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UPCOMING EVENTS

Banks

Webinars:

[Virtual Bond Education Series](#)
Sep 10,12,17,19, 2024

[Q3 IRR Management](#)
Sep 11, 2024

[Q4 Bank Investment Strategies](#)
Oct 9, 2024

Credit Unions

Webinars:

[Q4 CU Strategies](#)
Oct 10, 2024

Banks and CUs

Seminar:

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

The question on everyone's mind lately has been "When will the Fed cut rates?" This question seems to have been answered over the last month or so, and now the next question is "Will the Fed cut rates 25bp or 50bps at their September meeting?" We are now less than two weeks away from officially finding out!

Treasuries are rallying this morning pushing prices up and yields down as the economy added a less than expected 142k non-farm payrolls in August (est = 165k), the last 2 months were revised lower by 86k. The unemployment rate fell 0.1% to 4.2% (est = 4.2%). Some of the biggest job gains last month came in health care (+44.1k), leisure and hospitality (+46k) and construction (+34k). The downward revisions of 86k to the prior two months' payroll figures is generally pushing the overall consensus that this was a weaker jobs report as it adds to the idea that the labor market is softer than the headline data suggests. Downward jobs revisions have become the new normal this year. 11 out of the 15 jobs reports have now been revised lower. The June jobs report has now been revised lower two times, which has been concerning for a cooling labor market.

The Fed has been clear in communicating that the labor market is slowing, and Chairman Jerome Powell stated a couple of weeks ago that "we do not seek or welcome further cooling in labor market conditions." Earlier this morning, New York Fed President John Williams spoke in New York and was quoted saying "it is now appropriate to cut interest rates." He also stated, "with the economy now in equipoise and inflation on a path to 2%, it is now appropriate to dial down the degree of restrictiveness in the stance of policy by reducing the target range for the federal funds rate."

The Fed funds futures market have been all over the place this morning, but as of 11:00am CST, they are now calculating a stronger probability (77% chance) of a 25-basis point rate cut and a 23% chance of a 50-basis point rate cut at the upcoming September 18th meeting.

Earlier this week, the Job Opening and Labor Turnover Survey (JOLTS) was released. Job openings slumped to their lowest level in 3.5 years in July, another sign of slack in the labor market. The amount of available job positions fell to 7.67 million (est = 8.1 million) for the month, off 237k from June's downwardly revised number and the lowest level since January 2021.

Next Wednesday, we will get the August release of the Consumer Price Index (CPI). This will be one of the last key data points before the Fed's September 18th Meeting the following week. Headline CPI is expected to increase 0.2% on a month-over-month calculation and a 2.6% increase year-over-year. Core CPI is expected to increase 0.2% month-over-month and 3.2% year-over-year.

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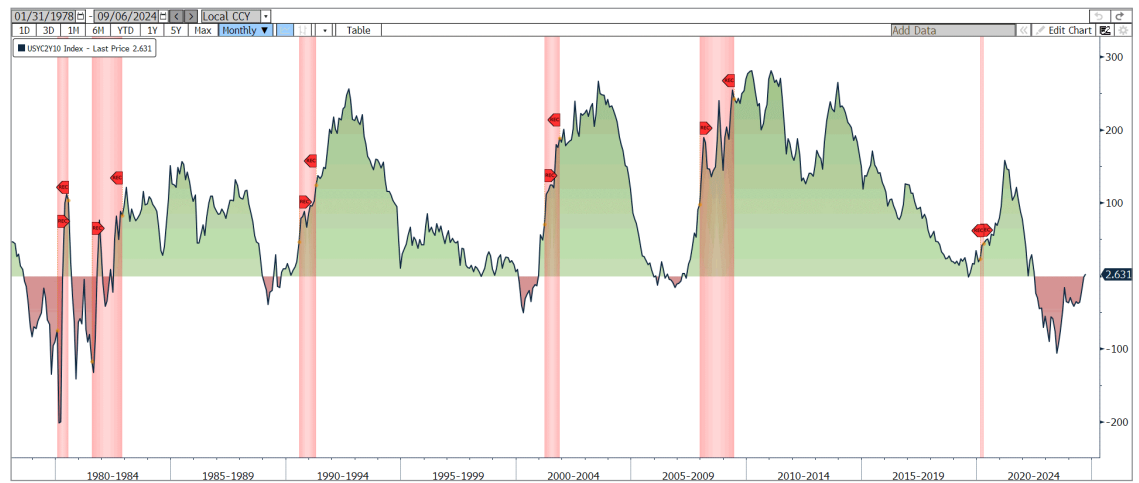
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A quick check in on the markets before I conclude this week's Baker Market Update! Stocks are off this morning as the Dow Jones Industrial Average is currently down 361 points. The Treasury markets continue to rally with the 2-Year Treasury yield sitting at 3.68% and the 10-Year Treasury yield sitting slightly higher at 3.70%. Yes, you read that correctly, the yield curve is slightly un-inverted in the relationships between the 10- and 2-year Treasury yield. This week's un-inversion of the yield curve marks an end to the longest curve inversion in US history. Historically, the curve un-inversion has signaled the beginning of a recession. Stay tuned and enjoy the weekend!

