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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

This week, America's FICO score took a hit and both stocks and bonds were not thrilled with the news. On Tuesday, Fitch Ratings (one of three major credit raters with S&P and Moody's) downgraded Uncle Sam to AA+ from pristine AAA which hasn't happened in over a decade when S&P did it in 2011. The rating agency cited long-term fiscal imbalances, rising debt cost and the politically driven debt-ceiling situation as reasons for the downgrade. US Treasury Secretary Janet Yellen was quick to chime in and say the decision was "entirely unwarranted." JP Morgan CEO Jamie Dimon said the downgrade was "ridiculous." While most headlines coming out in wake of the news are citing this should not be a significant market moving event, others are concerned that this could question the soft-landing narrative that has recently been reinforced with a solid Q2 GDP (2.4%) print last week as well as recent progress on the disinflation front (Core PCE down to 4.1% YOY).

Looking at the markets this morning, we are seeing a rebound in bond prices on Friday after a sell-off throughout the week. The long bond (30Yr) drifted up 30 basis points at one point during the week from 4% and is giving a little back today, back down to 4.26% currently. The 10 year was up over 20 bps from 3.96% to 4.18% and has since dropped back to 4.11% this morning. The 2-year bond which more closely tracks Fed policy was largely unchanged at 4.9% but until Friday as slipped down below 4.8% indicating maybe peak rates could be now or very near. The yield curve steepened this week as 10s vs 2s moved from -90bps to -70bps. All three major stock indices are set to finish the week in the red after the rally late last week.

This week marks the first of eight until the next Federal Open Market Committee (FOMC) meeting which is the longest amount of time between meetings. This means a lot of economic data will be released including two inflation and jobs reports each for the committee to digest before September's meeting. Looking at this week's data, most of it came in as expected. Monday gave us the Senior Loan Officer Opinion Survey (SLOOS) which shows US banks going through tighter credit standards and weaker loan demand. On Tuesday, JOLTS (Job Opening and Labor Turnover Survey) was released and the most popular metric from JOLTS, the job number of job openings, dropped to 9.6 million which was in line with economist expectations and further shows a cooling in the labor market. The Institute of Supply Chain Management (ISM) released both their Services and Manufacturing Surveys, these both were relatively flat versus prior readings (52.7 and 46.4).

Now let's turn to the big number today which is the jobs report for July. US employers added 187,000 nonfarm payrolls and the unemployment rate fell to 3.5%. The initial readings from the release adds little clarity to the Fed outlook as it was considered a mixed bag of data points. While the unemployment rate dropped, this was also the second month of weaker than expected growth and job gains sub 200k. Also, the two-month net-payroll revision was lowered by 49k and wage growth came in a little higher than expected a 4.4% YoY. After the release, the Atlanta Fed President Raphael Bostic acknowledged the current restrictive stance on rates and that this report confirms continuing slowing of the economy to tame inflation.

Next week the markets will focus back on the inflation story as July CPI and PPI releases later in the week. And on Friday we'll get a look at the University of Michigan Consumer Sentiment Survey.

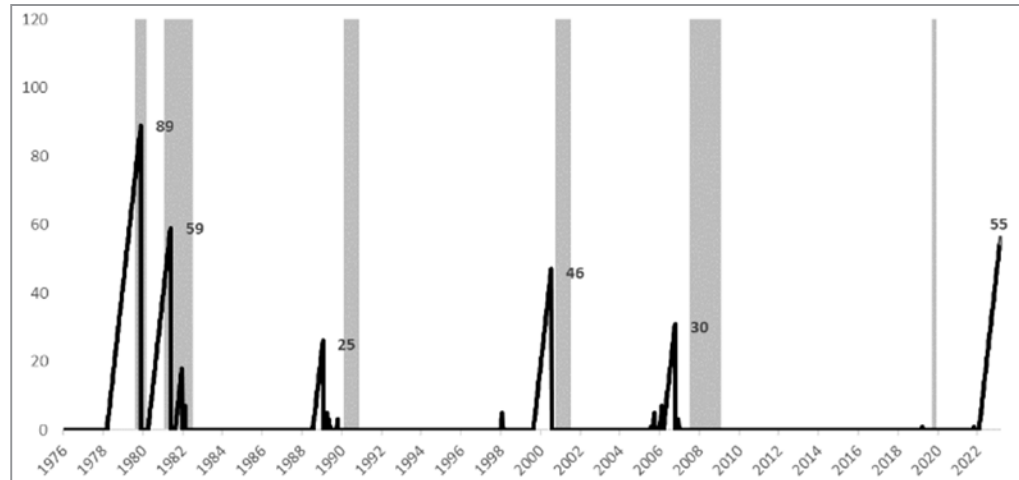
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10yr/2yr Yield Curve Inversion— The UST Yield Curve continues to flash warnings of a slowdown in growth as it has now been inverted for 55 consecutive weeks. This ranks third going back around 50 years. Economists cite a very strong track record of a yield curve inversion preceding a recession however the timing is often uncertain as we have seen this year.

