



Jeffrey F. Caughron
Senior Partner
The Baker Group LP
JCaughron@GoBaker.com

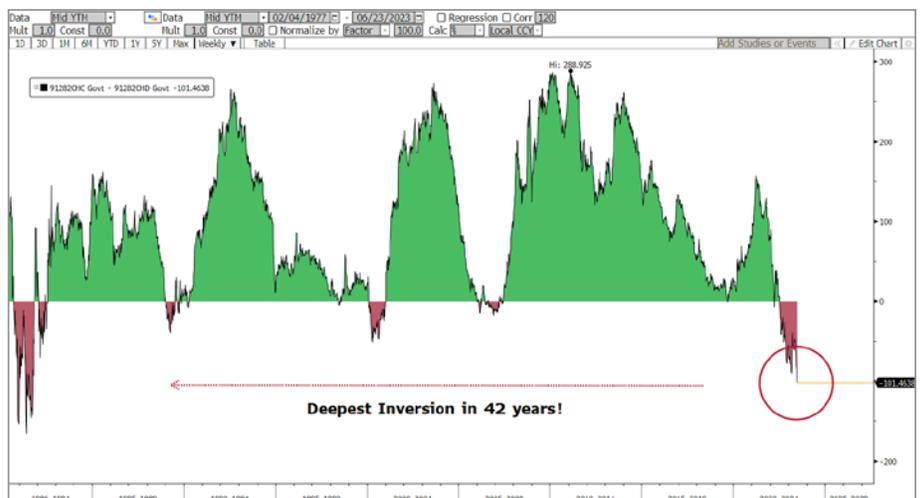
Summertime officially arrived this week with the solstice, and the Fed Chairman celebrated by delivering his semi-annual Humphrey Hawkins testimony on consecutive days to both houses of Congress. Having just completed the June FOMC meeting the prior week, Chair Powell clarified to legislators that while Fed policymakers decided not to raise the funds rate after ten consecutive hikes, that doesn't mean they're finished or ready to declare victory over inflation. He was unequivocal in framing the decision as a slow-down in a continuing tightening process. This gives Fed officials more time to assess economic conditions and trends, and to allow lagged effects of previous rate hikes to filter through into the data. Powell also had the task of explaining the FOMC's "Dot Plot" projections which indicate two more hikes yet to come. That, however, is something the bond market seems to dispute. Indeed, market-based indicators continue to signal that the Fed is at substantial risk of pushing the economy into recession in the second half of the year, short-circuiting any expectations of further tightening. Time will tell.

As for economic trends and indicators, we know that various measures of headline inflation continue to fall steadily. CPI, for example, is now down to 4% year-over-year from a high of 9.1%. But the less-volatile core measures are falling too slowly for anyone to get too excited. This "stickiness" was specifically referenced by Powell and again by Treasury Secretary Janet Yellen in a separate interview. Meanwhile, we got some surprisingly good news this week on housing starts, tempered by further bad news on home prices. Housing starts soared 21.7% for the month, bringing the year-over-year change to 7.5%, the highest since early last year. However, we also found that the median home sales price fell 3.1% in May, the largest drop since 2011. Existing home sales are down 20.4% from a year earlier, and are down about one-third since the beginning of 2022. The Conference Board's Index of Leading Economic Indicators was also released this week showing another recessionary level of -.8% for May, the 14th consecutive month of negative readings. For those waiting on, and expecting to see the onset of recession and/or a sudden return to 2%-ish inflation, it's like tapping the Ketchup bottle... drip, drip, drip at first, then a flood. At this point we're still dripping.

As to market behavior, it's worth noting that the deeply inverted yield curve is flirting with a new low. The 10yr T-Note yield sits at 3.75% versus the 2yr yield at 4.77%. That negative yield difference is back to -102bps... within spittin' distance of the 42-year low of 108bps. The message is clear, but it's the timing that's uncertain. Yield curve inversions can linger for a long time before the recessions they predict becomes manifest. And until the Fed is clearly finished tightening, the lingering will continue.