Spread Between the 10-Year and 2-Year Treasury (1978 to Present)



Source: Bloomberg, L.P. Note: Recessions shaded in red

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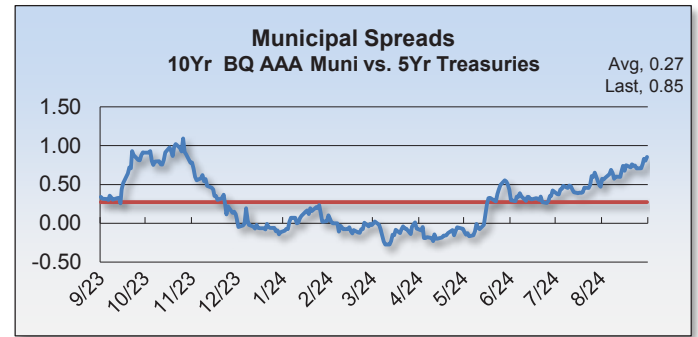
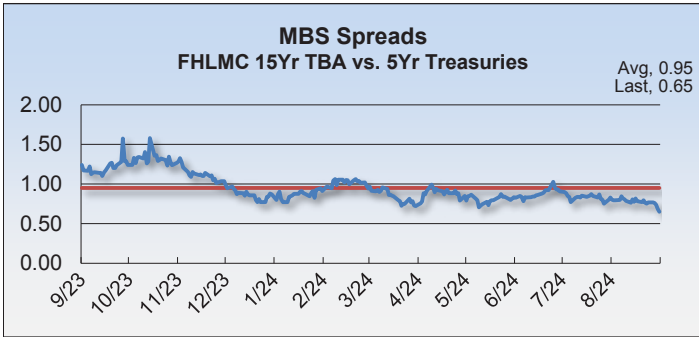
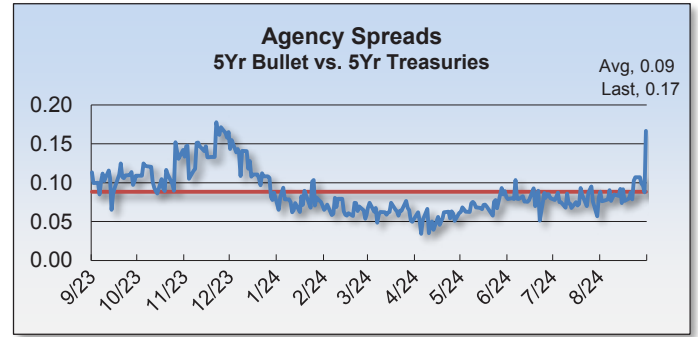
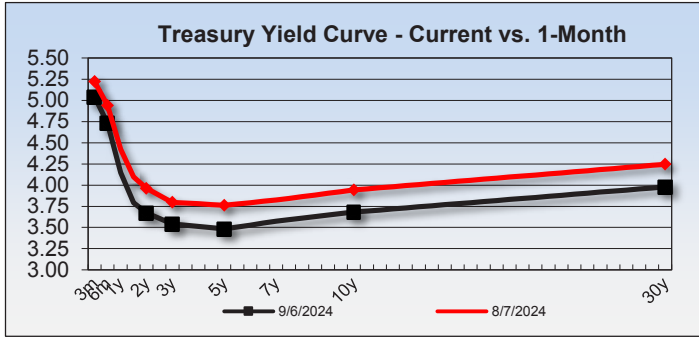
Seminar:

[Scottsdale, AZ](#)

[45th Anniversary](#)

[Celebration Seminar](#)

