

CAPITAL MARKETS REPORT - JANUARY 21, 2025



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Market Movers:

- Last week's CPI numbers were close to estimates, with the overall reading at +0.4% MoM and Ex Food & Energy at +0.2% MoM. The overall YoY reading rose from 2.7% to 2.9%, while the core YoY dipped from 3.3% to 3.2%. The soft CPI data gave the Treasury market a push to rally sharply. The futures market began to price in a full 25 bp reduction in Fed Funds by July (after it extended out to October following the strong payroll report) and nearly 40 bps of cuts by year end.
- Treasury yields continued to move higher on Monday ahead of Tuesday's PPI and Wednesday's CPI data releases. There is growing speculation that the continued move higher in yields has been partially fueled by concerns that the inflation reports will exceed expectations and further reduce chances of a Fed rate cut anytime in the near future.
- PPI Final Demand unexpectedly cooled to +0.2% MoM (+0.4% previous) Tuesday. PPI Ex Food & Energy also cooled to +0.0% MoM (+0.2% previous). However, the Headline YoY reading increased from 3.0% to 3.3%, and the Core YoY ticked up from +3.4% to +3.5%.
- Retail Sales broadly increased in December with the headline at +0.4% (+0.6% expected; +0.8% previous) and Ex Auto & Gas at +0.3% (+0.4% expected; +0.2% previous).
- Initial Jobless Claims rose to 217k last week, which was slightly above the expected 210k and the prior week's 203k, while Continued Claims dropped modestly from 1877k to 1859k.
- The December residential construction report brought positive surprises. Housing Starts climbed 15.8% in December, reflecting a surge in multi-family projects and a modest increase in single-family homes. Additionally, Building Permits saw less of a decline than expected, dropping from 5.2% to -0.7%.

Market Last Week

	1/10/25 Close	1/17/25 Close	Weekly Change
2 yr. Note	4.38%	4.29%	-9bps
5 yr. Note	4.58%	4.44%	-14bps
10 yr. Note	4.76%	4.63%	-13bps
30 yr. Bond	4.95%	4.86%	-9bps
SOFR Rate	4.30%	4.29%	-1bps

Data This Week

Date/Time (ET)	Economic Data	Market Estimate	Prior Report
1/22/25 7:00 AM	MBA Mortgage Applications	n/a	33.3%
1/22/25 10:00 AM	Leading Index	-0.1%	0.3%
1/23/25 8:30 AM	Initial Jobless Claims	220k	217k
1/23/25 8:30 AM	Continuing Claims	1868k	1859k
1/24/25 9:45 AM	US Manufacturing PMI	49.9	49.4
1/24/25 9:45 AM	US Services PMI	56.5	56.8
1/24/25 10:00 AM	Univ. of Michigan Sentiment	73.2	73.2
1/24/25 10:00 AM	Existing Home Sales	4.20m	4.15m
1/27/25 10:00 AM	New Home Sales	670k	664k
1/27/25 8:30 AM	Building Permits	n/a	1483k
1/28/25 8:30 AM	Durable Goods Orders	0.8%	-1.2%
1/28/25 10:00 AM	Consumer Confidence	106.0	104.7

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