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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:

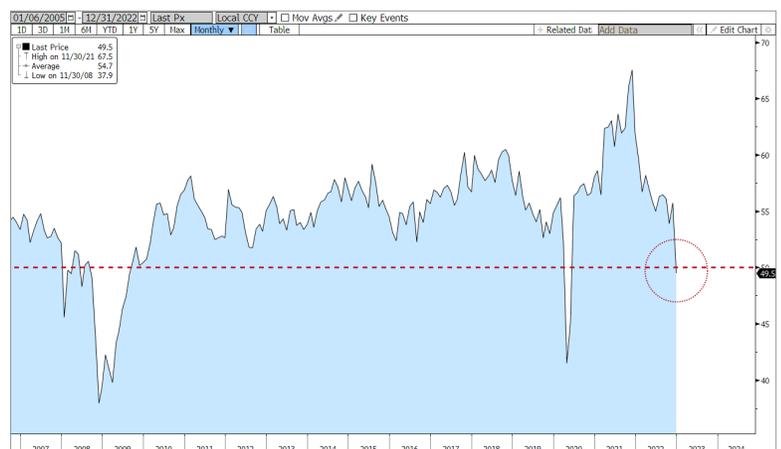
Minneapolis, MN
Mar 21, 2023

We entered the first week of the year with a stern reminder from the Federal Reserve by way of their minutes from last month's FOMC meeting. Those notes contained an unmistakable tone of caution to anyone thinking the Fed might go wobbly in their war on inflation. Policymakers expressed concern that financial conditions had eased a bit too early and that market participants may be misinterpreting the Fed's expected reaction function to slower growth in the new year. FOMC members saw the need to communicate clearly that slowing the pace of rate hikes (to 50bps rather than 75bps) was in no way a signal of weakening in the commitment to lowering inflation. The consensus thinking on the committee remains that the labor market remains too tight and inflation too persistent.

Speaking of the labor market, the December jobs report showed a still-solid pace of job creation as 223K new payrolls were added for the month, but a notably slowing in the pace of wage inflation... something that the Fed and the bond market are happy to see. Moreover, there are reasons to believe that the labor market will weaken further and wage growth will fade more rapidly as we move through the year. Now at 4.6%, the year-over-year change in average hourly earnings has steadily fallen by a full percent in the last nine months. Average weekly hours worked also flashed the lowest reading since April of 2020, the early days of the pandemic recession. Even with strong payrolls growth, the wage data is trending as the Fed wants it.

Other important data developments this week involved two key measures from the Institute for Supply Management (ISM). Both manufacturing and non-manufacturing measures fell below the 50% demarcation line which indicates whether those sectors are expanding or contracting. The economywide weighted index is now below 50% for the first time since the 2020 pandemic recession. Trade data for November was also released, showing weakness in both US imports and exports and flashing signs of an impending downshift in global growth.

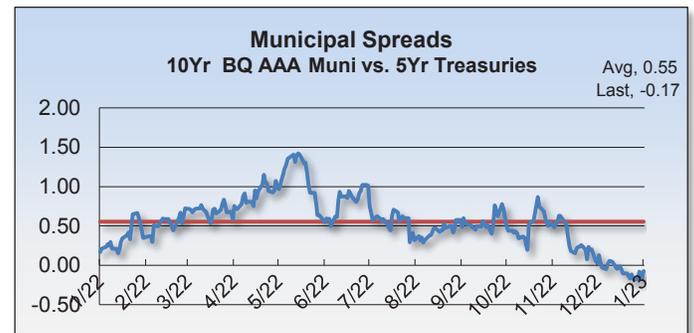
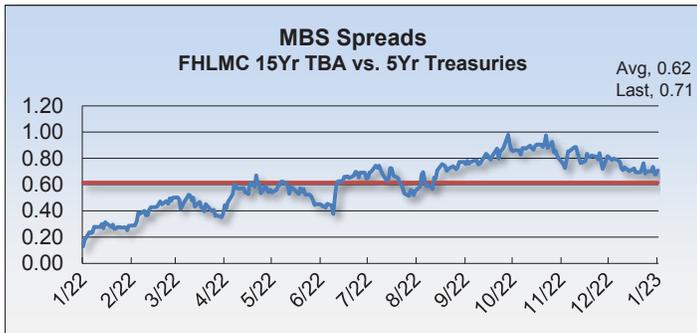
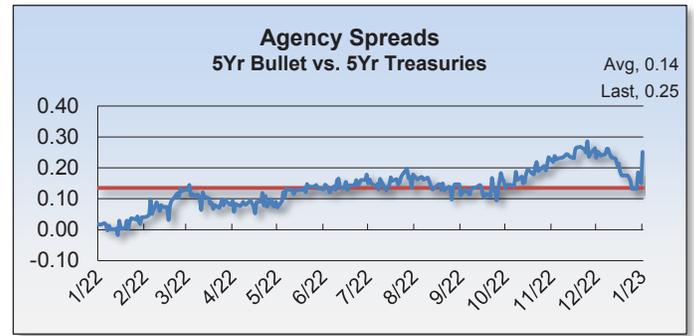
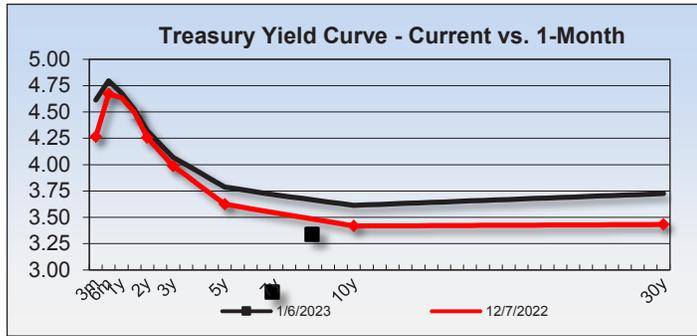
ISM Economy-Weighted Index – 2005 - Today



