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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

Credit Unions

CU Seminar:

Philadelphia, PA
Sep 27, 2023

Dallas, TX
Nov 9, 2023

CU School:

CU ALM School
Aug 23-24, 2023

Bank & Credit Unions

School:

Bond School
May 10-11, 2023

ALM School
Aug 8-9, 2023

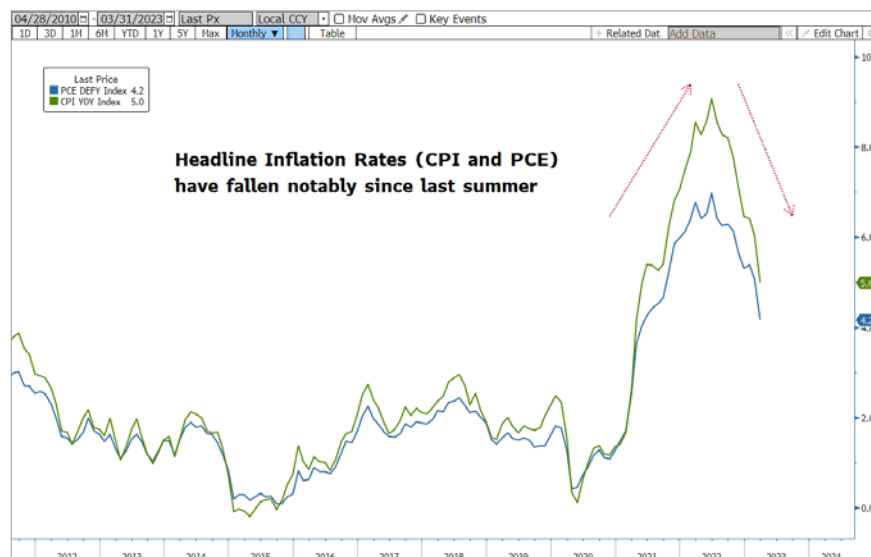
Our friends at the Bureau of Labor Statistics reported this week that the US economy slowed sharply in the first quarter of the year. After clipping along at a solid 2.5%-ish growth pace for the entire second half of 2022, we now seem to be stuck in the mud. Real GDP increased at just 1.1% in Q1 despite strong consumer spending, an abrupt deceleration and well below expectations of a 2% increase. The slowdown suggests the Fed's year-long battle against inflation is beginning to take effect in terms of demand destruction. Since March of last year, the Fed has lifted the funds rate nine times from near zero to just under 5%, the fastest increase in decades, and unprecedented in terms of the relative increase in the cost of borrowing.

To be sure, there was some noise in the GDP data. Peeling back the layers, we find that real final sales (which strips out net exports and inventory changes to focus purely on domestic demand) jumped 3.4%, offsetting a dismal 1.1% in Q422. But the weakness in inventories is likely a reflection of falling confidence on the part of businesses regarding demand going forward. And the trade data looks extremely recessionary. US imports have hit a wall and now exports are rolling over as well. Regional measures of manufacturing activity in Dallas and Philadelphia are both down more than 20%, exceeding even low end expectations. Suffice to say that the trend is clearly weakening as we move into the middle of the year. The teeth of the Fed's tightening campaign are sinking deeper into the economy and recession probabilities are steadily rising. And speaking of weakening trends, let's look at inflation.

