



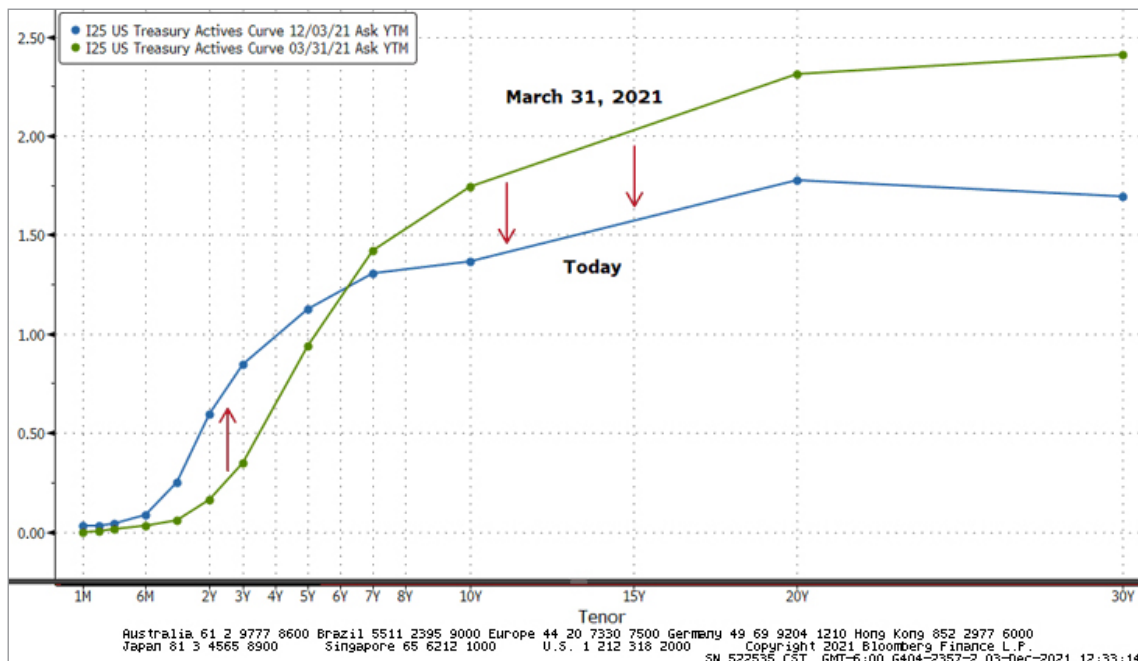
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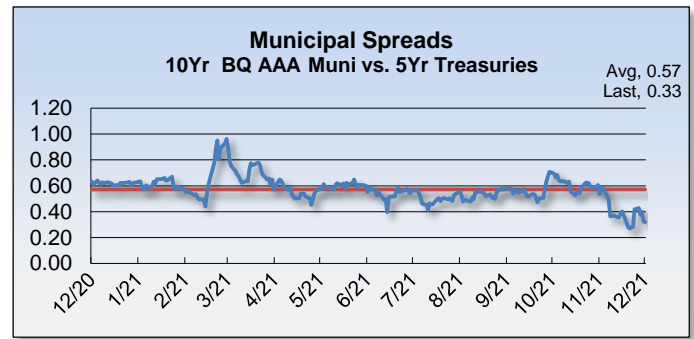
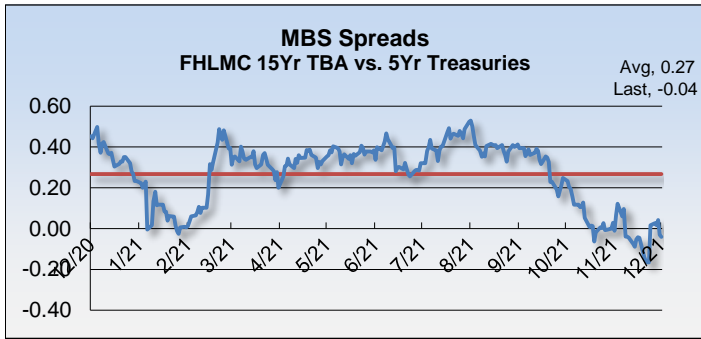
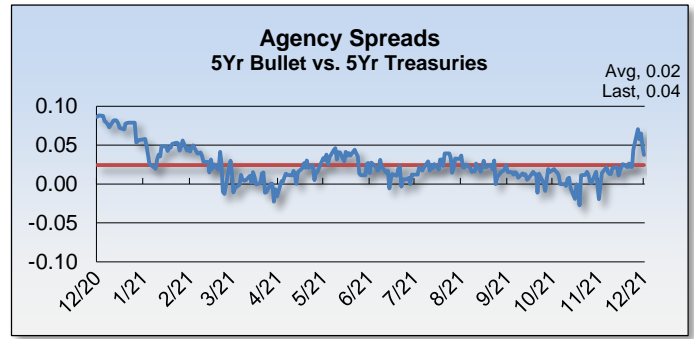
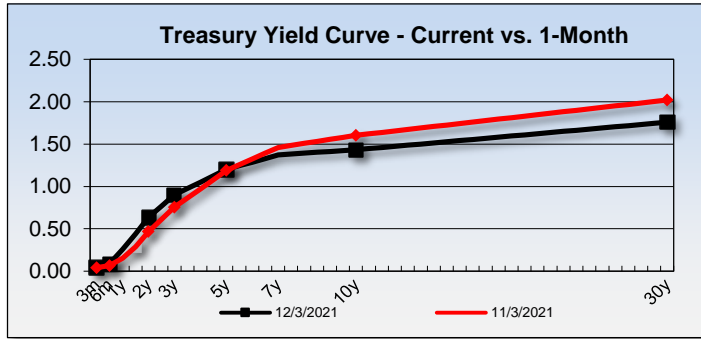
The US jobs report for the month of November paints a complex picture of the labor market recovery as a weaker-than-expected 210K new payrolls were added but the unemployment rate fell sharply. This is partly due to discrepancies in the two surveys that comprise the report: the “establishment” survey which produces the payrolls count, versus the “household” survey which polls individuals on their employment status. The household survey indicated a large increase in the labor force and a 0.4% drop in the unemployment rate to 4.2%... an excellent result to be sure. Less than six months ago, the rate of unemployment was nearly 6%. It’s important to remember, though, that the household survey includes working persons who say they are self-employed or otherwise don’t show up on company payrolls data. The report showed wage growth came in at 4.8%, weaker than expected and slower than the previous month. The number of people employed in the US remains nearly 4mm lower than pre-pandemic.

