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With Thanksgiving just around the corner, that means that Christmas is just around the next corner, and that means that it's never too soon to start the process of finding just the right gift for that hard-to-please person on your shopping list. This season, holiday shoppers may want to consider "The Fiscal Cliff", a new board game craze that's sweeping the country. Retailers claim that copies of the new game are literally, flying, well falling, off the shelves. While the game's enthusiasts promise hours and hours of family fun, detractors claim that it seems a bit pointless to play a game in which no one wins. The game's creators, a merry band of legislative pranksters, will begin meetings today in order to evaluate possible "tweaks" to the game's rules that could allow for an outcome in which not all players lose.

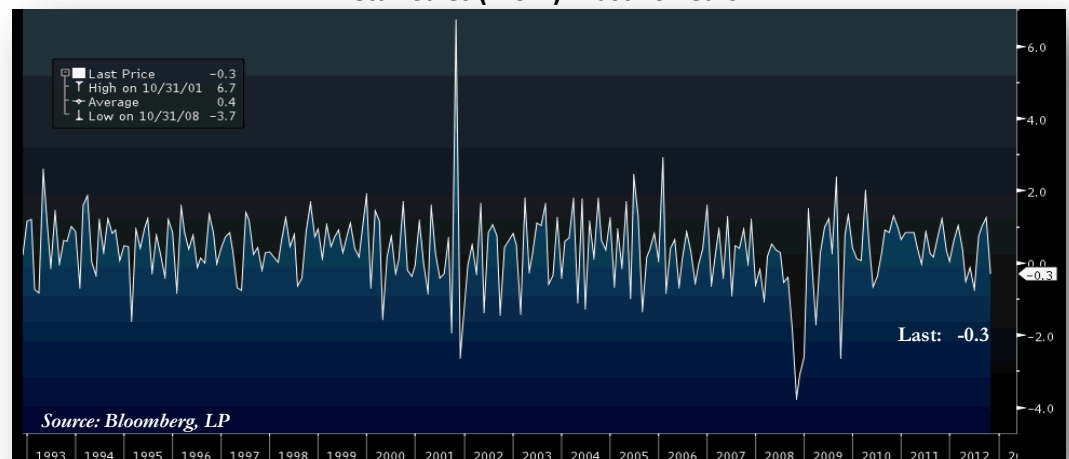
Small businessmen, however, seem to be a bit more pleased as the National Federation of Independent Business announced on Tuesday that their Optimism Index rose to 93.1 from 92.8. The pre-recession average for this index is 100. New measures of inflation came out this week as the core rate (ex-food & energy) of the Consumer Price Index was unchanged at 2% on a year-over-year basis while the core rate of the Producer Price Index fell by .2% to a new annualized basis of 2.1%.

So much for the good news. Here's the rest; Retail Sales declined by .3% following last month's increase of 1.1%, Jobless Claims rose to 439m after last week's 361m, Industrial Production fell by .4%, Capacity Utilization fell to 77.8 from 78.3, and the Philadelphia Fed Business Outlook Index fell to -10.7 from the prior period's +5.7 level. Many observers have noted that Superstorm Sandy has probably had a degree of negative influence on some of these measures.

Treasury yields methodically declined throughout the week as the steady drip of discouraging economic news joined with escarpment-induced vertigo to bring the Benchmark Ten Year yield down to 1.57%. In Europe, economic prospects have perhaps dimmed even more as the EU recession deepens. In what might be described as a "silver lining", bipartisan cooperation could be found, however, in the streets of Greece, Spain, and Italy as workers and non-workers alike joined together to protest government policies. Now, that is some *real* coming together!

The .3% decline in seasonally adjusted Retail Sales was the first such drop in months; a concern for those worried about declining consumer expenditures on the eve of the holiday shopping season.