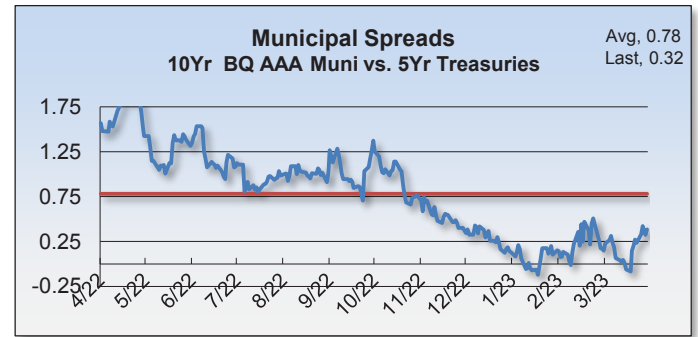
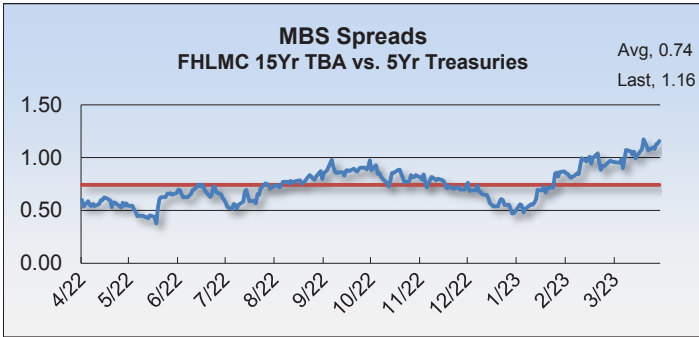
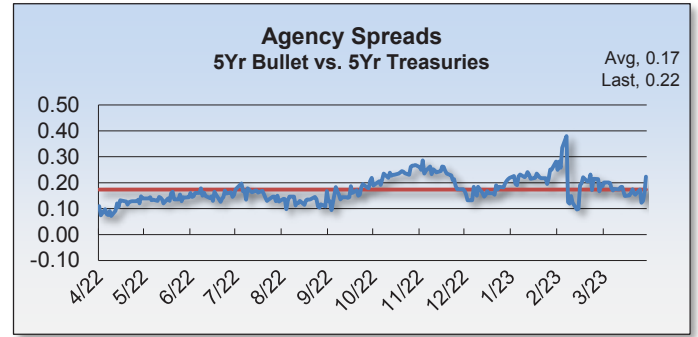
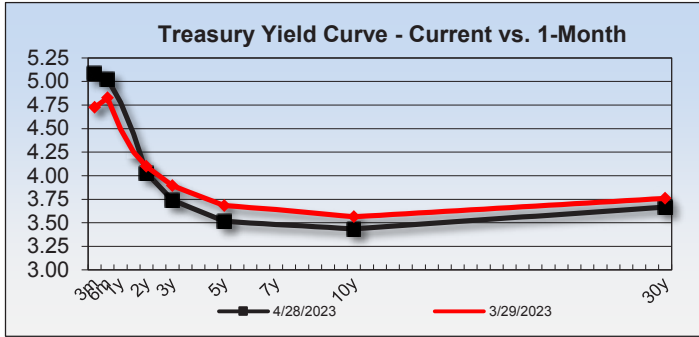
We learned this morning that headline PCE (Personal Consumption Expenditure) inflation fell to 4.2% year-over-year, the lowest level in nearly two years. This follows the same pattern we've seen in the CPI index and others. Trimmed-mean inflation rose just 3.37% annualized, for example, and Fed Chair Powell's "Supercore" measure only moved up two-tenths of a percent last month... that annualizes to just 2.4%. These levels are all far below what we saw even just a few months ago. There can be no question that inflation is steadily falling, and if the pace of disinflation continues, the Fed could see a 2% handle on many measures of by year-end. Still, policymakers insist that at least one more rate hike is needed to seal the deal... insurance that the inflation genie is bottled up again for a good long time.

That's all fine and well, but as former Treasury Secretary Larry Summers notes, the likelihood of a US recession is rising and the Fed needs to "engage in some serious soul searching about the very, very difficult decisions ahead of it." Presumably that's a reference to the question of when to pause, and how long to allow the pain of recession to linger before granting relief. The FOMC meeting next week will be instructive, coming in the midst of a slew of economic data... ISM, JOLTS, CAPEX, and of course the employment report on Friday. Yes, the lusty month of May will begin with much for markets to ponder in an active week indeed.

