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### UPCOMING EVENTS

#### Banks

##### Seminars:

Oklahoma City, OK  
 Oct 20, 2022

Minneapolis, MN  
 Nov 29, 2022

##### Webinars:

Q4 Conference Call  
 Oct 12, 2022

#### Credit Unions

##### Seminars:

Dallas, TX  
 Nov 4, 2022

##### Webinars:

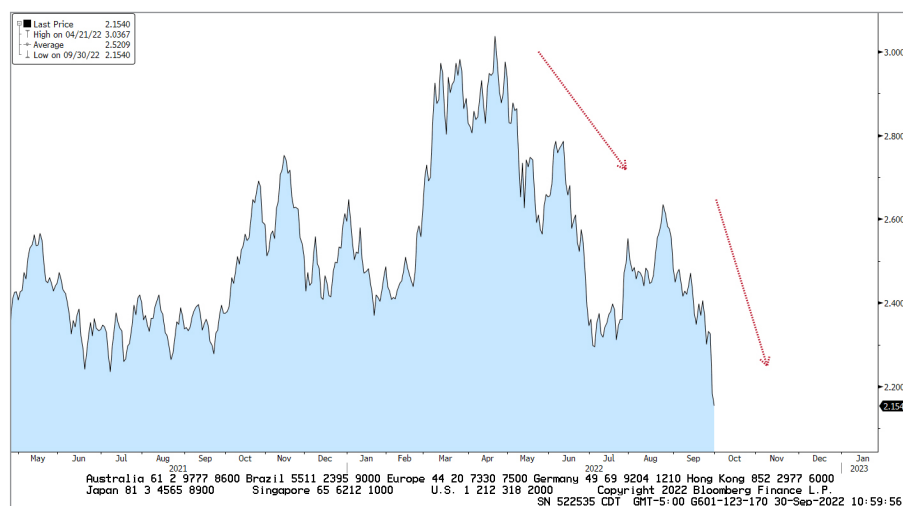
Q4 Conference Call  
 Oct 13, 2022

Chaos and confusion in UK economic policy sent shockwaves rippling through markets this week, right on the heels of the Fed's third consecutive 75bps rate hike. That rate hike brought the fed funds rate up to 3.25% and was accompanied by continued tough talk on fighting inflation from a variety of Fed policymakers, all sticking to script. The speed and magnitude of the tightening, however, is not without risk. Remember that the US dollar is the world's reserve currency and the Fed, in essence, is a central bank to the globe. That being the case, US trading partners and others normally will defend their currencies by raising their own policy rates and conducting fiscal policy that compliments, not contradicts the Fed. This week the UK upset the apple cart by announcing an enormously expensive unfunded tax cut and other stimulus measures that would blow up their deficit and force massive government borrowing. This happened, mind you, right as the Bank of England (BOE) was preparing to raise rates aggressively in sympathy with the Fed. They suddenly found themselves stomping on the accelerator and the brakes at the same time. It was a colossal policy mistake and the UK gilt (bond) market fell into a chaotic collapse. By week's end the BOE had been forced to stop-and-reverse, announcing bond purchases in order to calm the panic and restore smooth functioning markets. In the wake of all this, the US Treasury market may have hit a key inflection point. As the UK cluster was unfolding, the 10yr T-Note yield hit a 12-year high of 4%, then moved sharply lower to close 30bps lower as buyers came swooping in.

