

Baker Market Update

Week In Review

January 31, 2025



Luke Mikles

Senior Vice President, FSG

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

CUs

Virtual Schools:

Virtual Bond School
Mar 26–27, 2025

Banks and CUs

Schools:

ALM School
Apr 24–25, 2025

Happy last day of January and happy Friday everyone! This past week we had quite a few important economic releases, primarily what I am going to now trademark as the “Big 3” (trademark NOT pending), with GDP, PCE and the FOMC meeting. Overall, it has been an interesting week in the American economy. On Monday the NASDAQ suffered one of its largest single day losses in history when it fell by over 600 points after the Chinese company DeepSeek released a new Open-Source AI model to compete with American Companies. AI darling NVIDIA fell 17% after the release, wiping out almost \$600 billion in market cap, making it the biggest one-day loss in U.S. History. The stock market has seemed to stabilize with NASDAQ making solid gains toward the end of the week. Bond yields remained stable, with the 10 Year Treasury falling 3.4 basis points to 4.501% this morning.

Wednesday brought us the first of our “Big 3” releases with the FOMC meeting. Ultimately the FOMC left rates unchanged with a target range of 4.25-4.50%, as expected. The language following the release was neutral with Chairman Powell stating that “We see the risks to achieving our employment and inflation goals as being roughly in balance, and we are attentive to the risks on both sides of our mandate.” And “We know that reducing policy restraint too fast or too much could hinder progress on inflation. At the same time, reducing policy restraint too slowly or too little could unduly weaken economic activity and employment... We are not on any preset course.” The Fed is ultimately leaving themselves some wiggle room to tackle risks to both the upside and downside of their dual mandate. The next FOMC meeting will take place on March 19th, where current market expectations show a slim chance of a cut. The December 2024 Dot Plot penciled in 2 cuts for 2025, and the Fed Funds Futures Markets seems to believe that first cut will come this summer.

The 2nd of the big 3 was Thursday’s GDP report for Q4 2024. GDP came in at 2.3% Quarter over Quarter, missing expectations of 2.6%. Consumer spending has remained strong, rising 4.2%, however changes in Private Investment fell by 5.6%, which cut more than a full percentage point off the overall GDP figure. Wholesale and Retail inventories, which impact Private Investment, were reported on Wednesday. Both measures missed expectations of 0.2%, with Wholesale inventories coming in at an anemic -0.5% and Retail inventories coming in at -0.3%.

Last, but certainly not least, PCE (Personal Consumption Expenditure) came in this morning at 2.6% Year over Year. This was in line with expectations but is an increase from last month’s reading of 2.4%. An increase in energy prices helped fuel, pun slightly intended, the uptick in PCE. Core PCE, which excludes volatile food and energy components, also met expectations at 2.8% Year over Year. This is the third month in a row with Core PCE at 2.8%.

(Continued)

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As we head into the first week of February, we have some more data to gear up for. The first Friday of every month brings us “Jobs Friday”, where we will get updated numbers on Unemployment, Labor Force Participation and Average Hourly Earnings. On Tuesday the U.S. Bureau of Labor Statistics releases their Job Openings and Labor Turnover Survey (JOLTS) followed by the University of Michigan’s Consumer Sentiment report on Friday. Have a great weekend everyone!

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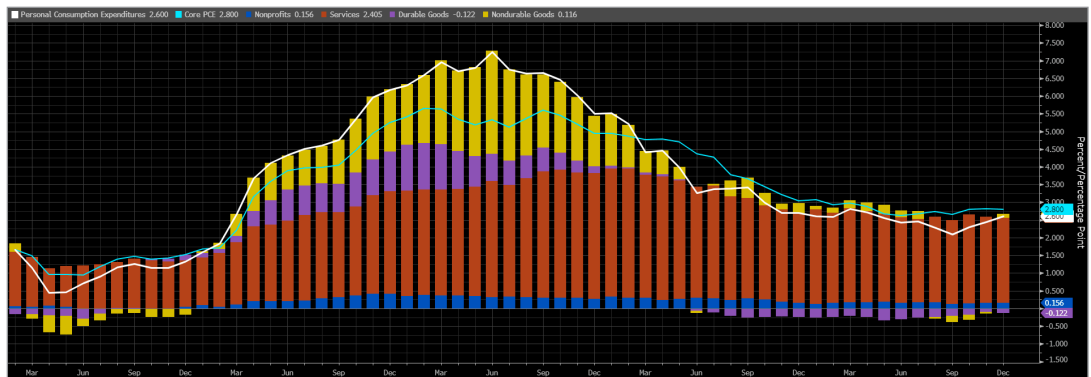
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Contributions to US Personal Consumer Expenditure Price Index YoY% SA

