

# Baker Market Update

## Week In Review

January 10, 2025



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### UPCOMING EVENTS

#### 2025 Destination Seminar

Austin, TX  
May 8, 2025

#### Banks

##### Webinars:

Q4 2024 Bank Trends  
Feb 12, 2025

##### Seminars:

IA Seminar  
Jun 17, 2025

NE Seminar  
Jun 18, 2025

Somewhat of an eventful week with trade deficit talk, jobless claims, the mourning of Jimmy Carter, and unemployment numbers. The US trade deficit widened in November, offering a bit of evidence that firms are frontloading imports ahead of anticipated tariffs from the incoming Trump administration. Some expect to see increased frontloading as the date to impose tariffs grows closer. The trade deficit grew to 78.2 billion in November (vs. 73.6 billion prior), amid an uptick in imports of “other goods”. Real imports rose 4.1% to 243 billion, while exports rose to 3.4% to 147 billion. Meanwhile, nominal imports from Mexico and Canada rose 4.1% and 2.6%, respectively, hinting at some frontloading behavior. At the same time, nominal imports from China fell 1.3% and imports for autos rose 3.2% and their exports rose 15.7%. With October and November trade data in hand, net exports are on track to marginally boost fourth quarter GDP growth.

The jobless claims declined to start 2025 as seasonal factors anticipated larger post-holiday layoffs, but continuing claims surged again. Continuing claims are putting upward pressure on the median duration of unemployment, which rose to 10.5 weeks in November indicative of softening labor-market conditions. Initial jobless claims declined by 10k to 201k in the week ending of January 4th, below the consensus estimate of 215k. Seasonal factors expected an increase of 12.6% from the previous week. Continuing jobless claims surged by 33k for the week ending December 28th, 2024. Claims could rise ahead of 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 could potentially face a 23% rise in claims when those workers are laid off. Other states, including Missouri, California, South Carolina, Alabama, Florida, Pennsylvania, Virginia, Colorado, and Oregon are also all facing layoffs of Boeing employees starting January 17th.

During mid-week, President Joe Biden had declared Thursday, Jan. 9, a national day of mourning to honor former President Jimmy Carter—who died at age 100 on Dec. 29, 2024—and allow the American people to “pay homage” to Carter’s memory on the day of his funeral. The day of mourning coincided with Carter’s state funeral, which was held at Washington National Cathedral and featured eulogies from President Joe Biden and former President Gerald R. Ford. Carter’s remains were then transported to his hometown of Plains, Georgia, where a private funeral service was held for the former president.

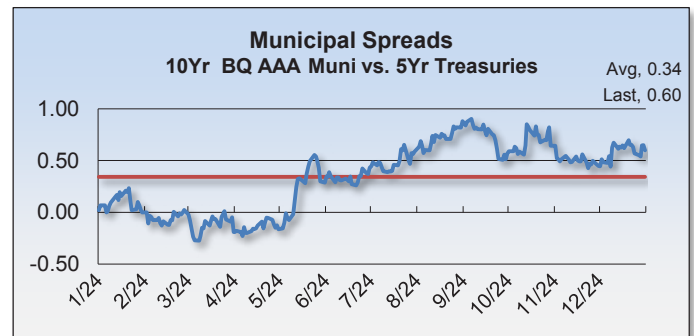
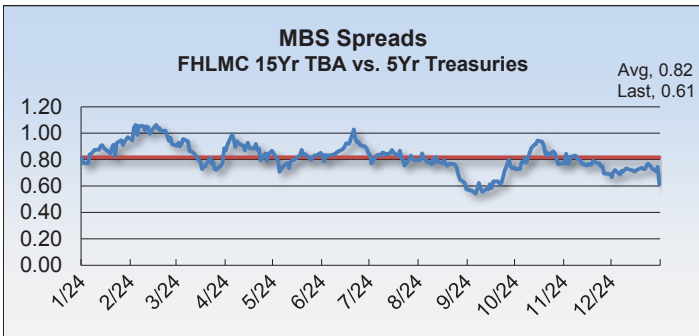
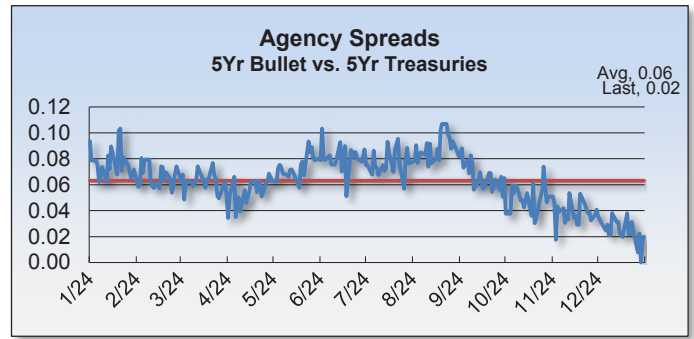
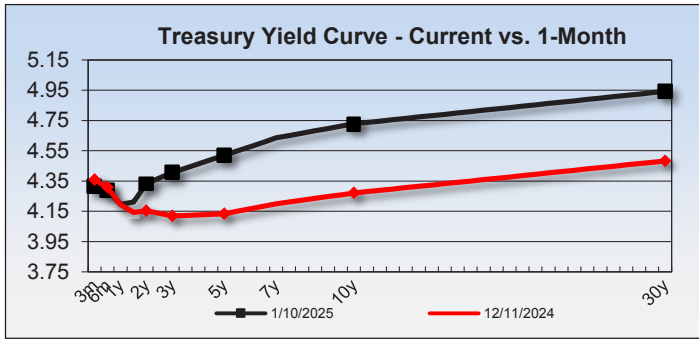
By the end of the week, Bond yields spiked Friday morning as the Biden administration’s last jobs report showed surprising strength. Non-farm payrolls rose 256,000 in December (est = 165k) and the unemployment rate unexpectedly fell to 4.1% (est = 4.2%). Job gains were widespread with the largest gains in healthcare & social assistance (+69.5k), retail (+43k), leisure & hospitality (+43k) and government (+33k) while manufacturing, mining and wholesale trade saw slight job losses. The separate household survey showed even stronger gains with an increase of 478,000 jobs. Average hourly earnings rose 0.3% for the month (est = 0.3%) and 3.9% for the year (est 3.9%), suggesting wages continue to cool. Finally, the labor force participation rate held steady at 62.5% for the third consecutive month. Altogether, this was a surprisingly strong employment report with better-than-expected non-farm payroll gains, strong household survey gains, a drop in unemployment and cooling wage gains. Bond yields jumped on the news with the 2yr yield up 8bp to 4.35% and the 10yr up 7bp to 4.76% as of 8:15am CT. Fed funds futures pushed the first rate cut out to July/Sep with only a 30% chance of another cut in 2025.