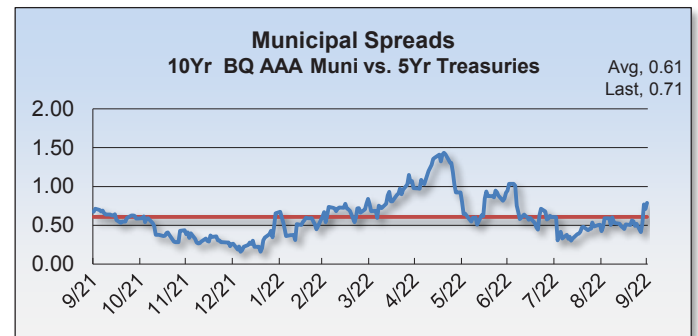
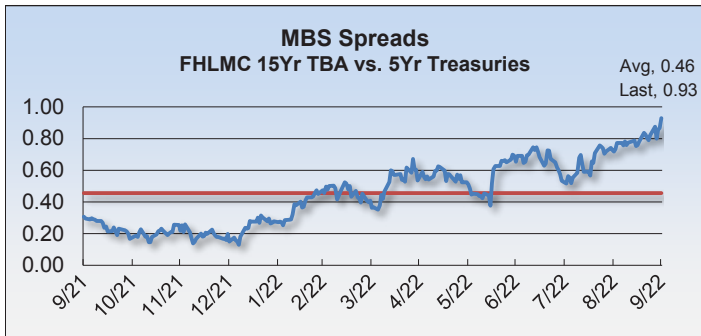
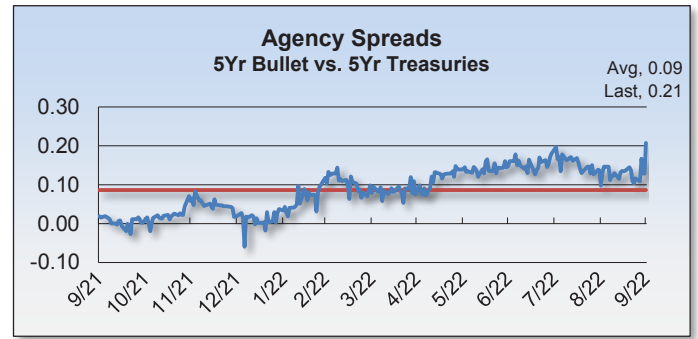
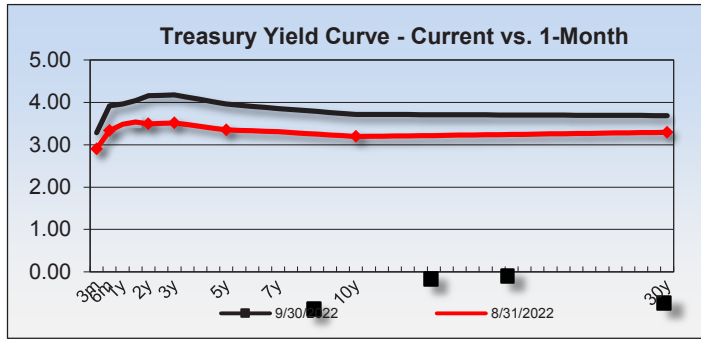
Let's not forget that this whole mess started with excess stimulus in the US during 2020-21. Then the slow response to inflation that was deemed "transitory" for way too long. Since March the Fed has massively increased the cost of borrowing in the banking system... unprecedented in speed and magnitude... very little of which has actually been felt yet domestically. To be sure, the aggressive Fed tightening along with policymakers' tough talk seems to be having the desired effect on inflation expectations. Markets now seem to be more focused on the coming demand destruction and depth of a likely recession, rather than continued high rates of inflation. It's quite possible that 4% was the cycle high for the 10yr.... even if the funds rate ends up higher than that. The yield curve inversion is entrenched for now.

The week's data releases were mixed, showing that consumer spending, new home sales, and capital goods orders were better than expected, and jobless claims were lower than estimates. But core PCE inflation (closely watched by the Fed) remained stubbornly higher than expected at 4.9% YOY. We also learned that revisions to GDP failed to change the picture of weakness in the first half, though the previously large gap between GDP and GDI (Gross Domestic Income) was narrowed by downward revisions to the latter. The best thing that can be said about Q2 was that real final sales (GDP minus inventory adjustment and net exports) was actually up 0.5% in the second quarter. Forward rates and futures markets are pricing-in slightly lower terminal funds rate than was the case a week ago.

