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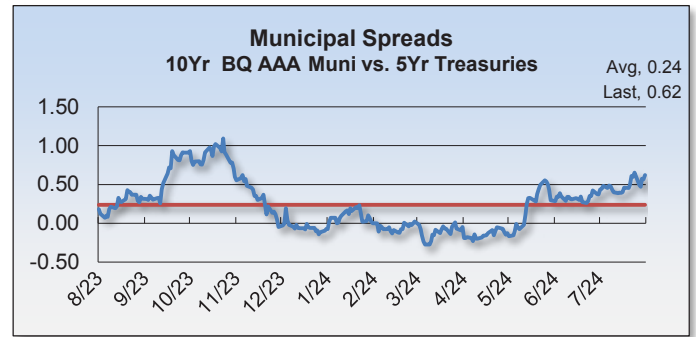
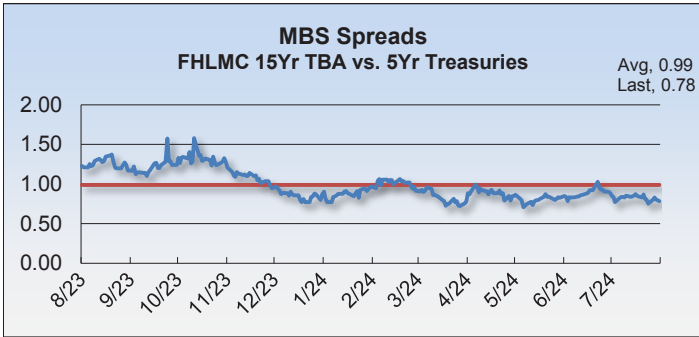
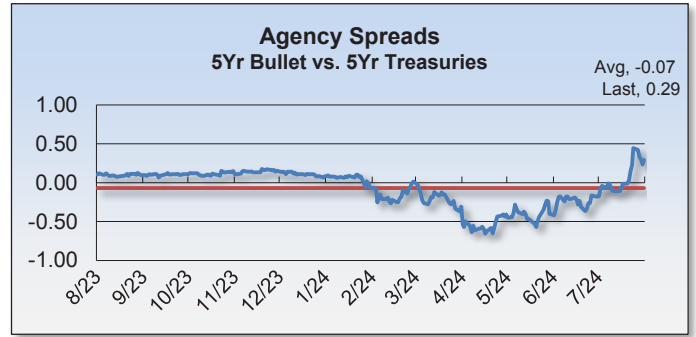
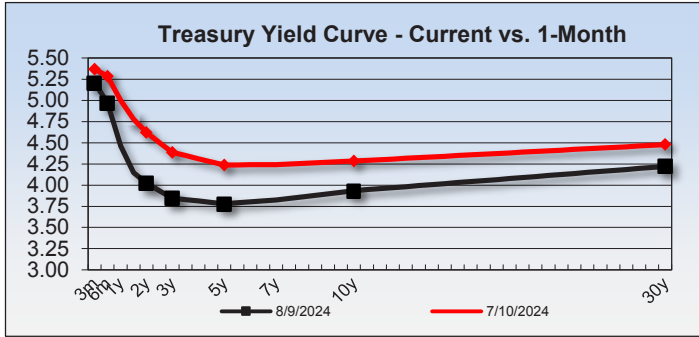
Nov 7-8, 2024

