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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-

ALM School
Aug 8-9, 2023

Memorial Day weekend marks the unofficial start of summer and a chance to honor the contribution of fallen service members. And if rumors are true that an end to the U.S. debt ceiling saga is in sight, we may have extra reason to celebrate this weekend. There are reports this morning that the White House and congressional leaders are close to reaching a deal to lift the debt ceiling just before the Treasury Department runs out of cash next week. We will most certainly get more details as the day progresses, but as of this morning the two sides are reportedly just \$70 billion apart.

But before we can truly celebrate, we have to reckon with another bend in the roller-coaster that has been Fed Policy expectations this year. After the last rate hike, futures markets were pricing in virtually no chance of another hike in the Fed Funds rate. However, after a spattering of better-than-expected economic data and hawkish comments from policymakers this week, the market has a new outlook.

Minneapolis Fed chief Neel Kashkari said this week that entrenched services inflation means “it may be that we have to go north of 6%,” which certainly surprised market participants who had begun to believe that 6% was off the table in the aftermath of the spring banking turmoil. St. Louis Fed President James Bullard also talked repeatedly of favoring 50bps more of rate hikes before peaking. Even JPMorgan CEO, Jamie Dimon, weighed in this week that, “Five percent’s not high enough for Fed Funds - I’ve been advising this to clients, and banks, you should be prepared for six, seven.”

Futures markets are currently pricing in another quarter point rate hike to the 5.25-5.50% range by the end of July. That hike may come at the July meeting if the debt ceiling standoff and its aftermath sidelines Fed action in June. The CME Group Fed Watch tool is assigning a 52.8% probability of getting to 5.25%-5.50% at the June meeting and 50.2% by the late July meeting. Despite all the hawkish comments dominating the airwaves this week, the market is still expecting that we end the year at 5.25-5.50%.

Fed minutes released on Wednesday showed that there is appetite to pause hikes among some Fed officials as they agreed “the extent to which additional increases in the target range may be appropriate after this meeting had become less certain.” However, in the wake of strong post-meeting data releases showing a potential housing recovery, continued tight labor market conditions, and persistently high inflation, more recent comments from Fed officials suggest they are open to continued tightening.

In data, New Home Sales came in slightly stronger than expected this week at 683k vs. 665k expected. This marks the highest level for new home sales in just over a year, since March 2022. However, the prior month was revised down from 683k to 656k, which more than offsets the April increase. Additionally, the median sales price for new homes fell 8.2% YoY, the biggest decline since April 2020.

GDP growth for the first quarter was revised up this week from an annualized rate of 1.1% to 1.3%, suggesting the U.S. economy had slightly more momentum than originally reported. However, real gross domestic income (GDI), which is gauges the income generated and costs

(Continued)



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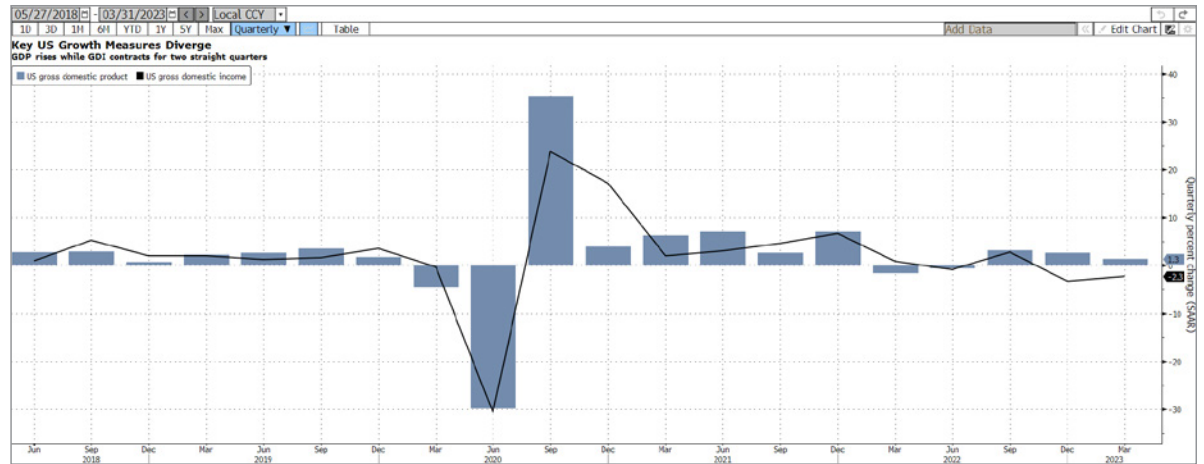
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incurred from producing goods and services, was a stark contrast. GDI decreased 2.3% after falling 3.3%, the worst back-to-back declines since the start of the pandemic.

