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### UPCOMING EVENTS

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Sep 10,12,17,19, 2024

[Q4 Bank Investment](#)

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Oct 9, 2024

#### Credit Unions

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Nov 7-8, 2024

This week we received a litany of important data on inflation, consumer credit and consumer sentiment just to name a few. Yet it feels somewhat muted as all eyes look to the FOMC meeting next week and ultimately what J Powell and Co's decision will be regarding the target Federal Funds Rate. The stock market seems to have slipped out of the slump from the beginning of September, with both the S&P 500 and Dow Jones Industrial Average posting strong weekly gains. The S&P 500 has seen a 3.14% gain over the last 5 days and the Dow Jones has seen gains of just over 2%. Bond yields have slightly fallen this week with the 10 year US Treasury moving down almost 4 basis points to 3.66% and the 2 year US Treasury falling 7 basis points to 3.59%. Yes, you read that correctly! The spread between the 2 year and 10 year US Treasuries continues to keep a positive slope and currently sits at 7 basis points.

Let's dig into some of the data that came out this week, starting with the consumer credit reports for the month of July we received on Monday. Expectations were for consumer credit outstanding to jump from \$8.9 billion up to \$10.4 billion. The reading missed the mark just slightly, if slightly means by a huge margin, coming in at \$25.4 billion in outstanding consumer credit. Already stretched consumers continue to spend on credit, and as credit card and auto delinquencies continue to rise, we must ask ourselves "Where is the breaking point?". Ally Financial, one of the largest auto lenders and banks in the United States, saw a sharp decline in its stock price on Tuesday after their CFO warned of deteriorating financial status of borrowers and rising delinquencies. Is Ally a one off situation, or a glimpse of what is on the horizon?

This week we also received updated readings on two different measures of inflation, Consumer Price Index (CPI) and Producer Price Index (PPI). Headline CPI rose 0.2% in August and 2.5% year over year which met expectations. Core CPI came in slightly hotter than expected with a rise of 0.3% versus estimates of 0.2% for the month of August. We saw price increases in food, shelter and transportation services. Shelter, which makes up almost half of core CPI, was the largest contributor to the monthly increase and rose at its fastest pace since January. PPI followed a similar trend to Core CPI, rising to 0.3% in August versus estimates of 0.2%.

Last but certainly not least, we must discuss the Fed and the expectations for next week's FOMC meeting. It seems to be a forgone conclusion that the Fed will cut rates next week. Now the questions have turned from "When will they cut?" to "How big will the cut be?". The Fed Funds Futures market is split between a 25 basis point cut and a 50 basis point cut, with the current implied rate cut at 36 basis points. The odds of a 50 basis point cut rose from 15% to 45% overnight with former Federal Reserve Bank of New York President Willaim Dudley stating, "I think there is a strong case for 50" and "I know what I'd be pushing for." With a mixed bag of data for inflation and employment it is hard to gauge exactly how aggressive the Fed will cut next week. Will they start small and ease into the cuts

(Continued)



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on the back of hotter inflation data? Or has the labor market deteriorated enough to warrant a larger cut? Either way, it seems like the party at the peak is over with the Fed Funds Future market pricing in over 9 rate cuts (225 basis points) by this time next year.

Along with the FOMC rate decisions, we will also receive an updated Dot Plot and expectations for market conditions. Tune in next Wednesday to see where the Fed decides to go! Have a great weekend everyone!

