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Happy Christmas Eve... Eve to all! As our offices will be closed tomorrow for actual Christmas Eve, the weekly Baker Market update finds you a day early.

There were several economic releases this morning, but up first was the monthly release of the Federal Reserve's preferred measure of the inflation, Personal Consumption Expenditures (PCE). PCE rose 5.7% in November from 5% in October and the monthly increase of 0.6% was in line with expectations. Additionally, Core PCE (excludes food and energy) increased to 4.7% from 4.1% on an annual basis with a monthly increase of 0.5%, slightly above expectations of 0.4%. The continued spike in inflation comes not long after the Fed's pivot away from its dovish policy stance.

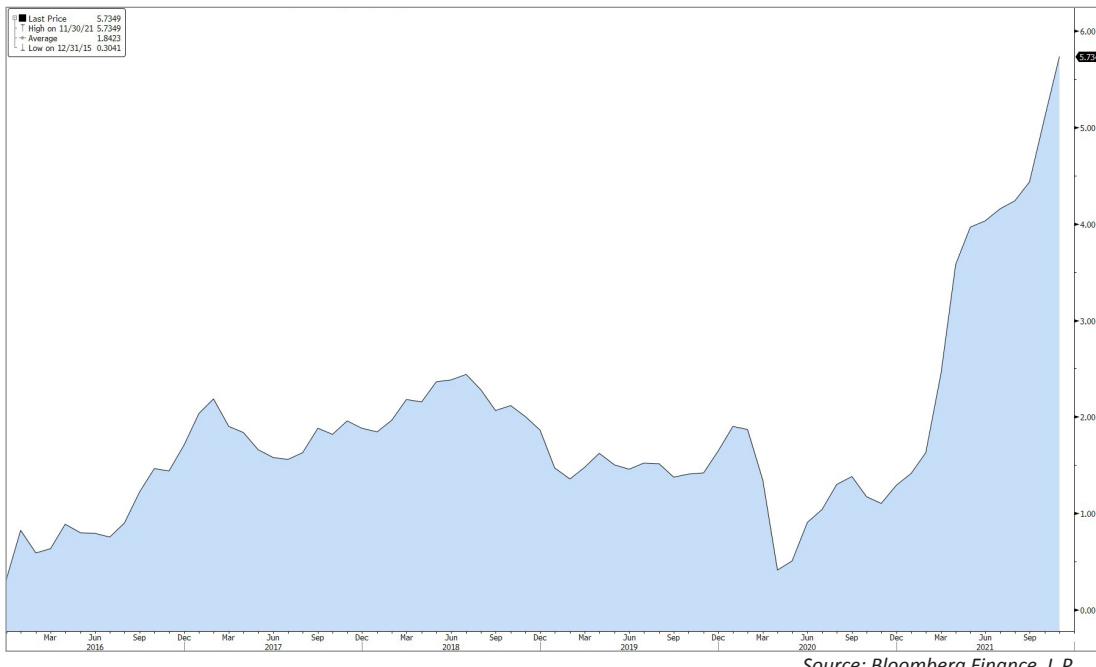
Consumer spending, which accounts for 70% of U.S. economic activity, rose 0.6% in November, a decent gain but below the 1.4% increase in October. Personal incomes, which is a driver of future spending increases rose 0.4% in November, slightly lower than the 0.5% increase in October.

Weekly initial jobless claims were 205,000, unchanged from the prior week and below pre-pandemic levels. Continuing jobless claims drop to 1.859 million, a small decrease of 8,000 from the previous week. That is the lowest level for insured unemployment since mid-March 2020.

Stocks are up early this morning with the Dow Jones Industrial Average up 215 points. Are stocks seeing a bit of a Santa Clause rally this morning? The treasury markets are seeing a bit of a selling off with the 10-Year Treasury Yield is hovering just below 1.50%.

We at The Baker Group hope that everyone has a safe, healthy, and most importantly, a Merry Christmas! I plan on watching a Christmas Movie tonight with the family, our favorite is the 2003 Will Ferrell Classic "Elf." Maybe I should answer the phone today with "Buddy the Elf, what's your favorite color?" Merry Christmas!

