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UPCOMING EVENTS

Banks

Seminar:

West Des Moines, IA
Jun 12, 2023

Bismarck, ND
Jul 25, 2023

Springfield, IL
Aug 7, 2023

Stevens Point, WI
Aug 29, 2023

Oklahoma City, OK
Oct 18-20, 2023

Credit Unions

CU Seminar:

Minneapolis, MN
Mar 21, 2023

Dallas, TX
Nov 9, 2023

CU School:

CU Bond School
Apr 26-27, 2023

CU ALM School
Aug 23-24, 2023

Save the Date:

Philadelphia, PA
Sep 27, 2023

Bank and Credit Unions

Schools:

ALM School
Aug 8-9, 2023

Bond School
May 10-11, 2023

As Ferris Bueller once wisely said “Life moves pretty fast. If you don’t stop and look around once in a while, you could miss it.” This feels very true this week with all of the market moving news that occurred. We started off the week with Federal Reserve Chairman Jerome Powell meeting with Congress over two days and he made plenty of statements that had the markets pondering what is truly next for the Fed. We finish the week with the February jobs report. Even though last Friday was the first Friday of the month, the Bureau of Labor Statistics pushed back the February jobs report release to this morning. Let’s take a dive into this week’s economic data and key releases.

This morning we found out that non-farm payrolls increased 311,000 (est. = 225K) in February and the unemployment rate increased from 3.4% to 3.6%. A reminder that the non-farm payrolls number comes from the establishment survey while the unemployment rate comes from a separate household survey. The higher-than-expected non-farm payrolls report continues to support the narrative of a tight labor market and puts additional pressure on the Federal Reserve to consider a 50-basis point rate hike at their upcoming meeting which concludes on March 22nd. The household survey which produced the 3.6% unemployment rate in February showed a monthly job gain of only 177,000 and an increase of 242,000 in the number of unemployed people from January to February. Additionally, 419,000 people joined the labor force which helped push the labor force participation rate up to 62.5% (est. = 62.4%). The labor force participation rate still remains 0.8% below the pre-pandemic level of 63.3%. Average hourly earnings rose a smaller than expected at 0.2% in February (est. = 0.3%) and 4.6% from a year ago (est. = 4.7%). The Fed welcomes a slowdown in wage gains as they continue to fight any inflationary pressures on the economy.

On Wednesday, the Job Openings & Labor Turnover Survey (JOLTS) was released showing a decline in January for the number of open jobs. The JOLTS report shows there are 10.824 million job openings, down 410,000 from December. That equates to about 1.9 job openings per available worker, or a gap of 5.13 million. The number of quits fell to 3.88 million, the lowest level since May 2021 and layoffs rose sharply up 241,000 or 16%.

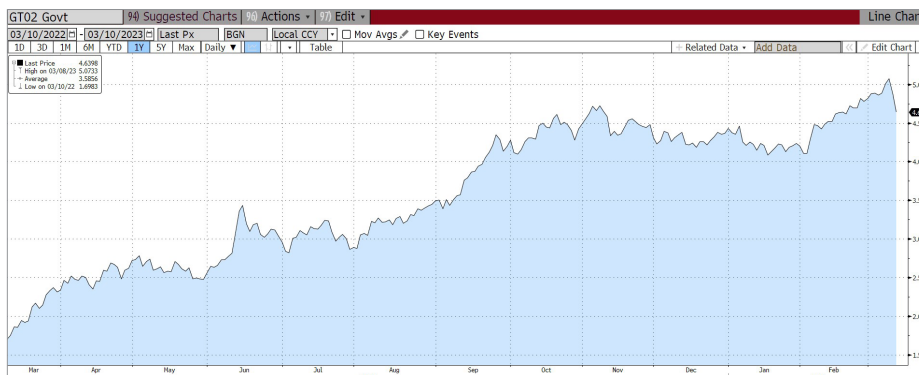
With the jobs report being released this morning, all eyes will be on the Consumer Price Index (CPI) report next week. Expectations are for a 0.4% month over month change and a 6.0% year over year change in headline CPI. Core CPI (excludes food and energy) is expected to also increase 0.4% month over month and 5.5% year over year. That will be the last major data set the Fed has to consider before their rate-setting meeting this month.

The big question leading up to the Fed’s March meeting is will they hike 25 or 50 basis points? Many were saying that a strong jobs report would solidify the Fed hiking rates 50 basis points. Per the CME’s FedWatch Tool, the expectations from the market are for a 57% chance of a 25bp rate hike and a 43% chance of a 50bp rate hike at the upcoming March Fed meeting. We will find out in just under 2 weeks!