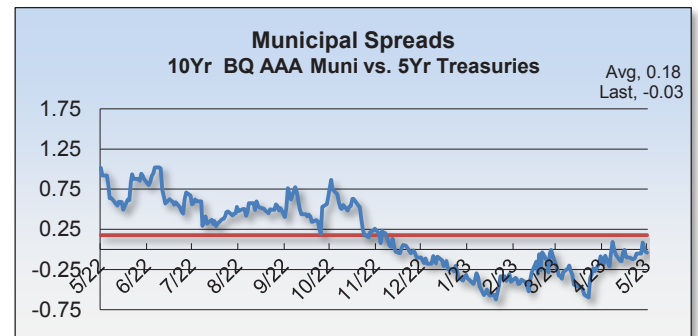
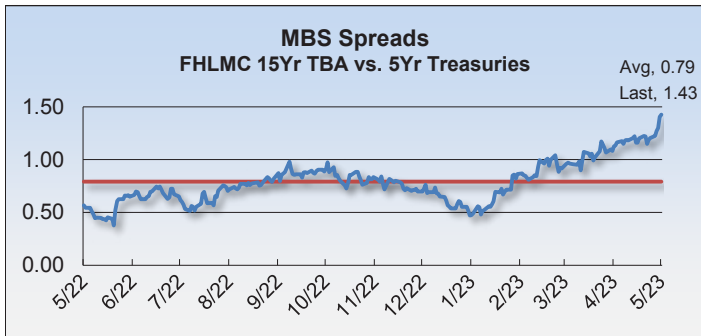
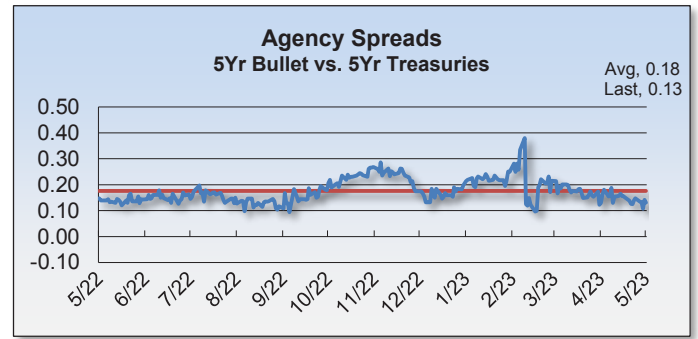
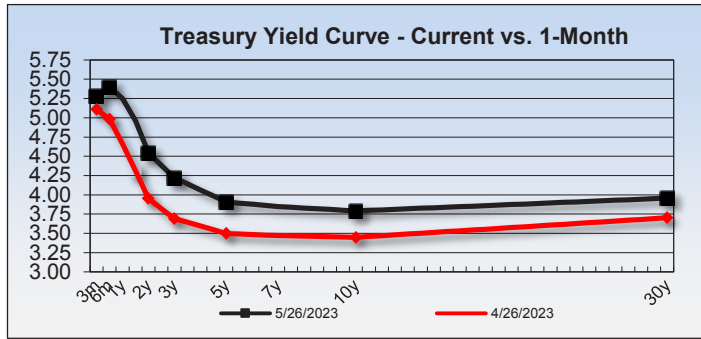


Source: Bloomberg, L.P.

Initial Jobless Claims surprised to the downside this week, coming in at 229k vs. 245k consensus. Jobless claims had been generally trending up since September 2022 but appear to have leveled off or even fall since early April. Last week's number was also revised sharply lower from 242k to 225k. The strong labor landscape undoubtedly emboldens hawkish policymakers at the Fed. That, combined with the hotter than expected Personal Income and Spending and PCE numbers released this morning, adds credence to the camp that believes the Fed still has more tightening left to do.

Personal Income for April remained flat at 0.4%, but up from 0.3% in March. Spending, however, increased considerably more than expected, up 0.8% in the month of April vs. 0.5% consensus. Last month's reading was also revised up from 0.0% to 0.1%. The all-important personal income expenditures (PCE) inflation gauge, which is what the Fed is actively trying to return to a 2% YoY target, ticked up to 4.4% vs. 4.3% expected. The MoM reading as well as the Core readings (MoM and YoY) were all 0.1% higher than consensus as well. Markets will take this as more evidence that the Fed could tighten policy even further this summer.