Wow, what a week! This week's volatility really began with last Friday's weaker than expected employment report that saw the unemployment rate jump to 4.3%, the highest level in nearly 3 years and up 0.9% from the low in January 2023. That increase triggered the so-called Sahm Rule, which has a 100% accuracy of predicting recession since WWII. Wall street reacted by pricing in a 50bp rate cut in September and 100bp of cuts by year-end as there was a growing consensus that the Fed was behind the curve and needed to aggressively ease monetary policy soon. And that led to Monday's action which saw the Japanese Nikkei crash 12% (equivalent to 4700 points on the Dow!) as traders unwound something called the "Yen Carry Trade." The Yen Carry Trade is when traders borrow money in Japan at near zero interest rates and then use those funds to buy Japanese stocks or convert those funds from Yen to another currency like Dollars and then buy assets like US tech stocks or Bitcoin. As the Fed hiked rates from 2022-23 and the Bank of Japan left rates below zero, the trade worked perfectly as those borrowing costs remained low, the assets rose in value and the Yen depreciated. But then those tech stocks started to fall over the last month, the Bank of Japan raised interest rates above zero for the first time in a decade and the Yen appreciated as traders priced in big rate cuts from the Fed. Suddenly a very profitable trade was massively unprofitable, and traders rushed to unwind the carry trade, causing stocks to plunge in value and bonds to surge as investors sought safe havens. At one point on Monday, the 2yr yield fell to 3.65%, down 135bp since the end of May and the 10yr hit 3.66%. But once the worst of the Yen Carry Trade unwind was finished, the Nikkei and US stocks rebounded for the rest of the week and yields rose with the 2yr up 15bp to 4.03% and the 10yr up 14bp to 3.93%. The crisis has abated for now, but there is still believed to be trillions of dollars' worth of Yen Carry Trades remaining, so the risk of more volatility in the future remains.

There was a lack of data this week, but next week is a full calendar. The focus will be on Wednesday's CPI report to see whether inflation continues on its downward trajectory which would allow the Fed to deliver the big rate cuts the market now expect. We will also get retail sales, PPI, jobless claims, industrial production, housing starts, building permits, and University of Michigan sentiment so this could be another volatile week. Stay tuned!

### Fed Funds Futures Rate Cut Probabilities

	CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES										
MEETING DATE	250-275	275-300	300-325	325-350	350-375	375-400	400-425	425-450	450-475	475-500	500-525
9/18/2024							0.0%	0.0%	0.0%	54.5%	45.5%
11/7/2024		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	15.8%	51.9%	32.3%	0.0%
12/18/2024	0.0%	0.0%	0.0%	0.0%	0.0%	4.1%	25.3%	46.8%	23.8%	0.0%	0.0%
1/29/2025	0.0%	0.0%	0.0%	0.0%	3.8%	23.3%	44.8%	25.9%	2.2%	0.0%	0.0%
3/19/2025	0.0%	0.0%	0.0%	3.5%	22.1%	43.5%	27.1%	3.7%	0.1%	0.0%	0.0%
4/30/2025	0.0%	0.0%	2.3%	15.5%	35.8%	33.0%	12.1%	1.4%	0.0%	0.0%	0.0%
6/18/2025	0.0%	1.5%	10.9%	28.7%	34.0%	19.3%	5.1%	0.5%	0.0%	0.0%	0.0%
7/30/2025	0.6%	5.5%	18.5%	31.0%	27.7%	13.2%	3.1%	0.3%	0.0%	0.0%	0.0%



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	5.21	0.03	5.36	5.38	5.44	2yr	4.08	3.85	3.72	3.96	4.26	2Yr					
6mo	4.97	0.12	5.29	5.28	5.50	3yr	3.92	3.64	3.68	3.92	4.24	3Yr					
1yr	4.46	0.10	5.04	4.87	5.35	5yr	3.86	3.50	3.63	3.86	4.19	5Yr					
2yr	4.02	0.14	4.63	4.48	4.81	7yr	3.98	3.48	3.68	3.92	4.30	7Yr					
3yr	3.84	0.14	4.41	4.27	4.59	10yr	4.09	3.50	3.78	4.02	4.53	10Yr					
5yr	3.78	0.16	4.24	4.14	4.14	15yr	4.21	3.56	4.14	4.41	4.65		September TBA MBS				
7yr	3.83	0.15	4.25	4.17	4.08	20yr	4.32	3.56	4.62	4.92	5.12	Cpn	15Yr -Yld/AL		30Yr -Yld/AL		
10yr	3.93	0.14	4.30	4.18	4.01	25yr	4.43	3.49	4.82	5.13	5.18	3.00	4.69	5.0y	4.81		
30yr	4.22	0.11	4.49	4.37	4.17	30yr	4.43	3.41	5.01	5.33	5.23	3.50	4.51	4.9y			
												4.00	4.42	4.8y	4.93	9.0y	
												4.50	4.53	4.7y	5.03	8.8y	
												5.00			5.20	7.9y	
												5.50			5.34	5.3y	

\* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	5.50	--	5.50	5.50	5.50
Primary Discount	5.50	--	5.50	5.50	5.50
2ndary Discount	6.00	--	6.00	6.00	6.00
Prime Rate	8.50	--	8.50	8.50	8.50
Sec. O.N. Finance	5.34	(0.01)	5.32	5.31	--
1 Month LIBOR	5.44	(0.02)	5.44	5.44	5.43
3 Month LIBOR	5.37	(0.14)	5.57	5.58	5.63
6 Month LIBOR	5.21	(0.29)	5.65	5.62	5.86
1 Year LIBOR	6.04	0.12	5.73	5.48	3.62
6 Month CD	4.93	(0.14)	5.33	5.34	5.75
1 Year CMT	4.48	(0.14)	4.99	4.83	5.35
REPO O/N	5.38	--	5.40	5.38	5.33
REPO 1Wk	5.39	0.04	5.34	5.38	5.39
CoF Federal	3.969	--	3.956	3.855	3.544
11th D. CoF (Jun)	3.240	--	3.227	3.126	2.815

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	5.33	5.38	5.38
6mo	5.07	5.09	5.14
1yr	4.56	4.56	4.72
2yr	4.14	4.16	4.25
3yr	3.97	4.02	4.08
4yr	3.97	4.04	4.10
5yr	3.93	4.00	4.06
7yr	4.14	4.24	4.29
10yr	4.37	4.48	4.50
5yr Am	4.15		4.18
10yr Am	4.21		4.36

Fed Fund Futures	
Maturity	Rate
Aug-24	5.320
Sep-24	5.150
Oct-24	4.935
Nov-24	4.675
Dec-24	4.465
Jan-25	4.270
Feb-25	4.065
Mar-25	3.965
Apr-25	3.825
May-25	3.670
Jun-25	3.570

