



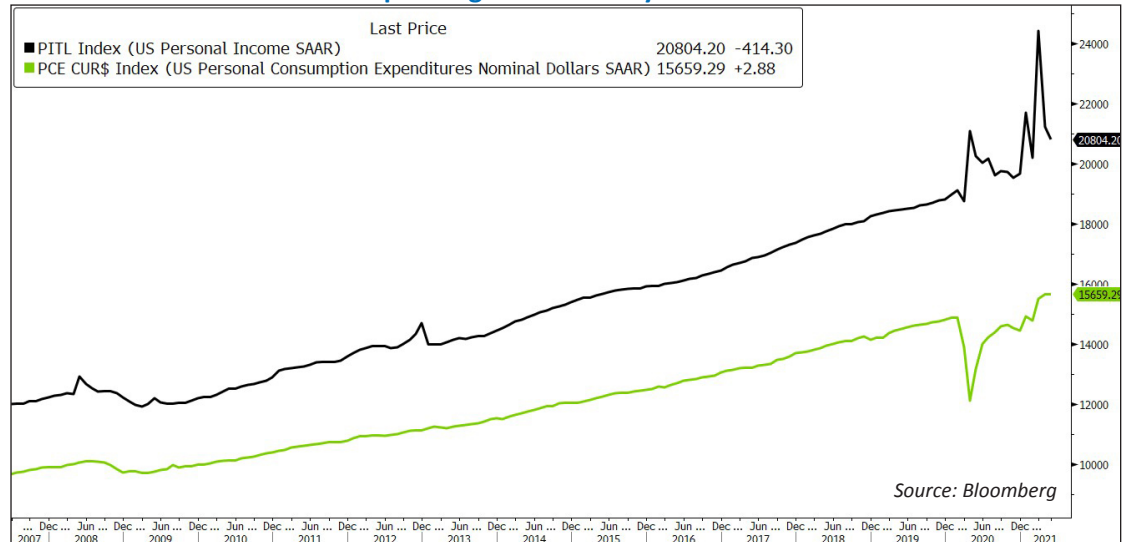
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It's now been a week since the FOMC released their updated "Dot Plot" showing voting members expect two 25bp rate hikes by the end of 2023 and the bond market remains unfazed. The 10-year Treasury yield is down about 10bp since the June 16 meeting and is now down a full 25bp since the March 31 high of 1.74%. Partly credited with driving yields lower, is the plunge in 5-year inflation expectations priced into the TIPS market which are down 37bp from 2.55% in May to just 2.18% now. The market apparently believes the Fed may be right in its bet that the recent inflation spike is "transitory" and will dissipate as many of the reopening driven supply/demand imbalances fix themselves. To emphasize this point further, multiple Fed officials were on the speaking circuit this week touting their expectation that inflation will return to 2% by next year.

