent rate cuts from the Fed and sent bond yields soaring. The 10-year UST yield popped nearly 10bps yesterday morning following the report and gained even more ground this morning. At the time of this writing, the 10-year UST is yielding 4.3162%, the highest in about a month.

PPI Final Demand came in up 0.6% for the month of February vs. 0.3% expected and up 1.6% from the prior year vs. 1.2% expected. The increase in producer prices, which tend to lead consumer prices, is expected to cause the Fed some heartburn as it contemplates the trajectory of inflation. Also adding to the volatility on Thursday were stronger than expected weekly jobless claims and weaker than expected retail sales. Initial jobless claims for the week ending March 9th showed fewer people sought out jobless benefits than expected (209k vs. 218k est.) and the prior week's figure was also revised down to 210k from 217k. Labor market strength continues to worry some policy watchers who fear strong wages will make inflation more difficult to tame.

Thursday's weaker than expected retail sales print also raised concerns that the strength of the all-important consumer is waning. Personal consumption accounts for nearly 70% of U.S. GDP and falling consumer spending threatens weaker economic growth. February's retail sales rose 0.6% from the prior month (vs. 0.8% est.). The Retail Sales Control Group, which feeds directly into GDP, came in flat for the month of February. Expectations were for that measure to rebound 0.4% from its fall to -0.3% in January.

Tuesday's reading of the Consumer Price Index (CPI) also sent bond yields up with the 10-year UST popping as much as 8bps intraday before settling up 6bps on the day. Headline CPI actually came in as expected, up 0.4% month-over-month in February (and 3.2% YoY), but the Core CPI measure is what riled markets. Core CPI, which excludes volatile food and energy items to better track the underlying trend of inflation, rose a little more than expected, up 0.4% vs. 0.3% est. Still, it was the lowest annual reading for Core CPI in three years.

Next week, all eyes will be on the Fed's policy meeting where they will most certainly debate the strength of this week's inflation data. Interest rates are expected to remain unchanged for the fifth straight meeting. Much of the focus will be on the central bank's new "dot plot" which they produce just four times a year. The chart shows where each member of the FOMC estimates the federal funds rate to be at the end of each of the next three years and over the long run. Investors take the median of the dots as guidance for the trajectory of the federal funds rate. The last production of the dot plot showed a median of 75bps of cuts expected

(Continued)



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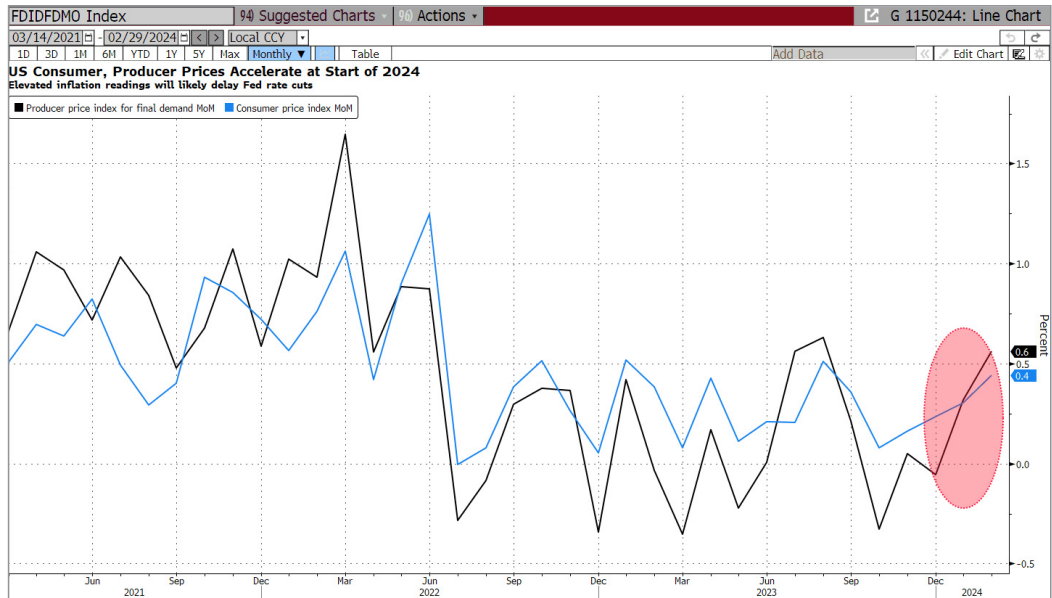
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Banks and CUs

