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### UPCOMING EVENTS

#### Banks

##### Seminars:

Oklahoma City, OK  
Oct 20, 2022

Minneapolis, MN  
Nov 29, 2022

#### Credit Unions

##### Seminars:

Dallas, TX  
Nov 4, 2022

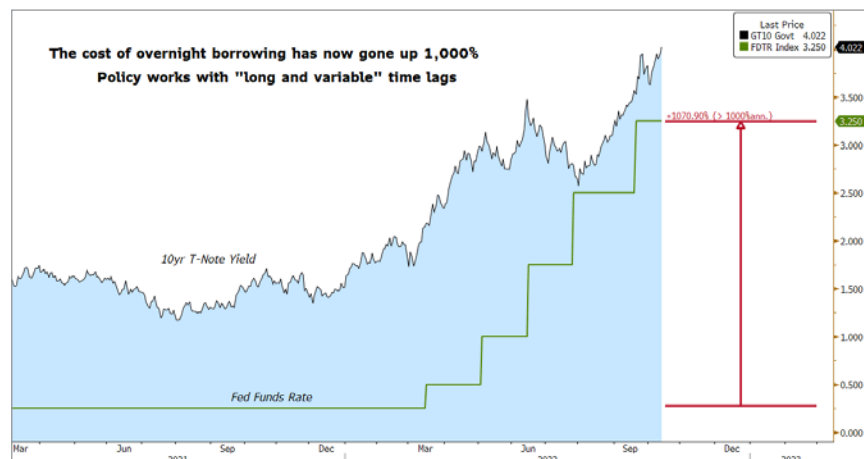
US Inflation continued to misbehave in September, prompting another week of policymakers calling for rates to go higher and stay there until price pressures fade. Core consumer prices last month clocked a 40-year high of 6.6%, validating concerns expressed in the minutes of the last FOMC meeting about the persistence and breadth of inflation that risks becoming deeply entrenched into economic decisions. For their part, the Fed is clear about their determination to squash that impulse. As noted in the minutes: “the cost of taking too little action to bring down inflation outweighed the cost of taking too much action”. At this point, a fourth consecutive 75bps increase in fed funds is baked in the cake for November, which would bring the rate to 4% as we approach year-end. That, in nominal terms, would cap the single most aggressive year of monetary policy tightening since 1981. In terms of the percentage change in the cost of overnight borrowing, though, this tightening campaign is much more severe.