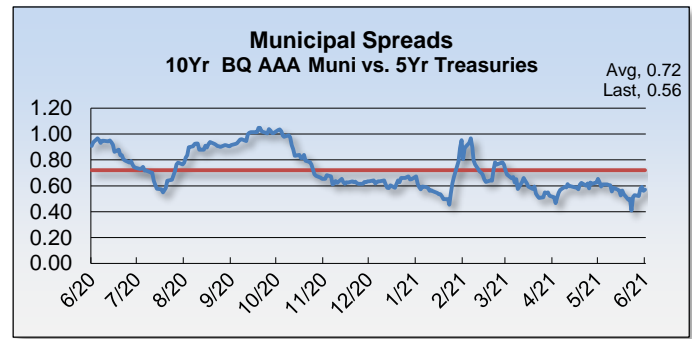
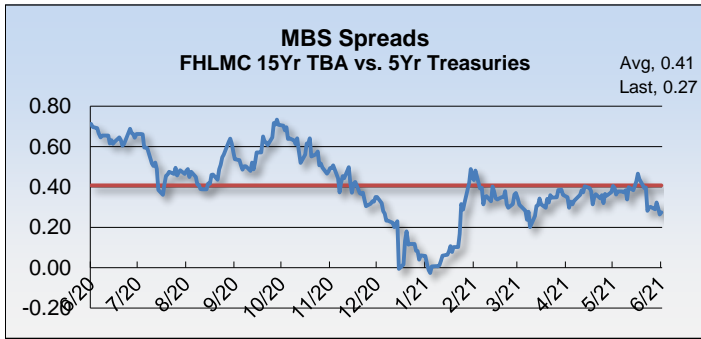
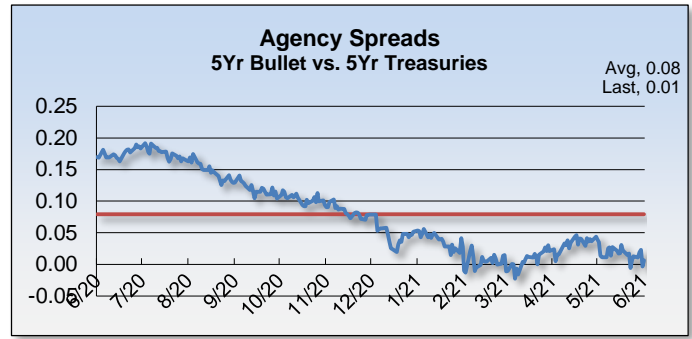
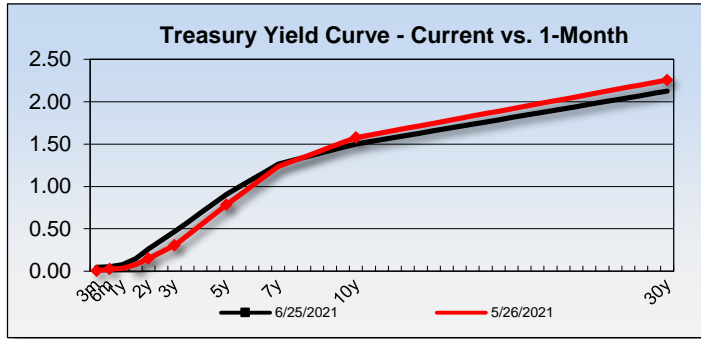
This week's economic reports highlighted just how much record high home prices are impacting the housing market. Both new and existing home sales fell again in May as house prices hit yet another record high. Existing home sales are now down 14% since the recent peak in October as the median price surged by a record 24% to a record high \$350,000. New home sales fared worse, down 22% since January as the median price of a new home surged 18% to a record high \$374,000. The housing market has been red hot during the recovery, as pandemic weary buyers flush with stimulus and more able to work remotely have sought more room and better living conditions. But the recent drop in sales suggests there may be a limit to just how much buyers are willing to pay for that extra room and any additional rise in mortgage rates could spell further trouble for housing in the critical summer buying season.

Also reported this week, personal income fell by another 2% in May in the absence of additional stimulus and that impacted spending which was flat in May versus expectations for a 0.4% increase. The chart below highlights just how significant the 3 rounds of stimulus checks were to boosting incomes in April 2020, January 2021 and March 2021 as noted by the sharp spikes during those months. While it's not surprising that incomes will spike if the government mails a free check to millions of consumers, what is a little more surprising is just how little spending increased during those months and how weak spending was when those checks were not there. After all the trillions of dollars of stimulus pumped into the economy, it is a little disconcerting that consumer spending which is 70% of GDP is only now back to the long-term trend it was on prior to the pandemic.

Personal Income vs. Personal Spending: 2007 – Today



Turning to the week ahead, all eyes will be on Friday's employment report to see if the economy can break the two-month streak of weaker than expected job gains. During the last two months, economists had expected the economy to add 1,675,000 jobs, but it added just 837,000 or 50% fewer than expected. Current expectations are for an increase of 700,000 jobs in June and a continued decline in the Unemployment Rate to 5.6%.



