



**Dale Sheller**

Associate Partner

The Baker Group LP

[Email](#)

### UPCOMING EVENTS

#### Banks

##### Webinars:

[IRR Management](#)  
Jun 12, 2024

[Bank Loan Trading](#)  
Jun 26, 2024

[Q3 Bank Investment Strategies](#)  
Jul 10, 2024

##### Seminars:

[IL Seminar](#)  
Aug 5, 2024

##### Schools:

[Baker ALM School](#)  
Aug 20-21, 2024

#### CUs

##### Webinars:

[CU Loan Trading](#)  
Jun 25, 2024

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[Baker CU Virtual ALM School](#)  
Jul 24-25, 2024

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#### Banks and CUs

##### Seminar:

[Scottsdale, AZ 45th Anniversary Celebration Seminar](#)  
Nov 7-8, 2024

Happy Jobs Friday, everyone! As I sit here and wait for the stock market to open, I'm interested to see if a man who goes by the name "Roaring Kitty" will become a billionaire in a month or will Gamestock's stock value plummet and erase his unrealized gains. Meanwhile, I'm going to refocus my energy on this week's economic data releases rather than watch Roaring Kitty mint money gambling in the stock market.

This week was primarily headlined by various economic releases related to the labor market. This morning, The Bureau of Labor Statistics (BLS) released their monthly jobs reports for the month of May. The BLS reported the US Economy added 272,000 non-farm payrolls in May, well above expectations of 180,000. The last two months of job gains were revised down by 15,000. The job gains were broad-based with the largest gains in health care (+68,000), government (+52,000), leisure and hospitality (+42,000) and professional services (+32,000). Average hourly earnings also beat expectations, rising 0.4% in May (est = 0.3%) and 4.1% from a year ago (est = 3.9%). The non-farm payroll gains are unwelcome news for the Fed as it looks to slow the economy and bring down inflation to their target.

The separate household survey of individuals told a very different story this morning with job losses coming in at 408,000 for the month of May. The headline unemployment rate which is derived from the household survey ticked up a tenth of a percent to 4.0%. The highest level since January 2022 and up 0.6% from the low in April 2024. A 0.6% increase in the unemployment rate may not seem like much on the surface, but history has shown us that it isn't necessarily the level but rather the change of the unemployment rate that matters. Every recession except one since World War II has begun with an increase in unemployment of 0.6% or smaller.

The labor force participation rate declined from 62.7 to 62.5. Additionally, the household survey also showed that full-time workers declined by 625,000, while those holding part-time positions increased by 286,000. A significant reduction in full-time workers and an increase in part-time workers is not something you typically see in a strong labor market.

Despite the weakness buried within the details of the May jobs report, the headline beat on non-farm payrolls and the increase in wage gains was enough to convince traders the Fed will keep rates "higher for longer". The fed funds futures market is now pricing in a 50% chance of a rate cut in September and the first full cut in December. As of 9:15am CT, bond yields are rising sharply with the 2yr yield up 13bp to 4.85% and the 10yr yield up 13bp to 4.42%.

Earlier this week on Tuesday, the Job Openings and Labor Turnover Survey (JOLTS) report showed that job openings fell in April to their lowest level since 2021 as the labor market shows further signs of cooling off from the hiring boom that followed the US economy reopening after the pandemic. There were 8.06 million jobs open at the end of April, a decrease from the 8.35 million job openings in March. The JOLTS report also showed 5.6 million hires were made during the month, little change from the previous month.

(Continued)