US Inflation Rates - CPI and PCE: 2010 to Today



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 | 5.08 | 0.02 | 4.70 | 4.07 | 0.82 | 2yr | 4.23 | 4.34 | 3.77 | 4.01 | 4.46 | 2Yr | 4.73 | 4.73 | 4.73 | - |
| 6mo | 5.03 | (0.01) | 4.84 | 4.50 | 1.37 | 3yr | 3.82 | 3.94 | 3.53 | 3.75 | 4.37 | 3Yr | 4.47 | 4.48 | 4.40 | 4.47 |
| 1yr | 4.78 | 0.02 | 4.54 | 4.55 | 1.98 | 5yr | 3.60 | 3.62 | 3.33 | 3.55 | 4.20 | 5Yr | 4.36 | 4.36 | 4.35 | 4.29 |
| 2yr | 4.03 | (0.15) | 4.08 | 4.42 | 2.62 | 7yr | 3.66 | 3.50 | 3.22 | 3.43 | 4.34 | 7Yr | 4.33 | 4.35 | 4.35 | 4.28 |
| 3yr | 3.74 | (0.15) | 3.89 | 4.37 | 2.69 | 10yr | 3.77 | 3.46 | 3.29 | 3.50 | 4.53 | 10Yr | 4.35 | 4.41 | 4.40 | 4.34 |
| 5yr | 3.52 | (0.15) | 3.68 | 4.19 | 2.84 | 15yr | 3.87 | 3.48 | 4.13 | 4.40 | 4.66 | May TBA MBS | | | | |
| 7yr | 3.48 | (0.14) | 3.63 | 4.10 | 2.86 | 20yr | 3.97 | 3.45 | 4.44 | 4.72 | 4.95 | Cpn | 15Yr -Yld/AL | | 30Yr -Yld/AL | |
| 10yr | 3.44 | (0.14) | 3.57 | 4.02 | 2.83 | 25yr | 4.07 | 3.36 | 4.59 | 4.89 | 5.01 | 2.50 | 4.60 | 5.6y | 4.41 | |
| 30yr | 3.67 | (0.11) | 3.77 | 4.15 | 2.89 | 30yr | 4.07 | 3.27 | 4.75 | 5.05 | 5.06 | 3.00 | 4.60 | 5.6y | | |
| | | | | | | | | | | | | 3.50 | 4.49 | 5.6y | 4.66 | 9.6y |
| | | | | | | | | | | | | 4.00 | 4.50 | 5.5y | 4.74 | 9.2y |
| | | | | | | | | | | | | 4.50 | | | 4.88 | 8.7y |
| | | | | | | | | | | | | 5.00 | | | 5.10 | 7.9y |

* Interpolated

| Key Market Indices | | | | | |
|--------------------|---------|------------|------------|-------|-------|
| Index | Current | 1Wk Change | Historical | | |
| | | | 1 Mo | 6 Mo | 1 Yr |
| Fed Funds | 5.00 | -- | 5.00 | 3.25 | 0.50 |
| Primary Discount | 5.00 | -- | 5.00 | 3.25 | 0.50 |
| 2ndary Discount | 5.50 | -- | 5.50 | 3.75 | 1.00 |
| Prime Rate | 8.00 | -- | 8.00 | 6.25 | 3.50 |
| Sec. O.N. Finance | 4.81 | 0.01 | 4.81 | 3.04 | -- |
| 1 Month LIBOR | 5.02 | 0.04 | 4.83 | 3.63 | 0.75 |
| 3 Month LIBOR | 5.27 | 0.01 | 5.10 | 4.37 | 1.24 |
| 6 Month LIBOR | 5.37 | (0.08) | 4.99 | 4.93 | 1.83 |
| 1 Year LIBOR | 5.29 | (0.19) | 4.81 | 5.39 | 2.55 |
| 6 Month CD | 5.37 | 0.04 | 5.05 | 4.95 | 1.90 |
| 1 Year CMT | 4.78 | 0.01 | 4.51 | 4.50 | 1.97 |
| REPO O/N | 4.84 | 0.02 | 4.85 | 3.04 | 0.27 |
| REPO 1Wk | 4.86 | 0.11 | 4.86 | 3.63 | 0.69 |
| CoF Federal | 3.239 | -- | 3.139 | 2.022 | 0.870 |
| 11th D. CoF (Dec) | 0.223 | -- | 0.218 | 0.282 | 0.460 |

| FHLB Fixed Advance Rates | | | |
|--------------------------|---------|--------|--------|
| Maturity | Chicago | Boston | Topeka |
| 3mo | 5.21 | 5.31 | 5.26 |
| 6mo | 5.24 | 5.29 | 5.30 |
| 1yr | 4.91 | 4.95 | 5.06 |
| 2yr | 4.34 | 4.47 | 4.51 |
| 3yr | 4.01 | 4.12 | 4.13 |
| 4yr | 3.90 | 4.00 | 4.01 |
| 5yr | 3.82 | 3.88 | 3.91 |
| 7yr | 4.08 | 4.17 | 4.16 |
| 10yr | 4.17 | 4.28 | 4.25 |
| 5yr Am | 4.15 | | 4.19 |
| 10yr Am | 4.21 | | 4.25 |