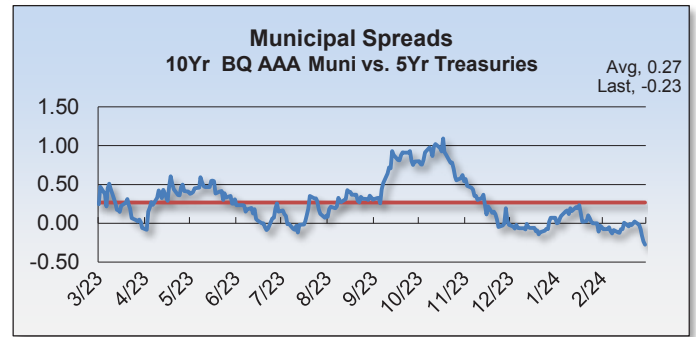
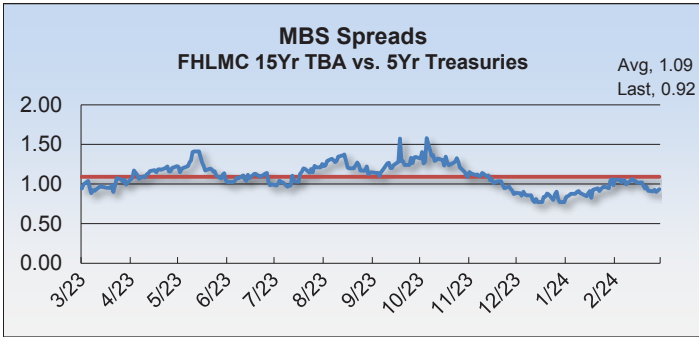
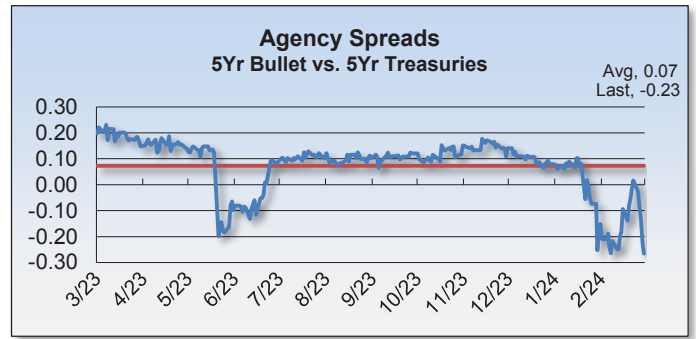
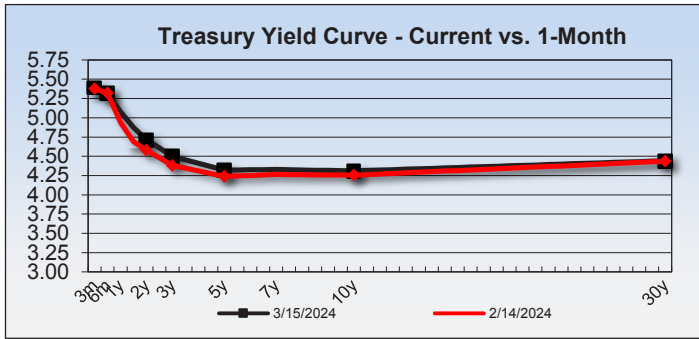
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this year. Markets will be closely watching the updated chart for any changes at the March 19-20 meeting. Futures markets themselves have “unpriced” several cuts since the Fed’s last dot plot was released in December. If the FOMC’s forecast also shows fewer cuts, it could make for a bumpy week!



