

Baker Market Update

Week In Review

January 17, 2025



Rachel Howell
Financial Strategist

We started off the week with some PPI talk, then moved on through the week with CPI expectations, retail sales numbers, initial jobless claims, and industrial production numbers. Together with the PPI data already out, it is predicted that the core PCE deflator – the Fed’s preferred inflation gauge, due out later this month – will likely edge up to 2.9%, from 2.8% a month earlier. In combination with other firm data prints this week, it is expected for US treasury yields to continue to climb. The Fed is likely to keep rates steady in January and it looks increasingly likely the rate pause will extend in the fall.

UPCOMING EVENTS

2025 Destination Seminar

Austin, TX
May 8–9, 2025

Banks

Webinars:

Q4 2024 Bank Trends
Feb 12, 2025

Seminars:

IA Seminar
Jun 17, 2025

NE Seminar
Jun 18, 2025

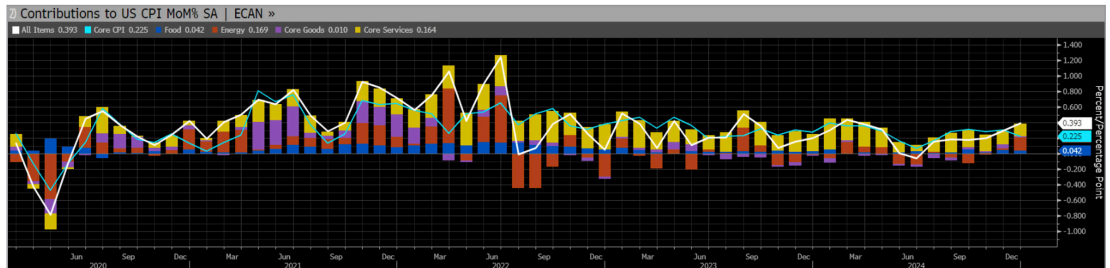
WI Seminar
Jul 24, 2025

Banks and CUs

Schools:

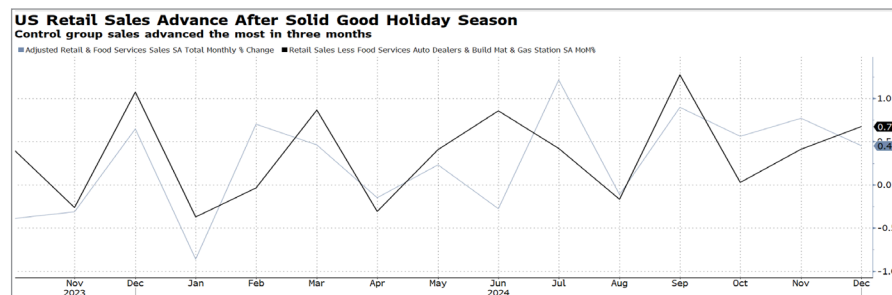
ALM School
Apr 24–25, 2025

Headline CPI inflation likely rose to 0.44% in December (vs. 0.31% prior) – the highest since February – and core CPI likely printed 0.29% (vs. 0.31% prior). On a year-over-year basis, that would indicate a rise in the headline to 2.9% and keep the core at 3.3% for a fourth consecutive month. Energy costs will likely contribute 17 basis points to the headline due to a 4.0% increase (vs. 0.6% prior) in seasonally adjusted gasoline prices and a 2.5% gain (vs. 1.0% prior) in natural gas costs. Offsetting that, electricity prices fell 0.2% (vs. -0.4% prior). It is expected that inflation in core goods will tick down to 0.2%. Most of the improvement likely comes from used-car prices, which rose 0.1% while new cars increased 0.4%. After December, the seasonal factors for new cars will enter a favorable stretch until mid-2025. Core services inflation likely held at 0.3%, with inflation in the largest services component – shelter – picking up slightly from November’s very soft reading. Year over year, OER inflation likely rose to 4.8% at the end of 2024 – above the roughly 3% pre-pandemic pace.



