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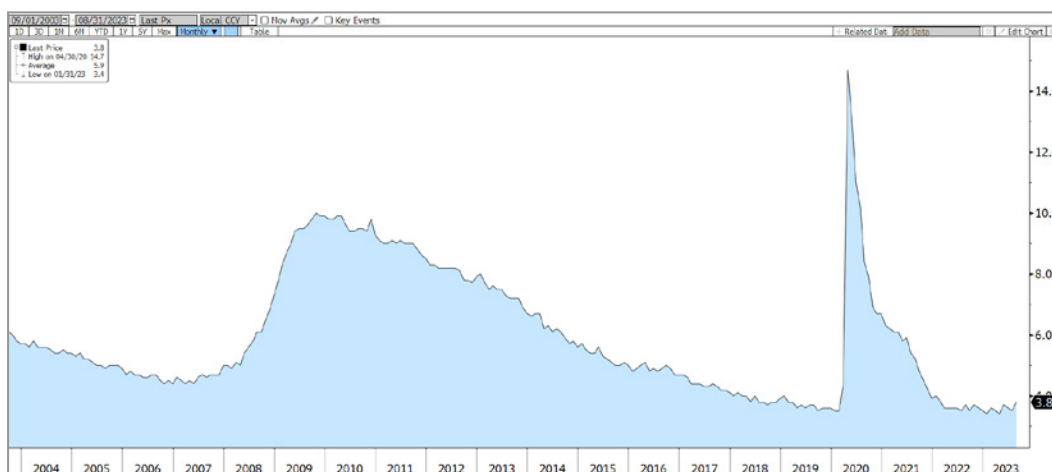
Oct 12, 2023

What a difference a week makes. Following Fed Chairman Jerome Powell's speech in Jackson Hole last Friday, the 2-Year Treasury hit 5.08%, the highest level in 16 years, as traders bet the Fed would hike rates again in November and keep them there for longer than previously anticipated. One week later, following a slew of weak employment data and the 2-Year Treasury yield has fallen 22bp and traders are now betting the Fed is finished with the most aggressive tightening cycle in nearly forty years.

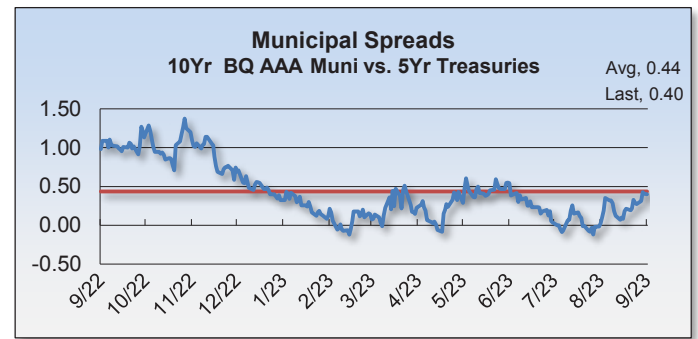
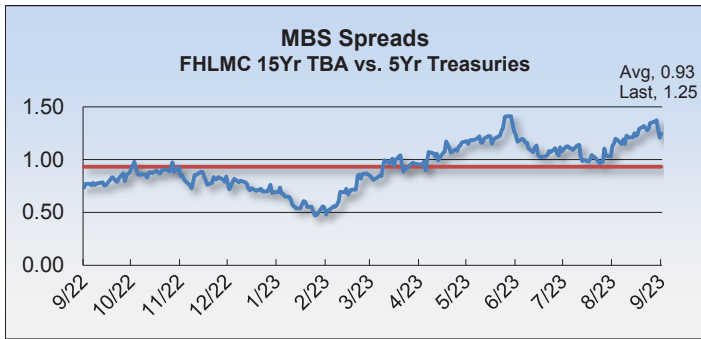
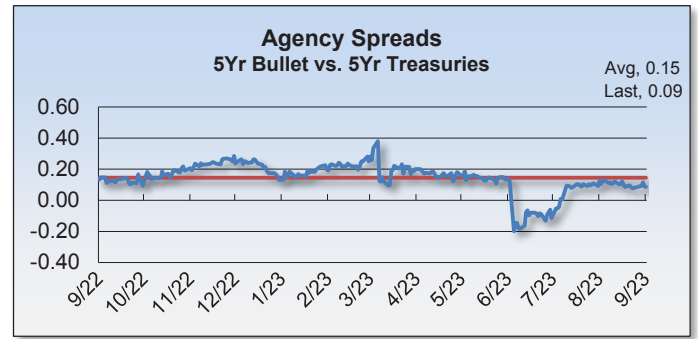
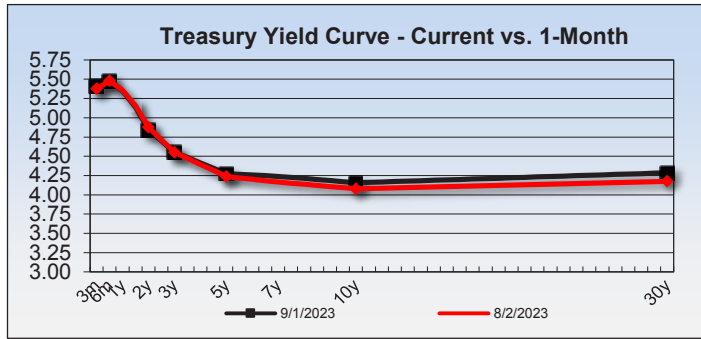
This week's economic releases were all about the labor market and more specifically, the weakening labor market. On Tuesday, the BLS's Job Openings and Labor Market Turnover Survey (JOLTS) showed job openings plunged by 338,000 to the lowest level since March 2021 and the number of people voluntarily quitting their job fell by 253,000. The report suggests there are less job opportunities available and employees are less confident in their ability to land another job and are more often deciding to stay put. On Wednesday, ADP reported that private payrolls increased by 177,000 in August, less than economists had expected and a big drop from the 371,000 added the prior month. And finally on Friday, the Labor Department reported that non-farm payrolls rose just 187,000 in August and the prior two months were revised lower by 110,000 jobs. This marks the third month in a row payrolls have increased less than 200k and shows the pace of job gains has clearly slowed from the torrid pace of the last several years. The Unemployment Rate also unexpectedly jumped to 3.8%, the highest level in 18 months, as more people reentered the labor force. The Labor Force Participation Rate jumped to 62.8% in August and is now just 0.5% lower than the pre-pandemic peak of 63.3%. All of this is good news for the Fed. There are more people looking for jobs just as there are fewer jobs available and that has helped to limit wage inflation, which rose just 0.2% in August, the smallest monthly increase in 18 months.