Retail Sales (MoM) - Last 20 Years



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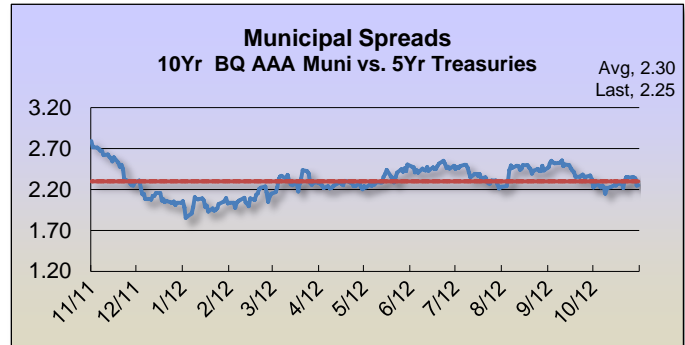
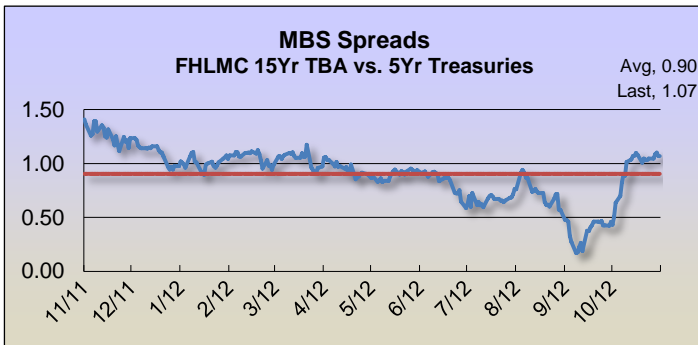
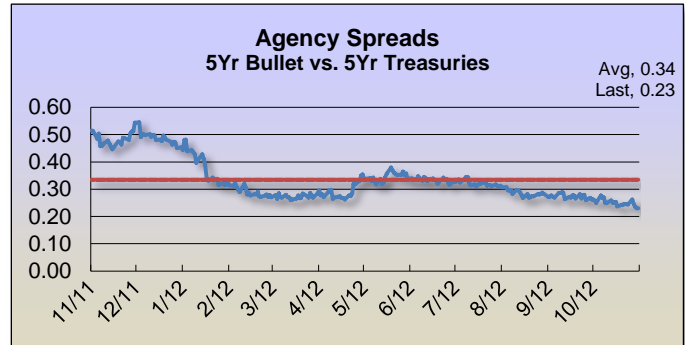
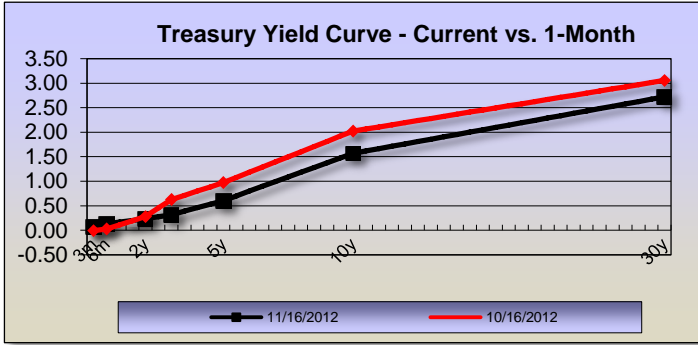
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Baker Market Update



November 16, 2012



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	0.08	(0.02)	0.09	0.09	0.01	3mo	0.09					2Yr	-	-	-	-
6mo	0.13	(0.01)	0.15	0.14	0.04	6mo	0.12					3Yr	-	-	0.45	0.45
1yr	0.17	(0.01)	0.17	0.19	0.10	1yr	0.18					5Yr	-	0.87	0.95	0.95
2yr	0.24	(0.02)	0.27	0.29	0.24	2yr	0.26	0.38	0.42	0.53	0.50	7Yr	-	1.40	1.48	1.49
3yr	0.32	(0.03)	0.36	0.44	0.45	3yr	0.38	0.45	0.73	0.85	0.90	10Yr	-	2.01	2.09	2.06
5yr	0.61	(0.03)	0.69	0.74	0.87	5yr	0.77	0.75	1.18	1.30	1.15	December TBA MBS				
7yr	1.00	(0.03)	1.14	1.19	1.42	7yr	1.19	1.14	1.63	1.76	1.70	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	1.57	(0.03)	1.72	1.76	2.00	10yr	1.76	1.62	2.17	2.30	2.20	4.00	1.17	2.5y	1.71	3.28y
30yr	2.72	(0.02)	2.92	2.90	3.03	20yr	2.78		3.68	3.85	3.50	4.50	1.53	2.67y	1.47	2.66y
												5.00	1.52	2.55y	1.41	2.47y
												5.50	2.50	2.74y	1.75	2.52y
												6.00	3.71	2.86y	1.88	2.58y

