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UPCOMING EVENTS

Banks

Webinars:

Virtual Bond Education Series
Sep 10,12,17,19, 2024

Q3 IRR Management
Sep 11, 2024

Q4 Bank Investment Strategies
Oct 9, 2024

Credit Unions

Webinars:

Q4 CU Strategies
Oct 10, 2024

Banks and CUs Seminar:

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

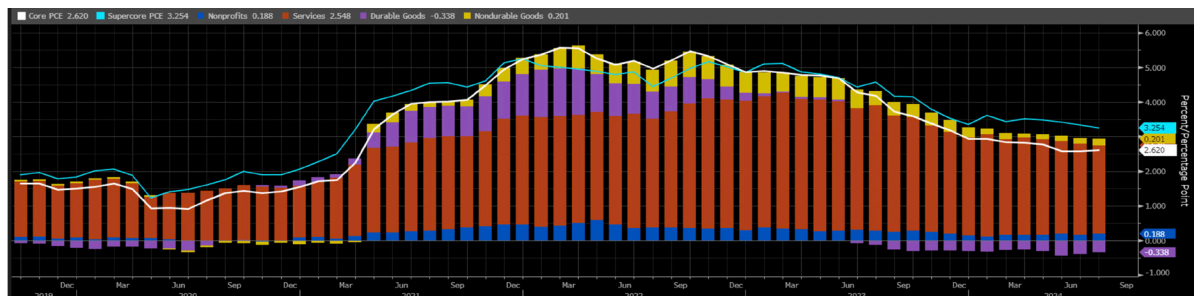
Treasury yields across the curve remained stable this week and are currently trading within a couple basis points of where we began on Monday with the 10yr sitting at 3.86%. There was little “market-moving” data on the whole this week, but we did get a look at the Fed’s preferred measure of inflation, the US Personal Consumption Expenditure Index or PCE.

Headline PCE rose 0.2% (est = 0.2%) and 2.5% from a year ago (est = 2.5%), right in line with analysts’ expectations. Core PCE, which allows us to get a closer look at underlying inflation trends by excluding more volatile categories like Food and Energy, rose just 0.2% in July (est = 0.2%) and 2.6% from a year ago (est = 2.7%). Furthermore, the closely watched Supercore PCE (core services less housing) fell to 3.25%, the lowest level since March 2021. Even more importantly, the 3-month annualized increase in Core PCE fell to just 1.7%, well below the Fed’s target of 2% and suggests the Fed should have enough confidence that inflation is under control and they can begin cutting interest rates next month.

