



**Jeffrey F. Caughron**  
 Chairman of the Board  
 The Baker Group LP  
[JCaughron@GoBaker.com](mailto:JCaughron@GoBaker.com)

### 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

Friendly inflation data and apparent political gridlock have put financial markets in a good mood as this week draws to a close. As the dust settles on Tuesday's elections, markets seem relatively pleased that neither party will have enough control to do too much damage. Centrists are celebrating. The real story, however, is the latest consumer price inflation numbers which show much needed relief as CPI eased to 7.7% YOY, lower than expected and well below September's 8.2% pace. It is also the fourth consecutive drop and raises hopes for an acceleration of the downtrend. The core measure rose 6.3%, down from 6.6% in the prior month and also notably lower than estimated. To be sure, one month does not a trend make, and we remain at unacceptably high levels. Still, we are several months down the road from what appears to be the cycle peak of 9.1%. The developing trend looks good.

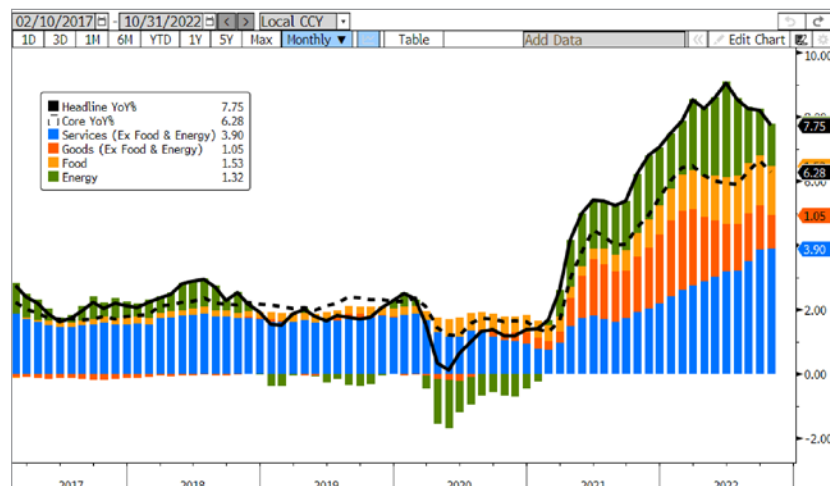
As post pandemic supply-shortages fade, deflationary pressure is now becoming manifest. Trade flows and transportation of materials have gradually improved after two years of sclerosis. Shippers and distribution networks have successfully developed workarounds that relieve the supply-shock inflation we've lived with since early 2020. That's coupled with 400 basis points of fed tightening since March, which is starting to produce demand destruction that allows firms to hold off on price increases or to adjust their prices lower.

This has all got to be welcome news to policymakers. The markets absolutely love it. Stocks soared to the highest levels since August, and the 10yr Treasury yield collapsed to less than 3.85%, down from over 4.20% three days ago. The 2yr yield which is more closely tied to Fed policy has fallen even further, down 30bps to 4.33% and on pace for a two week low. The dollar finally pulled back on foreign exchange markets too, giving much needed relief to our trading partners.