* 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	0.75	--	0.75	0.75	0.75
2ndary Discount	1.25	--	1.25	1.25	1.25
Prime Rate	3.25	--	3.25	3.25	3.25
1 Month LIBOR	0.21	--	0.21	0.24	0.25
3 Month LIBOR	0.31	--	0.32	0.47	0.47
6 Month LIBOR	0.53	--	0.58	0.73	0.68
1 Year LIBOR	0.86	--	0.92	1.07	1.00
6 Month CD	0.46	--	0.49	0.73	0.66
1 Year CMT	0.17	--	0.19	0.19	0.11
REPO O/N	0.20	--	0.22	0.17	0.06
REPO 1Wk	0.20	--	0.22	0.16	0.06
CoF National Med	1.16	--	1.20	1.34	1.53
11th District CoF	1.04	--	1.07	1.16	1.28

FHLB Fixed Advance Rates				
Maturity	Chicago	Boston	Dallas	Topeka
3mo	0.27	0.36	0.23	0.41
6mo	0.30	0.38	0.33	0.45
1yr	0.33	0.42	0.48	0.49
2yr	0.40	0.64	0.73	0.62
3yr	0.58	0.75	0.81	0.72
4yr	0.77	0.93	0.96	0.91
5yr	0.96	1.13	1.15	1.12
7yr	1.41	1.67	1.65	--
10yr	2.03	2.30	2.23	2.13
5yr Am	0.74		0.94	0.92
10yr Am	1.53		1.68	1.62

Fed Fund Futures	
Maturity	Rate
Nov-12	0.162
Dec-12	0.155
Jan-13	0.145
Feb-13	0.135
Mar-13	0.135
Apr-13	0.135
May-13	0.135
Jun-13	0.130
Jul-13	0.135
Aug-13	0.135
Sep-13	0.135

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Baker Market Update



November 16, 2012

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
11/13	NFIB Small Business Optimism	Oct	93.0	93.1	92.8	--
11/13	IBD/TIPP Economic Optimism	Nov	54.0	48.6	54.0	--
11/13	Monthly Budget Statement	Oct	-\$113.0B	-\$120.0B	-\$98.5B	--
11/14	MBA Mortgage Applications	11/9	--	12.6%	-5.0%	--
11/14	Producer Price Index (MoM)	Oct	0.2%	-0.2%	1.1%	--
11/14	PPI Ex Food & Energy (MoM)	Oct	0.1%	-0.2%	0.0%	--
11/14	Producer Price Index (YoY)	Oct	2.6%	2.3%	2.1%	--
11/14	PPI Ex Food & Energy (YoY)	Oct	2.4%	2.1%	2.3%	--
11/14	Advance Retail Sales	Oct	-0.2%	-0.3%	1.1%	1.3%
11/14	Retail Sales Less Autos	Oct	0.2%	0.0%	1.1%	1.2%
11/14	Retail Sales Ex Auto & Gas	Oct	0.4%	-0.3%	0.9%	1.0%
11/14	Retail Sales "Control Group"	Oct	0.4%	-0.1%	0.9%	--
11/14	Business Inventories	Sep	0.6%	0.7%	0.6%	--
11/15	Consumer Price Index (MoM)	Oct	0.1%	0.1%	0.6%	--
11/15	CPI Ex Food & Energy (MoM)	Oct	0.1%	0.2%	0.1%	--
11/15	Consumer Price Index (YoY)	Oct	2.1%	2.2%	2.0%	--
11/15	CPI Ex Food & Energy (YoY)	Oct	2.0%	2.0%	2.0%	--
11/15	Consumer Price Index NSA	Oct	231.3	231.3	231.4	--
11/15	CPI Core Index SA	Oct	--	231.0	230.6	--
11/15	Empire Manufacturing	Nov	(8.0)	(5.2)	(6.2)	--
11/15	Initial Jobless Claims	11/10	375K	439K	355K	361K
11/15	Continuing Claims	11/3	3181K	3334K	3427K	3163K
11/15	Bloomberg Consumer Comfort	11/11	--	(33.1)	(34.4)	--
11/15	Mortgage Delinquencies	3Q	--	7.4%	7.6%	--
11/15	MBA Mortgage Foreclosures	3Q	--	4.1%	4.3%	--
11/15	Philadelphia Fed.	Nov	2.0	(10.7)	5.7	--
11/16	Total Net TIC Flows	Sep	\$50.0B	\$4.7B	-\$91.4B	\$63.5B
11/16	Net Long-term TIC Flows	Sep	\$50.0B	\$3.3B	-\$90.0B	\$90.3B
11/16	Industrial Production	Oct	0.2%	-0.4%	0.4%	0.2%
11/16	Capacity Utilization	Oct	78.3%	77.8%	78.3%	78.2%
11/16	Manufacturing (SIC) Production	Oct	0.2%	-0.9%	0.2%	0.1%
11/19	NAHB Housing Market Index	Nov	41.0	--	41.0	--
11/19	Existing Home Sales	Oct	4.75M	--	4.75M	--
11/19	Existing Home Sales MoM	Oct	-0.1%	--	-1.7%	--
11/20	Housing Starts	Oct	840K	--	872K	--
11/20	Housing Starts MOM%	Oct	-3.7%	--	15.0%	--
11/20	Building Permits	Oct	865K	--	894K	890K
11/20	Building Permits MOM%	Oct	-2.8%	--	--	--
11/21	MBA Mortgage Applications	11/16	--	--	12.6%	--
11/21	Initial Jobless Claims	11/17	400K	--	439K	--
11/21	Continuing Claims	11/10	--	--	3334K	--
11/21	Markit US PMI Preliminary	Nov	51.0	--	--	--
11/21	Bloomberg Consumer Comfort	11/18	--	--	(33.1)	--
11/21	Bloomberg Economic Expectations	Nov	--	--	(7.0)	--
11/21	U. of Michigan Confidence	Nov F	84.5	--	84.9	--
11/21	Leading Indicators	Oct	0.1%	--	0.6%	--
11/21	U.S. to Sell USD13 Bln 10-Year TIPS Re					