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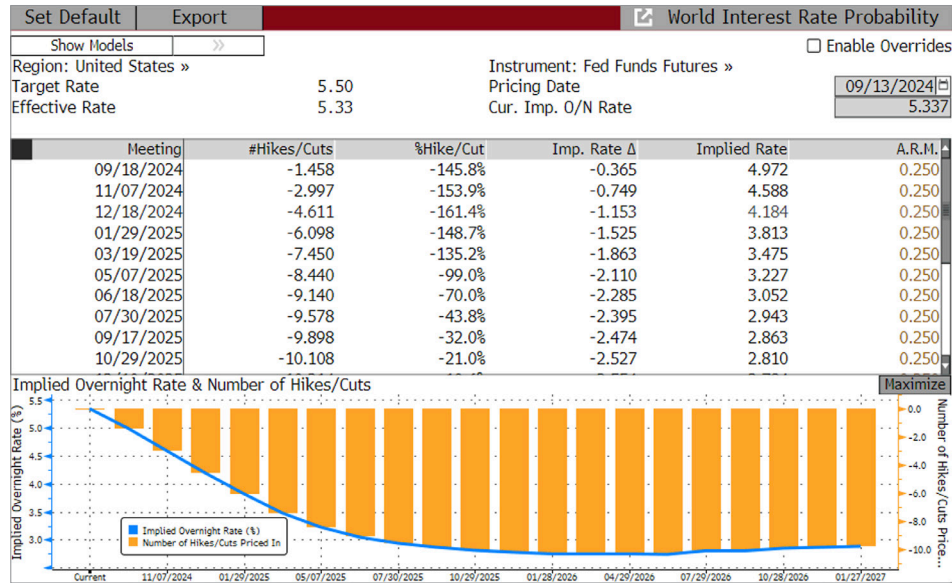
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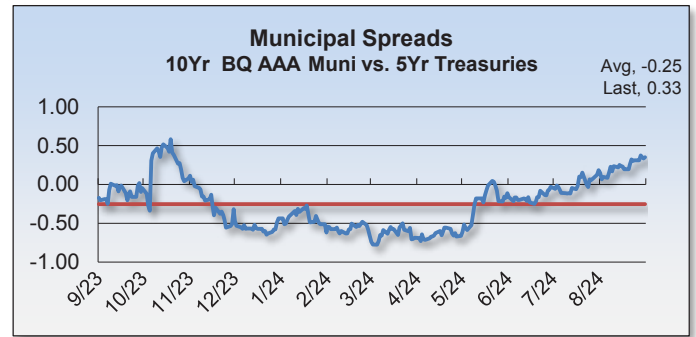
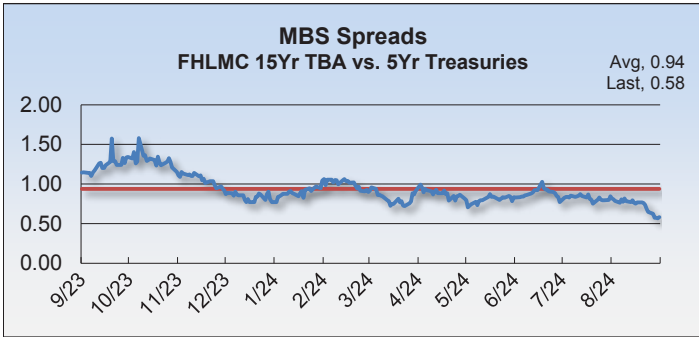
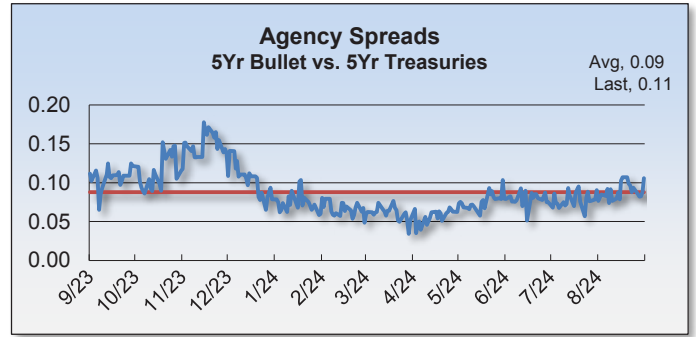
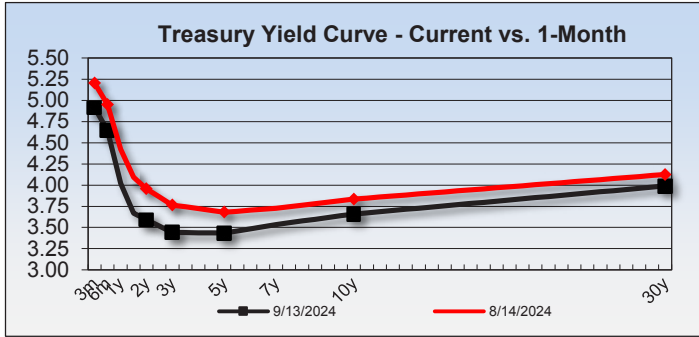
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Source: Bloomberg, L.P.