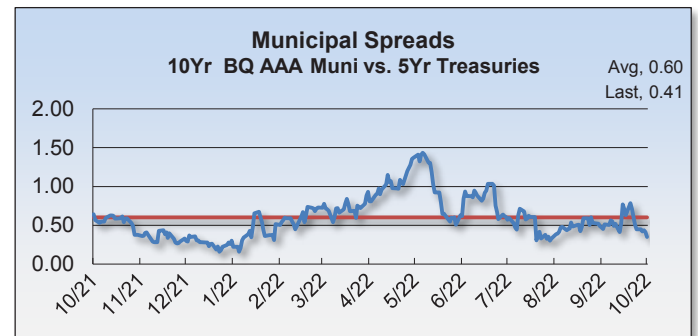
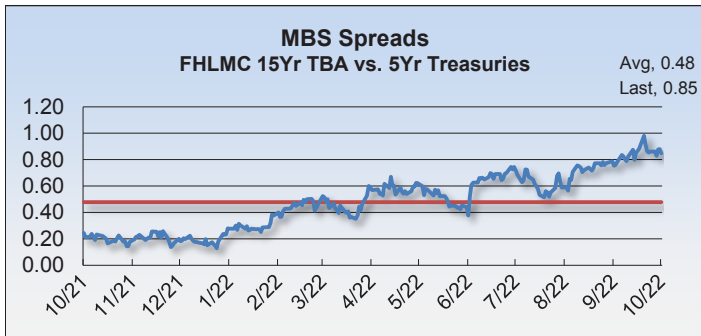
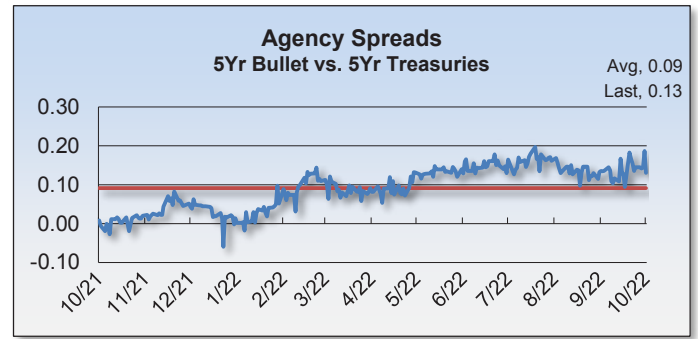
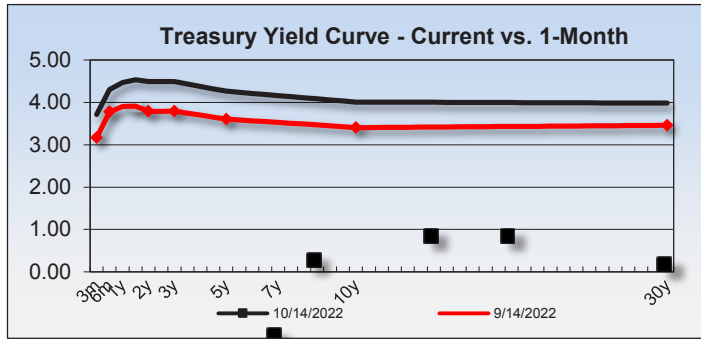
To be sure, there is a strong argument to be made that the Fed is now entering a dangerous phase where “long and variable” time lags can trick policymakers into overtightening. After all, the Fed only began raising rates in March, and the most aggressive hikes have yet to be fully felt throughout the economy. As the higher cost of borrowing filters through into households and businesses, the impact could be a profound and screeching halt to economic activity. Recession, layoffs, and a pullback in consumer spending may be what it takes to dampen price pressures. The timing and magnitude of that process is a known unknown. This concern is not lost on policymakers, some of whom see the early signs of “systemic risk” popping up around the globe (e.g., UK Gilt market). Kansas City Fed President George, for example, has noted the risks of moving too abruptly and disrupting financial markets in a way that can be self-defeating. The Fed is walking a tightrope indeed. For now, though, they are bound and determined to stay the course and get inflation off of high boil.

Bond yields were generally higher across the curve and the curve remains deeply inverted. The 2yr T-Note yield at 4.50% is a full 50bps higher than that of the 4% 10yr. As the Fed proceeds, we may see a curve inversion that is much deeper still. In the meantime, yields and yield spreads are well priced for what’s coming down the pipe... and offer a nice boost to earnings for those with cash to put to work.

In addition to consumer price data, we also learned this week that Retail Sales were flat in September, perhaps an early sign that higher borrowing costs are starting to bite. The “control group”, a subcomponent of retail sales which feeds into GDP calculations, remained nominally positive, but when adjusted for inflation it was flat as well. The University of Michigan consumer sentiment survey produced surprisingly positive results in terms of the current outlook, but inflation concerns remain front and center.

### US Rates: Fed Funds, 2yr T-Note, 10yr T-Note





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	3.71	0.36	3.19	0.77	0.04	2yr	4.60	4.85	4.16	4.43	4.80	2Yr	5.29	5.29	5.29	-		
6mo	4.30	0.21	3.78	1.22	0.06	3yr	4.56	4.58	4.19	4.46	4.85	3Yr	5.29	5.29	5.20	5.29		
1yr	4.47	0.24	3.94	1.73	0.10	5yr	4.36	4.26	4.20	4.47	4.94	5Yr	5.14	5.14	5.13	5.07		
2yr	4.49	0.18	3.79	2.46	0.36	7yr	4.38	4.11	4.26	4.53	5.01	7Yr	5.04	5.06	5.05	4.98		
3yr	4.49	0.15	3.79	2.68	0.59	10yr	4.47	4.00	4.41	4.69	5.06	10Yr	4.93	4.99	4.98	4.92		
5yr	4.26	0.12	3.60	2.79	1.05	15yr	4.56	3.93	4.72	5.02	5.25	November TBA MBS						
7yr	4.16	0.13	3.53	2.84	1.34	20yr	4.64	3.81	5.01	5.33	5.30	Cpn		15Yr -Yld/AL			30Yr -Yld/AL	
10yr	4.01	0.12	3.41	2.83	1.51	25yr	4.72	3.64	5.14	5.47	5.36	2.00	4.88	5.9y	4.99			
30yr	3.98	0.14	3.46	2.92	2.02	30yr	4.72	3.49	5.26	5.60	5.41	2.50	5.19	5.8y				
												3.00	5.29	5.9y	5.23	10.6y		
												3.50	5.11	5.9y	5.32	10.5y		
												4.00			5.37	10.4y		
												4.50			5.49	10.0y		

\* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	3.25	--	2.50	0.50	0.25
Primary Discount	3.25	--	2.50	0.50	0.25
2ndary Discount	3.75	--	3.00	1.00	0.75
Prime Rate	6.25	--	5.50	3.50	3.25
Sec. O.N. Finance	3.04	(0.01)	2.28	0.29	--
1 Month LIBOR	3.41	0.11	2.82	0.55	0.09
3 Month LIBOR	4.08	0.25	3.29	1.04	0.12
6 Month LIBOR	4.54	0.23	3.84	1.55	0.16
1 Year LIBOR	5.11	0.22	4.24	2.25	0.27
6 Month CD	4.75	0.19	4.22	1.55	0.15
1 Year CMT	4.46	0.27	3.92	1.78	0.11
REPO O/N	3.06	--	2.30	0.31	0.04
REPO 1Wk	3.13	(0.02)	2.58	0.40	0.14
CoF Federal	1.762	--	1.508	0.791	0.761
11th D. CoF (Dec)	0.223	--	0.218	0.282	0.460

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	4.11	4.22	4.16
6mo	4.51	4.57	4.56
1yr	4.73	4.77	4.84
2yr	4.62	4.71	4.76
3yr	4.56	4.67	4.70
4yr	4.46	4.56	4.59
5yr	4.35	4.44	4.45
7yr	4.41	4.50	4.50
10yr	4.61	4.72	4.69
5yr Am	4.54		4.62
10yr Am	4.56		4.63

Fed Fund Futures		
Maturity	Rate	
Oct-22	3.080	
Nov-22	3.805	
Dec-22	4.220	
Jan-23	4.505	
Feb-23	4.830	
Mar-23	4.870	
Apr-23	4.940	
May-23	4.935	
Jun-23	4.915	
Jul-23	4.895	
Aug-23	4.850	