MBS Prepayments ⁴					
3-Month CPR					
Type	4.5	5.0	5.5	6.0	6.5
FN 10y	27.1	28.3	21.6	19.1	15.1
FH/FN 15y	27.4	24.5	23.7	21.4	18.5
GN 15y	21.6	21.6	20.0	17.0	17.5
FH/FN 20y	30.7	30.0	29.6	26.9	21.7
FH/FN 30y	34.2	33.5	37.5	35.4	29.4
GN 30y	30.2	31.8	35.4	29.3	22.0
PSA Projections					
Type	4.5	5.0	5.5	6.0	6.5
FN 10y	420	426	381	344	345
FH/FN 15y	426	425	383	354	343
GN 15y	333	396	407	361	253
FH/FN 20y	380	473	430	388	372
FH/FN 30y	502	552	534	523	492
GN 30y	521	483	480	501	487

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	81.17	1.68	78.89	80.33	77.06
Euro	1.27	0.00	1.31	1.27	1.35
Dollar Index	81.20	0.17	79.41	81.37	78.02
Major Stock Indices					
Dow Jones	12,542	(269)	13,552	12,599	11,906
S&P 500	1,353.3	(24.2)	1,454.9	1,324.8	1,236.9
NASDAQ	2,836.9	(58.6)	3,101.2	2,874.0	2,639.6
Commodities					
Gold	1,710.00	(20.90)	1,746.30	1,542.70	1,788.20
Crude Oil	86.25	0.18	92.54	94.41	99.79
Natural Gas	3.73	0.23	3.77	3.42	4.16
Wheat	861.5	(40.0)	860.3	686.5	733.8
Corn	719.3	-22.8	738.3	537.3	592.3

Notes: ¹ Call Agy = Maturity at left w/ a 1-Year Call at Par; ² Muni TEY (34% Fed, 1.0% COF); ³ S-Corp TEY Muni (35%, no TEFERA); ⁴ MBS Prepayments are provided by Bloomberg

Source for the aforementioned indices, rates, descriptions, & economic indicators: Bloomberg, LP. Although believed to be reliable,

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