



**Jeffrey F. Caughron**  
 Chairman of the Board  
 The Baker Group LP  
[JCaughron@GoBaker.com](mailto:JCaughron@GoBaker.com)

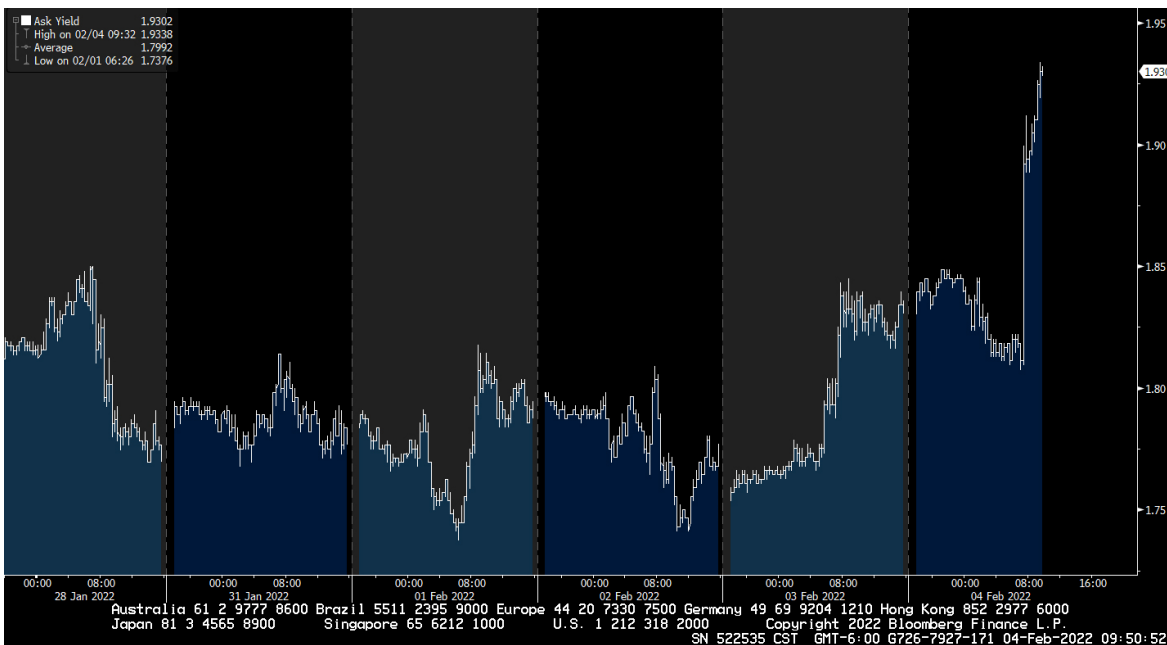
If you thought the transition into 2022 was volatile for the bond market, hold on to your hat because the hits keep coming. The sustained upside inflation data from supply shocks, which was well noted last month by the newly aggressive Fed, has now been bolstered by a stunning upside surprise from the January employment report. The US economy created 467K new non-farm payrolls when the consensus estimate was for just 125K. Participation in the labor force jumped unexpectedly by three-tenths of a percent, so the unemployment rate ticked back up to 4.0%... as we now have a larger denominator (size of the labor force) in the equation. This is all good news for the jobs market. Notably, average hourly earnings popped up a healthy annualized rate of 5.7% which is a .8% higher than the prior month. There were also some stunning revisions to prior month levels of job creation. The outsized magnitude of those revisions (November job growth, for example, was revised from 249K to 647K) was partly a function of the annual baseline and benchmark revisions done by the Bureau of Labor Statistics. This year, the benchmark revisions were substantial due to pandemic related noise. Either way, the jobs report was an upside stunner which gives the Fed a green light for tapering, rate hikes, and quantitative tightening as they see fit. It also fuels talk of a 50bps move to put an exclamation

