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UPCOMING EVENTS

Banks

Seminars:

Findlay, OH

Sep 28, 2022

Oklahoma City, OK

Oct 20, 2022

Webinars:

Q4 Conference Call

Oct 12, 2022

Credit Unions

Seminars:

Dallas, TX

Nov 4, 2022

Webinars:

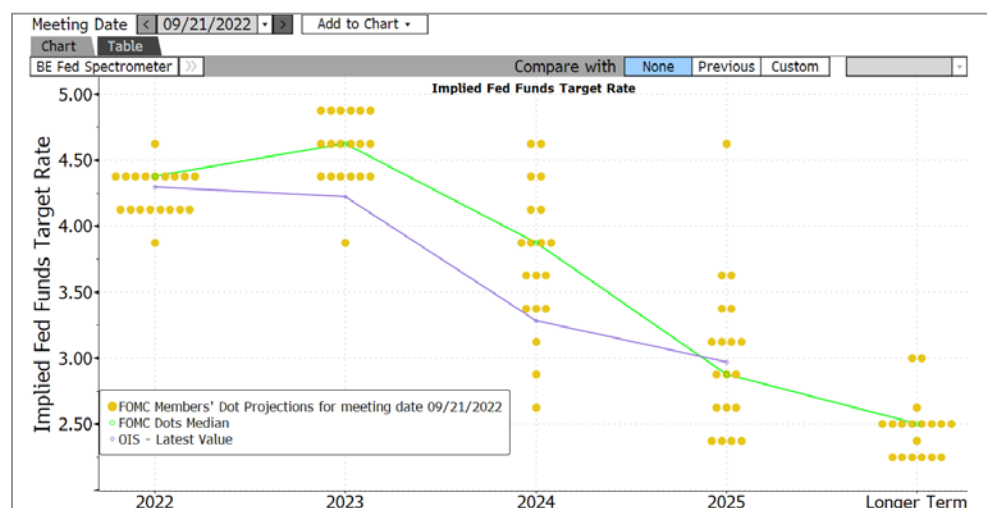
Q4 Conference Call

Oct 13, 2022

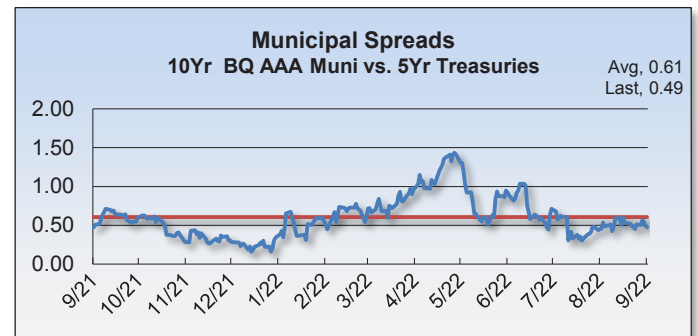
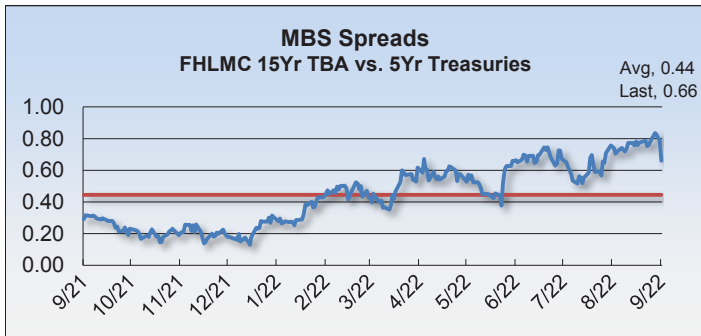
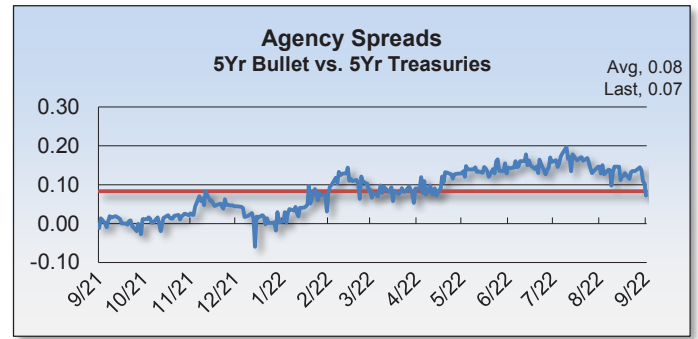
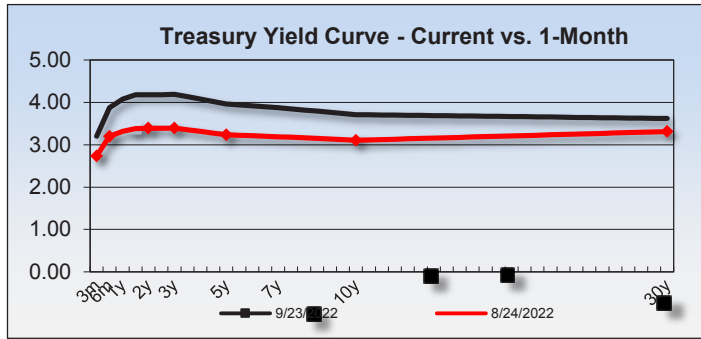
Bond yields surged 21-29bp in the 2-10yr part of the curve this week as the Fed hiked rates 75bp for the 3rd consecutive meeting, the first time that's happened since 1980. It was not only the large rate hike that sent yields surging higher, it was also the unusually hawkish press conference where Chairman Powell reiterated over and over that the Fed would do everything it takes to bring down inflation and that it would require "pain" to get there. The Fed emphasized this "pain" in their Summary of Economic Projection (SEP) where they downgraded their assessment of GDP growth for 2022-23 and raised their forecast for the Unemployment Rate to 3.8% in 2022 and 4.4% in 2023. The economy has never seen a 0.9% increase (from the 3.5% low) in unemployment and not had a recession – and yet Chairman Powell, when pressed about whether they were forecasting a recession, would never say they were. An increase to 4.4% unemployment means about 1.2 million people would need to lose their job and that is only if unemployment holds at 4.4% which seems unlikely. Unemployment has never risen 0.9% and stopped – once it begins to rise, it normally rises 2-3% and sometimes as high as 6% like in the 2008-09 recession.

