



**Matt Harris, CFA**  
Senior Vice President  
The Baker Group LP  
[MHarris@GoBaker.com](mailto:MHarris@GoBaker.com)

Happy New Years to all as we wrap up the final trading week of the year. Looking at bonds this morning, the 30yr US Treasury is trading at a yield of 1.91%, along with 10yr at 1.51% and the 2Yr is 0.72%. Of recent note is the flattening of the yield curve. A common measure, the 10s versus 2s spread is currently 78 basis points coming down from a high earlier this year of 158bps in March. Recent curve flattening has been discussed as a potential challenge for the Fed as short-term rates continue increase due to the eventual increase of the Fed Funds rates and QE taper while longer term rates remain suppressed by supply/demand dynamics along with lower long-term growth and inflation expectations. As usual with the holiday week, it was relatively light on the economic data front.

On Monday, the Dallas Fed released their Manufacturing Activity index which assesses broader business conditions in the sector, it dropped to 8.1 from 11.8 while also missing expectations of 13.5 signaling overall activity has cooled somewhat. Tuesday gave us housing numbers showing home prices appreciated about 1.1% (FHFA) month over month and the S&P Core-Logic 20-city composite is now up 18% over this last year. The Richmond Fed also released their MFG index which actually surprised

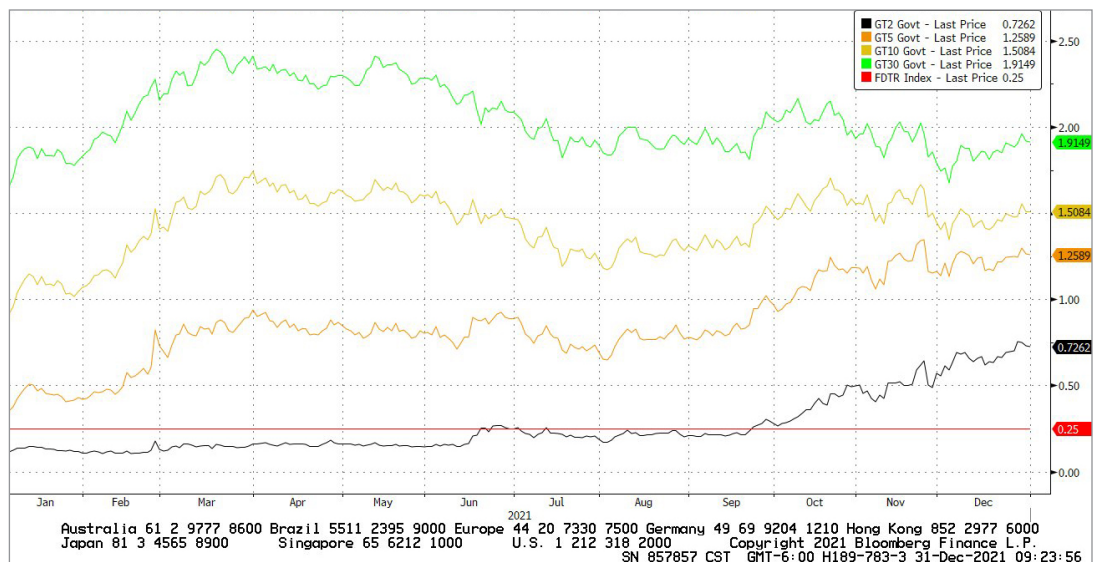
on the upside. Wednesday's releases were the current US trade balance, showing a historically high \$97 billion trade deficit and US wholesale inventories increased 1.2% month over month as companies stockpile during the shopping season. As we look to 2022, current bottlenecks should free up more, potentially alleviating some of the current inflation pressures today. And then Thursday's weekly jobless claims continued to remain extremely low at 198K for the week as the US economy continues to see the unemployment rate drop (currently at 4.2%).

