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After three weeks of drifting higher, treasury yields were largely unchanged given the shortened holiday week. UST maturities five years and longer all saw flat or slightly lower yields and were effectively range bound within 5 to 10 basis points. The two-year part of the curve edged higher five basis points is currently sitting at 38bps. Meanwhile US equities should finish the week higher as all three major indices saw rallied this week. The economic calendar was plentiful as key reports for inflation and jobs were released along with the FOMC's Minutes from their September meeting.

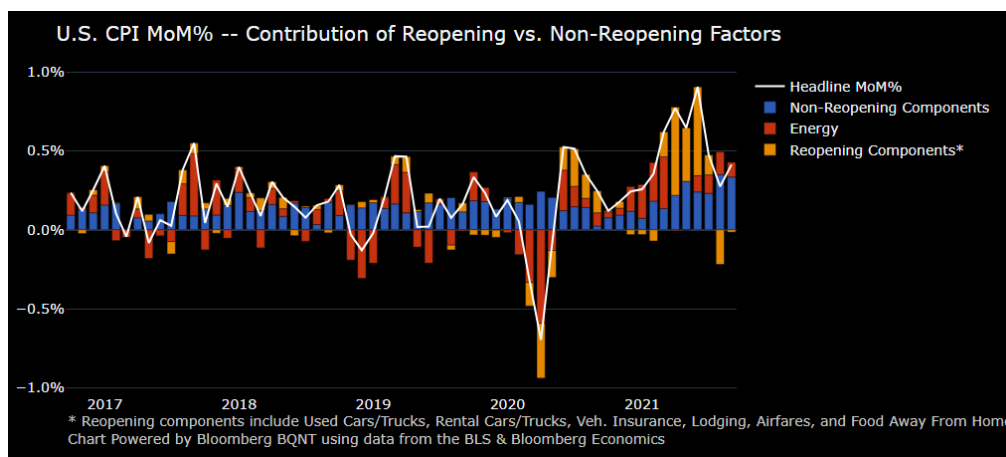
Looking at the labor markets, on Tuesday the monthly JOLTS report (Job Opening and Labor Turnover survey) was released, indicating that US job openings continue to remain at record highs (11mm) albeit a slight decline in August (10.4mm). More people continue to voluntarily leave their jobs as the quit rate is currently at a record high of 2.9%. Recent wage increases as well as other sign-on incentives are creating more turnover. This trend continues to illustrate the mismatch between the supply of labor versus demand in the economy. For example, for every unemployed American there are currently 1.2 job openings. On Thursday weekly Initial Jobless claims fell to the lowest level since March of 2020 as employers continue to retain workers in a competitive labor market. Still, the September payrolls report released last week was the slowest month of job creation this year (194k) unfortunately as the end of pandemic unemployment benefits and school year beginning did not lead to any significant increases in hiring. The unemployment rate currently stands at 4.8% as the labor force participation remained depressed from people leaving the labor force due to the pandemic. The Fed's long run goal of eventually returning to pre-pandemic levels of approximately 3.5% which is not expected to occur until 2023.

