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UPCOMING EVENTS

Banks

Seminar:

West Des Moines, IA

Jun 12, 2023

Bismarck, ND

Jul 25, 2023

Springfield, IL

Aug 7, 2023

Stevens Point, WI

Aug 29, 2023

Oklahoma City, OK

Oct 18-20, 2023

Webinar:

Q2 Strategies Webinar

Apr 12, 2023

Credit Unions

CU Seminar:

Philadelphia, PA

Sep 27, 2023

Dallas, TX

Nov 9, 2023

CU School:

CU Bond School

Apr 26-27, 2023

CU ALM School

Aug 23-24, 2023

CU Webinar:

Q2 Strategies Webinar

Apr 13, 2023

Bank & Credit Unions

School:

Bond School

May 10-11, 2023

ALM School

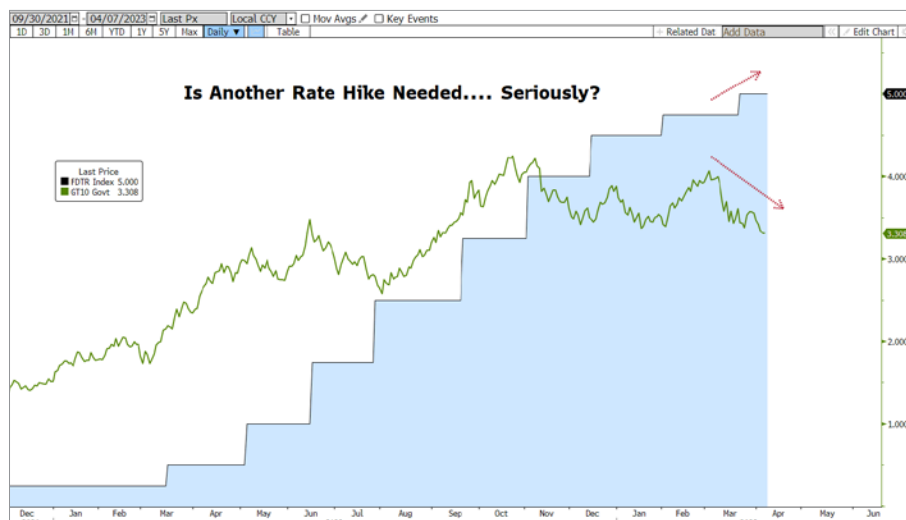
Aug 8-9, 2023

Less than six months ago the US 10yr Treasury Note yield hit an intraday high of 4.33%. Yesterday it ended the session more than 100bps lower at 3.30%. There is clearly a growing conviction in the bond market that the Fed's enormous increase in interest rates over the last twelve months is having the desired impact of crushing demand and bringing down rates of inflation. Indeed, virtually every measure of inflation has steadily moved lower in recent months. The consumer price index has fallen from more than 9% to 6%, PCE inflation (the Fed's preferred measure) is down from 6.98% to 5%. Average hourly earnings, prices paid by manufacturers and services industries, oil and gas prices, trimmed-mean inflation measures... you name it, if it measures inflation it's fallen.

