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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:

Philadelphia, PA
Sep 27, 2023

Dallas, TX
Nov 9, 2023

CU School:

CU ALM School
Aug 23-24, 2023

Bank & Credit Unions

School:

Bond School
May 10-11, 2023

ALM School
Aug 8-9, 2023

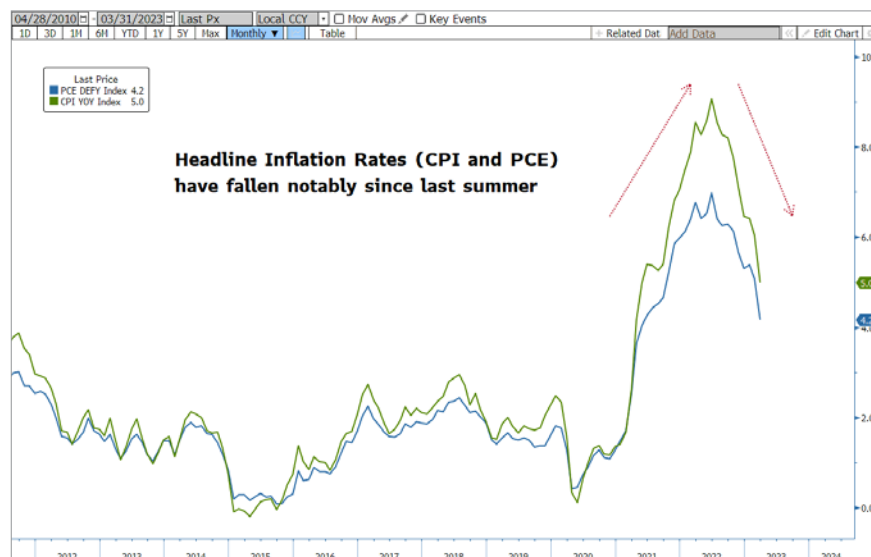
Our friends at The Bureau of Economic Analysis reported this week that the US economy slowed sharply in the first quarter of the year. After clipping along at a solid 2.5%-ish growth pace for the entire second half of 2022, we now seem to be stuck in the mud. Real GDP increased at just 1.1% in Q1 despite strong consumer spending, an abrupt deceleration and well below expectations of a 2% increase. The slowdown suggests the Fed's year-long battle against inflation is beginning to take effect in terms of demand destruction. Since March of last year, the Fed has lifted the funds rate nine times from near zero to just under 5%, the fastest increase in decades, and unprecedented in terms of the relative increase in the cost of borrowing.

To be sure, there was some noise in the GDP data. Peeling back the layers, we find that real final sales (which strips out net exports and inventory changes to focus purely on domestic demand) jumped 3.4%, offsetting a dismal 1.1% in Q422. But the weakness in inventories is likely a reflection of falling confidence on the part of businesses regarding demand going forward. And the trade data looks extremely recessionary. US imports have hit a wall and now exports are rolling over as well. Regional measures of manufacturing activity in Dallas and Philadelphia are both down more than 20%, exceeding even low end expectations. Suffice to say that the trend is clearly weakening as we move into the middle of the year. The teeth of the Fed's tightening campaign are sinking deeper into the economy and recession probabilities are steadily rising. And speaking of weakening trends, let's look at inflation.