Source: Bloomberg, L.P.

US retail sales broadly advanced in December, indicating strong consumer demand to wrap up the holiday season. The value of retail purchases, not adjusted for inflation, increased 0.4% after an upwardly revised 0.8% gain in November, Commerce Department data showed Thursday. Excluding autos and gasoline, sales climbed 0.3%. The retail data showed so-called control-group sales – which feed into the government’s calculation of goods spending for gross domestic product – increased 0.7% in December, the most in three months. The measure includes food services, auto dealers, building materials stores and gasoline stations.



Source: Bloomberg, L.P.

(Continued)

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Jobless claims increased in the week through January 11th as post-holiday layoffs were only delayed, not forgone. Claims in California also picked up and are set to rise further after 180,000 people faced evacuation orders from wildfires. Initial jobless claims increased by 14k to 217k above the consensus estimate of 210k. Seasonal factors expected an increase of 7.3% (vs. 12.6% prior) on post-holiday layoffs, Unadjusted claims surged by 45k (vs. 23k prior). Claims increased the most in Michigan (15.2k), California (13.1k), and Texas (10.7k). They declined the most in New York (-15.1k), Wisconsin (-3.5k), and Washington (-3.5k). Claims could rise ahead after Boeing Co. presented a range of measures to cut costs, including a 10% reduction in the workforce. With 2,192 Boeing employees expected to be permanently laid off in Washington beginning January 17th, that state – which recorded 7,200 initial jobless claims for the week ending January 11th – could potentially face a 30% rise in claims. Overall, however, job-cut announcements eased in December, according to a report from Challenger, Gray & Christmas, Inc. Furthermore, soft data suggests the job market may be stabilizing and reports of layoffs remain rare.

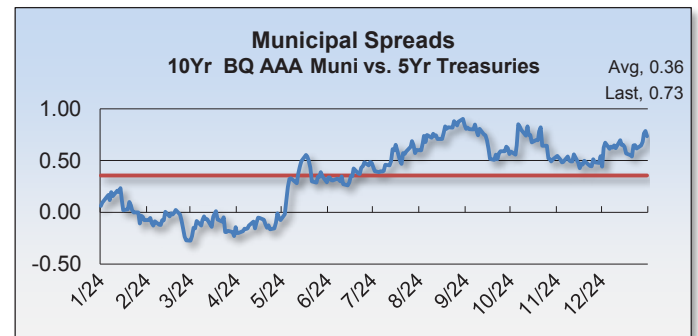
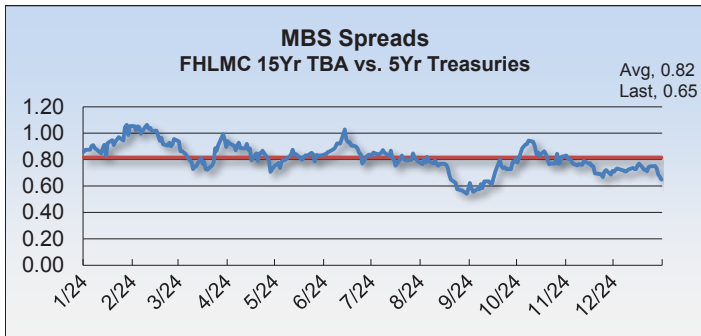
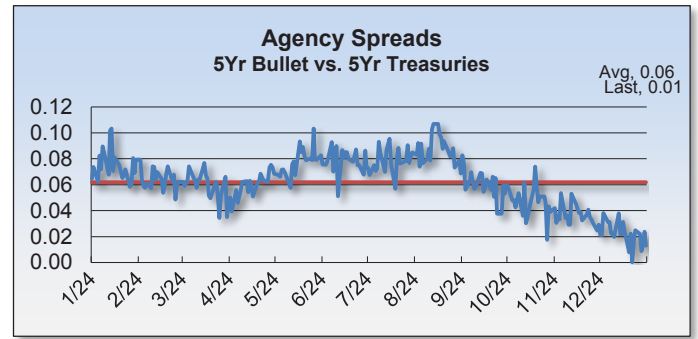
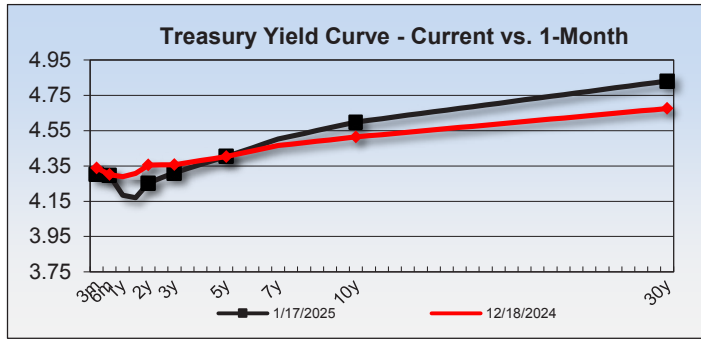
The week ended with some industrial production numbers. US industrial production rose in December by more than forecasted, helped by a pickup in factory output that indicates manufacturing is stabilizing after 2 years of weakness. The 0.9% increase in production at factories, mines, and utilities was the largest since February and followed an upwardly revised 0.2% advance a month earlier, the Federal Reserve data showed on Friday. Manufacturing output rose 0.6%, the most since August, and was helped in part by the resolution of a strike at Boeing Co., after a stronger November increase than initially reported. Production of consumer goods and construction supplies also picked up. Manufacturing, which accounts for 3/4ths of the total industrial production, struggled last year as many companies limited capital spending amid high borrowing costs and inconsistent demand. Factory output declined 0.5% for a second year, the first back-to-back decrease since 2019-2020.