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 ²	S-Corp ³		Mty	3Mo	6mo	1Yr	2Yr
3mo	5.39	0.00	5.38	5.46	4.66	2yr	4.73	4.58	3.89	4.14	4.71	2Yr	5.53	5.53	5.53	-
6mo	5.32	0.02	5.32	5.51	4.62	3yr	4.57	4.30	3.65	3.89	4.61	3Yr	5.31	5.32	5.30	5.31
1yr	5.07	0.14	4.95	5.43	4.06	5yr	4.38	4.04	3.43	3.65	4.41	5Yr	5.21	5.21	5.20	5.14
2yr	4.72	0.24	4.58	5.03	3.89	7yr	4.46	3.94	3.40	3.62	4.67	7Yr	5.22	5.24	5.23	5.16
3yr	4.50	0.25	4.36	4.72	3.78	10yr	4.51	3.89	3.43	3.65	4.70	10Yr	5.25	5.30	5.30	5.23
5yr	4.32	0.27	4.22	4.47	3.55	15yr	4.57	3.89	4.09	4.35	4.82	April TBA MBS				
7yr	4.33	0.26	4.24	4.42	3.53	20yr	4.62	3.85	4.62	4.92	5.14	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	4.31	0.23	4.23	4.33	3.46	25yr	4.68	3.76	4.84	5.16	5.20	3.00	5.36	5.3y	5.28	
30yr	4.44	0.19	4.41	4.42	3.65	30yr	4.68	3.66	5.07	5.39	5.25	3.50	5.08	5.2y	5.28	
												4.00	4.95	5.2y	5.36 9.3y	
												4.50	5.00	5.2y	5.46 9.0y	
												5.00			5.56 8.2y	
												5.50			5.72 6.9y	

* 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	--	5.30	5.30	--
1 Month LIBOR	5.44	0.01	5.43	5.45	4.68
3 Month LIBOR	5.59	0.00	5.57	5.67	4.87
6 Month LIBOR	5.68	0.00	5.62	5.90	5.05
1 Year LIBOR	6.04	0.12	5.73	5.48	3.62
6 Month CD	5.35	0.01	5.37	5.74	4.86
1 Year CMT	5.04	0.11	4.94	5.42	4.45
REPO O/N	5.37	--	5.38	5.33	4.59
REPO 1Wk	5.35	(0.03)	5.37	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	5.49	5.52	5.53
6mo	5.43	5.43	5.49
1yr	5.14	5.13	5.30
2yr	4.79	4.83	4.90
3yr	4.61	4.65	4.70
4yr	4.51	4.56	4.60
5yr	4.44	4.49	4.53
7yr	4.59	4.66	4.67
10yr	4.68	4.77	4.76
5yr Am	4.15		4.72
10yr Am	4.21		4.75

Fed Fund Futures	
Maturity	Rate
Mar-24	5.330
Apr-24	5.325
May-24	5.305
Jun-24	5.230
Jul-24	5.175
Aug-24	5.065
Sep-24	4.995
Oct-24	4.885
Nov-24	4.795
Dec-24	4.695
Jan-25	4.595

