

**Dale Sheller**

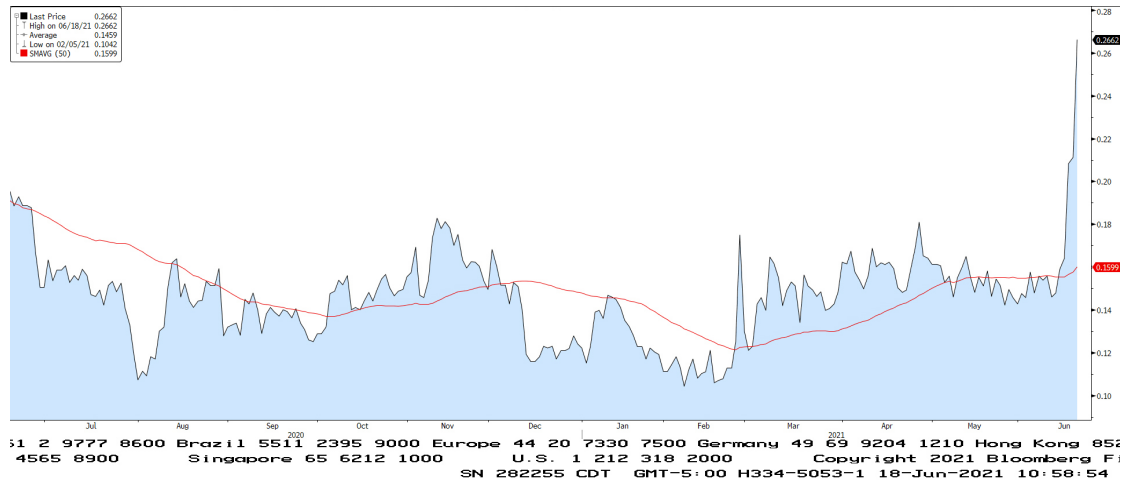
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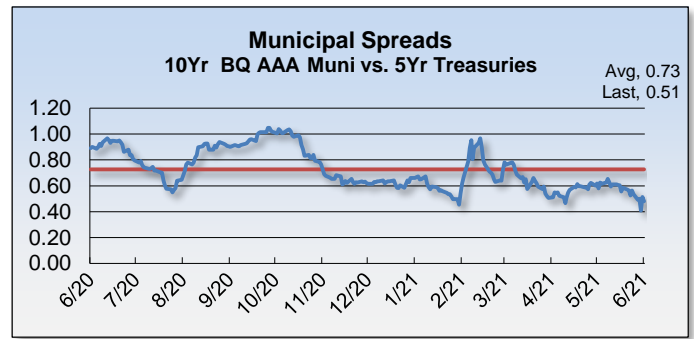
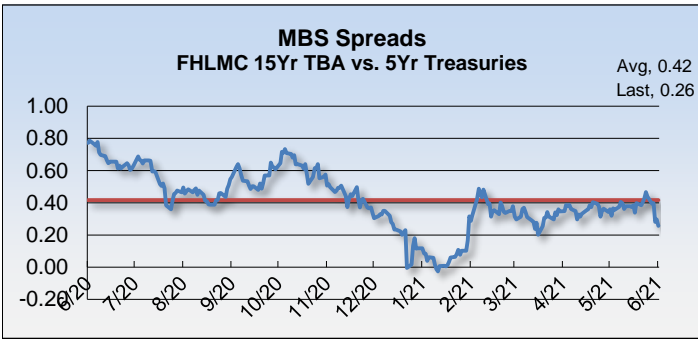
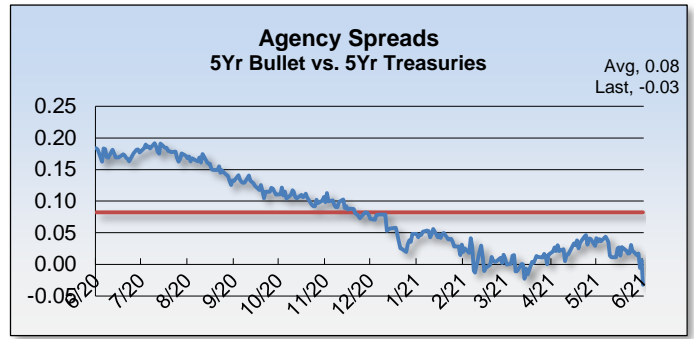
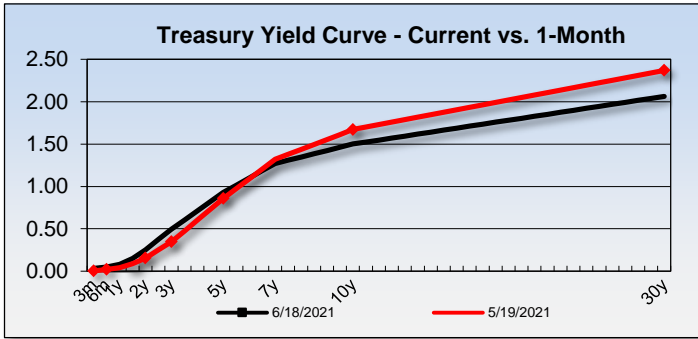
As we close out another hot and humid week in many parts of the country, all eyes were on the Federal Reserve’s June meeting that concluded earlier this week. Was this the meeting where the Fed changed from “thinking about thinking about raising rates” to “thinking about raising rates?” As expected, the policymakers at the Fed unanimously left its benchmark short-term borrowing rate anchored near zero. Chairman Powell stated during his press conference that “you can think of this meeting that we had as the ‘talking about talking about’ meeting.” This statement from Powell came after the Fed raised its expectations for inflation this year and indicated that rate hikes could come as soon as 2023. However, the central bank gave no indication as to when it will begin cutting back on its aggressive bond-buying program.