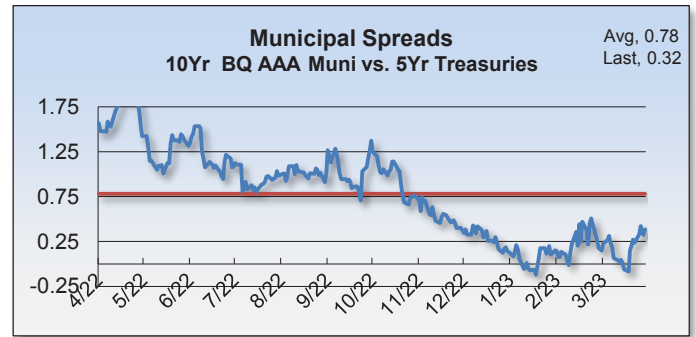
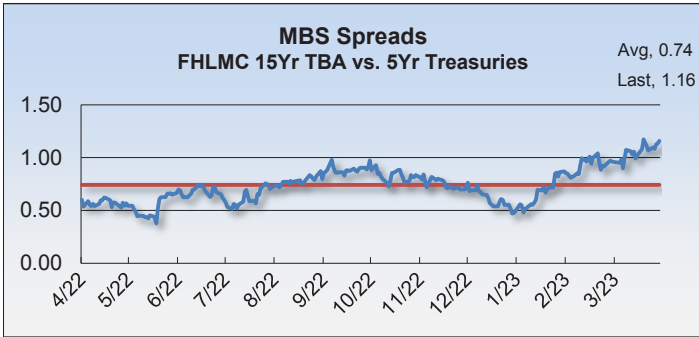
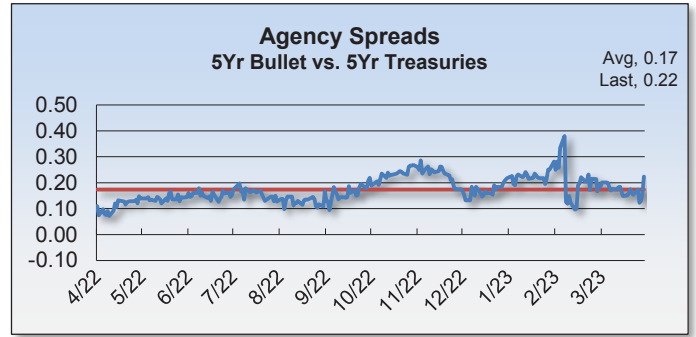
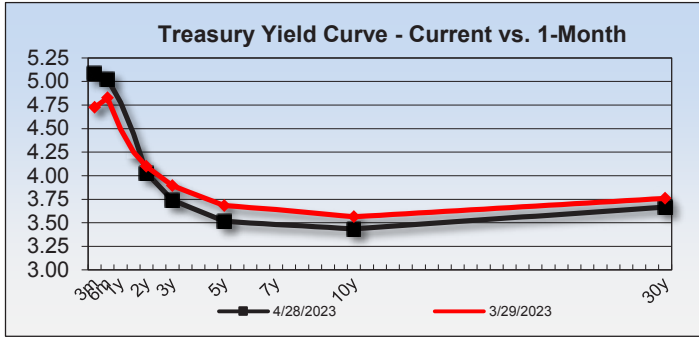
We learned this morning that headline PCE (Personal Consumption Expenditure) inflation fell to 4.2% year-over-year, the lowest level in nearly two years. This follows the same pattern we've seen in the CPI index and others. Trimmed-mean inflation rose just 3.37% annualized, for example, and Fed Chair Powell's "Supercore" measure only moved up two-tenths of a percent last month... that annualizes to just 2.4%. These levels are all far below what we saw even just a few months ago. There can be no question that inflation is steadily falling, and if the pace of disinflation continues, the Fed could see a 2% handle on many measures of by year-end. Still, policymakers insist that at least one more rate hike is needed to seal the deal... insurance that the inflation genie is bottled up again for a good long time.

That's all fine and well, but as former Treasury Secretary Larry Summers notes, the likelihood of a US recession is rising and the Fed needs to "engage in some serious soul searching about the very, very difficult decisions ahead of it." Presumably that's a reference to the question of when to pause, and how long to allow the pain of recession to linger before granting relief. The FOMC meeting next week will be instructive, coming in the midst of a slew of economic data... ISM, JOLTS, CAPEX, and of course the employment report on Friday. Yes, the lusty month of May will begin with much for markets to ponder in an active week indeed.