Personal Consumption Expenditures Year over Year % Change – December 2015 to Present

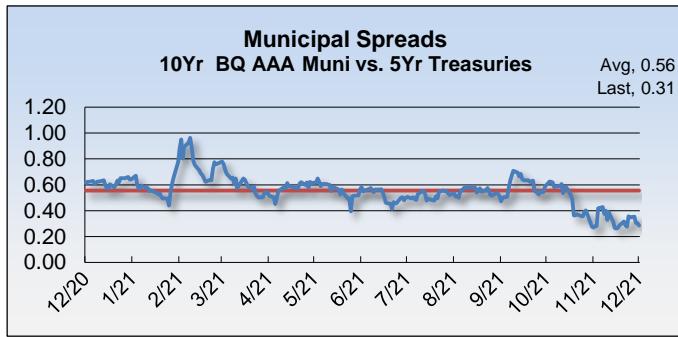
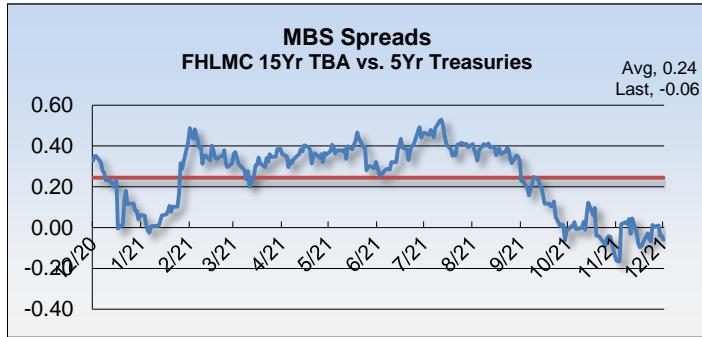
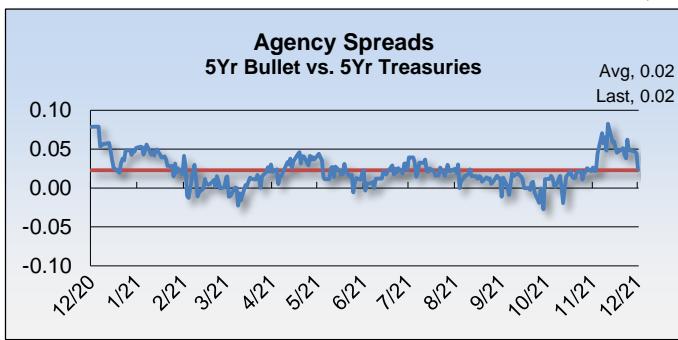
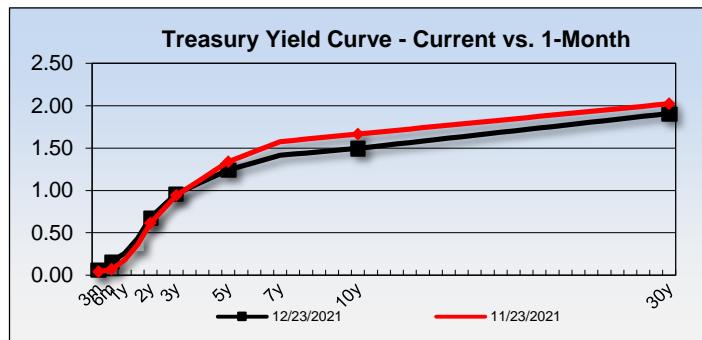


