



Andrea Pringle
*MBS Analyst/
 Financial Strategist*
 The Baker Group LP
APringle@gobaker.com

UPCOMING EVENTS

Banks

Seminar:

Stevens Point, WI

Aug 29, 2023

Findlay, OH

Oct 4, 2023

Oklahoma City, OK

Oct 18-20, 2023

Minneapolis, MN

Dec 5, 2023

Credit Unions

CU School:

CU ALM School

Aug 23-24, 2023

CU Seminar:

Philadelphia, PA

Sep 27, 2023

Dallas, TX

Nov 9, 2023

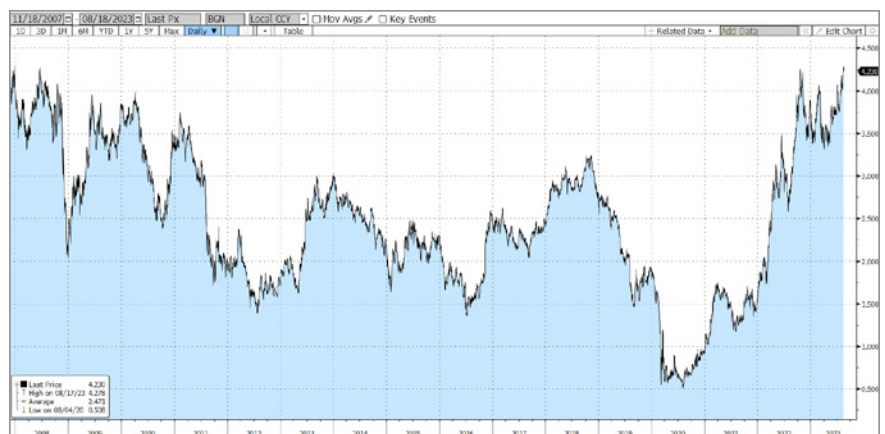
While the top news headline of the week likely belongs to Donald Trump's latest indictment (despite it being his fourth one this year), there was plenty of notable economic news as well. Tuesday's Retail Sales numbers started the week off with a bang. Sales surprised to the upside, rising 0.7% in July vs. 0.4% consensus. Control-group sales, which exclude vehicles, gas, food services, and building materials, and also feeds into GDP, rose an even stronger 1.0% vs. 0.5% consensus. The report highlighted how a strong labor market and strong wages can continue to fuel spending despite higher borrowing costs.

Stock and bond markets seemed to shift back into a "good news is bad news" mindset where stronger economic data, particularly labor and consumer data, spooks markets. The implication is that good economic news gives the Fed more ammunition to hold to the "higher for longer" mantra they have been trying to sell to markets.

Investors are clearly concerned the Fed will keep rates elevated longer than necessary to ensure inflation does not reverse its decline and Wednesday's release of the July FOMC minutes did little to assuage their fears. The minutes indicated the FOMC may not be finished raising interest rates as, "Most participants continued to see significant upside risks to inflation, which could require further tightening of monetary policy." There was no definitive guidance on the next rate decision in September, but the Committee notably scrapped their forecasts of a "mild recession" next year. However, the minutes did reveal that the quarter point rate hike in July was not unanimous among the broader panel of 18 officials as two favored leaving rates unchanged.