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**Seminar:**

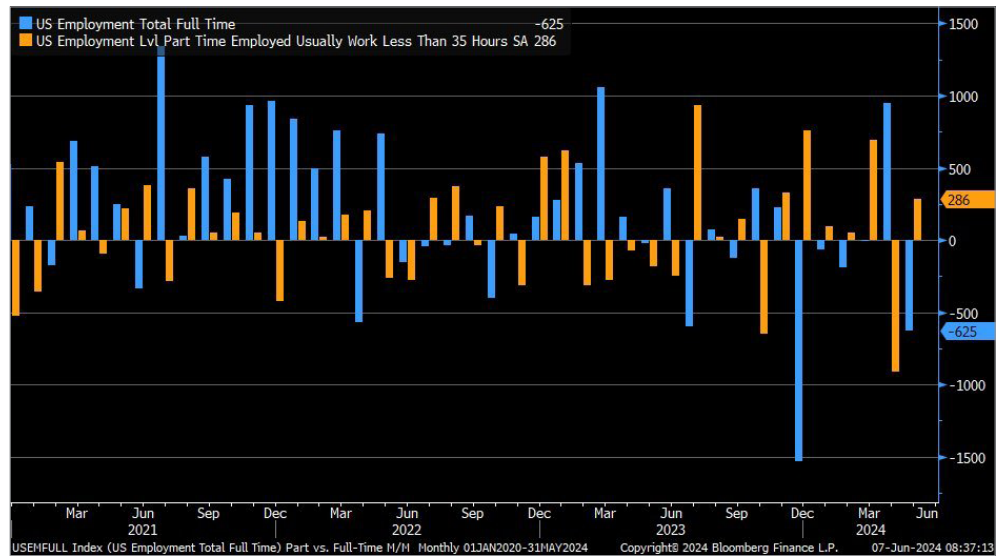
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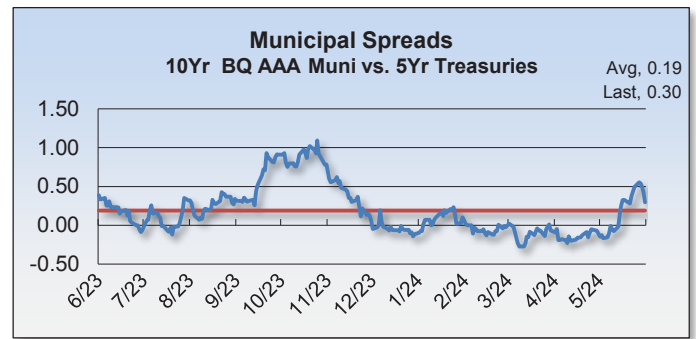
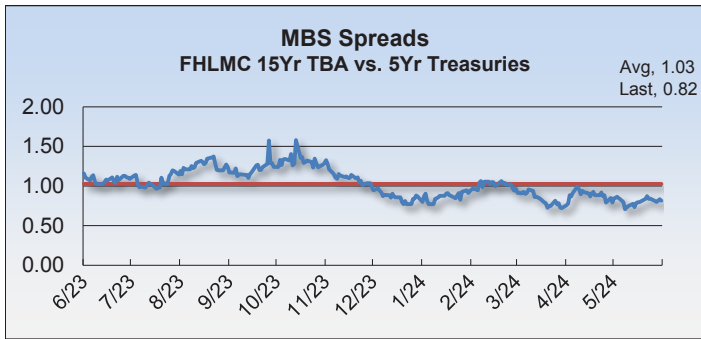
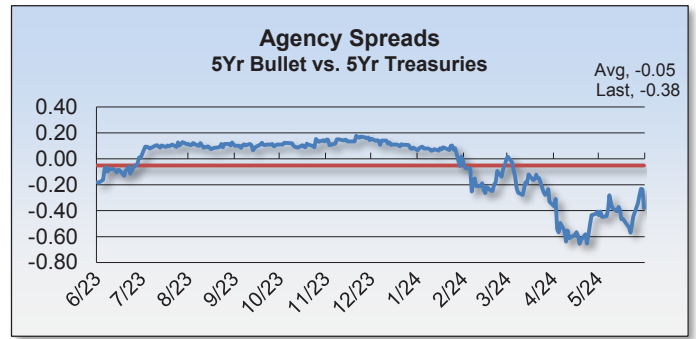
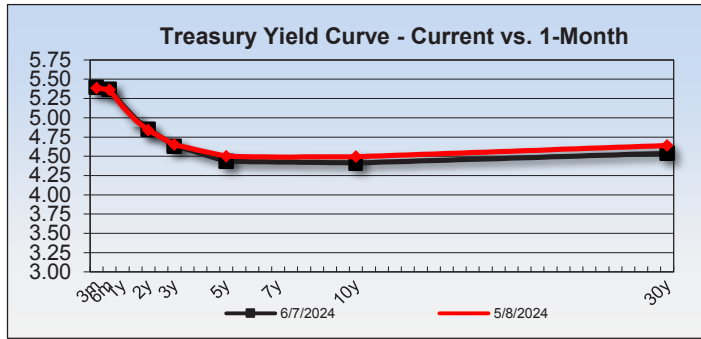
Yesterday, the weekly jobless claims edged higher to a seasonally adjusted 229,000 for the week ended June 1st. Expectations were for 220,000 claims in the latest week. The continuing jobless claims increased by 2,000 to a seasonally adjusted 1.792 million during the week ending May 25th.

Next week, all eyes are on the Fed and the Consumer Price Index (CPI) inflation release. On Wednesday, the CPI index will be released for the month of May and the month over month change is expected at 0.1% and the year over year at 3.4%. Core CPI (excluding food and energy) is expected to come in at a 0.3% month over month change and a 3.5% year over year increase. Also on Wednesday, The Fed will conclude their two-day meeting next Wednesday and will most likely decide to keep rates unchanged. The fed funds futures markets are calculating a 1% chance of the Fed cutting rates next week. The US will have to wait to join the rate cut party started up north as Canada became the first G7 nation to cut interest rates this week. Yesterday, the European Central Bank went ahead with its first rate cut since 2019 on Thursday, keeping its word despite an increasingly uncertain inflation outlook.

