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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 -

ALM School

Aug 8-9, 2023

Summer is here and things are warming up. That's certainly true of the labor market, or at least the payrolls growth component of the May jobs report. It was, to be sure, a noisy number that the labor department released this morning. Though payrolls jumped 339K last month (notably higher than the 195K expected) and prior months were revised upward, we also saw an unanticipated uptick in the unemployment rate to 3.7% and a decrease in wage inflation... both Fed friendly developments as the central bank continues to fight inflation. The head-scratching is caused by differences in methodology between the household survey (which is exactly that... a direct survey of households asking about employment status) and the establishment survey (which is derived specifically from company payrolls data). Confusion arises for surveyed households when members hold two or more jobs, hybrid part-versus full-time workers, etc. This causes inconsistencies in reporting that have been amplified by the pandemic. So, in May, we had an enormous discrepancy between job creation reported by the payrolls data, +339K, versus the household survey results, -310K. Taking a step back, we see clearly that wage growth has slowed from a peak in March '22 of 5.92% YOY to 4.30% YOY today. At that pace, we'll be back to pre-pandemic levels (3.6% or so) easily by year-end. That's critical since it's wage-inflation that the Fed is fighting, not job growth in and of itself.

Meanwhile, speaking of inflation, commodities prices continue to fall as global economic weakness spreads. The core-commodity (CRB) index has dropped back to levels not seen since the beginning of 2022, and we've seen sharp, recession-looking drops in balances of both US imports and exports. We also saw this week that unit labor costs of US companies were reported to be much lower (4.2% vs 6.3% prior quarter), and the prices paid component of the ISM (Institute for Supply Management) Index at 44.2% vs 53.2% previously). Inflation, still too high, is nonetheless coming down steadily by most measures, and market-based inflation expectations have fallen back to pre-COVID levels.

Also moving markets this week was the remarkably silly debate on whether the US should honor its commitments and pay its bills. Not to be confused with a meaningful debate about future fiscal policy, this silliness involved threats to simply renege on all Federal contracts, interest payments on debt, salaries of military, and other federal employees by denying the US Treasury authority for routine Treasury Bill issuance to make payment. As always happens, the fools ended up looking foolish and borrowing authority was kept intact. But serious damage was done to financial markets, particularly money markets where the Treasury must now rebuild its cash account. The unnecessary distortion is costly in many ways, but for banks it means further pressure on reserves in the system at a time when the Fed is engaged in aggressive credit tightening, putting further upward pressure on cost of funds. The effect is thought to be similar to an additional 25bps of tightening.

*(Continued)*



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And that brings us to Fed policy. Interestingly, we've seen and heard much talk about pausing, skipping, or (however you phrase it) not hiking rates in June. Policymakers including Philadelphia President, Patrick Harker, and Fed Governor, Philip Jefferson, both suggested as much this week, and St. Louis President Bullard suggested the current fed funds rate is "arguably sufficiently restrictive" given current conditions. Harker said it well when he noted that "we are close to a point where we can hold rates in place and let monetary policy do its work to bring inflation back to the target in a timely manner."

Next week we'll get data on factory orders, capital expenditures, and trade, as well as the ISM services report.

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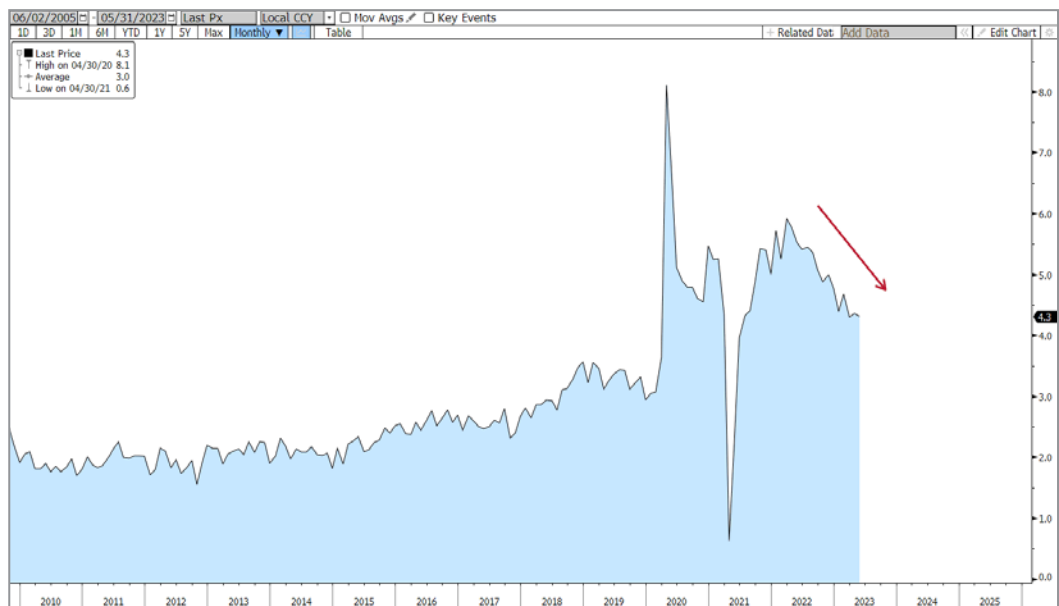
Aug 23-24, 2023