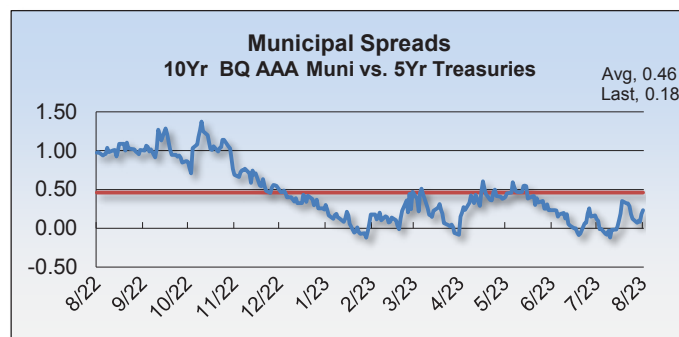
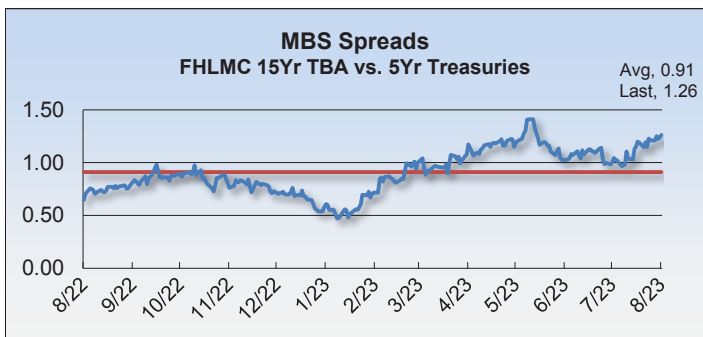
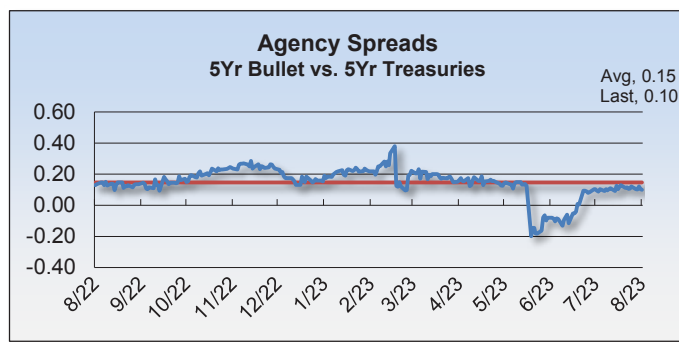
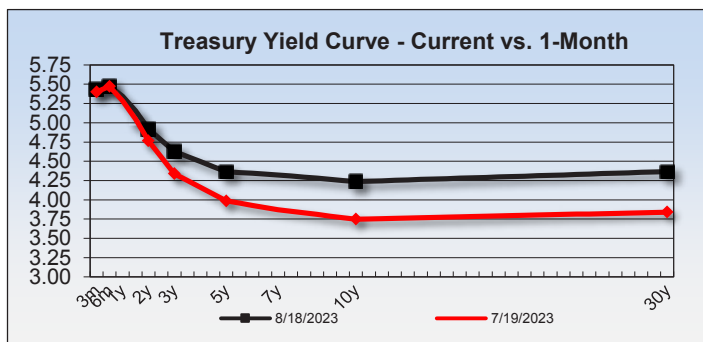
Bond yields pushed higher on Tuesday following the Retail Sales report and rose further following the FOMC minutes on Wednesday. By Thursday morning, the 10yr US Treasury rate had hit the highest level since 2007. As of this writing, bond yields have retreated from Thursdays highs and the 10yr is back below 2007 levels. Investors seem to be drawn back into the market on the notion that booking some bonds at 15+yr highs in yields is prudent and timing the top is impossible.

This week's housing data provided far less excitement, though Housing Starts were stronger than expected. Starts increased 3.9% in July to a 1.45 million annualized rate, which was well above the median consensus estimate of 1.1%. However, the upside surprise was really due to a downward revision of the June data, which took most of the luster out of the report. Building permits, a leading indicator of housing demand, were up only 0.1% in July to an annualized pace of 1.44 million units, much weaker than the consensus estimate of 1.5%.



Source: Bloomberg, L.P.

Next week, all eyes will turn to the annual Jackson Hole Symposium where we will undoubtedly get more from Fed Chair Jerome Powell as he'll have another opportunity to reinforce much of the central bank's core messaging about higher for longer rates and upside risks to inflation. We will also get more data on the housing front with both new and existing home sales reports.



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	5.44	0.01	5.40	4.80	2.65	2yr	5.01	4.81	4.41	4.69	5.05	2Yr	5.72	5.72	5.72	-
6mo	5.48	(0.00)	5.48	5.01	3.09	3yr	4.63	4.47	4.17	4.44	4.95	3Yr	5.42	5.43	5.40	5.42
1yr	5.34	(0.00)	5.33	4.99	3.20	5yr	4.37	4.15	3.98	4.23	4.74	5Yr	5.24	5.24	5.23	5.17
2yr	4.92	0.02	4.77	4.62	3.20	7yr	4.50	4.03	3.91	4.16	4.88	7Yr	5.20	5.22	5.21	5.15
3yr	4.63	0.05	4.35	4.32	3.14	10yr	4.47	3.97	3.98	4.23	4.87	10Yr	5.16	5.22	5.21	5.15
5yr	4.37	0.06	4.01	4.03	3.03	15yr	4.45	3.95	4.70	5.01	5.07	September TBA MBS				
7yr	4.32	0.07	3.90	3.94	2.97	20yr	4.43	3.90	5.03	5.35	5.44	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	4.24	0.08	3.79	3.82	2.88	25yr	4.41	3.79	5.19	5.52	5.50	2.50	5.80	5.4y	5.04	
30yr	4.37	0.10	3.90	3.87	3.14	30yr	3.68	3.68	5.35	5.69	5.55	3.00	5.82	5.5y		
												3.50	5.47	5.6y	5.41	10.7y
												4.00	5.25	5.6y	5.45	10.5y
												4.50			5.53	10.2y
												5.00			5.67	9.6y