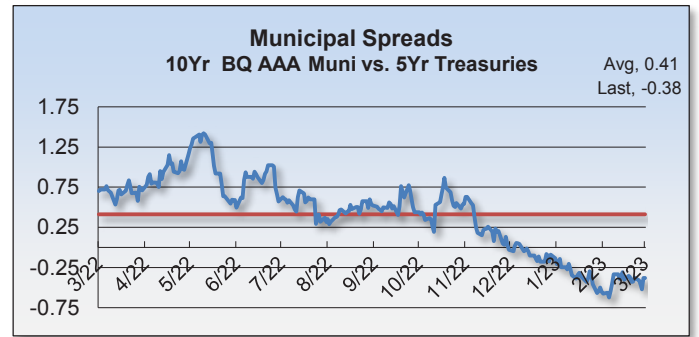
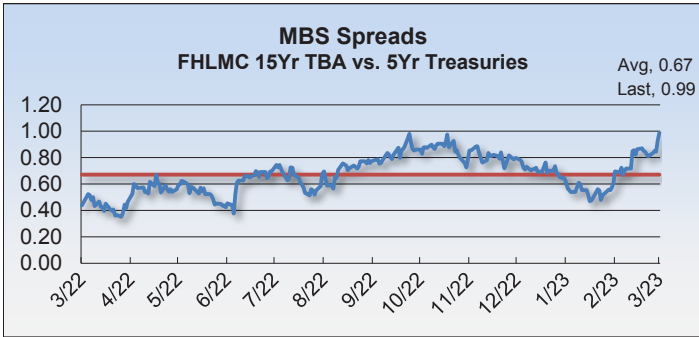
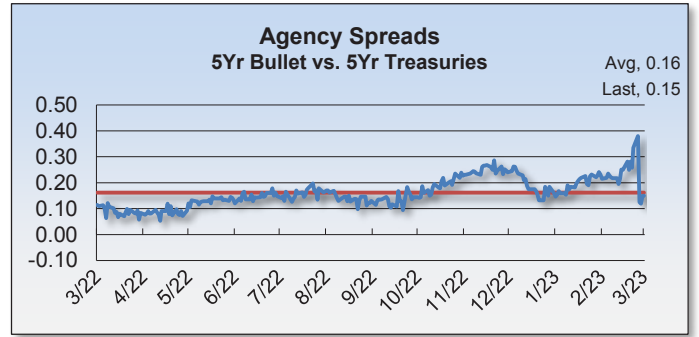
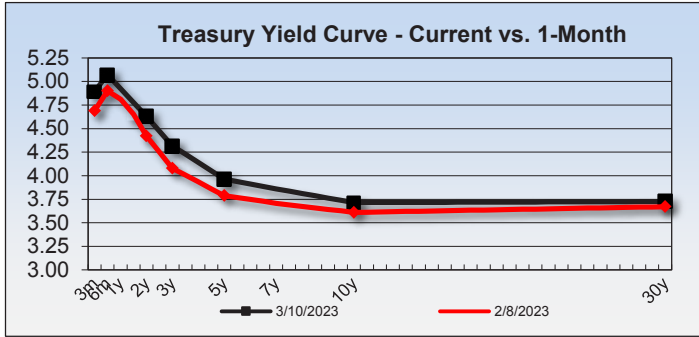
The Treasury Market is seeing a very strong rally this morning with prices up and yields down. The 2-year Treasury is sitting at 4.62% and the 10-year Treasury at 3.68%. The 2-Year Treasury reached a recent high of 5.07% on Wednesday and is now down 42 basis points from that point. The bond markets may be shaking off the strong nonfarm payrolls report, however, the markets seem to still be digesting the news of the stock price crash of Silicon Valley Bank. Stocks are relatively flat on this Friday morning’s trading session with the Dow Jones Industrial Average Index up 45 points and the S&P 500 Index down 27 points.

Alongside next week’s anticipated release of CPI data, we will also get changes in the Producer Price Index, retail sales data, housing starts and building permits as well as consumer sentiment information. Have a great weekend!

2-Year Treasury Yield (3/10/2022 to Present)



Source: Bloomberg, L.P.