#### - Bank & Credit Unions -

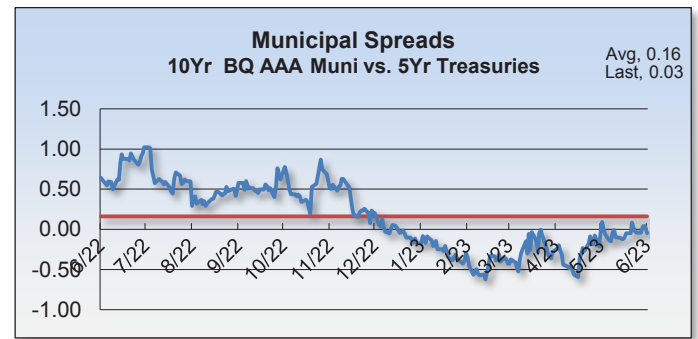
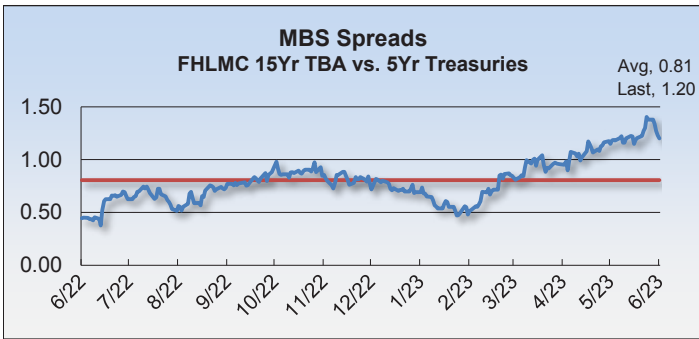
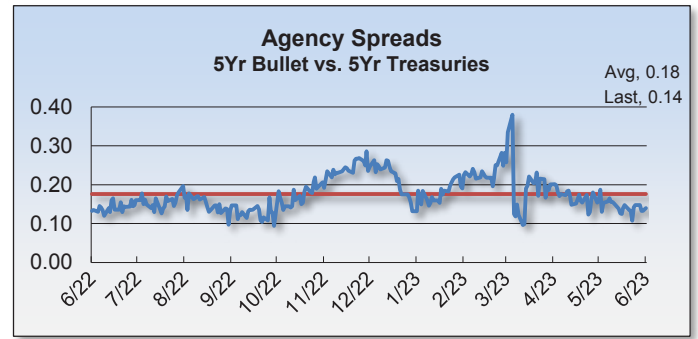
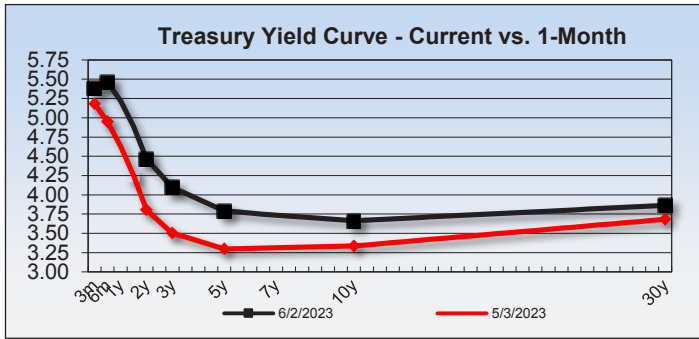
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### US Average Hourly Earnings Growth (YOY): 2005 - Today