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	5.50	--	5.25	4.75	2.50
Primary Discount	5.50	--	5.25	4.75	2.50
2ndary Discount	6.00	--	5.75	5.25	3.00
Prime Rate	8.50	--	8.25	7.75	5.50
Sec. O.N. Finance	5.30	--	5.06	4.55	--
1 Month LIBOR	5.43	(0.00)	5.34	4.60	2.38
3 Month LIBOR	5.64	0.01	5.57	4.90	2.96
6 Month LIBOR	5.87	0.02	5.80	5.18	3.51
1 Year LIBOR	6.04	0.12	5.73	5.48	3.62
6 Month CD	5.76	0.02	5.70	5.16	3.54
1 Year CMT	5.36	0.03	5.33	5.00	3.27
REPO O/N	5.33	--	5.11	4.58	2.30
REPO 1Wk	5.36	(0.02)	5.14	4.66	2.33
CoF Federal	3.619	--	3.544	2.998	1.508
11th D. CoF (Dec)	0.223	--	0.218	0.282	0.460

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	5.53	5.62	5.58
6mo	5.61	5.65	5.67
1yr	5.48	5.54	5.65
2yr	5.07	5.14	5.20
3yr	4.80	4.89	4.92
4yr	4.67	4.78	4.78
5yr	4.57	4.69	4.67
7yr	4.73	4.87	4.83
10yr	4.84	5.00	4.94
5yr Am	4.15		4.94
10yr Am	4.21		4.96

Fed Fund Futures		
Maturity	Rate	
Aug-23	5.330	
Sep-23	5.340	
Oct-23	5.355	
Nov-23	5.420	
Dec-23	5.405	
Jan-24	5.390	
Feb-24	5.330	
Mar-24	5.285	
Apr-24	5.215	
May-24	5.085	
Jun-24	4.980	

Baker Market Update

Week in Review

August 18, 2023

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
8/15	Retail Sales Ex Auto and Gas	Jul	0.4%	1.0%	0.3%	0.4%
8/15	Retail Sales Control Group	Jul	0.5%	1.0%	0.6%	0.5%
8/15	Import Price Index YoY	Jul	-4.6%	-4.4%	-6.1%	--
8/15	Export Price Index YoY	Jul	--	-7.9%	-12.0%	-11.9%
8/15	Empire Manufacturing	Aug	-1.0	-19.0	1.1	--
8/15	Business Inventories	Jun	0.1%	0.0%	0.2%	0.0%
8/15	Net Long-term TIC Flows	Jun	--	\$195.9b	\$25.8b	\$23.6b
8/15	Total Net TIC Flows	Jun	--	\$147.8b	-\$167.6b	-\$161.6b
8/16	Housing Starts	Jul	1450k	1452k	1434k	1398k
8/16	Building Permits	Jul	1463k	1442k	1440k	1441k
8/16	New York Fed Services Business Activit	Aug	--	0.6	0.0	--
8/16	Capacity Utilization	Jul	79.1%	79.3%	78.9%	78.6%
8/16	Manufacturing (SIC) Production	Jul	0.0%	0.5%	-0.3%	-0.5%
8/16	FOMC Meeting Minutes	7/26	--	--	--	--
8/17	Philadelphia Fed Business Outlook	Aug	-10.4	12.0	-13.5	--
8/17	Leading Index	Jul	-0.4%	-0.4%	-0.7%	--
8/22	Philadelphia Fed Non-Manufacturing Ac	Aug	--	--	1.40	--
8/22	Existing Home Sales	Jul	4.15m	--	4.16m	--
8/22	Richmond Fed Manuf. Index	Aug	--	--	-9.00	--
8/23	MBA Mortgage Applications	8/18	--	--	-0.8%	--
8/23	S&P Global US Manufacturing PMI	Aug P	48.90	--	49.00	--
8/23	S&P Global US Services PMI	Aug P	52.50	--	52.30	--
8/23	S&P Global US Composite PMI	Aug P	--	--	52.00	--
8/23	New Home Sales	Jul	707k	--	697k	--
8/23	4M High Yield Rate	8/23	--	--	5.3%	--
8/23	4M Bid/Cover Ratio	8/23	--	--	3.02	--
8/23	4M Indirect Accepted %	8/23	--	--	48.10%	--
8/23	2Y FRN Bid/Cover Ratio	8/23	--	--	2.58	--
8/23	4M Direct Accepted %	8/23	--	--	3.4%	--
8/23	20Y High Yield Rate	8/23	--	--	4.0%	--
8/23	20Y Bid/Cover Ratio	8/23	--	--	2.7%	--
8/23	20Y Direct Accepted %	8/23	--	--	21.7%	--
8/23	20Y Indirect Accepted %	8/23	--	--	68.8%	--
8/24	Initial Jobless Claims	8/19	240k	--	239k	--
8/24	Chicago Fed Nat Activity Index	Jul	--	--	-0.32	--
8/24	Continuing Claims	8/12	1700k	--	1716k	--
8/24	Durable Goods Orders	Jul P	-4.0%	--	4.6%	--
8/24	Durables Ex Transportation	Jul P	0.3%	--	0.5%	--
8/24	Cap Goods Orders Nondef Ex Air	Jul P	0.1%	--	0.1%	--
8/24	Cap Goods Ship Nondef Ex Air	Jul P	--	--	0.1%	--
8/24	Kansas City Fed Manf. Activity	Aug	--	--	-11.00	--
8/25	U. of Mich. Sentiment	Aug F	71.20	--	71.20	--
8/25	U. of Mich. Current Conditions	Aug F	--	--	77.40	--
8/25	U. of Mich. Expectations	Aug F	--	--	67.30	--
8/25	U. of Mich. 1 Yr Inflation	Aug F	--	--	3.3%	--
8/25	U. of Mich. 5-10 Yr Inflation	Aug F	--	--	2.9%	--
8/25	Kansas City Fed Services Activity	Aug	--	--	-1.00	--

