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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 Strategies for  
2023 with Dakota  
Credit Union  
Association  
Jan 12, 2023

##### CU Seminar:

Minneapolis, MN  
Mar 21, 2023

Another week down and another week closer to Christmas. The Federal Reserve is trying to get off Santa's naughty list by cooling inflation without tipping the economy into a recession. This morning we found out that wholesale prices as measured by the producer price index (PPI) rose 0.3% in November, more than the expected 0.2% gain. The year over year change was 7.4%. Excluding food and energy, core PPI was up 6.2% from a year ago, compared to 6.6% in October. The PPI is a measure of what companies get for their products in the pipeline. This hotter than expected PPI data more than likely keeps the Federal Reserve on track for another rate increase next week. Currently, the probability for a 50-basis point rate hike next week is 75% and 25% for a 75-basis point rate hike per the CME FedWatch Tool. A 50-basis point rate hike would reflect a slower pace in Fed tightening after four consecutive 75-basis point rate hikes.

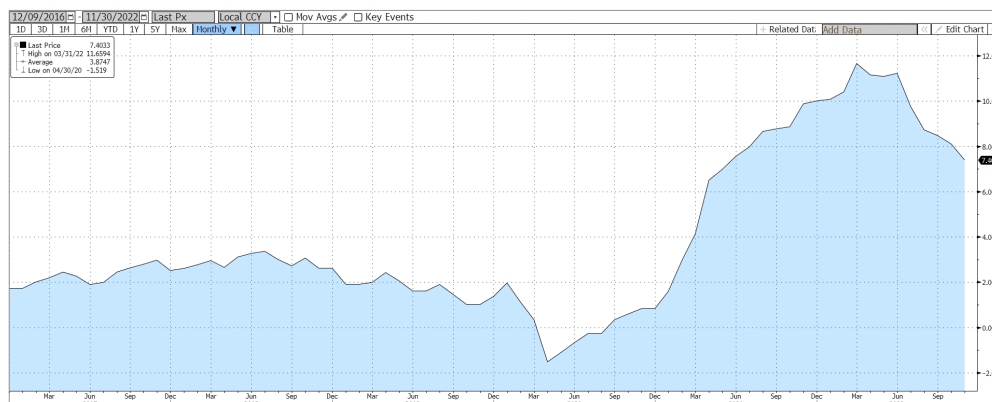
Another release this morning comes to us from the University of Michigan Consumer Sentiment Index as the reading came in at 59.1, higher than the expected 57 and up from 56.8 in the prior month. The survey's reading of one-year inflation expectations fell to 4.6%, the lowest reading in 15 months, from 4.9% in November. The decline in short-run inflation may not be all that surprising given the recent decline in gasoline prices. The five-year inflation outlook was unchanged at 3.0% from November.

Earlier in the week on Monday, a report from the Commerce Department showed that factory orders jumped 1.0% in October after rising 0.3% in September. The 1.0% increase came in higher than the expectations for a 0.7% increase. Durable goods orders also came in a touch higher than expected with a 1.1% increase with expectations of a 1.0% increase. The ISM services index was also released Monday with a reading of 56.5, well above expectation of 53.5. The ISM services index is populated from a survey of more than 400 non-manufacturing (or services) firms' purchasing and supply executives. The services report measures business activity for the overall economy, a number above 50 indicates growth while a number below 50 indicates contraction.

Last Friday gave us the latest on nonfarm payrolls and the unemployment rate, but each Thursday we get initial and continuing jobless claims. First-time or initial unemployment claims rose 230,000 vs. 225,000 the prior week. Continuing claims hit 1.671 million, their highest level since February of this year. A tight labor market has continued to put upward pressure on wages and therefore inflation which has been a challenge for the Fed.

Most investors are laser focused on the final Federal Reserve policy setting meeting of 2022 with expectations for a 50-basis point rate increase. Next Tuesday will bring us the Consumer Price Index (CPI) data for the month of November. Estimates for Headline and Core CPI are both for a 0.3% month over month change. The year-over-year estimates call for a 7.3% increase on Headline CPI and a 6.1% increase in Core CPI. Have a great weekend and be careful out there!