Next week will bring, among other things, the latest PCE Inflation data which is the Fed's preferred measure. We'll also get durable goods, capital expenditures, new home sales and revised GDP data for the first quarter.

US Treasury Yield Curve Slope: 2yr vs 10yr - 1977 to Today



Source: Bloomberg, L.P.

UPCOMING EVENTS

Banks

Seminar:

Bismarck, ND
Jul 25, 2023

Springfield, IL
Aug 7, 2023

Stevens Point, WI
Aug 29, 2023

Oklahoma City, OK
Oct 18-20, 2023

Webinar:

Q3 Strategies Webinar
Jul 12, 2023

Credit Unions

CU Seminar:

Philadelphia, PA
Sep 27, 2023

Dallas, TX
Nov 9, 2023

CU Webinar:

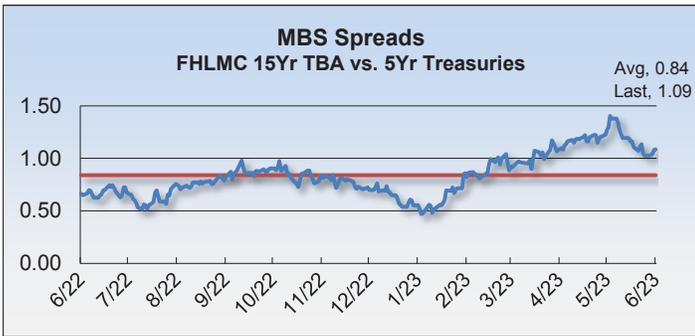
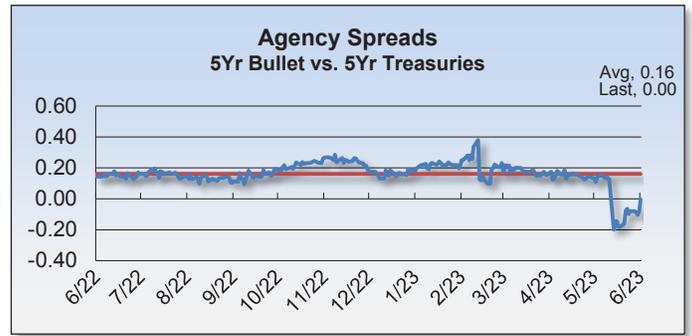
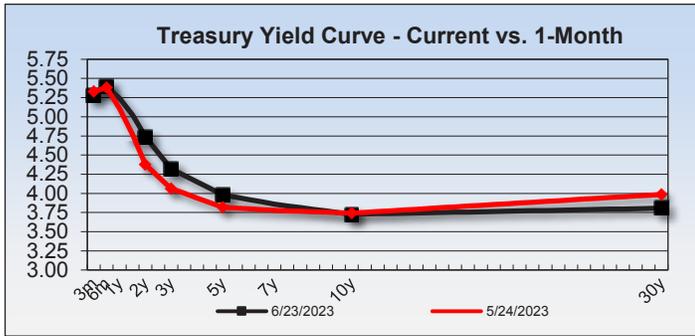
Q3 CU Strategies Webinar
Jul 13, 2023

CU School:

CU ALM School
Aug 23-24, 2023

Bank & Credit Unions

ALM School
Aug 8-9, 2023



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	0.06	5.27	4.31	1.60	2yr	4.81	4.91	4.07	4.34	4.96	2Yr	5.54	5.54	5.54	-
6mo	5.39	0.07	5.35	4.66	2.42	3yr	4.41	4.46	3.89	4.14	4.79	3Yr	5.12	5.12	5.10	5.12
1yr	5.24	0.01	5.07	4.65	2.76	5yr	4.06	4.04	3.67	3.90	4.46	5Yr	4.86	4.86	4.85	4.79
2yr	4.74	0.03	4.32	4.32	3.02	7yr	4.04	3.86	3.54	3.77	4.57	7Yr	4.74	4.76	4.76	4.69
3yr	4.32	0.01	3.97	4.09	3.06	10yr	4.02	3.74	3.57	3.80	4.62	10Yr	4.66	4.72	4.71	4.64
5yr	3.98	(0.00)	3.74	3.86	3.15	15yr	4.00	3.71	4.31	4.59	4.75	July TBA MBS				
7yr	3.86	(0.02)	3.72	3.83	3.16	20yr	3.97	3.65	4.56	4.86	4.90	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	3.73	(0.04)	3.69	3.75	3.09	25yr	3.94	3.54	4.72	5.02	4.96	2.50	4.86	5.5y	4.55	
30yr	3.81	(0.05)	3.95	3.83	3.20	30yr	3.43	3.43	4.87	5.19	5.01	3.00	4.88	5.6y	4.79 10.3y	
												3.50	4.73	5.6y	4.89 10.0y	
												4.00	4.73	5.5y	5.06 9.5y	
												4.50			5.28 8.7y	
												5.00				

