



Andrea Pringle
*MBS Analyst/
 Financial Strategist*
 The Baker Group LP
[Email](#)

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

Webinar:

- [Q4 Bank Strategies](#)
Oct 11, 2023
- [Bank Trends for Q3](#)
Nov 15, 2023

Credit Unions

CU Seminar:

- [Philadelphia, PA](#)
Sep 27, 2023
- [Dallas, TX](#)
Nov 9, 2023

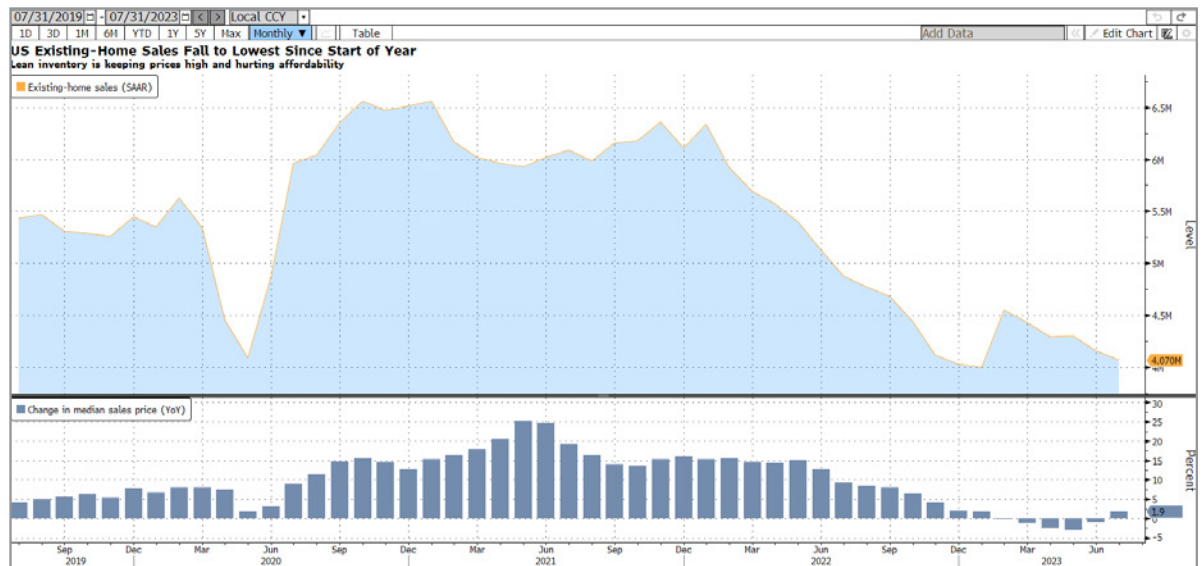
CU Webinar:

- [Q4 CU Strategies](#)
Oct 12, 2023

In a week that has been fairly light on data, market participants have been eagerly awaiting news from the Jackson Hole Economic Policy Symposium and particularly the speech from Fed Chair Jerome Powell this morning. Markets are looking for any clues from his comments that address the two key questions on everyone's minds – how high will interest rates go, and how long will they stay there?

It has been a jittery week for markets in the lead up to Jackson Hole. Bond yields continued to push higher on Monday and credit-rating firm S&P Global cut the credit ratings and revised its outlook for multiple mid-tier U.S. banks late in the day. The agency cited concerns that funding risks and shakier profitability will test the credit strength of the sector. The news rekindled concerns about the impact on U.S. banks from a particularly tough August for bond prices and borrowing rates.

Tuesday and Wednesday brought some relief with a bounce in bond prices and the 10-year Treasury yield pulled back from 16-year highs. On Tuesday, we also saw Existing Home Sales slide further on lean inventory. Sales of previously owned homes decreased 2.2% from a month earlier to an annualized pace of 4.07mm, well shy of the 4.15mm consensus estimate. It is no secret that existing homeowners are discouraged from listing their properties with mortgage rates more than doubling over the past few years and inventory has fallen as a result. With no end in sight to that dynamic, asking prices remain high and demand will likely continue to struggle.



Source: Bloomberg, L.P.