Chairman Powell continued to stick to the theme in which the recent inflation will be transitory as he stated that “our expectation is these high inflation readings now will abate.” Additionally, he downplayed the dot plot saying it is “not a great forecaster of future rates moves.” Those of you that have followed the Fed’s dot plot since its inception in 2012 are probably thinking “tell us something we don’t already know Mr. Powell.” In the event you put a lot of faith into the dot plot, the latest release now has 12 out of 17 members wanting a rate hike before year-end 2023 vs. only 7 out of 17 in March. The median implied Fed Funds Rate by year-end 2023 is now 0.625% vs. 0.125% in March as this would imply at least two 25bp rate hikes by year-end 2023.

A little bit of a surprise came in yesterday’s weekly release of initial jobless claims as claims totaled 412K, an increase of 37K from the previous week and higher than the 360K estimate. This week’s release put an end to a six-week streak of improvements, even as economic activity ramped further. In the coming weeks, 25 states have either ended or are scheduled to end the enhanced federal unemployment benefits ahead of their September 6th expiration date. The early termination of the unemployment benefits is scheduled to affect an estimated 4 million people.

The 2-year Treasury yield has risen steadily since Chairman Powell’s press conference on Wednesday as the Fed implied that it might raise rates earlier than it had previously expected. The 2-year currently sits at 26bps, up from 15bps earlier in the week. The 10-year Treasury yield fell today where it currently sits at 1.46%, down a few bps from earlier in the week. Stocks have had a tough week as they are on pace to post their worst week since January. The Dow Jones Industrial Average is down 400 points in early trading this morning as the stock market doesn’t appear to be liking this week’s news out of the Fed. Have a great weekend and I know I’m not even thinking about thinking about going outside unless there is a pool involved!





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	0.03	0.01	0.01	0.08	0.15	2yr	0.29	0.31	0.18	0.19	0.25	2Yr	0.19	0.19	0.19	-
6mo	0.05	0.01	0.03	0.09	0.17	3yr	0.51	0.56	0.29	0.31	0.49	3Yr	0.44	0.44	0.40	0.44
1yr	0.08	0.03	0.04	0.09	0.18	5yr	0.97	0.98	0.66	0.70	0.97	5Yr	0.95	0.95	0.94	0.88
2yr	0.25	0.10	0.15	0.12	0.20	7yr	1.29	1.24	0.97	1.03	1.35	7Yr	1.29	1.32	1.31	1.24
3yr	0.50	0.19	0.33	0.18	0.24	10yr	1.57	1.47	1.34	1.43	1.79	10Yr	1.57	1.63	1.62	1.56
5yr	0.93	0.19	0.82	0.38	0.33	15yr	1.85	1.67	1.57	1.67	2.28	July TBA MBS				
7yr	1.27	0.13	1.28	0.66	0.54	20yr	2.14	1.75	1.78	1.89	2.54	Cpn	15Yr -Yld/AL	30Yr -Yld/AL		
10yr	1.50	0.05	1.64	0.95	0.71	25yr	2.42	1.77	1.90	2.03	2.59	2.00	1.35	4.4y	1.91	
30yr	2.06	(0.08)	2.36	1.69	1.48	30yr		1.77	2.03	2.16	2.64	2.50	1.25	3.4y		
												3.00	1.24	3.1y	1.58	3.2y
												3.50	0.74	2.6y	1.43	2.8y
												4.00			1.30	2.7y
												4.50			1.26	2.6y

\* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	0.25	--	0.25	0.25	0.25
Primary Discount	0.25	--	0.25	0.25	0.25
2ndary Discount	0.75	--	0.75	0.75	0.75
Prime Rate	3.25	--	3.25	3.25	3.25
Sec. O.N. Finance	0.05	0.04	0.01	0.09	--
1 Month LIBOR	0.08	0.01	0.10	0.16	0.19
3 Month LIBOR	0.12	(0.00)	0.16	0.24	0.31
6 Month LIBOR	0.15	(0.01)	0.19	0.26	0.43
1 Year LIBOR	0.23	(0.01)	0.27	0.33	0.59
6 Month CD	0.15	0.03	0.15	0.22	0.27
1 Year CMT	0.08	0.03	0.06	0.09	0.19
REPO O/N	0.06	0.05	0.01	0.11	0.09
REPO 1Wk	0.11	0.04	0.09	0.09	0.11
CoF Federal	0.823	--	0.845	1.003	1.333
11th D. CoF (Apr)	0.343	--	0.377	0.503	0.740

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	0.22	0.34	0.26
6mo	0.23	0.33	0.27
1yr	0.30	0.30	0.30
2yr	0.42	0.57	0.42
3yr	0.65	0.80	0.63
4yr	0.88	1.05	0.89
5yr	1.08	1.28	1.12
7yr	1.44	1.70	1.54
10yr	1.71	2.01	1.85
5yr Am	0.74		0.84
10yr Am	1.35		1.46

Fed Fund Futures	
Maturity	Rate
Jun-21	0.078
Jul-21	0.095
Aug-21	0.095
Sep-21	0.095
Oct-21	0.090
Nov-21	0.095
Dec-21	0.095
Jan-22	0.100
Feb-22	0.105
Mar-22	0.110
Apr-22	0.115