Next week we will get several important jobs numbers and the market will be looking for any signs of weakness in the labor market that could give the Fed reason to pause. We will also *hopefully* have some sort of deal on the debt ceiling issue to digest. Commentators are suggesting we may have a deal as soon as today but that it could fall to the weekend to iron out final points. Additionally, even if the debt ceiling is raised soon, the Treasury Department may still have to rush to issue up to \$1 trillion of new debt securities to meet short-term funding needs.



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	5.28	0.03	5.13	4.29	1.05	2yr	4.69	4.75	4.41	4.69	4.77	2Yr	5.20	5.20	5.20	-
6mo	5.40	0.08	4.99	4.69	1.49	3yr	4.30	4.35	4.23	4.50	4.66	3Yr	4.88	4.89	4.80	4.88
1yr	5.24	0.23	4.67	4.74	1.97	5yr	4.04	4.02	3.96	4.22	4.45	5Yr	4.68	4.68	4.67	4.61
2yr	4.54	0.28	3.95	4.46	2.48	7yr	4.08	3.89	3.81	4.05	4.54	7Yr	4.67	4.70	4.69	4.62
3yr	4.22	0.27	3.69	4.20	2.56	10yr	4.10	3.83	3.81	4.05	4.67	10Yr	4.68	4.73	4.73	4.66
5yr	3.91	0.18	3.50	3.86	2.71	15yr	4.12	3.81	4.54	4.83	4.80	June TBA MBS				
7yr	3.85	0.14	3.48	3.78	2.76	20yr	4.15	3.76	4.76	5.07	5.16	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	3.79	0.12	3.45	3.68	2.75	25yr	4.19	3.66	4.91	5.23	5.22	2.00	4.67	5.7y	4.63	
30yr	3.96	0.03	3.70	3.74	2.98	30yr		3.56	5.07	5.39	5.27	2.50	4.96	5.7y		
												3.00	4.95	5.7y	4.89	10.4y
												3.50	4.89	5.7y	4.97	10.3y
												4.00			5.06	10.2y
												4.50			5.22	9.8y

* 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	5.06	0.01	4.80	3.80	--
1 Month LIBOR	5.14	0.01	5.02	4.03	1.02
3 Month LIBOR	5.42	0.06	5.27	4.74	1.53
6 Month LIBOR	5.53	0.13	5.43	5.18	2.07
1 Year LIBOR	5.53	0.19	5.43	5.56	2.69
6 Month CD	5.58	0.23	5.23	4.94	2.01
1 Year CMT	5.24	0.22	4.60	4.76	2.01
REPO O/N	5.17	0.04	4.82	3.82	0.78
REPO 1Wk	5.11	--	4.78	3.89	0.91
CoF Federal	3.302	--	3.239	2.278	0.963
11th D. CoF (Dec)	0.223	--	0.218	0.282	0.460

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	5.49	5.59	5.44
6mo	5.57	5.60	5.58
1yr	5.37	5.40	5.42
2yr	4.81	4.89	4.85
3yr	4.46	4.55	4.47
4yr	4.33	4.43	4.33
5yr	4.21	4.31	4.21
7yr	4.37	4.49	4.40
10yr	4.51	4.65	4.54
5yr Am	4.15		4.52
10yr Am	4.21		4.54

Fed Fund Futures	
Maturity	Rate
May-23	5.055
Jun-23	5.160
Jul-23	5.245
Aug-23	5.335
Sep-23	5.315
Oct-23	5.280
Nov-23	5.155
Dec-23	5.065
Jan-24	5.005
Feb-24	4.855
Mar-24	4.780

