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Happy Christmas Eve...Eve! This morning, my two-and-a-half-year-old daughter asked me "Daddy, what do you want for Christmas?" I told her "I'd love for this inflation to cool off a little." She replied with "do you agree with the Fed saying the personal consumption expenditures price index is their preferred measure of inflation over the closely tracked consumer price index?" I told her the thought is that the PCE index more accurately reflects consumers' spending habits as it allows for substitutions as the price of a good or service gets too high. Kids these days!

This morning the Bureau of Economic Analysis reported that core personal consumption expenditures (PCE) price index, which excludes food and energy prices, climbed 4.7% in November from the year prior and a month-over-month increase of 0.2%. Economists expected an increase of 4.6% and 0.2%, respectively. Headline PCE increased 5.5% on a year-over-year basis and 0.1% for the month. Both of these increases came in line with expectations. The PCE index is the lowest since October 2021 but remains about the Fed's 2% goal. The 450bps of Fed tightening in 2022 appears to be helping to cool off inflation. The Fed's next policy setting announcement isn't until February 1st of next year.

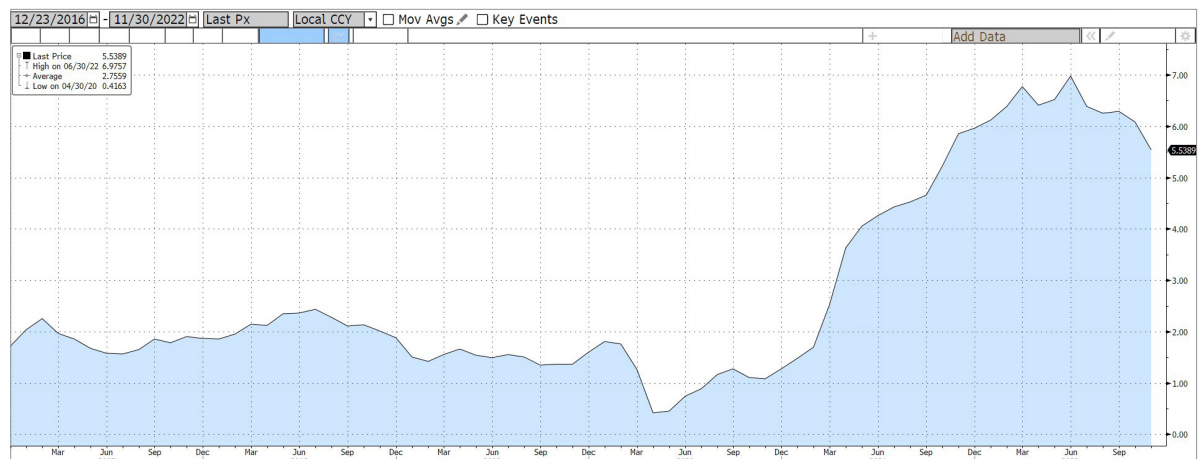
Friday's report also showed that spending continued to rise in November, but at a much slower pace than in previous months. Spending was up 0.1% in November as compared to 0.9% the month before. Households boosted spending on services last month while cutting spending on goods, including autos. Personal income increased by 0.4% in November, down from 0.7% in October.

Consumer sentiment in the U.S. rebounded a bit more than expected. The University of Michigan's consumer sentiment index improved from a reading of 56.8 in November to 59.7 in December. Consumer sentiment remains low, but some consumers' negative attitudes have softened on the basis of easing pressures from inflation. Consumers' inflation expectations one year ahead declined noticeably, from 4.9% in November to 4.4% in December.

Earlier this week, some real estate related data came in by the way of housing starts, building permits and existing home sales. Higher mortgage rates and other borrowing costs have cooled off the real estate market this year. Housing starts fell in November for the third straight month as they fell by 0.5% from the previous month. Outside of the pandemic plunge, single-family starts are the weakest since February 2019. Building permits fell by 11.2%, compared to a 3.3% drop the prior month of October.

Next week is a light economic data release week given the holidays. Until then, Happy Holidays and Merry Christmas everyone!

