

Baker Market Update

Week In Review

January 24, 2025



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This shortened holiday week has been light on economic data but big on analyzing the first week of the next Trump administration and the potential impacts of new policies that may lie ahead. On Monday, President Trump started his second administration with a blitz of executive orders covering issues that range from trade, immigration and U.S. foreign aid to demographic diversity, civil rights, and the hiring of federal workers.

On Thursday, he followed up with a speech at the World Economic Forum in Davos, Switzerland where he told global business and political leaders that he would demand OPEC lower oil prices and the world drop interest rates. Over the course of his 45-minute virtual appearance, Trump took on European regulators, oil producers, and big banks. He also warned that companies will face tariffs if they make their products anywhere but the U.S.

On the domestic front, Trump put pressure on the Federal Reserve over interest rates. “I’ll demand that interest rates drop immediately,” Trump said in his speech. “And likewise, they should be dropping all over the world. Interest rates should follow us all over.” When asked by reporters later in Washington if he expects the Fed to listen to him on rates, Trump said: “Yeah.”

Futures markets though are pricing in very little in the way of rate cuts this year. Traders suspect that the surprising resilience of the economy, which has weathered a pandemic, inflation spike, and several recession scares in the past few years, may make it more difficult for borrowing costs to come down. The economy has expanded at an annual rate of at least 3% for four out of the last five quarters, which is the longest such streak in a decade. Unemployment remains historically low and inflation, which rose to a four-decade high in 2022 is back down to 2.4%. Traders are also weighing concerns that the new administration’s promises to increase tariffs and implement mass deportations could create additional inflationary pressures. As of this morning, fed funds futures pricing reflects less than two rate cuts for all of 2025 with the first one not coming until June.

Next week we will get more feedback from the Fed about the future of interest rates. The committee is unlikely to move the policy rate, but we will hear from Chairman Powell in the press conference that follows the FOMC meeting. Many expect the Fed to communicate a “wait-and-see” approach as they wait to see what emerges on the inflation front and any potential price pressures from tariffs or deportations before moving policy. We will also get an important reading of December’s Personal Consumption Expenditures (PCE) on Friday, the Fed’s preferred inflation gauge. Have a great weekend!

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

► Banks and CUs

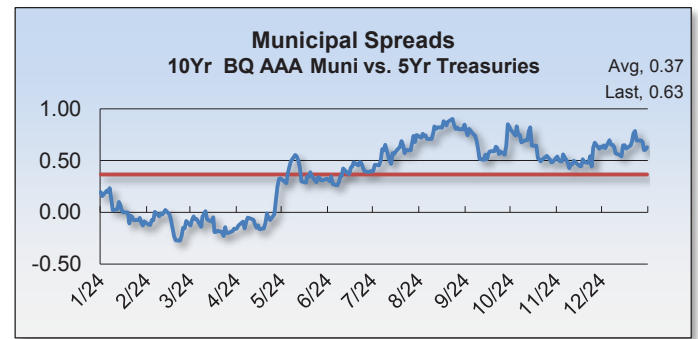
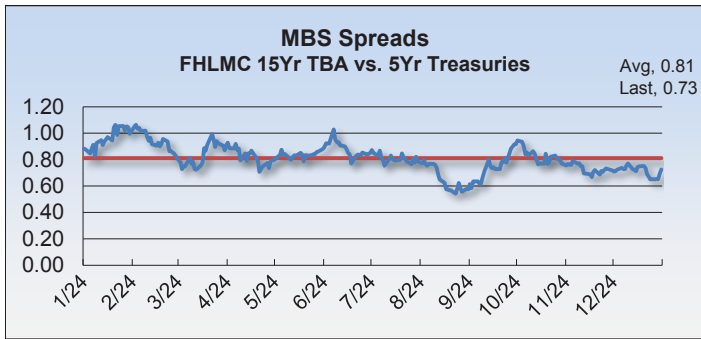
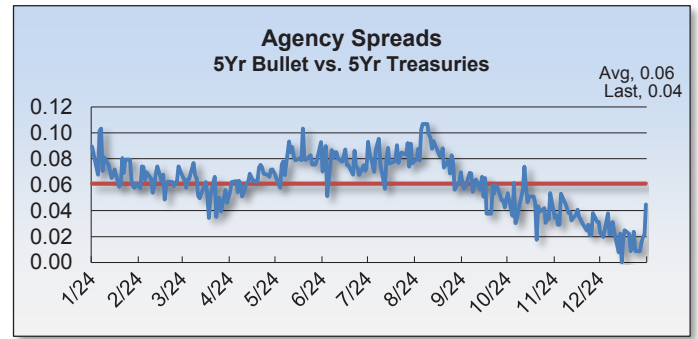
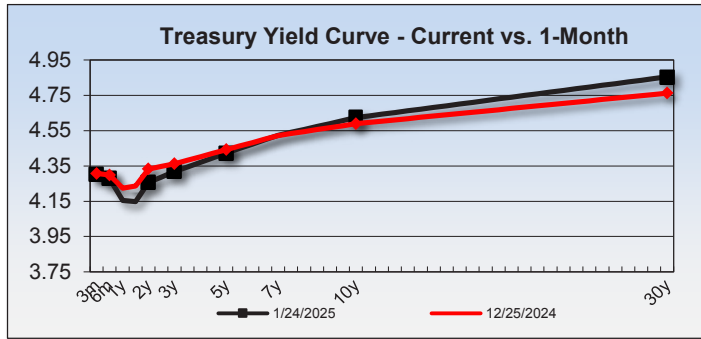
Schools:

ALM School
Apr 24–25, 2025

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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 ²	S-Corp ³		Mty	3Mo	6mo	1Yr	2Yr
3mo	4.30	0.00	4.32	5.31	5.37	2yr	4.27	4.11	3.84	4.08	4.42	2Yr				
6mo	4.28	(0.03)	4.31	5.17	5.24	3yr	4.31	4.10	3.88	4.13	4.48	3Yr				
1yr	4.15	(0.05)	4.23	4.84	4.82	5yr	4.44	4.12	3.98	4.23	4.59	5Yr				
2yr	4.26	(0.03)	4.34	4.43	4.38	7yr	4.56	4.14	4.05	4.31	4.80	7Yr				
3yr	4.32	(0.03)	4.37	4.26	4.28	10yr	4.78	4.16	4.30	4.57	5.03	10Yr				
5yr	4.42	(0.01)	4.44	4.17	4.09	15yr	5.01	4.21	4.73	5.04	5.17					
7yr	4.52	(0.01)	4.52	4.21	4.14	20yr	5.24	4.20	5.35	5.69	5.49					
10yr	4.62	(0.00)	4.59	4.28	4.18	25yr	5.47	4.13	5.49	5.84	5.55					
30yr	4.85	(0.00)	4.76	4.54	4.41	30yr		4.03	5.63	5.99	5.61					

Cpn	February TBA MBS			
	15Yr -Yld/AL	30Yr -Yld/AL		
3.50	5.21	4.9y	5.50	
4.00	5.10	4.9y		
4.50	5.08	5.3y	5.57	9.9y
5.00	5.10	4.9y	5.67	9.3y
5.50			5.84	7.4y
6.00			5.90	5.9y

* 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	4.35	0.06	4.31	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	4.34	(0.00)	4.41	5.23	5.31
1 Year CMT	4.18	--	4.26	4.85	4.81
REPO O/N	4.37	0.04	4.58	5.44	5.35
REPO 1Wk	4.39	0.01	4.58	5.39	5.37
CoF Federal	3.719	--	3.767	3.969	3.855
11th D. CoF (Nov)	3.038	--	3.105	3.227	3.119

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	4.45	4.49	4.49
6mo	4.41	4.42	4.46
1yr	4.34	4.32	4.43
2yr	4.38	4.39	4.46
3yr	4.44	4.47	4.53
4yr	4.52	4.55	4.59
5yr	4.56	4.59	4.63
7yr	4.78	4.83	4.85
10yr	4.94	5.02	5.01
5yr Am	4.15		4.61
10yr Am	4.21		4.86

Fed Fund Futures		
Maturity	Rate	
Jan-25	4.330	
Feb-25	4.330	
Mar-25	4.305	
Apr-25	4.260	
May-25	4.205	
Jun-25	4.150	
Jul-25	4.085	
Aug-25	4.040	
Sep-25	4.015	
Oct-25	3.980	
Nov-25	3.945	