Have a great 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	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	4.31	0.02	4.38	5.37	5.38	2yr	4.36	4.13	3.88	4.13	4.39	2Yr					
6mo	4.29	0.01	4.33	5.29	5.25	3yr	4.41	4.13	3.93	4.19	4.46	3Yr					
1yr	4.20	0.02	4.21	5.00	4.82	5yr	4.60	4.15	4.05	4.31	4.60	5Yr					
2yr	4.33	0.05	4.15	4.62	4.36	7yr	4.74	4.17	4.09	4.35	4.83	7Yr					
3yr	4.41	0.09	4.11	4.39	4.23	10yr	4.91	4.21	4.34	4.62	5.07	10Yr					
5yr	4.52	0.11	4.10	4.24	3.97	15yr	5.07	4.26	4.73	5.04	5.21						
7yr	4.63	0.13	4.16	4.24	4.01	20yr	5.22	4.25	5.26	5.60	5.54						
10yr	4.73	0.13	4.23	4.29	4.03	25yr	5.38	4.18	5.43	5.77	5.60						
30yr	4.94	0.13	4.42	4.48	4.21	30yr		4.09	5.59	5.95	5.66						
													February TBA MBS				
													Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
													3.00	5.54	5.0y	5.60	
													3.50	5.33	4.9y		
													4.00	5.16	4.9y	5.65	9.4y
													4.50	5.15	5.4y	5.70	10.0y
													5.00			5.78	9.4y
													5.50			5.92	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	4.30	(0.10)	4.63	5.34	--
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	4.35	0.02	4.34	5.31	5.28
1 Year CMT	4.16	(0.01)	4.20	5.02	4.82
REPO O/N	4.80	--	4.65	5.40	5.35
REPO 1Wk	4.35	(0.05)	4.62	5.36	5.35
CoF Federal	3.767	--	3.834	3.956	3.848
11th D. CoF (Nov)	3.038	--	3.105	3.227	3.119

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	4.46	4.50	4.49
6mo	4.43	4.43	4.44
1yr	4.37	4.36	4.42
2yr	4.45	4.47	4.44
3yr	4.53	4.55	4.51
4yr	4.60	4.63	4.58
5yr	4.66	4.69	4.63
7yr	4.87	4.93	4.84
10yr	5.04	5.12	5.03
5yr Am	4.15		4.60
10yr Am	4.21		4.86

Fed Fund Futures		
Maturity	Rate	
Jan-25	4.330	
Feb-25	4.320	
Mar-25	4.295	
Apr-25	4.255	
May-25	4.220	
Jun-25	4.175	
Jul-25	4.125	
Aug-25	4.095	
Sep-25	4.075	
Oct-25	4.055	
Nov-25	4.030	

