



Dale Sheller

Associate Partner
The Baker Group LP
DSheller@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

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

Happy Friday everyone! The economic calendar was rather light this week and professional golf has gotten more headlines this week than the economy. As my good friend James always says, “money talks and people mumble...” Money seemed to be doing all the talking as news broke Tuesday with the announcement of the merger of the PGA Tour and LIV Tour.

On Monday, the latest data for business conditions in the service sector was released. The S&P Global Service Purchase Managers Index came in slightly lower than expectations at 54.9 (est. 55.1), a drop from the prior month’s reading of 55.1. The reading keeps the index in expansion territory for the fourth straight month (expansionary is greater than 50) and is the strongest reading in over a year. On the other hand, the ISM Services Index was also released on Monday and showed that the US service sector softened. The ISM Services Index fell to 50.3 last month, down from 51.9 in April. Both services index readings are important to the US Economy as the service industry accounts for more than two-thirds of the economy. Lastly on Monday, factory orders increased 0.4% after a 0.5% gain in March. Estimates were for a stronger increase of 0.8%. A 36% jump in defense capital goods lifted the somewhat lackluster factory order report. As they say, defense wins championships!

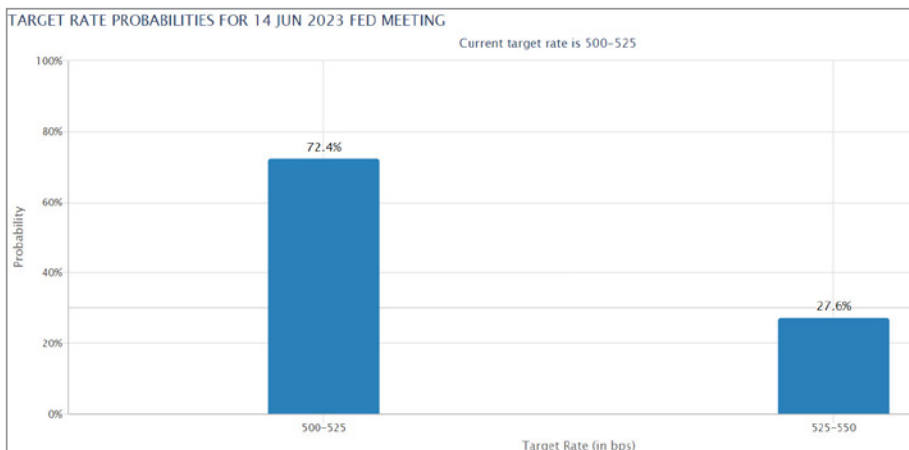
Yesterday, the initial jobless claims increased 28,000 to 261,000, well above the 2019 pre-pandemic average of 218,000 claims. It also marks the steepest level for jobless claims since October 2021. Continuing claims fell slightly to 1.76 million for the week ended May 27th, a decrease of 37,000 from the previous week. Are the latest jobless claims numbers indicative of a potentially slowing labor market? Time will tell.

All eyes are on next week’s release of the Consumer Price Index (CPI) data on Tuesday as well as the Fed’s decision on interest-rate policy. Headline CPI is expected to increase 0.2% month over month and 4.1% year over year. Additionally, the Core CPI (ex. food and energy) is expected to increase 0.4% month over month and 5.2% year over year.