Earlier in the week, markets were treated to consecutive days of testimony from Fed Chair Jay Powell and Treasury Secretary Janet Yellen. Powell rocked markets on day one with an abrupt acknowledgement that inflation may not be as “transitory” as previously thought, and that the term itself should no longer be used. He reinforced his determination to keep inflation in check on day two of his testimony saying Fed policy has to be adapted to the persistent factors causing higher inflation. Per the Chairman, “It’s appropriate that we consider at the next meeting tapering faster so that it wraps up a few months earlier.” This gives the Fed flexibility to raise the fed funds rate whenever they deem appropriate.

As to market behavior, the US 2yr T-Note yield reached the highest level of the year shortly after the release of the jobs report this morning. Simultaneously the 10yr yield fell to 1.38% yield, the lowest in over two months. The yield spread between 2s and 10s has now fallen to 78bps from 160bps last March. This flattening of the yield curve is significant. It reflects the acceleration of tapering that Powell suggested, and gives a signal to the Fed to be careful not to move too far or too fast in tightening (or removing stimulus). Money has also been bleeding out of stocks and into the safe haven of Treasuries in the wake of a new, more assertive Fed. Next week we’ll get to look at fresh data on consumer price inflation, a key piece of the puzzle indeed.

### Yield Curve Flattening: March '21 vs Today





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	0.05	(0.00)	0.05	0.02	0.08	2yr	0.69	0.88	0.34	0.36	0.70	2Yr	0.64	0.64	0.64	-
6mo	0.09	(0.00)	0.07	0.03	0.09	3yr	0.97	1.15	0.49	0.52	0.90	3Yr	0.91	0.92	0.90	0.91
1yr	0.26	0.09	0.16	0.04	0.10	5yr	1.29	1.33	0.84	0.89	1.31	5Yr	1.29	1.29	1.28	1.22
2yr	0.63	0.13	0.47	0.16	0.15	7yr	1.49	1.44	1.22	1.30	1.58	7Yr	1.47	1.49	1.48	1.41
3yr	0.90	0.10	0.76	0.33	0.23	10yr	1.64	1.53	1.44	1.53	1.82	10Yr	1.57	1.63	1.62	1.56
5yr	1.20	0.04	1.19	0.84	0.39	15yr	1.79	1.63	1.60	1.70	2.15	January TBA MBS				
7yr	1.37	(0.02)	1.46	1.30	0.66	20yr	1.95	1.67	1.81	1.92	2.24	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	1.43	(0.04)	1.61	1.63	0.91	25yr	2.12	1.66	1.94	2.06	2.29	2.00	1.40	4.3y	2.03	
30yr	1.76	(0.07)	2.02	2.30	1.65	30yr	2.12	1.63	2.07	2.21	2.34	2.50	1.41	3.5y		
												3.00	1.43	3.2y	2.07	4.7y
												3.50	1.31	2.8y	2.17	4.5y
												4.00			2.25	4.4y
												4.50			2.51	4.4y

\* 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	0.10	0.01	0.08	0.09	0.15
3 Month LIBOR	0.17	(0.01)	0.14	0.13	0.23
6 Month LIBOR	0.27	0.02	0.21	0.17	0.26
1 Year LIBOR	0.46	0.01	0.37	0.25	0.33
6 Month CD	0.32	0.09	0.23	0.09	0.29
1 Year CMT	0.27	0.03	0.15	0.05	0.11
REPO O/N	0.07	0.01	0.05	0.02	0.10
REPO 1Wk	0.12	--	0.14	0.08	0.08
CoF Federal	0.749	--	0.752	0.823	1.003
11th D. CoF (Oct)	0.225	--	0.225	0.343	0.503

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	0.22	0.34	0.27
6mo	0.26	0.36	0.31
1yr	0.52	0.53	0.51
2yr	0.88	1.05	0.91
3yr	1.15	1.35	1.19
4yr	1.35	1.55	1.39
5yr	1.46	1.67	1.50
7yr	1.69	1.93	1.72
10yr	1.84	2.09	1.87
5yr Am	1.21		1.29
10yr Am	1.61		1.66

Fed Fund Futures	
Maturity	Rate
Dec-21	0.080
Jan-22	0.080
Feb-22	0.090
Mar-22	0.125
Apr-22	0.160
May-22	0.235
Jun-22	0.295
Jul-22	0.355
Aug-22	0.420
Sep-22	0.460
Oct-22	0.550

