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UPCOMING EVENTS

Banks

Seminar:

West Des Moines, IA
Jun 12, 2023

Springfield, IL
Aug 7, 2023

Oklahoma City,
Oklahoma
Oct 18-20, 2023

Webinar:

Q1 Conference Call
Jan 11, 2023

Credit Unions

CU Webinar:

Q1 Conference Call
Jan 12, 2023

CU Seminar:

Minneapolis, MN
Mar 21, 2023

As we say at the Baker Group, Happy Jobs Friday everyone! What a world we live in today when the breaking news headline on CNBC this morning is “Stocks fall on hotter-than-expected November jobs report, Dow slides more than 300 points.” I thought jobs were good for the economy and therefore the stock market...I digress. Let’s dive into that jobs report!

Non-farm payrolls increased 263,000 in November, a bigger gain than the 200,000 increase expected by economists. The separate Household Survey showed the economy lost 138,000 jobs, which would be the second consecutive month of job losses according to that survey. The Unemployment Rate remained unchanged from the previous month at 3.7%. The Labor Force Participation Rate unexpectedly fell to 62.1% with expectations for a 0.1% rise to 62.3%. At this point in time, the supply of workers remains below the demand for workers. As a result of this supply and demand imbalance, wages grew more than expected. Average hourly wages rose 0.6% last month, doubling expectations for a 0.3% rise. Annual wage growth of 5.1% topped forecasts of 4.6% and accelerated from October’s upwardly revised 4.9%. This is troubling data in the Fed’s battle against inflation as wage increases put inflationary pressure on the economy. Today’s job’s report is the final monthly employment report before the Fed’s two-day meeting on December 13th and 14th where they are expected to raise the Fed Funds rate by 50 basis points, a 25 basis point decrease from the previous 75 basis point rate hikes.

Yesterday, the monthly Job Openings and Labor Turnover Survey (JOLTS) showed there were 10.33 million job openings for the month, a decline of 353,000 from September and down 760,000 compared with a year ago. The JOLTS report is a closely watched gauge to show the amount of “slack in the labor force.” The quits level, a measure of worker confidence that they can easily move from one job to another, declined lower to 4.026 million. This is well below the record 4.5 million in November 2021 during what many were calling the “Great Resignation.”

Yesterday also brought some data on inflation and consumer spending. Consumer spending, which accounts for more than two-thirds of U.S. economic activity, increased 0.8% after an unrevised 0.6% increase in September. The Personal Consumption Expenditures (PCE) price index rose 0.3% after increasing by the same amount in September. The year over year increase of the PCE index increased by 6.0%. That was the smallest year over year gain since December 2021. Excluding the more volatile food and energy components, the Core PCE index rose 0.2% for the month and 5.0% year over year. Cooling PCE data is very positive for the Fed as they track the PCE price indexes for its 2% inflation target.

