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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

May started out with a bang with the first week of the month giving us a bank failure, a debt ceiling crisis, a Fed rate decision, and head scratching employment numbers. We learned on Monday that the banking sector is not yet out of the woods as First Republic Bank failed, marking the largest bank collapse since the 2008 financial crisis and the third bank failure since March. Similar to its fallen peers, First Republic was a specialty lender of sorts, catering to the ultra-wealthy. It enticed customers with low-rate mortgages in exchange for deposits in a business model that worked well...until it didn't. Ultimately, its high level of uninsured deposits left the bank vulnerable in the wake of the collapse of SVB and Signature Bank and its clients withdrew more than \$100 billion in deposits in Q1. Despite a last-ditch effort to save it by some of the country's biggest banks, who banded together to inject \$30 billion of deposits in March, regulators took possession of the bank and helped broker a deal for its deposits and most of its assets to be acquired by JPMorgan Chase.

If that weren't enough of a jittery start to the week, we also learned Monday from Treasury Secretary Janet Yellen that the U.S. could run out of money to pay its bills sooner than we thought, as early as June 1 if Congress does not raise or suspend the debt limit. This added to the mounting pressure on President Biden and lawmakers to reach some sort of agreement to avoid defaulting on the nation's debt. Given the contentiousness of the issue, it seems likely we will come down to the wire on any sort of resolution. The most straightforward way out of the current impasse seems to be a bipartisan deal to raise the cap alongside some modest spending cuts. It is possible some moderate Republicans will step in to help push through a 'clean' debt limit increase without any accompanying cuts but that is only likely to happen once it is clear that negotiations have failed. In either case, it is sure to be a tough slog right up to the end.

On Wednesday, we got the much-expected 25bp rate hike from the Fed, increasing the Fed Funds target range to 5.00%-5.25%. The accompanying policy statement also provided the clearest hint yet that this may be the last rung higher on the Fed's inflation-fighting ladder. Guidance in the Fed's previous statement that "some additional policy firming may be appropriate" was dropped this time around. The updated statement explained that, "In determining the extent to which additional policy firming may be appropriate... the Committee will take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments." This suggests that after the break-neck pace with which the Fed has been raising rates, it may finally be willing to stop and assess the damage. However, they did leave the door open for further tightening in the future if economic conditions compel.

This week also gave us an interesting mix of jobs data with some dramatic misses and dramatic revisions. Wednesday's ADP report showed that private employment increased much more than expected in April, surprising the market with a +296k print vs. +150k expected. That was more than double the +142k gain of the previous month. The report showed big gains in the leisure & hospitality, health care, construction, and mining sectors while the manufacturing, financial, and professional & business services sectors all posted sizable declines. Despite the gains, ADP also showed continued cooling in wage growth, with the median annual change for job changers falling to a 17-month low of 13.2%, from 14.2%.

(Continued)



