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UPCOMING EVENTS

Banks

Seminar:

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-

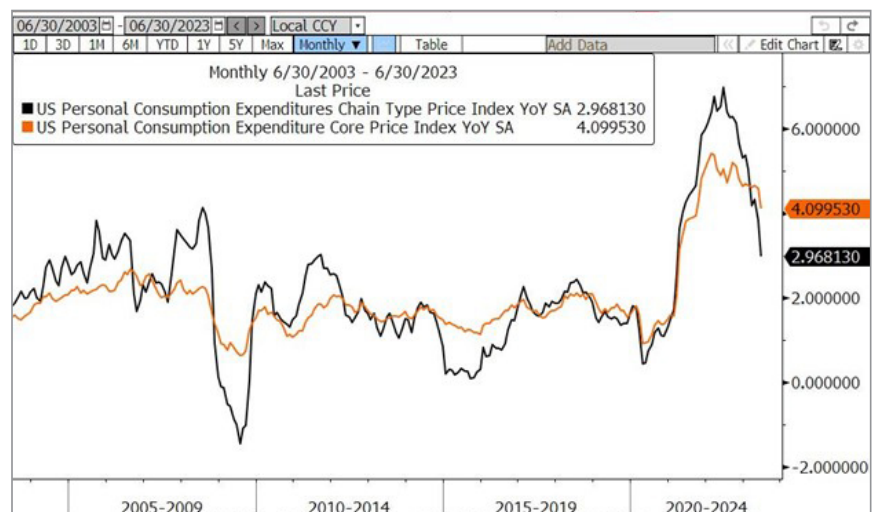
ALM School

Aug 8-9, 2023

The month of July has almost come to a close and will go down as the hottest month on record. With no end to the excessive heat in sight for many of us, we turn our attention to the cooling inflation climate for solace. This morning we learned that the Fed's preferred measure of inflation, the Personal Consumption Expenditures Price Index (PCE), rose +0.2% in June and +3.0% from a year ago. This marks the lowest PCE inflation reading since March 2021 and represents a nearly 60% drop from its 7% peak in June 2022.

As a reminder, the Fed's goal is for inflation to average 2.0% over time so a drop to 3.0% in June should certainly give them some confidence that higher interest rates are having their desired effect. It should also give them plenty of reason to consider ending their tightening campaign, especially as higher interest rates take time to work their way through the economy. There is a case to be made that further hikes from here could overshoot the 2% target by the time their full effect is felt.

Core PCE, which excludes food and energy, rose less than expected, up +0.2% for the month (vs. +0.3% estimate) and +4.1% annually (vs. +4.2% estimate). Core inflation is a better indicator of the long run trend for inflation so the sharper than expected drop in June's Core PCE was welcome news for markets. Bond yields fell on the news, with the 2yr and 10yr both down ~5bps to 4.89% and 3.96% at the time of this writing. Markets are now pricing in a nearly 73% chance that there will be no more hikes this year.

