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The 4th of July Holiday on Sunday allowed us to ease into the week by observing America's Birthday once more on Monday. This also allowed for this week to be a lighter week of economic releases. The week began with a disappointing Institution for Supply Management (ISM) number which fell to 60.1% in June, down from 64% in May and much lower than expectation of 63.3%. Lack of demand is not the problem, rather companies' inability to obtain enough supplies on time or to attract enough people to do the work. In normal times, any ISM survey reading above 50% signals expansion and a reading above 60% would normally be exceptional, but these aren't normal times. Both supply chain and labor shortages are having a major impact on the ISM survey.

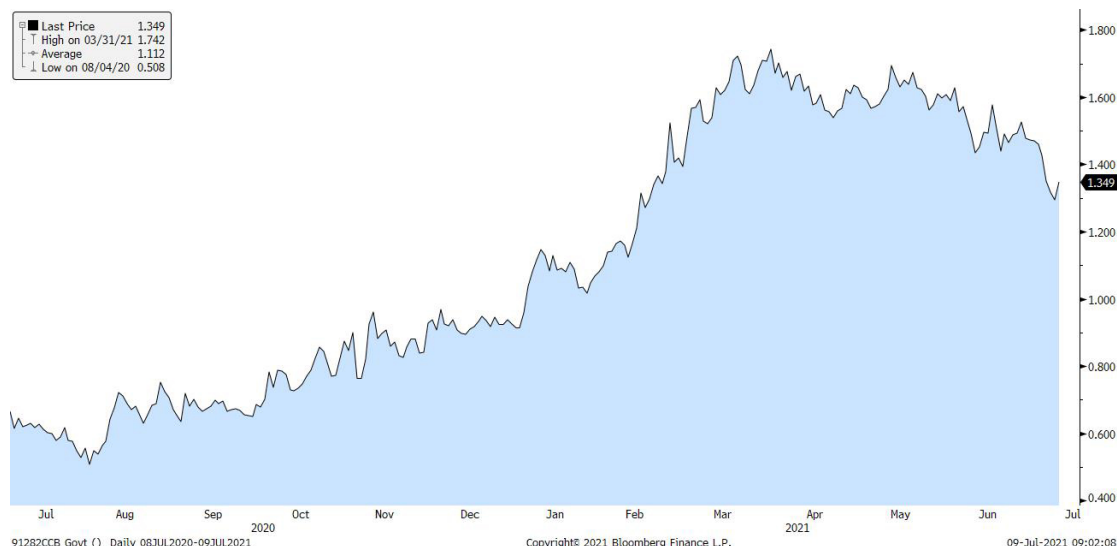
A day later brought U.S. job openings which rose slightly in May to a record 9.21 million, reflecting an extremely high demand for labor as the economy fully reopens and businesses scramble to keep up with soaring demand for goods and services. The number of available jobs has set a record for three straight months and even though the U.S. added \$850K new jobs in June, there is still a long way to go before we would see employment at pre-pandemic levels.

Thursday brought us both initial and continuing jobless claims. Initial jobless claims rose by 2K to 373K from the previous week while continuing claims fell from 3.48 million to 3.34 million. Twenty-six states have cut off extra federal benefits in an effort to push unemployed people back to work, but it is still too early to tell whether that will have a big impact. The enhanced federal unemployment benefits are set to expire in all states in September.

As light as the economic calendar was on this shorter work week, the equity and bonds markets saw plenty of volatility. A college professor of mine always used to say that "fear and greed" drive the markets. This week, the markets seemed to be plenty fearful of the delta Covid variant that is fueling worries about the global economic comeback. The Olympics further added to that fear by announcing a ban of spectators at Tokyo's summer games as Japan declared a state of emergency to curb the spread of coronavirus. The Dow closed Thursday's session lower by nearly 260 points and the Dow has rebounded strong this morning with an early 375 point increase.

The bond markets saw its fair share of volatility as the 10-Year Treasury Yield fell below 1.30% yesterday. Yields have rebounded early this morning with the 10-Year sitting around 1.35%. A 1.35% 10-Year yield is down over 30bps from this year's high back in late March. Along with stocks, treasury yields have been volatile this week and mainly falling with the spread of the delta variant dampening overall sentiment.