Enjoy the long weekend everyone!

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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	Mty	Agency Calls - Euro			
			1 Mo	6 Mo	1 Yr				C-Corp ²	S-Corp ³			3Mo	6mo	1Yr	2Yr
3mo	4.30	(0.02)	4.33	5.34	5.38	2yr	4.27	4.10	3.99	4.25	4.37	2Yr				
6mo	4.30	0.00	4.31	5.19	5.22	3yr	4.30	4.09	4.03	4.29	4.43	3Yr				
1yr	4.18	(0.04)	4.25	4.85	4.83	5yr	4.46	4.10	4.13	4.40	4.55	5Yr				
2yr	4.25	(0.13)	4.25	4.44	4.36	7yr	4.59	4.12	4.20	4.47	4.77	7Yr				
3yr	4.31	(0.16)	4.23	4.20	4.25	10yr	4.76	4.15	4.45	4.74	5.00	10Yr				
5yr	4.40	(0.17)	4.26	4.08	4.03	15yr	4.94	4.20	4.86	5.17	5.14		February TBA MBS			
7yr	4.50	(0.18)	4.33	4.10	4.08	20yr	5.12	4.19	5.43	5.78	5.47	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	4.60	(0.16)	4.40	4.16	4.10	25yr	5.30	4.11	5.57	5.92	5.53	3.00	5.31	5.0y	5.42	
30yr	4.83	(0.12)	4.59	4.38	4.31	30yr		4.02	5.70	6.06	5.59	3.50	5.13	4.9y		
												4.00	5.00	4.9y	5.45	9.4y
												4.50	5.01	5.4y	5.52	10.0y
												5.00			5.59	9.5y
												5.50			5.78	7.6y

