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UPCOMING EVENTS

Banks

Seminar:

Findlay, OH
Oct 4, 2023

Oklahoma City, OK
Oct 18-20, 2023

Minneapolis, MN
Dec 5, 2023

Webinar:

Q4 Bank Strategies
Oct 11, 2023

Bank Trends for Q3
Nov 15, 2023

Credit Unions

CU Seminar:

Philadelphia, PA
Sep 27, 2023

Dallas, TX
Nov 9, 2023

CU Webinar:

Q4 CU Strategies
Oct 12, 2023

Happy Friday Everyone! I hope everyone is finally enjoying some cooler weather and some good football games. This week brought us some key inflation releases ahead of the Federal Reserve's Two-Day Meeting that concludes next Wednesday. Was this week's inflation data strong enough to push the Fed to raise rates for the 12th time since March of last year? Or did this week's inflation data give the Fed enough comfort to consider another pause in their current tightening cycle? Let's look at this week's key economic releases.

On Wednesday, a report from the Bureau of Labor Statistics showed that core consumer prices rose more than expected in August. The Consumer Price Index (CPI) rose 0.6% in August (est = 0.6%) and 3.7% from a year ago (est = 3.6%, last = 3.2%). The August increase was the largest monthly increase since June 2022, driven largely by a big jump in energy prices with gasoline up 10.6% month over month. Excluding food and energy prices, Core CPI rose 0.3% for the month (est = 0.2%) and 4.3% from a year ago (est = 4.3%, last 4.7%). The closely watched shelter component of CPI rose just 0.3% in August, the smallest increase in housing costs since March 2021. The rapid runup in rents following the pandemic has clearly peaked and many analysts expect rents to decline in the future as the record number of rental units under construction floods the market with supply. The so-called Super Core (core services less housing) rose 4% from a year ago, near the lowest reading since December 2021 and a clear indication that the trend in underlying inflation remains lower despite the monthly jump in energy prices.

On Thursday, U.S. retail sales data released increased more than expected in August as a surge in gasoline prices boosted receipts at gas stations, but the trend in underlying spending on goods slowed as Americans dealt with higher inflation and borrowing costs. Retail sales increased 0.6% month over month (est = 0.1%) in August and spending at gas stations advanced 5.2% last month. Spiking oil prices due to OPEC+ product cuts, strong demand, and disruption from floods in Libya have pushed up prices at the pump. Excluding sales at gasoline stations, retail spending advanced a more modest 0.2% in August from July. After a summer of robust spending, can the consumer continue their strong spending given some of the challenges ahead with rising credit card levels, student loan payments restarting, and tougher lending standards? Time will tell!

Additionally on Thursday, the Producer Price Index (PPI), a measure of what producers get for their goods and services, increased 0.7% in August, higher than the 0.4% estimate and the biggest monthly gain since June 2022. Excluding food and energy, core PPI rose 0.2%, in

(Continued)



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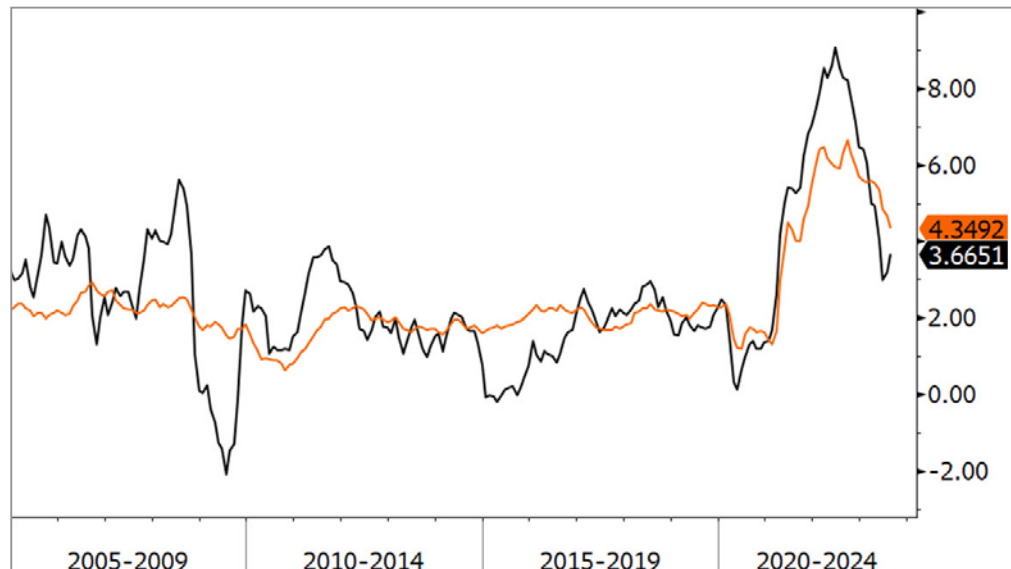
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line with expectations. As with CPI, the upward pressure on PPI came largely from a big jump in energy prices.