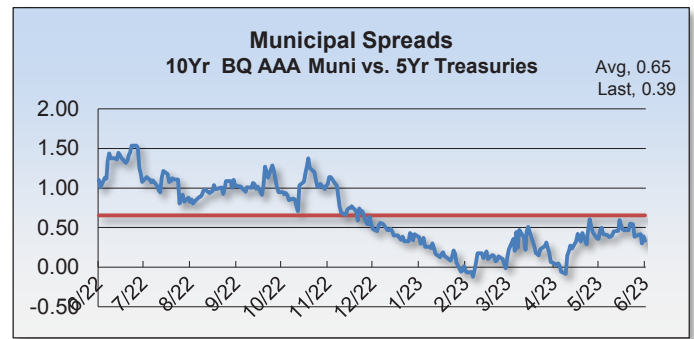
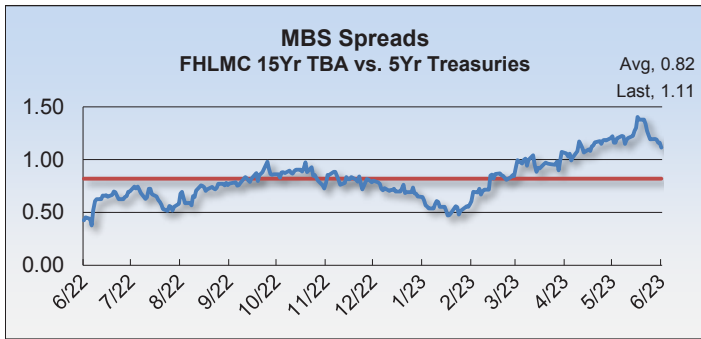
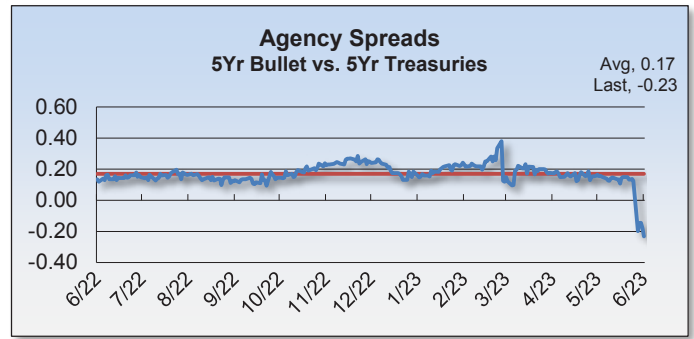
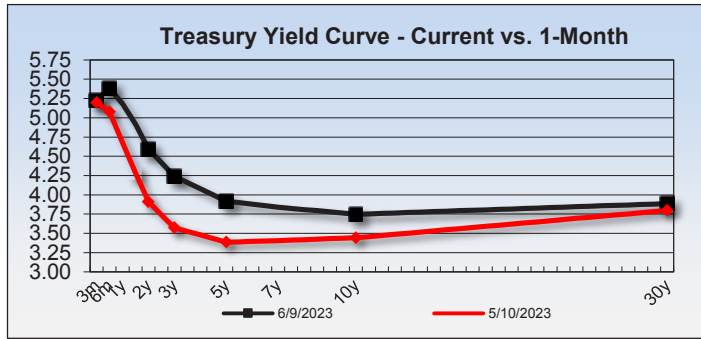
What should we expect from the Fed next week? As of this morning, the CME Group’s FedWatch Tool is calculating a 27.6% chance of a 25bp rate hike next week and a 72.4% chance of no rate hike. Federal Reserve officials have been hitting the speaking circuit lately conveying a message of the potential for “skipping a rate hike” instead of “pausing rate hikes”. The Fed is being very cautious by sending the message that the possibility for future rates hikes is not over even if no rate hike comes next week.

I hope everyone has a great weekend!

CME Group’s FedWatch Tool - Probabilities for June 14th Fed Meeting



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	5.22	(0.15)	5.21	4.28	1.26	2yr	4.60	4.78	4.13	4.40	4.78	2Yr	5.40	5.40	5.40	-
6mo	5.38	(0.08)	5.14	4.73	1.80	3yr	4.30	4.36	3.95	4.20	4.66	3Yr	5.05	5.05	5.00	5.05
1yr	5.18	(0.06)	4.84	4.70	2.27	5yr	3.91	3.98	3.72	3.96	4.41	5Yr	4.80	4.80	4.79	4.73
2yr	4.59	0.09	4.02	4.35	2.81	7yr	3.94	3.84	3.60	3.83	4.46	7Yr	4.73	4.75	4.74	4.68
3yr	4.24	0.10	3.73	4.10	2.90	10yr	3.80	3.77	3.63	3.86	4.56	10Yr	4.69	4.75	4.74	4.67
5yr	3.92	0.07	3.50	3.77	3.06	15yr	3.66	3.75	4.37	4.65	4.69	July TBA MBS				
7yr	3.84	0.06	3.50	3.70	3.09	20yr	3.51	3.70	4.59	4.89	4.94	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	3.75	0.05	3.52	3.58	3.04	25yr	3.36	3.60	4.75	5.05	5.00	2.50	4.96	5.5y	4.57	
30yr	3.89	(0.00)	3.84	3.56	3.16	30yr	3.50	3.50	4.90	5.22	5.05	3.00	4.89	5.6y	4.94	
												3.50	4.76	5.6y	4.87	10.3y
												4.00	4.75	5.5y	4.94	9.9y
												4.50			5.06	9.4y
												5.00			5.26	8.5y