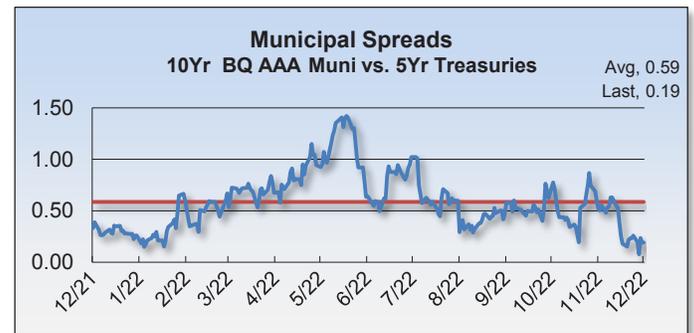
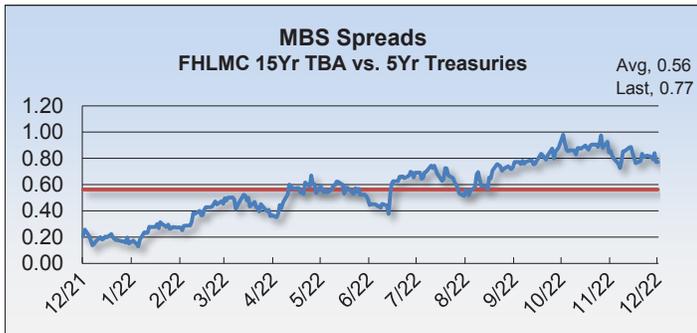
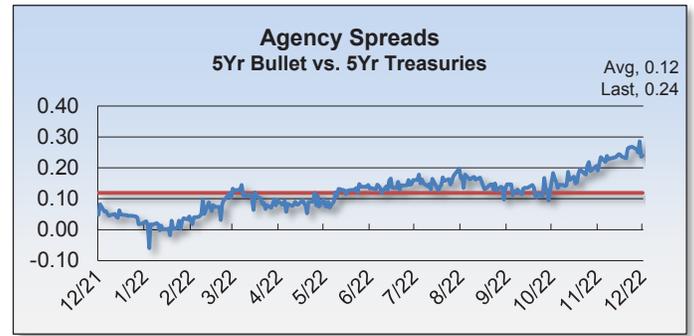
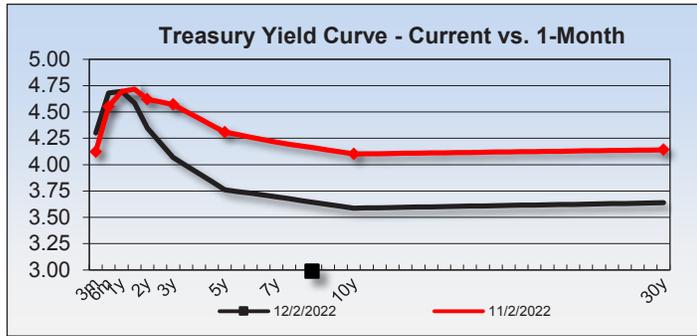
Let’s check in with the markets. Stocks still are still off early in today’s trading day as Treasuries are selling off with the 10-Year Treasury Bond yield rising to 3.59%. The 2-Year Treasury Yield is at 4.35%, producing a negative 76 basis point 10s and 2s spread to highlight just how inverted the Treasury Yield Curve currently is.

We start off next week with factory and durable goods orders. Later in the week we get the latest release of the Producer Price Indexes as well as the University of Michigan’s Consumer Sentiment and Expectations survey information. The following week brings us the Federal Reserve’s final rate setting policy meeting of the year. Have a great weekend everyone!

10 - Year Treasury Constant Maturity Minus 2-Year Treasury Constant Maturity



Source: Federal Reserve Bank of St. Louis



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	4.30	0.01	4.13	1.13	0.04	2yr	4.46	4.68	3.40	3.62	4.47	2Yr	5.03	5.03	5.03	-
6mo	4.68	(0.01)	4.56	1.62	0.09	3yr	4.16	4.22	3.47	3.70	4.41	3Yr	4.76	4.77	4.70	4.76
1yr	4.70	(0.05)	4.72	2.12	0.26	5yr	3.87	3.82	3.54	3.77	4.30	5Yr	4.55	4.55	4.54	4.48
2yr	4.35	(0.11)	4.62	2.63	0.62	7yr	3.97	3.66	3.60	3.83	4.38	7Yr	4.48	4.51	4.50	4.43
3yr	4.07	(0.13)	4.57	2.82	0.81	10yr	4.04	3.57	3.65	3.89	4.56	10Yr	4.44	4.50	4.49	4.43
5yr	3.76	(0.10)	4.31	2.91	1.21	15yr	4.12	3.55	4.27	4.54	4.75	January TBA MBS				
7yr	3.69	(0.09)	4.22	2.95	1.38	20yr	4.19	3.49	4.58	4.87	4.92	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	3.59	(0.10)	4.10	2.91	1.45	25yr	4.26	3.37	4.73	5.03	4.98	2.50	4.53	5.6y	4.49	
30yr	3.64	(0.10)	4.14	3.08	1.76	30yr		3.24	4.87	5.19	5.03	3.00	4.72	5.6y		
												3.50	4.56	5.5y	4.73	10.5y
												4.00	4.53	5.5y	4.82	10.0y
												4.50			4.96	8.2y
												5.00			5.07	6.8y

