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UPCOMING EVENTS

Banks

Webinars:

Q2 Bank Trends
 Aug 14, 2024

Seminars:

IL Seminar
 Aug 5, 2024

Schools:

Baker ALM School
 Aug 20-21, 2024

CUs

Schools:

Baker ALM School
 Aug 20-21, 2024

Banks and CUs

Seminar:

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

Yikes! Markets are tumbling this morning after a much weaker than expected jobs report. Pressure is mounting on the Fed and the question of *when* the Fed will cut rates has changed to how *much* they will cut. An unexpected jump in the unemployment rate this morning essentially cements a September rate cut but, given mounting weakness in economic data, many are concerned the Fed may already be too late. As of this morning, futures markets are pricing in four rate cuts before year end and assigning a greater probability of a 50bp cut in September than a 25bp cut.

July's Employment Situation report released this morning showed non-farm payroll job gains came in at 114k, missing forecasts of 185k, and gains in the prior two months were revised lower by 29k. The unemployment rate shot up to 4.3%, missing forecasts of a flat 4.1%. The unemployment rate has now risen 0.9% from the low in January 2023, an increase that has never occurred without a recession. Moreover, the increase officially triggered the 'Sahm Rule', which posits a recession is imminent if the 3-month average of the unemployment rate rises more than 0.5% above the lowest level of the 3-month average over the last 12 months. Average hourly earnings also underwhelmed, growing by 3.6% YoY vs. 3.7% forecast and down from 3.8% prior, continuing a steady trend lower towards the pre-pandemic range of 3-3.5%. And finally, a -0.3% contraction in the average weekly hours worked also raised concerns as cuts to hours worked often precede job cuts. The lone bright spot was an increase in the labor force participation rate, which ticked up to 62.7% vs. expectations of a flat 62.6%.

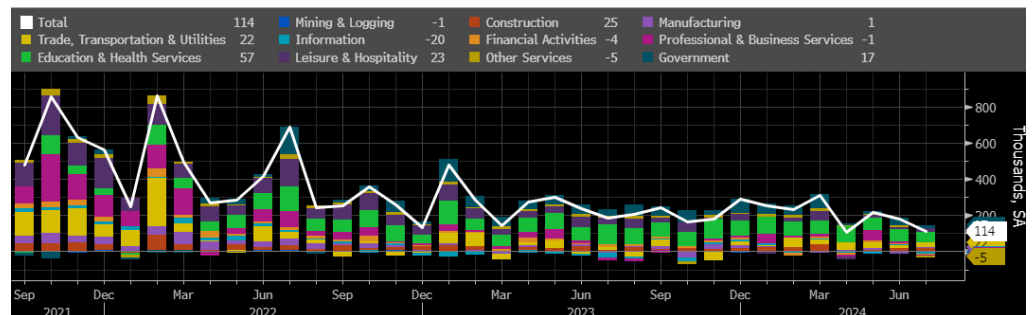
This morning's employment report came on the heels of a multitude of weak data points this week that have stoked 'hard landing' fears, ignited a frenzied rotation from stocks to bonds, and caused bond yields to fall sharply. JOLTS Job Openings data fell shy of expectations as did the ADP Employment Change. Initial jobless claims also unexpectedly jumped to 249k this week, the highest level in almost a year and continuing claims jumped to 1.877mm, the highest level since November of 2021. Also notable was the ISM jobs subindex, which provides insight into employment trends in the manufacturing and services sectors. It plunged to 43.4 from 49.3, which is the weakest ISM employment reading since June 2020 and even lower than it was in September 2008, the month Lehman collapsed and the GSEs were taken into conservatorship.

On Wednesday, the Federal Open Market Committee (FOMC) concluded its two-day policy meeting and left the Fed Funds target range unchanged. The policy statement and Federal Reserve Chair Jerome Powell's comments in the press conference that followed signaled the first rate cut will likely come in seven weeks' time. The data that has been released since then all but ensures that outcome but now that the labor market slowdown has materialized with more clarity, many are wondering whether the Fed hasn't been too slow to act once again.