Core PCE Year over Year Change (July 2016 to Present)



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

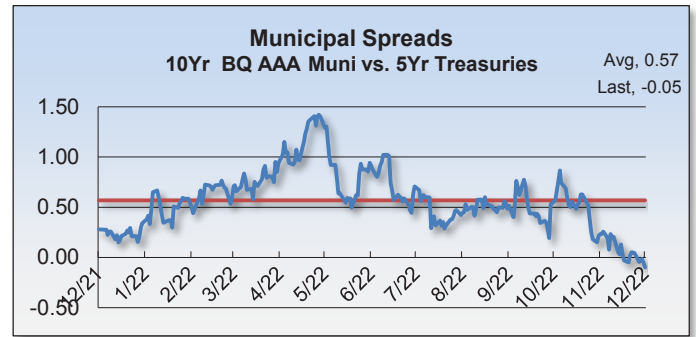
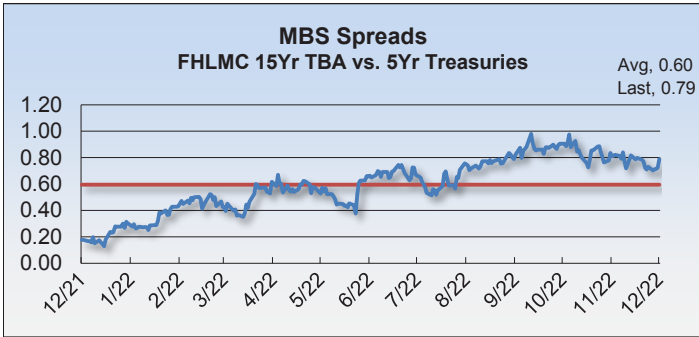
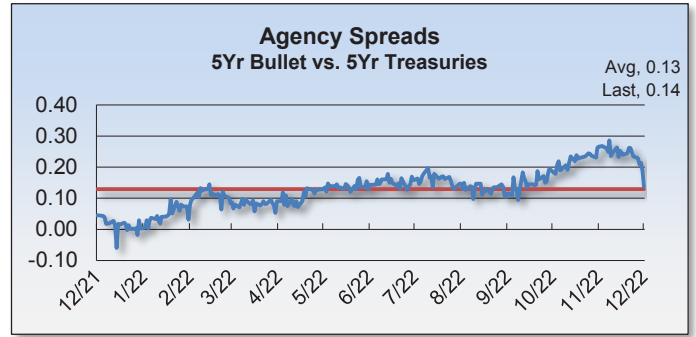
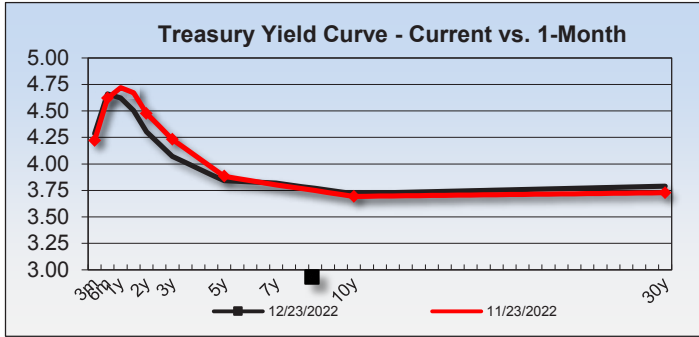
CU Seminar:

Minneapolis, MN
Mar 21, 2023

Baker Market Update

Week in Review

December 23, 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 ²	S-Corp ³		Mty	3Mo	6mo	1Yr	2Yr	
3mo	4.29	0.01	4.27	1.60	0.07	2yr	4.40	4.60	3.49	3.71	4.55	2Yr	5.08	5.08	5.08	-	
6mo	4.66	0.01	4.68	2.42	0.17	3yr	4.20	4.22	3.39	3.61	4.48	3Yr	4.84	4.84	4.80	4.84	
1yr	4.62	0.03	4.74	2.76	0.28	5yr	3.95	3.89	3.40	3.62	4.33	5Yr	4.69	4.69	4.68	4.62	
2yr	4.30	0.12	4.48	3.02	0.69	7yr	4.04	3.77	3.43	3.65	4.33	7Yr	4.67	4.69	4.68	4.61	
3yr	4.07	0.16	4.23	3.12	0.87	10yr	4.13	3.70	3.46	3.68	4.48	10Yr	4.62	4.67	4.67	4.60	
5yr	3.84	0.22	3.89	3.15	1.24	15yr	4.21	3.69	4.19	4.46	4.67	January TBA MBS					
7yr	3.82	0.23	3.81	3.16	1.41	20yr	4.30	3.63	4.49	4.78	4.79	Cpn	15Yr -Yld/AL		30Yr -Yld/AL		
10yr	3.72	0.23	3.70	3.09	1.49	25yr	4.39	3.50	4.64	4.94	4.85		2.00	4.37	5.8y	4.44	
30yr	3.79	0.24	3.73	3.20	1.91	30yr	4.39	3.39	4.79	5.10	4.90		2.50	4.64	5.7y		
													3.00	4.77	5.6y	4.66	10.5y
													3.50	4.64	5.6y	4.76	10.4y
												4.00			4.86	10.1y	
												4.50			4.99	9.0y	

