



Dale Sheller

Senior Vice President

The Baker Group LP

DSheller@GoBaker.com

Transitory or not transitory...that is the question. Less than two weeks after Federal Reserve Chairman Jerome Powell retired the use of the word transitory when describing inflation, this morning's consumer price index (CPI) data accelerated at its fastest pace since 1982. The CPI, which measures the cost of a wide-ranging basket of goods and services, rose 0.8% for the month and 6.8% on a year over year basis. The monthly increase of 0.8% was slightly above expectation of 0.7%. Core CPI (excludes food and energy) was up 0.5% for the month and up 4.9% from a year ago, both increases in line with expectations.

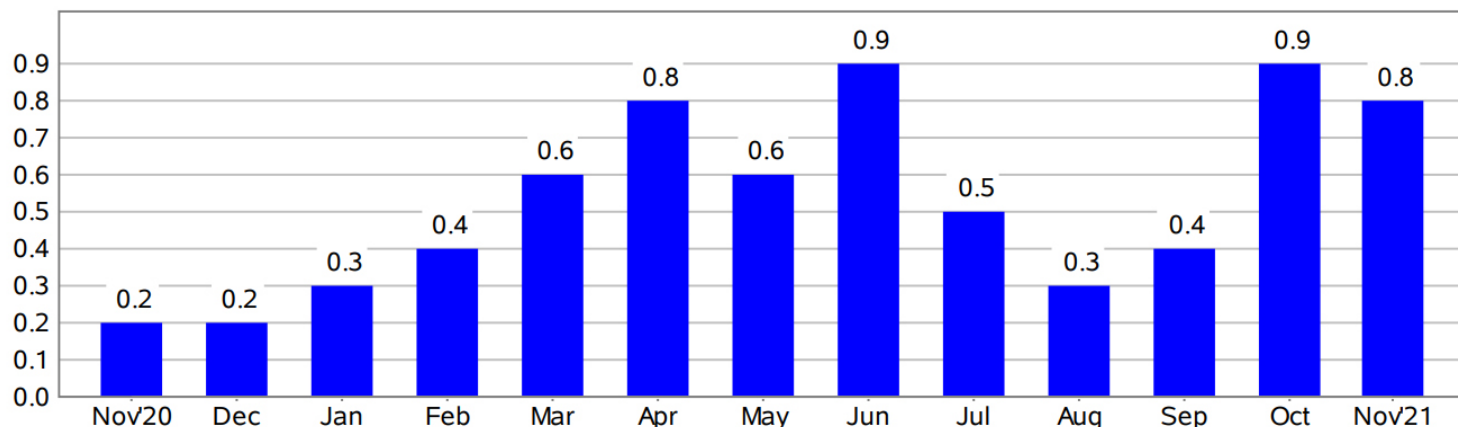
Stubbornly high inflation has put increased pressure on the Fed to raise interest rates at a moment when the labor market has yet to completely heal from the effects of the pandemic. In late November, Fed Chairman Powell stated "the economy is very strong and inflationary pressures are high, and it is therefore appropriate in my view to consider wrapping up the taper of our assets purchases...perhaps a few months sooner." What happens next with the Fed's two-day meeting early next week? We do know that we will get an updated dot plot next week in addition to further clarity on the impending tapering of bonds purchases including a potential acceleration of that taper given the recent inflation data. All eyes on the Fed next week!