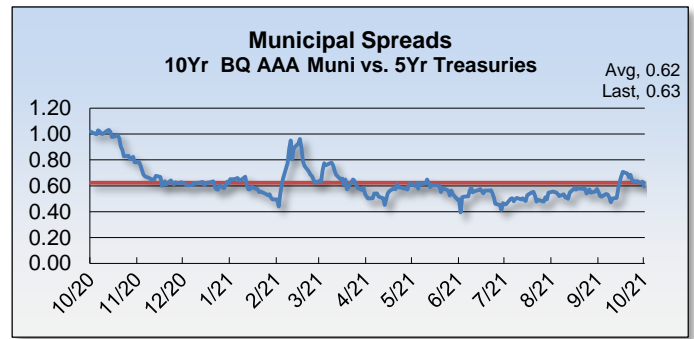
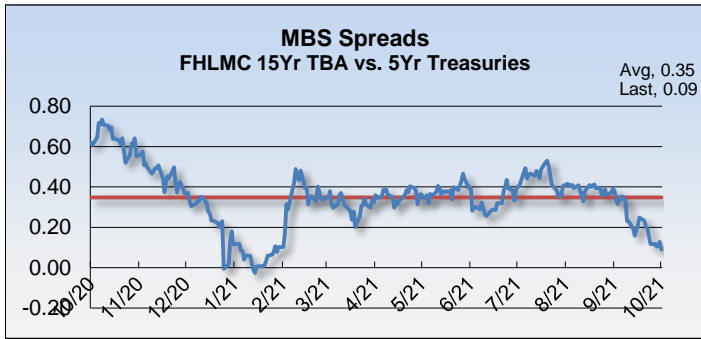
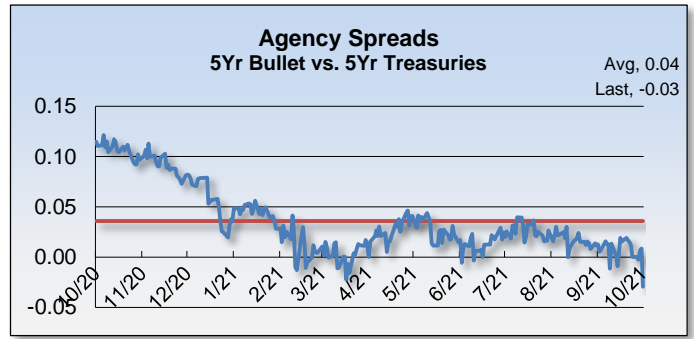
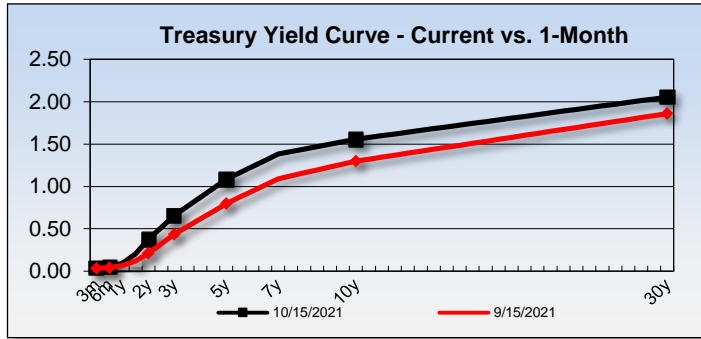
Turning to inflation, the headline Consumer Price Index (CPI) released on Wednesday indicated further price pressures in the economy as it came in above analyst expectations. The month-over-month headline rate increased 0.4% and the year-over-year increased to 5.4% matching the largest annual gain since 2008. When stripping out the more volatile items such as food and energy, core inflation increased 0.2% and 4.0% (M-O-M/Y-O-Y). The current shipping and transportation challenges, higher commodity prices and rising wages continue to drive these factors. The report will reinforce the Fed's aim to soon start its tapering of asset purchases which is likely to be around \$15 billion per month (\$10 UST / \$5 Agency MBS). Given those taper expectations that would put the \$120 billion monthly purchase program down to zero at some point later next year.

Retail sales were released Friday and unexpectedly increased last month in a broad advance as strong demand remains for merchandise in spite of recent supply chain challenges. Retail sales advanced 0.7%, much stronger than the 0.2% estimated drop by economics. This figure will wrap a quarter in which consumer spending will likely slow from the second quarter (12%) as the fourth quarter will be key as the holiday season approaches.

Next week's is fairly light looking at the economic calendar. Key releases for next week will be the Building Permits on Tuesday, Crude Oil Inventories on Wednesday and Existing Home Sales and the Philadelphia Fed Manufacturing Index on Thursday.

Transitory or not transitory, that is the question. Fed officials remain in a challenging position as price pressures continue beyond Summer and have recently flown into other categories unrelated to re-opening of the economy.