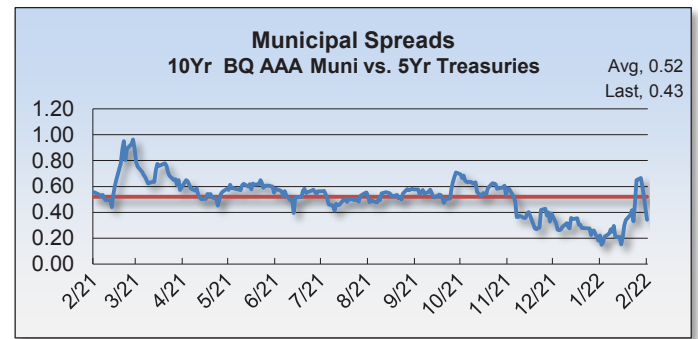
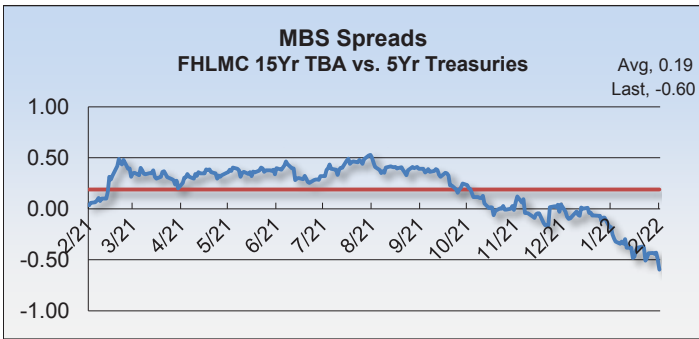
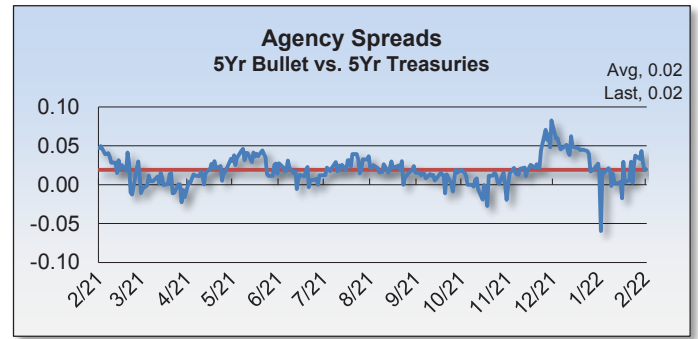
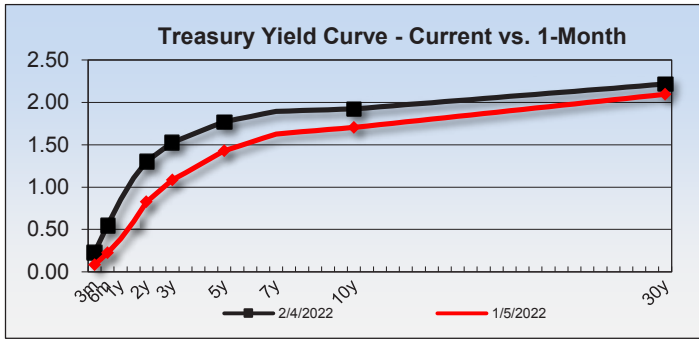
point on the Fed's seriousness. But let's not get carried away. This is one report pulled from a statistical morass of data with huge COVID-related revisions.

The yield on the 10yr T-Note is now above 1.90% for the first time since the pre-pandemic days of 2019. The 2yr yield is now around 1.30%, pushing the 2s / 10s spread to 60bps... almost 100bps tighter than last March. This flattening of the yield curve will be closely watched by the Fed. If it continues to flatten and/or starts to threaten inversion later this year, that could give the Fed pause as it typically portends economic weakness coming down the pipe. Right now, the forward yield curve is calculating that one year from today we'll see a 2yr Treasury yield of 1.87% and a 10yr yield of 2.11%. But that's just based on the math of today's price action. It can and will change with every new development.

To be sure, there was other economic data this week. The ISM manufacturing report came in mostly as expected but the price component was a little hot. The JOLTS labor turnover report continued the pandemic trend of more openings vs fewer hires, and durable goods and capital expenditures were largely as expected. A healthy increase in labor force productivity kept unit labor costs in check... which is good news on the inflation front. Next week we'll see a heavy calendar of Treasury auctions along with data on retail sales, housing and producer prices among other things. Hopefully the frozen parts of the country will thaw out, and Team USA will do us proud in the Olympics.