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
5/23	S&P Global US Manufacturing PMI	May P	50.0	48.5	50.2	--
5/23	S&P Global US Services PMI	May P	52.5	55.1	53.6	--
5/23	S&P Global US Composite PMI	May P	53.0	54.5	53.4	--
5/23	New Home Sales	Apr	665k	683k	683k	656k
5/24	MBA Mortgage Applications	5/19	--	-4.6%	-5.7%	--
5/25	Chicago Fed Nat Activity Index	Apr	-20.0%	7.0%	-19.0%	-37.0%
5/25	Initial Jobless Claims	5/20	245k	229k	242k	225k
5/25	Continuing Claims	5/13	1800k	1794k	1799k	--
5/25	GDP Annualized QoQ	1Q S	1.1%	1.3%	1.1%	--
5/25	Personal Consumption	1Q S	3.7%	3.8%	3.7%	--
5/25	GDP Price Index	1Q S	4.0%	4.2%	4.0%	--
5/25	Core PCE QoQ	1Q S	4.9%	5.0%	4.9%	--
5/25	Pending Home Sales NSA YoY	Apr	-20.1%	-22.6%	-23.3%	--
5/26	Durables Ex Transportation	Apr P	-0.1%	-0.2%	0.2%	0.3%
5/26	Cap Goods Ship Nondef Ex Air	Apr P	0.1%	0.5%	0.5%	-0.2%
5/26	Personal Income	Apr	0.4%	0.4%	0.3%	--
5/26	Real Personal Spending	Apr	0.3%	0.5%	0.0%	--
5/26	PCE Core Deflator YoY	Apr	4.6%	4.7%	4.6%	--
5/26	Advance Goods Trade Balance	Apr	-\$85.9b	-\$96.8b	-\$84.6b	-\$82.7b
5/26	Retail Inventories MoM	Apr	0.2%	0.2%	0.7%	0.5%
5/26	U. of Mich. Sentiment	May F	58.0	59.2	57.7	--
5/26	U. of Mich. Current Conditions	May F	--	64.9	64.5	--
5/26	U. of Mich. 1 Yr Inflation	May F	4.5%	4.2%	4.5%	--
5/30	House Price Purchase Index QoQ	1Q	--	--	0.3%	--
5/30	S&P CoreLogic CS 20-City YoY NSA	Mar	--	--	0.36%	--
5/30	S&P CoreLogic CS US HPI YoY NSA	Mar	--	--	2.05%	--
5/30	Conf. Board Consumer Confidence	May	99.3	--	101.3	--
5/30	Conf. Board Present Situation	May	--	--	151.1	--
5/30	Conf. Board Expectations	May	--	--	68.1	--
5/31	MNI Chicago PMI	May	47.5	--	48.6	--
5/31	JOLTS Job Openings	Apr	9350k	--	9590k	--
6/1	Challenger Job Cuts YoY	May	--	--	175.9%	--
6/1	ADP Employment Change	May	165k	--	296k	--
6/1	Nonfarm Productivity	1Q F	-2.6%	--	-2.7%	--
6/1	Unit Labor Costs	1Q F	6.2%	--	6.3%	--
6/1	ISM Manufacturing	May	47.0	--	47.1	--
6/1	ISM Prices Paid	May	52.5	--	53.2	--
6/1	ISM Employment	May	--	--	50.2	--
6/1	ISM New Orders	May	--	--	45.7	--
6/2	Change in Nonfarm Payrolls	May	195k	--	253k	--
6/2	Two-Month Payroll Net Revision	May	--	--	-149k	--
6/2	Change in Private Payrolls	May	160k	--	230k	--
6/2	Change in Manufact. Payrolls	May	5k	--	11k	--
6/2	Unemployment Rate	May	3.5%	--	3.4%	--
6/2	Average Hourly Earnings YoY	May	4.4%	--	4.4%	--
6/2	Labor Force Participation Rate	May	62.6%	--	62.6%	--
6/2	Underemployment Rate	May	--	--	6.6%	--

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	11.0	12.5	12.5	12.6	12.1	10.1
FH/FN 15y	6.6	5.9	6.6	7.5	12.3	13.8
GN 15y	10.1	9.1	9.4	11.0	11.6	13.4
FH/FN 20y	5.4	5.9	6.1	6.5	7.8	8.8
FH/FN 30y	5.3	5.2	5.6	5.7	6.4	7.2
GN 30y	5.6	5.8	6.2	7.1	8.4	9.2

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	140.18	2.20	133.67	138.95	127.12
Euro	1.07	(0.01)	1.10	1.03	1.07
Dollar Index	104.24	1.04	101.47	105.96	101.83
Major Stock Indices					
Dow Jones	32,969	(458)	33,302	34,347	32,637
S&P 500	4,176.5	(15.5)	4,056.0	4,026.1	4,057.8
NASDAQ	12,820.9	163	11,854.4	11,226.4	11,740.7
Commodities					
Gold	1,947.4	(34.2)	1,985.7	1,754.0	1,847.6
Crude Oil	72.73	1.18	74.30	76.28	114.09
Natural Gas	2.22	(0.37)	2.12	7.02	8.91
Wheat	610.5	5.5	627.3	775.5	1,143.3
Corn	597.3	42.8	641.5	668.0	765.0

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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