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	4.00	--	4.00	1.00	0.25
Primary Discount	4.00	--	3.25	1.00	0.25
2ndary Discount	4.50	--	3.75	1.50	0.75
Prime Rate	7.00	--	6.25	4.00	3.25
Sec. O.N. Finance	3.82	0.03	3.05	0.80	--
1 Month LIBOR	4.14	0.10	3.77	1.06	0.09
3 Month LIBOR	4.78	0.02	4.44	1.58	0.17
6 Month LIBOR	5.20	(0.02)	4.93	2.07	0.24
1 Year LIBOR	5.57	(0.07)	5.37	2.70	0.38
6 Month CD	5.15	0.21	4.91	2.24	0.34
1 Year CMT	4.66	(0.09)	4.75	2.16	0.25
REPO O/N	3.84	0.02	3.83	0.80	0.07
REPO 1Wk	3.89	0.01	3.89	0.84	0.12
CoF Federal	2.278	--	2.022	0.963	0.749
11th D. CoF (Dec)	0.223	--	0.218	0.282	0.460

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	4.61	4.70	4.66
6mo	4.87	4.93	4.93
1yr	4.95	4.95	5.13
2yr	4.60	4.69	4.73
3yr	4.25	4.36	4.39
4yr	4.12	4.20	4.22
5yr	4.01	4.09	4.10
7yr	4.25	4.37	4.37
10yr	4.45	4.60	4.57
5yr Am	4.32		4.35
10yr Am	4.38		4.42

Fed Fund Futures	
Maturity	Rate
Dec-22	4.125
Jan-23	4.360
Feb-23	4.720
Mar-23	4.780
Apr-23	4.900
May-23	4.960
Jun-23	4.960
Jul-23	4.955
Aug-23	4.915
Sep-23	4.900
Oct-23	4.845