The combination of low inventory and higher borrowing costs is steering many buyers toward new construction, and we saw New Home Sales come in stronger than expected on Wednesday. Purchases of new homes increased 4.4% to an annualized pace of 714k, the highest level in more than a year and above expectations of 703k. However, the recent pickup in mortgage rates toward 7.5% is weighing on

(Continued)



Andrea Pringle

MBS Analyst/
Financial Strategist
The Baker Group LP

[Email](#)

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

Webinar:

[Q4 Bank Strategies](#)

Oct 11, 2023

[Bank Trends for Q3](#)

Nov 15, 2023

Credit Unions

CU Seminar:

[Philadelphia, PA](#)

Sep 27, 2023

[Dallas, TX](#)

Nov 9, 2023

CU Webinar:

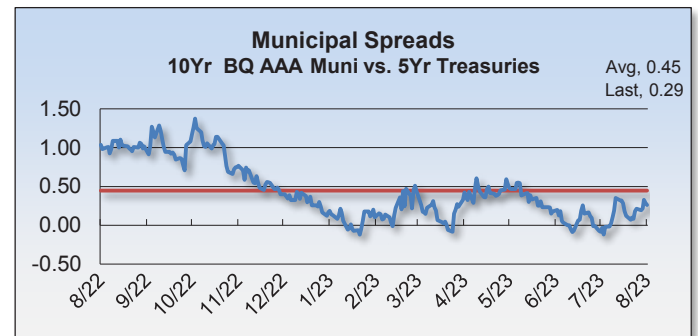
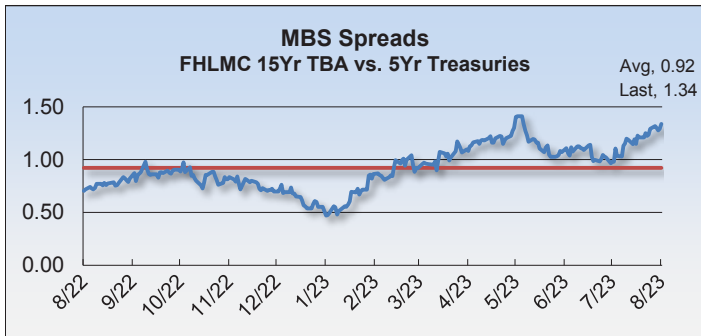
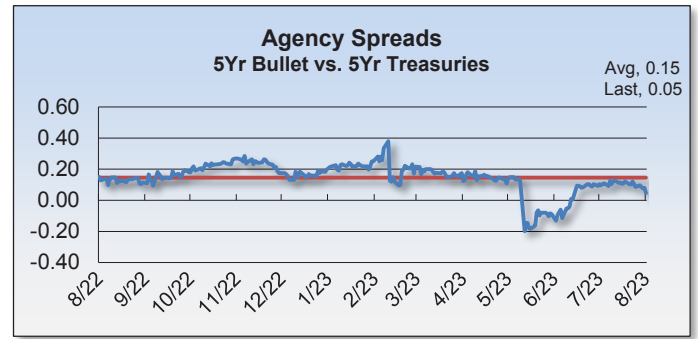
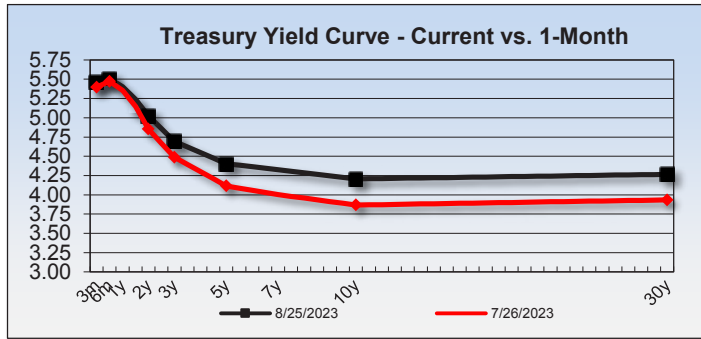
[Q4 CU Strategies](#)

Oct 12, 2023

homebuilder sentiment and translating into weaker demand across all purchase types. Home purchase applications are now down to the lowest level since 1995.

Finally, in this morning's address from Jackson Hole, Powell continued to tout the central bank's commitment to defeating the inflation problem. He said, "Although inflation has moved down from its peak – a welcome development – it remains too high. We are prepared to raise rates further if appropriate, and intend to hold policy at a restrictive level until we are confident that inflation is moving sustainably down toward our objective." He also suggested the Fed could hold rates steady at its next meeting in September as investors expect. "Given how far we have come, at upcoming meetings we are in a position to proceed carefully as we assess the incoming data and the evolving outlook and risks."