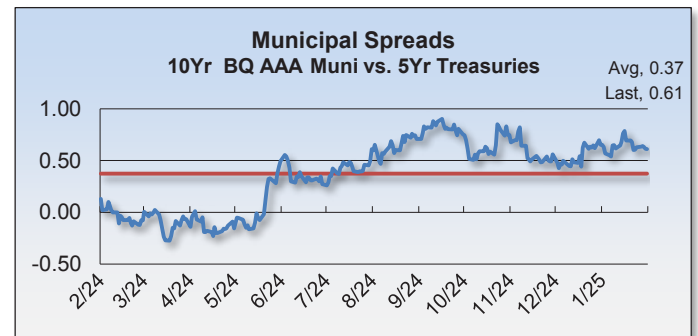
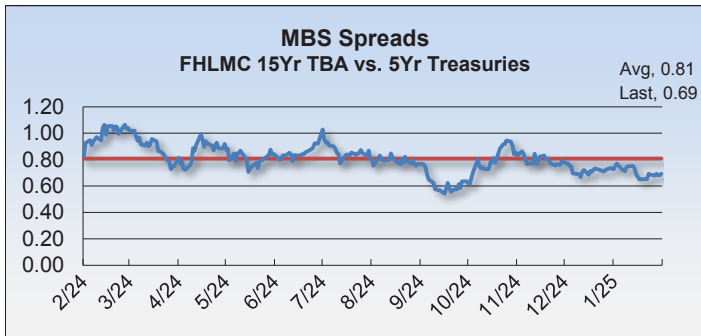
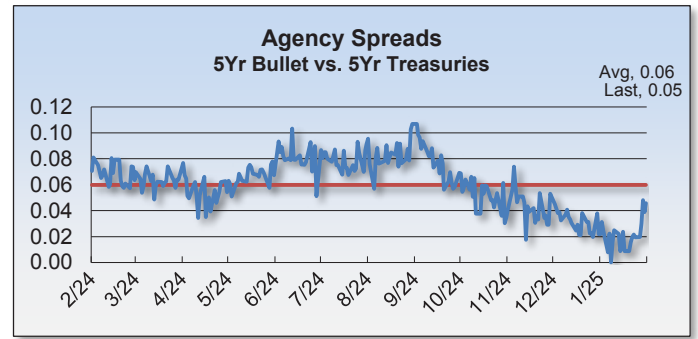
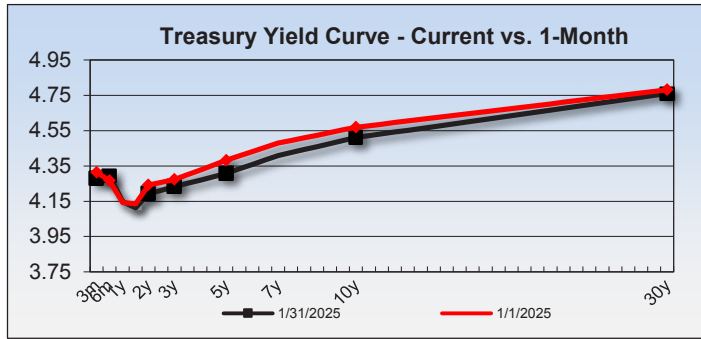


Source: Bloomberg, L.P.

