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The first week of November was not boring for financial markets as we got an important read on both the labor market and the current leanings of policymakers. On Wednesday Fed Chairman Jay Powell clarified and reinforced his determination to achieve absolute victory in the war on inflation, but not before a bit of confusion. The FOMC customarily released its post-meeting statement which was initially interpreted as slightly dovish, but the Chairman quickly squashed any notions that the committee was going wobbly in its mission. The official FOMC statement emphasized that in order to maintain a path back to their eventual goal of 2% inflation, the committee would take into account the cumulative tightening to date as well as time lags for policy to take effect. That was seen as a nod to those on the committee who worry the Fed could go too far too fast. Powell, however, quickly followed in his presser with the comment that it would be “very premature to talk about pausing... We still have a long way to go”. Quite the buzz-kill for both bonds and equities. Importantly, however, Powell also said “the time to slow the pace of rate hikes may come as soon as the next meeting”, an indication that we may see a smaller hike of 50 basis points in December.

### UPCOMING EVENTS

#### Banks

##### Seminars:

Minneapolis, MN  
 Nov 29, 2022

##### Webinars:

3rd Quarter Bank  
 Trends Webinar  
 Nov 15, 2022

#### Save the Date

##### CU Webinar:

Q1 Conference Call  
 Jan 12, 2023

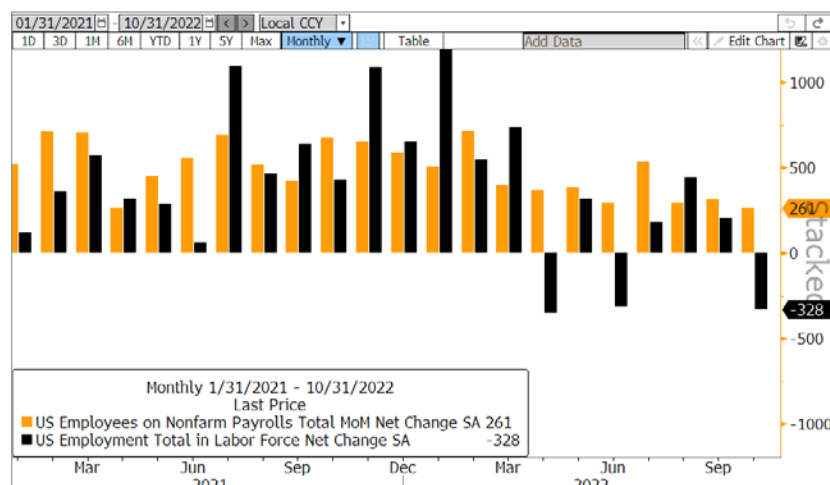
##### CU Seminar:

Minneapolis, MN  
 Mar 21, 2023

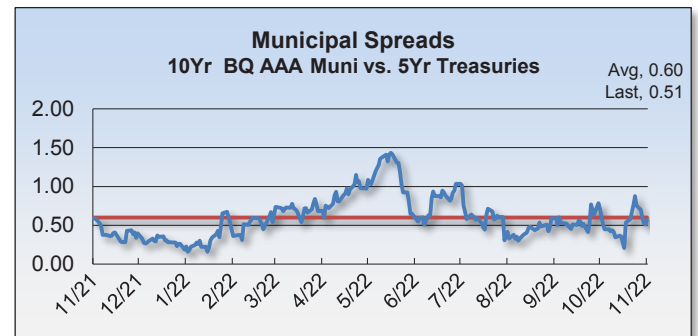
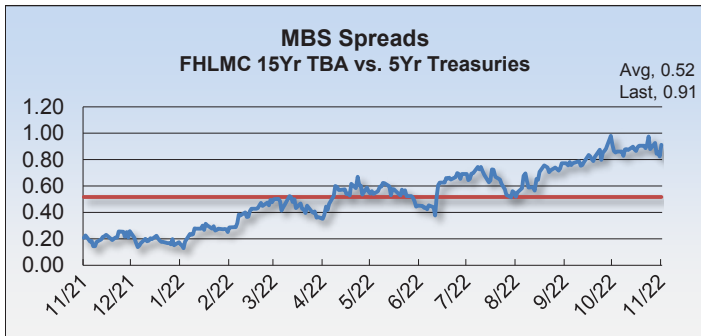
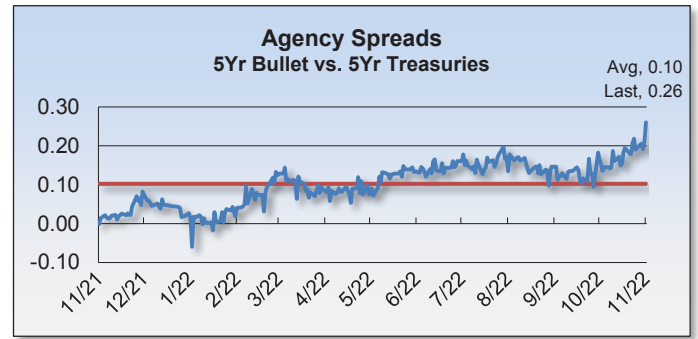
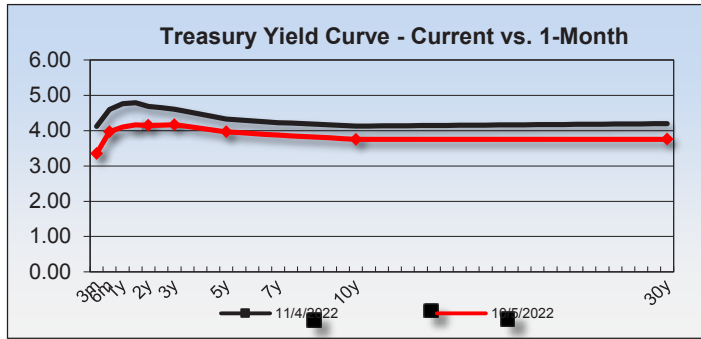
Market reaction was at first positive bringing the yield on the 10yr Treasury below 4%. But Powell’s comments caused a quick reversal to 4.19%, near a new cycle high. The bigger reaction was in the two-year note which reached 4.73%, its highest level since 2007. The yield curve inversion between two and 10 year yields remains -54 basis points, and many suspect that this inversion will deepen further as we progress in the cycle.

Meanwhile, the jobs market data presented its own conundrum. Earlier in the week we discovered the job openings had jumped unexpectedly, suggesting that there remains slack in the labor force. Then this morning the BLS reported that we added 261K jobs in October, notably higher than the 193K estimate. Data for the last two months were revised higher as well. Though job creation was better than expected, it remained the smallest job gain since the end of 2020 and shows the labor market continues to cool as rate hikes gradually work through the economy. The unemployment rate ticked up to 3.7%. Remember that the jobs report contains two components, the payrolls report and the household survey. And in the survey of households, the economy showed a loss of more than 300K jobs. The household survey may be a canary in the coal mine that leads the payrolls data in showing weakness. All of this indicates that the labor market is showing the effects of the Fed’s demand destruction, but only slowly.

### US Non-Farm Payrolls and Employment Change



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	4.12	0.05	3.38	0.87	0.04	2yr	4.91	5.06	4.44	4.72	5.05	2Yr	5.53	5.53	5.53	-
6mo	4.60	0.10	3.98	1.40	0.06	3yr	4.75	4.77	4.47	4.75	5.03	3Yr	5.46	5.46	5.40	5.45
1yr	4.76	0.21	3.94	2.01	0.15	5yr	4.46	4.42	4.51	4.80	5.00	5Yr	5.26	5.26	5.25	5.19
2yr	4.68	0.26	4.10	2.65	0.43	7yr	4.50	4.27	4.58	4.87	5.06	7Yr	5.16	5.19	5.18	5.11
3yr	4.61	0.24	4.10	2.82	0.65	10yr	4.67	4.17	4.70	5.01	5.23	10Yr	5.10	5.16	5.15	5.09
5yr	4.33	0.14	3.86	2.91	1.11	15yr	4.85	4.13	5.11	5.44	5.42	December TBA MBS				
7yr	4.23	0.12	3.75	2.97	1.38	20yr	5.02	4.03	5.40	5.75	5.52	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	4.13	0.11	3.63	2.94	1.53	25yr	5.20	3.88	5.56	5.92	5.58	2.50	5.30	5.8y	5.15	
30yr	4.20	0.05	3.70	3.04	1.96	30yr		3.74	5.71	6.08	5.63	3.00	5.53	5.8y		
												3.50	5.28	5.8y	5.50	10.7y
												4.00	5.26	5.7y	5.52	10.6y
												4.50			5.56	10.2y
												5.00			5.66	9.3y

\* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	4.00	0.75	3.25	1.00	0.25
Primary Discount	4.00	0.75	3.25	0.50	0.25
2ndary Discount	4.50	0.75	3.75	1.00	0.75
Prime Rate	7.00	0.75	6.25	3.50	3.25
Sec. O.N. Finance	3.80	0.76	3.00	0.30	--
1 Month LIBOR	3.84	0.20	3.14	0.80	0.08
3 Month LIBOR	4.51	0.13	3.75	1.33	0.15
6 Month LIBOR	4.97	0.04	4.23	1.91	0.22
1 Year LIBOR	5.54	0.14	4.78	2.63	0.36
6 Month CD	4.95	--	4.45	1.98	0.25
1 Year CMT	4.78	0.28	4.01	2.16	0.17
REPO O/N	3.83	0.79	3.06	0.29	0.05
REPO 1Wk	3.89	0.26	3.15	0.83	0.08
CoF Federal	2.022	--	1.762	0.870	0.752
11th D. CoF (Dec)	0.223	--	0.218	0.282	0.460

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	4.37	4.43	4.41
6mo	4.83	4.90	4.82
1yr	5.04	5.06	5.21
2yr	4.96	5.05	5.13
3yr	4.80	4.90	4.98
4yr	4.68	4.79	4.90
5yr	4.53	4.65	4.73
7yr	4.70	4.83	4.90
10yr	5.01	5.15	5.19
5yr Am	4.76		4.92
10yr Am	4.85		5.01

Fed Fund Futures	
Maturity	Rate
Nov-22	3.785
Dec-22	4.165
Jan-23	4.425
Feb-23	4.830
Mar-23	4.905
Apr-23	5.045
May-23	5.130
Jun-23	5.140
Jul-23	5.135
Aug-23	5.100
Sep-23	5.085

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
10/31	MNI Chicago PMI	Oct	47.3	45.2	45.7	--
10/31	Dallas Fed Manf. Activity	Oct	-17.4	-19.4	-17.2	--
11/1	S&P Global US Manufacturing PMI	Oct F	49.9	50.4	49.9	--
11/1	JOLTS Job Openings	Sep	9750k	10717k	<del>10053k</del>	10280k
11/1	Construction Spending MoM	Sep	-0.6%	0.2%	<del>-0.7%</del>	-0.6%
11/1	ISM Manufacturing	Oct	50.0	50.2	50.9	--
11/1	ISM Prices Paid	Oct	53.0	46.6	51.7	--
11/1	ISM New Orders	Oct	--	49.2	47.1	--
11/1	ISM Employment	Oct	--	50.0	48.7	--
11/1	Wards Total Vehicle Sales	Oct	14.50m	14.90m	13.49m	--
11/2	MBA Mortgage Applications	10/28	--	-0.5%	-1.7%	--
11/2	ADP Employment Change	Oct	185k	239k	<del>208k</del>	192k
11/2	FOMC Rate Decision (Upper Bound)	11/2	4.00%	4.00%	3.25%	--
11/2	FOMC Rate Decision (Lower Bound)	11/2	3.75%	3.75%	3.00%	--
11/2	Interest on Reserve Balances Rate	11/3	3.90%	3.90%	3.15%	--
11/3	Challenger Job Cuts YoY	Oct	--	48.3%	67.6%	--
11/3	Trade Balance	Sep	-\$72.2b	-\$73.3b	<del>-\$67.4b</del>	-\$65.7b
11/3	Nonfarm Productivity	3Q P	0.5%	0.3%	-4.1%	--
11/3	Unit Labor Costs	3Q P	4.0%	3.5%	<del>4.2%</del>	8.9%
11/3	Initial Jobless Claims	10/29	220k	217k	<del>217k</del>	218k
11/3	Continuing Claims	10/22	1450k	1485k	1438k	--
11/3	S&P Global US Services PMI	Oct F	46.60	47.80	46.60	--
11/3	S&P Global US Composite PMI	Oct F	47.30	48.20	47.30	--
11/3	Factory Orders	Sep	0.30%	0.30%	<del>0.00%</del>	0.20%
11/3	Factory Orders Ex Trans	Sep	0.00%	-0.10%	<del>0.20%</del>	0.10%
11/3	Durable Goods Orders	Sep F	0.40%	0.40%	0.40%	--
11/3	Durables Ex Transportation	Sep F	-0.50%	-0.50%	-0.50%	--
11/3	Cap Goods Orders Nondef Ex Air	Sep F	-0.60%	-0.40%	-0.70%	--
11/3	Cap Goods Ship Nondef Ex Air	Sep F	--	-0.50%	-0.50%	--
11/3	ISM Services Index	Oct	55.30	54.40	56.70	--
11/4	Two-Month Payroll Net Revision	Oct	--	29k	--	--
11/4	Change in Nonfarm Payrolls	Oct	193k	261k	<del>263k</del>	315k
11/4	Change in Private Payrolls	Oct	200k	233k	<del>288k</del>	319k
11/4	Change in Manufact. Payrolls	Oct	12k	32k	<del>22k</del>	23k
11/4	Unemployment Rate	Oct	3.6%	3.7%	3.5%	--
11/4	Average Hourly Earnings MoM	Oct	0.3%	0.4%	0.3%	--
11/4	Average Hourly Earnings YoY	Oct	4.7%	4.7%	5.0%	--
11/4	Average Weekly Hours All Employees	Oct	34.50	34.50	34.50	--
11/4	Labor Force Participation Rate	Oct	62.3%	62.2%	62.3%	--
11/8	NFIB Small Business Optimism	Oct	91.50	--	92.10	--
11/10	CPI MoM	Oct	0.7%	--	0.4%	--
11/10	CPI Ex Food and Energy MoM	Oct	0.5%	--	0.6%	--
11/10	CPI YoY	Oct	8.0%	--	8.2%	--
11/10	CPI Ex Food and Energy YoY	Oct	6.6%	--	6.6%	--
11/10	CPI Core Index SA	Oct	--	--	298.7	--
11/10	Real Avg Hourly Earning YoY	Oct	--	--	-3.0%	--
11/10	Real Avg Weekly Earnings YoY	Oct	--	--	-3.8%	--