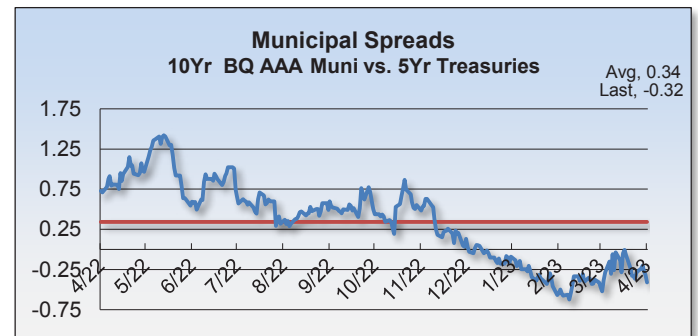
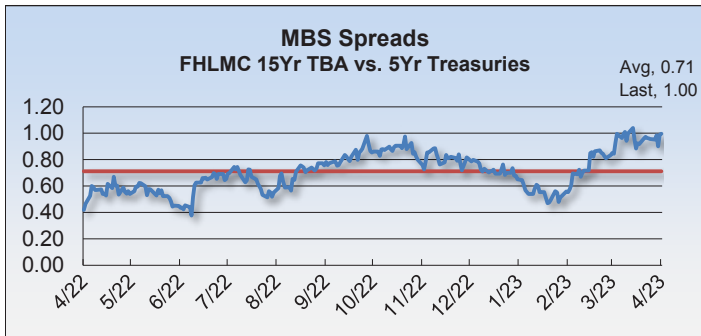
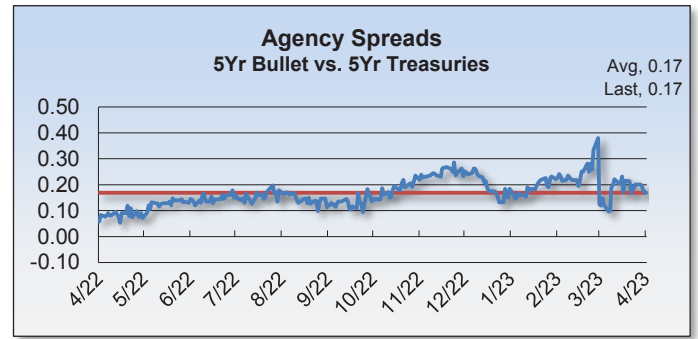
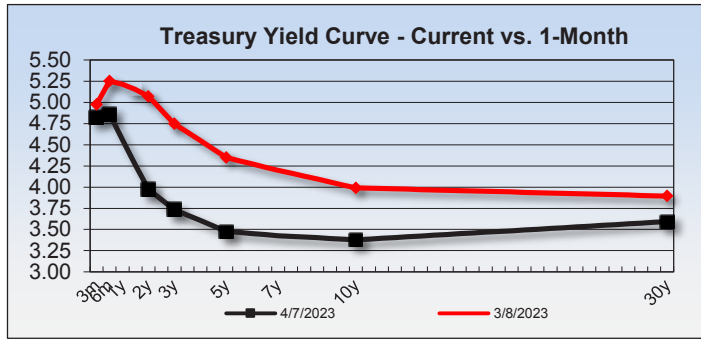
Meanwhile, a steady drumbeat of economic indicators are showing a loss of momentum or growing weakness across sectors. Even the labor market, a lagging indicator if there ever was one, is now showing cracks in the foundation. The Labor Department told us this morning that the pace of hiring cooled in March as new non-farm payrolls rose just 236K... the lowest monthly reading in well over two years. You have to go back to December of 2020 to see a monthly payrolls number that weak. However, due to continuing post-pandemic noise in labor market statistics (mainly the participation rate), we still sit at an official unemployment rate of 3.5%... an impressive data-point and the lowest level in over half a century. That likely won't be the case much longer, however, as the preponderance of data is pointing toward a weakening jobs picture. Examples abound: Average Hourly Earnings (YOY) fell from nearly 6% one year ago to just 4.2% today. The ISM Employment index fell to 46.9 indicating contraction, and now sits at the lowest level since July 2020. The Job Opening and Labor Turnover Survey (a favorite of Chairman Powell's) showed Job Openings fell 632k to below 10 million for first time since May 2021. Private Employment rose 145k vs 210k expectation and 261k the prior month according to ADP data. Challenger Job Cut Announcements were up 319% vs a year ago. Continuing Jobless Claims rose to 1.823mm, the highest level since December 2021.

So given this landscape, what's the Fed's next move? To hear some of them speak, you'd think inflation had risen, not fallen for eight consecutive months... and you'd think that "long- and variable-time lags" have nothing to do with the impact of monetary policy. Some (Bullard or Meister) seem to believe that the economy needs to be pounded with the sledge hammer at least one more time for good measure. Maybe they're right... perhaps another blow would accelerate the disinflationary process and ensure success. But it might also mean the coming recession arrives more quickly, inflicts more pain, and lasts longer than would otherwise be the case. And bond yields would also fall further and more quickly. As always... anticipate, don't predict. And Happy Easter weekend!