Next week's economic release calendar is a little more hefty and noteworthy with Core CPI coming out Tuesday morning followed by the Produced price index Wednesday. Next Friday will bring new retail sales numbers as well the consumer sentiment index. Until then, have a great weekend!

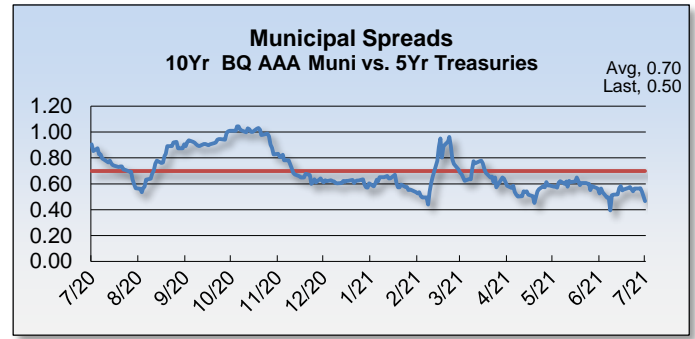
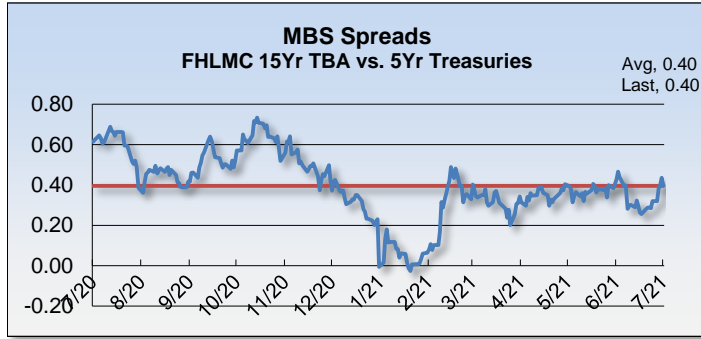
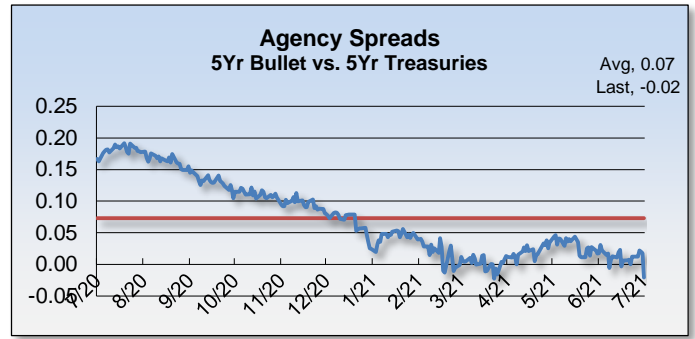
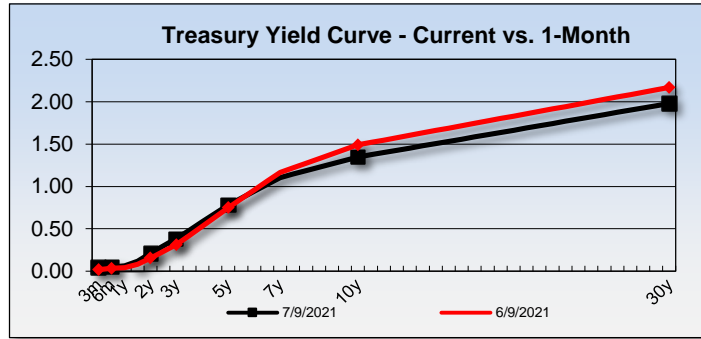