Source: Bloomberg, L.P.

Next week we can look forward to key data on consumer prices and sentiment as well as \$61 billion in Treasury auctions... 3s, 10s, and long-bonds. Plenty for the market to digest both actually and metaphorically.

As for bond market trends, the 10yr T-Note yield ended last week (and last year) right around 3.90%, with the 2yr yield at 4.43%. After considering bond-friendly components the employment report and ISM, those yields had fallen to 3.61% and 4.31% respectively. Futures markets are pricing in a nearly 70% probability the Fed will slow their pace of tightening again at the next FOMC meeting and hike rates just 25bp to 4.5-4.75%.



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	4.61	0.24	4.31	1.88	0.10	2yr	4.43	4.62	3.49	3.71	4.69	2Yr	5.26	5.26	5.26	-
6mo	4.80	0.04	4.73	2.57	0.23	3yr	4.17	4.19	3.44	3.67	4.65	3Yr	5.00	5.01	5.00	5.00
1yr	4.68	(0.03)	4.73	2.78	0.42	5yr	3.86	3.82	3.44	3.67	4.56	5Yr	4.80	4.80	4.79	4.73
2yr	4.32	(0.11)	4.37	3.00	0.87	7yr	3.84	3.68	3.47	3.70	4.55	7Yr	4.71	4.74	4.73	4.66
3yr	4.07	(0.16)	4.11	3.01	1.07	10yr	3.97	3.60	3.61	3.84	4.70	10Yr	4.65	4.71	4.70	4.63
5yr	3.79	(0.22)	3.75	2.98	1.47	15yr	4.10	3.59	4.42	4.71	4.90	February TBA MBS				
7yr	3.71	(0.26)	3.67	3.00	1.66	20yr	4.23	3.53	4.63	4.93	5.09	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	3.61	(0.26)	3.53	2.93	1.72	25yr	4.35	3.41	4.77	5.07	5.15	2.00	4.32	5.7y	4.36	
30yr	3.73	(0.24)	3.54	3.12	2.08	30yr		3.30	4.90	5.22	5.20	2.50	4.57	5.6y		
												3.00	4.67	5.6y	4.60	10.6y
												3.50	4.53	5.6y	4.70	10.6y
												4.00			4.81	10.2y
												4.50			4.96	9.2y

* 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	4.31	0.01	3.81	1.54	--
1 Month LIBOR	4.38	0.00	4.18	1.78	0.10
3 Month LIBOR	4.79	0.06	4.73	2.32	0.22
6 Month LIBOR	5.13	(0.02)	5.15	2.94	0.34
1 Year LIBOR	5.46	(0.02)	5.43	3.55	0.60
6 Month CD	5.02	(0.19)	5.23	3.04	0.32
1 Year CMT	4.78	0.07	4.77	2.77	0.41
REPO O/N	4.34	--	3.84	1.54	0.03
REPO 1Wk	4.39	(0.02)	3.89	1.61	0.09
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	4.83	4.93	4.83
6mo	5.02	5.08	5.05
1yr	4.99	5.01	5.13
2yr	4.60	4.72	4.84
3yr	4.32	4.44	4.54
4yr	4.17	4.29	4.39
5yr	4.06	4.16	4.25
7yr	4.28	4.40	4.46
10yr	4.41	4.54	4.59
5yr Am	4.37		4.49
10yr Am	4.41		4.53

Fed Fund Futures		
Maturity	Rate	
Jan-23	4.333	
Feb-23	4.660	
Mar-23	4.740	
Apr-23	4.885	
May-23	4.985	
Jun-23	5.010	
Jul-23	5.015	
Aug-23	4.985	
Sep-23	4.960	
Oct-23	4.915	
Nov-23	4.805	