US 10yr T-Note Yield and Fed Funds Rate



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 | Agency Calls - Euro | | | | |
| | | | 1 Mo | 6 Mo | 1 Yr | | | | C-Corp ² | S-Corp ³ | | Mty | 3Mo | 6mo | 1Yr | 2Yr |
| 3mo | 4.82 | 0.07 | 4.95 | 3.36 | 0.68 | 2yr | 4.09 | 4.29 | 3.19 | 3.40 | 4.18 | 2Yr | 4.62 | 4.62 | 4.62 | - |
| 6mo | 4.86 | (0.02) | 5.21 | 4.09 | 1.13 | 3yr | 3.84 | 3.89 | 3.04 | 3.23 | 4.11 | 3Yr | 4.40 | 4.40 | 4.30 | 4.39 |
| 1yr | 4.55 | (0.07) | 5.22 | 4.23 | 1.72 | 5yr | 3.66 | 3.54 | 2.94 | 3.13 | 3.96 | 5Yr | 4.25 | 4.25 | 4.24 | 4.18 |
| 2yr | 3.97 | (0.05) | 5.01 | 4.31 | 2.46 | 7yr | 3.67 | 3.42 | 2.88 | 3.07 | 4.09 | 7Yr | 4.22 | 4.24 | 4.23 | 4.16 |
| 3yr | 3.73 | (0.06) | 4.72 | 4.35 | 2.54 | 10yr | 3.77 | 3.38 | 2.94 | 3.13 | 4.29 | 10Yr | 4.23 | 4.29 | 4.28 | 4.21 |
| 5yr | 3.48 | (0.10) | 4.31 | 4.14 | 2.71 | 15yr | 3.88 | 3.40 | 3.81 | 4.05 | 4.42 | May TBA MBS | | | | |
| 7yr | 3.43 | (0.11) | 4.17 | 4.03 | 2.74 | 20yr | 3.99 | 3.37 | 4.14 | 4.41 | 4.73 | Cpn | 15Yr -Yld/AL | | 30Yr -Yld/AL | |
| 10yr | 3.38 | (0.09) | 3.97 | 3.88 | 2.66 | 25yr | 4.10 | 3.28 | 4.30 | 4.57 | 4.79 | 2.50 | 4.33 | 5.6y | 4.29 | |
| 30yr | 3.59 | (0.06) | 3.87 | 3.84 | 2.68 | 30yr | | 3.19 | 4.45 | 4.74 | 4.84 | 3.00 | 4.40 | 5.6y | | |
| | | | | | | | | | | | | 3.50 | 4.31 | 5.6y | 4.51 | 9.8y |
| | | | | | | | | | | | | 4.00 | 4.33 | 5.5y | 4.62 | 9.5y |
| | | | | | | | | | | | | 4.50 | | | 4.78 | 9.0y |
| | | | | | | | | | | | | 5.00 | | | 5.01 | 7.8y |

* Interpolated

| Key Market Indices | | | | | |
|--------------------|---------|------------|------------|-------|-------|
| Index | Current | 1Wk Change | Historical | | |
| | | | 1 Mo | 6 Mo | 1 Yr |
| Fed Funds | 5.00 | -- | 4.75 | 3.25 | 0.50 |
| Primary Discount | 5.00 | -- | 4.75 | 3.25 | 0.50 |
| 2ndary Discount | 5.50 | -- | 5.25 | 3.75 | 1.00 |
| Prime Rate | 8.00 | -- | 7.75 | 6.25 | 3.50 |
| Sec. O.N. Finance | 4.81 | (0.02) | 4.55 | 3.04 | -- |
| 1 Month LIBOR | 4.89 | 0.05 | 4.71 | 3.20 | 0.45 |
| 3 Month LIBOR | 5.21 | 0.05 | 4.98 | 3.78 | 0.97 |
| 6 Month LIBOR | 5.29 | 0.08 | 5.32 | 4.28 | 1.47 |
| 1 Year LIBOR | 5.20 | 0.04 | 5.69 | 4.83 | 2.23 |
| 6 Month CD | 5.07 | (0.02) | 5.28 | 4.48 | 1.43 |
| 1 Year CMT | 4.51 | (0.12) | 5.05 | 4.19 | 1.79 |
| REPO O/N | 4.90 | 0.02 | 4.57 | 3.06 | 0.31 |
| REPO 1Wk | 5.06 | 0.18 | 4.64 | 3.15 | 0.37 |
| CoF Federal | 3.139 | -- | 2.998 | 1.762 | 0.791 |
| 11th D. CoF (Dec) | 0.223 | -- | 0.218 | 0.282 | 0.460 |

| FHLB Fixed Advance Rates | | | |
|--------------------------|---------|--------|--------|
| Maturity | Chicago | Boston | Topeka |
| 3mo | 5.08 | 5.38 | 5.10 |
| 6mo | 5.02 | 5.32 | 5.08 |
| 1yr | 4.78 | 5.09 | 4.85 |
| 2yr | 4.23 | 4.59 | 4.21 |
| 3yr | 4.00 | 4.34 | 3.96 |
| 4yr | 3.86 | 4.21 | 3.83 |
| 5yr | 3.76 | 4.09 | 3.72 |
| 7yr | 3.98 | 4.33 | 3.95 |
| 10yr | 4.07 | 4.44 | 4.04 |
| 5yr Am | 4.03 | | 3.99 |
| 10yr Am | 4.07 | | 4.06 |