** Interpolated*

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	4.50	--	4.00	1.75	0.25
Primary Discount	4.50	--	4.00	1.75	0.25
2ndary Discount	5.00	--	4.50	2.25	0.75
Prime Rate	7.50	--	7.00	4.75	3.25
Sec. O.N. Finance	4.30	(0.02)	3.80	1.45	--
1 Month LIBOR	4.39	0.06	3.98	1.64	0.10
3 Month LIBOR	4.73	(0.01)	4.69	2.15	0.22
6 Month LIBOR	5.16	0.04	5.17	2.84	0.33
1 Year LIBOR	5.43	0.02	5.57	3.63	0.54
6 Month CD	4.96	0.03	5.23	2.90	0.32
1 Year CMT	4.64	(0.01)	4.79	2.79	0.28
REPO O/N	4.34	--	3.82	1.47	0.05
REPO 1Wk	4.99	0.60	3.86	1.38	0.20
CoF Federal	2.568	--	2.278	1.096	0.738
11th D. CoF (Dec)	0.223	--	0.218	0.282	0.460

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	4.68	4.78	4.72
6mo	4.86	4.92	4.89
1yr	4.93	4.97	5.04
2yr	4.55	4.66	4.63
3yr	4.26	4.37	4.31
4yr	4.15	4.25	4.19
5yr	4.08	4.18	4.10
7yr	4.35	4.46	4.39
10yr	4.52	4.64	4.56
5yr Am	4.31		4.31
10yr Am	4.43		4.43

Fed Fund Futures	
Maturity	Rate
Dec-22	4.105
Jan-23	4.330
Feb-23	4.660
Mar-23	4.720
Apr-23	4.835
May-23	4.900
Jun-23	4.895
Jul-23	4.885
Aug-23	4.835
Sep-23	4.800
Oct-23	4.740