Consecutive Weeks of 10yr/2yr Yield Inversion



Source: YCharts

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Here are some interesting articles from the week.

[America's Fiscal Time Bomb Ticks Even Louder \(WSJ\)](#)

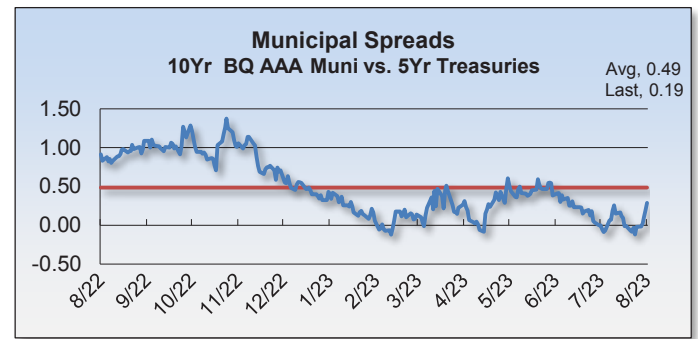
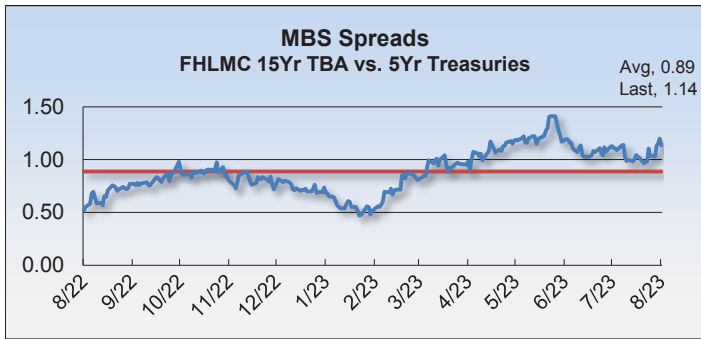
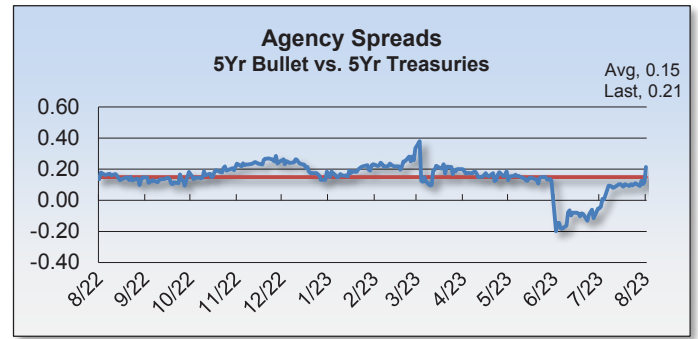
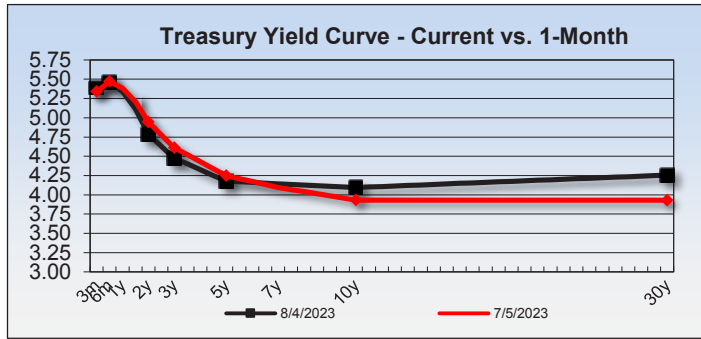
[The great Rolex recession is here: How the Fed crushed the luxury-watch boom \(BUSINESS INSIDER\)](#)

[Rent is finally cooling. See how much prices have changed in your area. \(WASH POST\)](#)

[While Everyone Else Fights Inflation, China Deflation Fears Deepen \(WSJ\)](#)