US Inflation Rates - CPI and PCE: 2010 to Today



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	5.08	0.02	4.70	4.07	0.82	2yr	4.23	4.34	3.77	4.01	4.46	2Yr	4.73	4.73	4.73	-
6mo	5.03	(0.01)	4.84	4.50	1.37	3yr	3.82	3.94	3.53	3.75	4.37	3Yr	4.47	4.48	4.40	4.47
1yr	4.78	0.02	4.54	4.55	1.98	5yr	3.60	3.62	3.33	3.55	4.20	5Yr	4.36	4.36	4.35	4.29
2yr	4.03	(0.15)	4.08	4.42	2.62	7yr	3.66	3.50	3.22	3.43	4.34	7Yr	4.33	4.35	4.35	4.28
3yr	3.74	(0.15)	3.89	4.37	2.69	10yr	3.77	3.46	3.29	3.50	4.53	10Yr	4.35	4.41	4.40	4.34
5yr	3.52	(0.15)	3.68	4.19	2.84	15yr	3.87	3.48	4.13	4.40	4.66	May TBA MBS				
7yr	3.48	(0.14)	3.63	4.10	2.86	20yr	3.97	3.45	4.44	4.72	4.95	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	3.44	(0.14)	3.57	4.02	2.83	25yr	4.07	3.36	4.59	4.89	5.01	2.50	4.60	5.6y	4.41	
30yr	3.67	(0.11)	3.77	4.15	2.89	30yr	4.07	3.27	4.75	5.05	5.06	3.00	4.60	5.6y		
												3.50	4.49	5.6y	4.66	9.6y
												4.00	4.50	5.5y	4.74	9.2y
												4.50			4.88	8.7y
												5.00			5.10	7.9y

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	5.00	--	5.00	3.25	0.50
Primary Discount	5.00	--	5.00	3.25	0.50
2ndary Discount	5.50	--	5.50	3.75	1.00
Prime Rate	8.00	--	8.00	6.25	3.50
Sec. O.N. Finance	4.81	0.01	4.81	3.04	--
1 Month LIBOR	5.02	0.04	4.83	3.63	0.75
3 Month LIBOR	5.27	0.01	5.10	4.37	1.24
6 Month LIBOR	5.37	(0.08)	4.99	4.93	1.83
1 Year LIBOR	5.29	(0.19)	4.81	5.39	2.55
6 Month CD	5.37	0.04	5.05	4.95	1.90
1 Year CMT	4.78	0.01	4.51	4.50	1.97
REPO O/N	4.84	0.02	4.85	3.04	0.27
REPO 1Wk	4.86	0.11	4.86	3.63	0.69
CoF Federal	3.239	--	3.139	2.022	0.870
11th D. CoF (Dec)	0.223	--	0.218	0.282	0.460

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	5.21	5.31	5.26
6mo	5.24	5.29	5.30
1yr	4.91	4.95	5.06
2yr	4.34	4.47	4.51
3yr	4.01	4.12	4.13
4yr	3.90	4.00	4.01
5yr	3.82	3.88	3.91
7yr	4.08	4.17	4.16
10yr	4.17	4.28	4.25
5yr Am	4.15		4.19
10yr Am	4.21		4.25

Fed Fund Futures	
Maturity	Rate
Apr-23	4.830
May-23	5.035
Jun-23	5.090
Jul-23	5.110
Aug-23	5.070
Sep-23	5.030
Oct-23	4.945
Nov-23	4.750
Dec-23	4.620
Jan-24	4.525
Feb-24	4.305