### US 10yr Treasury Yield: Jan 28 - 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	0.23	0.05	0.08	0.05	0.03	2yr	1.33	1.47	1.23	1.31	1.35	2Yr	1.31	1.31	1.31	-
6mo	0.55	0.12	0.22	0.05	0.05	3yr	1.59	1.69	1.39	1.48	1.54	3Yr	1.53	1.54	1.50	1.53
1yr	0.85	0.11	0.37	0.07	0.07	5yr	1.85	1.85	1.64	1.74	1.91	5Yr	1.86	1.86	1.85	1.79
2yr	1.30	0.14	0.76	0.18	0.11	7yr	1.99	1.93	1.82	1.94	2.09	7Yr	1.98	2.00	2.00	1.93
3yr	1.53	0.15	1.01	0.34	0.23	10yr	2.12	1.99	2.00	2.13	2.38	10Yr	2.06	2.12	2.11	2.04
5yr	1.77	0.16	1.36	0.68	0.46	15yr	2.26	2.07	2.17	2.31	2.67	March TBA MBS				
7yr	1.89	0.15	1.56	0.97	0.81	20yr	2.39	2.10	2.32	2.47	2.74	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	1.92	0.15	1.65	1.18	1.14	25yr	2.51	2.08	2.44	2.59	2.80	2.00	2.00	4.8y	2.46	
30yr	2.22	0.14	2.07	1.84	1.94	30yr		2.05	2.55	2.71	2.85	2.50	1.99	3.7y		
												3.00	2.01	3.3y	2.65	4.8y
												3.50	2.10	3.3y	2.35	3.8y
												4.00			2.24	3.6y
												4.50			2.36	3.6y

\* 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	0.01	0.05	0.05	--
1 Month LIBOR	0.11	(0.00)	0.10	0.09	0.12
3 Month LIBOR	0.31	0.03	0.21	0.12	0.19
6 Month LIBOR	0.52	0.06	0.34	0.16	0.22
1 Year LIBOR	0.93	0.12	0.58	0.23	0.30
6 Month CD	0.59	--	0.24	0.09	0.17
1 Year CMT	0.78	0.03	0.40	0.07	0.08
REPO O/N	0.05	0.03	0.06	0.06	0.06
REPO 1Wk	0.10	0.01	0.13	0.11	0.11
CoF Federal	0.736	--	0.738	0.785	0.925
11th D. CoF (Dec)	0.223	--	0.218	0.282	0.460

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	0.43	0.51	0.44
6mo	0.64	0.79	0.70
1yr	1.05	1.05	1.00
2yr	1.48	1.66	1.44
3yr	1.70	1.90	1.67
4yr	1.82	2.02	1.79
5yr	1.92	2.14	1.90
7yr	2.10	2.34	2.08
10yr	2.31	2.57	2.30
5yr Am	1.72		1.73
10yr Am	2.07		2.06

Fed Fund Futures		
Maturity	Rate	
Feb-22	0.093	
Mar-22	0.260	
Apr-22	0.435	
May-22	0.660	
Jun-22	0.790	
Jul-22	0.905	
Aug-22	1.025	
Sep-22	1.070	
Oct-22	1.180	
Nov-22	1.270	
Dec-22	1.350	