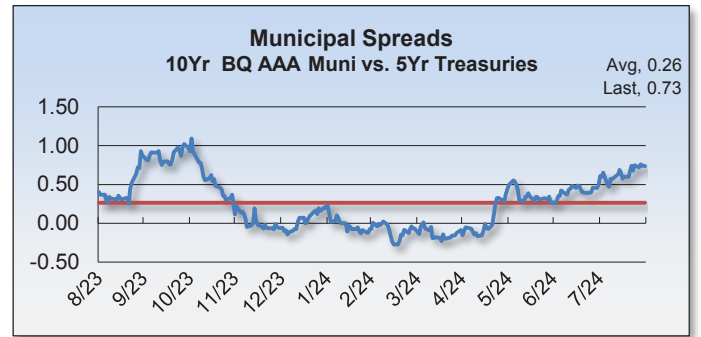
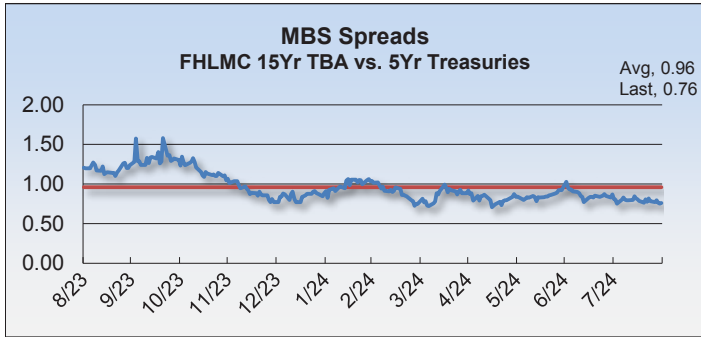
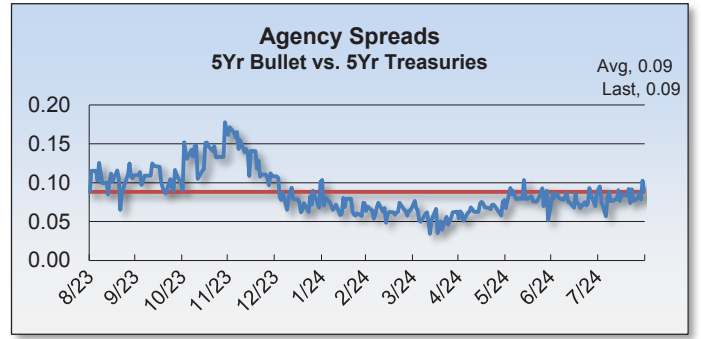
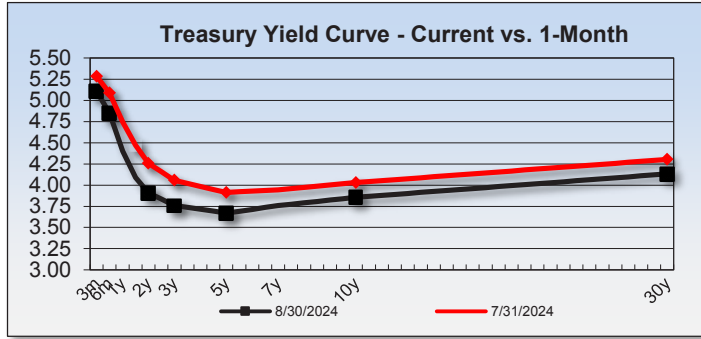
With the price stability (inflation) component of the Fed’s Dual Mandate appearing to be tamed, markets have shifted their attention to the other side of the coin, maximum employment. As the Fed has been primarily focused sealing off inflation, another leak has sprung. Unemployment has risen to 4.3% and above the Fed’s longer-term projections of 4% they set out when they first began their rate hikes. The Fed is acutely aware of this increase and just last week Chairman Powell said, “We do not seek or welcome further cooling in labor market conditions.” Much of the market volatility over the last couple of years has come from inflation data, but given Chairman Powell’s comments and the current economic backdrop, portfolio managers should anticipate that employment data may be the larger driver of market volatility going forward.

The data has so far complied with the Fed which will give them confidence to proceed with their first rate cut on September 18th. We’ll get one more employment report next Friday, which is currently expected to show the economy added 164k jobs in July and the unemployment rate fell to 4.2%. We’ll also get one more look at inflation the following week with CPI. The stage is set for the Fed to come off of the peak rate that was set exactly 400 days ago, the bigger question now is how quickly they will get to their longer-term projections of a sub 3% rate on Fed Funds. The soft-landing scenario will likely be consistent and methodical over time, but additional deterioration in employment would likely lead to more expedient rate cuts. As of today, Fed funds futures are currently pricing a 100% chance of a Fed rate cut on September 18, with about a 30% chance of a 50bp cut and a 70% chance of a 25bp cut.

Hope everyone has a great holiday weekend! P.S. Good luck to your favorite college football team, this will be the year they finally go undefeated.



