



Ryan Hayhurst

President

The Baker Group LP

Ryan@GoBaker.com

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:

Q1 Bank Trends Webinar

May 16, 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

There were very few changes with Bond yields this week as markets continue to assess incoming data and the ongoing regional banking crisis to determine if the Federal Reserve's most aggressive tightening cycle in 40 years is finally over. For the week, the 10yr yield fell 4bp to 3.40% while the 2yr was unchanged at 3.91% and the 3mo yield fell 6bp to 5.14%. The 10yr-3mo yield spread stands at -174bp, the most negative on record and clear indication the markets see a recession coming and the potential for rate cuts beginning in Q2.

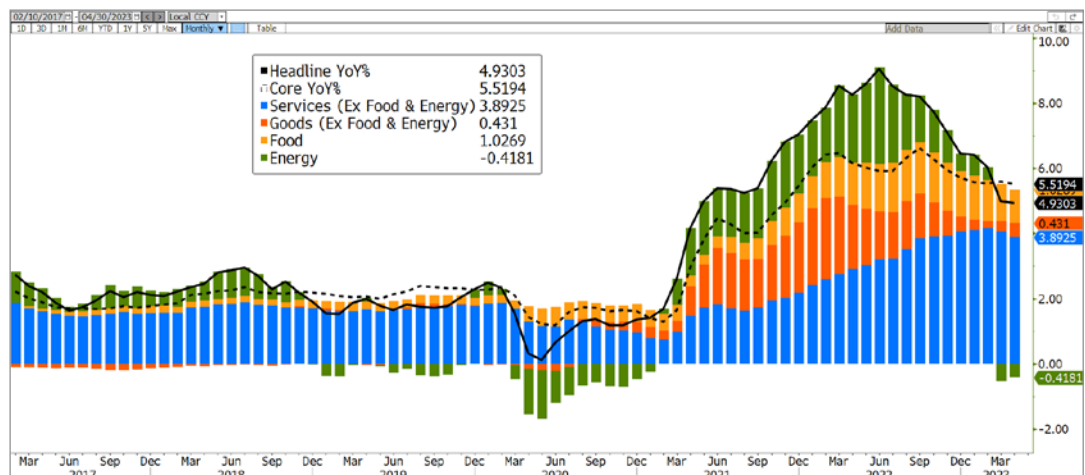
This week began with the release of the latest Senior Loan Officer Survey from the Federal Reserve that showed banks tightening credit standards for C&I, CRE, and consumer loans even as loan demand fell again. Many economists worry the regional banking crisis that began with the failure of Silicon Valley Bank will cause further credit tightening as banks reign in lending and shore up liquidity. Tighter credit conditions and falling loan demand will add to the economic pain caused by 500bp of rate hikes and makes a recession in 2H 2023 more likely.

There was good news on the inflation front with both CPI and PPI coming in lower than expected on an annualized basis. CPI rose 4.9% from a year ago in April, down from a peak of 9.1% in June 2022 while PPI rose just 2.3%, down from a peak of 11.6% in March 2022. Inflation continues to fall towards the Fed's stated target of 2%, but core inflation remains stubbornly high with Core CPI falling only slightly to 5.5%.