After digesting all the employment data released this week, traders are now betting the Federal Reserve will not hike rates again. The probability of a rate hike is just 7% in September and less than 40% in November. For the week, the 2-Year Treasury yield fell 20bp to 4.88% and the 10-Year Treasury fell 5bp to 4.19%.

## Unemployment Rate Last 20 Years



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 <sup>2</sup> | S-Corp <sup>3</sup> |          | Mty                 | 3Mo          | 6mo  | 1Yr          | 2Yr   |
| 3mo                           | 5.41    | (0.07)     | 5.41       | 4.85 | 2.93 | 2yr               | 4.92          | 4.75    | 4.40                | 4.68                | 4.95     | 2Yr                 | 5.64         | 5.64 | 5.64         | -     |
| 6mo                           | 5.48    | (0.08)     | 5.49       | 5.14 | 3.38 | 3yr               | 4.60          | 4.37    | 4.23                | 4.50                | 4.81     | 3Yr                 | 5.35         | 5.36 | 5.30         | 5.35  |
| 1yr                           | 5.35    | (0.10)     | 5.38       | 5.04 | 3.50 | 5yr               | 4.35          | 4.02    | 4.03                | 4.29                | 4.54     | 5Yr                 | 5.15         | 5.15 | 5.14         | 5.08  |
| 2yr                           | 4.84    | (0.24)     | 4.90       | 4.88 | 3.50 | 7yr               | 4.42          | 3.90    | 4.03                | 4.29                | 4.67     | 7Yr                 | 5.12         | 5.15 | 5.14         | 5.07  |
| 3yr                           | 4.55    | (0.19)     | 4.57       | 4.60 | 3.47 | 10yr              | 4.44          | 3.83    | 4.10                | 4.37                | 4.65     | 10Yr                | 5.09         | 5.15 | 5.14         | 5.07  |
| 5yr                           | 4.27    | (0.17)     | 4.22       | 4.26 | 3.40 | 15yr              | 4.47          | 3.82    | 4.79                | 5.10                | 4.85     | October TBA MBS     |              |      |              |       |
| 7yr                           | 4.24    | (0.13)     | 4.12       | 4.16 | 3.36 | 20yr              | 4.49          | 3.77    | 5.11                | 5.44                | 5.23     | Cpn                 | 15Yr -Yld/AL |      | 30Yr -Yld/AL |       |
| 10yr                          | 4.16    | (0.08)     | 4.03       | 4.00 | 3.26 | 25yr              | 4.52          | 3.66    | 5.27                | 5.61                | 5.29     | 2.50                | 5.41         | 5.5y | 4.92         |       |
| 30yr                          | 4.29    | (0.00)     | 4.09       | 3.96 | 3.36 | 30yr              | 4.52          | 3.55    | 5.43                | 5.78                | 5.34     | 3.00                | 5.41         | 5.6y |              |       |
|                               |         |            |            |      |      |                   |               |         |                     |                     |          | 3.50                | 5.19         | 5.6y | 5.20         | 10.3y |
|                               |         |            |            |      |      |                   |               |         |                     |                     |          | 4.00                | 5.05         | 5.5y | 5.24         | 10.2y |
|                               |         |            |            |      |      |                   |               |         |                     |                     |          | 4.50                |              |      | 5.38         | 9.9y  |
|                               |         |            |            |      |      |                   |               |         |                     |                     |          | 5.00                |              |      | 5.52         | 9.2y  |