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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	4.28	(0.03)	4.32	5.29	5.37	2yr	4.21	4.05	3.74	3.98	4.33	2Yr				
6mo	4.30	0.01	4.27	5.09	5.20	3yr	4.23	4.02	3.78	4.02	4.37	3Yr				
1yr	4.15	(0.02)	4.15	4.75	4.72	5yr	4.38	4.02	3.88	4.13	4.46	5Yr				
2yr	4.19	(0.07)	4.24	4.26	4.21	7yr	4.50	4.03	3.91	4.16	4.67	7Yr				
3yr	4.23	(0.10)	4.27	4.06	4.08	10yr	4.68	4.06	4.16	4.43	4.90	10Yr				
5yr	4.31	(0.12)	4.38	3.91	3.84	15yr	4.86	4.11	4.62	4.92	5.04		February TBA MBS			
7yr	4.41	(0.12)	4.48	3.95	3.88	20yr	5.03	4.11	5.26	5.60	5.38	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	4.51	(0.11)	4.57	4.03	3.91	25yr	5.20	4.04	5.41	5.76	5.44	3.50	5.13	4.9y	5.37	
30yr	4.76	(0.09)	4.78	4.30	4.17	30yr		3.95	5.56	5.92	5.50	4.00	5.00	4.9y		
												4.50	4.95	5.2y	5.45	9.6y
												5.00	4.97	4.6y	5.55	8.9y
												5.50			5.70	7.4y
												6.00			5.80	5.2y

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	4.50	--	4.50	5.50	5.50
Primary Discount	4.50	--	4.50	5.50	5.50
2ndary Discount	5.00	--	5.00	6.00	6.00
Prime Rate	7.50	--	7.50	8.50	8.50
Sec. O.N. Finance	4.36	0.01	4.37	5.33	--
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	4.32	(0.02)	4.33	5.18	5.28
1 Year CMT	4.16	(0.02)	4.17	4.78	4.80
REPO O/N	4.37	--	4.80	5.46	5.38
REPO 1Wk	4.38	(0.01)	4.38	5.35	5.39
CoF Federal	3.719	--	3.767	3.969	3.855
11th D. CoF (Dec)	2.990	--	3.038	3.240	3.126

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	4.45	4.47	4.47
6mo	4.42	4.43	4.47
1yr	4.30	4.30	4.43
2yr	4.31	4.33	4.39
3yr	4.35	4.39	4.44
4yr	4.38	4.43	4.46
5yr	4.44	4.47	4.51
7yr	4.64	4.70	4.72
10yr	4.81	4.89	4.89
5yr Am	4.15		4.50
10yr Am	4.21		4.74

Fed Fund Futures		
Maturity	Rate	
Jan-25	4.330	
Mar-25	4.310	
Apr-25	4.285	
May-25	4.220	
Jun-25	4.160	
Jul-25	4.085	
Aug-25	4.030	
Sep-25	3.990	
Oct-25	3.940	
Nov-25	3.895	
Dec-25	3.860	