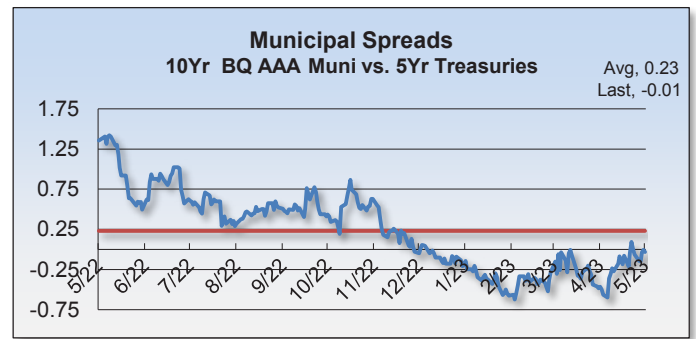
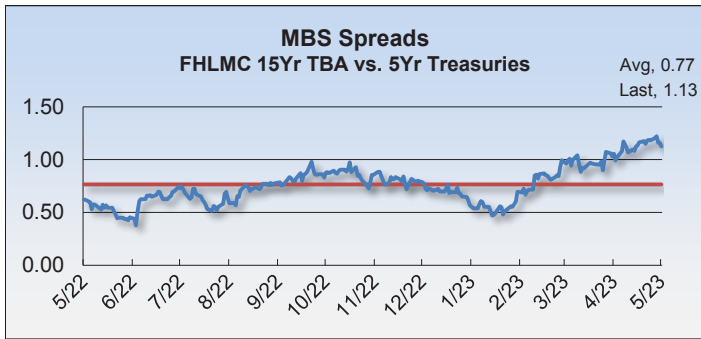
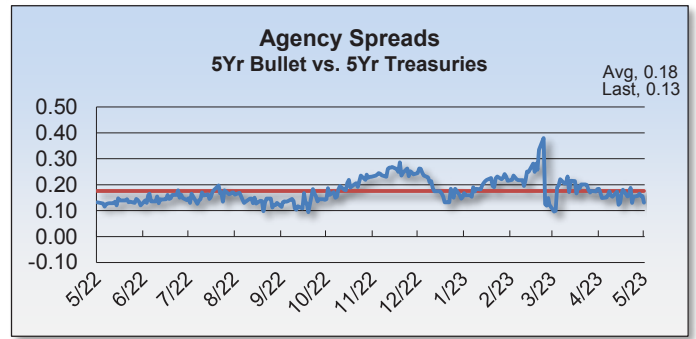
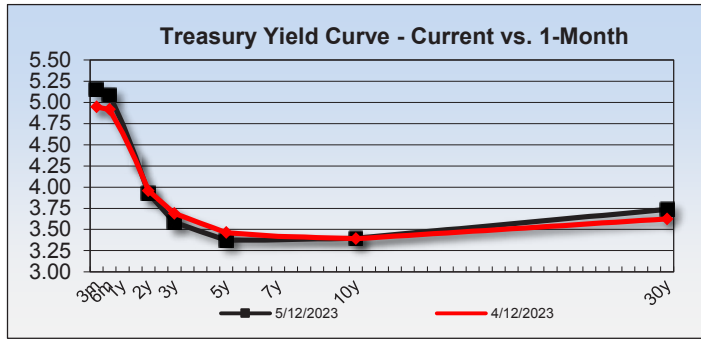
Tighter credit, weakening economic data, and falling inflation have all contributed to markets belief that the May rate hike will be the last and the Fed will be cutting rates in Q2. Current fed funds futures show just a 10% chance the Fed will hike rates in June, a 38% they will cut in July and a 76% they will cut by September.

Next week we'll get a slew of economic data and no less than 14 speeches from Fed officials, increasing the potential for market volatility. On the data front, we'll get reports on Retail Sales, Industrial Production, Housing Starts, Building Permits, Existing Home Sales, and Leading Economic Indicators. Maybe more importantly, all the Fed speeches will give us a better indication of whether Fed is finished raising rates or whether they believe more restrictive monetary policy is still necessary to bring inflation down to their target despite the increasing number of headwinds facing the economy. Stay tuned.

Annual CPI by Component Since 2017



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	5.15	(0.07)	5.01	4.17	0.94	2yr	4.03	4.12	3.72	3.96	4.17	2Yr	4.67	4.67	4.67	-
6mo	5.09	0.02	4.94	4.54	1.42	3yr	3.64	3.75	3.46	3.68	4.08	3Yr	4.33	4.34	4.30	4.33
1yr	4.75	(0.00)	4.66	4.58	1.90	5yr	3.50	3.46	3.23	3.44	3.91	5Yr	4.21	4.21	4.20	4.14
2yr	3.93	0.01	3.96	4.33	2.56	7yr	3.61	3.40	3.12	3.32	4.09	7Yr	4.24	4.26	4.25	4.18
3yr	3.58	(0.06)	3.69	4.19	2.65	10yr	3.73	3.40	3.23	3.44	4.35	10Yr	4.32	4.38	4.37	4.30
5yr	3.37	(0.04)	3.46	3.94	2.82	15yr	3.86	3.45	4.06	4.32	4.48	June TBA MBS				
7yr	3.38	(0.04)	3.43	3.88	2.88	20yr	3.98	3.45	4.37	4.65	5.01	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	3.40	(0.04)	3.39	3.81	2.85	25yr	4.11	3.38	4.54	4.83	5.07	2.00	4.15	5.7y	4.22	
30yr	3.74	(0.02)	3.63	4.02	3.02	30yr	4.11	3.31	4.70	5.01	5.12	2.50	4.35	5.5y	4.22	
												3.00	4.30	5.5y	4.41	10.2y
												3.50	4.27	5.5y	4.50	9.9y
												4.00			4.62	9.4y
												4.50			4.79	8.7y