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	4.50	--	4.75	5.50	5.50
Primary Discount	4.50	--	4.75	5.50	5.50
2ndary Discount	5.00	--	5.25	6.00	6.00
Prime Rate	7.50	--	7.75	8.50	8.50
Sec. O.N. Finance	4.29	(0.01)	4.65	5.35	--
1 Month LIBOR	4.96	(0.01)	5.31	5.44	5.43
3 Month LIBOR	4.85	(0.08)	5.28	5.56	5.66
6 Month LIBOR	4.68	(0.08)	5.14	5.65	5.90
1 Year LIBOR	6.04	0.12	5.73	5.48	3.62
6 Month CD	4.34	(0.01)	4.41	5.30	5.32
1 Year CMT	4.18	0.02	4.24	4.85	4.70
REPO O/N	4.33	(0.48)	4.69	5.40	5.35
REPO 1Wk	4.38	0.01	4.39	5.38	5.38
CoF Federal	3.719	--	3.767	3.969	3.855
11th D. CoF (Nov)	3.038	--	3.105	3.227	3.119

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	4.45	4.48	4.48
6mo	4.41	4.43	4.47
1yr	4.31	4.30	4.46
2yr	4.36	4.38	4.47
3yr	4.41	4.45	4.55
4yr	4.47	4.51	4.60
5yr	4.51	4.54	4.66
7yr	4.72	4.77	4.87
10yr	4.88	4.96	5.03
5yr Am	4.15		4.63
10yr Am	4.21		4.88

Fed Fund Futures		
Maturity	Rate	
Jan-25	4.330	
Feb-25	4.325	
Mar-25	4.300	
Apr-25	4.255	
May-25	4.210	
Jun-25	4.160	
Jul-25	4.100	
Aug-25	4.060	
Sep-25	4.035	
Oct-25	4.005	
Nov-25	3.975	

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Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
1/13	NY Fed 1-Yr Inflation Expectations	Dec	3.02%	3.00%	2.97%	--
1/14	NFIB Small Business Optimism	Dec	102.1	105.1	101.7	--
1/14	PPI Final Demand MoM	Dec	0.4%	0.2%	0.4%	--
1/14	PPI Ex Food and Energy MoM	Dec	0.3%	0.0%	0.2%	--
1/14	PPI Ex Food, Energy, Trade MoM	Dec	0.3%	0.1%	0.1%	--
1/14	PPI Final Demand YoY	Dec	3.5%	3.3%	3.0%	--
1/14	PPI Ex Food and Energy YoY	Dec	3.8%	3.5%	3.4%	3.5%
1/14	PPI Ex Food, Energy, Trade YoY	Dec	--	3.3%	3.5%	--
1/15	MBA Mortgage Applications	1/10	--	33.3%	-3.7%	--
1/15	Empire Manufacturing	Jan	3.0	-12.6	0.2	2.1
1/15	CPI MoM	Dec	0.4%	0.4%	0.3%	--
1/15	CPI Ex Food and Energy MoM	Dec	0.3%	0.2%	0.3%	--
1/15	CPI YoY	Dec	2.9%	2.9%	2.7%	--
1/15	CPI Ex Food and Energy YoY	Dec	3.3%	3.2%	3.3%	--
1/15	CPI Index NSA	Dec	315.62	315.61	315.49	--
1/15	CPI Core Index SA	Dec	323.40	323.38	322.66	--
1/15	Real Avg Weekly Earnings YoY	Dec	--	0.7%	1.0%	0.9%
1/15	Real Avg Hourly Earning YoY	Dec	--	1.0%	1.3%	--
1/16	Retail Sales Advance MoM	Dec	0.6%	0.4%	0.7%	0.8%
1/16	Retail Sales Ex Auto MoM	Dec	0.5%	0.4%	0.2%	--
1/16	Retail Sales Ex Auto and Gas	Dec	0.4%	0.3%	0.2%	--
1/16	Retail Sales Control Group	Dec	0.4%	0.7%	0.4%	--
1/16	Import Price Index MoM	Dec	-0.1%	0.1%	0.1%	--
1/16	Import Price Index ex Petroleum MoM	Dec	-0.1%	0.2%	0.2%	--
1/16	Import Price Index YoY	Dec	2.1%	2.2%	1.3%	1.4%
1/16	Export Price Index MoM	Dec	0.1%	0.3%	0.0%	--
1/16	Export Price Index YoY	Dec	1.6%	1.8%	0.8%	0.9%
1/16	New York Fed Services Business Activit	Jan	--	-5.6	-5.2	--
1/16	Initial Jobless Claims	1/11	210k	217k	201k	203k
1/16	Continuing Claims	1/4	1870k	1859k	1867k	1877k
1/16	Business Inventories	Nov	0.1%	0.1%	0.1%	0.0%
1/16	NAHB Housing Market Index	Jan	45	47	46	--
1/17	Housing Starts MoM	Dec	3.0%	15.8%	14.8%	-3.7%
1/17	Building Permits MoM	Dec P	-2.2%	-0.7%	5.2%	--
1/17	Industrial Production MoM	Dec	0.3%	0.9%	0.4%	0.2%
1/17	Capacity Utilization	Dec	77.0%	77.6%	76.8%	77.0%
1/17	Manufacturing (SIC) Production	Dec	0.2%	0.6%	0.2%	0.4%
1/17	Net Long-term TIC Flows	Nov	--	--	\$152.3b	--
1/17	Total Net TIC Flows	Nov	--	--	\$203.6b	--
1/22	Leading Index	Dec	-0.1%	--	0.3%	--
1/23	Kansas City Fed Manf. Activity	Jan	--	--	-4.0	--
1/24	S&P Global US Manufacturing PMI	Jan P	--	--	49.4	--
1/24	S&P Global US Services PMI	Jan P	--	--	56.8	--
1/24	S&P Global US Composite PMI	Jan P	--	--	55.4	--
1/24	U. of Mich. Sentiment	Jan F	--	--	73.2	--
1/24	U. of Mich. Current Conditions	Jan F	--	--	77.9	--
1/24	U. of Mich. 1 Yr Inflation	Jan F	--	--	3.3%	--