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	0.05	0.01	0.01	0.08	0.14	2yr	0.28	0.33	0.22	0.24	0.33	2Yr	0.20	0.20	0.20	-
6mo	0.05	(0.00)	0.03	0.09	0.17	3yr	0.48	0.57	0.34	0.36	0.57	3Yr	0.41	0.41	0.40	0.41
1yr	0.08	(0.01)	0.04	0.09	0.17	5yr	0.91	0.96	0.70	0.75	1.04	5Yr	0.93	0.93	0.92	0.86
2yr	0.26	0.01	0.14	0.12	0.19	7yr	1.29	1.23	0.98	1.04	1.34	7Yr	1.28	1.30	1.29	1.23
3yr	0.47	(0.01)	0.30	0.17	0.24	10yr	1.61	1.46	1.41	1.50	1.77	10Yr	1.57	1.63	1.62	1.55
5yr	0.91	0.03	0.77	0.36	0.33	15yr	1.93	1.67	1.67	1.77	2.26	July TBA MBS				
7yr	1.26	0.05	1.22	0.65	0.52	20yr	2.24	1.76	1.88	2.00	2.54	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	1.50	0.06	1.56	0.93	0.69	25yr	2.56	1.79	2.00	2.13	2.59	2.00	1.29	4.6y	1.87	
30yr	2.12	0.11	2.25	1.66	1.44	30yr		1.80	2.13	2.26	2.64	2.50	1.22	3.4y		
												3.00	1.28	3.1y	1.63	3.4y
												3.50	0.88	2.7y	1.49	2.9y
												4.00			1.38	2.7y
												4.50			1.35	2.7y

* 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	--	0.01	0.08	--
1 Month LIBOR	0.09	0.01	0.09	0.15	0.18
3 Month LIBOR	0.15	0.02	0.15	0.25	0.30
6 Month LIBOR	0.16	0.01	0.18	0.26	0.38
1 Year LIBOR	0.24	0.01	0.26	0.34	0.57
6 Month CD	0.10	(0.05)	0.11	0.24	0.37
1 Year CMT	0.08	--	0.04	0.10	0.17
REPO O/N	0.06	--	0.01	0.10	0.10
REPO 1Wk	0.12	0.01	0.09	0.10	0.08
CoF Federal	0.806	--	0.823	0.958	1.224
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	0.27
6mo	0.23	0.33	0.27
1yr	0.29	0.32	0.31
2yr	0.45	0.64	0.49
3yr	0.64	0.85	0.69
4yr	0.87	1.08	0.92
5yr	1.07	1.29	1.12
7yr	1.42	1.69	1.51
10yr	1.71	1.98	1.78
5yr Am	0.74		0.87
10yr Am	1.33		1.43

Fed Fund Futures	
Maturity	Rate
Jun-21	0.080
Jul-21	0.090
Aug-21	0.090
Sep-21	0.095
Oct-21	0.095
Nov-21	0.090
Dec-21	0.095
Jan-22	0.095
Feb-22	0.095
Mar-22	0.110
Apr-22	0.125