MBS Prepayments <sup>4</sup>						
3-Month CPR						
Type	2.5	3.0	3.5	4.0	4.5	5.0
FN 10y	13.8	14.8	16.4	17.7	20.6	-0.1
FH/FN 15y	7.7	8.2	12.7	16.4	17.8	28.6
GN 15y	13.2	14.9	16.9	18.6	19.2	23.2
FH/FN 20y	7.4	8.8	9.8	11.3	12.7	16.3
FH/FN 30y	5.2	8.5	7.8	9.2	11.3	14.1
GN 30y	6.4	12.4	14.5	10.4	11.3	11.1
CPR Projections						
Type	2.5	3.0	3.5	4.0	4.5	5.0
FN 10y	13.5	13.9	14.1	14.2	14.5	--
FH/FN 15y	7.6	7.5	7.6	12.3	13.8	24.2
GN 15y	7.6	7.8	8.1	8.8	9.6	10.6
FH/FN 20y	5.6	6.3	6.8	7.6	8.9	10.6
FH/FN 30y	5.5	5.6	5.7	6.1	6.9	8.1
GN 30y	5.4	6.5	6.5	6.9	9.3	9.1

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
<b>Currencies</b>					
Japanese Yen	146.81	(0.79)	144.13	129.09	113.76
Euro	0.99	(0.01)	1.00	1.06	1.16
Dollar Index	111.60	0.85	110.07	102.59	94.35
<b>Major Stock Indices</b>					
Dow Jones	32,460	(402)	30,316	34,061	36,124
S&P 500	3,763.0	(138.1)	3,790.9	4,300.2	4,680.1
NASDAQ	10,473.0	(629)	11,176.4	12,964.9	15,940.3
<b>Commodities</b>					
Gold	1,670.5	25.7	1,730.5	1,868.8	1,793.5
Crude Oil	92.07	4.17	86.52	107.81	78.81
Natural Gas	6.04	0.36	6.84	8.42	5.72
Wheat	836.0	6.8	903.0	1,076.5	773.8
Corn	681.3	0.5	683.0	794.3	559.3

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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Source for the aforementioned indices, rates, descriptions, & economic indicators: Bloomberg, LP. This report was printed as of: 11/04/2022 9:21AM