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
3/11	NY Fed 1-Yr Inflation Expectations	Feb	--	3.04%	3.00%	--
3/12	NFIB Small Business Optimism	Feb	90.5	89.4	89.9	--
3/12	CPI MoM	Feb	0.4%	0.4%	0.3%	--
3/12	CPI Ex Food and Energy MoM	Feb	0.3%	0.4%	0.4%	--
3/12	CPI YoY	Feb	3.1%	3.2%	3.1%	--
3/12	CPI Ex Food and Energy YoY	Feb	3.7%	3.8%	3.9%	--
3/12	CPI Index NSA	Feb	310.30	310.33	308.42	--
3/12	CPI Core Index SA	Feb	315.43	315.57	314.44	--
3/12	Real Avg Hourly Earning YoY	Feb	--	1.1%	1.4%	1.3%
3/12	Real Avg Weekly Earnings YoY	Feb	--	0.5%	-0.1%	0.1%
3/13	MBA Mortgage Applications	3/8	--	7.1%	9.7%	--
3/14	Retail Sales Advance MoM	Feb	0.8%	0.6%	-0.8%	-1.1%
3/14	Retail Sales Ex Auto MoM	Feb	0.5%	0.3%	-0.6%	-0.8%
3/14	Retail Sales Ex Auto and Gas	Feb	0.3%	0.3%	-0.5%	-0.8%
3/14	Retail Sales Control Group	Feb	0.4%	0.0%	-0.4%	-0.3%
3/14	PPI Final Demand MoM	Feb	0.3%	0.6%	0.3%	--
3/14	PPI Ex Food and Energy MoM	Feb	0.2%	0.3%	0.5%	--
3/14	PPI Ex Food, Energy, Trade MoM	Feb	0.3%	0.4%	0.6%	--
3/14	PPI Final Demand YoY	Feb	1.2%	1.6%	0.9%	1.0%
3/14	PPI Ex Food and Energy YoY	Feb	1.9%	2.0%	2.0%	--
3/14	PPI Ex Food, Energy, Trade YoY	Feb	--	2.8%	2.6%	2.7%
3/14	Initial Jobless Claims	3/9	218k	209k	217k	210k
3/14	Continuing Claims	3/2	1905k	1811k	1906k	1794k
3/14	Business Inventories	Jan	0.2%	0.0%	0.4%	0.3%
3/15	Empire Manufacturing	Mar	-7.0	-20.9	-2.4	--
3/15	Import Price Index MoM	Feb	0.3%	0.3%	0.8%	--
3/15	Import Price Index ex Petroleum MoM	Feb	-0.2%	0.2%	0.6%	--
3/15	Import Price Index YoY	Feb	-0.8%	-0.8%	-1.3%	--
3/15	Export Price Index MoM	Feb	0.4%	0.8%	0.8%	0.9%
3/15	Export Price Index YoY	Feb	-2.4%	-1.8%	-2.4%	-2.2%
3/15	Industrial Production MoM	Feb	0.0%	0.1%	-0.1%	-0.5%
3/15	Capacity Utilization	Feb	78.5%	78.3%	78.5%	78.3%
3/15	U. of Mich. Sentiment	Mar P	77.1	76.5	76.9	--
3/15	U. of Mich. Current Conditions	Mar P	79.7	79.4	79.4	--
3/15	U. of Mich. Expectations	Mar P	75.1	74.6	75.2	--
3/15	U. of Mich. 1 Yr Inflation	Mar P	3.1%	3.0%	3.0%	--
3/15	U. of Mich. 5-10 Yr Inflation	Mar P	2.9%	2.9%	2.9%	--
3/19	Housing Starts	Feb	1428k	--	1331k	--
3/19	Total Net TIC Flows	Jan	--	--	\$139.8b	--
3/19	Net Long-term TIC Flows	Jan	--	--	\$160.2b	--
3/20	FOMC Rate Decision (Upper Bound)	3/20	5.50%	--	5.50%	--
3/20	FOMC Rate Decision (Lower Bound)	3/20	5.25%	--	5.25%	--
3/20	Interest on Reserve Balances Rate	3/21	5.40%	--	5.40%	--
3/21	S&P Global US Manufacturing PMI	Mar P	51.80	--	52.20	--
3/21	S&P Global US Services PMI	Mar P	52.00	--	52.30	--
3/21	S&P Global US Composite PMI	Mar P	--	--	52.50	--
3/21	Existing Home Sales	Feb	3.92m	--	4.00m	--

MBS Prepayments ⁴						
3-Month CPR						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	12.3	13.0	12.3	9.9	11.1	17.0
FH/FN 15y	6.4	7.3	11.6	17.8	20.9	26.8
GN 15y	13.7	17.3	21.4	29.5	37.7	24.8
FH/FN 20y	5.3	6.2	7.1	9.1	10.1	14.1
FH/FN 30y	4.3	4.8	4.7	5.8	5.8	5.9
GN 30y	4.5	5.7	3.8	5.3	6.2	6.8
CPR Projections						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	10.9	11.5	11.9	13.0	16.0	17.7
FH/FN 15y	7.1	8.1	10.8	14.9	13.9	19.9
GN 15y	9.1	10.9	11.0	11.8	13.0	15.9
FH/FN 20y	6.5	6.8	8.2	9.4	11.0	13.1
FH/FN 30y	5.9	6.2	7.1	8.2	9.2	10.6
GN 30y	6.1	6.9	8.7	9.7	9.5	11.8

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	148.92	1.86	150.05	147.85	133.60
Euro	1.09	(0.01)	1.07	1.07	1.06
Dollar Index	103.41	0.69	104.30	105.32	104.65
Major Stock Indices					
Dow Jones	38,756	33	38,773	34,618	31,875
S&P 500	5,119.4	(4.3)	5,029.7	4,450.3	3,891.9
NASDAQ	15,955.3	(130)	15,906.2	13,708.3	11,434.1
Commodities					
Gold	2,164.8	(20.7)	2,002.1	1,927.9	1,931.3
Crude Oil	80.62	2.61	78.03	90.77	67.61
Natural Gas	1.68	(0.12)	1.58	2.64	2.44
Wheat	534.8	8.0	567.0	604.3	702.8
Corn	435.8	9.5	417.8	476.3	626.5

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

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