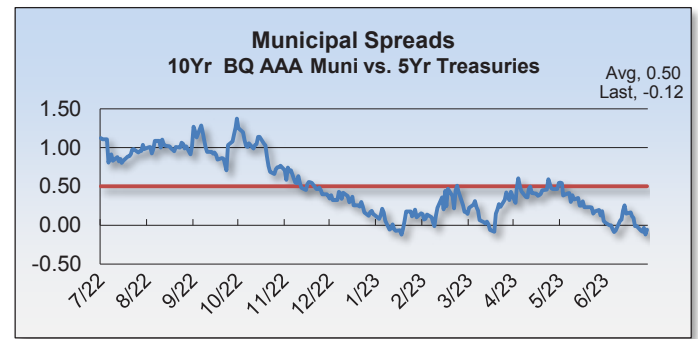
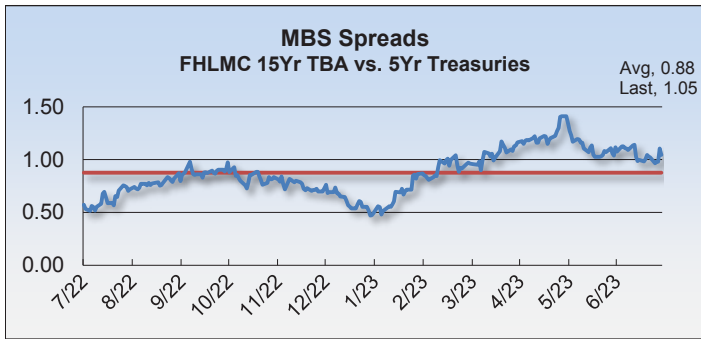
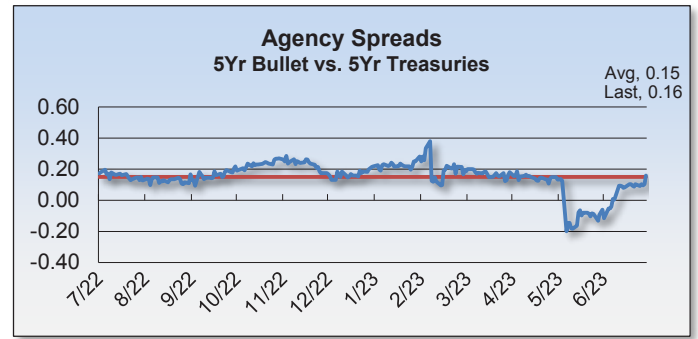
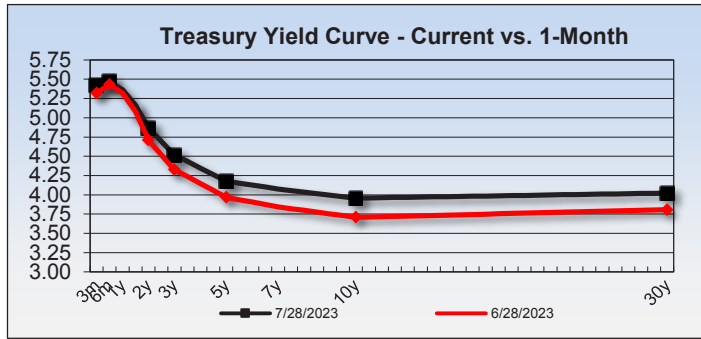


Source: Bloomberg, L.P.

Also this week, we got another quarter-point interest rate hike in the Fed Funds target range to 5.25%-5.50%. Markets moved very little on the news as the hike was widely expected and the FOMC made little change to its policy statement. In the press conference, Fed Chair Powell remained vague about whether or not the committee was expecting to hike again at their next meeting in September. This will be a longer waiting period between FOMC meetings than the typical six-week interlude as the September meeting is not for eight more weeks. This means the committee will get two more CPI and employment reports rather than one so the next move will truly hang on the outcome of those reports.

The one surprise of the week was an unexpected acceleration of U.S. gross domestic product in the second quarter, which came in at +2.4% vs. +1.8% expected. Price pressures cooled but the economy was buoyed by resilient customer spending and robust business investment in the second quarter.

As the calendar flips to August next week, we will turn our attention to employment stats that come out the first week of every month. Expectations are for the handful of labor reports we get next week to be fairly flat vs. last month so any unexpected swings could draw attention and spin off some volatility in the markets.



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	5.42	0.01	5.34	4.67	2.36	2yr	4.99		4.16	4.43	5.03	2Yr	5.50	5.50	5.50	-
6mo	5.47	(0.00)	5.45	4.83	2.83	3yr	4.59		3.93	4.19	4.87	3Yr	5.11	5.12	5.10	5.11
1yr	5.36	0.03	5.33	4.66	2.92	5yr	4.27		3.67	3.90	4.55	5Yr	4.88	4.88	4.87	4.81
2yr	4.87	0.02	4.71	4.20	2.87	7yr	4.25		3.47	3.70	4.63	7Yr	4.79	4.81	4.80	4.73
3yr	4.52	0.07	4.33	3.90	2.81	10yr	4.24		3.53	3.75	4.57	10Yr	4.73	4.79	4.78	4.72
5yr	4.18	0.08	3.97	3.61	2.70	15yr	4.23		4.23	4.50	4.77	August TBA MBS				
7yr	4.08	0.10	3.84	3.57	2.71	20yr	4.22		4.55	4.84	5.09	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	3.96	0.12	3.71	3.51	2.68	25yr	4.20		4.73	5.04	5.15	2.50	5.34	5.5y	4.71	
30yr	4.02	0.12	3.81	3.62	3.03	30yr			4.91	5.23	5.20	3.00	5.34	5.6y		
												3.50	5.08	5.6y	5.04	10.5y
												4.00	4.95	5.5y	5.11	10.1y
												4.50			5.23	9.8y
												5.00			5.43	9.0y