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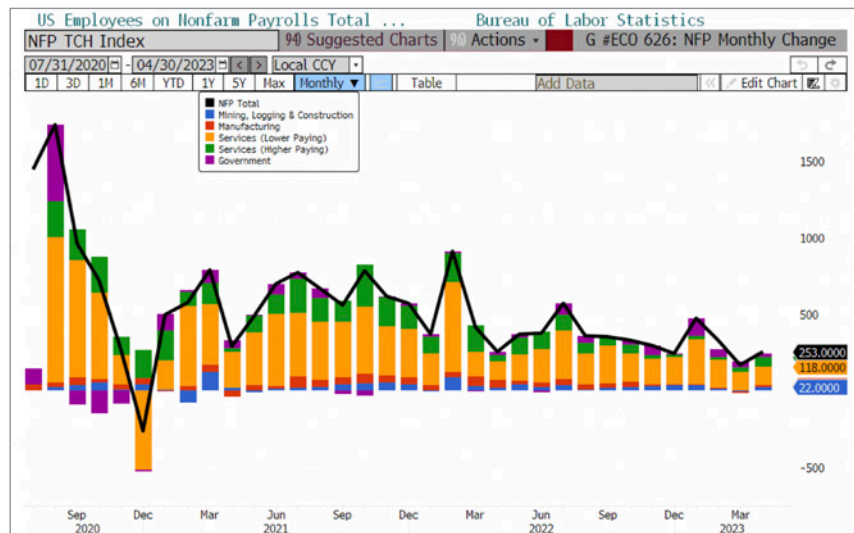
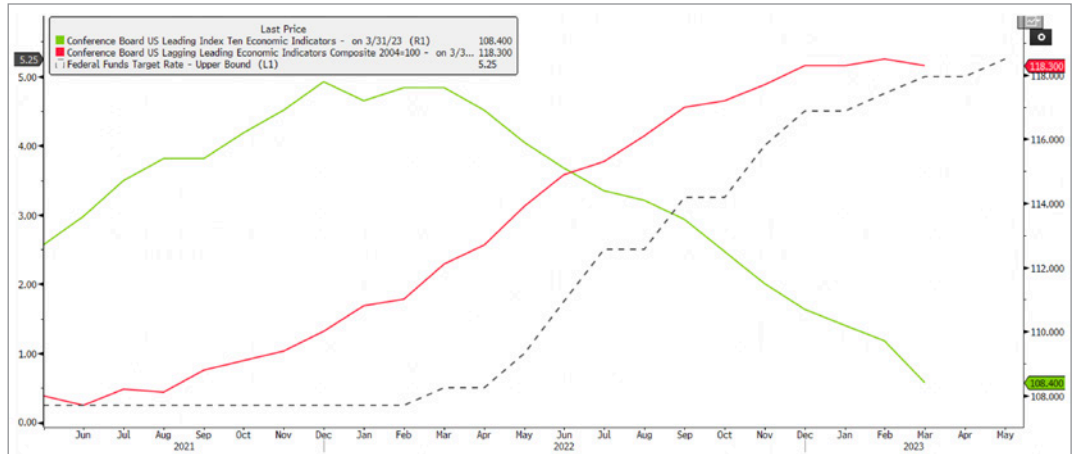
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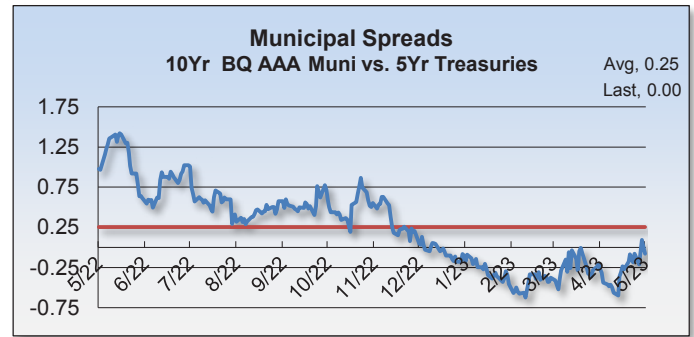
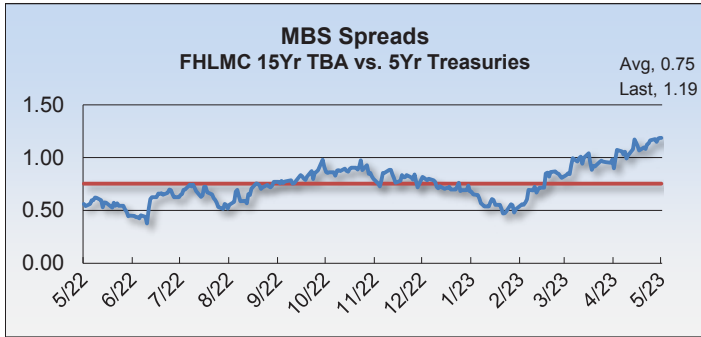
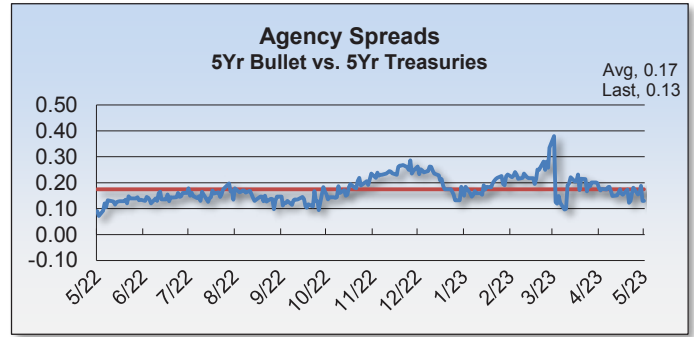
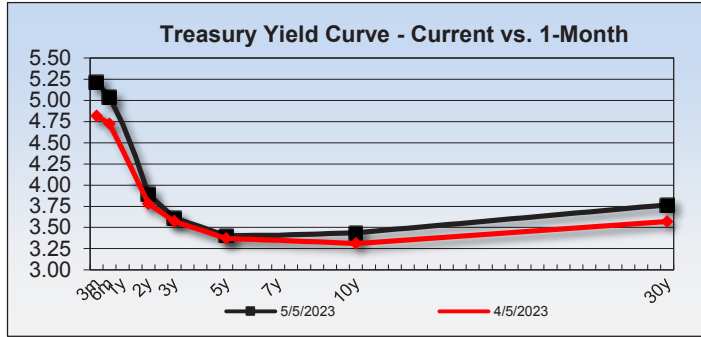
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Today's official Non-farm Payrolls report suggests continued resilience in the labor market as job gains came in big at +253k vs. +185k expected. The Unemployment Rate also fell to 3.4% vs. 3.6% expected and Average Hourly Earnings showed another strong increase of +0.5% vs. +0.3% expected. However, the stronger than expected gain in jobs (+68k) was completely offset by a sharp downward revision to the previous month (-71k). Jobs data is also a lagging economic indicator, and while this was certainly a strong reading, there is a huge disconnect between lagging and leading indicators right now.