### Producer Price Index Year-Over-Year Percentage Change (December 2016 – Present)



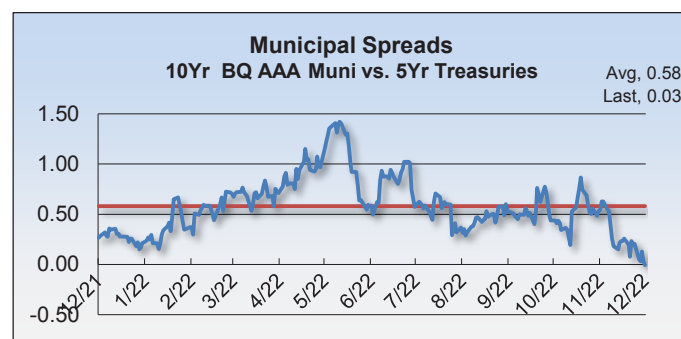
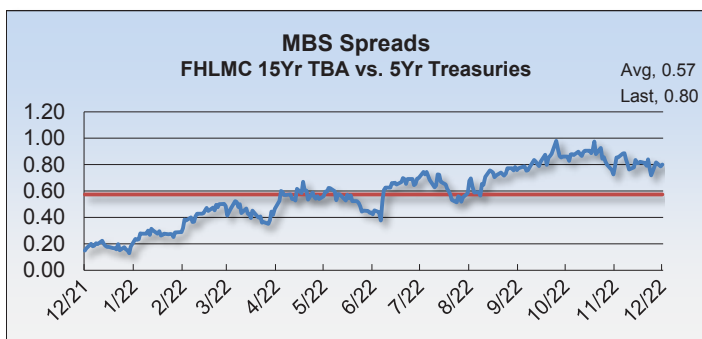
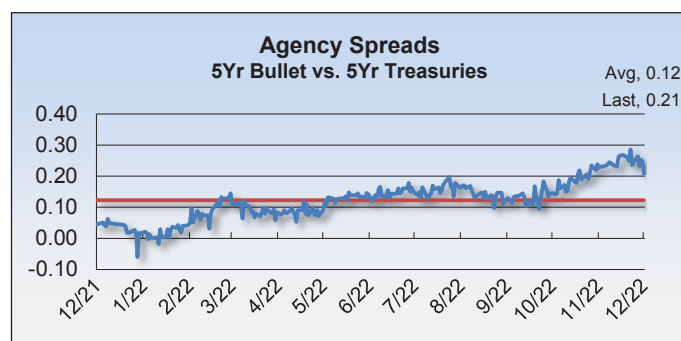
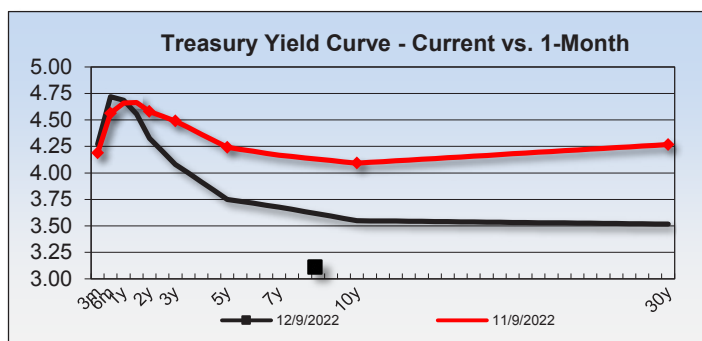
Source: Bloomberg, L.P.

# Baker Market Update

## Week in Review

The BakerGroup

December 9, 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 <sup>2</sup>	S-Corp <sup>3</sup>			Mty	3Mo	6mo	1Yr	2Yr
3mo	4.27	(0.01)	4.19	1.26	0.05	2yr	4.43	4.65	3.37	3.59	4.53	2Yr	5.11	5.11	5.11	-	
6mo	4.72	0.07	4.59	1.80	0.12	3yr	4.10	4.19	3.39	3.61	4.46	3Yr	4.85	4.86	4.80	4.85	
1yr	4.69	0.02	4.69	2.27	0.27	5yr	3.86	3.79	3.46	3.68	4.33	5Yr	4.59	4.59	4.58	4.52	
2yr	4.33	0.05	4.58	2.81	0.69	7yr	3.95	3.62	3.49	3.71	4.40	7Yr	4.51	4.53	4.52	4.45	
3yr	4.08	0.10	4.49	3.00	0.88	10yr	4.00	3.52	3.54	3.77	4.52	10Yr	4.42	4.47	4.47	4.40	
5yr	3.75	0.10	4.24	3.06	1.27	15yr	4.04	3.50	4.24	4.51	4.71	Cpn	January TBA MBS				
7yr	3.68	0.09	4.17	3.09	1.44	20yr	4.07	3.43	4.55	4.84	4.75		15Yr -Yld/AL	30Yr -Yld/AL			
10yr	3.55	0.06	4.10	3.04	1.50	25yr	4.10	3.29	4.70	5.00	4.81		4.00	4.48	5.5y	4.75	10.1y
30yr	3.52	(0.03)	4.27	3.16	1.88	30yr		3.16	4.84	5.16	4.86		4.50	4.52	5.0y	4.93	8.4y
													5.00			5.09	7.0y
												5.50			5.18	5.2y	
* Interpolated																	
Key Market Indices																	
		1Wk	Historical														