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	5.25	--	5.00	4.00	1.00
Primary Discount	5.25	--	5.00	4.00	1.00
2ndary Discount	5.75	--	5.50	4.50	1.50
Prime Rate	8.25	--	8.00	7.00	4.00
Sec. O.N. Finance	5.05	(0.01)	4.80	3.78	--
1 Month LIBOR	5.11	0.03	4.90	3.87	0.84
3 Month LIBOR	5.34	0.02	5.20	4.65	1.40
6 Month LIBOR	5.40	0.00	5.24	5.13	1.93
1 Year LIBOR	5.35	0.05	5.13	5.63	2.59
6 Month CD	5.25	(0.05)	5.23	4.83	1.82
1 Year CMT	4.70	0.11	4.67	4.59	1.99
REPO O/N	5.13	--	4.83	3.82	0.79
REPO 1Wk	5.11	--	4.86	3.91	0.91
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	5.23	5.32	5.28
6mo	5.22	5.27	5.30
1yr	4.85	4.91	5.10
2yr	4.16	4.26	4.20
3yr	3.85	3.95	3.89
4yr	3.71	3.82	3.73
5yr	3.62	3.74	3.64
7yr	3.90	4.04	3.93
10yr	4.10	4.25	4.14
5yr Am	4.15		3.92
10yr Am	4.21		4.04

Fed Fund Futures	
Maturity	Rate
May-23	5.052
Jun-23	5.075
Jul-23	5.065
Aug-23	4.980
Sep-23	4.920
Oct-23	4.810
Nov-23	4.565
Dec-23	4.415
Jan-24	4.310
Feb-24	4.070
Mar-24	3.965

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
5/8	Wholesale Inventories MoM	Mar F	0.1%	0.0%	0.1%	--
5/8	Wholesale Trade Sales MoM	Mar	0.4%	-2.1%	0.4%	--
5/9	NFIB Small Business Optimism	Apr	89.7	89.0	90.1	--
5/10	MBA Mortgage Applications	5/5	--	6.3%	-1.2%	--
5/10	CPI MoM	Apr	0.4%	0.4%	0.1%	--
5/10	CPI Ex Food and Energy MoM	Apr	0.4%	0.4%	0.4%	--
5/10	CPI YoY	Apr	5.0%	4.9%	5.0%	--
5/10	CPI Ex Food and Energy YoY	Apr	5.5%	5.5%	5.6%	--
5/10	CPI Core Index SA	Apr	306.24	306.49	305.24	--
5/10	Real Avg Weekly Earnings YoY	Apr	--	-1.1%	-1.6%	--
5/10	Real Avg Hourly Earning YoY	Apr	--	-0.5%	-0.7%	--
5/10	Monthly Budget Statement	Apr	\$235.0b	\$176.2b	\$308.2b	--
5/11	Initial Jobless Claims	5/6	245k	264k	242k	--
5/11	Continuing Claims	4/29	1820k	1813k	1805k	1801k
5/11	PPI Final Demand MoM	Apr	0.3%	0.2%	-0.5%	-0.4%
5/11	PPI Ex Food and Energy MoM	Apr	0.2%	0.2%	-0.1%	0.0%
5/11	PPI Ex Food, Energy, Trade MoM	Apr	0.3%	0.2%	0.1%	--
5/11	PPI Final Demand YoY	Apr	2.5%	2.3%	2.7%	--
5/11	PPI Ex Food and Energy YoY	Apr	3.3%	3.2%	3.4%	--
5/11	PPI Ex Food, Energy, Trade YoY	Apr	3.5%	3.4%	3.6%	3.7%
5/12	Import Price Index MoM	Apr	0.3%	0.4%	-0.6%	-0.8%
5/12	Import Price Index ex Petroleum MoM	Apr	-0.3%	-0.1%	-0.6%	--
5/12	Import Price Index YoY	Apr	-4.8%	-4.8%	-4.6%	-4.8%
5/12	Export Price Index MoM	Apr	0.2%	0.2%	-0.3%	-0.6%
5/12	Export Price Index YoY	Apr	-5.5%	-5.9%	-4.8%	-5.2%
5/12	U. of Mich. Sentiment	May P	63.0	57.7	63.5	--
5/12	U. of Mich. Current Conditions	May P	67.5	64.5	68.2	--
5/12	U. of Mich. Expectations	May P	60.8	53.4	60.5	--
5/12	U. of Mich. 1 Yr Inflation	May P	4.4%	4.5%	4.6%	--
5/12	U. of Mich. 5-10 Yr Inflation	May P	2.9%	3.2%	3.0%	--
5/15	Empire Manufacturing	May	-1.5	--	10.8	--
5/15	Net Long-term TIC Flows	Mar	--	--	\$71.0b	--
5/15	Total Net TIC Flows	Mar	--	--	\$28.0b	--
5/16	Retail Sales Advance MoM	Apr	0.7%	--	-1.0%	--
5/16	Retail Sales Ex Auto MoM	Apr	0.3%	--	-0.8%	--
5/16	Retail Sales Ex Auto and Gas	Apr	0.2%	--	-0.3%	--
5/16	Retail Sales Control Group	Apr	0.3%	--	-0.3%	--
5/16	Industrial Production MoM	Apr	0.0%	--	0.4%	--
5/16	Capacity Utilization	Apr	79.7%	--	79.8%	--
5/16	Manufacturing (SIC) Production	Apr	0.1%	--	-0.5%	--
5/16	Business Inventories	Mar	0.0%	--	0.2%	--
5/17	Housing Starts	Apr	1400k	--	1420k	--
5/17	Building Permits	Apr	1440k	--	1413k	--
5/17	Housing Starts MoM	Apr	-1.4%	--	-0.8%	--
5/17	Building Permits MoM	Apr	0.7%	--	-8.8%	--
5/18	Philadelphia Fed Business Outlook	May	-18.0	--	-31.3	--
5/18	Existing Home Sales	Apr	4.30m	--	4.44m	--