\* Interpolated

| Key Market Indices |         |            |            |       |       |
|--------------------|---------|------------|------------|-------|-------|
| Index              | Current | 1Wk Change | Historical |       |       |
|                    |         |            | 1 Mo       | 6 Mo  | 1 Yr  |
| Fed Funds          | 5.50    | --         | 5.50       | 4.75  | 2.50  |
| Primary Discount   | 5.50    | --         | 5.50       | 4.75  | 2.50  |
| 2ndary Discount    | 6.00    | --         | 6.00       | 5.25  | 3.00  |
| Prime Rate         | 8.50    | --         | 8.50       | 7.75  | 5.50  |
| Sec. O.N. Finance  | 5.31    | 0.01       | 5.31       | 4.55  | --    |
| 1 Month LIBOR      | 5.44    | 0.01       | 5.43       | 4.67  | 2.56  |
| 3 Month LIBOR      | 5.67    | 0.02       | 5.63       | 4.97  | 3.08  |
| 6 Month LIBOR      | 5.90    | 0.02       | 5.88       | 5.26  | 3.60  |
| 1 Year LIBOR       | 6.04    | 0.12       | 5.73       | 5.48  | 3.62  |
| 6 Month CD         | 5.83    | (0.02)     | 5.74       | 5.25  | 3.68  |
| 1 Year CMT         | 5.37    | (0.02)     | 5.37       | 5.02  | 3.50  |
| REPO O/N           | 5.33    | --         | 5.35       | 4.57  | 2.30  |
| REPO 1Wk           | 5.36    | (0.02)     | 5.39       | 4.61  | 2.39  |
| CoF Federal        | 3.619   | --         | 3.544      | 2.998 | 1.508 |
| 11th D. CoF (Dec)  | 0.223   | --         | 0.218      | 0.282 | 0.460 |

| FHLB Fixed Advance Rates |         |        |        |
|--------------------------|---------|--------|--------|
| Maturity                 | Chicago | Boston | Topeka |
| 3mo                      | 5.57    | 5.61   | 5.62   |
| 6mo                      | 5.63    | 5.62   | 5.68   |
| 1yr                      | 5.44    | 5.50   | 5.62   |
| 2yr                      | 4.91    | 5.05   | 5.03   |
| 3yr                      | 4.66    | 4.78   | 4.75   |
| 4yr                      | 4.51    | 4.64   | 4.58   |
| 5yr                      | 4.39    | 4.51   | 4.46   |
| 7yr                      | 4.55    | 4.66   | 4.61   |
| 10yr                     | 4.69    | 4.78   | 4.73   |
| 5yr Am                   | 4.15    |        | 4.76   |
| 10yr Am                  | 4.21    |        | 4.75   |

| Fed Fund Futures |       |
|------------------|-------|
| Maturity         | Rate  |
| Sep-23           | 5.335 |
| Oct-23           | 5.350 |
| Nov-23           | 5.425 |
| Dec-23           | 5.415 |
| Jan-24           | 5.395 |
| Jan-24           | 5.395 |
| Mar-24           | 5.300 |
| Apr-24           | 5.230 |
| May-24           | 5.090 |
| Jun-24           | 4.980 |
| Jul-24           | 4.925 |