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Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
1/21	Philadelphia Fed Non-Manufacturing Ad	Jan	--	-9.1	-6.0	-3.4
1/22	MBA Mortgage Applications	1/17	--	0.1%	33.3%	--
1/22	Leading Index	Dec	-0.1%	-0.1%	0.3%	0.4%
1/23	Initial Jobless Claims	1/18	220k	223k	217k	--
1/23	Continuing Claims	1/11	1866k	1899k	1859k	1853k
1/24	S&P Global US Manufacturing PMI	Jan P	49.8	50.1	49.4	--
1/24	S&P Global US Services PMI	Jan P	56.5	52.8	56.8	--
1/24	S&P Global US Composite PMI	Jan P	55.6	52.4	55.4	--
1/24	U. of Mich. Sentiment	Jan F	73.2	71.1	73.2	--
1/24	U. of Mich. Current Conditions	Jan F	--	74.0	77.9	--
1/24	U. of Mich. Expectations	Jan F	--	69.3	70.2	--
1/24	U. of Mich. 1 Yr Inflation	Jan F	3.2%	3.3%	3.3%	--
1/24	U. of Mich. 5-10 Yr Inflation	Jan F	3.2%	3.2%	3.3%	--
1/24	Existing Home Sales	Dec	4.20m	4.24m	4.15m	--
1/24	Existing Home Sales MoM	Dec	1.2%	2.2%	4.8%	--
1/27	New Home Sales	Dec	670k	--	664k	--
1/27	New Home Sales MoM	Dec	6.2%	--	5.9%	--
1/27	Building Permits	Dec F	--	--	1483k	--
1/27	Building Permits MoM	Dec F	--	--	-0.7%	--
1/28	Durable Goods Orders	Dec P	0.8%	--	-1.2%	--
1/28	Durables Ex Transportation	Dec P	0.4%	--	-0.2%	--
1/28	Cap Goods Orders Nondef Ex Air	Dec P	--	--	0.4%	--
1/28	Cap Goods Ship Nondef Ex Air	Dec P	--	--	0.3%	--
1/28	FHFA House Price Index MoM	Nov	--	--	0.4%	--
1/28	S&P CoreLogic CS 20-City MoM NSA	Nov	0.30%	--	0.32%	--
1/28	S&P CoreLogic CS 20-City YoY NSA	Nov	--	--	4.22%	--
1/28	S&P CoreLogic CS US HPI YoY NSA	Nov	--	--	3.6%	--
1/28	Conf. Board Consumer Confidence	Jan	105.6	--	104.7	--
1/28	Conf. Board Present Situation	Jan	--	--	140.2	--
1/28	Conf. Board Expectations	Jan	--	--	81.1	--
1/29	FOMC Rate Decision (Upper Bound)	1/29	4.50%	--	4.50%	--
1/29	FOMC Rate Decision (Lower Bound)	1/29	4.25%	--	4.25%	--
1/29	Fed Interest on Reserve Balances Rate	1/30	--	--	4.40%	--
1/30	GDP Annualized QoQ	4Q A	2.6%	--	3.1%	--
1/30	Personal Consumption	4Q A	3.1%	--	3.7%	--
1/30	GDP Price Index	4Q A	2.5%	--	1.9%	--
1/30	Core PCE Price Index QoQ	4Q A	--	--	2.2%	--
1/30	Pending Home Sales MoM	Dec	-1.0%	--	2.2%	--
1/30	Pending Home Sales NSA YoY	Dec	--	--	5.6%	--
1/31	Employment Cost Index	4Q	1.0%	--	0.8%	--
1/31	Personal Income	Dec	0.4%	--	0.3%	--
1/31	Personal Spending	Dec	0.5%	--	0.4%	--
1/31	Real Personal Spending	Dec	--	--	0.3%	--
1/31	PCE Price Index MoM	Dec	0.3%	--	0.1%	--
1/31	PCE Price Index YoY	Dec	2.5%	--	2.4%	--
1/31	Core PCE Price Index MoM	Dec	--	--	0.1%	--
1/31	Core PCE Price Index YoY	Dec	2.8%	--	2.8%	--

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	11.6	12.2	14.5	17.1	18.6	20.5
FH/FN 15y	8.3	9.6	15.4	14.3	18.0	23.5
GN 15y	11.5	11.2	12.3	11.3	14.5	20.5
FH/FN 20y	6.8	7.8	8.9	11.4	13.1	14.6
FH/FN 30y	6.1	6.8	7.6	8.3	10.3	12.5
GN 30y	6.4	7.7	7.6	8.9	9.7	10.6

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	156.07	(0.23)	157.09	154.56	147.49
Euro	1.05	0.02	1.04	1.08	1.09
Dollar Index	107.56	(1.40)	108.26	104.39	103.24
Major Stock Indices					
Dow Jones	44,428	1,275	43,297	39,854	37,806
S&P 500	6,126.9	189.6	6,040.0	5,427.1	4,868.6
NASDAQ	20,065.4	727	20,031.1	17,342.4	15,481.9
Commodities					
Gold	2,785.5	34.6	2,620.0	2,415.7	2,016.0
Crude Oil	74.45	(4.23)	70.10	77.59	75.09
Natural Gas	3.82	(0.43)	3.95	2.12	2.64
Wheat	544.8	7.3	534.8	547.0	610.8
Corn	486.8	12.3	448.5	403.8	452.3

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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