Stay tuned until next week! Have a great weekend!

### Monthly Change in Full Time and Part Time Workers (2021 to Present)





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	5.40	(0.01)	5.40	5.40	5.29	2yr	4.89	4.61	4.40	4.68	4.86	2Yr					
6mo	5.37	(0.02)	5.36	5.36	5.41	3yr	4.73	4.34	4.21	4.48	4.75	3Yr					
1yr	5.16	(0.02)	5.14	5.05	5.16	5yr	4.54	4.07	4.13	4.40	4.54	5Yr					
2yr	4.85	(0.02)	4.83	4.60	4.56	7yr	4.57	3.97	4.09	4.35	4.58	7Yr					
3yr	4.64	(0.04)	4.64	4.34	4.35	10yr	4.61	3.92	4.06	4.32	4.68	10Yr					
5yr	4.44	(0.07)	4.47	4.14	3.94	15yr	4.66	3.92	4.40	4.68	4.80		July TBA MBS				
7yr	4.42	(0.08)	4.46	4.18	3.88	20yr	4.70	3.88	4.87	5.19	5.13	Cpn	15Yr -Yld/AL		30Yr -Yld/AL		
10yr	4.41	(0.09)	4.46	4.15	3.80	25yr	4.75	3.79	5.07	5.39	5.19	3.00	5.48	5.2y	5.37		
30yr	4.54	(0.11)	4.60	4.26	3.95	30yr		3.69	5.26	5.60	5.24	3.50	5.17	5.1y			
												4.00	4.99	5.1y	5.43	9.4y	
												4.50	5.00	4.9y	5.45	9.5y	
												5.00			5.59	9.0y	
												5.50			5.77	7.2y	

\* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	5.50	--	5.50	5.50	5.25
Primary Discount	5.50	--	5.50	5.50	5.25
2ndary Discount	6.00	--	6.00	6.00	5.75
Prime Rate	8.50	--	8.50	8.50	8.25
Sec. O.N. Finance	5.33	--	5.31	5.32	--
1 Month LIBOR	5.44	(0.00)	5.44	5.47	5.19
3 Month LIBOR	5.60	(0.01)	5.59	5.64	5.51
6 Month LIBOR	5.71	(0.04)	5.74	5.74	5.66
1 Year LIBOR	6.04	0.12	5.73	5.48	3.62
6 Month CD	5.36	(0.04)	5.42	5.50	5.62
1 Year CMT	5.08	(0.11)	5.12	5.07	5.20
REPO O/N	5.37	--	5.37	5.42	5.10
REPO 1Wk	5.39	0.00	5.35	5.38	5.01
CoF Federal	3.927	--	3.893	3.814	3.302
11th D. CoF (Apr)	3.198	--	3.164	3.085	2.573

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	5.50	5.54	5.55
6mo	5.49	5.48	5.54
1yr	5.17	5.22	5.42
2yr	4.84	4.98	5.06
3yr	4.63	4.78	4.85
4yr	4.54	4.72	4.77
5yr	4.44	4.63	4.66
7yr	4.58	4.77	4.79
10yr	4.68	4.89	4.88
5yr Am	4.15		4.87
10yr Am	4.21		4.87

Fed Fund Futures		
Maturity	Rate	
Jun-24	5.330	
Jul-24	5.330	
Aug-24	5.310	
Sep-24	5.255	
Oct-24	5.180	
Nov-24	5.125	
Dec-24	5.030	
Jan-25	4.930	
Feb-25	4.830	
Mar-25	4.775	
Apr-25	4.695	