| Fed Fund Futures | |
|------------------|-------|
| Maturity | Rate |
| Apr-23 | 4.830 |
| May-23 | 5.035 |
| Jun-23 | 5.090 |
| Jul-23 | 5.110 |
| Aug-23 | 5.070 |
| Sep-23 | 5.030 |
| Oct-23 | 4.945 |
| Nov-23 | 4.750 |
| Dec-23 | 4.620 |
| Jan-24 | 4.525 |
| Feb-24 | 4.305 |

| Weekly Economic Calendar | | | | | | |
|--------------------------|-----------------------------------|-------|---------|--------|---------|---------|
| This Week & Next | | | | | | |
| Date | Release | Per. | Est. | Actual | Prior | Revised |
| 4/25 | S&P CoreLogic CS US HPI YoY NSA | Feb | -- | 2.1% | 3.8% | 3.8% |
| 4/25 | New Home Sales | Mar | 632000 | 683000 | 640000 | 623000 |
| 4/27 | GDP Annualized QoQ | 1Q A | 1.9% | 1.1% | 2.6% | -- |
| 4/27 | Personal Consumption | 1Q A | 4.0% | 3.7% | 1.0% | -- |
| 4/27 | GDP Price Index | 1Q A | 3.7% | 4.0% | 3.9% | -- |
| 4/27 | Core PCE QoQ | 1Q A | 4.7% | 4.9% | 4.4% | -- |
| 4/27 | Pending Home Sales NSA YoY | Mar | -20.7% | -23.3% | -21.1% | -- |
| 4/28 | Employment Cost Index | 1Q | 1.1% | 1.2% | 1.0% | 1.1% |
| 4/28 | Personal Income | Mar | 0.2% | 0.3% | 0.3% | -- |
| 4/28 | Personal Spending | Mar | -0.1% | 0.0% | 0.2% | 0.1% |
| 4/28 | Real Personal Spending | Mar | -0.1% | 0.0% | -0.1% | -0.2% |
| 4/28 | PCE Deflator YoY | Mar | 4.1% | 4.2% | 5.0% | 5.1% |
| 4/28 | PCE Core Deflator YoY | Mar | 4.6% | 4.6% | 4.6% | 4.7% |
| 4/28 | MNI Chicago PMI | Apr | 43.6 | 48.6 | 43.8 | -- |
| 4/28 | U. of Mich. Sentiment | Apr F | 63.5 | 63.5 | 63.5 | -- |
| 4/28 | U. of Mich. Current Conditions | Apr F | 68.6 | 68.2 | 68.6 | -- |
| 4/28 | U. of Mich. Expectations | Apr F | 60.4 | 60.5 | 60.3 | -- |
| 4/28 | U. of Mich. 1 Yr Inflation | Apr F | -- | 4.6% | 4.6% | -- |
| 4/28 | U. of Mich. 5-10 Yr Inflation | Apr F | -- | 3.0% | 2.9% | -- |
| 5/1 | S&P Global US Manufacturing PMI | Apr F | 50.4 | -- | 50.4 | -- |
| 5/1 | ISM Manufacturing | Apr | 46.9 | -- | 46.3 | -- |
| 5/1 | ISM Prices Paid | Apr | 49.3 | -- | 49.2 | -- |
| 5/1 | ISM Employment | Apr | -- | -- | 46.9 | -- |
| 5/1 | ISM New Orders | Apr | -- | -- | 44.3 | -- |
| 5/2 | JOLTS Job Openings | Mar | 9640000 | -- | 9931000 | -- |
| 5/2 | Factory Orders | Mar | 1.3% | -- | -0.7% | -- |
| 5/2 | Factory Orders Ex Trans | Mar | -- | -- | -0.3% | -- |
| 5/2 | Durable Goods Orders | Mar F | -- | -- | 3.2% | -- |
| 5/2 | Durables Ex Transportation | Mar F | -- | -- | 0.3% | -- |
| 5/2 | Cap Goods Orders Nondef Ex Air | Mar F | -- | -- | -0.4% | -- |
| 5/2 | Cap Goods Ship Nondef Ex Air | Mar F | -- | -- | -0.4% | -- |
| 5/3 | MBA Mortgage Applications | 4/28 | -- | -- | 3.7% | -- |
| 5/3 | ADP Employment Change | Apr | 140000 | -- | 145000 | -- |
| 5/3 | S&P Global US Services PMI | Apr F | 53.7 | -- | 53.7 | -- |
| 5/3 | S&P Global US Composite PMI | Apr F | 53.5 | -- | 53.5 | -- |
| 5/3 | ISM Services Index | Apr | 51.8 | -- | 51.2 | -- |
| 5/3 | ISM Services Prices Paid | Apr | -- | -- | 59.5 | -- |
| 5/3 | ISM Services Employment | Apr | -- | -- | 51.3 | -- |
| 5/3 | ISM Services New Orders | Apr | -- | -- | 52.2 | -- |
| 5/3 | FOMC Rate Decision (Upper Bound) | 5/3 | 5.3% | -- | 5.0% | -- |
| 5/3 | FOMC Rate Decision (Lower Bound) | 5/3 | 5.0% | -- | 4.8% | -- |
| 5/3 | Interest on Reserve Balances Rate | 5/4 | 5.2% | -- | 4.9% | -- |
| 5/4 | Challenger Job Cuts YoY | Apr | -- | -- | 319.4% | -- |
| 5/4 | Nonfarm Productivity | 1Q P | -0.1% | -- | 1.7% | -- |
| 5/4 | Initial Jobless Claims | 4/29 | 240000 | -- | 230000 | -- |
| 5/4 | Unit Labor Costs | 1Q P | 4.0% | -- | 3.2% | -- |
| 5/4 | Continuing Claims | 4/22 | -- | -- | 1858000 | -- |