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
10/11	NFIB Small Business Optimism	Sep	91.6	92.1	91.8	--
10/12	MBA Mortgage Applications	10/7	--	-2.0%	-14.2%	--
10/12	PPI Final Demand MoM	Sep	0.2%	0.4%	-0.1%	-0.2%
10/12	PPI Ex Food and Energy MoM	Sep	0.3%	0.3%	0.4%	0.3%
10/12	PPI Ex Food, Energy, Trade MoM	Sep	0.2%	0.4%	0.2%	0.2%
10/12	PPI Final Demand YoY	Sep	8.4%	8.5%	8.7%	--
10/12	PPI Ex Food and Energy YoY	Sep	7.3%	7.2%	7.3%	7.2%
10/12	PPI Ex Food, Energy, Trade YoY	Sep	5.6%	5.6%	5.6%	--
10/13	CPI MoM	Sep	0.2%	0.4%	0.1%	--
10/13	CPI Ex Food and Energy MoM	Sep	0.4%	0.6%	0.6%	--
10/13	CPI YoY	Sep	8.1%	8.2%	8.3%	--
10/13	CPI Ex Food and Energy YoY	Sep	6.5%	6.6%	6.3%	--
10/13	CPI Index NSA	Sep	296.45	296.81	296.17	--
10/13	CPI Core Index SA	Sep	298.30	298.66	296.95	--
10/13	Real Avg Hourly Earning YoY	Sep	--	-3.0%	-2.8%	--
10/13	Real Avg Weekly Earnings YoY	Sep	--	-3.8%	-3.4%	--
10/13	Initial Jobless Claims	10/8	225k	228k	219k	--
10/13	Continuing Claims	10/1	1365k	1368k	1361k	1365k
10/14	Retail Sales Advance MoM	Sep	0.2%	0.0%	0.3%	0.4%
10/14	Retail Sales Ex Auto MoM	Sep	-0.1%	0.1%	-0.3%	-0.1%
10/14	Retail Sales Ex Auto and Gas	Sep	0.2%	0.3%	0.3%	0.6%
10/14	Retail Sales Control Group	Sep	0.3%	0.4%	0.0%	0.2%
10/14	Import Price Index MoM	Sep	-1.1%	-1.2%	-1.0%	-1.1%
10/14	Import Price Index ex Petroleum MoM	Sep	-0.4%	-0.5%	-0.2%	--
10/14	Import Price Index YoY	Sep	6.2%	6.0%	7.8%	--
10/14	Export Price Index MoM	Sep	-1.0%	-0.8%	-1.6%	-1.7%
10/14	Export Price Index YoY	Sep	9.3%	9.5%	10.8%	10.7%
10/14	Business Inventories	Aug	0.9%	0.8%	0.6%	0.5%
10/14	U. of Mich. Sentiment	Oct P	58.8	59.8	58.6	--
10/14	U. of Mich. Current Conditions	Oct P	59.6	65.3	59.7	--
10/14	U. of Mich. Expectations	Oct P	58.3	56.2	58.0	--
10/14	U. of Mich. 1 Yr Inflation	Oct P	4.60%	5.10%	4.70%	--
10/14	U. of Mich. 5-10 Yr Inflation	Oct P	2.80%	2.90%	2.70%	--
10/14/2	Monthly Budget Statement	Sep	-\$50.0b	--	-\$64.9b	--
10/17	Empire Manufacturing	Oct	-4.0	--	-1.5	--
10/18	Industrial Production MoM	Sep	0.1%	--	-0.2%	--
10/18	Capacity Utilization	Sep	80.0%	--	80.0%	--
10/18	Manufacturing (SIC) Production	Sep	0.2%	--	0.1%	--
10/18	NAHB Housing Market Index	Oct	43.0	--	46.0	--
10/18	Net Long-term TIC Flows	Aug	--	--	\$21.4b	--
10/18	Total Net TIC Flows	Aug	--	--	\$153.5b	--
10/19	Building Permits	Sep	1550k	--	1517k	1542k
10/19	Building Permits MoM	Sep	0.5%	--	-10.0%	-8.5%
10/19	Housing Starts	Sep	1475k	--	1575k	--
10/20	Philadelphia Fed Business Outlook	Oct	-5.0	--	-9.9	--
10/20	Existing Home Sales	Sep	4.70m	--	4.80m	--
10/20	Leading Index	Sep	-0.3%	--	-0.3%	--

MBS Prepayments <sup>4</sup>						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	8.7	13.8	14.8	16.4	17.7	20.6
FH/FN 15y	6.8	7.7	8.2	12.7	16.4	17.8
GN 15y	15.3	13.2	14.9	16.9	18.6	19.2
FH/FN 20y	52.5	7.4	8.8	9.8	11.3	12.7
FH/FN 30y	2.1	5.2	8.5	7.8	9.2	11.3
GN 30y	5.1	6.4	12.4	14.5	10.4	11.3
CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	8.3	8.4	9.3	10.9	10.3	10.3
FH/FN 15y	7.0	6.3	6.8	7.1	12.4	13.5
GN 15y	9.3	7.7	7.9	10.2	10.4	10.7
FH/FN 20y	5.0	5.6	6.0	6.4	7.4	8.2
FH/FN 30y	5.7	5.5	5.7	5.9	6.3	7.1
GN 30y	5.8	5.5	7.0	7.0	8.4	9.1

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
<b>Currencies</b>					
Japanese Yen	148.44	3.19	143.08	125.88	113.68
Euro	0.98	0.00	1.00	1.08	1.16
Dollar Index	112.90	0.11	109.66	100.32	93.96
<b>Major Stock Indices</b>					
Dow Jones	29,898	602	31,135	34,451	34,913
S&P 500	3,631.6	(8.1)	3,946.0	4,392.6	4,438.3
NASDAQ	10,474.1	(178)	11,719.7	13,351.1	14,823.4
<b>Commodities</b>					
Gold	1,647.6	(52.9)	1,698.2	1,970.9	1,796.7
Crude Oil	86.26	(6.38)	88.48	106.95	81.31
Natural Gas	6.48	(0.27)	9.11	7.30	5.69
Wheat	875.5	-4.8	853.8	1,096.5	724.8
Corn	692.5	9.3	709.0	790.3	516.8

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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