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[Strategies](#)

Jul 10, 2024

##### Seminars:

[IL Seminar](#)

Aug 5, 2024

##### Schools:

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Aug 20-21, 2024

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##### Webinars:

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Jul 11, 2024

##### Schools:

[Baker CU Virtual](#)

[ALM School](#)

Jul 24-25, 2024

[Baker ALM School](#)

Aug 20-21, 2024

#### Banks and CUs

##### Seminar:

[Scottsdale, AZ](#)

[45th Anniversary](#)

[Celebration Seminar](#)

Nov 7-8, 2024

Although we had a truncated week with the 4th of July holiday, there was plenty of market news on the economic calendar. As of the time of this writing, Treasury yields are down about 15-20bps across the yield curve from where we started on Monday as this week's slew of economic data shows the economy has begun slowing more rapidly in recent months.

On Wednesday, Payroll processing firm ADP reported that private payrolls rose just 150k in June (est = 165k), the slowest pace since January. ADP tends to come in lower than the official non-farm payrolls report since it does not include government jobs. Adding to the weak employment news, the Department of Labor reported initial weekly jobless claims rose to 238k (est = 235k) last week and continuing claims rose for the ninth consecutive week to 1.858mm (est = 1.84mm), the highest level since late 2021. The sharp rise in continuing claims in recent months is a good indicator that workers are having a much harder time finding a new job after getting laid off and suggests the labor market has deteriorated further in recent weeks.

In another report, the Census Bureau reported that Factory Orders unexpectedly fell 0.5% (est = +0.2%) in May while the prior month was revised lower. The manufacturing sector has been in contraction for the last 2 years and this drop in orders suggests recovery is still lagging. The Institute for Supply Management reported their ISM Services Index unexpectedly plunged to 48.8 (est = 52.7), the lowest level since May 2020 (anything less than 50 indicates the sector is contracting). With the service sector representing nearly 80% of US GDP, the unexpected contraction in the ISM Services Index could potentially be a worrying sign for the health of the economy.

Earlier this morning, the US economy added 206k jobs in June (est = 190k) while the previous two months of job gains were revised lower by 111k. Job gains were led by government (+70k), health care (+49k), social assistance (+34k) and construction (+27k), while retail trade (-9k) and professional & business services (-17k) both saw a loss in jobs. The separate household survey of individuals showed a gain of just 116k jobs and an unexpected increase in the unemployment rate to 4.1% (est = 4.0%). That's the highest level of unemployment since October 2021 and up 0.7% from the low of 3.4% in January 2023. Every recession in the last 50 years has begun with an increase in unemployment of 0.7% or less so the steady increase in unemployment will be concerning news for the Fed as it decides when and how much to begin cutting interest rates from 23-year highs. Average hourly earnings rose 3.9% from a year ago (est = 3.9%), continuing a trend of weaker wage growth over the last several years that will help bring down inflation towards the Fed's stated goal of 2%.

Finally, the labor force participation rate rose to 62.6% (est = 62.6%), but still remains well below pre-pandemic levels of 63.3%. Altogether, this employment report was a mixed bag but will generally be seen as a weak report. Although the headline non-farm payrolls was

(Continued)



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#### Banks and CUs

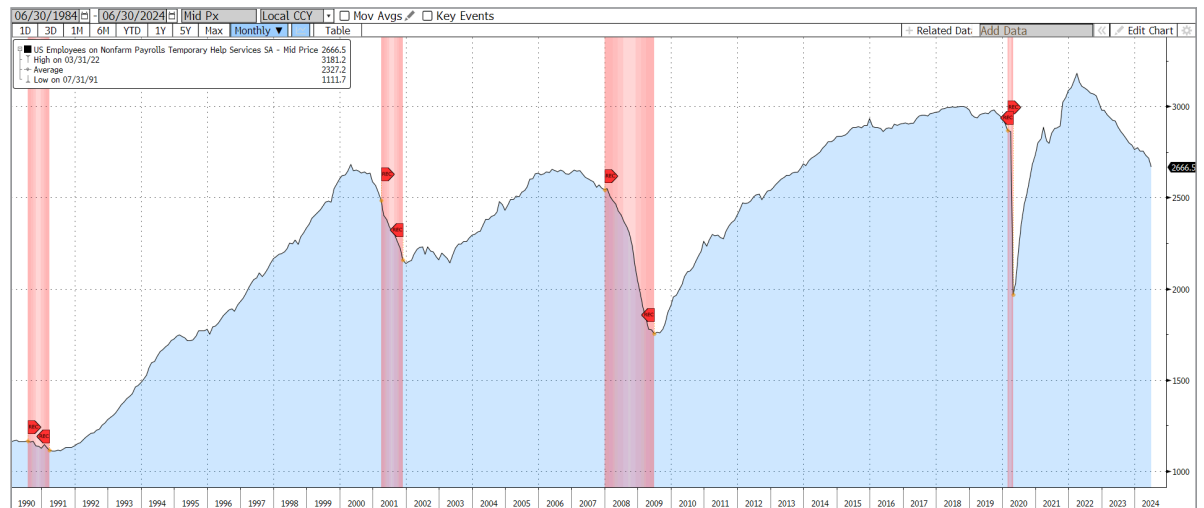
##### Seminar:

Scottsdale, AZ 45th Anniversary Celebration Seminar  
Nov 7-8, 2024

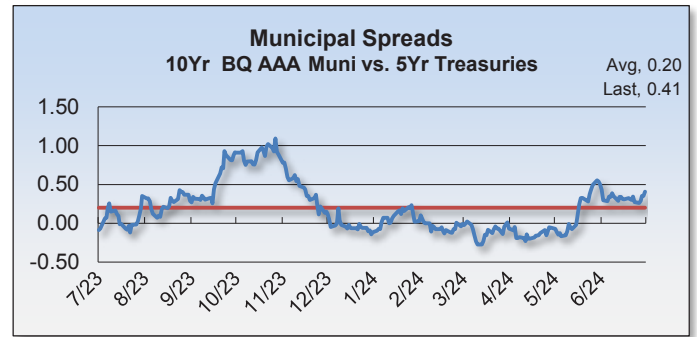
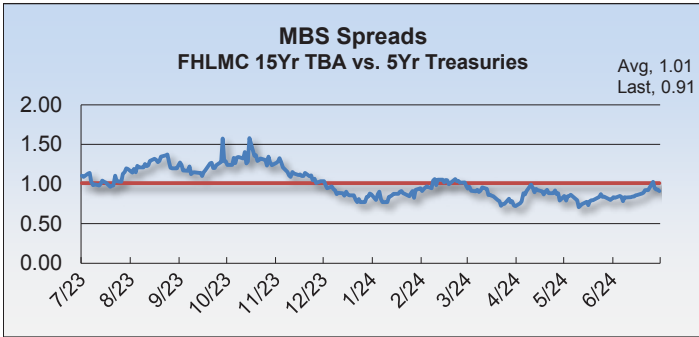
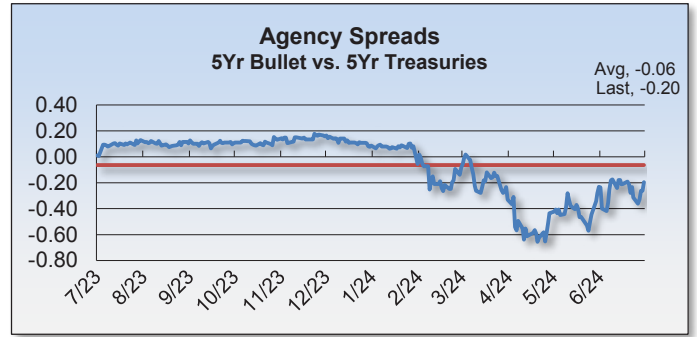
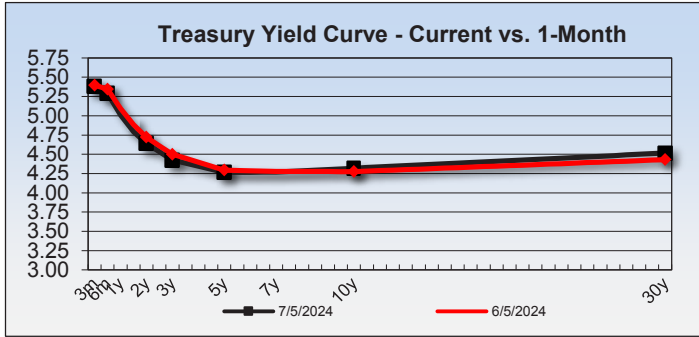
slightly better than estimated, nearly a third of the gains were government jobs, the prior two months were revised lower by 111k and the household survey showed a much weaker gain of just 116k. Another concerning part of the employment report was the sharp drop in temporary help employment (-49k), the steepest decline in more than 3 years. Historically, a decline in temp employment normally precedes a recession as businesses tend to lay off temp-workers first before moving on to permanent layoffs.

Inflation numbers are on deck for next week as we'll get a look at CPI and PPI for June. The market will be watching closely to see if the inflation data is able to further validate the softening economic numbers we received this week, or if the Fed will be forced to continue its tight walk between higher inflation and deteriorating employment.

I hope everyone enjoyed celebrating our great nation's independence yesterday and wish you all a safe holiday weekend.