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	0.04	(0.02)	0.04	0.01	0.10	2yr	0.41	0.51	0.25	0.27	0.44	2Yr	0.25	0.25	0.25	-
6mo	0.05	(0.02)	0.04	0.04	0.12	3yr	0.62	0.81	0.35	0.37	0.69	3Yr	0.53	0.54	0.50	0.53
1yr	0.10	0.01	0.07	0.06	0.12	5yr	1.11	1.16	0.73	0.77	1.18	5Yr	1.04	1.04	1.03	0.97
2yr	0.38	0.06	0.21	0.16	0.14	7yr	1.42	1.38	1.22	1.30	1.54	7Yr	1.34	1.36	1.35	1.28
3yr	0.66	0.08	0.44	0.34	0.20	10yr	1.69	1.57	1.64	1.74	1.89	10Yr	1.56	1.62	1.61	1.54
5yr	1.08	0.02	0.80	0.82	0.31	15yr	1.96	1.74	1.86	1.98	2.29	November TBA MBS				
7yr	1.38	(0.02)	1.09	1.25	0.52	20yr	2.22	1.81	2.07	2.21	2.46	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	1.56	(0.06)	1.30	1.58	0.73	25yr	2.48	1.83	2.21	2.35	2.52	2.00	1.24	4.2y	1.99	
30yr	2.05	(0.11)	1.86	2.27	1.51	30yr		1.83	2.35	2.50	2.58	2.50	1.20	3.4y		
												3.00	1.19	3.0y	1.84	4.4y
												3.50	0.97	2.7y	1.92	4.2y
												4.00			2.00	4.1y
												4.50			2.22	4.1y

* 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	--	0.05	0.01	--
1 Month LIBOR	0.09	0.00	0.08	0.11	0.15
3 Month LIBOR	0.12	(0.00)	0.12	0.18	0.24
6 Month LIBOR	0.16	0.00	0.15	0.22	0.25
1 Year LIBOR	0.27	0.02	0.22	0.29	0.35
6 Month CD	0.10	(0.09)	0.19	0.13	0.21
1 Year CMT	0.10	--	0.07	0.06	0.13
REPO O/N	0.03	(0.02)	0.05	0.02	0.13
REPO 1Wk	0.14	(0.01)	0.13	0.09	0.13
CoF Federal	0.761	--	0.780	0.876	1.053
11th D. CoF (Aug)	0.238	--	0.263	0.408	0.529

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	0.22	0.33	0.26
6mo	0.23	0.33	0.27
1yr	0.31	0.32	0.31
2yr	0.61	0.79	0.59
3yr	0.85	1.04	0.84
4yr	1.09	1.29	1.09
5yr	1.28	1.48	1.29
7yr	1.60	1.84	1.63
10yr	1.86	2.13	1.91
5yr Am	0.93		1.02
10yr Am	1.50		1.55

Fed Fund Futures	
Maturity	Rate
Oct-21	0.075
Nov-21	0.075
Dec-21	0.080
Jan-22	0.075
Feb-22	0.085
Mar-22	0.095
Apr-22	0.100
May-22	0.120
Jun-22	0.150
Jul-22	0.185
Aug-22	0.225