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	5.50	0.25	5.25	4.50	2.50
Primary Discount	5.50	0.25	5.25	4.50	1.75
2ndary Discount	6.00	0.25	5.75	5.00	2.25
Prime Rate	8.50	0.25	8.25	7.50	5.50
Sec. O.N. Finance	5.31	0.25	5.05	4.30	--
1 Month LIBOR	5.43	0.05	5.18	4.55	2.35
3 Month LIBOR	5.63	0.03	5.52	4.80	2.79
6 Month LIBOR	5.87	0.05	5.67	5.10	3.35
1 Year LIBOR	6.04	0.12	5.73	5.48	3.62
6 Month CD	5.75	0.03	5.58	4.95	3.40
1 Year CMT	5.40	0.05	5.33	4.68	3.00
REPO O/N	5.11	--	5.13	4.32	2.30
REPO 1Wk	5.39	0.10	5.11	4.54	2.44
CoF Federal	3.544	--	3.460	2.794	1.283
11th D. CoF (Dec)	0.223	--	0.218	0.282	0.460

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	5.53	5.62	5.58
6mo	5.64	5.66	5.69
1yr	5.51	5.58	5.63
2yr	5.07	5.24	5.21
3yr	4.71	4.84	4.79
4yr	4.54	4.67	4.59
5yr	4.42	4.50	4.42
7yr	4.48	4.57	4.47
10yr	4.58	4.68	4.53
5yr Am	4.15		4.78
10yr Am	4.21		4.66

Fed Fund Futures	
Maturity	Rate
Jul-23	5.117
Aug-23	5.325
Sep-23	5.340
Oct-23	5.375
Nov-23	5.415
Dec-23	5.395
Jan-24	5.380
Feb-24	5.310
Mar-24	5.275
Apr-24	5.210
May-24	5.080