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
6/15	Retail Sales Ex Auto and Gas	May	0.0%	-0.8%	-0.8%	0.1%
6/15	Retail Sales Control Group	May	-0.5%	-0.7%	-1.5%	-0.4%
6/15	Empire Manufacturing	Jun	22.7	17.4	24.3	--
6/15	PPI Final Demand YoY	May	6.2%	6.6%	6.2%	--
6/15	PPI Ex Food and Energy YoY	May	4.8%	4.8%	4.1%	--
6/15	PPI Ex Food, Energy, Trade YoY	May	5.1%	5.3%	4.6%	--
6/15	Capacity Utilization	May	75.1%	75.2%	74.9%	74.6%
6/15	Industrial Production MoM	May	0.7%	0.8%	0.7%	0.1%
6/15	Manufacturing (SIC) Production	May	0.8%	0.9%	0.4%	-0.1%
6/15	Business Inventories	Apr	-0.1%	-0.2%	0.3%	0.2%
6/15	NAHB Housing Market Index	Jun	83	81	83	--
6/15	Total Net TIC Flows	Apr	--	\$101.2b	\$146.4b	\$146.7b
6/15	Net Long-term TIC Flows	Apr	--	\$100.7b	\$262.2b	\$262.4b
6/16	MBA Mortgage Applications	6/11	--	4.2%	-3.1%	--
6/16	Housing Starts	May	1630k	1572k	1569k	1517k
6/16	Building Permits	May	1730k	1681k	1760k	1733k
6/16	Import Price Index YoY	May	10.9%	11.3%	10.6%	10.8%
6/16	Export Price Index YoY	May	15.2%	17.4%	14.4%	14.9%
6/16	FOMC Rate Decision (Lower Bound)	6/16	0.00%	0.00%	0.00%	--
6/16	FOMC Rate Decision (Upper Bound)	6/16	0.25%	0.25%	0.25%	--
6/16	Interest Rate on Excess Reserves	6/17	0.10%	0.15%	0.10%	--
6/17	Philadelphia Fed Business Outlook	Jun	31.0	30.7	31.5	--
6/17	Initial Jobless Claims	6/12	360k	412k	376k	375k
6/17	Continuing Claims	6/5	3425k	3518k	3499k	3517k
6/17	Langer Consumer Comfort	6/13	--	56.2	55.4	--
6/17	Leading Index	May	1.3%	1.3%	1.6%	1.3%
6/21	Chicago Fed Nat Activity Index	May	75.0%	--	24.0%	--
6/22	Existing Home Sales	May	5.71m	--	5.85m	--
6/22	Richmond Fed Manufact. Index	Jun	18.0	--	18.0	--
6/23	Current Account Balance	1Q	-\$207.0b	--	-\$188.5b	--
6/23	Markit US Manufacturing PMI	Jun P	61.5	--	62.1	--
6/23	Markit US Composite PMI	Jun P	--	--	68.7	--
6/23	New Home Sales	May	875k	--	863k	--
6/24	Advance Goods Trade Balance	May	-\$87.7b	--	-\$85.2b	--
6/24	Durables Ex Transportation	May P	0.8%	--	1.0%	--
6/24	Cap Goods Ship Nondef Ex Air	May P	0.7%	--	0.9%	--
6/24	GDP Annualized QoQ	1Q T	6.4%	--	6.4%	--
6/24	Personal Consumption	1Q T	11.3%	--	11.3%	--
6/24	GDP Price Index	1Q T	4.3%	--	4.3%	--
6/24	Core PCE QoQ	1Q T	2.5%	--	2.5%	--
6/25	Personal Income	May	-2.8%	--	-13.1%	--
6/25	Real Personal Spending	May	0.2%	--	-0.1%	--
6/25	PCE Deflator YoY	May	3.9%	--	3.6%	--
6/25	PCE Core Deflator YoY	May	3.5%	--	3.1%	--
6/25	U. of Mich. Sentiment	Jun F	86.5	--	86.4	--
6/25	U. of Mich. Current Conditions	Jun F	--	--	90.6	--
6/25	U. of Mich. 1 Yr Inflation	Jun F	--	--	4.0%	--

MBS Prepayments <sup>4</sup>						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	16.7	26.7	28.2	31.0	28.3	25.4
FH/FN 15y	11.9	35.1	42.4	47.4	35.5	23.9
GN 15y	26.0	20.7	20.6	19.4	21.4	19.4
FH/FN 20y	54.9	31.8	34.7	33.8	33.0	25.4
FH/FN 30y	7.1	23.9	54.2	56.9	57.9	55.1
GN 30y	9.0	22.0	42.4	50.6	54.9	31.0
CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	13.1	15.8	17.6	19.2	17.8	16.4
FH/FN 15y	13.7	17.3	20.2	29.8	18.8	21.9
GN 15y	19.3	14.4	14.6	14.1	13.3	13.1
FH/FN 20y	11.1	15.9	18.5	23.7	27.6	18.5
FH/FN 30y	10.4	17.8	28.0	30.2	30.6	29.3
GN 30y	9.8	15.4	21.8	27.0	28.9	21.1

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
<b>Currencies</b>					
Japanese Yen	110.44	0.78	108.90	103.30	106.97
Euro	1.19	(0.02)	1.22	1.23	1.12
Dollar Index	92.18	1.63	89.75	90.02	97.42
<b>Major Stock Indices</b>					
Dow Jones	33,484	(996)	34,061	30,179	26,080
S&P 500	4,221.9	(25.6)	4,127.8	3,709.4	3,115.3
NASDAQ	14,098.0	29	13,303.6	12,755.6	9,943.1
<b>Commodities</b>					
Gold	1,773.9	(103.5)	1,868.0	1,885.7	1,724.8
Crude Oil	70.76	(0.15)	65.49	49.10	38.84
Natural Gas	3.21	(0.09)	3.01	2.70	1.64
Wheat	653.8	-27.0	698.0	608.3	483.5
Corn	646.5	-38.0	658.3	437.5	331.0

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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