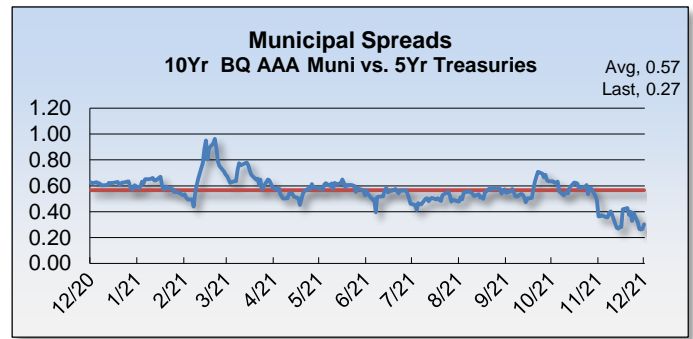
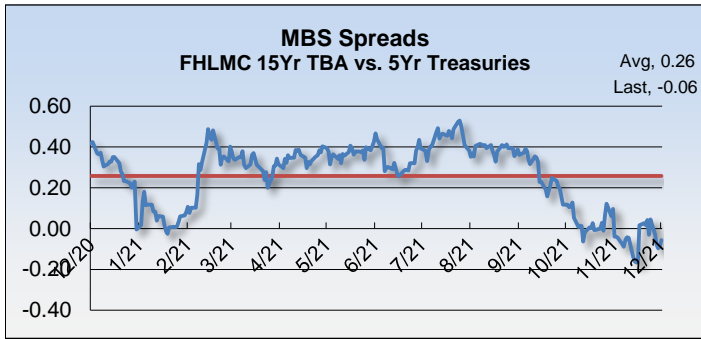
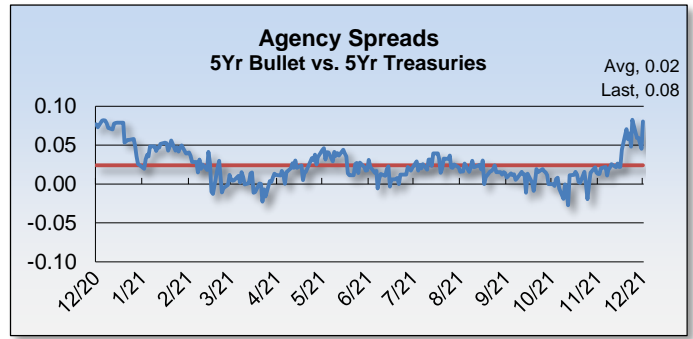
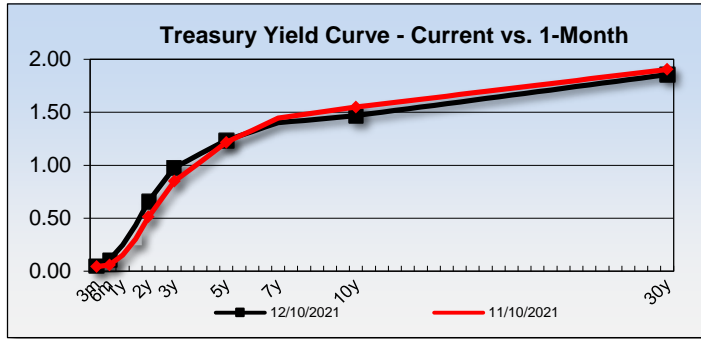
On Wednesday, the Labor Department released their Job Openings and Labor Turnover Survey or JOLTS. The JOLTS report gives additional insight into the labor aside from the monthly payroll and unemployment data. The number of available jobs rose to 11 million, up from a revised 10.6 million in September. The 11 million job openings exceeded the number of unemployed Americans by the most on record in October, highlighting employers' struggling to find works to fill a near record number of job vacancies. The so called "Great Resignation" lost a little steam as 4.2 million people quit their job in October, down from a record-high 4.4 million people who quit their job in September. Unemployment levels aren't back to pre-pandemic levels, but the labor market remain tight given the labor supply and demand imbalance.

The University of Michigan's closely watched Consumer Sentiment Index rose to 70.4 this month from a final November reading 67.5, which had been the lowest since November 2011. Consumers continued to voice a considerable degree of uncertainty about future inflation rates.

Equities markets are relatively flat this morning with the Dow Jones Industrial Average up about 20 points. Treasuries are rallying with prices up and yields down across the curve. The 10-Year Treasury Yield currently sits at 1.45% with the 30-Year Yield at 1.85%. Have a great weekend!