MBS Prepayments ⁴						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	7.6	11.9	12.7	12.9	13.6	12.5
FH/FN 15y	6.0	6.2	6.8	8.1	13.5	16.5
GN 15y	17.2	12.9	13.5	16.0	18.5	21.8
FH/FN 20y	51.7	4.9	6.3	7.1	7.8	9.1
FH/FN 30y	8.3	3.7	6.2	5.0	5.4	6.4
GN 30y	2.8	4.0	6.7	5.4	4.6	6.7
CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	11.2	12.6	12.7	12.9	12.5	10.9
FH/FN 15y	6.7	6.5	7.3	8.4	13.1	14.6
GN 15y	10.4	9.5	9.9	11.3	12.0	14.0
FH/FN 20y	5.5	6.0	7.1	8.1	8.9	10.0
FH/FN 30y	5.5	5.5	5.9	6.4	7.4	8.6
GN 30y	5.8	6.1	6.8	7.4	9.4	10.3

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	135.00	0.20	133.13	139.89	128.34
Euro	1.09	(0.01)	1.10	1.03	1.04
Dollar Index	102.28	1.06	101.50	106.29	104.85
Major Stock Indices					
Dow Jones	33,356	(319)	33,647	33,748	31,730
S&P 500	4,143.0	6.8	4,092.0	3,992.9	3,930.1
NASDAQ	12,335.5	100	11,929.3	11,323.3	11,371.0
Commodities					
Gold	2,026.3	1.5	2,010.9	1,769.4	1,824.6
Crude Oil	71.31	(0.03)	83.26	88.96	106.13
Natural Gas	2.21	0.07	2.09	5.88	7.74
Wheat	614.3	-17.3	674.0	813.8	1,108.8
Corn	638.8	-14.5	656.0	658.0	813.5

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	

INTENDED FOR INSTITUTIONAL INVESTORS ONLY. The data provided in these reports is for informational purposes only and is intended solely for your private use. Information herein is believed to be reliable but The Baker Group LP does not guarantee its completeness or accuracy. Opinions constitute our judgment and are subject to change without notice. Past performance is not indicative of future results. The investments and strategies discussed here may not be suitable for all investors; if you have

Source for the aforementioned indices, rates, descriptions, & economic indicators: Bloomberg, LP. This report was printed as of: 05/12/2023 9:09AM