| Fed Fund Futures | |
|------------------|-------|
| Maturity | Rate |
| Apr-23 | 4.825 |
| May-23 | 4.980 |
| Jun-23 | 4.995 |
| Jul-23 | 4.970 |
| Aug-23 | 4.875 |
| Sep-23 | 4.815 |
| Oct-23 | 4.705 |
| Nov-23 | 4.540 |
| Dec-23 | 4.440 |
| Jan-24 | 4.355 |
| Feb-24 | 4.155 |

| Weekly Economic Calendar | | | | | | |
|--------------------------|------------------------------------|-------|-----------|--------|-----------|---------|
| This Week & Next | | | | | | |
| Date | Release | Per. | Est. | Actual | Prior | Revised |
| 4/3 | S&P Global US Manufacturing PMI | Mar F | 49.3 | 49.2 | 49.3 | -- |
| 4/3 | ISM Manufacturing | Mar | 47.5 | 46.3 | 47.7 | -- |
| 4/3 | ISM Prices Paid | Mar | 51.1 | 49.2 | 51.3 | -- |
| 4/3 | ISM Employment | Mar | -- | 46.9 | 49.1 | -- |
| 4/3 | ISM New Orders | Mar | 47.5 | 44.3 | 47.0 | -- |
| 4/4 | JOLTS Job Openings | Feb | 10500k | 9931k | 40824k | 10563k |
| 4/4 | Factory Orders Ex Trans | Feb | 0.0% | -0.3% | 4.2% | 0.8% |
| 4/4 | Durables Ex Transportation | Feb F | 0.0% | -0.1% | 0.0% | -- |
| 4/4 | Cap Goods Ship Nondef Ex Air | Feb F | -- | -0.1% | 0.0% | -- |
| 4/5 | MBA Mortgage Applications | 3/31 | -- | -4.1% | 2.9% | -- |
| 4/5 | ADP Employment Change | Mar | 210k | 145k | 242k | 261k |
| 4/5 | S&P Global US Services PMI | Mar F | 53.8 | 52.6 | 53.8 | -- |
| 4/5 | S&P Global US Composite PMI | Mar F | 53.3 | 52.3 | 53.3 | -- |
| 4/5 | ISM Services Index | Mar | 54.4 | 51.2 | 55.1 | -- |
| 4/5 | ISM Services Prices Paid | Mar | -- | 59.5 | 65.6 | -- |
| 4/5 | ISM Services Employment | Mar | -- | 51.3 | 54.0 | -- |
| 4/5 | ISM Services New Orders | Mar | -- | 52.2 | 62.6 | -- |
| 4/6 | Challenger Job Cuts YoY | Mar | -- | 319.4% | 410.1% | -- |
| 4/6 | Initial Jobless Claims | 4/1 | 200k | 228k | 498k | 246k |
| 4/6 | Continuing Claims | 3/25 | 1700k | 1823k | 4689k | 1817k |
| 4/7 | Two-Month Payroll Net Revision | Mar | -- | -17k | -- | -- |
| 4/7 | Change in Nonfarm Payrolls | Mar | 230k | 236k | 344k | 326k |
| 4/7 | Change in Private Payrolls | Mar | 218k | 189k | 265k | 266k |
| 4/7 | Change in Manufact. Payrolls | Mar | -4k | -1k | -4k | -1k |
| 4/7 | Unemployment Rate | Mar | 3.6% | 3.5% | 3.6% | -- |
| 4/7 | Average Hourly Earnings MoM | Mar | 0.3% | 0.3% | 0.2% | -- |
| 4/7 | Average Hourly Earnings YoY | Mar | 4.3% | 4.2% | 4.6% | -- |
| 4/7 | Average Weekly Hours All Employees | Mar | 34.5 | 34.4 | 34.5 | -- |
| 4/7 | Labor Force Participation Rate | Mar | 62.5% | 62.6% | 62.5% | -- |
| 4/7 | Underemployment Rate | Mar | -- | 6.7% | 6.8% | -- |
| 4/7 | Consumer Credit | Feb | \$18.000b | -- | \$14.799b | -- |
| 4/11 | NFIB Small Business Optimism | Mar | 89.5 | -- | 90.9 | -- |
| 4/12 | CPI YoY | Mar | 5.2% | -- | 6.0% | -- |
| 4/12 | CPI Ex Food and Energy YoY | Mar | 5.6% | -- | 5.5% | -- |
| 4/12 | CPI Core Index SA | Mar | 305.36 | -- | 304.07 | -- |
| 4/12 | Real Avg Hourly Earning YoY | Mar | -- | -- | -1.3% | -- |
| 4/12 | Real Avg Weekly Earnings YoY | Mar | -- | -- | -1.9% | -- |
| 4/12 | Monthly Budget Statement | Mar | -- | -- | -\$192.6b | -- |
| 4/13 | PPI Final Demand YoY | Mar | 3.1% | -- | 4.6% | -- |
| 4/13 | PPI Ex Food and Energy YoY | Mar | 3.5% | -- | 4.4% | -- |
| 4/13 | PPI Ex Food, Energy, Trade YoY | Mar | -- | -- | 4.4% | -- |
| 4/14 | Import Price Index YoY | Mar | -- | -- | -1.1% | -- |
| 4/14 | Export Price Index YoY | Mar | -- | -- | -0.8% | -- |
| 4/14 | Retail Sales Ex Auto and Gas | Mar | -0.8% | -- | 0.0% | -- |
| 4/14 | Retail Sales Control Group | Mar | -0.5% | -- | 0.5% | -- |
| 4/14 | Capacity Utilization | Mar | 79.1% | -- | 78.0% | -- |
| 4/14 | Manufacturing (SIC) Production | Mar | -0.1% | -- | 0.1% | -- |