One-month Percent Change in CPI, seasonally adjusted, November 2020 – November 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	0.05	0.02	0.07	2yr	0.72	0.87	0.35	0.37	0.70	2Yr	0.66	0.66	0.66	-
6mo	0.11	0.02	0.06	0.04	0.08	3yr	1.01	1.14	0.50	0.54	0.90	3Yr	0.98	0.99	0.90	0.98
1yr	0.25	(0.00)	0.16	0.05	0.09	5yr	1.32	1.34	0.84	0.89	1.31	5Yr	1.32	1.32	1.31	1.25
2yr	0.66	0.07	0.52	0.15	0.14	7yr	1.49	1.45	1.22	1.30	1.58	7Yr	1.49	1.51	1.50	1.43
3yr	0.98	0.13	0.85	0.29	0.22	10yr	1.66	1.56	1.44	1.53	1.82	10Yr	1.60	1.66	1.65	1.59
5yr	1.24	0.10	1.22	0.71	0.39	15yr	1.84	1.67	1.60	1.70	2.15	January TBA MBS				
7yr	1.40	0.10	1.45	1.12	0.65	20yr	2.01	1.72	1.81	1.92	2.24	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	1.47	0.12	1.55	1.43	0.91	25yr	2.18	1.71	1.94	2.06	2.29	2.00	1.37	4.3y	2.04	
30yr	1.86	0.18	1.91	2.13	1.63	30yr	2.18	1.69	2.07	2.21	2.34	2.50	1.37	3.5y		
												3.00	1.39	3.2y	2.08	4.6y
												3.50	1.51	3.0y	2.14	4.5y
												4.00			2.31	4.5y
												4.50			2.58	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	(0.00)	0.09	0.08	0.15
3 Month LIBOR	0.20	0.03	0.15	0.13	0.23
6 Month LIBOR	0.29	0.02	0.22	0.15	0.25
1 Year LIBOR	0.49	0.03	0.35	0.24	0.34
6 Month CD	0.32	--	0.11	0.08	0.30
1 Year CMT	0.28	0.01	0.14	0.05	0.10
REPO O/N	0.05	(0.02)	0.06	0.02	0.10
REPO 1Wk	0.12	--	0.12	0.08	0.09
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	0.28
6mo	0.30	0.40	0.35
1yr	0.56	0.56	0.54
2yr	0.91	1.08	0.93
3yr	1.19	1.39	1.23
4yr	1.40	1.61	1.45
5yr	1.48	1.69	1.52
7yr	1.68	1.93	1.74
10yr	1.87	2.14	1.93
5yr Am	1.23		1.33
10yr Am	1.62		1.70

Fed Fund Futures	
Maturity	Rate
Dec-21	0.082
Jan-22	0.080
Feb-22	0.090
Mar-22	0.135
Apr-22	0.180
May-22	0.255
Jun-22	0.315
Jul-22	0.370
Aug-22	0.435
Sep-22	0.470
Oct-22	0.550