Source: Bloomberg, L.P.

Fed funds futures moved slightly on this morning's report, but are still pricing in less than a 10% chance the Fed will hike rates again this year. The market seems doubtful these numbers are reason enough for the Fed to reconsider its plan for a pause in hikes, given the lagging nature of employment stats and wider evidence of cooling economic conditions. Next week we get the all-important CPI and PPI numbers and the market will also be closely watching the regional bank sector for any signs that continued stress will cause further drag on the economy.



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	5.22	0.16	4.83	4.11	0.82	2yr	3.97	4.16	3.72	3.96	3.99	2Yr	4.74	4.74	4.74	-
6mo	5.04	0.02	4.78	4.57	1.33	3yr	3.68	3.78	3.46	3.68	3.93	3Yr	4.44	4.45	4.40	4.44
1yr	4.72	(0.04)	4.44	4.73	2.03	5yr	3.57	3.52	3.23	3.44	3.80	5Yr	4.29	4.30	4.29	4.23
2yr	3.89	(0.12)	3.78	4.66	2.71	7yr	3.67	3.46	3.12	3.32	4.00	7Yr	4.28	4.30	4.30	4.23
3yr	3.61	(0.10)	3.57	4.59	2.81	10yr	3.82	3.47	3.23	3.44	4.25	10Yr	4.33	4.38	4.38	4.31
5yr	3.40	(0.08)	3.37	4.33	3.01	15yr	3.96	3.53	4.06	4.32	4.38	June TBA MBS				
7yr	3.41	(0.05)	3.35	4.25	3.06	20yr	4.11	3.52	4.37	4.65	4.91	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	3.44	0.01	3.31	4.16	3.04	25yr	4.26	3.44	4.54	4.83	4.97	2.00	4.21	5.7y	4.28	
30yr	3.77	0.09	3.57	4.25	3.12	30yr	4.26	3.36	4.70	5.01	5.02	2.50	4.42	5.5y		
												3.00	4.42	5.5y	4.48	10.2y
												3.50	4.35	5.5y	4.57	9.9y
												4.00			4.68	9.4y
												4.50			4.85	8.7y