\* 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	--	4.00	1.00	0.25
2ndary Discount	4.50	--	4.50	1.50	0.75
Prime Rate	7.00	--	7.00	4.00	3.25
Sec. O.N. Finance	3.80	(0.02)	3.78	0.76	--
1 Month LIBOR	4.24	0.09	3.86	1.19	0.10
3 Month LIBOR	4.72	(0.06)	4.56	1.69	0.20
6 Month LIBOR	5.17	(0.03)	5.02	2.24	0.28
1 Year LIBOR	5.52	(0.05)	5.61	2.89	0.48
6 Month CD	4.92	(0.23)	5.22	2.20	0.26
1 Year CMT	4.71	0.05	4.77	2.29	0.29
REPO O/N	3.84	--	3.83	0.77	0.06
REPO 1Wk	3.89	--	3.89	1.21	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				Fed Fund Futures	
Maturity	Chicago	Boston	Topeka	Maturity	Rate
3mo	4.65	4.73	4.70	Dec-22	4.115
6mo	4.89	4.95	4.97	Jan-23	4.350
1yr	4.96	4.99	5.14	Feb-23	4.705
2yr	4.56	4.66	4.71	Mar-23	4.775
3yr	4.25	4.36	4.36	Apr-23	4.900
4yr	4.10	4.21	4.19	May-23	4.965
5yr	3.96	4.08	4.03	Jun-23	4.970
7yr	4.23	4.34	4.29	Jul-23	4.955
10yr	4.42	4.52	4.46	Aug-23	4.915
5yr Am	4.28		4.31	Sep-23	4.890
10yr Am	4.32		4.35	Oct-23	4.835