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 ²	S-Corp ³			3Mo	6mo	1Yr	2Yr
3mo	5.11	(0.03)	5.29	5.38	5.47	2yr	3.98	3.71	3.43	3.65	4.01	2Yr				
6mo	4.85	(0.04)	5.11	5.33	5.54	3yr	3.84	3.50	3.42	3.64	3.98	3Yr				
1yr	4.40	0.03	4.80	5.00	5.40	5yr	3.76	3.37	3.39	3.61	3.91	5Yr				
2yr	3.91	(0.01)	4.36	4.62	4.89	7yr	3.91	3.36	3.57	3.80	4.13	7Yr				
3yr	3.76	0.03	4.17	4.42	4.68	10yr	4.02	3.40	3.79	4.04	4.37	10Yr				
5yr	3.67	0.02	4.03	4.25	4.27	15yr	4.13	3.46	4.17	4.44	4.52		September TBA MBS			
7yr	3.76	0.06	4.06	4.27	4.22	20yr	4.24	3.47	4.65	4.95	4.98	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	3.86	0.06	4.14	4.25	4.12	25yr	4.35	3.40	4.84	5.16	5.04	3.00	4.62	4.9y	4.71	
30yr	4.13	0.04	4.40	4.38	4.23	30yr	4.35	3.32	5.04	5.36	5.09	3.50	4.37	4.8y		
												4.00	4.32	4.7y	4.83	8.6y
												4.50	4.47	4.6y	4.92	8.4y
												5.00			5.10	7.2y
												5.50			5.22	4.9y

* 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	5.33	5.32	--
1 Month LIBOR	5.36	(0.06)	5.46	5.44	5.44
3 Month LIBOR	5.32	(0.04)	5.52	5.60	5.67
6 Month LIBOR	5.17	(0.07)	5.52	5.72	5.90
1 Year LIBOR	6.04	0.12	5.73	5.48	3.62
6 Month CD	4.86	(0.04)	5.19	5.39	5.82
1 Year CMT	4.38	(0.05)	4.79	5.01	5.37
REPO O/N	5.44	0.06	5.46	5.37	5.33
REPO 1Wk	5.35	0.00	5.34	5.37	5.38
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	5.23	5.27	5.30
6mo	4.96	4.97	5.02
1yr	4.48	4.48	4.64
2yr	4.05	4.08	4.14
3yr	3.90	3.94	3.99
4yr	3.88	3.93	3.97
5yr	3.83	3.89	3.91
7yr	4.08	4.16	4.17
10yr	4.29	4.39	4.37
5yr Am	4.15		4.06
10yr Am	4.21		4.24

Fed Fund Futures	
Maturity	Rate
Aug-24	5.330
Sep-24	5.195
Oct-24	5.005
Nov-24	4.755
Dec-24	4.535
Jan-25	4.320
Mar-25	3.950
Mar-25	3.950
May-25	3.640
May-25	3.640
Jul-25	3.440