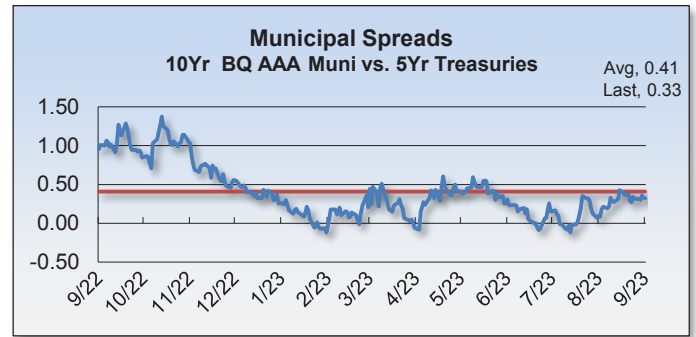
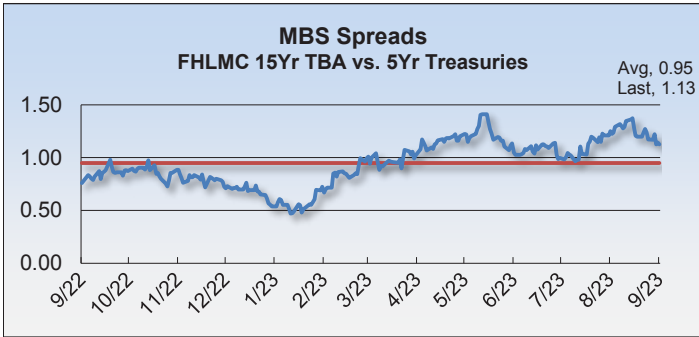
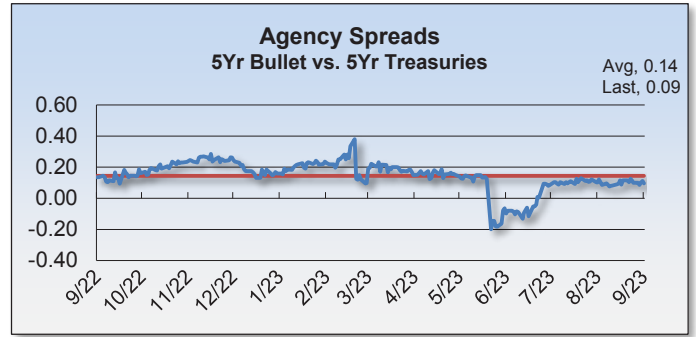
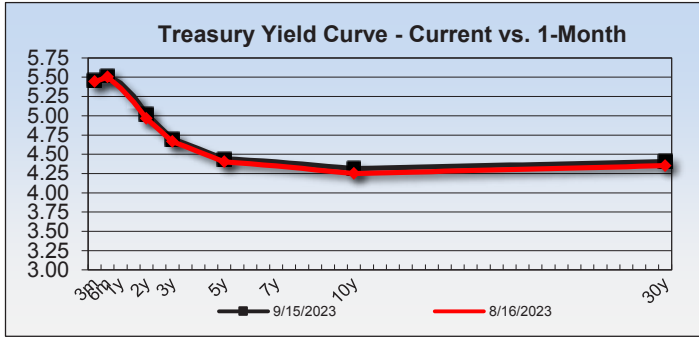
Stocks are down early this morning with the Dow Jones Industrial Average down 172 point early in today's trading session. Bonds are selling off modestly this morning with the longer end of the curve seeing the most price change. This morning, the 10-year Treasury is at a 4.31% yield with the 2-year Treasury at a 5.02% yield.

Next week will bring us economic releases on building permits, houses starts, and existing home sales. However, all eyes are on next week's September Fed meeting and whether they will raise rates for the 12th time this cycle. This morning, the CMEGroup's Fed Watch tool shows a 97% chance the Fed will not raise rates next week and only a 31% chance for a 25bp rate hike at the November 1st meeting.