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	5.25	--	5.25	4.00	1.00
Primary Discount	5.25	--	5.25	4.00	1.00
2ndary Discount	5.75	--	5.75	4.50	1.50
Prime Rate	8.25	--	8.25	7.00	4.00
Sec. O.N. Finance	5.05	(0.03)	5.06	3.80	--
1 Month LIBOR	5.22	0.06	5.10	4.27	1.20
3 Month LIBOR	5.54	0.04	5.34	4.74	1.69
6 Month LIBOR	5.66	0.01	5.35	5.16	2.27
1 Year LIBOR	5.79	0.06	5.20	5.50	2.91
6 Month CD	5.57	0.09	5.31	4.92	2.20
1 Year CMT	5.12	0.01	4.79	4.71	2.29
REPO O/N	5.10	(0.04)	5.13	3.84	0.77
REPO 1Wk	5.21	0.09	5.04	3.89	1.21
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	5.45	5.52	5.48
6mo	5.52	5.56	5.57
1yr	5.31	5.36	5.47
2yr	4.72	4.81	4.82
3yr	4.36	4.47	4.44
4yr	4.20	4.30	4.26
5yr	4.07	4.18	4.14
7yr	4.27	4.38	4.32
10yr	4.40	4.54	4.46
5yr Am	4.15		4.46
10yr Am	4.21		4.47

Fed Fund Futures		
Maturity	Rate	
Jun-23	5.117	
Jul-23	5.175	
Aug-23	5.285	
Sep-23	5.280	
Oct-23	5.260	
Nov-23	5.170	
Dec-23	5.090	
Jan-24	5.040	
Feb-24	4.895	
Mar-24	4.825	
Apr-24	4.715	