Treasury Market -- Historical						Fixed Rate Market										
Maty	Current	1Wk Change	Historical			Maty /AL	N-Call Agency	US Swap	AAA BQ Muni		Tax Muni	Mty	Agency Calls - Euro			
			1 Mo	6 Mo	1 Yr				C-Corp <sup>2</sup>	S-Corp <sup>3</sup>			3Mo	6mo	1Yr	2Yr
3mo	4.91	(0.14)	5.18	5.40	5.47	2yr	3.60	3.40	3.29	3.50	3.77	2Yr				
6mo	4.65	(0.08)	4.93	5.32	5.53	3yr	3.45	3.23	3.28	3.49	3.75	3Yr				
1yr	4.02	(0.08)	4.40	5.04	5.42	5yr	3.44	3.14	3.28	3.49	3.71	5Yr				
2yr	3.59	(0.06)	3.93	4.64	4.97	7yr	3.54	3.15	3.46	3.68	3.93	7Yr				
3yr	3.44	(0.09)	3.75	4.39	4.78	10yr	3.67	3.20	3.68	3.92	4.18	10Yr				
5yr	3.43	(0.05)	3.67	4.20	4.38	15yr	3.76	3.29	4.06	4.32	4.33		October TBA MBS			
7yr	3.54	(0.05)	3.73	4.20	4.34	20yr	3.86	3.31	4.54	4.83	4.83	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	3.66	(0.05)	3.84	4.19	4.25	25yr	3.97	3.25	4.73	5.04	4.89	2.50	4.25	4.9y	4.36	
30yr	3.99	(0.03)	4.16	4.34	4.34	30yr		3.18	4.93	5.24	4.94	3.00	4.24	4.8y		
												3.50	4.01	4.6y	4.50	8.8y
												4.00	4.04	4.5y	4.58	8.1y
												4.50			4.71	7.8y
												5.00			4.90	6.4y

\* 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	5.33	(0.02)	5.34	5.31	--
1 Month LIBOR	5.21	(0.07)	5.45	5.44	5.44
3 Month LIBOR	5.19	(0.06)	5.37	5.58	5.67
6 Month LIBOR	4.98	(0.13)	5.23	5.64	5.89
1 Year LIBOR	6.04	0.12	5.73	5.48	3.62
6 Month CD	4.63	(0.09)	4.91	5.34	5.75
1 Year CMT	4.09	(0.12)	4.47	5.00	5.42
REPO O/N	5.42	(0.02)	5.38	5.37	5.33
REPO 1Wk	5.17	(0.21)	5.38	5.38	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	5.11	5.14	5.20
6mo	4.78	4.78	4.83
1yr	4.12	4.11	4.27
2yr	3.69	3.72	3.79
3yr	3.56	3.60	3.65
4yr	3.60	3.64	3.68
5yr	3.58	3.63	3.66
7yr	3.84	3.91	3.92
10yr	4.09	4.17	4.16
5yr Am	4.15		3.76
10yr Am	4.21		3.99

Fed Fund Futures		
Maturity	Rate	
Sep-24	5.193	
Oct-24	4.970	
Nov-24	4.680	
Dec-24	4.420	
Jan-25	4.160	
Feb-25	3.810	
Mar-25	3.675	
Apr-25	3.465	
May-25	3.280	
Jun-25	3.160	
Jul-25	3.040	