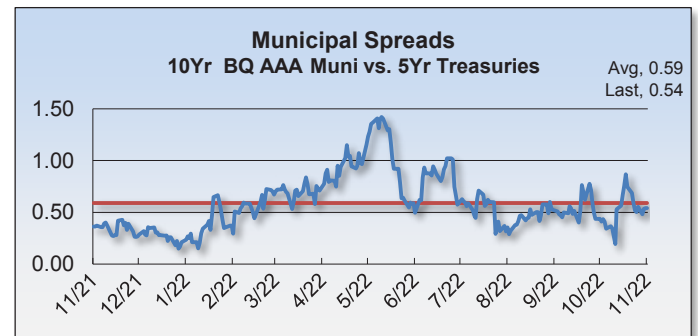
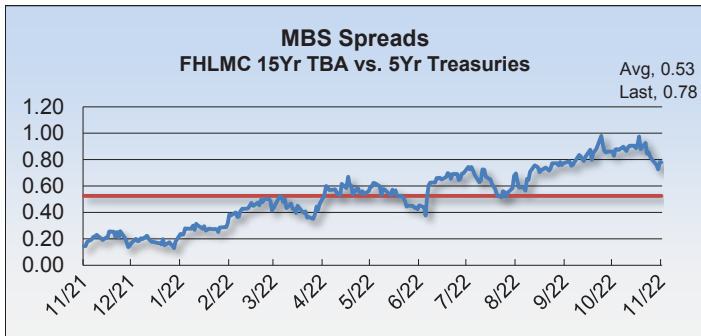
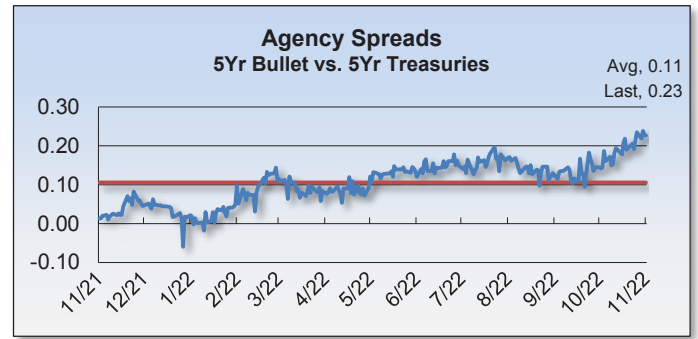
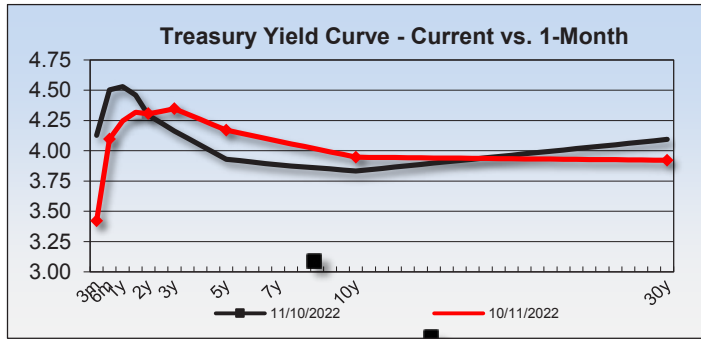
As for monetary policy going forward, expectations for coming Fed rate hikes have been throttled back. A 50bps hike, rather than 75bps, is now the clear consensus. The futures market now implies a sharply lower terminal rate of 4.86% for next year, falling to 4.40% by the end of 2023. Fed officials acknowledge the good news but with caution. San Francisco president Mary Daly said, "one month of data does not a victory make..." and, "pausing is not the discussion, the discussion is stepping down the pace of hikes".

Next week we'll get data on producer prices, retail sales, and housing starts among other things. Shout out to all Veterans on this holiday-shortened week.

### US Consumer Price Inflation 2017 - 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	4.13	(0.00)	3.36	0.90	0.05	2yr	4.55	4.68	4.35	4.63	4.93	2Yr	5.38	5.38	5.38	-
6mo	4.50	(0.09)	4.09	1.42	0.06	3yr	4.29	4.35	4.38	4.66	4.95	3Yr	5.29	5.30	5.20	5.29
1yr	4.53	(0.24)	4.23	1.91	0.16	5yr	4.06	4.01	4.40	4.68	4.98	5Yr	5.13	5.13	5.12	5.06
2yr	4.29	(0.42)	4.31	2.61	0.52	7yr	4.18	3.90	4.47	4.75	5.06	7Yr	5.06	5.08	5.07	5.00
3yr	4.16	(0.48)	4.35	2.80	0.75	10yr	4.37	3.86	4.56	4.86	5.26	10Yr	5.03	5.09	5.08	5.02
5yr	3.93	(0.44)	4.14	2.92	1.22	15yr	4.56	3.90	5.04	5.36	5.45	December TBA MBS				
7yr	3.88	(0.39)	4.03	3.00	1.45	20yr	4.75	3.85	5.35	5.69	5.69	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	3.83	(0.32)	3.88	2.99	1.55	25yr	4.94	3.73	5.52	5.87	5.75	2.50	4.68	5.7y	4.67	
30yr	4.09	(0.09)	3.84	3.13	1.91	30yr		3.62	5.68	6.05	5.80	3.00	4.81	5.8y		
												3.50	4.66	5.8y	4.93	11.0y
												4.00	4.67	5.8y	4.99	10.8y
												4.50			5.09	10.0y
												5.00			5.22	9.1y

\* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	4.00	--	3.25	1.00	0.25
Primary Discount	4.00	0.75	3.25	1.00	0.25
2ndary Discount	4.50	0.75	3.75	1.50	0.75
Prime Rate	7.00	--	6.25	4.00	3.25
Sec. O.N. Finance	3.78	0.73	3.05	0.78	--
1 Month LIBOR	3.86	0.02	3.31	0.84	0.09
3 Month LIBOR	4.59	0.13	3.91	1.40	0.15
6 Month LIBOR	5.13	0.22	4.38	1.96	0.22
1 Year LIBOR	5.64	0.19	5.00	2.69	0.35
6 Month CD	4.95	0.05	4.58	1.79	0.11
1 Year CMT	4.75	(0.01)	4.24	1.99	0.14
REPO O/N	3.83	--	3.06	0.79	0.06
REPO 1Wk	3.89	(0.01)	3.15	0.86	0.12
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	4.38	4.44	4.41
6mo	4.72	4.77	4.88
1yr	4.82	4.86	5.17
2yr	4.62	4.75	5.06
3yr	4.43	4.55	4.89
4yr	4.33	4.46	4.77
5yr	4.22	4.33	4.62
7yr	4.48	4.61	4.87
10yr	4.80	4.93	5.13
5yr Am	4.47		4.82
10yr Am	4.62		4.94

Fed Fund Futures	
Maturity	Rate
Nov-22	3.783
Dec-22	4.120
Jan-23	4.345
Feb-23	4.675
Mar-23	4.730
Apr-23	4.820
May-23	4.845
Jun-23	4.835
Jul-23	4.810
Aug-23	4.750
Sep-23	4.725

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
11/7	Consumer Credit	Sep	\$30.000b	\$24.976b	\$32.244b	\$30.185b
11/8	NFIB Small Business Optimism	Oct	91.4	91.3	92.1	--
11/9	MBA Mortgage Applications	11/4	--	-0.1%	-0.5%	--
11/9	Wholesale Inventories MoM	Sep F	0.8%	0.6%	0.8%	--
11/9	Wholesale Trade Sales MoM	Sep	0.5%	0.4%	0.4%	0.0%
11/10	CPI MoM	Oct	0.6%	0.4%	0.4%	--
11/10	CPI Ex Food and Energy MoM	Oct	0.5%	0.3%	0.6%	--
11/10	CPI YoY	Oct	7.9%	7.7%	8.2%	--
11/10	CPI Ex Food and Energy YoY	Oct	6.5%	6.3%	6.6%	--
11/10	CPI Core Index SA	Oct	300.10	299.47	298.66	--
11/10	Real Avg Hourly Earning YoY	Oct	--	-2.8%	-3.0%	--
11/10	Real Avg Weekly Earnings YoY	Oct	--	-3.7%	-3.8%	--
11/10	Initial Jobless Claims	11/5	220k	225k	247k	218k
11/10	Continuing Claims	10/29	1492k	1493k	1485k	1487k
11/10	Monthly Budget Statement	Oct	-\$90.0b	--	-\$165.1b	--
11/11	U. of Mich. Sentiment	Nov P	59.5	--	59.9	--
11/11	U. of Mich. Current Conditions	Nov P	62.8	--	65.6	--
11/11	U. of Mich. Expectations	Nov P	55.5	--	56.2	--
11/11	U. of Mich. 1 Yr Inflation	Nov P	5.1%	--	5.0%	--
11/11	U. of Mich. 5-10 Yr Inflation	Nov P	2.9%	--	2.9%	--
11/15	PPI Ex Food and Energy YoY	Oct	7.2%	--	7.2%	--
11/15	PPI Final Demand MoM	Oct	0.5%	--	0.4%	--
11/15	PPI Ex Food and Energy MoM	Oct	0.4%	--	0.3%	--
11/15	PPI Ex Food, Energy, Trade MoM	Oct	0.4%	--	0.4%	--
11/15	Empire Manufacturing	Nov	-5.0	--	-9.1	--
11/15	PPI Final Demand YoY	Oct	8.4%	--	8.5%	--
11/15	PPI Ex Food, Energy, Trade YoY	Oct	--	--	5.6%	--
11/16	Retail Sales Advance MoM	Oct	0.9%	--	0.0%	--
11/16	Retail Sales Ex Auto MoM	Oct	0.6%	--	0.1%	--
11/16	Retail Sales Ex Auto and Gas	Oct	0.2%	--	0.3%	--
11/16	Retail Sales Control Group	Oct	0.3%	--	0.4%	--
11/16	Import Price Index MoM	Oct	-0.5%	--	-1.2%	--
11/16	Import Price Index ex Petroleum MoM	Oct	--	--	-0.5%	--
11/16	Import Price Index YoY	Oct	--	--	6.0%	--
11/16	Export Price Index MoM	Oct	-0.5%	--	-0.8%	--
11/16	Export Price Index YoY	Oct	--	--	9.5%	--
11/16	Industrial Production MoM	Oct	0.0%	--	0.4%	--
11/16	Capacity Utilization	Oct	80.4%	--	80.3%	--
11/16	Manufacturing (SIC) Production	Oct	--	--	0.4%	--
11/16	Business Inventories	Sep	0.5%	--	0.8%	--
11/16	Net Long-term TIC Flows	Sep	--	--	\$197.9b	--
11/16	Total Net TIC Flows	Sep	--	--	\$275.6b	--
11/17	Housing Starts	Oct	1425k	--	1439k	--
11/17	Building Permits	Oct	1520k	--	1564k	--
11/17	Housing Starts MoM	Oct	-1.0%	--	-8.1%	--
11/17	Building Permits MoM	Oct	-2.8%	--	1.4%	--
11/17	Philadelphia Fed Business Outlook	Nov	-5.0	--	-8.7	--