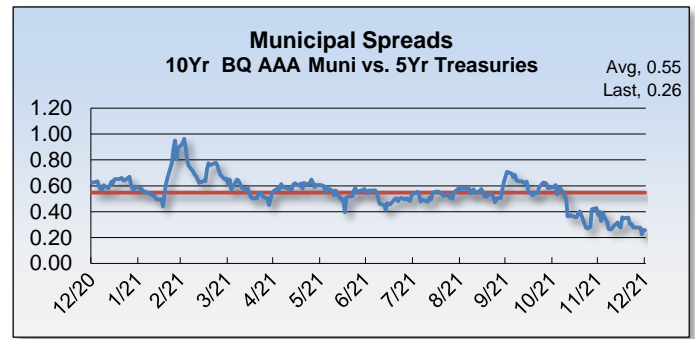
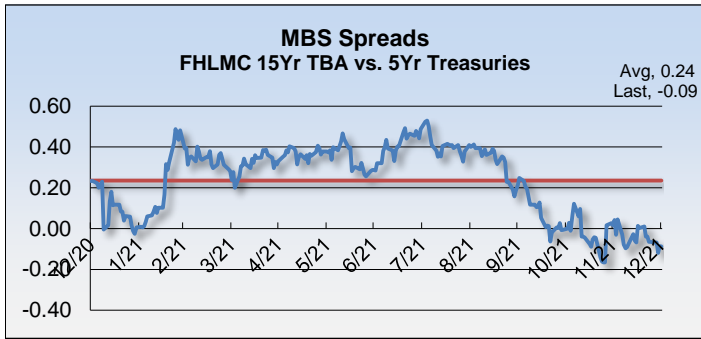
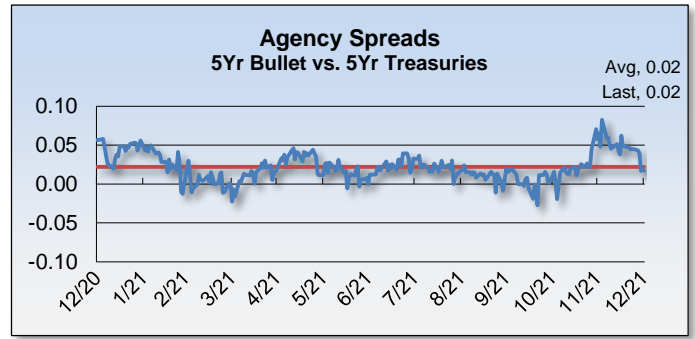
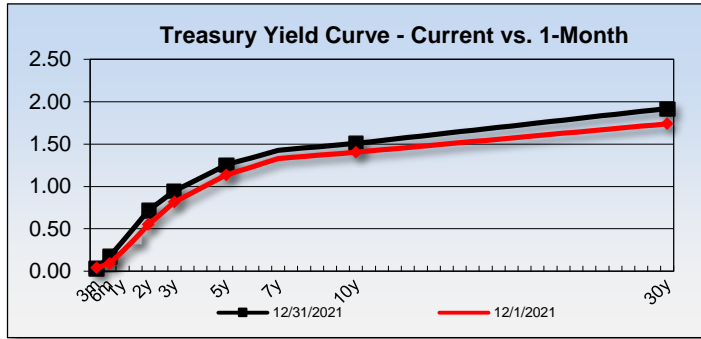
As we wrap up the final week of the year, let's take a look at some of other major numbers and moves for the year. Looking at equities, the S&P notched an impressive 27% YTD return with the Nasdaq up 22% and Dow Jones rounding out at the group with an 18% gain. Commodities also pushed higher as both oil (WTI) and natural gas are up 57% and 44% respectively. Looking at the favorite precious metal, gold, it was basically flat for the year down 4% YTD. Finally on the agriculture side of things we saw solid gains with corn up 23%, cotton up 45% and wheat up 21%. As economic forecasters polish their crystal balls it appears most expectations for much more modest gains for equity indices in 2022.

Next week will bring key economic data related to December. ISM Manufacturing, PMI and durables goods order will come out earlier in the week and on Friday will include the Jobs report for December. January will also include a FOMC meeting at the end of the month which many will be the last before the potential "live" meeting in March for the potential first rate hike assuming QE tapering goes to plan.

Happy New Year to all and enjoy the College Bowl Games! Go Blue, Roll Tide, Call the Dawgs, and Cheer Cincinnati!

Today's Chart is Treasury Yields for 2021. As you can see the 2yt has seen the biggest increase in yield as the market is pricing in an increase in short term rates. Longer term rates such as the 30yr and 10year are still off of their highs earlier this year.