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
6/3	S&P Global US Manufacturing PMI	May F	50.9	51.3	50.9	--
6/3	ISM Manufacturing	May	49.5	48.7	49.2	--
6/3	ISM Prices Paid	May	59.0	57.0	60.9	--
6/3	ISM New Orders	May	49.4	45.4	49.1	--
6/3	ISM Employment	May	48.5	51.1	48.6	--
6/4	JOLTS Job Openings	Apr	8350k	8059k	8488k	8355k
6/4	Factory Orders Ex Trans	Apr	0.5%	0.7%	0.5%	0.4%
6/4	Durables Ex Transportation	Apr F	0.4%	0.4%	0.4%	--
6/4	Cap Goods Ship Nondef Ex Air	Apr F	--	0.4%	0.4%	--
6/5	MBA Mortgage Applications	5/31	--	-5.2%	-5.7%	--
6/5	ADP Employment Change	May	175k	152k	192k	188k
6/5	S&P Global US Services PMI	May F	54.8	54.8	54.8	--
6/5	S&P Global US Composite PMI	May F	54.2	54.5	54.4	--
6/5	ISM Services Index	May	51.0	53.8	49.4	--
6/5	ISM Services Prices Paid	May	59.0	58.1	59.2	--
6/5	ISM Services Employment	May	47.2	47.1	45.9	--
6/5	ISM Services New Orders	May	53.2	54.1	52.2	--
6/6	Challenger Job Cuts YoY	May	--	-20.3%	-3.3%	--
6/6	Nonfarm Productivity	1Q F	0.0%	0.2%	0.3%	--
6/6	Unit Labor Costs	1Q F	4.9%	4.0%	4.7%	--
6/6	Trade Balance	Apr	-\$76.5b	-\$74.6b	-\$69.4b	-\$68.6b
6/6	Initial Jobless Claims	6/1	220k	229k	219k	221k
6/6	Continuing Claims	5/25	1790k	1792k	1791k	1790k
6/7	Two-Month Payroll Net Revision	May	--	-15k	-22k	--
6/7	Change in Nonfarm Payrolls	May	180k	272k	175k	165k
6/7	Change in Private Payrolls	May	165k	229k	167k	158k
6/7	Unemployment Rate	May	3.9%	4.0%	3.9%	--
6/7	Average Hourly Earnings MoM	May	0.3%	0.4%	0.2%	--
6/7	Average Hourly Earnings YoY	May	3.9%	4.1%	3.9%	4.0%
6/7	Average Weekly Hours All Employees	May	34.3	34.3	34.3	--
6/7	Labor Force Participation Rate	May	62.7%	62.5%	62.7%	--
6/7	Underemployment Rate	May	--	7.4%	7.4%	--
6/11	NFIB Small Business Optimism	May	89.7	--	89.7	--
6/12	CPI YoY	May	3.4%	--	3.4%	--
6/12	CPI Ex Food and Energy YoY	May	3.5%	--	3.6%	--
6/12	CPI Index NSA	May	314.35	--	313.55	--
6/12	CPI Core Index SA	May	--	--	317.62	--
6/12	Real Avg Hourly Earning YoY	May	--	--	0.5%	--
6/12	Real Avg Weekly Earnings YoY	May	--	--	0.5%	0.6%
6/12	FOMC Rate Decision (Upper Bound)	6/12	5.50%	--	5.50%	--
6/12	FOMC Rate Decision (Lower Bound)	6/12	5.25%	--	5.25%	--
6/12	Interest on Reserve Balances Rate	6/13	--	--	5.40%	--
6/13	PPI Final Demand YoY	May	--	--	2.2%	--
6/13	PPI Ex Food and Energy YoY	May	--	--	2.4%	--
6/13	PPI Ex Food, Energy, Trade YoY	May	--	--	3.1%	--
6/14	Import Price Index YoY	May	--	--	1.1%	--
6/14	Export Price Index YoY	May	--	--	-1.0%	--

MBS Prepayments <sup>4</sup>						
3-Month CPR						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	14.8	15.1	13.5	17.2	21.5	24.0
FH/FN 15y	8.2	9.1	12.6	19.0	25.1	32.9
GN 15y	17.1	19.6	23.9	30.5	42.0	49.6
FH/FN 20y	6.5	7.3	8.5	9.9	12.6	16.8
FH/FN 30y	5.8	6.2	6.5	6.5	5.7	7.0
GN 30y	5.9	5.7	5.7	6.4	7.3	7.2
CPR Projections						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	10.3	11.6	12.6	14.1	17.0	18.2
FH/FN 15y	7.0	8.0	11.1	13.5	13.8	18.2
GN 15y	8.9	10.9	10.9	11.7	12.9	16.0
FH/FN 20y	6.3	7.0	7.9	9.1	11.0	13.2
FH/FN 30y	5.7	6.1	7.0	7.7	8.8	10.6
GN 30y	6.4	6.5	8.6	7.7	8.7	9.9

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
<b>Currencies</b>					
Japanese Yen	157.00	(0.31)	154.48	144.86	139.38
Euro	1.08	(0.00)	1.08	1.08	1.07
Dollar Index	104.83	0.15	105.41	103.54	104.10
<b>Major Stock Indices</b>					
Dow Jones	38,873	187	38,884	36,117	33,665
S&P 500	5,347.0	69.5	5,187.7	4,585.6	4,267.5
NASDAQ	17,132.9	398	16,332.6	14,340.0	13,104.9
<b>Commodities</b>					
Gold	2,310.2	(12.7)	2,324.2	2,029.9	1,942.7
Crude Oil	75.99	(1.00)	78.38	69.34	72.53
Natural Gas	2.87	0.28	2.21	2.59	2.33
Wheat	621.8	-56.8	624.8	626.0	616.8
Corn	445.3	-1.0	453.8	468.3	604.3

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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