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	5.25	--	5.25	4.50	1.75
Primary Discount	5.25	--	5.25	4.50	1.75
2ndary Discount	5.75	--	5.75	5.00	2.25
Prime Rate	8.25	--	8.25	7.50	4.75
Sec. O.N. Finance	5.05	(0.01)	5.05	4.30	--
1 Month LIBOR	5.15	(0.01)	5.14	4.39	1.64
3 Month LIBOR	5.54	0.03	5.39	4.73	2.15
6 Month LIBOR	5.68	0.03	5.47	5.16	2.84
1 Year LIBOR	5.90	0.08	5.44	5.43	3.63
6 Month CD	5.67	0.16	5.40	4.96	2.90
1 Year CMT	5.29	0.08	5.07	4.64	2.79
REPO O/N	5.10	--	5.13	4.34	1.47
REPO 1Wk	5.11	--	5.14	4.99	1.38
CoF Federal	3.460	--	3.302	2.568	1.096
11th D. CoF (Dec)	0.223	--	0.218	0.282	0.460

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	5.40	5.48	5.42
6mo	5.53	5.57	5.55
1yr	5.39	5.43	5.56
2yr	4.81	4.92	4.98
3yr	4.40	4.50	4.56
4yr	4.25	4.37	4.40
5yr	4.09	4.20	4.24
7yr	4.23	4.35	4.37
10yr	4.33	4.47	4.47
5yr Am	4.15		4.59
10yr Am	4.21		4.53

Fed Fund Futures	
Maturity	Rate
Jun-23	5.078
Jul-23	5.105
Aug-23	5.255
Sep-23	5.270
Oct-23	5.295
Nov-23	5.320
Dec-23	5.270
Jan-24	5.240
Feb-24	5.105
Mar-24	5.045
Apr-24	4.945