### US 10yr Breakeven (Projected) Inflation Rate: 2021 - Today



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 <sup>2</sup>	S-Corp <sup>3</sup>		Mty	3Mo	6mo	1Yr	2Yr
3mo	3.28	0.09	2.92	0.50	0.04	2yr	4.23	4.44	4.33	4.60	4.42	2Yr	4.95	4.95	4.95	-
6mo	3.92	0.05	3.34	1.02	0.05	3yr	4.28	4.23	4.34	4.62	4.44	3Yr	4.97	4.97	4.90	4.97
1yr	3.96	(0.14)	3.51	1.61	0.07	5yr	4.05	4.00	4.37	4.65	4.48	5Yr	4.83	4.82	4.81	4.76
2yr	4.16	(0.05)	3.49	2.34	0.28	7yr	4.03	3.87	4.41	4.69	4.46	7Yr	4.72	4.75	4.73	4.66
3yr	4.18	(0.05)	3.52	2.51	0.51	10yr	4.11	3.75	4.62	4.92	4.63	10Yr	4.63	4.70	4.68	4.62
5yr	3.96	(0.02)	3.35	2.46	0.97	15yr	4.20	3.68	4.96	5.27	4.82	October TBA MBS				
7yr	3.85	(0.02)	3.31	2.43	1.29	20yr	4.28	3.57	5.22	5.56	4.83	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	3.72	0.03	3.19	2.34	1.49	25yr	4.37	3.40	5.34	5.68	4.89	2.00	4.60	5.9y	4.54	
30yr	3.69	0.08	3.29	2.45	2.05	30yr	4.37	3.26	5.46	5.81	4.94	2.50	4.94	5.8y		
												3.00	4.98	5.9y	4.82	10.6y
												3.50	4.96	5.8y	4.95	10.5y
												4.00			5.05	10.2y
												4.50			5.21	9.5y

\* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	3.25	--	2.50	0.50	0.25
Primary Discount	3.25	--	2.50	0.50	0.25
2ndary Discount	3.75	--	3.00	1.00	0.75
Prime Rate	6.25	--	5.50	3.50	3.25
Sec. O.N. Finance	2.96	(0.03)	2.28	0.28	--
1 Month LIBOR	3.12	0.06	2.52	0.45	0.08
3 Month LIBOR	3.67	0.07	3.07	1.00	0.13
6 Month LIBOR	4.17	0.05	3.57	1.49	0.16
1 Year LIBOR	4.78	0.09	4.12	2.20	0.24
6 Month CD	4.40	--	3.68	1.45	0.13
1 Year CMT	3.98	(0.10)	3.43	1.67	0.09
REPO O/N	3.00	0.71	2.30	0.31	0.04
REPO 1Wk	3.04	(0.17)	2.39	0.43	0.16
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	3.70	3.74	3.73
6mo	4.22	4.28	4.23
1yr	4.43	4.48	4.53
2yr	4.40	4.50	4.60
3yr	4.36	4.47	4.57
4yr	4.27	4.38	4.50
5yr	4.15	4.25	4.36
7yr	4.18	4.30	4.43
10yr	4.36	4.50	4.59
5yr Am	4.40		4.50
10yr Am	4.43		4.53

Fed Fund Futures	
Maturity	Rate
Sep-22	2.555
Oct-22	3.080
Nov-22	3.695
Dec-22	3.995
Jan-23	4.200
Mar-23	4.435
Apr-23	4.465
May-23	4.445
Jun-23	4.435
Jul-23	4.425
Aug-23	4.385