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	5.25	0.25	5.00	4.00	1.00
Primary Discount	5.25	0.25	5.00	4.00	0.50
2ndary Discount	5.75	0.25	5.50	4.50	1.00
Prime Rate	8.25	0.25	8.00	7.00	4.00
Sec. O.N. Finance	5.06	0.25	4.83	3.80	--
1 Month LIBOR	5.08	0.06	4.86	3.85	0.83
3 Month LIBOR	5.33	0.05	5.22	4.53	1.36
6 Month LIBOR	5.39	0.02	5.32	5.00	1.98
1 Year LIBOR	5.30	0.01	5.33	5.65	2.69
6 Month CD	5.30	(0.07)	5.03	4.95	1.84
1 Year CMT	4.59	(0.19)	4.50	4.76	2.07
REPO O/N	5.13	0.29	4.90	3.83	0.14
REPO 1Wk	5.11	0.25	4.76	3.89	0.83
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	5.23	5.33	5.28
6mo	5.20	5.24	5.25
1yr	4.85	4.89	5.03
2yr	4.17	4.23	4.24
3yr	3.86	3.94	3.93
4yr	3.76	3.84	3.82
5yr	3.69	3.80	3.73
7yr	3.95	4.07	4.00
10yr	4.16	4.31	4.22
5yr Am	4.15		4.00
10yr Am	4.21		4.12

Fed Fund Futures	
Maturity	Rate
May-23	5.043
Jun-23	5.070
Jul-23	5.055
Aug-23	4.980
Sep-23	4.925
Oct-23	4.815
Nov-23	4.570
Dec-23	4.410
Jan-24	4.310
Feb-24	4.065
Mar-24	3.965