MBS Prepayments ⁴						
3-Month CPR						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	14.2	13.3	13.3	14.4	21.5	22.2
FH/FN 15y	7.6	8.8	12.3	20.5	18.9	15.4
GN 15y	17.0	21.4	26.2	33.7	18.8	96.4
FH/FN 20y	6.6	7.3	8.2	10.0	13.6	18.0
FH/FN 30y	5.3	5.6	5.8	5.1	8.8	8.6
GN 30y	6.2	5.0	5.1	6.2	6.7	6.9
CPR Projections						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	10.3	11.5	12.1	14.3	16.9	18.3
FH/FN 15y	7.2	8.2	9.5	15.2	13.9	16.5
GN 15y	8.6	11.5	11.3	12.2	11.3	14.5
FH/FN 20y	6.3	6.6	7.7	8.8	11.3	12.7
FH/FN 30y	5.7	6.0	6.8	7.5	8.1	10.0
GN 30y	6.2	6.3	7.6	7.5	8.8	9.6

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	155.98	(1.75)	153.84	156.74	147.76
Euro	1.03	0.01	1.05	1.09	1.09
Dollar Index	109.13	(0.52)	106.96	103.75	103.45
Major Stock Indices					
Dow Jones	43,469	1,530	43,450	41,198	37,267
S&P 500	5,989.5	162.5	6,050.6	5,588.3	4,739.2
NASDAQ	19,593.2	432	20,109.1	17,996.9	14,855.6
Commodities					
Gold	2,745.5	30.5	2,644.4	2,459.9	2,006.5
Crude Oil	78.69	2.12	70.08	82.85	72.56
Natural Gas	4.01	0.02	3.31	2.04	2.87
Wheat	535.5	4.8	545.0	539.3	582.5
Corn	478.3	7.8	443.5	398.0	442.3

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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