Nov 7-8, 2024



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	5.04	(0.08)	5.20	5.39	5.47	2yr	3.66	3.52	3.36	3.58	3.87	2Yr				
6mo	4.73	(0.13)	4.95	5.32	5.54	3yr	3.53	3.33	3.35	3.56	3.84	3Yr				
1yr	4.15	(0.26)	4.50	4.96	5.43	5yr	3.47	3.21	3.32	3.53	3.78	5Yr				
2yr	3.67	(0.25)	3.98	4.55	5.02	7yr	3.56	3.21	3.50	3.73	4.00	7Yr				
3yr	3.54	(0.24)	3.82	4.33	4.82	10yr	3.67	3.24	3.72	3.96	4.23	10Yr				
5yr	3.48	(0.22)	3.73	4.12	4.42	15yr	3.78	3.31	4.10	4.37	4.38		October TBA MBS			
7yr	3.57	(0.23)	3.78	4.12	4.37	20yr	3.90	3.32	4.58	4.87	4.85	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	3.68	(0.22)	3.89	4.10	4.28	25yr	4.01	3.26	4.77	5.08	4.91	2.50	4.33	5.0y	4.42	
30yr	3.98	(0.22)	4.18	4.24	4.35	30yr		3.18	4.97	5.29	4.96	3.00	4.32	4.9y		
												3.50	4.08	4.7y	4.56	9.0y
												4.00	4.07	4.6y	4.64	8.4y
												4.50			4.75	8.2y
												5.00			4.93	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	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	5.35	0.02	5.32	5.31	--
1 Month LIBOR	5.23	(0.08)	5.44	5.44	5.44
3 Month LIBOR	5.21	(0.07)	5.39	5.59	5.65
6 Month LIBOR	5.04	(0.08)	5.21	5.68	5.86
1 Year LIBOR	6.04	0.12	5.73	5.48	3.62
6 Month CD	4.73	(0.14)	4.87	5.36	5.81
1 Year CMT	4.21	(0.17)	4.34	4.94	5.42
REPO O/N	5.44	--	5.38	5.37	5.33
REPO 1Wk	5.38	0.03	5.36	5.36	5.37
CoF Federal	4.003	--	3.969	3.876	3.619
11th D. CoF (Jul)	3.274	--	3.240	3.147	2.890

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	5.17	5.20	5.24
6mo	4.82	4.83	4.88
1yr	4.29	4.28	4.36
2yr	3.85	3.86	3.88
3yr	3.74	3.77	3.77
4yr	3.71	3.77	3.76
5yr	3.69	3.74	3.72
7yr	3.94	4.01	3.98
10yr	4.17	4.26	4.21
5yr Am	4.15		3.85
10yr Am	4.21		4.05

Fed Fund Futures	
Maturity	Rate
Sep-24	5.180
Oct-24	4.945
Nov-24	4.640
Dec-24	4.375
Jan-25	4.125
Feb-25	3.790
Mar-25	3.670
Apr-25	3.475
May-25	3.295
Jun-25	3.180
Jul-25	3.085