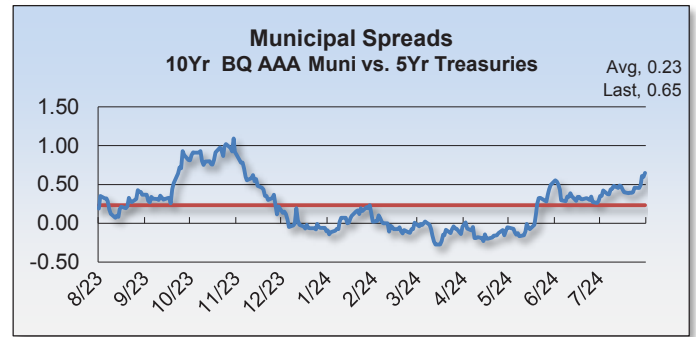
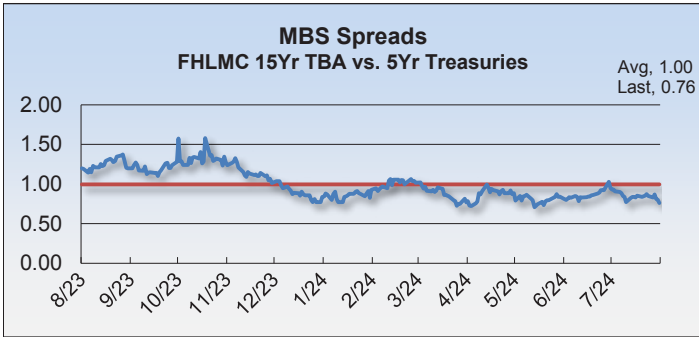
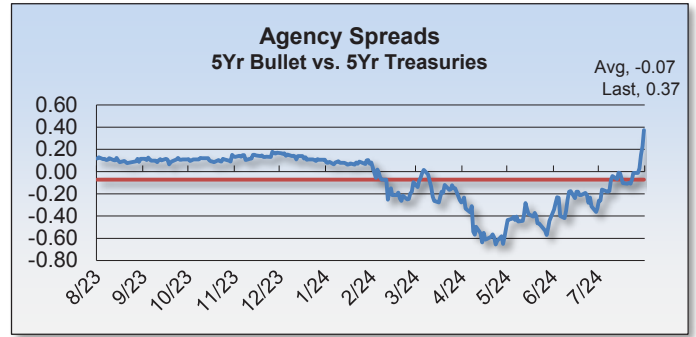
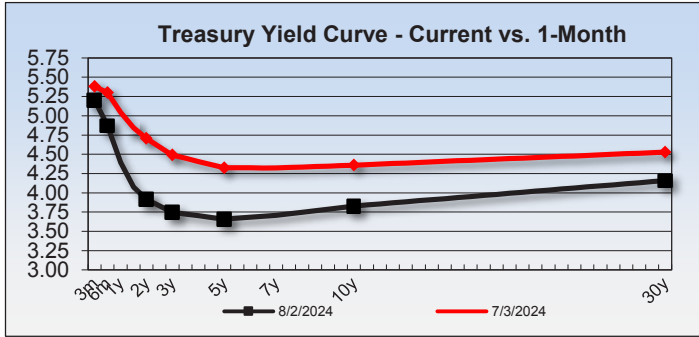
Bond yields have fallen dramatically and all major stock indices are down sharply as well. Week-over-week the 2-year Treasury yield is down ~48bps to 3.91%, the 5-year is down ~42bps to 3.65%, and the 10-year yield is down ~37bps to 3.83% as of this writing. Next week is light on data but we will hear from a few Fed speakers. Expect volatility to continue as traders grapple with the economic outlook and try to position for the next phase of the rate cycle.

US Non-Farm Payrolls (NF)	Browse	Copy	Link	Refresh	Export	World Macroeconomic Analyzer
Dimension: Default	Transform: -	Level: MoM	3 MoM			
Range: 6M YTD 1Y 3Y 5Y 10Y MAX		09/2021	-	08/2024	Monthly	

Breakdown of US Non-Farm Payrolls MoM Net Change
 Latest Release 08/02/24 08:30 Next Release 09/06/24 08:30
 Data from the Bureau of Labor Statistics (BLS)