Baker Market Update

Week in Review

The Baker Group

December 23, 2021



Treasury Market -- Historical						Fixed Rate Market											
Maty	Current	1Wk Change	Historical			Maty	N-Call /AL	US Swap	AAA BQ Muni		Tax Muni	Mty	Agency Calls - Euro				
			1 Mo	6 Mo	1 Yr				C-Corp ²	S-Corp ³			3Mo	6mo	1Yr	2Yr	
3mo	0.06	0.02	0.05	0.04	0.08	2yr	0.73	0.92	0.34	0.36	0.73	2Yr	0.68	0.68	0.68	-	
6mo	0.16	0.04	0.07	0.05	0.09	3yr	0.99	1.16	0.49	0.52	0.93	3Yr	0.97	0.97	0.90	0.96	
1yr	0.26	0.02	0.19	0.08	0.09	5yr	1.31	1.35	0.83	0.88	1.34	5Yr	1.33	1.33	1.32	1.26	
2yr	0.68	0.06	0.62	0.26	0.12	7yr	1.50	1.46	1.22	1.30	1.58	7Yr	1.50	1.53	1.52	1.45	
3yr	0.96	0.06	0.94	0.46	0.20	10yr	1.69	1.57	1.44	1.53	1.88	10Yr	1.63	1.69	1.68	1.62	
5yr	1.24	0.08	1.34	0.88	0.37	15yr	1.88	1.70	1.60	1.70	2.18	January TBA MBS					
7yr	1.41	0.08	1.58	1.24	0.66	20yr	2.07	1.76	1.81	1.92	2.33	Cpn	15Yr -Yld/AL	30Yr -Yld/AL			
10yr	1.50	0.08	1.67	1.49	0.94	25yr	2.26	1.76	1.94	2.06	2.38	2.00	1.38	4.3y	2.06		
30yr	1.91	0.05	2.02	2.11	1.68	30yr	1.74	1.74	2.07	2.21	2.43	2.50	1.43	3.5y			
* 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	0.05	--
1 Month LIBOR	0.10	(0.00)	0.09	0.10	0.15
3 Month LIBOR	0.22	0.01	0.16	0.14	0.24
6 Month LIBOR	0.33	0.03	0.23	0.16	0.26
1 Year LIBOR	0.54	0.04	0.39	0.25	0.33
6 Month CD	0.32	--	0.35	0.10	0.23
1 Year CMT	0.28	(0.01)	0.20	0.09	0.09
REPO O/N	0.05	0.03	0.06	0.04	0.08
REPO 1Wk	0.21	0.13	0.12	0.12	0.10
CoF Federal	0.738	--	0.749	0.806	0.958
11th D. CoF (Oct)	0.225	--	0.225	0.343	0.503

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	0.23	0.35	0.28
6mo	0.33	0.43	0.38
1yr	0.55	0.57	0.57
2yr	0.92	1.09	0.96
3yr	1.18	1.38	1.24
4yr	1.36	1.55	1.41
5yr	1.45	1.65	1.51
7yr	1.64	1.89	1.70
10yr	1.85	2.12	1.91
5yr Am	1.20		1.32
10yr Am	1.59		1.67

Fed Fund Futures	
Maturity	Rate
Dec-21	0.078
Jan-22	0.080
Feb-22	0.095
Mar-22	0.165
Apr-22	0.235
May-22	0.310
Jun-22	0.380
Jul-22	0.460
Aug-22	0.515
Sep-22	0.545
Oct-22	0.620