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
9/3	S&P Global US Manufacturing PMI	Aug F	48.0	47.9	48.0	--
9/3	ISM Manufacturing	Aug	47.5	47.2	46.8	--
9/3	ISM Prices Paid	Aug	52.0	54.0	52.9	--
9/3	ISM New Orders	Aug	--	44.6	47.4	--
9/3	ISM Employment	Aug	--	46.0	43.4	--
9/4	MBA Mortgage Applications	8/30	--	1.6%	0.5%	--
9/4	Trade Balance	Jul	-\$79.0b	-\$78.8b	-\$73.1b	-\$73.0b
9/4	JOLTS Job Openings	Jul	8100k	7673k	8184k	7910k
9/4	Factory Orders	Jul	4.9%	5.0%	-3.3%	--
9/4	Factory Orders Ex Trans	Jul	--	0.4%	0.1%	--
9/4	Durable Goods Orders	Jul F	9.9%	9.8%	9.9%	--
9/4	Durables Ex Transportation	Jul F	-0.2%	-0.2%	-0.2%	--
9/4	Cap Goods Orders Nondef Ex Air	Jul F	--	-0.1%	-0.1%	--
9/4	Cap Goods Ship Nondef Ex Air	Jul F	-0.4%	-0.3%	-0.4%	--
9/4	Wards Total Vehicle Sales	Aug	15.40m	15.13m	15.82m	--
9/5	Challenger Job Cuts YoY	Aug	--	1.0%	9.2%	--
9/5	ADP Employment Change	Aug	145k	99k	122k	111k
9/5	Nonfarm Productivity	2Q F	2.5%	2.5%	2.3%	--
9/5	Unit Labor Costs	2Q F	0.8%	0.4%	0.9%	--
9/5	Initial Jobless Claims	8/31	230k	227k	231k	232k
9/5	Continuing Claims	8/24	1867k	1838k	1868k	1860k
9/5	S&P Global US Services PMI	Aug F	55.1	55.7	55.2	--
9/5	S&P Global US Composite PMI	Aug F	54.0	54.6	54.1	--
9/5	ISM Services Index	Aug	51.4	51.5	51.4	--
9/5	ISM Services Prices Paid	Aug	56.0	57.3	57.0	--
9/5	ISM Services Employment	Aug	50.5	50.2	51.1	--
9/5	ISM Services New Orders	Aug	51.9	53.0	52.4	--
9/6	Change in Nonfarm Payrolls	Aug	165k	142k	144k	89k
9/6	Two-Month Payroll Net Revision	Aug	--	-86k	-29k	--
9/6	Change in Private Payrolls	Aug	140k	118k	97k	74k
9/6	Change in Manufact. Payrolls	Aug	-2k	-24k	4k	6k
9/6	Unemployment Rate	Aug	4.2%	4.2%	4.3%	--
9/6	Average Hourly Earnings YoY	Aug	3.7%	3.8%	3.6%	--
9/6	Average Weekly Hours All Employees	Aug	34.3	34.3	34.2	--
9/6	Labor Force Participation Rate	Aug	62.7%	62.7%	62.7%	--
9/6	Underemployment Rate	Aug	--	7.9%	7.8%	--
9/9	NY Fed 1-Yr Inflation Expectations	Aug	--	--	3.0%	--
9/9	Consumer Credit	Jul	\$12.000b	--	\$8.934b	--
9/10	NFIB Small Business Optimism	Aug	93.7	--	93.7	--
9/11	CPI YoY	Aug	2.6%	--	2.9%	--
9/11	CPI Ex Food and Energy YoY	Aug	3.2%	--	3.2%	--
9/11	CPI Index NSA	Aug	314.98	--	314.54	--
9/11	CPI Core Index SA	Aug	--	--	318.87	--
9/11	Real Avg Hourly Earning YoY	Aug	--	--	0.7%	--
9/11	Real Avg Weekly Earnings YoY	Aug	--	--	0.4%	--
9/12	PPI Final Demand YoY	Aug	--	--	2.2%	--
9/12	PPI Ex Food and Energy YoY	Aug	--	--	2.4%	--

MBS Prepayments ⁴						
3-Month CPR						
Type	2.5	3.0	3.5	4.0	4.5	5.0
FN 10y	12.9	14.3	14.4	13.2	16.2	20.0
FH/FN 15y	7.1	8.2	9.3	11.6	18.5	20.1
GN 15y	14.0	16.0	18.4	24.3	30.1	76.4
FH/FN 20y	5.9	6.7	7.7	8.3	9.3	11.4
FH/FN 30y	5.0	6.3	6.5	6.8	6.3	7.3
GN 30y	5.5	8.2	6.1	5.9	6.5	7.0
CPR Projections						
Type	2.5	3.0	3.5	4.0	4.5	5.0
FN 10y	10.4	11.6	12.9	13.9	15.5	21.1
FH/FN 15y	7.3	8.3	9.5	13.1	15.7	17.6
GN 15y	9.4	9.5	11.6	11.4	12.2	12.6
FH/FN 20y	6.7	7.7	8.5	9.5	10.7	12.9
FH/FN 30y	5.9	6.6	7.0	8.1	9.2	11.5
GN 30y	5.5	6.8	6.8	10.1	9.2	10.1

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	142.17	(4.00)	144.90	149.74	147.37
Euro	1.11	0.01	1.09	1.09	1.07
Dollar Index	101.05	(0.29)	102.97	103.37	104.86
Major Stock Indices					
Dow Jones	40,422	(913)	38,998	38,661	34,443
S&P 500	5,451.5	(140.5)	5,240.0	5,104.8	4,465.5
NASDAQ	16,780.2	(736)	16,366.9	16,031.5	13,872.5
Commodities					
Gold	2,520.8	(15.9)	2,389.1	2,158.2	1,925.8
Crude Oil	68.30	(7.61)	73.20	79.13	87.54
Natural Gas	2.27	0.13	2.01	1.93	2.51
Wheat	565.8	40.8	543.3	521.3	581.0
Corn	392.0	20.3	388.8	418.0	471.5

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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