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
5/1	S&P Global US Manufacturing PMI	Apr F	50.4	50.2	50.4	--
5/1	Construction Spending MoM	Mar	0.1%	0.3%	-0.4%	-0.3%
5/1	ISM Manufacturing	Apr	46.8	47.1	46.3	--
5/1	ISM Prices Paid	Apr	49.0	53.2	49.2	--
5/1	ISM Employment	Apr	--	50.2	46.9	--
5/1	ISM New Orders	Apr	--	45.7	44.3	--
5/2	JOLTS Job Openings	Mar	9736k	9590k	9934k	9974k
5/2	Factory Orders Ex Trans	Mar	--	-0.7%	-0.3%	-0.7%
5/2	Durables Ex Transportation	Mar F	0.3%	0.2%	0.3%	--
5/2	Cap Goods Ship Nondef Ex Air	Mar F	--	-0.5%	-0.4%	--
5/3	MBA Mortgage Applications	4/28	--	-1.2%	3.7%	--
5/3	ADP Employment Change	Apr	150k	296k	145k	142k
5/3	S&P Global US Services PMI	Apr F	53.7	53.6	53.7	--
5/3	S&P Global US Composite PMI	Apr F	53.5	53.4	53.5	--
5/3	ISM Services Index	Apr	51.8	51.9	51.2	--
5/3	ISM Services Prices Paid	Apr	--	59.6	59.5	--
5/3	ISM Services Employment	Apr	--	50.8	51.3	--
5/3	ISM Services New Orders	Apr	--	56.1	52.2	--
5/3	FOMC Rate Decision (Upper Bound)	5/3	5.25%	5.25%	5.00%	--
5/3	FOMC Rate Decision (Lower Bound)	5/3	5.00%	5.00%	4.75%	--
5/3	Interest on Reserve Balances Rate	5/4	5.15%	5.15%	4.90%	--
5/4	Challenger Job Cuts YoY	Apr	--	175.9%	319.4%	--
5/4	Nonfarm Productivity	1Q P	-2.0%	-2.7%	1.7%	1.6%
5/4	Unit Labor Costs	1Q P	5.6%	6.3%	3.2%	3.3%
5/4	Initial Jobless Claims	4/29	240k	242k	230k	229k
5/4	Continuing Claims	4/22	1865k	1805k	1858k	1843k
5/5	Two-Month Payroll Net Revision	Apr	--	-149k	--	--
5/5	Change in Nonfarm Payrolls	Apr	185k	253k	236k	165k
5/5	Change in Private Payrolls	Apr	160k	230k	189k	123k
5/5	Change in Manufact. Payrolls	Apr	-5k	11k	-4k	-8k
5/5	Unemployment Rate	Apr	3.6%	3.4%	3.5%	--
5/5	Average Hourly Earnings MoM	Apr	0.3%	0.5%	0.3%	--
5/5	Average Hourly Earnings YoY	Apr	4.2%	4.4%	4.2%	4.3%
5/5	Average Weekly Hours All Employees	Apr	34.4	34.4	34.4	--
5/5	Labor Force Participation Rate	Apr	62.6%	62.6%	62.6%	--
5/5	Underemployment Rate	Apr	--	6.6%	6.7%	--
5/9	NFIB Small Business Optimism	Apr	89.5	--	90.1	--
5/10	CPI YoY	Apr	5.0%	--	5.0%	--
5/10	CPI Ex Food and Energy YoY	Apr	5.4%	--	5.6%	--
5/10	CPI Core Index SA	Apr	306.22	--	305.24	--
5/10	Real Avg Hourly Earning YoY	Apr	--	--	-0.7%	--
5/10	Real Avg Weekly Earnings YoY	Apr	--	--	-1.6%	--
5/11	PPI Final Demand YoY	Apr	2.4%	--	2.7%	--
5/11	PPI Ex Food and Energy YoY	Apr	3.3%	--	3.4%	--
5/11	PPI Ex Food, Energy, Trade YoY	Apr	--	--	3.6%	--
5/12	Import Price Index YoY	Apr	-4.8%	--	-4.6%	--
5/12	Export Price Index YoY	Apr	--	--	-4.8%	--

MBS Prepayments ⁴						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	7.6	11.9	12.7	12.9	13.6	12.5
FH/FN 15y	6.0	6.2	6.8	8.1	13.5	16.5
GN 15y	17.2	12.9	13.5	16.0	18.5	21.8
FH/FN 20y	51.7	4.9	6.3	7.1	7.8	9.1
FH/FN 30y	8.3	3.7	6.2	5.0	5.4	6.4
GN 30y	2.8	4.0	6.7	5.4	4.6	6.7

CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	11.2	12.6	12.8	12.9	12.5	10.9
FH/FN 15y	6.6	6.5	7.4	8.4	13.1	15.4
GN 15y	10.4	9.5	9.8	11.3	12.0	13.9
FH/FN 20y	5.5	6.0	7.1	8.1	8.9	10.0
FH/FN 30y	5.5	5.5	6.0	6.4	7.5	8.7
GN 30y	5.8	6.1	6.8	7.3	9.4	10.3

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	134.83	(1.47)	131.32	146.63	130.20
Euro	1.10	(0.00)	1.09	1.00	1.05
Dollar Index	101.55	(0.11)	101.85	110.88	103.75
Major Stock Indices					
Dow Jones	33,596	(502)	33,483	32,403	32,998
S&P 500	4,111.6	(57.9)	4,090.4	3,770.6	4,146.9
NASDAQ	12,135.8	(91)	11,996.9	10,475.3	12,317.7
Commodities					
Gold	2,011.3	12.2	2,020.9	1,676.6	1,875.7
Crude Oil	71.42	(5.36)	80.61	92.61	108.26
Natural Gas	2.13	(0.28)	2.16	6.40	8.78
Wheat	631.5	16.8	691.5	847.8	1,066.0
Corn	652.0	16.0	652.8	681.0	803.8

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: 05/05/2023 9:18AM