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Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
12/3	Two-Month Payroll Net Revision	Nov	--	82k	235k	--
12/3	Change in Nonfarm Payrolls	Nov	550k	210k	531k	546k
12/3	Change in Private Payrolls	Nov	536k	235k	604k	628k
12/3	Change in Manufact. Payrolls	Nov	45k	31k	60k	48k
12/3	Unemployment Rate	Nov	4.5%	4.2%	4.6%	--
12/3	Average Hourly Earnings MoM	Nov	0.4%	0.3%	0.4%	0.4%
12/3	Average Hourly Earnings YoY	Nov	5.0%	4.8%	4.9%	4.8%
12/3	Average Weekly Hours All Employees	Nov	34.7	34.8	34.7	--
12/3	Labor Force Participation Rate	Nov	61.7%	61.8%	61.6%	--
12/3	Underemployment Rate	Nov	--	7.8%	8.3%	--
12/3	Markit US Services PMI	Nov F	57.0	58.0	57.0	--
12/3	Markit US Composite PMI	Nov F	--	57.2	56.5	--
12/3	ISM Services Index	Nov	65.0	69.1	66.7	--
12/3	Factory Orders	Oct	0.5%	1.0%	0.2%	0.5%
12/3	Factory Orders Ex Trans	Oct	0.6%	1.6%	0.7%	1.1%
12/3	Durable Goods Orders	Oct F	-0.5%	-0.4%	-0.5%	--
12/3	Durables Ex Transportation	Oct F	0.5%	0.5%	0.5%	--
12/3	Cap Goods Orders Nondef Ex Air	Oct F	--	0.7%	0.6%	--
12/3	Cap Goods Ship Nondef Ex Air	Oct F	--	0.4%	0.3%	--
12/7	Nonfarm Productivity	3Q F	-4.9%	--	-5.0%	--
12/7	Unit Labor Costs	3Q F	8.3%	--	8.3%	--
12/7	Trade Balance	Oct	-\$66.8b	--	-\$80.9b	--
12/7	Consumer Credit	Oct	\$26.250b	--	\$29.913b	--
12/8	MBA Mortgage Applications	12/3	--	--	-7.20%	--
12/8	JOLTS Job Openings	Oct	--	--	10438k	--
12/9	Initial Jobless Claims	12/4	228k	--	222k	--
12/9	Continuing Claims	11/27	1900k	--	1956k	--
12/9	Langer Consumer Comfort	12/5	--	--	51	--
12/9	Wholesale Trade Sales MoM	Oct	--	--	1.1%	--
12/9	Wholesale Inventories MoM	Oct F	--	--	2.2%	--
12/9	Household Change in Net Worth	3Q	--	--	\$5849b	--
12/10	CPI MoM	Nov	0.7%	--	0.9%	--
12/10	CPI Ex Food and Energy MoM	Nov	0.5%	--	0.6%	--
12/10	CPI YoY	Nov	6.7%	--	6.2%	--
12/10	CPI Ex Food and Energy YoY	Nov	4.9%	--	4.6%	--
12/10	CPI Index NSA	Nov	278.0	--	276.6	--
12/10	CPI Core Index SA	Nov	--	--	281.7	--
12/10	Real Avg Hourly Earning YoY	Nov	--	--	-1.2%	-1.3%
12/10	Real Avg Weekly Earnings YoY	Nov	--	--	-1.6%	--
12/10	U. of Mich. Sentiment	Dec P	68.0	--	67.4	--
12/10	U. of Mich. Current Conditions	Dec P	--	--	73.6	--
12/10	U. of Mich. Expectations	Dec P	--	--	63.5	--
12/10	U. of Mich. 1 Yr Inflation	Dec P	--	--	4.9%	--
12/10	U. of Mich. 5-10 Yr Inflation	Dec P	--	--	3.0%	--
12/10	Monthly Budget Statement	Nov	--	--	-\$165.1b	--
12/14	PPI Final Demand YoY	Nov	--	--	8.6%	--
12/14	PPI Ex Food and Energy YoY	Nov	--	--	6.8%	--

MBS Prepayments <sup>4</sup>						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	17.6	25.4	25.7	26.9	26.0	13.4
FH/FN 15y	14.2	32.0	35.2	37.5	30.4	23.3
GN 15y	27.1	19.8	20.9	19.7	19.6	21.1
FH/FN 20y	56.7	26.8	28.2	27.4	27.6	23.5
FH/FN 30y	8.7	17.2	46.1	45.5	46.1	47.7
GN 30y	6.9	17.1	45.4	45.9	42.9	27.5
CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	16.3	17.8	18.6	19.2	20.5	19.6
FH/FN 15y	14.2	15.8	18.5	22.2	21.8	20.9
GN 15y	13.8	13.6	13.6	13.1	12.5	12.2
FH/FN 20y	56.0	13.6	14.3	14.7	15.4	15.4
FH/FN 30y	10.3	12.3	18.1	18.9	20.0	19.7
GN 30y	8.9	10.5	15.1	14.6	15.0	12.1

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
<b>Currencies</b>					
Japanese Yen	113.45	0.07	114.01	110.29	103.84
Euro	1.13	(0.00)	1.16	1.21	1.21
Dollar Index	96.25	0.16	93.86	90.51	90.71
<b>Major Stock Indices</b>					
Dow Jones	34,593	(306)	36,158	34,577	29,970
S&P 500	4,568.2	(26.4)	4,660.6	4,192.9	3,666.7
NASDAQ	15,178.0	(314)	15,811.6	13,614.5	12,377.2
<b>Commodities</b>					
Gold	1,771.5	(14.0)	1,763.9	1,871.2	1,836.8
Crude Oil	68.74	0.59	80.86	68.81	45.64
Natural Gas	4.17	(1.28)	5.67	3.04	2.51
Wheat	808.3	-17.3	781.0	676.3	571.8
Corn	584.5	-2.3	564.0	662.0	422.5

### 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

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