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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

It was another week of market volatility as participants continue to balance the prospects of a looming recession and the Fed's fastest series of rate increases in 40 years. This morning, both domestic stocks and bonds are down. US equities are set to finish the week higher after giving up some gains that occurred earlier this week. The S&P 500 is up approximately 3% for the week while the NASDAQ and Dow Jones are up 2% and 2.7% respectively. Looking at bonds, yields drifted higher across the curve, reversing the moves from last week and earlier this week. The US dollar was flat last week coming down slightly from a 20-year high the week prior. The 10YR US Treasury yield is currently hovering around 3.9% after lowering to 3.6% at beginning of the week. The 2YR UST Yield also increased and currently trading at 4.3% after a drop to 4.1% on Monday. The Treasury yield curve remains inverted as the most commonly quoted 10s vs 2 spread is negative 42 basis points. The bond market will continue to see volatility as the FOMC meets two more times this year in early November and mid-December. Expectations are for further increases in the Federal Funds rate taking short term rates towards 4% or higher by year-end.

Turning to economic data, there was plenty to talk about. The Institute of Supply Management (ISM) released their monthly Purchase Manager Index (PMI) for both manufacturing and services. Both of these surveys are considered leading indicators and have seen declines. On Monday the manufacturing index showed a drop to 50.9 which was a disappointment given economist forecast of 52. Within the manufacturing survey, the employment component dropped to 48.7 (less than 50 indicates contractionary levels). On the other hand, ISM Services PMI came out on Wednesday and surprised to the upside with a reading of 56.7 (survey was 56). On Tuesday, the Bureau of Labor Statistics (BLS) released the heavily watched JOLTS report (Job Opening and Labor Turnover Survey) for August. Within the JOLTS, there was an eye-popping drop over of 1 million job openings from the readings. This brings the total number of openings to around 10mm (from 11.1mm last month) and was the largest drop since April 2020 during the early days of the pandemic. One primary data point from the JOLTS is the number of job openings vs unemployed, this ratio dropped to 1.7 from a recent high of 2 which illustrates that the tightness in the labor market could be loosening and have peaked. Also in the housing market, mortgage activity dropped to 25-year low as the 30Yr rate is around 6.75%.

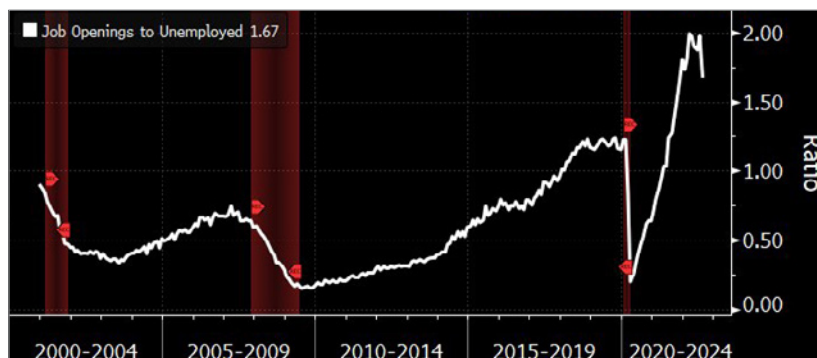
Last and certainly not least is the Friday monthly Jobs report. The US economy added 263,000 jobs in September which was slightly above the consensus estimate of 255,000. This was a drop from 315,000 in August and 537,000 in July. The Unemployment rate dropped unexpectedly to 3.5% from 3.7% last month. Labor force participation declined slightly from 62.3% from 62.4% which would lend to the lower unemployment rate reading. Average hourly earnings increased 0.3% which brings the reading to 5.0% YoY which is not enough to keep from real wages from declining further potentially slowing future consumption growth.

Next week yields another slate of economic data and all eyes will be focused on the monthly CPI/inflation report for August which will be released Thursday. The current projections are for modest monthly increases in both headline and core inflation. Headline CPI (which includes food and energy) is projected to be 0.2% MoM (from 0.1% last month) and core CPI is expected to increase 0.4% MoM. If these expectations are realized this would bring YoY inflation down to 8.1% headline (from 8.3%) but core would be up to 6.5% YoY (from 6.3%).

Happy Columbus/Indigenous People Day!