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
11/29	House Price Purchase Index QoQ	3Q	--	0.1%	4.0%	3.7%
11/29	S&P CoreLogic CS 20-City YoY NSA	Sep	10.55%	10.43%	13.08%	13.06%
11/29	S&P CoreLogic CS US HPI YoY NSA	Sep	--	10.65%	12.99%	12.88%
11/29	Conf. Board Consumer Confidence	Nov	100.0	100.2	102.5	102.2
11/29	Conf. Board Present Situation	Nov	--	137.4	138.9	138.7
11/29	Conf. Board Expectations	Nov	--	75.4	78.1	77.9
11/30	MBA Mortgage Applications	11/25	--	-0.8%	2.2%	--
11/30	ADP Employment Change	Nov	200k	127k	239k	--
11/30	GDP Annualized QoQ	3Q S	2.8%	2.9%	2.6%	--
11/30	Personal Consumption	3Q S	1.6%	1.7%	1.4%	--
11/30	GDP Price Index	3Q S	4.1%	4.3%	4.1%	--
11/30	Core PCE QoQ	3Q S	4.5%	4.6%	4.5%	--
11/30	Pending Home Sales NSA YoY	Oct	-35.2%	-36.7%	-30.4%	-29.3%
11/30	JOLTS Job Openings	Oct	10250k	10334k	10717k	10687k
12/1	Challenger Job Cuts YoY	Nov	--	416.5%	48.3%	--
12/1	Personal Income	Oct	0.4%	0.7%	0.4%	--
12/1	Personal Spending	Oct	0.8%	0.8%	0.6%	--
12/1	Real Personal Spending	Oct	0.5%	0.5%	0.3%	--
12/1	PCE Deflator YoY	Oct	6.0%	6.0%	6.2%	6.3%
12/1	PCE Core Deflator YoY	Oct	5.0%	5.0%	5.1%	5.2%
12/1	Initial Jobless Claims	11/26	235k	225k	240k	241k
12/1	Continuing Claims	11/19	1570k	1608k	1551k	--
12/1	S&P Global US Manufacturing PMI	Nov F	47.6	47.7	47.6	--
12/1	ISM Manufacturing	Nov	49.7	49.0	50.2	--
12/1	ISM Prices Paid	Nov	45.9	43.0	46.6	--
12/1	ISM New Orders	Nov	48.5	47.2	49.2	--
12/1	ISM Employment	Nov	50.0	48.4	50.0	--
12/2	Two-Month Payroll Net Revision	Nov	--	-23k	--	--
12/2	Change in Nonfarm Payrolls	Nov	200k	263k	261k	284k
12/2	Change in Private Payrolls	Nov	185k	221k	233k	248k
12/2	Change in Manufact. Payrolls	Nov	18k	14k	32k	36k
12/2	Unemployment Rate	Nov	3.7%	3.7%	3.7%	--
12/2	Average Hourly Earnings MoM	Nov	0.3%	0.6%	0.4%	0.5%
12/2	Average Hourly Earnings YoY	Nov	4.6%	5.1%	4.7%	4.9%
12/2	Average Weekly Hours All Employees	Nov	34.5	34.4	34.5	--
12/2	Labor Force Participation Rate	Nov	62.3%	62.1%	62.2%	--
12/2	Underemployment Rate	Nov	--	6.7%	6.8%	--
12/5	S&P Global US Services PMI	Nov F	46.1	--	46.1	--
12/5	S&P Global US Composite PMI	Nov F	46.3	--	46.3	--
12/5	Factory Orders Ex Trans	Oct	--	--	-0.1%	--
12/5	Cap Goods Orders Nondef Ex Air	Oct F	--	--	0.7%	--
12/5	Durables Ex Transportation	Oct F	--	--	0.5%	--
12/5	Cap Goods Ship Nondef Ex Air	Oct F	--	--	1.3%	--
12/5	ISM Services Index	Nov	53.5	--	54.4	--
12/9	PPI Ex Food and Energy YoY	Nov	5.9%	--	6.7%	--
12/9	PPI Final Demand YoY	Nov	7.2%	--	8.0%	--
12/9	PPI Ex Food, Energy, Trade YoY	Nov	4.7%	--	5.4%	--

MBS Prepayments ⁴						
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	14.0	14.6	15.0	14.9	14.6	13.6
FH/FN 15y	7.1	7.6	8.1	13.2	15.2	14.9
GN 15y	9.5	9.8	12.4	13.1	13.5	12.9
FH/FN 20y	5.9	6.5	7.2	8.1	9.1	10.0
FH/FN 30y	5.5	5.6	6.0	6.9	8.9	10.9
GN 30y	6.4	7.6	7.8	9.5	10.7	8.6

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	135.40	(3.79)	147.90	129.84	113.11
Euro	1.05	0.01	0.98	1.07	1.13
Dollar Index	105.17	(0.79)	111.35	101.82	96.16
Major Stock Indices					
Dow Jones	34,135	(212)	32,148	33,248	34,640
S&P 500	4,031.3	5.2	3,759.7	4,176.8	4,577.1
NASDAQ	11,336.7	110	10,524.8	12,316.9	15,381.3
Commodities					
Gold	1,783.6	29.6	1,650.0	1,866.5	1,760.7
Crude Oil	81.82	5.54	90.00	116.87	66.50
Natural Gas	6.51	(0.51)	6.27	8.49	4.06
Wheat	739.3	-36.3	846.0	1,058.3	806.5
Corn	639.8	-28.3	687.5	730.3	577.0

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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