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 <sup>2</sup>	S-Corp <sup>3</sup>		Mty	3Mo	6mo	1Yr	2Yr		
3mo	5.38	0.11	5.15	4.28	1.13	2yr	4.56	4.63	4.23	4.50	4.60	2Yr	5.25	5.25	5.25	-		
6mo	5.46	0.07	4.97	4.65	1.62	3yr	4.14	4.20	4.03	4.29	4.48	3Yr	4.88	4.89	4.80	4.88		
1yr	5.22	(0.02)	4.74	4.66	2.12	5yr	3.91	3.85	3.78	4.02	4.25	5Yr	4.66	4.66	4.65	4.59		
2yr	4.47	(0.10)	3.96	4.27	2.63	7yr	3.92	3.74	3.63	3.86	4.33	7Yr	4.61	4.63	4.62	4.56		
3yr	4.09	(0.14)	3.68	3.98	2.73	10yr	3.96	3.69	3.63	3.86	4.46	10Yr	4.59	4.65	4.64	4.57		
5yr	3.79	(0.14)	3.45	3.65	2.91	15yr	3.99	3.70	4.37	4.65	4.59	July TBA MBS						
7yr	3.73	(0.13)	3.44	3.59	2.95	20yr	4.03	3.66	4.59	4.89	4.99	Cpn		15Yr -Yld/AL			30Yr -Yld/AL	
10yr	3.66	(0.14)	3.43	3.49	2.91	25yr	4.07	3.57	4.75	5.05	5.05	2.00	4.34	5.6y	4.35			
30yr	3.86	(0.10)	3.71	3.55	3.08	30yr	4.07	3.47	4.90	5.22	5.10	2.50	4.58	5.6y				
												3.00	4.60	5.6y	4.60		10.5y	
												3.50	4.55	5.6y	4.70		10.2y	
												4.00			4.82		9.8y	
												4.50			4.98		9.3y	

\* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	5.25	--	5.00	4.00	1.00
Primary Discount	5.25	--	5.00	4.00	1.00
2ndary Discount	5.75	--	5.50	4.50	1.50
Prime Rate	8.25	--	8.00	7.00	4.00
Sec. O.N. Finance	5.08	0.02	4.81	3.82	--
1 Month LIBOR	5.19	0.05	5.06	4.14	1.12
3 Month LIBOR	5.52	0.09	5.30	4.78	1.61
6 Month LIBOR	5.65	0.11	5.41	5.20	2.11
1 Year LIBOR	5.72	0.18	5.37	5.57	2.74
6 Month CD	5.48	(0.10)	5.42	5.15	2.24
1 Year CMT	5.11	(0.13)	4.86	4.66	2.16
REPO O/N	5.19	0.01	4.84	3.84	0.80
REPO 1Wk	5.02	(0.09)	4.95	3.89	0.84
CoF Federal	3.302	--	3.239	2.278	0.963
11th D. CoF (Dec)	0.223	--	0.218	0.282	0.460

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	5.52	5.60	5.56
6mo	5.58	5.59	5.63
1yr	5.26	5.36	5.50
2yr	4.61	4.79	4.76
3yr	4.20	4.42	4.33
4yr	4.07	4.28	4.19
5yr	3.97	4.17	4.08
7yr	4.16	4.36	4.25
10yr	4.31	4.53	4.41
5yr Am	4.15		4.39
10yr Am	4.21		4.41

Fed Fund Futures	
Maturity	Rate
Jun-23	5.125
Jul-23	5.185
Aug-23	5.285
Sep-23	5.270
Oct-23	5.250
Nov-23	5.130
Dec-23	5.030
Jan-24	4.970
Feb-24	4.765
Mar-24	4.680
Apr-24	4.540