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
12/19	NAHB Housing Market Index	Dec	34	31	33	--
12/20	Housing Starts	Nov	1400k	1427k	1425k	1434k
12/20	Building Permits	Nov	1480k	1342k	1526k	--
12/20	Housing Starts MoM	Nov	-1.8%	-0.5%	-4.2%	-2.1%
12/20	Building Permits MoM	Nov	-2.1%	-11.2%	-2.4%	--
12/21	MBA Mortgage Applications	Dec 16	--	0.9%	3.2%	--
12/21	Current Account Balance	3Q	-\$222.0b	-\$217.1b	-\$251.1b	-\$238.7b
12/21	Existing Home Sales	Nov	4.2m	4.09m	4.43m	--
12/21	Existing Home Sales MoM	Nov	-5.2%	-7.7%	-5.9%	--
12/21	Conf. Board Consumer Confidence	Dec	101.0	108.3	100.2	101.4
12/21	Conf. Board Present Situation	Dec	--	147.2	137.4	138.3
12/21	Conf. Board Expectations	Dec	--	82.4	75.4	76.7
12/22	GDP Annualized QoQ	3Q T	2.9%	3.2%	2.9%	--
12/22	Personal Consumption	3Q T	1.7%	2.3%	1.7%	--
12/22	GDP Price Index	3Q T	4.3%	4.4%	4.3%	--
12/22	Core PCE QoQ	3Q T	4.6%	4.7%	4.6%	--
12/22	Initial Jobless Claims	Dec 17	222k	216k	211k	214k
12/22	Continuing Claims	Dec 10	1675k	1672k	1671k	1678k
12/22	Leading Index	Nov	-0.5%	-1.0%	-0.8%	-0.9%
12/22	Kansas City Fed Manf. Activity	Dec	-7	-9	-6	--
12/23	Personal Income	Nov	0.3%	0.4%	0.7%	--
12/23	Personal Spending	Nov	0.2%	0.1%	0.8%	0.9%
12/23	Real Personal Spending	Nov	0.1%	0.0%	0.5%	--
12/23	PCE Deflator MoM	Nov	0.1%	0.1%	0.3%	0.4%
12/23	PCE Deflator YoY	Nov	5.5%	5.5%	6.0%	6.1%
12/23	PCE Core Deflator MoM	Nov	0.2%	0.2%	0.2%	0.3%
12/23	PCE Core Deflator YoY	Nov	4.6%	4.7%	5.0%	--
12/23	Durable Goods Orders	Nov P	-1.0%	-2.1%	1.1%	0.7%
12/23	Durables Ex Transportation	Nov P	0.0%	0.2%	0.5%	0.1%
12/23	Cap Goods Orders Nondef Ex Air	Nov P	0.0%	0.2%	0.6%	0.3%
12/23	Cap Goods Ship Nondef Ex Air	Nov P	-0.3%	-0.1%	1.5%	1.4%
12/23	U. of Mich. Sentiment	Dec F	59.1	59.7	59.1	--
12/23	U. of Mich. Current Conditions	Dec F	60.3	59.4	60.2	--
12/23	U. of Mich. Expectations	Dec F	58.5	59.9	58.4	--
12/23	U. of Mich. 1 Yr Inflation	Dec F	4.6%	4.4%	4.6%	--
12/23	U. of Mich. 5-10 Yr Inflation	Dec F	3.0%	2.9%	3.0%	--
12/23	New Home Sales	Nov	600k	640k	632k	605k
12/23	New Home Sales MoM	Nov	-5.1%	5.8%	7.5%	8.2%
12/27	Advance Goods Trade Balance	Nov	-\$96.8b	--	-\$99.0b	--
12/27	Retail Inventories MoM	Nov	-0.1%	--	-0.2%	--
12/27	S&P CoreLogic CS 20-City MoM SA	Oct	-1.1%	--	-1.24%	--
12/27	S&P CoreLogic CS 20-City YoY NSA	Oct	8.0%	--	10.43%	--
12/27	S&P CoreLogic CS US HPI YoY NSA	Oct	--	--	10.65%	--
12/27	Dallas Fed Manf. Activity	Dec	-13.5	--	-14.4	--
12/28	Richmond Fed Manufact. Index	Dec	-10	--	-9	--
12/28	Pending Home Sales NSA YoY	Nov	--	--	-36.7%	--
12/30	MNI Chicago PMI	Dec	40.0	--	37.2	--

MBS Prepayments ⁴						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	7.4	12.0	13.6	13.6	14.1	16.6
FH/FN 15y	5.9	6.5	7.2	9.5	14.4	17.6
GN 15y	8.7	12.9	12.9	14.5	17.2	18.7
FH/FN 20y	52.0	6.1	7.2	7.8	9.2	10.6
FH/FN 30y	7.2	4.3	5.4	6.1	6.3	8.5
GN 30y	5.1	5.7	7.2	11.7	8.0	8.8

CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	12.1	14.0	14.5	15.0	14.8	13.9
FH/FN 15y	7.7	7.1	7.6	8.0	13.5	15.5
GN 15y	10.5	9.7	10.0	12.6	13.2	13.6
FH/FN 20y	5.2	6.0	6.5	7.2	8.2	9.3
FH/FN 30y	5.7	5.6	5.8	6.1	6.8	8.3
GN 30y	5.9	6.3	7.3	7.5	8.9	10.5

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	133.03	(3.57)	139.60	134.95	114.39
Euro	1.06	0.00	1.04	1.05	1.13
Dollar Index	104.32	(0.38)	106.08	104.43	96.02
Major Stock Indices					
Dow Jones	32,968	47	34,194	30,677	35,951
S&P 500	3,798.7	(53.7)	4,027.3	3,795.7	4,725.8
NASDAQ	10,401.8	(304)	11,285.3	11,232.2	15,653.4
Commodities					
Gold	1,795.7	5.7	1,745.6	1,825.7	1,811.2
Crude Oil	79.77	5.48	77.94	104.27	73.79
Natural Gas	4.96	(1.64)	7.31	6.24	3.73
Wheat	773.8	20.3	793.5	937.3	814.8
Corn	665.5	12.5	663.3	746.8	605.8

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, L.P. This report was printed as of: 12/23/2022 9:18AM