Headline and Core Consumer Price Index - Year over Year Change (2005 to Current)



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	5.46	0.00	5.43	4.66	3.16	2yr	5.08	4.94	4.38	4.66	5.18	2Yr	5.81	5.81	5.81	-
6mo	5.52	(0.00)	5.51	4.62	3.80	3yr	4.77	4.58	4.21	4.48	5.03	3Yr	5.50	5.50	5.50	5.50
1yr	5.42	0.02	5.36	4.06	3.98	5yr	4.52	4.24	4.06	4.32	4.72	5Yr	5.32	5.32	5.31	5.25
2yr	5.02	0.03	4.96	3.89	3.87	7yr	4.58	4.10	4.06	4.32	4.86	7Yr	5.28	5.31	5.30	5.23
3yr	4.70	0.00	4.65	3.79	3.80	10yr	4.59	4.03	4.20	4.47	4.85	10Yr	5.25	5.30	5.30	5.23
5yr	4.44	0.04	4.37	3.55	3.67	15yr	4.60	4.01	4.91	5.23	5.05	October TBA MBS				
7yr	4.40	0.04	4.31	3.53	3.59	20yr	4.61	3.95	5.22	5.56	5.42	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	4.31	0.05	4.21	3.46	3.45	25yr	4.62	3.84	5.37	5.71	5.48	3.00	5.49	5.6y	5.23	
30yr	4.40	0.07	4.32	3.65	3.47	30yr		3.74	5.52	5.87	5.53	3.50	5.26	5.6y		
												4.00	5.11	5.9y	5.38 10.2y	
												4.50	5.17	5.7y	5.49 10.0y	
												5.00			5.66 9.4y	
												5.50			5.86 8.5y	

* 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	5.30	(0.01)	5.30	4.55	--
1 Month LIBOR	5.45	0.01	5.42	4.68	2.82
3 Month LIBOR	5.67	0.01	5.63	4.87	3.29
6 Month LIBOR	5.90	0.02	5.84	5.05	3.84
1 Year LIBOR	6.04	0.12	5.73	5.48	3.62
6 Month CD	5.74	(0.09)	5.78	4.86	4.26
1 Year CMT	5.42	0.02	5.37	4.45	3.95
REPO O/N	5.33	--	5.33	4.59	2.30
REPO 1Wk	5.37	0.00	5.38	4.68	2.90
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	5.63	5.61
6mo	5.63	5.66	5.69
1yr	5.51	5.53	5.68
2yr	5.12	5.15	5.23
3yr	4.88	4.91	4.96
4yr	4.71	4.76	4.79
5yr	4.57	4.62	4.63
7yr	4.74	4.79	4.77
10yr	4.85	4.94	4.92
5yr Am	4.15		4.94
10yr Am	4.21		4.93

Fed Fund Futures	
Maturity	Rate
Sep-23	5.330
Oct-23	5.335
Nov-23	5.415
Dec-23	5.440
Jan-24	5.450
Feb-24	5.435
Mar-24	5.410
Apr-24	5.375
May-24	5.285
Jun-24	5.210
Jul-24	5.160