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	0.03	(0.03)	0.05	0.04	0.07	2yr	0.74	0.93	0.34	0.36	0.80	2Yr	0.72	0.72	0.72	-
6mo	0.17	0.01	0.10	0.05	0.08	3yr	0.98	1.16	0.49	0.52	1.00	3Yr	0.95	0.96	0.90	0.95
1yr	0.35	0.08	0.22	0.07	0.11	5yr	1.32	1.36	0.83	0.88	1.39	5Yr	1.35	1.35	1.34	1.28
2yr	0.72	0.03	0.57	0.25	0.12	7yr	1.50	1.47	1.22	1.30	1.63	7Yr	1.52	1.54	1.53	1.46
3yr	0.95	(0.02)	0.84	0.46	0.20	10yr	1.70	1.58	1.44	1.53	1.94	10Yr	1.64	1.70	1.69	1.63
5yr	1.25	0.01	1.16	0.89	0.36	15yr	1.90	1.71	1.61	1.71	2.23	January TBA MBS				
7yr	1.43	0.01	1.37	1.24	0.65	20yr	2.10	1.77	1.82	1.94	2.40	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	1.51	0.01	1.45	1.47	0.92	25yr	2.30	1.76	1.95	2.08	2.45	2.00	1.42	4.4y	2.05	
30yr	1.92	0.01	1.79	2.09	1.65	30yr		1.75	2.09	2.22	2.49	2.50	1.47	3.6y		
												3.00	1.45	3.2y	2.14	4.7y
												3.50	1.60	3.0y	2.15	4.5y
												4.00			2.35	4.5y
												4.50			2.60	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	0.05	--
1 Month LIBOR	0.10	0.00	0.10	0.10	0.15
3 Month LIBOR	0.22	0.01	0.17	0.14	0.25
6 Month LIBOR	0.35	0.03	0.25	0.16	0.26
1 Year LIBOR	0.59	0.03	0.42	0.25	0.34
6 Month CD	0.25	(0.06)	0.27	0.10	0.22
1 Year CMT	0.38	0.07	0.24	0.07	0.12
REPO O/N	0.03	(0.03)	0.06	0.04	0.10
REPO 1Wk	0.09	(0.57)	0.12	0.14	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	0.36	0.46	0.41
1yr	0.60	0.61	0.60
2yr	0.94	1.11	0.98
3yr	1.17	1.36	1.23
4yr	1.37	1.56	1.45
5yr	1.49	1.69	1.55
7yr	1.67	1.91	1.75
10yr	1.91	2.16	1.97
5yr Am	1.21		1.35
10yr Am	1.61		1.72

Fed Fund Futures	
Maturity	Rate
Dec-21	0.080
Jan-22	0.080
Mar-22	0.160
Apr-22	0.240
May-22	0.315
Jun-22	0.390
Jul-22	0.465
Aug-22	0.530
Sep-22	0.565
Oct-22	0.645
Nov-22	0.700