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
1/3	S&P Global US Manufacturing PMI	Dec F	46.2	46.2	46.2	--
1/3	Construction Spending MoM	Nov	-0.4%	0.2%	-0.3%	-0.2%
1/4	MBA Mortgage Applications	12/30	--	-10.3%	-3.2%	--
1/4	ISM Manufacturing	Dec	48.5	48.4	49.0	--
1/4	ISM Prices Paid	Dec	42.9	39.4	43.0	--
1/4	ISM Employment	Dec	--	51.4	48.4	--
1/4	ISM New Orders	Dec	--	45.2	47.2	--
1/4	JOLTS Job Openings	Nov	10050k	10458k	40334k	10512k
1/4	Wards Total Vehicle Sales	Dec	13.40m	13.31m	14.14m	--
1/5	Challenger Job Cuts YoY	Dec	--	129.1%	416.5%	--
1/5	ADP Employment Change	Dec	150k	235k	127k	182k
1/5	Trade Balance	Nov	-\$63.0b	-\$61.5b	-\$78.2b	-\$77.8b
1/5	Initial Jobless Claims	12/31	225k	204k	225k	223k
1/5	Continuing Claims	12/24	1728k	1694k	1740k	1718k
1/5	S&P Global US Services PMI	Dec F	44.4	44.7	44.4	--
1/5	S&P Global US Composite PMI	Dec F	--	45.0	44.6	--
1/6	Two-Month Payroll Net Revision	Dec	--	-28k	--	--
1/6	Change in Nonfarm Payrolls	Dec	203k	223k	263k	256k
1/6	Change in Private Payrolls	Dec	183k	220k	224k	202k
1/6	Change in Manufact. Payrolls	Dec	8k	8k	44k	8k
1/6	Unemployment Rate	Dec	3.7%	3.5%	3.7%	3.6%
1/6	Average Hourly Earnings MoM	Dec	0.4%	0.3%	0.6%	0.4%
1/6	Average Hourly Earnings YoY	Dec	5.0%	4.6%	5.1%	4.8%
1/6	Average Weekly Hours All Employees	Dec	34.4	34.3	34.4	--
1/6	Labor Force Participation Rate	Dec	62.2%	62.3%	62.1%	--
1/6	Underemployment Rate	Dec	--	6.5%	6.7%	--
1/6	ISM Services Index	Dec	55.0	49.6	56.5	--
1/6	ISM Services Employment	Dec	--	49.8	51.5	--
1/6	ISM Services Prices Paid	Dec	--	67.6	70.0	--
1/6	ISM Services New Orders	Dec	--	45.2	56.0	--
1/6	Factory Orders Ex Trans	Nov	--	-0.8%	0.8%	0.1%
1/6	Durables Ex Transportation	Nov F	--	0.1%	0.2%	--
1/6	Cap Goods Orders Nondef Ex Air	Nov F	--	0.1%	0.2%	--
1/6	Cap Goods Ship Nondef Ex Air	Nov F	--	-0.1%	-0.1%	--
1/9	Consumer Credit	Nov	\$25.000b	--	\$27.078b	--
1/10	NFIB Small Business Optimism	Dec	91.5	--	91.9	--
1/10	Wholesale Trade Sales MoM	Nov	--	--	0.4%	0.0%
1/12	CPI YoY	Dec	6.6%	--	7.1%	--
1/12	CPI Ex Food and Energy YoY	Dec	5.7%	--	6.0%	--
1/12	CPI Core Index SA	Dec	--	--	300.066	--
1/12	Real Avg Hourly Earning YoY	Dec	--	--	-1.9%	--
1/12	Real Avg Weekly Earnings YoY	Dec	--	--	-3.0%	--
1/13	Import Price Index YoY	Dec	--	--	2.7%	--
1/13	Export Price Index YoY	Dec	--	--	6.3%	--
1/13	U. of Mich. Sentiment	Jan P	60.5	--	59.7	--
1/13	U. of Mich. Current Conditions	Jan P	--	--	59.4	--
1/13	U. of Mich. 1 Yr Inflation	Jan P	--	--	4.4%	--

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	12.0	13.9	14.4	14.9	14.7	13.9
FH/FN 15y	7.7	7.1	7.6	7.9	13.3	15.3
GN 15y	10.4	9.5	9.8	12.6	13.1	13.5
FH/FN 20y	5.2	5.9	6.4	7.1	8.0	9.1
FH/FN 30y	5.6	5.5	5.6	5.9	6.6	7.9
GN 30y	5.7	6.2	7.0	7.3	8.8	10.3

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	133.25	2.13	137.00	135.95	115.83
Euro	1.05	(0.02)	1.05	1.02	1.13
Dollar Index	105.26	1.42	105.58	107.10	96.32
Major Stock Indices					
Dow Jones	33,184	(36)	33,596	31,038	36,236
S&P 500	3,814.8	(34.5)	3,941.3	3,845.1	4,696.1
NASDAQ	10,339.6	(139)	11,014.9	11,361.9	15,080.9
Commodities					
Gold	1,848.0	22.0	1,769.3	1,736.5	1,789.2
Crude Oil	74.11	(4.29)	74.25	98.53	79.46
Natural Gas	3.73	(0.83)	5.47	5.51	3.81
Wheat	749.5	-24.5	705.5	792.3	746.0
Corn	656.3	-23.3	625.5	744.3	603.8

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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