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
9/9	NY Fed 1-Yr Inflation Expectations	Aug	--	3.0%	3.0%	--
9/9	Consumer Credit	Jul	\$10.400b	\$25.452b	<del>\$8.934b</del>	\$5.228b
9/10	NFIB Small Business Optimism	Aug	93.6	91.2	93.7	--
9/11	CPI YoY	Aug	2.5%	2.5%	2.9%	--
9/11	CPI Ex Food and Energy YoY	Aug	3.2%	3.2%	3.2%	--
9/11	CPI Core Index SA	Aug	319.6	319.8	318.9	--
9/11	Real Avg Hourly Earning YoY	Aug	--	1.3%	0.7%	--
9/11	Real Avg Weekly Earnings YoY	Aug	--	0.9%	0.4%	--
9/12	PPI Final Demand YoY	Aug	1.7%	1.7%	<del>2.2%</del>	2.1%
9/12	PPI Ex Food and Energy YoY	Aug	2.4%	2.4%	<del>2.4%</del>	2.3%
9/12	PPI Ex Food, Energy, Trade YoY	Aug	--	3.3%	<del>3.3%</del>	3.2%
9/12	Monthly Budget Statement	Aug	-\$292.5b	-\$380.1b	-\$243.7b	--
9/12	Household Change in Net Worth	2Q	--	\$2760b	<del>\$5117b</del>	\$5659b
9/13	Import Price Index YoY	Aug	0.9%	0.8%	<del>1.6%</del>	1.7%
9/13	Export Price Index YoY	Aug	1.4%	-0.7%	<del>1.4%</del>	1.2%
9/13	U. of Mich. Sentiment	Sep P	68.5	69.0	67.9	--
9/13	U. of Mich. Current Conditions	Sep P	61.6	62.9	61.3	--
9/13	U. of Mich. Expectations	Sep P	72.2	73.0	72.1	--
9/13	U. of Mich. 1 Yr Inflation	Sep P	2.8%	2.7%	2.8%	--
9/13	U. of Mich. 5-10 Yr Inflation	Sep P	3.0%	3.1%	3.0%	--
9/16	Empire Manufacturing	Sep	-3.7	--	-4.7	--
9/17	Retail Sales Ex Auto and Gas	Aug	0.3%	--	0.4%	--
9/17	Retail Sales Control Group	Aug	0.3%	--	0.3%	--
9/17	New York Fed Services Business Activit	Sep	--	--	1.8	--
9/17	Capacity Utilization	Aug	77.9%	--	77.8%	--
9/17	Manufacturing (SIC) Production	Aug	-0.1%	--	-0.3%	--
9/17	Business Inventories	Jul	0.4%	--	0.3%	--
9/18	MBA Mortgage Applications	9/13	--	--	1.4%	--
9/18	Building Permits	Aug	1410k	--	<del>1396k</del>	1406k
9/18	Housing Starts	Aug	1311k	--	1238k	--
9/18	FOMC Rate Decision (Upper Bound)	9/18	5.3%	--	5.5%	--
9/18	FOMC Rate Decision (Lower Bound)	9/18	5.0%	--	5.3%	--
9/18	Fed Interest on Reserve Balances Rate	9/19	5.2%	--	5.4%	--
9/18	FOMC Median Rate Forecast: Current Y	9/18	--	--	5.1%	--
9/18	FOMC Median Rate Forecast: Next Yr	9/18	--	--	4.1%	--
9/18	FOMC Median Rate Forecast: +2 Yrs	9/18	--	--	3.1%	--
9/18	FOMC Median Rate Forecast: Long-Rur	9/18	--	--	2.8%	--
9/18	Total Net TIC Flows	Jul	--	--	\$107.5b	--
9/18	Net Long-term TIC Flows	Jul	--	--	\$96.1b	--
9/19	Current Account Balance	2Q	-\$261.0b	--	-\$237.6b	--
9/19	Philadelphia Fed Business Outlook	Sep	2.7	--	-7.0	--
9/19	Initial Jobless Claims	9/14	--	--	230k	--
9/19	Continuing Claims	9/7	--	--	1850k	--
9/19	Leading Index	Aug	-0.3%	--	-0.6%	--
9/19	Existing Home Sales	Aug	3.90m	--	3.95m	--
9/19	8W Indirect Accepted %	9/19	--	--	36.3%	--
9/19	8W Direct Accepted %	9/19	--	--	9.8%	--

MBS Prepayments <sup>4</sup>						
3-Month CPR						
Type	2.5	3.0	3.5	4.0	4.5	5.0
FN 10y	12.5	14.2	14.1	12.8	15.4	19.9
FH/FN 15y	6.9	7.9	9.4	11.4	17.9	20.9
GN 15y	14.1	15.3	18.8	24.8	31.3	48.6
FH/FN 20y	5.8	6.9	7.6	8.2	10.0	11.3
FH/FN 30y	5.4	5.8	6.5	6.8	6.4	7.2
GN 30y	5.7	8.6	5.0	4.9	6.6	6.5

CPR Projections						
Type	2.5	3.0	3.5	4.0	4.5	5.0
FN 10y	10.9	12.1	13.5	14.4	16.8	23.8
FH/FN 15y	7.8	8.9	10.1	13.8	16.5	25.8
GN 15y	9.6	9.9	11.9	11.7	12.3	12.7
FH/FN 20y	7.2	8.2	9.1	10.0	11.5	13.7
FH/FN 30y	6.0	6.9	7.2	8.6	9.8	12.7
GN 30y	6.0	7.0	7.1	10.6	9.5	10.6

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
<b>Currencies</b>					
Japanese Yen	140.69	(1.61)	146.84	147.76	147.46
Euro	1.11	0.00	1.10	1.09	1.07
Dollar Index	100.97	(0.21)	102.56	102.79	104.77
<b>Major Stock Indices</b>					
Dow Jones	41,413	1,068	39,766	39,043	34,576
S&P 500	5,624.9	216.5	5,434.4	5,165.3	4,467.4
NASDAQ	17,672.3	981	17,187.6	16,177.8	13,813.6
<b>Commodities</b>					
Gold	2,583.3	81.8	2,466.7	2,180.8	1,914.4
Crude Oil	70.24	2.57	78.35	79.72	88.52
Natural Gas	2.34	0.07	2.15	1.66	2.68
Wheat	563.0	2.0	536.8	535.5	560.3
Corn	394.0	10.3	377.8	426.5	464.0

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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