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
12/27	Dallas Fed Manf. Activity	Dec	13.5	8.1	11.8	--
12/28	FHFA House Price Index MoM	Oct	0.9%	1.1%	0.9%	--
12/28	S&P CoreLogic CS 20-City MoM SA	Oct	0.90%	0.92%	0.96%	--
12/28	S&P CoreLogic CS 20-City YoY NSA	Oct	18.50%	18.41%	19.05%	19.09%
12/28	S&P CoreLogic CS US HPI YoY NSA	Oct	--	19.08%	19.51%	19.66%
12/28	Richmond Fed Manufact. Index	Dec	11	16	11	12
12/29	Advance Goods Trade Balance	Nov	-\$88.1b	-\$97.8b	-\$82.9b	-\$83.2b
12/29	Wholesale Inventories MoM	Nov P	1.5%	1.2%	2.3%	2.5%
12/29	Retail Inventories MoM	Nov	0.5%	2.0%	0.4%	0.3%
12/29	Pending Home Sales MoM	Nov	0.8%	-2.2%	7.5%	--
12/29	Pending Home Sales NSA YoY	Nov	--	0.2%	-4.7%	--
12/30	Initial Jobless Claims	12/25	206k	198k	205k	206k
12/30	Continuing Claims	12/18	1868k	1716k	1859k	1856k
12/30	MNI Chicago PMI	Dec	62.0	63.1	61.8	--
1/3	Markit US Manufacturing PMI	Dec F	57.8	--	57.8	--
1/3	Construction Spending MoM	Nov	0.7%	--	0.2%	--
1/4	ISM New Orders	Dec	--	--	61.5	--
1/4	ISM Prices Paid	Dec	79.3	--	82.4	--
1/4	ISM Manufacturing	Dec	60.2	--	61.1	--
1/4	ISM Employment	Dec	--	--	53.3	--
1/4	JOLTS Job Openings	Nov	--	--	11033k	--
1/4	Wards Total Vehicle Sales	Dec	13.10m	--	12.86m	--
1/5	MBA Mortgage Applications	12/31	--	--	-0.6%	--
1/5	ADP Employment Change	Dec	360k	--	534k	--
1/5	Markit US Composite PMI	Dec F	--	--	56.9	--
1/5	Markit US Services PMI	Dec F	57.5	--	57.5	--
1/6	Challenger Job Cuts YoY	Dec	--	--	-77.0%	--
1/6	Trade Balance	Nov	-\$74.1b	--	-\$67.1b	--
1/6	Langer Consumer Comfort	1/2	--	--	47.9	--
1/6	Factory Orders Ex Trans	Nov	--	--	1.6%	--
1/6	Factory Orders	Nov	1.5%	--	1.0%	--
1/6	ISM Services Index	Dec	67.1	--	69.1	--
1/6	Durable Goods Orders	Nov F	--	--	2.5%	--
1/6	Durables Ex Transportation	Nov F	--	--	0.8%	--
1/6	Cap Goods Orders Nondef Ex Air	Nov F	--	--	-0.1%	--
1/6	Cap Goods Ship Nondef Ex Air	Nov F	--	--	0.3%	--
1/7	Two-Month Payroll Net Revision	Dec	--	--	82k	--
1/7	Change in Nonfarm Payrolls	Dec	400k	--	210k	--
1/7	Change in Private Payrolls	Dec	368k	--	235k	--
1/7	Change in Manufact. Payrolls	Dec	35k	--	31k	--
1/7	Unemployment Rate	Dec	4.1%	--	4.2%	--
1/7	Average Hourly Earnings MoM	Dec	0.4%	--	0.3%	--
1/7	Average Hourly Earnings YoY	Dec	4.2%	--	4.8%	--
1/7	Average Weekly Hours All Employees	Dec	34.8	--	34.8	--
1/7	Labor Force Participation Rate	Dec	61.9%	--	61.8%	--
1/7	Underemployment Rate	Dec	--	--	7.8%	--
1/7	Consumer Credit	Nov	\$22.500b	--	\$16.897b	--

MBS Prepayments <sup>4</sup>						
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	16.0	17.6	18.4	19.1	20.3	19.6
FH/FN 15y	13.8	15.4	16.6	19.9	21.2	21.0
GN 15y	13.7	13.5	13.5	13.0	12.4	12.2
FH/FN 20y	55.9	13.2	13.9	14.3	15.1	15.2
FH/FN 30y	10.3	12.2	17.5	18.3	19.2	19.1
GN 30y	8.5	10.3	14.8	13.9	14.6	11.9

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
<b>Currencies</b>					
Japanese Yen	115.11	0.73	113.17	111.11	103.25
Euro	1.13	0.00	1.13	1.19	1.22
Dollar Index	95.83	(0.19)	95.99	92.44	89.94
<b>Major Stock Indices</b>					
Dow Jones	36,433	482	34,484	34,503	30,606
S&P 500	4,778.7	52.9	4,567.0	4,297.5	3,756.1
NASDAQ	15,758.5	105	15,537.7	14,504.0	12,888.3
<b>Commodities</b>					
Gold	1,826.6	15.4	1,773.6	1,771.6	1,895.1
Crude Oil	76.21	2.42	66.18	73.47	48.52
Natural Gas	3.71	(0.02)	4.57	3.65	2.54
Wheat	777.0	-37.8	773.8	671.5	640.5
Corn	595.5	-10.3	567.0	720.0	484.0

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

INTENDED FOR INSTITUTIONAL INVESTORS ONLY. The data provided in these reports is for informational purposes only and is intended solely for your private use. Information herein is believed to be reliable but The Baker Group LP does not guarantee its completeness or accuracy. Opinions constitute our judgment and are subject to change without notice. Past performance is not indicative of future results. The investments and strategies discussed here may not be suitable for all investors; if you have

Source for the aforementioned indices, rates, descriptions, & economic indicators: Bloomberg, L.P. This report was printed as of: 12/31/2021 8:47AM