The number of job openings declined by 1.1 million August and now brings the ratio of job vacancies to unemployed persons down to 1.67 (from a high of 2 in July). Still higher than 1.15 ratio at the end of 2019, pre-pandemic but a welcome sign that the tightness in the labor markets could be abating.

US Job Openings to Unemployed – August = 1.67



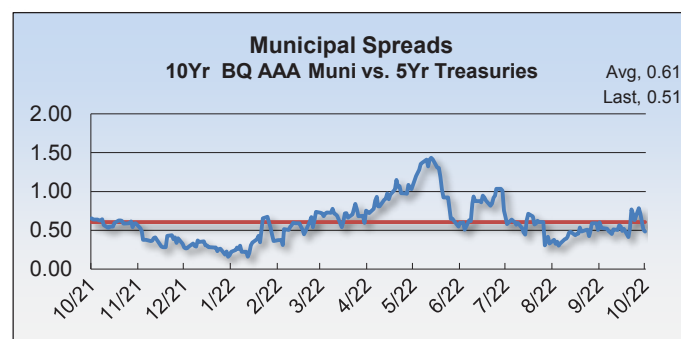
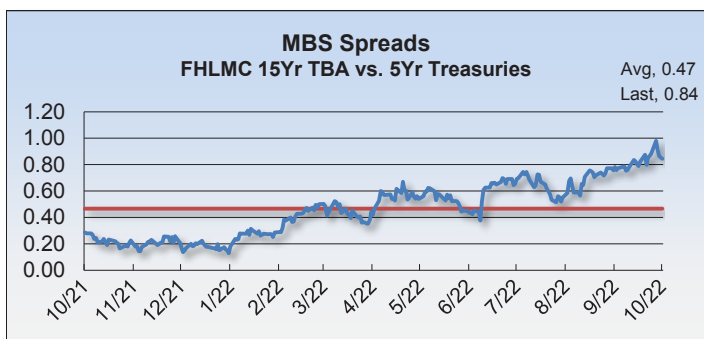
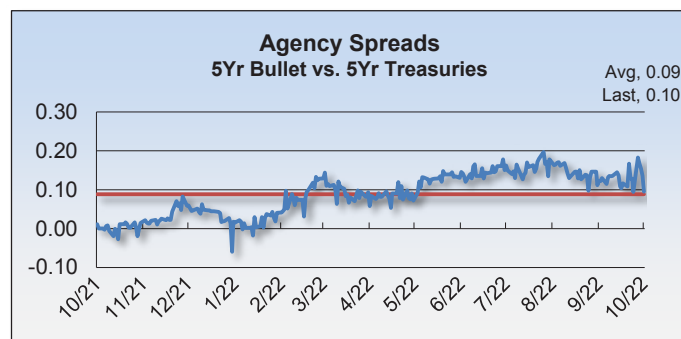
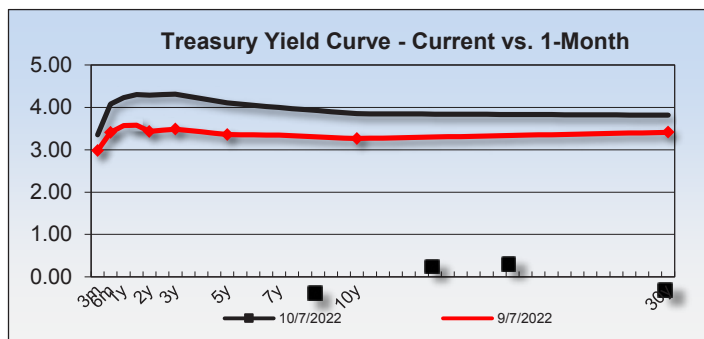
Source: Bloomberg Finance L.P.