| Weekly Economic Calendar |                                    |       |          |          |                     |          |
|--------------------------|------------------------------------|-------|----------|----------|---------------------|----------|
| This Week & Next         |                                    |       |          |          |                     |          |
| Date                     | Release                            | Per.  | Est.     | Actual   | Prior               | Revised  |
| 8/29                     | S&P CoreLogic CS 20-City YoY NSA   | Jun   | -1.60%   | -1.17%   | <del>-1.70%</del>   | -1.73%   |
| 8/29                     | S&P CoreLogic CS US HPI YoY NSA    | Jun   | --       | -0.02%   | <del>-0.46%</del>   | -0.38%   |
| 8/29                     | JOLTS Job Openings                 | Jul   | 9500k    | 8827k    | <del>9582k</del>    | 9165k    |
| 8/29                     | Conf. Board Consumer Confidence    | Aug   | 116.0    | 106.1    | <del>117.0</del>    | 114.0    |
| 8/29                     | Conf. Board Present Situation      | Aug   | --       | 144.8    | <del>160.0</del>    | 153.0    |
| 8/29                     | Conf. Board Expectations           | Aug   | --       | 80.2     | <del>88.3</del>     | 88.0     |
| 8/30                     | ADP Employment Change              | Aug   | 195k     | 177k     | <del>324k</del>     | 371k     |
| 8/30                     | Advance Goods Trade Balance        | Jul   | -\$90.0b | -\$91.2b | <del>-\$87.8b</del> | -\$88.8b |
| 8/30                     | GDP Annualized QoQ                 | 2Q S  | 2.4%     | 2.1%     | 2.4%                | --       |
| 8/30                     | Personal Consumption               | 2Q S  | 1.8%     | 1.7%     | 1.6%                | --       |
| 8/30                     | GDP Price Index                    | 2Q S  | 2.2%     | 2.0%     | 2.2%                | --       |
| 8/30                     | Core PCE Price Index QoQ           | 2Q S  | 3.8%     | 3.7%     | 3.8%                | --       |
| 8/30                     | Pending Home Sales NSA YoY         | Jul   | -15.7%   | -13.8%   | <del>-14.8%</del>   | -14.7%   |
| 8/31                     | Challenger Job Cuts YoY            | Aug   | --       | 266.9%   | <del>-8.2%</del>    | --       |
| 8/31                     | Initial Jobless Claims             | 8/26  | 235k     | 228k     | <del>230k</del>     | 232k     |
| 8/31                     | Continuing Claims                  | 8/19  | 1706k    | 1725k    | <del>1702k</del>    | 1697k    |
| 8/31                     | Real Personal Spending             | Jul   | 0.5%     | 0.6%     | 0.4%                | --       |
| 8/31                     | PCE Deflator MoM                   | Jul   | 0.2%     | 0.2%     | 0.2%                | --       |
| 8/31                     | PCE Deflator YoY                   | Jul   | 3.3%     | 3.3%     | 3.0%                | --       |
| 8/31                     | PCE Core Deflator MoM              | Jul   | 0.2%     | 0.2%     | 0.2%                | --       |
| 8/31                     | PCE Core Deflator YoY              | Jul   | 4.2%     | 4.2%     | 4.1%                | --       |
| 8/31                     | MNI Chicago PMI                    | Aug   | 44.2     | 48.7     | 42.8                | --       |
| 9/1                      | Two-Month Payroll Net Revision     | Aug   | --       | -110k    | --                  | --       |
| 9/1                      | Change in Nonfarm Payrolls         | Aug   | 170k     | 187k     | <del>187k</del>     | 157k     |
| 9/1                      | Change in Private Payrolls         | Aug   | 148k     | 179k     | <del>172k</del>     | 155k     |
| 9/1                      | Change in Manufact. Payrolls       | Aug   | 0k       | 16k      | <del>-2k</del>      | -4k      |
| 9/1                      | Unemployment Rate                  | Aug   | 3.5%     | 3.8%     | 3.5%                | --       |
| 9/1                      | Average Hourly Earnings MoM        | Aug   | 0.3%     | 0.2%     | 0.4%                | --       |
| 9/1                      | Average Hourly Earnings YoY        | Aug   | 4.3%     | 4.3%     | 4.4%                | --       |
| 9/1                      | Average Weekly Hours All Employees | Aug   | 34.3     | 34.4     | 34.3                | --       |
| 9/1                      | Labor Force Participation Rate     | Aug   | 62.6%    | 62.8%    | 62.6%               | --       |
| 9/1                      | Underemployment Rate               | Aug   | --       | 7.1%     | 6.7%                | --       |
| 9/1                      | S&P Global US Manufacturing PMI    | Aug F | 47.0     | 47.9     | 47.0                | --       |
| 9/1                      | ISM Manufacturing                  | Aug   | 47.0     | 47.6     | 46.4                | --       |
| 9/1                      | ISM Prices Paid                    | Aug   | 44.0     | 48.4     | 42.6                | --       |
| 9/1                      | ISM Employment                     | Aug   | --       | 48.5     | 44.4                | --       |
| 9/1                      | ISM New Orders                     | Aug   | --       | 46.8     | 47.3                | --       |
| 9/5                      | Factory Orders Ex Trans            | Jul   | 0.2%     | --       | 0.2%                | --       |
| 9/5                      | Durables Ex Transportation         | Jul F | --       | --       | 0.5%                | --       |
| 9/5                      | Cap Goods Ship Nondef Ex Air       | Jul F | --       | --       | -0.2%               | --       |
| 9/6                      | S&P Global US Services PMI         | Aug F | --       | --       | 51.0                | --       |
| 9/6                      | S&P Global US Composite PMI        | Aug F | --       | --       | 50.4                | --       |
| 9/6                      | ISM Services Index                 | Aug   | 52.4     | --       | 52.7                | --       |
| 9/6                      | ISM Services Prices Paid           | Aug   | --       | --       | 56.8                | --       |
| 9/6                      | ISM Services Employment            | Aug   | --       | --       | 50.7                | --       |
| 9/6                      | ISM Services New Orders            | Aug   | --       | --       | 55.0                | --       |
| 9/7                      | Nonfarm Productivity               | 2Q F  | 3.6%     | --       | 3.7%                | --       |