| MBS Prepayments ⁴ | | | | | | |
|------------------------------|------|------|------|------|------|------|
| 3-Month CPR | | | | | | |
| Type | 2.5 | 3.0 | 3.5 | 4.0 | 4.5 | 5.0 |
| FN 10y | 12.0 | 12.1 | 13.1 | 14.4 | 13.1 | 15.7 |
| FH/FN 15y | 5.9 | 6.5 | 8.4 | 14.1 | 17.4 | 26.2 |
| GN 15y | 13.1 | 13.7 | 16.0 | 18.5 | 21.6 | 26.1 |
| FH/FN 20y | 4.7 | 6.0 | 6.7 | 7.8 | 9.2 | 12.9 |
| FH/FN 30y | 3.1 | 4.2 | 4.5 | 5.2 | 6.9 | 8.1 |
| GN 30y | 4.5 | 6.4 | 5.7 | 3.5 | 6.5 | 6.9 |

| CPR Projections | | | | | | |
|-----------------|------|------|------|------|------|------|
| Type | 2.5 | 3.0 | 3.5 | 4.0 | 4.5 | 5.0 |
| FN 10y | 14.8 | 15.2 | 15.2 | 13.8 | 11.1 | 12.4 |
| FH/FN 15y | 7.0 | 7.4 | 7.8 | 14.2 | 15.8 | 16.2 |
| GN 15y | 9.5 | 9.9 | 11.4 | 12.0 | 13.9 | 13.5 |
| FH/FN 20y | 6.2 | 6.8 | 7.4 | 8.2 | 9.1 | 10.1 |
| FH/FN 30y | 5.8 | 6.1 | 6.5 | 7.3 | 8.1 | 9.7 |
| GN 30y | 6.4 | 7.2 | 7.3 | 8.5 | 9.7 | 7.9 |

| Other Markets | | | | | |
|----------------------------|----------|----------|------------|----------|----------|
| Index | Current | 1Wk Chng | Historical | | |
| | | | 1 Mo | 6 Mo | 1 Yr |
| Currencies | | | | | |
| Japanese Yen | 132.20 | (0.66) | 137.16 | 145.25 | 123.95 |
| Euro | 1.09 | 0.01 | 1.05 | 0.97 | 1.09 |
| Dollar Index | 102.16 | (0.34) | 105.62 | 112.80 | 99.75 |
| Major Stock Indices | | | | | |
| Dow Jones | 33,485 | 626 | 32,856 | 29,297 | 34,584 |
| S&P 500 | 4,105.0 | 54.2 | 3,986.4 | 3,639.7 | 4,500.2 |
| NASDAQ | 12,088.0 | 74 | 11,530.3 | 10,652.4 | 13,897.3 |
| Commodities | | | | | |
| Gold | 2,011.9 | 31.6 | 1,854.6 | 1,711.7 | 1,918.4 |
| Crude Oil | 80.70 | 6.33 | 80.46 | 88.45 | 96.23 |
| Natural Gas | 2.01 | (0.09) | 2.57 | 6.97 | 6.03 |
| Wheat | 675.5 | -16.8 | 682.5 | 879.0 | 1,038.3 |
| Corn | 643.5 | -6.0 | 644.5 | 675.5 | 756.5 |

| 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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