Baker Market Update

Week in Review

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
6/20	Housing Starts	May	1400k	1631k	1401k	1340k
6/20	Building Permits	May	1425k	1491k	1416k	1417k
6/20	Building Permits MoM	May	0.6%	5.2%	-1.5%	-1.4%
6/20	Housing Starts MoM	May	-0.1%	21.7%	2.2%	-2.9%
6/20	Philadelphia Fed Non-Manufacturing Ac	Jun	--	-16.6	-16.0	--
6/21	MBA Mortgage Applications	6/16	--	0.5%	7.2%	--
6/22	Chicago Fed Nat Activity Index	May	-10.0%	-15.0%	7.0%	14.0%
6/22	Current Account Balance	1Q	-\$218.0b	-\$219.3b	-\$206.8b	-\$216.2b
6/22	Initial Jobless Claims	6/17	259k	264k	262k	264k
6/22	Continuing Claims	6/10	1785k	1759k	1775k	1772k
6/22	Existing Home Sales	May	4.25m	4.30m	4.28m	4.29m
6/22	Leading Index	May	-0.8%	-0.7%	-0.6%	--
6/22	Kansas City Fed Manf. Activity	Jun	-5	-12	-1	--
6/23	S&P Global US Manufacturing PMI	Jun P	48.5	46.3	48.4	--
6/23	S&P Global US Services PMI	Jun P	54.0	54.1	54.9	--
6/23	S&P Global US Composite PMI	Jun P	53.5	53.0	54.3	--
6/23	Kansas City Fed Services Activity	Jun	--	--	3.0	--
6/26	Dallas Fed Manf. Activity	Jun	-21.8	--	-29.1	--
6/27	Durable Goods Orders	May P	-0.9%	--	1.1%	--
6/27	Durables Ex Transportation	May P	-0.1%	--	-0.3%	--
6/27	Cap Goods Orders Nondef Ex Air	May P	0.2%	--	1.3%	--
6/27	Cap Goods Ship Nondef Ex Air	May P	0.3%	--	0.5%	--
6/27	FHFA House Price Index MoM	Apr	0.5%	--	0.6%	--
6/27	S&P CoreLogic CS 20-City MoM SA	Apr	0.4%	--	0.5%	--
6/27	S&P CoreLogic CS 20-City YoY NSA	Apr	-1.2%	--	-1.2%	--
6/27	S&P CoreLogic CS US HPI YoY NSA	Apr	--	--	0.7%	--
6/27	New Home Sales	May	670k	--	683k	--
6/27	Conf. Board Consumer Confidence	Jun	104.0	--	102.3	--
6/27	Conf. Board Present Situation	Jun	--	--	148.6	--
6/27	Conf. Board Expectations	Jun	--	--	71.5	--
6/27	Richmond Fed Manufact. Index	Jun	-11	--	-15	--
6/27	Richmond Fed Business Conditions	Jun	--	--	-17	--
6/28	Advance Goods Trade Balance	May	-\$92.9b	--	-\$96.8b	--
6/29	GDP Annualized QoQ	1Q T	1.4%	--	1.3%	--
6/29	Personal Consumption	1Q T	3.8%	--	3.8%	--
6/29	GDP Price Index	1Q T	4.2%	--	4.2%	--
6/29	Core PCE QoQ	1Q T	5.0%	--	5.0%	--
6/29	Pending Home Sales NSA YoY	May	--	--	-22.6%	--
6/30	Personal Income	May	0.4%	--	0.4%	--
6/30	Personal Spending	May	0.2%	--	0.8%	--
6/30	Real Personal Spending	May	0.1%	--	0.5%	--
6/30	PCE Deflator YoY	May	3.8%	--	4.4%	--
6/30	PCE Core Deflator YoY	May	4.7%	--	4.7%	--
6/30	MNI Chicago PMI	Jun	44.2	--	40.4	--
6/30	U. of Mich. Sentiment	Jun F	63.9	--	63.9	--
6/30	U. of Mich. Current Conditions	Jun F	--	--	68.0	--
6/30	U. of Mich. 1 Yr Inflation	Jun F	--	--	3.30%	--

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	12.5	12.5	12.6	12.3	10.1	11.1
FH/FN 15y	7.9	6.8	7.7	11.8	13.8	14.6
GN 15y	9.0	9.3	11.0	11.6	13.3	13.5
FH/FN 20y	6.4	6.5	6.9	8.2	9.2	10.4
FH/FN 30y	5.3	5.7	5.9	6.7	7.6	8.7
GN 30y	6.3	6.7	7.0	8.8	10.1	6.8

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	143.40	1.58	138.59	132.91	134.95
Euro	1.09	(0.00)	1.08	1.06	1.05
Dollar Index	102.93	0.81	103.49	104.31	104.43
Major Stock Indices					
Dow Jones	33,783	(626)	33,056	33,204	30,677
S&P 500	4,347.9	(77.9)	4,145.6	3,844.8	3,795.7
NASDAQ	13,499.1	(284)	12,560.3	10,497.9	11,232.2
Commodities					
Gold	1,932.5	(25.3)	1,974.5	1,795.9	1,825.7
Crude Oil	68.28	(2.34)	72.91	79.56	104.27
Natural Gas	2.55	0.02	2.32	5.08	6.24
Wheat	723.3	61.8	622.3	776.0	937.3
Corn	638.3	15.0	577.5	666.3	746.8

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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Source for the aforementioned indices, rates, descriptions, & economic indicators: Bloomberg, L.P. This report was printed as of: 06/23/2023 9:32AM