| MBS Prepayments <sup>4</sup> |      |      |      |      |      |      |
|------------------------------|------|------|------|------|------|------|
| 3-Month CPR                  |      |      |      |      |      |      |
| Type                         | 2.5  | 3.0  | 3.5  | 4.0  | 4.5  | 5.0  |
| FN 10y                       | 12.1 | 13.7 | 13.4 | 12.7 | 18.2 | 14.6 |
| FH/FN 15y                    | 6.9  | 8.0  | 9.6  | 13.4 | 15.3 | 20.7 |
| GN 15y                       | 12.1 | 14.9 | 17.8 | 20.2 | 20.9 | 35.1 |
| FH/FN 20y                    | 6.0  | 6.9  | 8.0  | 8.3  | 9.7  | 12.7 |
| FH/FN 30y                    | 4.4  | 6.2  | 6.4  | 7.1  | 7.5  | 10.1 |
| GN 30y                       | 6.1  | 6.4  | 10.6 | 9.1  | 7.4  | 7.1  |

| CPR Projections |      |      |      |      |      |      |
|-----------------|------|------|------|------|------|------|
| Type            | 2.5  | 3.0  | 3.5  | 4.0  | 4.5  | 5.0  |
| FN 10y          | 12.5 | 12.4 | 12.5 | 12.1 | 10.0 | 10.6 |
| FH/FN 15y       | 6.8  | 6.4  | 7.2  | 10.9 | 13.4 | 14.0 |
| GN 15y          | 8.6  | 8.9  | 10.7 | 11.3 | 12.6 | 12.6 |
| FH/FN 20y       | 6.0  | 6.5  | 6.2  | 7.4  | 8.4  | 9.7  |
| FH/FN 30y       | 5.1  | 5.4  | 5.7  | 6.2  | 7.1  | 8.0  |
| GN 30y          | 5.6  | 6.4  | 6.7  | 8.2  | 8.5  | 6.7  |

| Other Markets              |          |          |            |          |          |
|----------------------------|----------|----------|------------|----------|----------|
| Index                      | Current  | 1Wk Chng | Historical |          |          |
|                            |          |          | 1 Mo       | 6 Mo     | 1 Yr     |
| <b>Currencies</b>          |          |          |            |          |          |
| Japanese Yen               | 145.47   | (0.97)   | 142.74     | 135.67   | 139.30   |
| Euro                       | 1.08     | 0.00     | 1.10       | 1.07     | 1.00     |
| Dollar Index               | 103.75   | (0.33)   | 102.30     | 104.48   | 109.69   |
| <b>Major Stock Indices</b> |          |          |            |          |          |
| Dow Jones                  | 34,952   | 605      | 35,631     | 32,662   | 31,656   |
| S&P 500                    | 4,527.1  | 121.4    | 4,576.7    | 3,951.4  | 3,966.9  |
| NASDAQ                     | 14,091.3 | 501      | 14,283.9   | 11,379.5 | 11,785.1 |
| <b>Commodities</b>         |          |          |            |          |          |
| Gold                       | 1,948.4  | 37.3     | 1,940.7    | 1,845.4  | 1,699.6  |
| Crude Oil                  | 85.16    | 5.33     | 81.37      | 77.69    | 86.61    |
| Natural Gas                | 2.84     | 0.30     | 2.56       | 2.81     | 9.26     |
| Wheat                      | 583.0    | -10.3    | 652.3      | 697.0    | 775.5    |
| Corn                       | 467.0    | -3.8     | 497.0      | 640.5    | 658.3    |

| 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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