



Dale Sheller
Senior Vice President
The Baker Group LP
DS heller@GoBaker.com

Tis the season everyone! Bowl Season that is! Tonight, we can all enjoy the Hometown Lenders Bahamas Bowl! Don't worry if you miss tonight's bowl game because there are 41 more to enjoy. Happy Holidays and Happy Friday everyone! This is your week in review.

The markets were focused on this week's (and final for the year) Federal Reserve meeting which concluded on Wednesday with the Fed announcing another hike in interest rates. The announcement of a rate hike didn't come to a surprise to many; however, the 50-basis point increase marked a slower pace of rate increases from the Fed after four consecutive 75-basis point rate hikes. With the 50-basis point rate this week, the Federal Reserve has raised rates 425 basis points this year. The updated Dot Plot (illustration below) showed a terminal or peak Fed Funds rate of 5.1% next year before dropping down to 4.1% in 2024 and 3.1% by 2025.

On Tuesday, the November Consumer Price Index (CPI) was released. Stock and bond prices soared on Tuesday as the BLS report showed the CPI rose less than expected in November, further reinforcing the thought that inflation has peaked, and the Fed is nearing the end of their most aggressive tightening cycle in 40 years. CPI rose just 0.1% in November with expectations for a 0.3% increase. CPI rose 7.1% from a year ago, below the expectations for a 7.3% increase. Excluding food and energy, Core CPI rose just 0.2% for the month and 6.0% from a year ago, below the expectations for a 0.3% monthly increase and a 6.1% year over year increase. The largest drops were in energy prices, commodities, used cars, and medical services while the closely watched shelter component rose by the smallest amount since July. This CPI report was very good news for the Fed and solidified their decision to raise rates by 50-basis points this week.

Consumers pulled back on spending in November (my Amazon account would beg to differ) as retail sales for the month declined 0.6%, worse than the expected 0.3% decline. Measures that exclude autos and both autos and gas sales both showed 0.2% declines. Spending increased in some areas, including at grocery stores, health, and personal care stores and restaurants and bars. Inflation, which Americans have been experiencing most of this year, is shaping up to become the defining factor for the holiday shopping season.

Next week marks the last week of Christmas and is typically the week when I finally start my Christmas shopping. Next week brings us important housing market data. Housing starts, building permits, and existing home sales data will be released early next week. Many housing related economic releases are seen as leading economics indicators and can paint a good picture of where the economy may be heading before other lagging or coincident economic indicators start to downturn.

Have a great weekend!

Federal Reserve DOT Plot – December 2022



Source: Bloomberg, L.P.

UPCOMING EVENTS

Banks

Seminar:

West Des Moines, IA
Jun 12, 2023

Springfield, IL
Aug 7, 2023

Oklahoma City, OK
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

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
12/12	Monthly Budget Statement	Nov	-\$248.0b	-\$248.5b	-\$191.3b	--
12/13	NFIB Small Business Optimism	Nov	90.5	91.9	91.3	--
12/13	CPI YoY	Nov	7.3%	7.1%	7.7%	--
12/13	CPI Ex Food and Energy YoY	Nov	6.1%	6.0%	6.3%	--
12/13	CPI Index NSA	Nov	298.1	297.7	298.0	--
12/13	CPI Core Index SA	Nov	300.4	300.1	299.5	--
12/13	Real Avg Hourly Earning YoY	Nov	--	-1.9%	-2.8%	-2.7%
12/13	Real Avg Weekly Earnings YoY	Nov	--	-3.0%	-3.7%	-3.5%
12/14	Import Price Index YoY	Nov	3.2%	2.7%	4.2%	4.1%
12/14	Export Price Index YoY	Nov	5.7%	6.3%	6.9%	7.4%
12/14	FOMC Rate Decision (Upper Bound)	12/14	4.5%	4.5%	4.0%	--
12/14	FOMC Rate Decision (Lower Bound)	12/14	4.3%	4.3%	3.8%	--
12/14	Interest on Reserve Balances Rate	12/15	4.4%	4.4%	3.9%	--
12/15	Empire Manufacturing	Dec	-1.0	-11.2	4.5	--
12/15	Retail Sales Ex Auto and Gas	Nov	0.0%	-0.2%	0.9%	0.8%
12/15	Retail Sales Control Group	Nov	0.1%	-0.2%	0.7%	0.5%
12/15	Continuing Claims	12/3	1674k	1671k	1671k	1670k
12/15	Philadelphia Fed Business Outlook	Dec	-10.0	-13.8	-19.4	--
12/15	Capacity Utilization	Nov	79.8%	79.7%	79.9%	--
12/15	Manufacturing (SIC) Production	Nov	-0.2%	-0.6%	0.1%	0.3%
12/15	Business Inventories	Oct	0.4%	0.3%	0.4%	0.2%
12/15	Net Long-term TIC Flows	Oct	--	\$67.8b	\$118.0b	\$117.7b
12/15	Total Net TIC Flows	Oct	--	\$179.9b	\$30.9b	\$30.4b
12/16	S&P Global US Manufacturing PMI	Dec P	47.8	46.2	47.7	--
12/16	S&P Global US Services PMI	Dec P	46.5	44.4	46.2	--
12/16	S&P Global US Composite PMI	Dec P	46.9	44.6	46.4	--
12/19	NAHB Housing Market Index	Dec	34.0	--	33.0	--
12/20	Housing Starts	Nov	1400k	--	1425k	--
12/20	Building Permits	Nov	1485k	--	1526k	1512k
12/21	MBA Mortgage Applications	12/16	--	--	3.2%	--
12/21	Current Account Balance	3Q	-\$224.0b	--	-\$251.1b	--
12/21	Existing Home Sales	Nov	4.20m	--	4.43m	--
12/21	Conf. Board Consumer Confidence	Dec	101.0	--	100.2	--
12/21	Conf. Board Present Situation	Dec	--	--	137.4	--
12/21	Conf. Board Expectations	Dec	--	--	75.4	--
12/22	Chicago Fed Nat Activity Index	Nov	--	--	-0.1	--
12/22	GDP Annualized QoQ	3Q T	2.9%	--	2.9%	--
12/22	Personal Consumption	3Q T	1.7%	--	1.7%	--
12/22	GDP Price Index	3Q T	4.3%	--	4.3%	--
12/22	Core PCE QoQ	3Q T	4.6%	--	4.6%	--
12/22	Initial Jobless Claims	12/17	225k	--	211k	--
12/22	Leading Index	Nov	-0.4%	--	-0.8%	--
12/22	Kansas City Fed Manf. Activity	Dec	-6.0	--	-6.0	--
12/23	Personal Income	Nov	0.3%	--	0.7%	--
12/23	Personal Spending	Nov	0.2%	--	0.8%	--
12/23	Real Personal Spending	Nov	0.0%	--	0.5%	--
12/23	PCE Deflator YoY	Nov	5.5%	--	6.0%	--

MBS Prepayments ⁴						
3-Month CPR						
Type	2.5	3.0	3.5	4.0	4.5	5.0
FN 10y	12.0	13.6	13.6	14.1	16.6	3.3
FH/FN 15y	6.5	7.2	9.5	14.4	17.6	21.6
GN 15y	12.9	12.9	14.5	17.2	18.7	21.6
FH/FN 20y	6.1	7.2	7.8	9.2	10.6	13.5
FH/FN 30y	4.3	5.4	6.1	6.3	8.5	7.8
GN 30y	5.7	7.2	11.7	8.0	8.8	8.9
CPR Projections						
Type	2.5	3.0	3.5	4.0	4.5	5.0
FN 10y	14.1	14.7	15.2	14.9	14.0	14.0
FH/FN 15y	8.0	8.2	8.9	13.7	15.7	19.5
GN 15y	8.2	8.6	9.0	9.8	10.4	11.1
FH/FN 20y	6.1	7.1	7.9	9.3	10.3	11.5
FH/FN 30y	5.8	6.2	6.6	7.9	9.9	12.7
GN 30y	6.1	7.7	7.8	8.6	10.7	10.1

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	137.32	0.76	139.50	132.21	113.67
Euro	1.06	0.01	1.04	1.05	1.13
Dollar Index	104.48	(0.33)	106.28	103.63	96.04
Major Stock Indices					
Dow Jones	33,202	(579)	33,554	29,927	35,898
S&P 500	3,895.8	(67.8)	3,958.8	3,666.8	4,668.7
NASDAQ	10,810.5	(271)	11,183.7	10,646.1	15,180.4
Commodities					
Gold	1,794.8	(15.9)	1,775.8	1,849.9	1,798.2
Crude Oil	73.70	2.68	85.59	117.59	72.38
Natural Gas	6.47	0.22	6.20	7.46	3.77
Wheat	756.3	22.0	817.5	1,078.3	770.5
Corn	653.5	9.5	665.3	788.3	591.3

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, LP. This report was printed as of: 12/16/2022 10:22AM