The aggressively hawkish Fed was a sharp contrast to the slew of weak economic data released this week. Although Housing Starts unexpectedly rose in August, Building Permits plunged 10%, Existing Home Sales fell for the 7th consecutive month, the NAHB Housing Market Index fell for the 9th consecutive month to the lowest level since 2014 (absent the pandemic low) and Leading Economic Indicators fell for the 6th consecutive month. The problem for the Fed is they have a congressionally imposed dual mandate to seek maximum employment and price stability and to achieve that they focus largely on the Unemployment Rate and PCE/CPI inflation. The only problem with that is both unemployment and inflation are *lagging* indicators. To know why that is a problem, think about what normally happens during economic downturns. First, the stock market falls, then the economy slows, then unemployment rises and finally inflation falls. The stock market is a leading indicator because markets are always looking to the future and focused on estimating future growth and profits. For this reason, stock prices tend to fall before the economy enters recession. Then the economy slows which leads to lower sales and profits and companies must cut expenses to stay profitable so they lay off employees and unemployment rises. Once people are out of work, they can't spend money as freely as before and that brings down demand and inflation.

The Fed is focused on lagging indicators which will not turn until after we are in recession. The markets are focused on leading indicators like Building Permits, Consumer Sentiment and the 10yr-2yr spread. All this weak economic data coming the same week of an aggressively hawkish FOMC meeting is a good reminder that the Fed is driving the economic bus looking in the rear-view mirror and they're heading for a cliff.