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Baker Market Update

Week in Review



December 23, 2021

Weekly Economic Calendar

This Week & Next

Date	Release	Per.	Est.	Actual	Prior	Revised
12/20	Leading Index	Nov	1.0%	1.1%	0.9%	--
12/21	Current Account Balance	3Q	-\$205.0b	-\$214.8b	-\$190.3b	-\$198.3b
12/22	MBA Mortgage Applications	12/17	--	-0.6%	-4.0%	--
12/22	Chicago Fed Nat Activity Index	Nov	50.0%	37.0%	76.0%	75.0%
12/22	GDP Annualized QoQ	3Q T	2.1%	2.3%	2.1%	--
12/22	Personal Consumption	3Q T	1.7%	2.0%	1.7%	--
12/22	GDP Price Index	3Q T	5.9%	6.0%	5.9%	--
12/22	Core PCE QoQ	3Q T	4.5%	4.6%	4.5%	--
12/22	Conf. Board Consumer Confidence	Dec	111.0	115.8	109.5	111.9
12/22	Conf. Board Expectations	Dec	--	96.9	87.6	90.2
12/22	Conf. Board Present Situation	Dec	--	144.1	142.5	144.4
12/22	Existing Home Sales	Nov	6.53m	6.46m	6.34m	--
12/22	Existing Home Sales MoM	Nov	2.9%	1.9%	0.8%	--
12/23	Initial Jobless Claims	12/18	205k	205k	206k	205k
12/23	Continuing Claims	12/11	1835k	1859k	1845k	1867k
12/23	Personal Income	Nov	0.4%	0.4%	0.5%	--
12/23	Personal Spending	Nov	0.6%	0.6%	1.3%	1.4%
12/23	Real Personal Spending	Nov	0.2%	0.0%	0.7%	--
12/23	PCE Deflator MoM	Nov	0.6%	0.6%	0.6%	0.7%
12/23	PCE Deflator YoY	Nov	5.7%	5.7%	5.0%	5.1%
12/23	PCE Core Deflator MoM	Nov	0.4%	0.5%	0.4%	0.5%
12/23	PCE Core Deflator YoY	Nov	4.5%	4.7%	4.1%	4.2%
12/23	Durable Goods Orders	Nov P	1.8%	2.5%	-0.4%	0.1%
12/23	Durables Ex Transportation	Nov P	0.6%	0.8%	0.5%	0.3%
12/23	Cap Goods Orders Nondef Ex Air	Nov P	0.7%	-0.1%	0.7%	0.9%
12/23	Cap Goods Ship Nondef Ex Air	Nov P	0.6%	0.3%	0.4%	--
12/23	Langer Consumer Comfort	12/19	--	47.9	49.6	50.3
12/23	U. of Mich. Sentiment	Dec F	70.4	70.6	70.4	--
12/23	U. of Mich. Current Conditions	Dec F	--	74.2	74.6	--
12/23	U. of Mich. Expectations	Dec F	--	68.3	67.8	--
12/23	U. of Mich. 1 Yr Inflation	Dec F	4.9%	4.8%	4.9%	--
12/23	U. of Mich. 5-10 Yr Inflation	Dec F	--	2.9%	3.0%	--
12/23	New Home Sales	Nov	770k	744k	745k	662k
12/23	New Home Sales MoM	Nov	3.4%	12.4%	0.4%	-8.4%
12/27	Dallas Fed Manf. Activity	Dec	14.0	--	11.8	--
12/28	FHFA House Price Index MoM	Oct	--	--	0.9%	--
12/28	S&P CoreLogic CS 20-City MoM SA	Oct	0.95%	--	0.96%	--
12/28	S&P CoreLogic CS 20-City YoY NSA	Oct	18.55%	--	19.05%	--
12/28	S&P CoreLogic CS US HPI YoY NSA	Oct	--	--	19.51%	--
12/28	Richmond Fed Manufact. Index	Dec	--	--	11.0	--
12/29	Wholesale Inventories MoM	Nov P	1.6%	--	2.3%	--
12/29	Advance Goods Trade Balance	Nov	-\$89.0b	--	-\$82.9b	--
12/29	Retail Inventories MoM	Nov	--	--	0.1%	--
12/29	Pending Home Sales MoM	Nov	1.0%	--	7.5%	--
12/29	Pending Home Sales NSA YoY	Nov	--	--	-4.7%	--
12/30	Initial Jobless Claims	12/25	--	--	205k	--
12/30	MNI Chicago PMI	Dec	62.0	--	61.8	--

MBS Prepayments⁴

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	15.8	17.1	20.4	21.5	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	10.3	12.2	17.6	18.3	19.2	19.1
GN 30y	8.6	10.3	14.8	13.9	14.6	11.9

Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	114.36	0.69	115.14	110.96	103.57
Euro	1.13	(0.00)	1.12	1.19	1.22
Dollar Index	96.20	0.16	96.49	91.80	90.41
Major Stock Indices					
Dow Jones	35,949	51	35,814	33,874	30,130
S&P 500	4,721.5	52.9	4,690.7	4,241.8	3,690.0
NASDAQ	15,577.7	397	15,775.1	14,271.7	12,771.1
Commodities					
Gold	1,801.5	4.9	1,783.8	1,782.3	1,874.7
Crude Oil	72.98	0.60	78.50	73.08	48.12
Natural Gas	3.67	(0.09)	4.97	3.33	2.61
Wheat	816.0	45.5	856.0	661.3	629.8
Corn	604.3	13.0	580.5	664.3	447.3

Notes

1 Call Agg = 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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