# Baker Market Update

## Week in Review

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
5/30	FHFA House Price Index MoM	Mar	0.2%	0.6%	0.5%	0.7%
5/30	House Price Purchase Index QoQ	1Q	--	0.5%	0.3%	0.2%
5/30	S&P CoreLogic CS 20-City MoM SA	Mar	0.0%	0.5%	0.4%	-0.1%
5/30	S&P CoreLogic CS 20-City YoY NSA	Mar	-1.60%	-1.15%	0.36%	--
5/30	S&P CoreLogic CS US HPI YoY NSA	Mar	--	0.66%	2.05%	2.13%
5/30	Conf. Board Consumer Confidence	May	99.0	102.3	101.3	103.7
5/30	Conf. Board Present Situation	May	--	148.6	151.1	151.8
5/30	Conf. Board Expectations	May	--	71.5	68.1	71.7
5/30	Dallas Fed Manf. Activity	May	-18.0	-29.1	-23.4	--
5/31	MBA Mortgage Applications	5/26	--	-3.7%	-4.6%	--
5/31	MNI Chicago PMI	May	47.3	40.4	48.6	--
5/31	JOLTS Job Openings	Apr	9400k	10103k	9590k	9745k
5/31	Dallas Fed Services Activity	May	--	-17.3	-14.4	--
6/1	Challenger Job Cuts YoY	May	--	286.7%	175.9%	--
6/1	ADP Employment Change	May	170k	278k	296k	291k
6/1	Nonfarm Productivity	1Q F	-2.4%	-2.1%	-2.7%	--
6/1	Unit Labor Costs	1Q F	6.0%	4.2%	6.3%	--
6/1	Initial Jobless Claims	5/27	235k	232k	229k	230k
6/1	Continuing Claims	5/20	1800k	1795k	1794k	1789k
6/1	S&P Global US Manufacturing PMI	May F	48.5	48.4	48.5	--
6/1	Construction Spending MoM	Apr	0.2%	1.2%	0.3%	--
6/1	ISM Manufacturing	May	47.0	46.9	47.1	--
6/1	ISM Prices Paid	May	52.3	44.2	53.2	--
6/1	ISM Employment	May	--	51.4	50.2	--
6/1	ISM New Orders	May	--	42.6	45.7	--
6/1	Wards Total Vehicle Sales	May	15.30m	15.05m	15.91m	--
6/2	Two-Month Payroll Net Revision	May	--	93k	--	--
6/2	Change in Nonfarm Payrolls	May	195k	339k	253k	294k
6/2	Change in Private Payrolls	May	168k	283k	230k	253k
6/2	Change in Manufact. Payrolls	May	5k	-2k	4k	10k
6/2	Unemployment Rate	May	3.5%	3.7%	3.4%	--
6/2	Average Hourly Earnings MoM	May	0.3%	0.3%	0.5%	0.4%
6/2	Average Hourly Earnings YoY	May	4.4%	4.3%	4.4%	--
6/2	Average Weekly Hours All Employees	May	34.4	34.3	34.4	--
6/2	Labor Force Participation Rate	May	62.6%	62.6%	62.6%	--
6/2	Underemployment Rate	May	--	6.7%	6.6%	--
6/5	S&P Global US Services PMI	May F	55.1	--	55.1	--
6/5	S&P Global US Composite PMI	May F	--	--	54.5	--
6/5	Factory Orders Ex Trans	Apr	0.2%	--	-0.7%	--
6/5	Factory Orders	Apr	0.8%	--	0.9%	--
6/5	Durables Ex Transportation	Apr F	--	--	-0.2%	--
6/5	Cap Goods Ship Nondef Ex Air	Apr F	--	--	0.5%	--
6/5	ISM Services Index	May	52.4	--	51.9	--
6/5	ISM Services Prices Paid	May	--	--	59.6	--
6/5	ISM Services Employment	May	--	--	50.8	--
6/5	ISM Services New Orders	May	--	--	56.1	--
6/8	Household Change in Net Worth	1Q	--	--	\$2927b	--

MBS Prepayments <sup>4</sup>						
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	11.1	12.5	12.6	12.7	12.4	10.3
FH/FN 15y	6.5	5.9	6.8	7.9	12.6	14.1
GN 15y	10.1	8.9	9.3	11.0	11.6	13.5
FH/FN 20y	5.4	5.9	6.2	7.3	8.4	9.5
FH/FN 30y	5.3	5.2	5.6	6.0	6.9	7.8
GN 30y	5.5	5.8	6.5	6.8	8.8	9.7

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
<b>Currencies</b>					
Japanese Yen	139.33	(1.27)	136.55	134.31	129.84
Euro	1.07	0.00	1.10	1.05	1.07
Dollar Index	103.68	(0.57)	101.96	104.55	101.82
<b>Major Stock Indices</b>					
Dow Jones	33,397	633	33,685	34,430	33,248
S&P 500	4,260.6	109.3	4,119.6	4,071.7	4,176.8
NASDAQ	13,128.5	430	12,080.5	11,461.5	12,316.9
<b>Commodities</b>					
Gold	1,965.0	21.3	2,023.3	1,795.9	1,866.5
Crude Oil	71.78	(0.05)	71.66	79.98	116.87
Natural Gas	2.21	(0.09)	2.21	6.28	8.49
Wheat	610.0	5.8	595.5	737.3	1,058.3
Corn	587.5	-3.3	638.0	635.0	730.3

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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