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	4.89	0.04	4.76	3.03	0.38	2yr	4.67	4.89	4.03	4.29	5.06	2Yr	5.68	5.68	5.68	-
6mo	5.07	(0.05)	4.92	3.54	0.73	3yr	4.34	4.44	3.84	4.08	4.91	3Yr	5.36	5.37	5.30	5.36
1yr	4.92	(0.10)	4.88	3.63	1.13	5yr	4.06	4.01	3.70	3.93	4.62	5Yr	5.08	5.08	5.07	5.01
2yr	4.63	(0.23)	4.52	3.56	1.70	7yr	3.99	3.82	3.60	3.83	4.57	7Yr	4.96	4.98	4.97	4.90
3yr	4.32	(0.28)	4.20	3.60	1.77	10yr	4.06	3.70	3.65	3.89	4.62	10Yr	4.85	4.90	4.89	4.83
5yr	3.96	(0.28)	3.92	3.44	1.92	15yr	4.12	3.63	4.52	4.81	4.75	April TBA MBS				
7yr	3.86	(0.28)	3.85	3.40	1.99	20yr	4.18	3.54	4.76	5.07	4.76	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	3.71	(0.24)	3.74	3.31	1.99	25yr	4.25	3.40	4.89	5.20	4.82	2.00	4.50	5.6y	4.44	
30yr	3.72	(0.15)	3.82	3.45	2.37	30yr	4.25	3.28	5.01	5.33	4.87	2.50	4.78	5.6y		
												3.00	4.85	5.7y	4.62	10.5y
												3.50	4.67	5.8y	4.71	10.4y
												4.00			4.83	10.3y
												4.50			4.99	9.7y

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	4.75	--	4.75	2.50	0.25
Primary Discount	4.75	--	4.75	2.50	0.25
2ndary Discount	5.25	--	5.25	3.00	0.75
Prime Rate	7.75	--	7.75	5.50	3.25
Sec. O.N. Finance	4.55	--	4.55	2.28	--
1 Month LIBOR	4.76	0.09	4.58	2.76	0.32
3 Month LIBOR	5.12	0.14	4.86	3.24	0.70
6 Month LIBOR	5.47	0.19	5.15	3.78	1.02
1 Year LIBOR	5.88	0.19	5.47	4.20	1.45
6 Month CD	5.46	0.21	5.08	3.82	1.22
1 Year CMT	5.18	0.14	4.88	3.67	1.15
REPO O/N	4.57	--	4.58	2.30	0.06
REPO 1Wk	4.74	0.11	4.61	2.35	0.29
CoF Federal	2.998	--	2.794	1.508	0.750
11th D. CoF (Dec)	0.223	--	0.218	0.282	0.460

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	5.21	5.28	5.21
6mo	5.48	5.49	5.52
1yr	5.33	5.43	5.75
2yr	4.86	5.04	5.42
3yr	4.53	4.71	5.06
4yr	4.36	4.52	4.85
5yr	4.21	4.37	4.65
7yr	4.29	4.45	4.70
10yr	4.37	4.55	4.70
5yr Am	4.62		4.97
10yr Am	4.48		4.79

Fed Fund Futures	
Maturity	Rate
Mar-23	4.665
Apr-23	4.905
May-23	5.135
Jun-23	5.215
Jul-23	5.260
Aug-23	5.270
Sep-23	5.255
Oct-23	5.230
Nov-23	5.130
Dec-23	5.050
Jan-24	4.985