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
12/7	Nonfarm Productivity	3Q F	-4.9%	-5.2%	-5.0%	--
12/7	Unit Labor Costs	3Q F	8.3%	9.6%	8.3%	--
12/7	Trade Balance	Oct	-\$66.8b	-\$67.1b	-\$80.9b	-\$81.4b
12/7	Consumer Credit	Oct	\$25.000b	\$16.897b	\$29.943b	\$27.823b
12/8	MBA Mortgage Applications	12/3	--	2.0%	-7.2%	--
12/8	JOLTS Job Openings	Oct	10469k	11033k	10438k	10602k
12/9	Initial Jobless Claims	12/4	220k	184k	222k	227k
12/9	Continuing Claims	11/27	1910k	1992k	1956k	1954k
12/9	Langer Consumer Comfort	12/5	--	51	51	--
12/9	Wholesale Inventories MoM	Oct F	2.2%	2.3%	2.2%	--
12/9	Wholesale Trade Sales MoM	Oct	1.0%	2.2%	1.1%	1.7%
12/9	Household Change in Net Worth	3Q	--	\$2362b	\$5849b	\$6141b
12/10	CPI MoM	Nov	0.7%	0.8%	0.9%	--
12/10	CPI Ex Food and Energy MoM	Nov	0.5%	0.5%	0.6%	--
12/10	CPI YoY	Nov	6.8%	6.8%	6.2%	--
12/10	CPI Ex Food and Energy YoY	Nov	4.9%	4.9%	4.6%	--
12/10	CPI Index NSA	Nov	278.11	277.95	276.59	--
12/10	CPI Core Index SA	Nov	283.45	283.20	281.70	--
12/10	Real Avg Hourly Earning YoY	Nov	--	-1.9%	-1.2%	-1.3%
12/10	Real Avg Weekly Earnings YoY	Nov	--	-1.9%	-1.6%	--
12/10	U. of Mich. Sentiment	Dec P	68.0	70.4	67.4	--
12/10	U. of Mich. Current Conditions	Dec P	73.5	74.6	73.6	--
12/10	U. of Mich. Expectations	Dec P	62.5	67.8	63.5	--
12/10	U. of Mich. 1 Yr Inflation	Dec P	5.0%	4.9%	4.9%	--
12/10	U. of Mich. 5-10 Yr Inflation	Dec P	--	3.0%	3.0%	--
12/10	Monthly Budget Statement	Nov	-\$193.0b	--	-\$145.3b	--
12/14	NFIB Small Business Optimism	Nov	98.4	--	98.2	--
12/14	PPI Final Demand YoY	Nov	9.2%	--	8.6%	--
12/14	PPI Ex Food and Energy YoY	Nov	6.8%	--	6.8%	--
12/14	PPI Ex Food, Energy, Trade YoY	Nov	--	--	6.2%	--
12/15	Empire Manufacturing	Dec	25.0	--	30.9	--
12/15	Retail Sales Ex Auto and Gas	Nov	0.8%	--	1.4%	--
12/15	Retail Sales Control Group	Nov	0.8%	--	1.6%	--
12/15	Import Price Index YoY	Nov	--	--	10.7%	--
12/15	Export Price Index YoY	Nov	--	--	18.0%	--
12/15	Business Inventories	Oct	1.0%	--	0.7%	--
12/15	NAHB Housing Market Index	Dec	84	--	83	--
12/15	FOMC Rate Decision (Lower Bound)	12/15	0.00%	--	0.00%	--
12/15	FOMC Rate Decision (Upper Bound)	12/15	0.25%	--	0.25%	--
12/15	Interest on Reserve Balances Rate	12/16	--	--	0.15%	--
12/15	Total Net TIC Flows	Oct	--	--	-\$26.8b	--
12/15	Net Long-term TIC Flows	Oct	--	--	\$26.3b	--
12/16	Housing Starts	Nov	1568k	--	1520k	--
12/16	Building Permits	Nov	1660k	--	1650k	1653k
12/16	Philadelphia Fed Business Outlook	Dec	29	--	39	--
12/16	Capacity Utilization	Nov	76.8%	--	76.4%	--
12/16	Manufacturing (SIC) Production	Nov	0.6%	--	1.2%	--

MBS Prepayments ⁴						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	16.8	24.6	25.2	26.5	23.3	11.6
FH/FN 15y	11.7	30.3	30.3	36.1	29.8	22.3
GN 15y	23.9	18.5	20.2	19.0	19.2	21.1
FH/FN 20y	56.1	25.6	27.0	26.2	27.2	22.3
FH/FN 30y	3.1	16.7	43.6	43.8	46.3	46.7
GN 30y	4.7	17.0	47.9	43.2	40.0	26.9

CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	16.2	17.8	18.5	19.2	20.5	19.7
FH/FN 15y	14.0	15.7	17.0	20.4	21.4	21.1
GN 15y	13.8	13.6	13.6	13.0	12.4	12.2
FH/FN 20y	56.0	13.5	14.2	14.6	15.4	15.4
FH/FN 30y	10.4	12.4	17.8	18.5	19.4	19.2
GN 30y	8.6	10.4	14.9	14.0	14.6	12.0

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	113.33	0.53	113.91	109.33	104.24
Euro	1.13	(0.00)	1.15	1.22	1.21
Dollar Index	96.26	0.14	94.85	90.08	90.82
Major Stock Indices					
Dow Jones	35,871	1,291	36,080	34,466	29,999
S&P 500	4,693.3	154.9	4,646.7	4,239.2	3,668.1
NASDAQ	15,595.6	510	15,622.7	14,020.3	12,405.8
Commodities					
Gold	1,785.4	3.4	1,848.3	1,894.2	1,833.6
Crude Oil	71.13	4.87	81.34	70.29	46.78
Natural Gas	3.84	(0.29)	4.88	3.15	2.55
Wheat	769.0	-25.5	803.0	683.8	590.3
Corn	589.0	3.0	569.3	699.0	420.3

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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