[Everyday Investors Are Thriving in a World Awash in Yield \(WSJ\)](#)

[Kansas City Fed names next president \(Banking Dive\)](#)



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	5.39	(0.03)	5.34	4.65	2.43	2yr	4.89	4.70	4.44	4.72	4.99	2Yr	5.50	5.50	5.50	-
6mo	5.46	(0.02)	5.49	4.84	2.94	3yr	4.55	4.31	4.23	4.50	4.86	3Yr	5.11	5.12	5.10	5.11
1yr	5.34	(0.03)	5.42	4.76	3.08	5yr	4.29	3.97	3.98	4.23	4.60	5Yr	4.88	4.88	4.87	4.81
2yr	4.78	(0.09)	4.94	4.29	3.05	7yr	4.33	3.86	3.82	4.07	4.74	7Yr	4.79	4.81	4.80	4.73
3yr	4.47	(0.05)	4.58	3.96	2.96	10yr	4.40	3.82	3.88	4.13	4.75	10Yr	4.73	4.79	4.78	4.72
5yr	4.18	(0.00)	4.19	3.66	2.79	15yr	4.47	3.83	4.58	4.87	4.95	September TBA MBS				
7yr	4.14	0.07	4.03	3.60	2.75	20yr	4.55	3.79	4.90	5.22	5.33	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	4.09	0.14	3.86	3.53	2.69	25yr	4.63	3.69	5.06	5.39	5.39	2.50	5.55	5.4y	4.88	
30yr	4.26	0.24	3.87	3.62	2.97	30yr	4.63	3.59	5.22	5.56	5.44	3.00	5.57	5.5y		
												3.50	5.26	5.6y	5.21	10.5y
												4.00	5.08	5.5y	5.26	10.2y
												4.50			5.36	9.9y
												5.00			5.53	9.2y

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	5.50	--	5.25	4.75	2.50
Primary Discount	5.50	--	5.25	4.75	2.50
2ndary Discount	6.00	--	5.75	5.25	3.00
Prime Rate	8.50	--	8.25	7.75	5.50
Sec. O.N. Finance	5.30	(0.01)	5.06	4.55	--
1 Month LIBOR	5.43	(0.00)	5.22	4.58	2.36
3 Month LIBOR	5.63	0.00	5.55	4.81	2.81
6 Month LIBOR	5.86	(0.01)	5.76	5.06	3.31
1 Year LIBOR	6.04	0.12	5.73	5.48	3.62
6 Month CD	5.74	(0.01)	5.73	4.91	3.46
1 Year CMT	5.37	(0.03)	5.43	4.79	3.14
REPO O/N	5.34	0.23	5.13	4.58	2.30
REPO 1Wk	5.38	(0.01)	5.13	4.61	2.34
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	5.54	5.63	5.58
6mo	5.63	5.66	5.68
1yr	5.48	5.55	5.67
2yr	5.02	5.09	5.19
3yr	4.70	4.80	4.85
4yr	4.57	4.71	4.71
5yr	4.44	4.58	4.57
7yr	4.61	4.77	4.72
10yr	4.75	4.93	4.84
5yr Am	4.15		4.88
10yr Am	4.21		4.86

Fed Fund Futures		
Maturity	Rate	
Aug-23	5.328	
Sep-23	5.340	
Oct-23	5.365	
Nov-23	5.405	
Dec-23	5.385	
Jan-24	5.370	
Feb-24	5.270	
Mar-24	5.220	
Apr-24	5.130	
May-24	4.960	
Jun-24	4.835	