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Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
1/27	Chicago Fed Nat Activity Index	Dec	-6.0%	15.0%	12.0%	-1.0%
1/28	Cap Goods Ship Nondef Ex Air	Dec P	0.2%	0.6%	0.3%	0.4%
1/28	S&P CoreLogic CS 20-City MoM SA	Nov	0.30%	0.41%	0.32%	0.35%
1/28	S&P CoreLogic CS 20-City YoY NSA	Nov	4.24%	4.33%	4.22%	4.23%
1/28	S&P CoreLogic CS US HPI YoY NSA	Nov	--	3.75%	3.60%	3.59%
1/28	Conf. Board Consumer Confidence	Jan	105.7	104.1	104.7	109.5
1/28	Conf. Board Present Situation	Jan	--	134.3	140.2	144.0
1/29	FOMC Rate Decision (Upper Bound)	1/29	4.50%	4.50%	4.50%	--
1/29	FOMC Rate Decision (Lower Bound)	1/29	4.25%	4.25%	4.25%	--
1/29	Fed Interest on Reserve Balances Rate	1/30	4.40%	4.40%	4.40%	--
1/30	Core PCE Price Index QoQ	4Q A	2.5%	2.5%	2.2%	--
1/30	Initial Jobless Claims	1/25	225k	207k	223k	--
1/30	Continuing Claims	1/18	1902k	1858k	1899k	1900k
1/31	Employment Cost Index	4Q	0.9%	0.9%	0.8%	--
1/31	PCE Price Index MoM	Dec	0.3%	0.3%	0.1%	--
1/31	PCE Price Index YoY	Dec	2.6%	2.6%	2.4%	--
1/31	Core PCE Price Index MoM	Dec	0.2%	0.2%	0.1%	--
1/31	Core PCE Price Index YoY	Dec	2.8%	2.8%	2.8%	--
1/31	MNI Chicago PMI	Jan	40.0	39.5	36.9	--
2/3	S&P Global US Manufacturing PMI	Jan F	50.1	--	50.1	--
2/3	ISM Manufacturing	Jan	49.3	--	49.3	49.2
2/3	ISM Employment	Jan	--	--	45.3	45.4
2/3	ISM Prices Paid	Jan	--	--	52.50	--
2/4	JOLTS Job Openings	Dec	--	--	8098k	--
2/4	JOLTS Job Openings Rate	Dec	--	--	4.80%	--
2/4	JOLTS Quits Level	Dec	--	--	3065k	--
2/4	JOLTS Quits Rate	Dec	--	--	1.9%	--
2/4	JOLTS Layoffs Level	Dec	--	--	1765k	--
2/4	JOLTS Layoffs Rate	Dec	--	--	1.1%	--
2/5	ADP Employment Change	Jan	153k	--	122k	--
2/5	S&P Global US Services PMI	Jan F	--	--	52.8	--
2/5	S&P Global US Composite PMI	Jan F	--	--	52.4	--
2/5	ISM Services Employment	Jan	--	--	51.4	51.3
2/5	ISM Services Prices Paid	Jan	--	--	64.4	--
2/6	Challenger Job Cuts YoY	Jan	--	--	11.4%	--
2/6	Nonfarm Productivity	4Q P	1.9%	--	2.2%	--
2/6	Unit Labor Costs	4Q P	3.4%	--	0.8%	--
2/7	Change in Nonfarm Payrolls	Jan	150k	--	256k	--
2/7	Two-Month Payroll Net Revision	Jan	--	--	-8k	--
2/7	Change in Private Payrolls	Jan	130k	--	223k	--
2/7	Change in Manufact. Payrolls	Jan	5k	--	-13k	--
2/7	Unemployment Rate	Jan	4.1%	--	4.1%	--
2/7	Average Hourly Earnings MoM	Jan	0.3%	--	0.3%	--
2/7	Average Hourly Earnings YoY	Jan	3.8%	--	3.9%	--
2/7	Average Weekly Hours All Employees	Jan	34.3	--	34.3	--
2/7	Labor Force Participation Rate	Jan	--	--	62.5%	--
2/7	Underemployment Rate	Jan	--	--	7.5%	--

MBS Prepayments ⁴						
3-Month CPR						
Type	3.5	4.0	4.5	5.0	5.5	6.0
FN 10y	13.3	13.3	14.4	21.5	22.2	27.2
FH/FN 15y	8.8	12.3	20.5	18.9	15.4	22.2
GN 15y	21.4	26.2	33.7	18.8	96.4	76.3
FH/FN 20y	7.3	8.2	10.0	13.6	18.0	20.1
FH/FN 30y	5.6	5.8	5.1	8.8	8.6	11.4
GN 30y	5.0	5.1	6.2	6.7	6.9	7.3
CPR Projections						
Type	3.5	4.0	4.5	5.0	5.5	6.0
FN 10y	12.3	11.6	11.6	13.1	14.9	16.7
FH/FN 15y	8.3	9.5	10.9	12.1	8.2	#####
GN 15y	7.4	7.9	9.6	8.2	9.0	#####
FH/FN 20y	8.3	9.1	10.2	11.6	15.6	16.4
FH/FN 30y	5.8	6.7	7.1	7.8	9.6	12.5
GN 30y	4.6	4.9	6.0	5.9	6.8	7.0

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	154.69	(1.31)	157.20	149.98	146.92
Euro	1.04	(0.01)	1.04	1.08	1.08
Dollar Index	108.42	0.97	108.49	104.10	103.27
Major Stock Indices					
Dow Jones	44,921	497	42,544	40,843	38,150
S&P 500	6,100.1	(1.1)	5,881.6	5,522.3	4,845.7
NASDAQ	19,936.0	(18)	19,310.8	17,599.4	15,164.0
Commodities					
Gold	2,833.8	54.9	2,641.0	2,426.5	2,048.4
Crude Oil	72.00	(2.66)	71.72	77.91	75.85
Natural Gas	3.01	(1.01)	3.63	2.04	2.10
Wheat	554.8	10.8	551.5	527.3	595.3
Corn	481.3	-5.3	458.5	382.8	448.3

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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