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
4/25	S&P CoreLogic CS US HPI YoY NSA	Feb	--	2.1%	3.8%	3.8%
4/25	New Home Sales	Mar	632000	683000	640000	623000
4/27	GDP Annualized QoQ	1Q A	1.9%	1.1%	2.6%	--
4/27	Personal Consumption	1Q A	4.0%	3.7%	1.0%	--
4/27	GDP Price Index	1Q A	3.7%	4.0%	3.9%	--
4/27	Core PCE QoQ	1Q A	4.7%	4.9%	4.4%	--
4/27	Pending Home Sales NSA YoY	Mar	-20.7%	-23.3%	-21.1%	--
4/28	Employment Cost Index	1Q	1.1%	1.2%	1.0%	1.1%
4/28	Personal Income	Mar	0.2%	0.3%	0.3%	--
4/28	Personal Spending	Mar	-0.1%	0.0%	0.2%	0.1%
4/28	Real Personal Spending	Mar	-0.1%	0.0%	-0.1%	-0.2%
4/28	PCE Deflator YoY	Mar	4.1%	4.2%	5.0%	5.1%
4/28	PCE Core Deflator YoY	Mar	4.6%	4.6%	4.6%	4.7%
4/28	MNI Chicago PMI	Apr	43.6	48.6	43.8	--
4/28	U. of Mich. Sentiment	Apr F	63.5	63.5	63.5	--
4/28	U. of Mich. Current Conditions	Apr F	68.6	68.2	68.6	--
4/28	U. of Mich. Expectations	Apr F	60.4	60.5	60.3	--
4/28	U. of Mich. 1 Yr Inflation	Apr F	--	4.6%	4.6%	--
4/28	U. of Mich. 5-10 Yr Inflation	Apr F	--	3.0%	2.9%	--
5/1	S&P Global US Manufacturing PMI	Apr F	50.4	--	50.4	--
5/1	ISM Manufacturing	Apr	46.9	--	46.3	--
5/1	ISM Prices Paid	Apr	49.3	--	49.2	--
5/1	ISM Employment	Apr	--	--	46.9	--
5/1	ISM New Orders	Apr	--	--	44.3	--
5/2	JOLTS Job Openings	Mar	9640000	--	9931000	--
5/2	Factory Orders	Mar	1.3%	--	-0.7%	--
5/2	Factory Orders Ex Trans	Mar	--	--	-0.3%	--
5/2	Durable Goods Orders	Mar F	--	--	3.2%	--
5/2	Durables Ex Transportation	Mar F	--	--	0.3%	--
5/2	Cap Goods Orders Nondef Ex Air	Mar F	--	--	-0.4%	--
5/2	Cap Goods Ship Nondef Ex Air	Mar F	--	--	-0.4%	--
5/3	MBA Mortgage Applications	4/28	--	--	3.7%	--
5/3	ADP Employment Change	Apr	140000	--	145000	--
5/3	S&P Global US Services PMI	Apr F	53.7	--	53.7	--
5/3	S&P Global US Composite PMI	Apr F	53.5	--	53.5	--
5/3	ISM Services Index	Apr	51.8	--	51.2	--
5/3	ISM Services Prices Paid	Apr	--	--	59.5	--
5/3	ISM Services Employment	Apr	--	--	51.3	--
5/3	ISM Services New Orders	Apr	--	--	52.2	--
5/3	FOMC Rate Decision (Upper Bound)	5/3	5.3%	--	5.0%	--
5/3	FOMC Rate Decision (Lower Bound)	5/3	5.0%	--	4.8%	--
5/3	Interest on Reserve Balances Rate	5/4	5.2%	--	4.9%	--
5/4	Challenger Job Cuts YoY	Apr	--	--	319.4%	--
5/4	Nonfarm Productivity	1Q P	-0.1%	--	1.7%	--
5/4	Initial Jobless Claims	4/29	240000	--	230000	--
5/4	Unit Labor Costs	1Q P	4.0%	--	3.2%	--
5/4	Continuing Claims	4/22	--	--	1858000	--

MBS Prepayments ⁴						
3-Month CPR						
Type	2.5	3.0	3.5	4.0	4.5	5.0
FN 10y	12.0	12.1	13.1	14.4	13.1	15.7
FH/FN 15y	5.9	6.5	8.4	14.1	17.4	26.2
GN 15y	13.1	13.7	16.0	18.5	21.6	26.1
FH/FN 20y	4.7	6.0	6.7	7.8	9.2	12.9
FH/FN 30y	3.1	4.2	4.5	5.2	6.9	8.1
GN 30y	4.5	6.0	5.7	3.5	6.4	6.9
CPR Projections						
Type	2.5	3.0	3.5	4.0	4.5	5.0
FN 10y	14.6	15.0	15.0	13.6	10.7	11.3
FH/FN 15y	7.9	7.8	8.1	13.2	15.8	18.2
GN 15y	7.6	7.9	8.2	9.0	10.1	11.4
FH/FN 20y	6.4	7.3	7.9	8.7	9.8	10.8
FH/FN 30y	6.0	6.5	6.8	7.7	8.8	10.0
GN 30y	6.0	7.0	7.1	7.3	9.0	8.6

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	136.28	2.12	130.89	147.60	130.85
Euro	1.10	0.00	1.08	1.00	1.05
Dollar Index	101.79	(0.03)	102.43	110.75	103.62
Major Stock Indices					
Dow Jones	33,959	150	32,394	32,862	33,916
S&P 500	4,157.5	23.9	3,971.3	3,901.1	4,287.5
NASDAQ	12,158.0	86	11,716.1	11,102.5	12,871.5
Commodities					
Gold	1,994.8	4.3	1,973.5	1,644.8	1,891.3
Crude Oil	75.68	(2.19)	73.20	87.90	105.36
Natural Gas	2.40	0.17	2.03	5.68	6.89
Wheat	614.8	-47.0	699.8	829.3	1,074.0
Corn	624.3	-39.0	647.3	680.8	816.0

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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