| 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 | 6.0 | 5.7 | 3.5 | 6.4 | 6.9 |
| CPR Projections | | | | | | |
| Type | 2.5 | 3.0 | 3.5 | 4.0 | 4.5 | 5.0 |
| FN 10y | 14.6 | 15.0 | 15.0 | 13.6 | 10.7 | 11.3 |
| FH/FN 15y | 7.9 | 7.8 | 8.1 | 13.2 | 15.8 | 18.2 |
| GN 15y | 7.6 | 7.9 | 8.2 | 9.0 | 10.1 | 11.4 |
| FH/FN 20y | 6.4 | 7.3 | 7.9 | 8.7 | 9.8 | 10.8 |
| FH/FN 30y | 6.0 | 6.5 | 6.8 | 7.7 | 8.8 | 10.0 |
| GN 30y | 6.0 | 7.0 | 7.1 | 7.3 | 9.0 | 8.6 |

| Other Markets | | | | | |
|----------------------------|----------|----------|------------|----------|----------|
| Index | Current | 1Wk Chng | Historical | | |
| | | | 1 Mo | 6 Mo | 1 Yr |
| Currencies | | | | | |
| Japanese Yen | 136.28 | 2.12 | 130.89 | 147.60 | 130.85 |
| Euro | 1.10 | 0.00 | 1.08 | 1.00 | 1.05 |
| Dollar Index | 101.79 | (0.03) | 102.43 | 110.75 | 103.62 |
| Major Stock Indices | | | | | |
| Dow Jones | 33,959 | 150 | 32,394 | 32,862 | 33,916 |
| S&P 500 | 4,157.5 | 23.9 | 3,971.3 | 3,901.1 | 4,287.5 |
| NASDAQ | 12,158.0 | 86 | 11,716.1 | 11,102.5 | 12,871.5 |
| Commodities | | | | | |
| Gold | 1,994.8 | 4.3 | 1,973.5 | 1,644.8 | 1,891.3 |
| Crude Oil | 75.68 | (2.19) | 73.20 | 87.90 | 105.36 |
| Natural Gas | 2.40 | 0.17 | 2.03 | 5.68 | 6.89 |
| Wheat | 614.8 | -47.0 | 699.8 | 829.3 | 1,074.0 |
| Corn | 624.3 | -39.0 | 647.3 | 680.8 | 816.0 |

| 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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