Treasury yields initially dipped as Powell spoke, but the policy-sensitive 2-year Treasury was little changed around 5.04%. The 10-year Treasury yield dropped to 4.2%. Futures markets are still pricing in a final 2023 rate hike at the Fed's Oct. 31 – Nov. 1 meeting with about 60% confidence and are expecting several rate cuts in 2024. While we may not have seen the final peak in short-term rates, the Fed appears committed to bringing down economic growth and consumption as needed to quell inflation. Whether that success ends in a recession or soft landing, both scenarios come with lower interest rates in the future and prudent ALM planning remains key.



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	5.46	0.02	5.42	4.81	2.81	2yr	5.10	4.90	4.47	4.75	5.11	2Yr	5.82	5.82	5.82	-
6mo	5.51	0.02	5.46	5.10	3.22	3yr	4.77	4.55	4.28	4.56	4.98	3Yr	5.49	5.50	5.40	5.49
1yr	5.40	0.06	5.38	5.03	3.31	5yr	4.52	4.21	4.10	4.37	4.71	5Yr	5.29	5.29	5.28	5.22
2yr	5.02	0.08	4.88	4.82	3.37	7yr	4.54	4.07	4.06	4.32	4.83	7Yr	5.23	5.25	5.24	5.17
3yr	4.69	0.04	4.53	4.54	3.30	10yr	4.51	3.98	4.13	4.40	4.80	10Yr	5.16	5.21	5.21	5.14
5yr	4.40	0.02	4.17	4.22	3.15	15yr	4.49	3.94	4.83	5.14	5.00	September TBA MBS				
7yr	4.33	(0.02)	4.04	4.11	3.11	20yr	4.46	3.88	5.15	5.48	5.33	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	4.21	(0.05)	3.89	3.95	3.03	25yr	4.43	3.76	5.31	5.65	5.39	2.50	5.58	5.5y	5.02	
30yr	4.27	(0.11)	3.93	3.93	3.24	30yr		3.64	5.47	5.83	5.44	3.00	5.58	5.7y		
												3.50	5.33	5.6y	5.33	10.3y
												4.00	5.18	5.6y	5.38	10.2y
												4.50			5.51	10.2y
												5.00			5.68	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	--	5.05	4.55	--
1 Month LIBOR	5.43	0.00	5.41	4.62	2.44
3 Month LIBOR	5.65	0.01	5.61	4.96	3.00
6 Month LIBOR	5.89	0.02	5.86	5.28	3.57
1 Year LIBOR	6.04	0.12	5.73	5.48	3.62
6 Month CD	5.85	0.09	5.75	5.23	3.64
1 Year CMT	5.39	0.03	5.38	5.05	3.35
REPO O/N	5.33	--	5.11	4.57	2.30
REPO 1Wk	5.38	0.02	5.37	4.61	2.30
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	5.56	5.64	5.60
6mo	5.65	5.69	5.68
1yr	5.55	5.58	5.65
2yr	5.16	5.22	5.26
3yr	4.86	4.94	4.97
4yr	4.72	4.81	4.81
5yr	4.58	4.69	4.68
7yr	4.73	4.84	4.80
10yr	4.81	4.95	4.89
5yr Am	4.15		4.97
10yr Am	4.21		4.94

Fed Fund Futures		
Maturity	Rate	
Aug-23	5.328	
Sep-23	5.350	
Oct-23	5.380	
Nov-23	5.470	
Dec-23	5.470	
Jan-24	5.460	
Feb-24	5.430	
Mar-24	5.400	
Apr-24	5.345	
May-24	5.240	
Jun-24	5.145	