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
6/21	Chicago Fed Nat Activity Index	May	70.0%	29.0%	24.0%	-9.0%
6/22	Existing Home Sales	May	5.73m	5.80m	5.85m	--
6/22	Richmond Fed Manufact. Index	Jun	18.0	22.0	18.0	--
6/23	Current Account Balance	1Q	-\$206.2b	-\$195.7b	-\$188.5b	-\$175.1b
6/23	Markit US Manufacturing PMI	Jun P	61.5	62.6	62.1	--
6/23	Markit US Services PMI	Jun P	70.0	64.8	70.4	--
6/23	Markit US Composite PMI	Jun P	--	63.9	68.7	--
6/23	New Home Sales	May	865k	769k	863k	817k
6/24	Advance Goods Trade Balance	May	-\$87.5b	-\$88.1b	-\$85.2b	-\$85.7b
6/24	Durables Ex Transportation	May P	0.7%	0.3%	1.0%	1.7%
6/24	Cap Goods Ship Nondef Ex Air	May P	0.8%	0.9%	0.9%	1.0%
6/24	GDP Annualized QoQ	1Q T	6.4%	6.4%	6.4%	--
6/24	Personal Consumption	1Q T	11.4%	11.4%	11.3%	--
6/24	GDP Price Index	1Q T	4.3%	4.3%	4.3%	--
6/24	Core PCE QoQ	1Q T	2.5%	2.5%	2.5%	--
6/24	Initial Jobless Claims	6/19	380k	411k	412k	418k
6/24	Continuing Claims	6/12	3460k	3390k	3518k	3534k
6/24	Langer Consumer Comfort	6/20	--	56.9	56.2	--
6/25	Personal Income	May	-2.5%	-2.0%	-13.1%	--
6/25	Real Personal Spending	May	-0.1%	-0.4%	-0.1%	0.3%
6/25	PCE Deflator YoY	May	3.9%	3.9%	3.6%	--
6/25	PCE Core Deflator YoY	May	3.4%	3.4%	3.1%	--
6/25	U. of Mich. Sentiment	Jun F	86.5	85.5	86.4	--
6/25	U. of Mich. Current Conditions	Jun F	92.0	88.6	90.6	--
6/25	U. of Mich. 1 Yr Inflation	Jun F	4.1%	4.2%	4.0%	--
6/29	S&P CoreLogic CS 20-City YoY NSA	Apr	--	--	13.27%	--
6/29	S&P CoreLogic CS US HPI YoY NSA	Apr	--	--	13.19%	--
6/29	Conf. Board Present Situation	Jun	--	--	144.3	--
6/30	ADP Employment Change	Jun	575k	--	978k	--
6/30	MNI Chicago PMI	Jun	70.0	--	75.2	--
6/30	Pending Home Sales NSA YoY	May	--	--	53.5%	--
7/1	Challenger Job Cuts YoY	Jun	--	--	-93.8%	--
7/1	ISM Manufacturing	Jun	61.0	--	61.2	--
7/1	ISM Prices Paid	Jun	85.0	--	88.0	--
7/1	ISM New Orders	Jun	--	--	67.0	--
7/1	ISM Employment	Jun	--	--	50.9	--
7/1	Wards Total Vehicle Sales	Jun	17.10m	--	16.99m	--
7/2	Change in Nonfarm Payrolls	Jun	700k	--	559k	--
7/2	Two-Month Payroll Net Revision	Jun	--	--	27k	--
7/2	Change in Private Payrolls	Jun	585k	--	492k	--
7/2	Change in Manufact. Payrolls	Jun	30k	--	23k	--
7/2	Unemployment Rate	Jun	5.6%	--	5.8%	--
7/2	Average Hourly Earnings YoY	Jun	3.6%	--	2.0%	--
7/2	Average Weekly Hours All Employees	Jun	34.9	--	34.9	--
7/2	Labor Force Participation Rate	Jun	--	--	61.6%	--
7/2	Underemployment Rate	Jun	--	--	10.2%	--
7/2	Trade Balance	May	-\$71.0b	--	-\$68.9b	--

MBS Prepayments ⁴						
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	12.9	15.6	17.5	19.1	17.7	16.3
FH/FN 15y	13.0	17.1	20.1	28.2	18.7	21.9
GN 15y	17.1	14.4	14.7	14.1	13.3	13.1
FH/FN 20y	10.8	15.5	18.2	23.0	26.5	18.3
FH/FN 30y	9.7	16.1	27.3	30.1	30.2	28.8
GN 30y	9.7	15.5	22.4	27.8	29.3	20.9

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	110.54	0.33	108.78	103.43	107.19
Euro	1.20	0.01	1.23	1.22	1.12
Dollar Index	91.59	(0.64)	89.64	90.32	97.43
Major Stock Indices					
Dow Jones	34,370	1,080	34,312	30,200	25,746
S&P 500	4,274.3	107.8	4,188.1	3,703.1	3,083.8
NASDAQ	14,352.9	322	13,657.2	12,804.7	10,017.0
Commodities					
Gold	1,786.9	19.0	1,898.0	1,879.9	1,762.1
Crude Oil	73.66	2.02	66.07	48.23	38.72
Natural Gas	3.46	0.25	2.91	2.52	1.48
Wheat	644.3	-18.5	656.5	627.0	486.8
Corn	645.5	-9.8	620.3	451.0	317.3

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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