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Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
1/6	S&P Global US Services PMI	Dec F	58.5	56.8	58.5	--
1/6	S&P Global US Composite PMI	Dec F	--	55.4	56.6	--
1/6	Factory Orders Ex Trans	Nov	0.1%	0.2%	0.1%	0.2%
1/6	Durables Ex Transportation	Nov F	0.2%	-0.2%	-0.1%	--
1/6	Cap Goods Ship Nondef Ex Air	Nov F	0.3%	0.3%	0.5%	--
1/7	JOLTS Job Openings	Nov	7740k	8098k	7744k	7839k
1/7	JOLTS Job Openings Rate	Nov	4.6%	4.8%	4.6%	4.7%
1/7	JOLTS Quits Level	Nov	--	3065k	3326k	3283k
1/7	JOLTS Quits Rate	Nov	--	1.9%	2.1%	--
1/7	JOLTS Layoffs Level	Nov	--	1765k	1633k	1748k
1/7	JOLTS Layoffs Rate	Nov	--	1.1%	1.0%	1.1%
1/7	ISM Services Index	Dec	53.5	54.1	52.1	--
1/7	ISM Services Prices Paid	Dec	57.5	64.4	58.2	--
1/7	ISM Services New Orders	Dec	54.2	54.2	53.7	--
1/7	ISM Services Employment	Dec	51.4	51.4	51.5	--
1/8	ADP Employment Change	Dec	140k	122k	146k	--
1/8	Initial Jobless Claims	1/4	215k	201k	211k	--
1/8	Continuing Claims	12/28	1860k	1867k	1844k	1834k
1/9	Challenger Job Cuts YoY	Dec	--	11.4%	26.8%	--
1/10	Change in Nonfarm Payrolls	Dec	165k	256k	227k	212k
1/10	Two-Month Payroll Net Revision	Dec	--	-8k	56k	--
1/10	Change in Private Payrolls	Dec	140k	223k	194k	182k
1/10	Change in Manufact. Payrolls	Dec	5k	-13k	22k	25k
1/10	Average Hourly Earnings MoM	Dec	0.3%	0.3%	0.4%	--
1/10	Average Hourly Earnings YoY	Dec	4.0%	3.9%	4.0%	--
1/10	Average Weekly Hours All Employees	Dec	34.3	34.3	34.3	--
1/10	Unemployment Rate	Dec	4.2%	4.1%	4.2%	--
1/10	Labor Force Participation Rate	Dec	62.5%	62.5%	62.5%	--
1/10	Underemployment Rate	Dec	--	7.5%	7.8%	7.7%
1/10	U. of Mich. Sentiment	Jan P	74.0	73.2	74.0	--
1/10	U. of Mich. Current Conditions	Jan P	75.1	77.9	75.1	--
1/13	NY Fed 1-Yr Inflation Expectations	Dec	--	--	3.0%	--
1/14	PPI Final Demand YoY	Dec	--	--	3.0%	--
1/14	PPI Ex Food and Energy YoY	Dec	--	--	3.4%	--
1/14	PPI Ex Food, Energy, Trade YoY	Dec	--	--	3.5%	--
1/15	CPI YoY	Dec	2.9%	--	2.7%	--
1/15	CPI Index NSA	Dec	315.59	--	315.49	--
1/15	CPI Core Index SA	Dec	--	--	322.66	--
1/15	Real Avg Hourly Earning YoY	Dec	--	--	1.3%	--
1/15	Real Avg Weekly Earnings YoY	Dec	--	--	1.0%	0.9%
1/16	Retail Sales Ex Auto and Gas	Dec	0.4%	--	0.2%	--
1/16	Retail Sales Control Group	Dec	0.3%	--	0.4%	--
1/16	Import Price Index YoY	Dec	--	--	1.3%	--
1/16	Export Price Index YoY	Dec	--	--	0.8%	--
1/16	New York Fed Services Business Activit	Jan	--	--	-5.2	--
1/16	NAHB Housing Market Index	Jan	--	--	46	--
1/17	Housing Starts	Dec	1315k	--	1289k	--

MBS Prepayments <sup>4</sup>						
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	11.3	11.9	14.1	16.8	18.0
FH/FN 15y	7.2	8.1	9.5	15.1	14.2	17.7
GN 15y	8.8	11.5	11.2	12.1	11.4	14.7
FH/FN 20y	6.2	6.5	7.6	8.6	11.3	12.5
FH/FN 30y	5.7	6.0	6.8	7.5	8.2	10.0
GN 30y	6.4	6.4	7.7	7.4	8.7	9.6

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
<b>Currencies</b>					
Japanese Yen	158.10	0.84	151.59	161.54	144.94
Euro	1.02	(0.01)	1.05	1.08	1.09
Dollar Index	109.58	0.62	106.40	105.05	102.36
<b>Major Stock Indices</b>					
Dow Jones	42,055	(337)	44,248	39,721	37,696
S&P 500	5,851.2	(17.3)	6,034.9	5,633.9	4,783.5
NASDAQ	19,082.1	(199)	19,687.2	18,647.5	14,969.7
<b>Commodities</b>					
Gold	2,724.9	70.2	2,697.6	2,379.7	2,027.8
Crude Oil	77.24	3.28	68.59	82.10	71.37
Natural Gas	3.91	0.55	3.16	2.33	3.04
Wheat	531.3	2.0	542.0	543.5	610.8
Corn	457.5	6.8	440.5	403.3	459.5

### 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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