Source: Bloomberg Finance 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	3.20	0.07	2.72	0.48	0.03	2yr	4.24	4.58	3.91	4.16	4.28	2Yr	4.18	4.18	4.18	-
6mo	3.88	0.08	3.16	0.91	0.04	3yr	4.27	4.34	3.92	4.17	4.30	3Yr	4.20	4.20	4.10	4.19
1yr	4.08	0.12	3.29	1.50	0.07	5yr	4.05	4.05	3.95	4.20	4.33	5Yr	4.06	4.06	4.05	3.99
2yr	4.18	0.30	3.30	2.10	0.26	7yr	4.01	3.89	3.99	4.25	4.39	7Yr	3.97	4.00	3.99	3.92
3yr	4.19	0.36	3.34	2.31	0.49	10yr	4.07	3.77	4.28	4.56	4.54	10Yr	3.86	3.92	3.91	3.85
5yr	3.96	0.33	3.17	2.32	0.95	15yr	4.13	3.69	4.75	5.05	4.73	October TBA MBS				
7yr	3.87	0.31	3.13	2.34	1.24	20yr	4.19	3.57	5.01	5.33	4.73	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	3.71	0.26	3.05	2.29	1.43	25yr	4.25	3.42	5.12	5.45	4.79	2.00	4.61	5.9y	4.57	
30yr	3.62	0.10	3.26	2.49	1.94	30yr		3.29	5.22	5.56	4.84	2.50	4.90	5.8y		
												3.00	4.94	5.8y	4.79	10.5y
												3.50	4.91	5.7y	4.90	10.3y
												4.00			5.00	10.1y
												4.50			5.17	9.2y

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	3.25	0.75	2.50	0.50	0.25
Primary Discount	3.25	0.75	2.50	0.50	0.25
2ndary Discount	3.75	0.75	3.00	1.00	0.75
Prime Rate	6.25	0.75	5.50	3.50	3.25
Sec. O.N. Finance	2.99	0.71	2.28	0.28	--
1 Month LIBOR	3.06	0.12	2.39	0.44	0.08
3 Month LIBOR	3.60	0.12	2.96	0.96	0.13
6 Month LIBOR	4.12	0.11	3.55	1.34	0.15
1 Year LIBOR	4.68	0.15	4.02	1.87	0.22
6 Month CD	4.40	0.16	3.61	1.45	0.23
1 Year CMT	4.08	0.08	3.32	1.59	0.08
REPO O/N	2.30	--	2.30	0.27	0.04
REPO 1Wk	3.20	0.23	2.39	0.55	0.13
CoF Federal	1.762	--	1.508	0.791	0.761
11th D. CoF (Dec)	0.223	--	0.218	0.282	0.460

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	3.68	3.73	3.73
6mo	4.15	4.22	4.21
1yr	4.44	4.48	4.54
2yr	4.38	4.48	4.42
3yr	4.31	4.39	4.30
4yr	4.27	4.37	4.24
5yr	4.14	4.25	4.09
7yr	4.19	4.31	4.14
10yr	4.32	4.47	4.28
5yr Am	4.32		4.26
10yr Am	4.33		4.24

Fed Fund Futures	
Maturity	Rate
Sep-22	2.555
Oct-22	3.090
Nov-22	3.750
Dec-22	4.070
Jan-23	4.280
Feb-23	4.545
Mar-23	4.590
Apr-23	4.680
May-23	4.700
Jun-23	4.685
Jul-23	4.665