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 ²	S-Corp ³		Mty	3Mo	6mo	1Yr	2Yr	
3mo	5.20	(0.09)	5.37	5.37	5.41	2yr	3.95	3.95	3.93	4.19	4.34	2Yr					
6mo	4.87	(0.28)	5.31	5.25	5.49	3yr	3.79	3.71	3.82	4.07	4.27	3Yr					
1yr	4.39	(0.41)	5.09	4.81	5.37	5yr	3.72	3.52	3.77	4.01	4.13	5Yr					
2yr	3.91	(0.47)	4.74	4.37	4.88	7yr	3.85	3.49	3.77	4.01	4.22	7Yr					
3yr	3.75	(0.45)	4.55	4.14	4.67	10yr	3.97	3.51	3.86	4.11	4.41	10Yr					
5yr	3.66	(0.42)	4.40	3.98	4.24	15yr	4.09	3.58	4.20	4.47	4.53		September TBA MBS				
7yr	3.71	(0.41)	4.40	4.01	4.17	20yr	4.21	3.58	4.68	4.98	5.00	Cpn	15Yr -Yld/AL		30Yr -Yld/AL		
10yr	3.83	(0.37)	4.43	4.02	4.08	25yr	4.33	3.51	4.87	5.19	5.06	3.00	4.60	5.0y	4.71		
30yr	4.16	(0.29)	4.61	4.22	4.18	30yr		3.44	5.07	5.39	5.11	3.50	4.37	4.9y			
												4.00	4.34	4.9y	4.80	9.1y	
												4.50	4.48	4.7y	4.91	9.0y	
												5.00			5.10	8.3y	
												5.50			5.32	6.5y	

* 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	--	5.40	5.32	--
1 Month LIBOR	5.46	(0.01)	5.45	5.44	5.43
3 Month LIBOR	5.50	(0.04)	5.59	5.58	5.63
6 Month LIBOR	5.50	(0.06)	5.68	5.59	5.86
1 Year LIBOR	6.04	0.12	5.73	5.48	3.62
6 Month CD	5.07	(0.14)	5.38	5.24	5.75
1 Year CMT	4.62	(0.21)	5.10	4.68	5.38
REPO O/N	5.38	(0.05)	5.34	5.38	5.34
REPO 1Wk	5.35	(0.04)	5.35	5.39	5.39
CoF Federal	3.969	--	3.956	3.855	3.544
11th D. CoF (Jun)	3.240	--	3.227	3.126	2.815

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	5.33	5.39	5.51
6mo	5.01	5.02	5.27
1yr	4.52	4.54	4.95
2yr	4.10	4.11	4.46
3yr	3.93	3.97	4.26
4yr	3.93	3.98	4.23
5yr	3.86	3.90	4.13
7yr	4.05	4.13	4.31
10yr	4.27	4.38	4.51
5yr Am	4.15		4.32
10yr Am	4.21		4.41

Fed Fund Futures	
Maturity	Rate
Aug-24	5.305
Sep-24	5.130
Oct-24	4.900
Nov-24	4.595
Dec-24	4.385
Jan-25	4.205
Feb-25	4.000
Mar-25	3.895
Apr-25	3.740
May-25	3.575
Jun-25	3.470