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	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	5.38	0.02	5.41	5.38	5.35	2yr	4.70	4.53	4.31	4.59	4.86	2Yr					
6mo	5.29	(0.04)	5.35	5.26	5.48	3yr	4.51	4.27	4.13	4.40	4.77	3Yr					
1yr	5.01	(0.11)	5.10	4.84	5.40	5yr	4.33	4.03	4.06	4.32	4.59	5Yr					
2yr	4.64	(0.12)	4.72	4.38	4.95	7yr	4.42	3.95	4.05	4.31	4.64	7Yr					
3yr	4.43	(0.13)	4.50	4.16	4.72	10yr	4.50	3.92	4.02	4.28	4.78	10Yr					
5yr	4.26	(0.11)	4.30	4.01	4.25	15yr	4.59	3.93	4.35	4.63	4.90		August TBA MBS				
7yr	4.27	(0.10)	4.28	4.04	4.10	20yr	4.67	3.90	4.86	5.17	5.25	Cpn	15Yr -Yld/AL		30Yr -Yld/AL		
10yr	4.32	(0.08)	4.28	4.05	3.93	25yr	4.76	3.81	5.05	5.38	5.31	3.00	5.37	5.2y	5.25		
30yr	4.52	(0.04)	4.43	4.20	3.93	30yr		3.72	5.25	5.59	5.36	3.50	5.03	5.1y			
												4.00	4.90	5.2y	5.32	9.6y	
												4.50	4.93	4.9y	5.38	9.6y	
												5.00			5.52	9.2y	
												5.50			5.70	7.6y	

\* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	5.50	--	5.50	5.50	5.25
Primary Discount	5.50	--	5.50	5.50	5.25
2ndary Discount	6.00	--	6.00	6.00	5.75
Prime Rate	8.50	--	8.50	8.50	8.25
Sec. O.N. Finance	5.33	(0.01)	5.35	5.39	--
1 Month LIBOR	5.45	(0.01)	5.44	5.46	5.26
3 Month LIBOR	5.58	(0.02)	5.60	5.59	5.53
6 Month LIBOR	5.67	(0.03)	5.74	5.60	5.81
1 Year LIBOR	6.04	0.12	5.73	5.48	3.62
6 Month CD	5.34	(0.09)	5.36	5.32	5.75
1 Year CMT	5.04	(0.09)	5.14	4.81	5.43
REPO O/N	5.40	0.06	5.37	5.35	5.13
REPO 1Wk	5.35	(0.00)	5.37	5.35	5.14
CoF Federal	3.956	--	3.927	3.848	3.460
11th D. CoF (May)	3.227	--	3.198	3.119	2.731

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	5.49	5.53	5.54
6mo	5.42	5.42	5.49
1yr	5.10	5.11	5.33
2yr	4.73	4.79	4.96
3yr	4.53	4.59	4.75
4yr	4.46	4.52	4.68
5yr	4.39	4.46	4.59
7yr	4.56	4.64	4.76
10yr	4.70	4.80	4.88
5yr Am	4.15		4.78
10yr Am	4.21		4.83

Fed Fund Futures	
Maturity	Rate
Jul-24	5.330
Aug-24	5.315
Sep-24	5.240
Oct-24	5.130
Nov-24	5.055
Dec-24	4.950
Jan-25	4.830
Feb-25	4.685
Mar-25	4.615
Apr-25	4.510
May-25	4.400