Baker Market Update

Week in Review

The Baker Group

July 9, 2021



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	0.00	0.02	0.08	0.13	2yr	0.23	0.30	0.17	0.18	0.25	2Yr	0.08	0.08	0.08	-	
6mo	0.05	(0.00)	0.04	0.09	0.15	3yr	0.41	0.51	0.28	0.30	0.45	3Yr	0.26	0.27	0.20	0.26	
1yr	0.06	(0.00)	0.05	0.10	0.15	5yr	0.81	0.87	0.57	0.61	0.85	5Yr	0.73	0.73	0.72	0.66	
2yr	0.21	(0.02)	0.16	0.14	0.15	7yr	1.14	1.12	0.85	0.91	1.15	7Yr	1.06	1.08	1.07	1.01	
3yr	0.39	(0.05)	0.31	0.22	0.20	10yr	1.43	1.35	1.18	1.25	1.61	10Yr	1.35	1.41	1.40	1.34	
5yr	0.78	(0.08)	0.75	0.48	0.28	15yr	1.72	1.56	1.41	1.50	2.06		August TBA MBS				
7yr	1.11	(0.09)	1.17	0.81	0.47	20yr	2.00	1.66	1.61	1.71	2.35		Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	1.35	(0.08)	1.49	1.12	0.61	25yr	2.29	1.69	1.74	1.85	2.40	2.00	1.09	4.0y	1.70		
30yr	1.98	(0.06)	2.17	1.88	1.31	30yr		1.70	1.86	1.98	2.45	2.50	0.92	3.1y			
* Interpolated																	
Key Market Indices																	
		1Wk	Historical														

* 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	0.09	--
1 Month LIBOR	0.10	0.00	0.08	0.13	0.18
3 Month LIBOR	0.12	(0.02)	0.12	0.22	0.27
6 Month LIBOR	0.16	0.00	0.16	0.25	0.36
1 Year LIBOR	0.24	(0.01)	0.24	0.33	0.49
6 Month CD	0.22	(0.01)	0.08	0.18	0.40
1 Year CMT	0.07	(0.02)	0.05	0.10	0.15
REPO O/N	0.06	0.01	0.01	0.12	0.13
REPO 1Wk	0.11	(0.01)	0.08	0.09	0.08
CoF Federal	0.806	--	0.823	0.958	1.224
11th D. CoF (May)	0.306	--	0.343	0.466	0.755

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	0.22	0.34	0.26
6mo	0.22	0.32	0.27
1yr	0.29	0.30	0.29
2yr	0.40	0.58	0.44
3yr	0.58	0.77	0.62
4yr	0.79	0.99	0.82
5yr	0.96	1.17	0.99
7yr	1.28	1.54	1.30
10yr	1.58	1.86	1.59
5yr Am	0.68		0.78
10yr Am	1.21		1.26

Fed Fund Futures	
Maturity	Rate
Jul-21	0.097
Aug-21	0.095
Sep-21	0.095
Oct-21	0.090
Nov-21	0.090
Dec-21	0.085
Jan-22	0.090
Feb-22	0.085
Mar-22	0.100
Apr-22	0.105
May-22	0.110