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
6/5	S&P Global US Services PMI	May F	55.1	54.9	55.1	--
6/5	S&P Global US Composite PMI	May F	54.5	54.3	54.5	--
6/5	Factory Orders	Apr	0.8%	0.4%	0.9%	0.6%
6/5	Factory Orders Ex Trans	Apr	0.2%	-0.2%	-0.7%	-1.0%
6/5	Durable Goods Orders	Apr F	1.1%	1.1%	1.1%	--
6/5	Durables Ex Transportation	Apr F	-0.2%	-0.3%	-0.2%	--
6/5	Cap Goods Orders Nondef Ex Air	Apr F	1.3%	1.3%	1.4%	--
6/5	Cap Goods Ship Nondef Ex Air	Apr F	--	0.5%	0.5%	--
6/5	ISM Services Index	May	52.4	50.3	51.9	--
6/5	ISM Services Prices Paid	May	--	56.2	59.6	--
6/5	ISM Services Employment	May	--	49.2	50.8	--
6/5	ISM Services New Orders	May	--	52.9	56.1	--
6/7	MBA Mortgage Applications	6/2	--	-1.4%	-3.7%	--
6/7	Trade Balance	Apr	-\$75.8b	-\$74.6b	-\$64.2b	-\$60.6b
6/7	Consumer Credit	Apr	\$22.000b	\$23.010b	\$26.514b	\$22.837b
6/8	Initial Jobless Claims	6/3	235k	261k	232k	233k
6/8	Continuing Claims	5/27	1802k	1757k	1795k	1794k
6/8	Household Change in Net Worth	1Q	--	\$3026b	\$2927b	\$1619b
6/12	Monthly Budget Statement	May	-\$236.0b	--	\$176.2b	--
6/13	NFIB Small Business Optimism	May	88.4	--	89.0	--
6/13	CPI YoY	May	4.1%	--	4.9%	--
6/13	CPI Ex Food and Energy YoY	May	5.2%	--	5.5%	--
6/13	CPI Index NSA	May	304.1	--	303.4	--
6/13	CPI Core Index SA	May	307.6	--	306.5	--
6/13	Real Avg Weekly Earnings YoY	May	--	--	-1.1%	-1.2%
6/13	Real Avg Hourly Earning YoY	May	--	--	-0.5%	-0.6%
6/14	PPI Final Demand YoY	May	1.5%	--	2.3%	--
6/14	PPI Ex Food and Energy YoY	May	2.9%	--	3.2%	--
6/14	PPI Ex Food, Energy, Trade YoY	May	--	--	3.4%	--
6/14	FOMC Rate Decision (Upper Bound)	6/14	5.3%	--	5.3%	--
6/14	FOMC Rate Decision (Lower Bound)	6/14	5.0%	--	5.0%	--
6/14	Interest on Reserve Balances Rate	6/15	5.2%	--	5.2%	--
6/15	Retail Sales Ex Auto and Gas	May	0.4%	--	0.6%	--
6/15	Retail Sales Control Group	May	0.3%	--	0.7%	--
6/15	Import Price Index YoY	May	--	--	-4.8%	--
6/15	Export Price Index YoY	May	--	--	-5.9%	--
6/15	Empire Manufacturing	Jun	-15.1	--	-31.8	--
6/15	Philadelphia Fed Business Outlook	Jun	-12.5	--	-10.4	--
6/15	Capacity Utilization	May	79.7%	--	79.7%	--
6/15	Manufacturing (SIC) Production	May	-0.1%	--	1.0%	--
6/15	Business Inventories	Apr	0.2%	--	-0.1%	--
6/15	Net Long-term TIC Flows	Apr	--	--	\$133.3b	--
6/15	Total Net TIC Flows	Apr	--	--	\$56.7b	--
6/16	New York Fed Services Business Activit	Jun	--	--	-16.8	--
6/16	U. of Mich. Sentiment	Jun P	60.0	--	59.2	--
6/16	U. of Mich. Current Conditions	Jun P	--	--	64.9	--
6/16	U. of Mich. Expectations	Jun P	--	--	55.4	--

MBS Prepayments ⁴						
3-Month CPR						
Type	2.5	3.0	3.5	4.0	4.5	5.0
FN 10y	12.5	14.1	13.3	13.9	15.1	16.3
FH/FN 15y	6.8	7.4	8.6	14.1	16.6	25.1
GN 15y	12.9	14.2	17.2	19.9	22.3	29.6
FH/FN 20y	5.2	6.8	7.7	8.3	9.8	13.1
FH/FN 30y	3.9	6.4	5.8	6.5	6.9	8.7
GN 30y	4.8	7.5	7.0	5.0	7.0	7.8
CPR Projections						
Type	2.5	3.0	3.5	4.0	4.5	5.0
FN 10y	14.7	15.0	14.9	13.5	10.6	11.1
FH/FN 15y	7.9	7.7	7.9	11.9	15.9	18.3
GN 15y	7.4	7.6	7.8	8.6	10.0	11.8
FH/FN 20y	6.4	7.2	7.8	8.3	9.4	10.5
FH/FN 30y	5.2	5.7	6.0	6.8	7.8	9.0
GN 30y	5.4	6.4	6.5	6.7	7.2	6.9

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	139.25	(0.67)	135.23	136.56	134.36
Euro	1.08	0.00	1.10	1.05	1.06
Dollar Index	103.47	(0.55)	101.61	104.81	103.22
Major Stock Indices					
Dow Jones	33,830	67	33,562	33,476	32,273
S&P 500	4,317.3	34.9	4,119.2	3,934.4	4,017.8
NASDAQ	13,262.1	21	12,179.6	11,004.6	11,754.2
Commodities					
Gold	1,978.5	8.9	2,042.9	1,810.7	1,852.8
Crude Oil	71.36	(0.38)	73.71	71.02	121.51
Natural Gas	2.29	0.12	2.27	6.25	8.96
Wheat	624.8	5.8	643.5	734.3	1,071.3
Corn	601.8	-7.3	584.8	644.0	773.0

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	

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: 06/09/2023 10:59AM