MBS Prepayments ⁴						
3-Month CPR						
Type	2.5	3.0	3.5	4.0	4.5	5.0
FN 10y	12.1	13.7	13.4	12.7	18.2	14.6
FH/FN 15y	6.9	8.0	9.6	13.4	15.3	20.7
GN 15y	12.1	14.9	17.8	20.2	20.9	35.1
FH/FN 20y	6.0	6.9	8.0	8.3	9.7	12.7
FH/FN 30y	4.4	6.2	6.4	7.1	7.5	10.1
GN 30y	6.1	6.4	10.6	9.1	7.4	7.1
CPR Projections						
Type	2.5	3.0	3.5	4.0	4.5	5.0
FN 10y	14.6	14.7	14.5	13.0	10.1	10.3
FH/FN 15y	7.9	7.6	7.6	10.9	14.3	17.9
GN 15y	6.9	7.1	7.1	7.8	8.8	10.2
FH/FN 20y	6.3	7.0	7.5	7.8	8.6	9.4
FH/FN 30y	4.9	5.2	5.4	6.0	6.8	7.6
GN 30y	5.1	5.9	6.0	6.1	7.0	6.7

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	145.36	0.40	138.83	134.25	135.89
Euro	1.09	(0.01)	1.12	1.07	1.01
Dollar Index	103.39	0.55	99.94	103.86	107.48
Major Stock Indices					
Dow Jones	34,416	(865)	34,952	33,827	33,999
S&P 500	4,351.0	(113.1)	4,555.0	4,079.1	4,283.7
NASDAQ	13,230.7	(414)	14,353.6	11,787.3	12,965.3
Commodities					
Gold	1,904.0	(23.7)	1,980.8	1,850.2	1,761.1
Crude Oil	80.32	(2.87)	75.75	76.34	90.50
Natural Gas	2.56	(0.22)	2.63	2.28	9.19
Wheat	611.8	-15.0	670.8	765.5	731.5
Corn	479.8	5.3	528.8	677.8	619.8

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	

INTENDED FOR INSTITUTIONAL INVESTORS ONLY. The data provided in these reports is for informational purposes only and is intended solely for your private use. Information herein is believed to be reliable but The Baker Group LP does not guarantee its completeness or accuracy. Opinions constitute our judgment and are subject to change without notice. Past performance is not indicative of future results. The investments and strategies discussed here may not be suitable for all investors; if you have

Source for the aforementioned indices, rates, descriptions, & economic indicators: Bloomberg, LP. This report was printed as of: 08/18/2023 10:11AM