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Baker Market Update

Week in Review

The Baker Group

July 9, 2021

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
7/6	Markit US Services PMI	Jun F	64.8	64.6	64.8	--
7/6	Markit US Composite PMI	Jun F	--	63.7	63.9	--
7/6	ISM Services Index	Jun	63.5	60.1	64.0	--
7/7	MBA Mortgage Applications	7/2	--	-1.8%	-6.9%	--
7/7	JOLTS Job Openings	May	9325k	9209k	9286k	9193k
7/8	Initial Jobless Claims	7/3	350k	373k	364k	371k
7/8	Continuing Claims	6/26	3350k	3339k	3469k	3484k
7/8	8W High Yield Rate	7/8	--	0.05%	0.05%	--
7/8	8W Bid/Cover Ratio	7/8	--	4.15	4.46	--
7/8	8W Direct Accepted %	7/8	--	6.3%	16.8%	--
7/8	8W Indirect Accepted %	7/8	--	57.2%	48.6%	--
7/8	Consumer Credit	May	\$18.000b	\$35.281b	\$18.612b	\$20.041b
7/9	Wholesale Inventories MoM	May F	1.1%	1.3%	1.1%	--
7/9	Wholesale Trade Sales MoM	May	--	0.8%	0.8%	1.1%
7/13	NFIB Small Business Optimism	Jun	99.5	--	99.6	--
7/13	CPI MoM	Jun	0.5%	--	0.6%	--
7/13	CPI Ex Food and Energy MoM	Jun	0.4%	--	0.7%	--
7/13	CPI YoY	Jun	4.9%	--	5.0%	--
7/13	CPI Ex Food and Energy YoY	Jun	4.0%	--	3.8%	--
7/13	CPI Index NSA	Jun	270.7	--	269.2	--
7/13	CPI Core Index SA	Jun	277.03	--	275.72	--
7/13	Real Avg Weekly Earnings YoY	Jun	--	--	-2.2%	-2.6%
7/13	Real Avg Hourly Earning YoY	Jun	--	--	-2.8%	-2.9%
7/13	Monthly Budget Statement	Jun	--	--	-\$132.0b	--
7/14	PPI Final Demand MoM	Jun	0.5%	--	0.8%	--
7/14	PPI Ex Food and Energy MoM	Jun	0.4%	--	0.7%	--
7/14	PPI Ex Food, Energy, Trade MoM	Jun	0.5%	--	0.7%	--
7/14	PPI Final Demand YoY	Jun	6.7%	--	6.6%	--
7/14	PPI Ex Food and Energy YoY	Jun	--	--	4.8%	--
7/14	PPI Ex Food, Energy, Trade YoY	Jun	--	--	5.3%	--
7/15	Empire Manufacturing	Jul	18.7	--	17.4	--
7/15	Philadelphia Fed Business Outlook	Jul	27.0	--	30.7	--
7/15	Import Price Index MoM	Jun	1.0%	--	1.1%	--
7/15	Import Price Index YoY	Jun	--	--	11.3%	--
7/15	Export Price Index YoY	Jun	--	--	17.4%	--
7/15	Industrial Production MoM	Jun	0.6%	--	0.8%	--
7/15	Capacity Utilization	Jun	75.6%	--	75.2%	--
7/15	Manufacturing (SIC) Production	Jun	0.3%	--	0.9%	--
7/16	Retail Sales Ex Auto and Gas	Jun	0.2%	--	-0.8%	--
7/16	Retail Sales Control Group	Jun	0.5%	--	-0.7%	--
7/16	Business Inventories	May	0.4%	--	-0.2%	--
7/16	U. of Mich. Sentiment	Jul P	86.5	--	85.5	--
7/16	U. of Mich. Current Conditions	Jul P	--	--	88.6	--
7/16	U. of Mich. Expectations	Jul P	--	--	83.5	--
7/16	U. of Mich. 1 Yr Inflation	Jul P	--	--	4.2%	--
7/16	Total Net TIC Flows	May	--	--	\$101.2b	--
7/16	Net Long-term TIC Flows	May	--	--	\$100.7b	--

MBS Prepayments ⁴						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	15.8	25.4	27.5	29.0	28.6	23.3
FH/FN 15y	11.8	31.4	38.5	44.3	34.2	23.4
GN 15y	22.7	20.7	20.5	19.1	20.5	18.3
FH/FN 20y	54.0	26.1	31.2	31.2	31.5	24.4
FH/FN 30y	4.4	21.8	48.5	52.5	54.8	52.1
GN 30y	5.9	21.3	39.1	50.4	54.4	31.4
CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	17.8	18.9	19.4	20.6	21.7	20.3
FH/FN 15y	15.5	19.1	22.6	26.5	24.1	21.3
GN 15y	14.5	14.7	14.8	14.1	13.3	12.9
FH/FN 20y	14.8	17.5	17.0	17.1	17.2	16.7
FH/FN 30y	11.8	15.8	23.4	24.3	25.7	23.5
GN 30y	9.7	12.6	16.8	18.5	18.9	13.4

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	110.23	(0.82)	109.63	104.26	107.20
Euro	1.19	--	1.22	1.22	1.13
Dollar Index	92.26	0.04	90.12	90.10	96.70
Major Stock Indices					
Dow Jones	34,795	162	34,447	31,098	25,706
S&P 500	4,350.0	30.1	4,219.6	3,824.7	3,152.1
NASDAQ	14,596.1	74	13,911.8	13,202.0	10,547.8
Commodities					
Gold	1,806.8	30.0	1,893.2	1,835.4	1,803.8
Crude Oil	74.40	(0.83)	69.96	52.24	39.62
Natural Gas	3.71	0.05	3.13	2.70	1.78
Wheat	612.3	-46.3	682.3	638.8	526.3
Corn	634.0	-85.8	690.8	496.3	351.3

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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