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
9/11	NY Fed 1-Yr Inflation Expectations	Aug	--	3.63%	3.55%	--
9/12	NFIB Small Business Optimism	Aug	91.5	91.3	91.9	--
9/13	MBA Mortgage Applications	9/8	--	-0.8%	-2.9%	--
9/13	CPI MoM	Aug	0.6%	0.6%	0.2%	--
9/13	CPI Ex Food and Energy MoM	Aug	0.2%	0.3%	0.2%	--
9/13	CPI YoY	Aug	3.6%	3.7%	3.2%	--
9/13	CPI Ex Food and Energy YoY	Aug	4.3%	4.3%	4.7%	--
9/13	CPI Index NSA	Aug	306.98	307.03	305.69	--
9/13	CPI Core Index SA	Aug	309.38	309.66	308.80	--
9/13	Real Avg Hourly Earning YoY	Aug	--	0.5%	1.1%	--
9/13	Real Avg Weekly Earnings YoY	Aug	--	0.3%	0.2%	--
9/14	Retail Sales Advance MoM	Aug	0.1%	0.6%	0.7%	0.5%
9/14	Retail Sales Ex Auto MoM	Aug	0.4%	0.6%	1.0%	0.7%
9/14	Retail Sales Ex Auto and Gas	Aug	-0.1%	0.2%	1.0%	0.7%
9/14	Retail Sales Control Group	Aug	-0.1%	0.1%	1.0%	0.7%
9/14	Initial Jobless Claims	9/9	225k	220k	216k	217k
9/14	Continuing Claims	9/2	1690k	1688k	1679k	1684k
9/14	PPI Final Demand MoM	Aug	0.4%	0.7%	0.3%	0.4%
9/14	PPI Ex Food and Energy MoM	Aug	0.2%	0.2%	0.3%	0.4%
9/14	PPI Ex Food, Energy, Trade MoM	Aug	0.2%	0.3%	0.2%	0.3%
9/14	PPI Final Demand YoY	Aug	1.3%	1.6%	0.8%	--
9/14	PPI Ex Food and Energy YoY	Aug	2.2%	2.2%	2.4%	--
9/14	PPI Ex Food, Energy, Trade YoY	Aug	2.7%	3.0%	2.7%	2.9%
9/14	Business Inventories	Jul	0.1%	0.0%	0.0%	-0.1%
9/15	Import Price Index MoM	Aug	0.3%	0.5%	0.4%	0.1%
9/15	Import Price Index ex Petroleum MoM	Aug	0.0%	0.0%	0.0%	--
9/15	Import Price Index YoY	Aug	-2.9%	-3.0%	-4.4%	-4.6%
9/15	Export Price Index MoM	Aug	0.4%	1.3%	0.7%	0.5%
9/15	Export Price Index YoY	Aug	-6.8%	-5.5%	-7.9%	-8.0%
9/15	Empire Manufacturing	Sep	-10.0	1.9	-19.0	--
9/15	Industrial Production MoM	Aug	0.1%	0.4%	1.0%	0.7%
9/15	Manufacturing (SIC) Production	Aug	0.1%	0.1%	0.5%	0.4%
9/15	U. of Mich. Sentiment	Sep P	69.0	67.7	69.5	--
9/15	U. of Mich. Current Conditions	Sep P	74.8	69.8	75.7	--
9/15	U. of Mich. Expectations	Sep P	65.0	66.3	65.5	--
9/15	U. of Mich. 1 Yr Inflation	Sep P	3.5%	3.1%	3.5%	--
9/15	U. of Mich. 5-10 Yr Inflation	Sep P	3.0%	2.7%	3.0%	--
9/18	NAHB Housing Market Index	Sep	50	--	50	--
9/19	Building Permits	Aug	1445k	--	1442k	1443k
9/19	Housing Starts	Aug	1440k	--	1452k	--
9/20	FOMC Rate Decision (Upper Bound)	9/20	5.50%	--	5.50%	--
9/20	FOMC Rate Decision (Lower Bound)	9/20	5.25%	--	5.25%	--
9/20	Interest on Reserve Balances Rate	9/21	--	--	5.40%	--
9/21	Existing Home Sales MoM	Aug	0.7%	--	-2.2%	--
9/22	S&P Global US Manufacturing PMI	Sep P	47.9	--	47.9	--
9/22	S&P Global US Services PMI	Sep P	--	--	50.5	--
9/22	S&P Global US Composite PMI	Sep P	--	--	50.2	--

MBS Prepayments ⁴						
3-Month CPR						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	13.6	13.4	12.1	18.0	16.1	17.9
FH/FN 15y	7.9	9.3	13.1	18.3	23.8	39.9
GN 15y	15.2	17.5	20.5	21.7	34.3	51.5
FH/FN 20y	7.1	7.9	8.5	9.3	12.5	16.0
FH/FN 30y	6.1	6.5	6.9	7.6	11.5	8.3
GN 30y	6.0	9.7	11.1	7.6	7.2	7.7
CPR Projections						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	12.3	12.5	12.1	10.1	10.5	11.1
FH/FN 15y	6.4	7.0	10.5	13.7	13.8	14.6
GN 15y	8.8	10.5	11.1	12.2	12.3	14.9
FH/FN 20y	6.5	6.3	7.1	8.2	9.4	10.9
FH/FN 30y	5.3	5.6	6.1	6.9	7.8	9.0
GN 30y	6.3	6.7	8.0	8.2	6.7	7.0

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	147.71	(0.12)	145.54	133.60	143.48
Euro	1.07	(0.00)	1.09	1.06	1.00
Dollar Index	105.32	0.23	103.21	104.65	109.74
Major Stock Indices					
Dow Jones	34,878	302	34,946	31,875	30,962
S&P 500	4,482.7	25.2	4,437.9	3,891.9	3,901.4
NASDAQ	13,808.2	47	13,631.1	11,434.1	11,552.4
Commodities					
Gold	1,926.9	2.3	1,902.5	1,931.3	1,666.8
Crude Oil	89.81	2.30	80.99	67.61	85.10
Natural Gas	2.71	0.11	2.66	2.44	8.32
Wheat	601.3	34.0	598.5	702.8	845.0
Corn	480.5	12.0	464.0	626.5	677.5

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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