Baker Market Update

Week in Review

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
3/6	Factory Orders Ex Trans	Jan	1.0%	1.2%	-1.2%	--
3/6	Durables Ex Transportation	Jan F	0.7%	0.8%	0.7%	--
3/6	Cap Goods Ship Nondef Ex Air	Jan F	--	1.1%	1.1%	--
3/7	Consumer Credit	Jan	\$25.000b	\$14.799b	\$11.565b	\$10.692b
3/8	MBA Mortgage Applications	3/3	--	7.4%	-5.7%	-5.9%
3/8	ADP Employment Change	Feb	200k	242k	406k	119k
3/8	Trade Balance	Jan	-\$68.7b	-\$68.3b	-\$67.4b	-\$67.2b
3/8	JOLTS Job Openings	Jan	10546k	10824k	11012k	11234k
3/9	Challenger Job Cuts YoY	Feb	--	4.1	4.4	--
3/9	Initial Jobless Claims	3/4	195k	211k	190k	--
3/9	Continuing Claims	2/25	1660k	1718k	1655k	1649k
3/9	Household Change in Net Worth	4Q	--	\$2927b	-\$392b	-\$1294b
3/10	Two-Month Payroll Net Revision	Feb	--	-34k	--	--
3/10	Change in Nonfarm Payrolls	Feb	225k	311k	517k	504k
3/10	Change in Private Payrolls	Feb	215k	265k	443k	386k
3/10	Change in Manufact. Payrolls	Feb	10k	-4k	49k	13k
3/10	Unemployment Rate	Feb	3.4%	3.6%	3.4%	--
3/10	Average Hourly Earnings MoM	Feb	0.3%	0.2%	0.3%	--
3/10	Average Hourly Earnings YoY	Feb	4.7%	4.6%	4.4%	--
3/10	Average Weekly Hours All Employees	Feb	34.6	34.5	34.7	34.6
3/10	Labor Force Participation Rate	Feb	62.4%	62.5%	62.4%	--
3/10	Underemployment Rate	Feb	--	6.8%	6.6%	--
3/14	NFIB Small Business Optimism	Feb	--	--	90.3	--
3/14	CPI MoM	Feb	0.4%	--	0.5%	--
3/14	CPI Ex Food and Energy MoM	Feb	0.4%	--	0.4%	--
3/14	CPI YoY	Feb	6.0%	--	6.4%	--
3/14	CPI Ex Food and Energy YoY	Feb	5.5%	--	5.6%	--
3/14	CPI Core Index SA	Feb	--	--	302.7	--
3/14	Real Avg Hourly Earning YoY	Feb	--	--	-1.8%	--
3/14	Real Avg Weekly Earnings YoY	Feb	--	--	-1.5%	--
3/15	PPI Final Demand MoM	Feb	0.3%	--	0.7%	--
3/15	PPI Ex Food and Energy MoM	Feb	0.4%	--	0.5%	--
3/15	PPI Ex Food, Energy, Trade MoM	Feb	0.3%	--	0.6%	--
3/15	PPI Final Demand YoY	Feb	5.4%	--	6.0%	--
3/15	PPI Ex Food and Energy YoY	Feb	5.2%	--	5.4%	--
3/15	PPI Ex Food, Energy, Trade YoY	Feb	--	--	4.5%	--
3/15	Empire Manufacturing	Mar	-7.7	--	-5.8	--
3/15	Business Inventories	Jan	0.0%	--	0.3%	--
3/15	Net Long-term TIC Flows	Jan	--	--	\$152.8b	--
3/15	Total Net TIC Flows	Jan	--	--	\$28.6b	--
3/16	Import Price Index YoY	Feb	--	--	0.8%	--
3/16	Export Price Index YoY	Feb	--	--	2.3%	--
3/16	Housing Starts	Feb	1310k	--	1309k	--
3/16	Building Permits	Feb	1350k	--	1339k	--
3/16	Philadelphia Fed Business Outlook	Mar	-14.8	--	-24.3	--
3/16	New York Fed Services Business Activit	Mar	--	--	-12.8	--
3/17	Capacity Utilization	Feb	78.5%	--	78.3%	--

MBS Prepayments ⁴						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	6.6	11.2	11.7	12.5	12.5	11.5
FH/FN 15y	5.5	5.2	6.2	8.0	13.2	16.7
GN 15y	6.7	11.7	12.8	13.9	18.2	18.6
FH/FN 20y	51.4	4.6	5.7	6.4	7.4	8.8
FH/FN 30y	8.7	3.2	3.9	4.3	5.1	6.5
GN 30y	1.4	4.0	7.4	5.4	5.2	6.2

CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	11.0	14.4	14.7	14.5	13.3	10.4
FH/FN 15y	8.1	6.9	7.1	7.2	13.6	14.8
GN 15y	10.2	9.0	9.4	12.2	12.6	13.3
FH/FN 20y	5.3	6.0	6.5	7.0	7.5	8.4
FH/FN 30y	5.6	5.4	5.6	5.9	6.4	7.3
GN 30y	5.3	6.1	6.8	7.0	8.6	8.9

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	134.41	(1.46)	131.36	142.84	116.14
Euro	1.07	0.00	1.07	1.01	1.10
Dollar Index	104.42	(0.11)	103.63	109.00	98.51
Major Stock Indices					
Dow Jones	32,244	(1,147)	33,869	32,152	33,174
S&P 500	3,882.2	(163.5)	4,090.5	4,067.4	4,259.5
NASDAQ	11,269.4	(420)	11,718.1	12,112.3	13,130.0
Commodities					
Gold	1,862.1	7.5	1,862.8	1,718.8	2,000.4
Crude Oil	75.79	(3.89)	79.72	86.79	106.02
Natural Gas	2.49	(0.52)	2.51	8.00	4.63
Wheat	653.5	-47.8	757.3	853.3	1,199.5
Corn	620.0	-25.3	680.5	698.5	757.8

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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