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
7/24	S&P Global US Manufacturing PMI	Jul P	46.2	49.0	46.3	--
7/24	S&P Global US Services PMI	Jul P	54.0	52.4	54.4	--
7/24	S&P Global US Composite PMI	Jul P	53.0	52.0	53.2	--
7/25	S&P CoreLogic CS 20-City MoM SA	May	0.70%	0.99%	0.91%	0.85%
7/25	S&P CoreLogic CS 20-City YoY NSA	May	-2.35%	-1.70%	-1.70%	-1.69%
7/25	S&P CoreLogic CS US HPI YoY NSA	May	--	-0.46%	-0.24%	-0.10%
7/25	Conf. Board Consumer Confidence	Jul	112.0	117.0	109.7	110.1
7/25	Conf. Board Present Situation	Jul	--	160.0	155.3	--
7/26	MBA Mortgage Applications	7/21	--	-1.80%	1.10%	--
7/26	New Home Sales	Jun	725k	697k	763k	715k
7/26	FOMC Rate Decision (Upper Bound)	7/26	5.50%	5.50%	5.25%	--
7/26	FOMC Rate Decision (Lower Bound)	7/26	5.25%	5.25%	5.00%	--
7/26	Interest on Reserve Balances Rate	7/27	5.40%	5.40%	5.15%	--
7/27	GDP Annualized QoQ	2Q A	1.8%	2.4%	2.0%	--
7/27	Personal Consumption	2Q A	1.2%	1.6%	4.2%	--
7/27	GDP Price Index	2Q A	3.0%	2.2%	4.1%	--
7/27	Core PCE Price Index QoQ	2Q A	4.0%	3.8%	4.9%	--
7/27	Durables Ex Transportation	Jun P	0.1%	0.6%	0.7%	--
7/27	Cap Goods Ship Nondef Ex Air	Jun P	0.2%	0.0%	0.3%	--
7/27	Initial Jobless Claims	7/22	235k	221k	228k	--
7/27	Continuing Claims	7/15	1750k	1690k	1754k	1749k
7/27	Advance Goods Trade Balance	Jun	-\$92.0b	-\$87.8b	-\$91.1b	-\$91.9b
7/27	Pending Home Sales NSA YoY	Jun	-16.3%	-14.8%	-20.8%	-20.7%
7/27	Kansas City Fed Manf. Activity	Jul	-10	-11	-12	--
7/28	Employment Cost Index	2Q	1.1%	1.0%	1.2%	--
7/28	Personal Income	Jun	0.5%	0.3%	0.4%	0.5%
7/28	Real Personal Spending	Jun	0.3%	0.4%	0.0%	0.1%
7/28	PCE Deflator YoY	Jun	3.0%	3.0%	3.8%	--
7/28	PCE Core Deflator YoY	Jun	4.2%	4.1%	4.6%	--
7/28	U. of Mich. Sentiment	Jul F	72.6	71.6	72.6	--
7/28	U. of Mich. Current Conditions	Jul F	--	76.6	77.5	--
7/28	U. of Mich. 1 Yr Inflation	Jul F	--	3.4%	3.4%	--
7/31	MNI Chicago PMI	Jul	43.4	--	41.5	--
8/1	JOLTS Job Openings	Jun	9620k	--	9824k	--
8/1	ISM Manufacturing	Jul	46.9	--	46.0	--
8/1	ISM Prices Paid	Jul	--	--	41.8	--
8/1	ISM Employment	Jul	--	--	48.1	--
8/1	ISM New Orders	Jul	--	--	45.6	--
8/2	ADP Employment Change	Jul	190k	--	497k	--
8/3	Challenger Job Cuts YoY	Jul	--	--	25.2%	--
8/3	Nonfarm Productivity	2Q P	1.3%	--	-2.1%	--
8/3	Unit Labor Costs	2Q P	2.6%	--	4.2%	--
8/3	ISM Services Index	Jul	53.0	--	53.9	--
8/3	ISM Services Prices Paid	Jul	--	--	54.1	--
8/3	ISM Services Employment	Jul	--	--	53.1	--
8/3	ISM Services New Orders	Jul	--	--	55.5	--
8/4	Change in Nonfarm Payrolls	Jul	200k	--	209k	--

MBS Prepayments ⁴						
3-Month CPR						
Type	2.5	3.0	3.5	4.0	4.5	5.0
FN 10y	11.9	13.9	13.1	12.8	17.0	16.5
FH/FN 15y	6.7	7.6	8.9	13.5	15.2	22.3
GN 15y	12.2	14.4	16.8	20.3	20.6	26.1
FH/FN 20y	5.5	6.7	7.8	8.2	9.7	12.6
FH/FN 30y	4.5	7.0	6.1	6.7	8.0	9.8
GN 30y	5.3	6.7	9.1	8.8	7.3	7.4

CPR Projections						
Type	2.5	3.0	3.5	4.0	4.5	5.0
FN 10y	14.6	14.9	14.8	13.2	10.4	10.7
FH/FN 15y	7.9	7.7	7.8	11.3	15.6	17.8
GN 15y	7.1	7.4	7.4	8.2	9.3	10.9
FH/FN 20y	6.4	7.1	7.6	8.1	9.0	10.1
FH/FN 30y	5.1	5.5	5.7	6.5	7.3	8.4
GN 30y	5.3	6.2	6.3	6.4	7.1	6.8

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	140.33	(1.40)	144.48	130.39	134.27
Euro	1.10	(0.01)	1.09	1.09	1.02
Dollar Index	101.67	0.60	102.91	101.93	106.35
Major Stock Indices					
Dow Jones	35,426	199	33,853	33,978	32,530
S&P 500	4,578.1	41.8	4,376.9	4,070.6	4,072.4
NASDAQ	14,283.5	251	13,591.8	11,621.7	12,162.6
Commodities					
Gold	1,956.4	(10.2)	1,922.2	1,929.4	1,750.3
Crude Oil	79.67	2.60	69.56	79.68	96.42
Natural Gas	2.63	(0.08)	2.60	3.11	8.13
Wheat	696.5	-1.0	655.8	750.0	817.0
Corn	524.3	-2.8	590.0	683.0	615.0

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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