Baker Market Update

Week in Review

The Baker Group

October 7, 2022



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	3.35	0.08	3.01	0.68	0.05	2yr	4.43	4.61	4.16	4.43	4.60	2Yr	5.09	5.09	5.09	-	
6mo	4.08	0.14	3.43	1.13	0.06	3yr	4.38	4.40	4.20	4.47	4.65	3Yr	5.11	5.12	5.10	5.11	
1yr	4.23	0.24	3.58	1.72	0.09	5yr	4.20	4.14	4.23	4.50	4.74	5Yr	4.99	4.99	4.98	4.92	
2yr	4.29	0.01	3.43	2.46	0.31	7yr	4.20	3.99	4.28	4.56	4.72	7Yr	4.88	4.91	4.90	4.83	
3yr	4.31	0.02	3.49	2.66	0.55	10yr	4.28	3.88	4.45	4.74	4.88	10Yr	4.79	4.85	4.84	4.77	
5yr	4.11	0.01	3.36	2.71	1.02	15yr	4.36	3.81	4.73	5.04	5.07	Cpn	November TBA MBS				
7yr	3.99	0.01	3.35	2.74	1.36	20yr	4.44	3.69	5.00	5.32	5.11		15Yr -Yld/AL	30Yr -Yld/AL			
10yr	3.85	0.02	3.27	2.66	1.57	25yr	4.52	3.53	5.12	5.45	5.17		2.00	4.70	5.9y	4.76	
30yr	3.81	0.03	3.41	2.68	2.13	30yr		3.39	5.24	5.57	5.22		2.50	5.01	5.8y		
													3.00	5.09	5.8y	5.01	10.5y
												3.50	5.00	5.8y	5.11	10.4y	
												4.00			5.18	10.3y	
												4.50			5.32	9.7y	
* Interpolated																	
Key Market Indices																	
		1Wk	Historical														

* 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	3.05	0.09	2.29	0.30	--
1 Month LIBOR	3.30	0.17	2.68	0.45	0.09
3 Month LIBOR	3.83	0.08	3.17	0.99	0.12
6 Month LIBOR	4.31	0.10	3.71	1.50	0.16
1 Year LIBOR	4.88	0.10	4.17	2.24	0.24
6 Month CD	4.56	0.16	3.78	1.52	0.19
1 Year CMT	4.19	0.21	3.61	1.79	0.10
REPO O/N	3.06	0.06	2.30	0.31	0.04
REPO 1Wk	3.15	0.12	2.35	0.37	0.14
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				Fed Fund Futures	
Maturity	Chicago	Boston	Topeka	Maturity	Rate
3mo	3.86	3.92	3.91	Oct-22	3.083
6mo	4.28	4.34	4.33	Nov-22	3.765
1yr	4.58	4.61	4.63	Dec-22	4.120
2yr	4.52	4.61	4.68	Jan-23	4.355
3yr	4.50	4.61	4.67	Feb-23	4.585
4yr	4.42	4.53	4.58	Mar-23	4.610
5yr	4.32	4.43	4.46	Apr-23	4.655
7yr	4.38	4.48	4.51	May-23	4.645
10yr	4.57	4.70	4.69	Jun-23	4.630
5yr Am	4.47		4.60	Jul-23	4.615
10yr Am	4.53		4.63	Aug-23	4.580