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
8/22	Existing Home Sales	Jul	4.15m	4.07m	4.16m	--
8/23	MBA Mortgage Applications	8/18	--	-4.2%	-0.8%	--
8/23	S&P Global US Composite PMI	Aug P	51.5	50.4	52.0	--
8/23	S&P Global US Manufacturing PMI	Aug P	49	47	49	--
8/23	S&P Global US Services PMI	Aug P	52.2	51.0	52.3	--
8/23	New Home Sales	Jul	703k	714k	697k	684k
8/23	New Home Sales MoM	Jul	0.9%	4.4%	-2.5%	-2.8%
8/24	Initial Jobless Claims	8/19	240k	230k	239k	240k
8/24	Continuing Claims	8/12	1705k	1702k	1746k	1711k
8/24	Chicago Fed Nat Activity Index	Jul	-22%	12%	-32%	-33%
8/24	Durables Ex Transportation	Jul P	0.2%	0.5%	0.5%	0.2%
8/24	Cap Goods Ship Nondef Ex Air	Jul P	0.1%	-0.2%	0.1%	-0.1%
8/24	Kansas City Fed Manf. Activity	Aug	-10	0	-11	--
8/25	U. of Mich. Sentiment	Aug F	71.2	69.5	71.2	--
8/25	U. of Mich. Current Conditions	Aug F	--	75.7	77.4	--
8/25	U. of Mich. 1 Yr Inflation	Aug F	3.3%	3.5%	3.3%	--
8/25	Kansas City Fed Services Activity	Aug	--	--	-1	--
8/28	Dallas Fed Manf. Activity	Aug	--	--	-20	--
8/29	FHFA House Price Index MoM	Jun	--	--	0.7%	--
8/29	House Price Purchase Index QoQ	2Q	--	--	0.5%	--
8/29	S&P CoreLogic CS 20-City YoY NSA	Jun	--	--	-1.7%	--
8/29	S&P CoreLogic CS US HPI YoY NSA	Jun	--	--	-0.5%	--
8/29	JOLTS Job Openings	Jul	--	--	9582k	--
8/29	Conf. Board Consumer Confidence	Aug	116.5	--	117.0	--
8/29	Conf. Board Present Situation	Aug	--	--	160.0	--
8/29	Conf. Board Expectations	Aug	--	--	88.3	--
8/30	ADP Employment Change	Aug	195k	--	324k	--
8/30	GDP Annualized QoQ	2Q S	2.4%	--	2.4%	--
8/30	Personal Consumption	2Q S	1.9%	--	1.6%	--
8/30	GDP Price Index	2Q S	2.2%	--	2.2%	--
8/30	Core PCE Price Index QoQ	2Q S	--	--	3.8%	--
8/30	Pending Home Sales NSA YoY	Jul	--	--	-14.8%	--
8/31	Challenger Job Cuts YoY	Aug	--	--	-8.2%	--
8/31	Personal Income	Jul	0.3%	--	0.3%	--
8/31	Real Personal Spending	Jul	0.5%	--	0.4%	--
8/31	PCE Deflator YoY	Jul	3.3%	--	3.0%	--
8/31	PCE Core Deflator YoY	Jul	4.2%	--	4.1%	--
8/31	MNI Chicago PMI	Aug	44.0	--	42.8	--
9/1	Change in Nonfarm Payrolls	Aug	163k	--	187k	--
9/1	Two-Month Payroll Net Revision	Aug	--	--	-49k	--
9/1	Change in Private Payrolls	Aug	143k	--	172k	--
9/1	Change in Manuf. Payrolls	Aug	4k	--	-2k	--
9/1	Unemployment Rate	Aug	3.5%	--	3.5%	--
9/1	Average Hourly Earnings YoY	Aug	4.3%	--	4.4%	--
9/1	Average Weekly Hours All Employees	Aug	34.3	--	34.3	--
9/1	Labor Force Participation Rate	Aug	62.6%	--	62.6%	--
9/1	Underemployment Rate	Aug	--	--	6.7%	--

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	12.4	12.3	12.4	12.0	9.9	10.4
FH/FN 15y	6.8	6.4	6.8	10.8	13.2	13.7
GN 15y	8.6	8.9	10.6	11.3	12.5	12.6
FH/FN 20y	6.0	6.0	6.2	6.9	7.9	9.2
FH/FN 30y	5.0	5.3	5.6	6.0	6.6	7.6
GN 30y	5.6	6.2	6.7	7.8	8.0	6.7

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	146.28	0.89	141.45	136.30	136.54
Euro	1.08	(0.01)	1.10	1.06	1.00
Dollar Index	104.09	0.71	101.35	105.21	108.47
Major Stock Indices					
Dow Jones	34,212	(289)	35,438	32,817	33,292
S&P 500	4,399.2	29.5	4,567.5	3,970.0	4,199.1
NASDAQ	13,547.1	256	14,144.6	11,394.9	12,639.3
Commodities					
Gold	1,918.2	34.1	1,962.2	1,808.8	1,747.8
Crude Oil	80.02	(1.23)	79.63	76.32	92.52
Natural Gas	2.47	(0.08)	2.73	2.45	9.38
Wheat	605.5	-7.8	760.3	708.3	769.8
Corn	476.0	-3.5	557.5	650.0	657.5

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: 08/25/2023 9:16AM