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
7/1	S&P Global US Manufacturing PMI	Jun F	51.7	51.6	51.7	--
7/1	Construction Spending MoM	May	0.2%	-0.1%	-0.4%	0.3%
7/1	ISM Manufacturing	Jun	49.1	48.5	48.7	--
7/1	ISM Prices Paid	Jun	55.9	52.1	57.0	--
7/1	ISM New Orders	Jun	49.0	49.3	45.4	--
7/1	ISM Employment	Jun	50.0	49.3	51.1	--
7/2	JOLTS Job Openings	May	7946k	8140k	8059k	7919k
7/3	MBA Mortgage Applications	6/28	--	-2.6%	0.8%	--
7/3	Challenger Job Cuts YoY	Jun	--	19.8%	-20.3%	--
7/3	ADP Employment Change	Jun	165k	150k	152k	157k
7/3	Initial Jobless Claims	6/29	235k	238k	233k	234k
7/3	Continuing Claims	6/22	1840k	1858k	1839k	1832k
7/3	S&P Global US Services PMI	Jun F	55.1	55.3	55.1	--
7/3	S&P Global US Composite PMI	Jun F	--	54.8	54.6	--
7/3	Factory Orders Ex Trans	May	--	-0.7%	0.7%	0.5%
7/3	Durables Ex Transportation	May F	-0.1%	-0.1%	-0.1%	--
7/3	Cap Goods Ship Nondef Ex Air	May F	--	-0.6%	-0.5%	--
7/3	ISM Services Index	Jun	52.7	48.8	53.8	--
7/3	ISM Services Prices Paid	Jun	56.7	56.3	58.1	--
7/3	ISM Services Employment	Jun	49.5	46.1	47.1	--
7/3	ISM Services New Orders	Jun	53.6	47.3	54.1	--
7/5	Two-Month Payroll Net Revision	Jun	--	-111k	-15k	--
7/5	Change in Nonfarm Payrolls	Jun	190k	206k	272k	218k
7/5	Change in Private Payrolls	Jun	160k	136k	229k	193k
7/5	Change in Manufact. Payrolls	Jun	5k	-8k	8k	0k
7/5	Unemployment Rate	Jun	4.0%	4.1%	4.0%	--
7/5	Average Hourly Earnings MoM	Jun	0.3%	0.3%	0.4%	--
7/5	Average Hourly Earnings YoY	Jun	3.9%	3.9%	4.1%	--
7/5	Average Weekly Hours All Employees	Jun	34.3	34.3	34.3	--
7/5	Labor Force Participation Rate	Jun	62.6%	62.6%	62.5%	--
7/5	Underemployment Rate	Jun	--	7.4%	7.4%	--
7/8	NY Fed 1-Yr Inflation Expectations	Jun	--	--	3.17%	--
7/9	NFIB Small Business Optimism	Jun	89.0	--	90.5	--
7/11	CPI MoM	Jun	0.1%	--	0.0%	--
7/11	CPI Ex Food and Energy MoM	Jun	0.2%	--	0.2%	--
7/11	CPI YoY	Jun	3.1%	--	3.3%	--
7/11	CPI Ex Food and Energy YoY	Jun	3.4%	--	3.4%	--
7/11	CPI Index NSA	Jun	314.54	--	314.07	--
7/11	CPI Core Index SA	Jun	--	--	318.14	--
7/11	Real Avg Hourly Earning YoY	Jun	--	--	0.8%	0.7%
7/11	Real Avg Weekly Earnings YoY	Jun	--	--	0.5%	--
7/12	PPI Final Demand MoM	Jun	0.1%	--	-0.2%	--
7/12	PPI Ex Food and Energy MoM	Jun	0.1%	--	0.0%	--
7/12	PPI Ex Food, Energy, Trade MoM	Jun	--	--	0.0%	--
7/12	PPI Final Demand YoY	Jun	--	--	2.2%	--
7/12	PPI Ex Food and Energy YoY	Jun	--	--	2.3%	--
7/12	PPI Ex Food, Energy, Trade YoY	Jun	--	--	3.2%	--

MBS Prepayments <sup>4</sup>						
3-Month CPR						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	14.8	15.1	13.5	17.2	21.5	24.0
FH/FN 15y	8.2	9.1	12.6	19.0	25.1	32.9
GN 15y	17.1	19.6	23.9	30.5	72.8	49.6
FH/FN 20y	6.5	7.3	8.5	9.9	12.6	16.8
FH/FN 30y	5.8	6.2	6.5	6.5	5.7	7.0
GN 30y	5.9	5.7	6.0	6.3	7.3	7.2

CPR Projections						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	10.1	11.3	12.3	13.8	16.7	17.7
FH/FN 15y	7.0	7.9	10.7	13.7	13.7	18.4
GN 15y	8.8	10.8	10.9	11.8	12.6	15.9
FH/FN 20y	6.0	6.6	7.7	8.8	10.7	12.7
FH/FN 30y	5.7	6.0	6.8	7.4	8.5	10.1
GN 30y	6.3	6.5	8.4	7.5	8.8	9.7

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
<b>Currencies</b>					
Japanese Yen	161.29	0.41	156.07	144.63	144.24
Euro	1.08	0.01	1.09	1.09	1.09
Dollar Index	105.04	(0.86)	104.27	102.41	103.37
<b>Major Stock Indices</b>					
Dow Jones	39,281	117	38,711	37,440	34,418
S&P 500	5,537.8	54.9	5,291.3	4,688.7	4,455.6
NASDAQ	18,286.8	428	16,857.1	14,510.3	13,816.8
<b>Commodities</b>					
Gold	2,389.2	52.6	2,354.1	2,049.8	1,927.1
Crude Oil	83.83	2.09	74.07	73.81	71.79
Natural Gas	2.39	(0.30)	2.76	2.89	2.66
Wheat	554.5	13.3	672.8	600.3	628.5
Corn	405.5	-8.3	439.3	460.8	548.3

### 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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