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
8/5	S&P Global US Services PMI	Jul F	56.0	55.0	56.0	--
8/5	S&P Global US Composite PMI	Jul F	--	54.3	55.0	--
8/5	ISM Services Index	Jul	51.0	51.4	48.8	--
8/5	ISM Services Prices Paid	Jul	55.1	57.0	56.3	--
8/5	ISM Services Employment	Jul	46.4	51.1	46.1	--
8/5	ISM Services New Orders	Jul	49.8	52.4	47.3	--
8/6	Trade Balance	Jun	-\$72.5b	-\$73.1b	-\$75.1b	-\$75.0b
8/7	MBA Mortgage Applications	8/2	--	6.9%	-3.9%	--
8/7	Consumer Credit	Jun	\$10.000b	\$8.934b	\$11.354b	\$13.946b
8/8	Initial Jobless Claims	8/3	240k	233k	249k	250k
8/8	Continuing Claims	7/27	1875k	1875k	1877k	1869k
8/8	Wholesale Inventories MoM	Jun F	0.2%	0.2%	0.2%	--
8/8	Wholesale Trade Sales MoM	Jun	0.3%	-0.6%	0.4%	0.3%
8/12	NY Fed 1-Yr Inflation Expectations	Jul	--	--	3.0%	--
8/13	PPI Final Demand MoM	Jul	0.2%	--	0.2%	--
8/13	PPI Ex Food and Energy MoM	Jul	0.2%	--	0.4%	--
8/13	PPI Ex Food, Energy, Trade MoM	Jul	0.2%	--	0.0%	--
8/13	PPI Final Demand YoY	Jul	2.3%	--	2.6%	--
8/13	PPI Ex Food and Energy YoY	Jul	2.7%	--	3.0%	--
8/13	PPI Ex Food, Energy, Trade YoY	Jul	--	--	3.1%	--
8/14	CPI MoM	Jul	0.2%	--	-0.1%	--
8/14	CPI Ex Food and Energy MoM	Jul	0.2%	--	0.1%	--
8/14	CPI YoY	Jul	3.0%	--	3.0%	--
8/14	CPI Ex Food and Energy YoY	Jul	3.2%	--	3.3%	--
8/14	CPI Index NSA	Jul	314.78	--	314.18	--
8/14	CPI Core Index SA	Jul	--	--	318.35	--
8/14	Real Avg Hourly Earning YoY	Jul	--	--	0.8%	--
8/14	Real Avg Weekly Earnings YoY	Jul	--	--	0.6%	0.5%
8/15	Empire Manufacturing	Aug	-6.0	--	-6.6	--
8/15	Retail Sales Advance MoM	Jul	0.3%	--	0.0%	--
8/15	Retail Sales Ex Auto MoM	Jul	0.1%	--	0.4%	--
8/15	Retail Sales Ex Auto and Gas	Jul	0.2%	--	0.8%	--
8/15	Retail Sales Control Group	Jul	0.1%	--	0.9%	--
8/15	Philadelphia Fed Business Outlook	Aug	6.0	--	13.9	--
8/15	Import Price Index MoM	Jul	-0.1%	--	0.0%	--
8/15	Import Price Index ex Petroleum MoM	Jul	--	--	0.2%	--
8/15	Import Price Index YoY	Jul	--	--	1.6%	--
8/15	Export Price Index MoM	Jul	--	--	-0.5%	--
8/15	Export Price Index YoY	Jul	--	--	0.7%	--
8/15	Capacity Utilization	Jul	78.6%	--	78.8%	--
8/15	Manufacturing (SIC) Production	Jul	0.0%	--	0.4%	--
8/15	Business Inventories	Jun	0.3%	--	0.5%	--
8/15	NAHB Housing Market Index	Aug	42	--	42	--
8/15	Total Net TIC Flows	Jun	--	--	\$15.8b	--
8/15	Net Long-term TIC Flows	Jun	--	--	-\$54.6b	--
8/16	Housing Starts	Jul	--	--	1353k	--
8/16	Building Permits	Jul	1433k	--	1446k	1446k

MBS Prepayments <sup>4</sup>						
3-Month CPR						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	14.3	14.4	13.2	16.2	20.0	19.1
FH/FN 15y	8.2	9.3	11.6	18.5	20.1	45.0
GN 15y	16.0	18.4	24.3	30.1	76.4	66.4
FH/FN 20y	6.7	7.7	8.3	9.3	11.4	15.4
FH/FN 30y	6.3	6.5	6.8	6.3	7.3	7.4
GN 30y	8.2	6.1	5.9	6.5	7.0	7.3
CPR Projections						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	11.1	12.4	13.3	15.0	19.3	21.1
FH/FN 15y	7.7	9.0	12.3	15.0	16.4	21.7
GN 15y	9.5	11.4	11.3	12.2	12.9	15.9
FH/FN 20y	7.0	7.7	8.8	9.8	12.4	14.4
FH/FN 30y	6.2	6.6	7.5	8.4	10.1	13.9
GN 30y	6.8	7.0	9.3	8.5	9.6	10.6

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
<b>Currencies</b>					
Japanese Yen	146.55	0.02	161.02	149.29	143.37
Euro	1.09	0.00	1.08	1.08	1.10
Dollar Index	103.16	(0.05)	105.13	104.11	102.49
<b>Major Stock Indices</b>					
Dow Jones	39,341	(397)	39,292	38,672	35,123
S&P 500	5,309.0	(37.6)	5,577.0	5,026.6	4,467.7
NASDAQ	16,578.3	(198)	18,429.3	15,990.7	13,705.1
<b>Commodities</b>					
Gold	2,420.1	(5.6)	2,367.9	2,023.3	1,915.4
Crude Oil	76.03	2.51	81.41	76.84	84.40
Natural Gas	2.16	0.19	2.34	1.85	2.96
Wheat	549.0	10.0	554.3	596.8	635.0
Corn	377.8	-8.8	400.3	429.0	481.0

### 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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