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Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
12/5	S&P Global US Services PMI	Nov F	46.1	46.2	46.1	--
12/5	S&P Global US Composite PMI	Nov F	46.3	46.4	46.3	--
12/5	Factory Orders	Oct	0.7%	1.0%	0.3%	0.3%
12/5	Factory Orders Ex Trans	Oct	--	0.8%	-0.1%	-0.2%
12/5	Durable Goods Orders	Oct F	1.0%	1.1%	1.0%	--
12/5	Durables Ex Transportation	Oct F	0.5%	0.5%	0.5%	--
12/5	Cap Goods Orders Nondef Ex Air	Oct F	--	0.6%	0.7%	--
12/5	Cap Goods Ship Nondef Ex Air	Oct F	--	1.5%	1.3%	--
12/5	ISM Services Index	Nov	53.5	56.5	54.4	--
12/7	MBA Mortgage Applications	12/2	--	-1.9%	-0.8%	--
12/7	Nonfarm Productivity	3Q F	0.6%	0.8%	0.3%	--
12/7	Unit Labor Costs	3Q F	3.1%	2.4%	3.5%	--
12/7	Consumer Credit	Oct	\$28.000b	\$27.078b	\$24.976b	\$25.816b
12/8	Initial Jobless Claims	12/3	230k	230k	225k	226k
12/8	Continuing Claims	11/26	1618k	1671k	1608k	1609k
12/9	PPI Final Demand MoM	Nov	0.2%	0.3%	0.2%	0.3%
12/9	PPI Ex Food and Energy MoM	Nov	0.2%	0.4%	0.0%	0.1%
12/9	PPI Ex Food, Energy, Trade MoM	Nov	0.1%	0.3%	0.2%	--
12/9	PPI Final Demand YoY	Nov	7.2%	7.4%	8.0%	8.1%
12/9	PPI Ex Food and Energy YoY	Nov	5.9%	6.2%	6.7%	6.8%
12/9	PPI Ex Food, Energy, Trade YoY	Nov	4.7%	4.9%	5.4%	--
12/9	Wholesale Inventories MoM	Oct F	0.8%	0.5%	0.8%	--
12/9	Wholesale Trade Sales MoM	Oct	0.3%	0.4%	0.4%	0.1%
12/9	U. of Mich. Sentiment	Dec P	57.0	59.1	56.8	--
12/9	U. of Mich. Current Conditions	Dec P	58.8	60.2	58.8	--
12/9	U. of Mich. Expectations	Dec P	54.5	58.4	55.6	--
12/9	U. of Mich. 1 Yr Inflation	Dec P	4.9%	4.6%	4.9%	--
12/9	U. of Mich. 5-10 Yr Inflation	Dec P	3.0%	3.0%	3.0%	--
12/9	Household Change in Net Worth	3Q	--	--	-\$6100b	--
12/13	NFIB Small Business Optimism	Nov	90.7	--	91.3	--
12/13	Real Avg Hourly Earning YoY	Nov	--	--	-2.8%	-2.7%
12/13	Real Avg Weekly Earnings YoY	Nov	--	--	-3.7%	-3.5%
12/13	CPI YoY	Nov	7.3%	--	7.7%	--
12/13	CPI Ex Food and Energy YoY	Nov	6.1%	--	6.3%	--
12/13	CPI Core Index SA	Nov	300.43	--	299.47	--
12/14	Import Price Index YoY	Nov	--	--	4.2%	--
12/14	Export Price Index YoY	Nov	--	--	6.9%	--
12/14	FOMC Rate Decision (Lower Bound)	12/14	4.25%	--	3.75%	--
12/14	FOMC Rate Decision (Upper Bound)	12/14	4.50%	--	4.00%	--
12/14	Interest on Reserve Balances Rate	12/15	4.40%	--	3.90%	--
12/15	Empire Manufacturing	Dec	-1.0	--	4.5	--
12/15	Retail Sales Ex Auto and Gas	Nov	-0.1%	--	0.9%	--
12/15	Retail Sales Control Group	Nov	-0.2%	--	0.7%	--
12/15	Capacity Utilization	Nov	79.8%	--	79.9%	--
12/15	Manufacturing (SIC) Production	Nov	-0.1%	--	0.1%	--
12/15	Net Long-term TIC Flows	Oct	--	--	\$118.0b	--
12/15	Total Net TIC Flows	Oct	--	--	\$30.9b	--

MBS Prepayments <sup>4</sup>						
3-Month CPR						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	13.6	13.6	14.1	16.6	3.3	94.4
FH/FN 15y	7.2	9.5	14.4	17.6	21.6	28.3
GN 15y	12.9	14.5	17.2	18.7	21.6	27.7
FH/FN 20y	7.2	7.8	9.2	10.6	13.5	16.1
FH/FN 30y	5.4	6.1	6.3	8.5	7.8	8.4
GN 30y	7.2	11.7	8.0	8.8	8.9	9.0
CPR Projections						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	14.5	15.0	14.8	14.0	13.8	90.5
FH/FN 15y	7.6	8.1	13.3	15.3	15.3	19.4
GN 15y	10.0	12.5	13.2	13.6	13.2	14.3
FH/FN 20y	6.5	7.2	8.1	9.2	10.3	11.5
FH/FN 30y	5.7	6.0	6.8	8.8	10.9	13.1
GN 30y	7.5	7.6	9.8	10.6	8.6	8.9

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	136.42	2.11	146.47	134.36	113.49
Euro	1.05	0.00	1.00	1.06	1.13
Dollar Index	104.90	0.35	110.55	103.22	96.27
Major Stock Indices					
Dow Jones	33,741	(689)	32,514	32,273	35,755
S&P 500	3,962.9	(108.8)	3,748.6	4,017.8	4,667.5
NASDAQ	11,079.9	(382)	10,353.2	11,754.2	15,517.4
Commodities					
Gold	1,796.3	0.4	1,713.7	1,848.8	1,774.6
Crude Oil	72.23	(7.75)	85.83	121.51	70.94
Natural Gas	6.35	0.07	5.87	8.96	3.81
Wheat	724.3	-34.5	827.8	1,074.8	791.3
Corn	636.8	1.8	664.5	773.0	588.5

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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