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
7/30	FHFA House Price Index MoM	May	0.2%	0.0%	0.2%	0.3%
7/30	S&P CoreLogic CS 20-City MoM SA	May	0.30%	0.34%	0.38%	0.39%
7/30	S&P CoreLogic CS US HPI YoY NSA	May	--	5.94%	6.29%	6.39%
7/30	S&P CoreLogic CS 20-City YoY NSA	May	6.60%	6.81%	7.20%	7.25%
7/30	JOLTS Job Openings	Jun	8000k	8184k	8140k	8230k
7/30	Conf. Board Consumer Confidence	Jul	99.7	100.3	100.4	97.8
7/30	Conf. Board Present Situation	Jul	--	133.6	141.5	135.3
7/30	Conf. Board Expectations	Jul	--	78.2	73.0	72.8
7/31	MBA Mortgage Applications	7/26	--	-3.9%	-2.2%	--
7/31	ADP Employment Change	Jul	150k	122k	150k	155k
7/31	Employment Cost Index	2Q	1.0%	0.9%	1.2%	--
7/31	MNI Chicago PMI	Jul	45.0	45.3	47.4	--
7/31	Pending Home Sales MoM	Jun	1.5%	4.8%	-2.4%	-1.9%
7/31	Pending Home Sales NSA YoY	Jun	-7.4%	-7.8%	-6.6%	-6.5%
7/31	FOMC Rate Decision (Upper Bound)	7/31	5.50%	5.50%	5.50%	--
7/31	FOMC Rate Decision (Lower Bound)	7/31	5.25%	5.25%	5.25%	--
7/31	Fed Interest on Reserve Balances Rate	8/1	5.40%	5.40%	5.40%	--
8/1	Challenger Job Cuts YoY	Jul	--	9.2%	19.8%	--
8/1	Nonfarm Productivity	2Q P	1.8%	2.3%	0.2%	0.4%
8/1	Unit Labor Costs	2Q P	1.7%	0.9%	4.0%	3.8%
8/1	Initial Jobless Claims	7/27	236k	249k	235k	--
8/1	Continuing Claims	7/20	1855k	1877k	1854k	1844k
8/1	S&P Global US Manufacturing PMI	Jul F	49.6	49.6	49.5	--
8/1	Construction Spending MoM	Jun	0.2%	-0.3%	-0.4%	-0.4%
8/1	ISM Manufacturing	Jul	48.8	46.8	48.5	--
8/1	ISM Prices Paid	Jul	51.8	52.9	52.1	--
8/1	ISM New Orders	Jul	49.0	47.4	49.3	--
8/1	ISM Employment	Jul	49.2	43.4	49.3	--
8/2	Two-Month Payroll Net Revision	Jul	--	-29k	-111k	--
8/2	Change in Nonfarm Payrolls	Jul	175k	114k	206k	179k
8/2	Change in Private Payrolls	Jul	140k	97k	136k	--
8/2	Change in Manufact. Payrolls	Jul	-5k	1k	-8k	-9k
8/2	Unemployment Rate	Jul	4.1%	4.3%	4.1%	--
8/2	Average Hourly Earnings MoM	Jul	0.3%	0.2%	0.3%	--
8/2	Average Hourly Earnings YoY	Jul	3.7%	3.6%	3.9%	3.8%
8/2	Average Weekly Hours All Employees	Jul	34.3	34.2	34.3	--
8/2	Labor Force Participation Rate	Jul	62.6%	62.7%	62.6%	--
8/2	Underemployment Rate	Jul	--	7.8%	7.4%	--
8/2	Factory Orders Ex Trans	Jun	--	0.1%	-0.7%	--
8/2	Durable Goods Orders	Jun F	-6.6%	-6.7%	-6.6%	--
8/2	Durables Ex Transportation	Jun F	0.5%	0.4%	0.5%	--
8/2	Cap Goods Orders Nondef Ex Air	Jun F	1.0%	0.9%	1.0%	--
8/2	Cap Goods Ship Nondef Ex Air	Jun F	--	0.2%	0.1%	--
8/5	S&P Global US Services PMI	Jul F	56	--	56	--
8/5	S&P Global US Composite PMI	Jul F	--	--	55	--
8/5	ISM Services Index	Jul	--	--	48.8	--
8/5	ISM Services Prices Paid	Jul	--	--	56.3	--

MBS Prepayments ⁴						
3-Month CPR						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	14.8	14.2	13.0	15.6	19.8	21.9
FH/FN 15y	8.2	9.1	11.9	18.3	22.7	38.1
GN 15y	16.1	19.1	23.6	30.5	74.5	32.3
FH/FN 20y	6.6	7.6	8.3	9.2	11.4	15.9
FH/FN 30y	6.8	6.5	6.8	6.4	6.7	7.3
GN 30y	6.4	4.9	7.5	6.6	7.0	7.1
CPR Projections						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	10.8	12.1	13.1	14.8	18.1	20.2
FH/FN 15y	7.4	8.7	11.9	14.6	14.6	20.7
GN 15y	9.1	11.2	11.1	12.0	12.8	16.0
FH/FN 20y	6.6	7.5	8.4	9.6	11.8	14.1
FH/FN 30y	6.0	6.4	7.4	8.2	9.5	11.7
GN 30y	6.5	6.6	9.1	8.2	9.3	10.3

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	147.36	(6.40)	161.61	148.38	142.74
Euro	1.09	0.00	1.07	1.08	1.10
Dollar Index	103.34	(0.97)	105.72	103.92	102.59
Major Stock Indices					
Dow Jones	39,930	(659)	39,332	38,654	35,283
S&P 500	5,370.0	(89.1)	5,509.0	4,958.6	4,513.4
NASDAQ	16,780.7	(577)	18,028.8	15,629.0	13,973.5
Commodities					
Gold	2,463.5	82.5	2,333.4	2,036.1	1,937.4
Crude Oil	74.05	(3.11)	82.81	72.28	79.49
Natural Gas	2.01	0.00	2.44	2.08	2.48
Wheat	535.8	12.3	561.5	599.8	640.0
Corn	385.0	-9.5	402.0	442.8	488.3

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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