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
9/19	NAHB Housing Market Index	Sep	47	46	49	--
9/20	Housing Starts	Aug	1450k	1575k	1446k	1404k
9/20	Building Permits	Aug	1604k	1517k	1674k	1685k
9/20	Housing Starts MoM	Aug	0.3%	12.2%	-9.6%	-10.9%
9/20	Building Permits MoM	Aug	-4.8%	-10.0%	-1.3%	-0.6%
9/21	MBA Mortgage Applications	9/16	--	3.8%	-1.2%	--
9/21	Existing Home Sales	Aug	4.70m	4.80m	4.81m	4.82m
9/21	Existing Home Sales MoM	Aug	-2.3%	-0.4%	-5.9%	-5.7%
9/21	FOMC Rate Decision (Upper Bound)	9/21	3.25%	3.25%	2.50%	--
9/21	FOMC Rate Decision (Lower Bound)	9/21	3.00%	3.00%	2.25%	--
9/21	Interest on Reserve Balances Rate	9/22	3.15%	3.15%	2.40%	--
9/22	Current Account Balance	2Q	-\$260.0b	-\$251.1b	-\$291.4b	-\$282.5b
9/22	Initial Jobless Claims	9/17	217k	213k	243k	208k
9/22	Continuing Claims	9/10	1418k	1379k	1403k	1401k
9/22	Leading Index	Aug	-0.1%	-0.3%	-0.4%	-0.5%
9/22	Kansas City Fed Manf. Activity	Sep	5	1	3	--
9/23	S&P Global US Manufacturing PMI	Sep P	51.0	51.8	51.5	--
9/23	S&P Global US Services PMI	Sep P	45.5	49.2	43.7	--
9/23	S&P Global US Composite PMI	Sep P	46.1	49.3	44.6	--
9/26	Chicago Fed Nat Activity Index	Aug	--	--	27.0%	--
9/26	Dallas Fed Manf. Activity	Sep	-12.0	--	-12.9	--
9/27	Durable Goods Orders	Aug P	-0.1%	--	-0.1%	--
9/27	Durables Ex Transportation	Aug P	0.3%	--	0.2%	--
9/27	Cap Goods Orders Nondef Ex Air	Aug P	0.2%	--	0.3%	--
9/27	Cap Goods Ship Nondef Ex Air	Aug P	--	--	0.5%	--
9/27	S&P CoreLogic CS 20-City MoM SA	Jul	0.1%	--	0.1%	--
9/27	S&P CoreLogic CS 20-City YoY NSA	Jul	16.90%	--	18.65%	--
9/27	S&P CoreLogic CS US HPI YoY NSA	Jul	--	--	17.96%	--
9/27	Conf. Board Consumer Confidence	Sep	104.3	--	103.2	--
9/27	Conf. Board Present Situation	Sep	--	--	145.4	--
9/27	Conf. Board Expectations	Sep	--	--	75.1	--
9/27	Richmond Fed Manufact. Index	Sep	-11	--	-8	--
9/27	New Home Sales	Aug	500k	--	511k	--
9/28	Advance Goods Trade Balance	Aug	-\$88.5b	--	-\$89.1b	-\$90.2b
9/28	Pending Home Sales NSA YoY	Aug	--	--	-22.5%	--
9/29	GDP Annualized QoQ	2Q T	-0.6%	--	-0.6%	--
9/29	Personal Consumption	2Q T	1.5%	--	1.5%	--
9/29	GDP Price Index	2Q T	8.9%	--	8.9%	--
9/29	Core PCE QoQ	2Q T	4.4%	--	4.4%	--
9/30	Personal Income	Aug	0.3%	--	0.2%	--
9/30	Real Personal Spending	Aug	0.2%	--	0.2%	--
9/30	PCE Deflator YoY	Aug	6.0%	--	6.3%	--
9/30	MNI Chicago PMI	Sep	51.8	--	52.2	--
9/30	U. of Mich. Sentiment	Sep F	59.5	--	59.5	--
9/30	U. of Mich. Current Conditions	Sep F	--	--	58.9	--
9/30	U. of Mich. 1 Yr Inflation	Sep F	--	--	4.6%	--

MBS Prepayments ⁴						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	9.2	14.6	15.7	17.2	16.8	19.8
FH/FN 15y	7.5	8.3	9.5	13.7	16.5	16.5
GN 15y	16.5	12.8	14.9	17.3	19.6	20.4
FH/FN 20y	52.7	7.8	9.7	10.8	12.2	13.7
FH/FN 30y	2.1	5.9	10.2	9.0	11.5	11.8
GN 30y	3.8	7.6	13.7	14.8	11.2	12.9

CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	8.3	8.3	9.2	10.7	10.3	10.1
FH/FN 15y	7.0	6.4	7.2	7.9	12.7	14.2
GN 15y	9.8	8.1	8.4	10.4	10.7	11.3
FH/FN 20y	5.1	5.6	6.0	6.6	7.6	8.6
FH/FN 30y	5.8	5.7	5.9	6.2	6.9	8.2
GN 30y	6.1	5.8	7.6	7.7	9.2	10.2

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	143.11	0.19	136.77	121.15	110.33
Euro	0.97	(0.03)	1.00	1.10	1.17
Dollar Index	112.38	2.61	108.62	98.62	93.09
Major Stock Indices					
Dow Jones	29,678	(1,144)	32,910	34,359	34,765
S&P 500	3,695.3	(178.0)	4,128.7	4,456.2	4,449.0
NASDAQ	10,848.1	(600)	12,381.3	13,922.6	15,052.2
Commodities					
Gold	1,641.8	(31.0)	1,746.8	1,937.3	1,747.7
Crude Oil	78.98	(6.13)	93.74	114.93	73.30
Natural Gas	6.87	(0.89)	9.19	5.23	4.98
Wheat	886.8	27.0	782.8	1,105.8	717.8
Corn	671.8	-5.5	660.0	757.8	529.3

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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