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Baker Market Update

Week in Review

October 7, 2022

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
10/3	S&P Global US Manufacturing PMI	Sep F	51.8	52.0	51.8	--
10/3	ISM Manufacturing	Sep	52.0	50.9	52.8	--
10/3	ISM Prices Paid	Sep	51.8	51.7	52.5	--
10/3	ISM New Orders	Sep	50.5	47.1	51.3	--
10/3	ISM Employment	Sep	53.0	48.7	54.2	--
10/4	Factory Orders Ex Trans	Aug	0.2%	0.2%	-1.1%	--
10/4	Durables Ex Transportation	Aug F	0.2%	0.3%	0.2%	--
10/4	Cap Goods Ship Nondef Ex Air	Aug F	--	0.4%	0.3%	--
10/4	JOLTS Job Openings	Aug	11088k	10053k	11239k	11170k
10/5	MBA Mortgage Applications	9/30	--	-14.2%	-3.7%	--
10/5	ADP Employment Change	Sep	200k	208k	132k	185k
10/5	Trade Balance	Aug	-\$67.7b	-\$67.4b	-\$70.7b	-\$70.5b
10/5	S&P Global US Services PMI	Sep F	49.2	49.3	49.2	--
10/5	S&P Global US Composite PMI	Sep F	49.3	49.5	49.3	--
10/5	ISM Services Index	Sep	56.0	56.7	56.9	--
10/6	Challenger Job Cuts YoY	Sep	--	67.6%	30.3%	--
10/6	Initial Jobless Claims	10/1	204k	219k	193k	190k
10/6	Continuing Claims	9/24	1350k	1361k	1347k	1346k
10/7	Two-Month Payroll Net Revision	Sep	--	11k	--	--
10/7	Change in Nonfarm Payrolls	Sep	255k	263k	315k	--
10/7	Change in Private Payrolls	Sep	275k	288k	308k	275k
10/7	Change in Manufact. Payrolls	Sep	20k	22k	22k	27k
10/7	Unemployment Rate	Sep	3.7%	3.5%	3.7%	--
10/7	Average Hourly Earnings MoM	Sep	0.3%	0.3%	0.3%	--
10/7	Average Hourly Earnings YoY	Sep	5.0%	5.0%	5.2%	--
10/7	Average Weekly Hours All Employees	Sep	34.5	34.5	34.5	--
10/7	Labor Force Participation Rate	Sep	62.4%	62.3%	62.4%	--
10/7	Underemployment Rate	Sep	--	6.7%	7.0%	--
10/7	Wholesale Inventories MoM	Aug F	1.3%	1.3%	1.3%	--
10/7	Wholesale Trade Sales MoM	Aug	0.5%	0.1%	-1.4%	-1.5%
10/11	NFIB Small Business Optimism	Sep	91.4	--	91.8	--
10/11/2	Monthly Budget Statement	Sep	--	--	-\$219.6b	--
10/12	PPI Ex Food and Energy YoY	Sep	7.3%	--	7.3%	--
10/12	PPI Final Demand YoY	Sep	8.4%	--	8.7%	--
10/12	PPI Ex Food, Energy, Trade YoY	Sep	--	--	5.6%	--
10/12	FOMC Meeting Minutes	9/21	--	--	--	--
10/13	CPI YoY	Sep	8.1%	--	8.3%	--
10/13	CPI Ex Food and Energy YoY	Sep	6.5%	--	6.3%	--
10/13	CPI Index NSA	Sep	296.43	--	296.17	--
10/13	CPI Core Index SA	Sep	298.32	--	296.95	--
10/13	Real Avg Hourly Earning YoY	Sep	--	--	-2.8%	--
10/13	Real Avg Weekly Earnings YoY	Sep	--	--	-3.4%	--
10/14	Retail Sales Ex Auto and Gas	Sep	0.2%	--	0.3%	--
10/14	Retail Sales Control Group	Sep	0.2%	--	0.0%	--
10/14	Import Price Index YoY	Sep	--	--	7.8%	--
10/14	Export Price Index YoY	Sep	--	--	10.8%	--
10/14	Business Inventories	Aug	0.9%	--	0.6%	--

MBS Prepayments ⁴						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	8.7	13.8	14.8	16.4	17.7	20.6
FH/FN 15y	6.8	7.7	8.2	12.7	16.4	17.8
GN 15y	15.3	13.2	14.9	16.9	18.6	19.2
FH/FN 20y	52.5	7.4	8.8	9.8	11.3	12.7
FH/FN 30y	2.1	5.2	8.5	7.8	9.2	11.3
GN 30y	5.1	6.4	12.4	14.5	10.4	11.4
CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	8.6	8.5	9.5	11.3	11.0	11.1
FH/FN 15y	7.0	6.4	6.9	7.3	12.5	13.6
GN 15y	9.5	7.9	8.1	10.5	10.8	11.4
FH/FN 20y	5.1	5.6	6.1	6.6	7.7	8.7
FH/FN 30y	5.8	5.6	5.8	6.1	6.6	7.5
GN 30y	5.9	5.6	7.2	7.3	8.7	9.5

Other Markets					
Index	Current	1Wk	Historical		
		Chng	1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	145.22	0.48	143.74	123.95	111.63
Euro	0.98	(0.00)	1.00	1.09	1.16
Dollar Index	112.42	0.31	109.84	99.75	94.22
Major Stock Indices					
Dow Jones	29,453	727	31,581	34,584	34,755
S&P 500	3,660.4	74.8	3,979.9	4,500.2	4,399.8
NASDAQ	10,739.8	164	11,791.9	13,897.3	14,654.0
Commodities					
Gold	1,702.0	39.6	1,718.2	1,933.8	1,757.9
Crude Oil	92.46	12.97	81.94	96.03	78.30
Natural Gas	6.82	0.05	7.84	6.36	5.68
Wheat	880.0	-41.5	826.5	1,020.0	741.3
Corn	682.8	5.3	676.8	757.8	534.0

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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