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
8/26	Cap Goods Orders Nondef Ex Air	Jul P	0.1%	-0.1%	0.9%	0.5%
8/26	Cap Goods Ship Nondef Ex Air	Jul P	0.1%	-0.4%	0.2%	0.0%
8/27	FHFA House Price Index MoM	Jun	0.1%	-0.1%	0.0%	--
8/27	House Price Purchase Index QoQ	2Q	--	0.9%	1.1%	--
8/27	S&P CoreLogic CS 20-City MoM SA	Jun	0.30%	0.42%	0.34%	0.39%
8/27	S&P CoreLogic CS US HPI YoY NSA	Jun	5.43%	5.42%	5.94%	--
8/27	S&P CoreLogic CS 20-City YoY NSA	Jun	6.14%	6.47%	6.81%	6.88%
8/27	Conf. Board Consumer Confidence	Aug	100.8	103.3	100.3	101.9
8/27	Conf. Board Present Situation	Aug	--	134.4	133.6	133.1
8/27	Conf. Board Expectations	Aug	--	82.5	78.2	81.1
8/28	MBA Mortgage Applications	8/23	--	0.5%	-10.1%	--
8/29	GDP Annualized QoQ	2Q S	2.8%	3.0%	2.8%	--
8/29	GDP Price Index	2Q S	2.3%	2.5%	2.3%	--
8/29	Core PCE Price Index QoQ	2Q S	2.9%	2.8%	2.9%	--
8/29	Initial Jobless Claims	8/24	232k	231k	232k	233k
8/29	Continuing Claims	8/17	1870k	1868k	1863k	1855k
8/29	Pending Home Sales NSA YoY	Jul	-2.0%	-4.6%	-7.8%	--
8/30	Personal Income	Jul	0.2%	0.3%	0.2%	--
8/30	Real Personal Spending	Jul	0.3%	0.4%	0.2%	0.3%
8/30	PCE Price Index MoM	Jul	0.2%	0.2%	0.1%	--
8/30	PCE Price Index YoY	Jul	2.5%	2.5%	2.5%	--
8/30	Core PCE Price Index MoM	Jul	0.2%	0.2%	0.2%	--
8/30	Core PCE Price Index YoY	Jul	2.7%	2.6%	2.6%	--
8/30	MNI Chicago PMI	Aug	44.8	46.1	45.3	--
8/30	U. of Mich. Sentiment	Aug F	68.1	67.9	67.8	--
8/30	U. of Mich. Current Conditions	Aug F	61.2	61.3	60.9	--
8/30	U. of Mich. 1 Yr Inflation	Aug F	2.9%	2.8%	2.9%	--
9/3	S&P Global US Manufacturing PMI	Aug F	48.1	--	48.0	--
9/4	JOLTS Job Openings	Jul	8100k	--	8184k	--
9/5	Challenger Job Cuts YoY	Aug	--	--	9.2%	--
9/5	ADP Employment Change	Aug	145k	--	122k	--
9/5	S&P Global US Services PMI	Aug F	--	--	55.2	--
9/5	S&P Global US Composite PMI	Aug F	--	--	54.1	--
9/5	ISM Services Index	Aug	50.9	--	51.4	--
9/5	ISM Services Prices Paid	Aug	--	--	57.0	--
9/5	ISM Services Employment	Aug	--	--	51.1	--
9/5	ISM Services New Orders	Aug	--	--	52.4	--
9/6	Two-Month Payroll Net Revision	Aug	--	--	-29k	--
9/6	Change in Nonfarm Payrolls	Aug	165k	--	114k	--
9/6	Change in Private Payrolls	Aug	148k	--	97k	--
9/6	Change in Manufact. Payrolls	Aug	--	--	1k	--
9/6	Unemployment Rate	Aug	4.2%	--	4.3%	--
9/6	Average Hourly Earnings MoM	Aug	0.3%	--	0.2%	--
9/6	Average Hourly Earnings YoY	Aug	3.7%	--	3.6%	--
9/6	Average Weekly Hours All Employees	Aug	34.3	--	34.2	--
9/6	Labor Force Participation Rate	Aug	--	--	62.7%	--
9/6	Underemployment Rate	Aug	--	--	7.8%	--

MBS Prepayments ⁴						
3-Month CPR						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	14.3	14.4	13.2	16.2	20.0	19.1
FH/FN 15y	8.2	9.3	11.6	18.5	20.1	45.0
GN 15y	16.0	18.4	24.3	30.1	76.4	66.4
FH/FN 20y	6.7	7.7	8.3	9.3	11.4	15.4
FH/FN 30y	6.3	6.5	6.8	6.3	7.3	7.4
GN 30y	8.2	6.1	5.9	6.5	7.0	7.3
CPR Projections						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	11.4	12.7	13.7	15.3	20.2	22.2
FH/FN 15y	8.1	9.2	12.7	15.7	17.0	23.0
GN 15y	9.5	11.6	11.5	12.3	12.7	15.9
FH/FN 20y	7.5	8.3	9.3	10.4	12.7	15.0
FH/FN 30y	6.5	6.8	8.0	8.9	11.1	14.9
GN 30y	6.9	7.0	10.0	9.0	10.0	11.0

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	145.55	1.18	154.74	150.10	146.33
Euro	1.11	(0.01)	1.08	1.08	1.09
Dollar Index	101.57	0.85	104.55	104.16	103.16
Major Stock Indices					
Dow Jones	41,420	245	40,743	38,996	34,890
S&P 500	5,627.2	(7.4)	5,436.4	5,096.3	4,514.9
NASDAQ	17,701.2	(177)	17,147.4	16,091.9	14,019.3
Commodities					
Gold	2,525.8	17.4	2,405.0	2,054.7	1,954.0
Crude Oil	74.19	(0.64)	74.73	78.26	81.63
Natural Gas	2.11	0.09	2.13	1.86	2.80
Wheat	525.5	23.3	524.0	577.5	576.8
Corn	374.5	6.8	388.8	415.8	461.8

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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