MBS Prepayments <sup>4</sup>						
3-Month CPR						
Type	2.5	3.0	3.5	4.0	4.5	5.0
FN 10y	13.2	14.6	15.5	16.8	22.2	0.9
FH/FN 15y	7.4	7.8	11.3	15.9	19.0	27.5
GN 15y	13.4	14.0	15.3	18.4	18.8	22.1
FH/FN 20y	6.9	8.2	9.0	10.5	11.8	15.0
FH/FN 30y	4.6	7.5	7.1	7.6	10.1	10.7
GN 30y	6.0	9.4	13.4	10.3	10.3	9.8
CPR Projections						
Type	2.5	3.0	3.5	4.0	4.5	5.0
FN 10y	13.5	14.0	14.2	14.1	14.1	13.1
FH/FN 15y	6.9	7.1	7.4	12.4	13.9	14.0
GN 15y	9.0	9.3	11.7	12.6	13.1	12.8
FH/FN 20y	5.7	6.1	6.6	7.3	8.2	9.6
FH/FN 30y	5.2	5.3	5.5	5.9	6.9	8.0
GN 30y	5.9	6.6	6.8	8.7	8.7	8.0

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
<b>Currencies</b>					
Japanese Yen	141.68	(6.58)	145.72	130.45	113.91
Euro	1.02	0.04	0.97	1.05	1.15
Dollar Index	108.33	(4.60)	113.14	103.92	94.85
<b>Major Stock Indices</b>					
Dow Jones	33,407	1,405	29,203	32,161	36,080
S&P 500	3,891.4	171.5	3,612.4	4,001.1	4,646.7
NASDAQ	10,949.3	606	10,542.1	11,737.7	15,622.7
<b>Commodities</b>					
Gold	1,755.9	125.0	1,667.3	1,841.0	1,848.3
Crude Oil	86.46	(1.71)	91.13	99.76	81.34
Natural Gas	6.13	0.16	6.44	7.39	4.88
Wheat	803.5	-37.0	938.0	1,083.3	803.0
Corn	658.0	-21.3	698.3	786.5	569.3

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	

INTENDED FOR INSTITUTIONAL INVESTORS ONLY. The data provided in these reports is for informational purposes only and is intended solely for your private use. Information herein is believed to be reliable but The Baker Group LP does not guarantee its completeness or accuracy. Opinions constitute our judgment and are subject to change without notice. Past performance is not indicative of future results. The investments and strategies discussed here may not be suitable for all investors; if you have

Source for the aforementioned indices, rates, descriptions, & economic indicators: Bloomberg, L.P. This report was printed as of: 11/10/2022 9:59AM