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
10/12	JOLTS Job Openings	Aug	10954k	10439k	10934k	11098k
10/13	MBA Mortgage Applications	10/8	--	0.2%	-6.9%	--
10/13	CPI MoM	Sep	0.3%	0.4%	0.3%	--
10/13	CPI Ex Food and Energy MoM	Sep	0.2%	0.2%	0.1%	--
10/13	CPI YoY	Sep	5.3%	5.4%	5.3%	--
10/13	CPI Ex Food and Energy YoY	Sep	4.5%	4.0%	4.0%	--
10/13	CPI Index NSA	Sep	274.17	274.31	273.57	--
10/13	CPI Core Index SA	Sep	280.01	280.02	279.34	--
10/13	Real Avg Hourly Earning YoY	Sep	--	-0.8%	-0.9%	-1.1%
10/13	Real Avg Weekly Earnings YoY	Sep	--	-0.8%	-0.9%	-1.4%
10/13	FOMC Meeting Minutes	9/22	--	--	--	--
10/14	Initial Jobless Claims	10/9	320k	293k	326k	329k
10/14	Continuing Claims	10/2	2670k	2593k	2714k	2727k
10/14	PPI Final Demand MoM	Sep	0.6%	0.5%	0.7%	--
10/14	PPI Ex Food and Energy MoM	Sep	0.5%	0.2%	0.6%	--
10/14	PPI Ex Food, Energy, Trade MoM	Sep	0.4%	0.1%	0.3%	--
10/14	PPI Final Demand YoY	Sep	8.7%	8.6%	8.3%	--
10/14	PPI Ex Food and Energy YoY	Sep	7.1%	6.8%	6.7%	--
10/14	PPI Ex Food, Energy, Trade YoY	Sep	6.5%	5.9%	6.3%	--
10/14	Langer Consumer Comfort	10/10	--	51.2	53.4	--
10/15	Empire Manufacturing	Oct	25.0	19.8	34.3	--
10/15	Retail Sales Advance MoM	Sep	-0.2%	0.7%	0.7%	0.9%
10/15	Retail Sales Ex Auto MoM	Sep	0.5%	0.8%	1.8%	2.0%
10/15	Retail Sales Ex Auto and Gas	Sep	0.4%	0.7%	2.0%	2.1%
10/15	Retail Sales Control Group	Sep	0.5%	0.8%	2.5%	2.6%
10/15	Import Price Index MoM	Sep	0.6%	0.4%	-0.3%	--
10/15	Import Price Index ex Petroleum MoM	Sep	0.2%	0.1%	-0.1%	--
10/15	Import Price Index YoY	Sep	9.4%	9.2%	9.0%	8.9%
10/15	Export Price Index YoY	Sep	--	16.3%	16.8%	--
10/15	Business Inventories	Aug	0.6%	0.6%	0.5%	0.6%
10/15	U. of Mich. Sentiment	Oct P	73.1	71.4	72.8	--
10/15	U. of Mich. Current Conditions	Oct P	81.3	77.9	80.1	--
10/15	U. of Mich. Expectations	Oct P	69.1	67.2	68.1	--
10/15	U. of Mich. 1 Yr Inflation	Oct P	4.7%	4.8%	4.6%	--
10/15	U. of Mich. 5-10 Yr Inflation	Oct P	--	2.8%	3.0%	--
10/18	Capacity Utilization	Sep	76.5%	--	76.4%	--
10/18	Manufacturing (SIC) Production	Sep	0.3%	--	0.2%	--
10/18	NAHB Housing Market Index	Oct	75	--	76	--
10/18	Total Net TIC Flows	Aug	--	--	\$126.0b	--
10/18	Net Long-term TIC Flows	Aug	--	--	\$2.0b	--
10/19	Building Permits	Sep	1675k	--	1728k	1721k
10/19	Housing Starts	Sep	1610k	--	1615k	--
10/21	Philadelphia Fed Business Outlook	Oct	24.5	--	30.7	--
10/21	Leading Index	Sep	0.5%	--	0.9%	--
10/21	Existing Home Sales	Sep	6.00m	--	5.88m	--
10/22	Markit US Manufacturing PMI	Oct P	60.5	--	60.7	--
10/22	Markit US Composite PMI	Oct P	--	--	55.0	--

MBS Prepayments ⁴						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	17.2	25.6	26.4	27.6	29.3	12.8
FH/FN 15y	13.3	31.1	35.2	39.5	31.2	23.8
GN 15y	27.1	20.2	21.2	19.8	19.5	20.5
FH/FN 20y	56.1	25.9	28.0	27.5	28.1	24.0
FH/FN 30y	8.0	15.4	45.1	46.4	47.3	47.9
GN 30y	7.7	18.3	39.1	49.4	51.0	28.7
CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	16.6	18.1	18.8	19.6	20.9	19.8
FH/FN 15y	14.7	16.8	19.8	23.6	22.4	21.0
GN 15y	13.9	13.8	13.9	13.3	12.6	12.3
FH/FN 20y	12.8	14.6	15.1	15.4	15.9	15.8
FH/FN 30y	10.6	12.8	19.1	19.9	21.2	20.5
GN 30y	8.9	10.9	15.7	15.3	15.5	12.3

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	114.38	2.14	109.38	108.76	105.45
Euro	1.16	0.00	1.18	1.20	1.17
Dollar Index	93.99	(0.08)	92.55	91.67	93.86
Major Stock Indices					
Dow Jones	35,262	516	34,814	34,036	28,494
S&P 500	4,464.7	73.3	4,480.7	4,170.4	3,483.3
NASDAQ	14,872.6	293	15,161.5	14,038.8	11,713.9
Commodities					
Gold	1,781.8	25.5	1,792.6	1,765.4	1,903.2
Crude Oil	82.35	3.00	72.61	63.46	40.96
Natural Gas	5.52	(0.04)	5.46	2.66	2.78
Wheat	735.8	1.8	712.3	653.8	618.3
Corn	526.3	-4.3	533.5	590.0	403.8

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	

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