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
9/26	Chicago Fed Nat Activity Index	Aug	0.23	0.00	0.27	0.29
9/27	Durable Goods Orders	Aug P	-0.3%	-0.2%	-0.1%	--
9/27	Durables Ex Transportation	Aug P	0.2%	0.2%	0.2%	--
9/27	Cap Goods Ship Nondef Ex Air	Aug P	0.3%	0.3%	0.5%	0.6%
9/27	S&P CoreLogic CS 20-City YoY NSA	Jul	17.05%	16.06%	18.65%	18.66%
9/27	S&P CoreLogic CS US HPI YoY NSA	Jul	--	15.77%	17.96%	18.08%
9/27	Conf. Board Consumer Confidence	Sep	104.60	108.00	103.20	103.60
9/27	Conf. Board Present Situation	Sep	--	149.60	145.40	145.30
9/27	Conf. Board Expectations	Sep	--	80.30	75.10	75.80
9/27	New Home Sales	Aug	500k	685k	511k	532k
9/28	MBA Mortgage Applications	9/23	--	-3.7%	3.8%	--
9/28	Advance Goods Trade Balance	Aug	-\$89.0b	-\$87.3b	-\$89.1b	-\$90.2b
9/28	Pending Home Sales NSA YoY	Aug	-24.5%	-22.5%	-22.5%	-22.2%
9/29	GDP Annualized QoQ	2Q T	-0.6%	-0.6%	-0.6%	--
9/29	Personal Consumption	2Q T	1.5%	2.0%	1.5%	--
9/29	GDP Price Index	2Q T	8.9%	9.0%	8.9%	--
9/29	Core PCE QoQ	2Q T	4.4%	4.7%	4.4%	--
9/29	Initial Jobless Claims	9/24	215k	193k	213k	209k
9/29	Continuing Claims	9/17	1385k	1347k	1379k	1376k
9/30	Personal Spending	Aug	0.2%	0.4%	0.1%	-0.2%
9/30	Real Personal Spending	Aug	0.1%	0.1%	0.2%	-0.1%
9/30	PCE Deflator YoY	Aug	6.0%	6.2%	6.3%	6.4%
9/30	PCE Core Deflator YoY	Aug	4.7%	4.9%	4.6%	4.7%
9/30	MNI Chicago PMI	Sep	51.8	45.7	52.2	--
9/30	U. of Mich. Sentiment	Sep F	59.5	58.6	59.5	--
9/30	U. of Mich. Current Conditions	Sep F	58.9	59.7	58.9	--
9/30	U. of Mich. 1 Yr Inflation	Sep F	4.6%	4.7%	4.6%	--
10/3	S&P Global US Manufacturing PMI	Sep F	51.8	--	51.8	--
10/3	ISM Manufacturing	Sep	52.4	--	52.8	--
10/3	ISM Prices Paid	Sep	52.0	--	52.5	--
10/3	ISM New Orders	Sep	50.5	--	51.3	--
10/3	ISM Employment	Sep	53.0	--	54.2	--
10/4	Factory Orders Ex Trans	Aug	--	--	-1.1%	--
10/4	JOLTS Job Openings	Aug	--	--	11239k	--
10/5	ADP Employment Change	Sep	200k	--	132k	--
10/5	S&P Global US Composite PMI	Sep F	--	--	49.3	--
10/5	ISM Services Index	Sep	56.5	--	56.9	--
10/6	Challenger Job Cuts YoY	Sep	--	--	30.3%	--
10/7	Two-Month Payroll Net Revision	Sep	--	--	-107k	--
10/7	Change in Nonfarm Payrolls	Sep	250k	--	315k	--
10/7	Change in Private Payrolls	Sep	268k	--	308k	--
10/7	Change in Manufact. Payrolls	Sep	20k	--	22k	--
10/7	Unemployment Rate	Sep	3.7%	--	3.7%	--
10/7	Average Hourly Earnings YoY	Sep	5.1%	--	5.2%	--
10/7	Average Weekly Hours All Employees	Sep	34.5	--	34.5	--
10/7	Labor Force Participation Rate	Sep	--	--	62.4%	--
10/7	Underemployment Rate	Sep	--	--	7.0%	--

MBS Prepayments <sup>4</sup>						
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	8.5	8.6	9.6	11.4	11.4	11.8
FH/FN 15y	7.0	6.5	6.9	7.4	12.6	13.6
GN 15y	9.6	8.0	8.3	10.6	11.0	11.7
FH/FN 20y	5.1	5.6	6.1	6.7	7.8	8.8
FH/FN 30y	5.8	5.6	5.8	6.1	6.6	7.6
GN 30y	5.9	5.7	7.3	7.3	8.8	9.7

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
<b>Currencies</b>					
Japanese Yen	144.49	1.18	138.96	121.70	111.29
Euro	0.98	0.01	1.01	1.11	1.16
Dollar Index	112.23	(0.96)	108.70	98.31	94.23
<b>Major Stock Indices</b>					
Dow Jones	29,158	(432)	31,510	34,678	33,844
S&P 500	3,640.4	(52.8)	3,955.0	4,530.4	4,307.5
NASDAQ	10,750.8	(117)	11,816.2	14,220.5	14,448.6
<b>Commodities</b>					
Gold	1,668.3	23.0	1,716.9	1,949.2	1,755.3
Crude Oil	80.45	1.71	89.55	100.28	75.03
Natural Gas	6.87	0.05	9.13	5.64	5.87
Wheat	899.0	18.5	809.0	1,006.0	725.5
Corn	672.0	-4.8	673.8	748.8	536.8

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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