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
7/31	MNI Chicago PMI	Jul	43.5	42.8	41.5	--
8/1	S&P Global US Manufacturing PMI	Jul F	49.0	49.0	49.0	--
8/1	JOLTS Job Openings	Jun	9600k	9582k	9824k	9616k
8/1	ISM Prices Paid	Jul	44.0	42.6	41.8	--
8/1	ISM Employment	Jul	--	44.4	48.1	--
8/2	MBA Mortgage Applications	7/28	--	-3.0%	-1.8%	--
8/2	ADP Employment Change	Jul	190k	324k	497k	455k
8/3	Challenger Job Cuts YoY	Jul	--	-8.2%	25.2%	--
8/3	Nonfarm Productivity	2Q P	2.2%	3.7%	-2.1%	-1.2%
8/3	Unit Labor Costs	2Q P	2.5%	1.6%	4.2%	3.3%
8/3	Initial Jobless Claims	7/29	225k	227k	221k	--
8/3	Continuing Claims	7/22	1705k	1700k	1690k	1679k
8/3	S&P Global US Services PMI	Jul F	52.4	52.3	52.4	--
8/3	S&P Global US Composite PMI	Jul F	52.0	52.0	52.0	--
8/3	Factory Orders Ex Trans	Jun	0.2%	0.2%	-0.5%	-0.4%
8/3	Durables Ex Transportation	Jun F	0.6%	0.5%	0.6%	--
8/3	Cap Goods Orders Nondef Ex Air	Jun F	0.2%	0.1%	0.2%	--
8/3	Cap Goods Ship Nondef Ex Air	Jun F	--	0.1%	0.0%	--
8/3	ISM Services Index	Jul	53.1	52.7	53.9	--
8/3	ISM Services Prices Paid	Jul	--	56.8	54.1	--
8/3	ISM Services Employment	Jul	--	50.7	53.1	--
8/3	ISM Services New Orders	Jul	--	55.0	55.5	--
8/4	Two-Month Payroll Net Revision	Jul	--	-49k	--	--
8/4	Change in Nonfarm Payrolls	Jul	200k	187k	209k	185k
8/4	Change in Private Payrolls	Jul	180k	172k	149k	128k
8/4	Change in Manufact. Payrolls	Jul	5k	-2k	7k	6k
8/4	Unemployment Rate	Jul	3.6%	3.5%	3.6%	--
8/4	Average Hourly Earnings MoM	Jul	0.3%	0.4%	0.4%	--
8/4	Average Hourly Earnings YoY	Jul	4.2%	4.4%	4.4%	--
8/4	Average Weekly Hours All Employees	Jul	34.4	34.3	34.4	--
8/4	Labor Force Participation Rate	Jul	62.6%	62.6%	62.6%	--
8/4	Underemployment Rate	Jul	--	6.7%	6.9%	--
8/8	NFIB Small Business Optimism	Jul	90.5	--	91.0	--
8/10	CPI MoM	Jul	0.2%	--	0.2%	--
8/10	CPI Ex Food and Energy MoM	Jul	0.2%	--	0.2%	--
8/10	CPI YoY	Jul	3.3%	--	3.0%	--
8/10	CPI Ex Food and Energy YoY	Jul	4.8%	--	4.8%	--
8/10	CPI Index NSA	Jul	305.84	--	305.11	--
8/10	CPI Core Index SA	Jul	--	--	308.31	--
8/10	Real Avg Hourly Earning YoY	Jul	--	--	4.2%	1.3%
8/10	Real Avg Weekly Earnings YoY	Jul	--	--	0.6%	0.7%
8/11	PPI Final Demand YoY	Jul	0.7%	--	0.1%	--
8/11	PPI Ex Food and Energy YoY	Jul	2.4%	--	2.4%	--
8/11	PPI Ex Food, Energy, Trade YoY	Jul	--	--	2.6%	--
8/11	U. of Mich. Sentiment	Aug P	71.0	--	71.6	--
8/11	U. of Mich. Current Conditions	Aug P	--	--	76.6	--
8/11	U. of Mich. 1 Yr Inflation	Aug P	--	--	3.4%	--

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	14.7	13.1	10.3	10.6
FH/FN 15y	7.9	7.6	7.7	11.2	15.4	17.7
GN 15y	7.1	7.3	7.4	8.2	9.2	10.8
FH/FN 20y	6.3	7.1	7.6	8.0	8.9	9.9
FH/FN 30y	5.0	5.4	5.6	6.3	7.1	8.1
GN 30y	5.2	6.1	6.2	6.3	7.1	6.7

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	141.77	0.61	144.47	132.66	132.89
Euro	1.10	0.00	1.09	1.07	1.02
Dollar Index	101.85	0.23	102.99	102.92	105.69
Major Stock Indices					
Dow Jones	35,388	(71)	34,418	33,926	32,727
S&P 500	4,528.3	(53.9)	4,455.6	4,136.5	4,151.9
NASDAQ	14,028.3	(288)	13,816.8	12,007.0	12,720.6
Commodities					
Gold	1,961.7	1.3	1,929.5	1,876.6	1,796.2
Crude Oil	81.98	1.40	69.79	73.39	88.54
Natural Gas	2.60	(0.04)	2.71	2.41	8.12
Wheat	644.8	-59.5	641.8	756.8	782.5
Corn	487.8	-33.3	488.0	677.5	602.3

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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