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
1/31	MNI Chicago PMI	Jan	61.5	65.2	63.4	64.3
2/1	Markit US Manufacturing PMI	Jan F	55.0	55.5	55.0	--
2/1	Construction Spending MoM	Dec	0.6%	0.2%	0.4%	0.6%
2/1	ISM Manufacturing	Jan	57.5	57.6	58.7	58.8
2/1	ISM Prices Paid	Jan	67.0	76.1	68.2	--
2/1	ISM New Orders	Jan	58.0	57.9	60.4	61.0
2/1	ISM Employment	Jan	53.0	54.5	54.2	53.9
2/1	JOLTS Job Openings	Dec	10300k	10925k	40562k	10775k
2/1	Wards Total Vehicle Sales	Jan	13.00m	15.04m	12.44m	--
2/2	MBA Mortgage Applications	1/28	--	12.0%	-7.1%	--
2/2	ADP Employment Change	Jan	180k	-301k	807k	776k
2/3	Challenger Job Cuts YoY	Jan	--	-76.0%	-75.3%	--
2/3	Nonfarm Productivity	4Q P	3.9%	6.6%	-5.2%	-5.0%
2/3	Unit Labor Costs	4Q P	1.0%	0.3%	9.6%	9.3%
2/3	Initial Jobless Claims	1/29	245k	238k	260k	261k
2/3	Continuing Claims	1/22	1620k	1628k	4675k	1672k
2/3	Markit US Services PMI	Jan F	50.9	51.2	50.9	--
2/3	Markit US Composite PMI	Jan F	50.8	51.1	50.8	--
2/3	ISM Services Index	Jan	59.5	59.9	62.0	62.3
2/3	Factory Orders	Dec	-0.4%	-0.4%	1.6%	1.8%
2/3	Factory Orders Ex Trans	Dec	0.4%	0.1%	0.8%	--
2/3	Durable Goods Orders	Dec F	-0.9%	-0.7%	-0.9%	--
2/3	Durables Ex Transportation	Dec F	--	0.6%	0.4%	--
2/3	Cap Goods Orders Nondef Ex Air	Dec F	--	0.3%	0.0%	--
2/3	Cap Goods Ship Nondef Ex Air	Dec F	--	1.3%	1.3%	--
2/4	Change in Nonfarm Payrolls	Jan	125k	467k	499k	510k
2/4	Two-Month Payroll Net Revision	Jan	--	709k	--	--
2/4	Change in Private Payrolls	Jan	35k	444k	244k	503k
2/4	Change in Manufact. Payrolls	Jan	20k	13k	26k	32k
2/4	Unemployment Rate	Jan	3.9%	4.0%	3.9%	--
2/4	Average Hourly Earnings MoM	Jan	0.5%	0.7%	0.6%	0.5%
2/4	Average Hourly Earnings YoY	Jan	5.2%	5.7%	4.7%	4.9%
2/4	Average Weekly Hours All Employees	Jan	34.7	34.5	34.7	--
2/4	Labor Force Participation Rate	Jan	61.9%	62.2%	61.9%	--
2/4	Underemployment Rate	Jan	--	7.1%	7.3%	--
2/7	Consumer Credit	Dec	\$23.400b	--	\$39.991b	--
2/8	NFIB Small Business Optimism	Jan	97.5	--	98.9	--
2/8	Trade Balance	Dec	-\$83.0b	--	-\$80.2b	--
2/10	CPI YoY	Jan	7.3%	--	7.0%	--
2/10	CPI Ex Food and Energy YoY	Jan	5.9%	--	5.5%	--
2/10	CPI Index NSA	Jan	280.45	--	278.80	--
2/10	CPI Core Index SA	Jan	285.84	--	284.76	--
2/10	Real Avg Weekly Earnings YoY	Jan	--	--	-2.3%	-2.0%
2/10	Real Avg Hourly Earning YoY	Jan	--	--	-2.4%	-2.0%
2/11	U. of Mich. Sentiment	Feb P	67.5	--	67.2	--
2/11	U. of Mich. Current Conditions	Feb P	--	--	72.0	--
2/11	U. of Mich. 1 Yr Inflation	Feb P	--	--	4.9%	--

MBS Prepayments <sup>4</sup>						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	15.4	23.9	24.7	25.4	23.4	13.1
FH/FN 15y	11.6	27.5	29.0	34.7	30.6	22.7
GN 15y	19.5	18.2	19.7	18.9	19.7	19.5
FH/FN 20y	55.3	23.0	25.1	24.9	26.5	21.6
FH/FN 30y	1.8	15.4	39.8	42.2	45.0	46.6
GN 30y	4.1	17.0	41.0	42.0	38.8	26.3
CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	15.7	17.6	18.2	18.7	19.9	19.8
FH/FN 15y	12.5	14.7	15.6	17.5	19.9	21.0
GN 15y	13.7	12.9	13.1	13.0	12.6	12.2
FH/FN 20y	55.1	12.3	12.1	12.3	13.2	14.2
FH/FN 30y	9.1	10.4	17.9	21.1	23.5	23.7
GN 30y	9.0	10.0	14.5	14.9	15.3	13.1

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
<b>Currencies</b>					
Japanese Yen	115.27	0.01	116.16	109.48	105.54
Euro	1.14	0.03	1.13	1.18	1.20
Dollar Index	95.54	(1.73)	96.26	92.27	91.53
<b>Major Stock Indices</b>					
Dow Jones	34,856	130	36,800	34,793	31,056
S&P 500	4,490.8	58.9	4,793.5	4,402.7	3,871.7
NASDAQ	13,971.3	201	15,622.7	14,780.5	13,777.7
<b>Commodities</b>					
Gold	1,803.6	18.7	1,814.6	1,810.5	1,788.9
Crude Oil	92.80	5.98	76.99	68.15	56.23
Natural Gas	4.83	0.19	3.72	4.16	2.94
Wheat	756.0	-30.3	770.0	717.3	637.5
Corn	616.5	-19.5	609.5	545.8	550.0

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

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