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Words matter, and when those words come from Central Bankers, they can matter a lot. Sometimes. From the feel of it, this must have been National Jawboning Week as various Fed officials took turns firing rhetorical warning shots across the bows of market participants everywhere. From Fed Vice-Chairman Stanley Fischer to Kansas City Fed President Ester George (Lunch with Ester?) the message was clear: if the next rate hike catches you by surprise, it's your own fault. Oh, and just when will that next rate hike happen? Well, that's where the message becomes a little less clear.

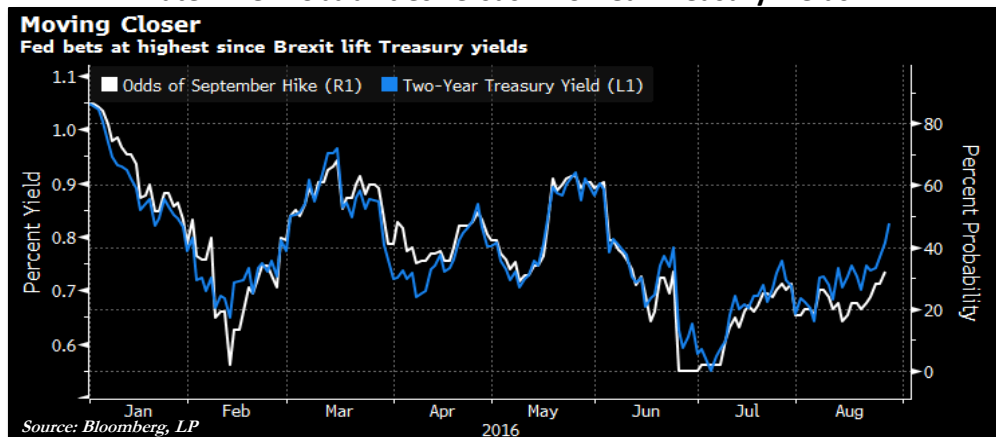
The use of moral suasion as a monetary policy tool has stopped short, for now, of declaring definitively just when the anticipated event becomes an historical one. Earlier this morning Fed Jawboner-in-Chief Janet Yellen, speaking in Jackson Hole, Wyoming at the Federal Reserve Bank of Kansas City's Economic Symposium said the argument for raising rates is getting stronger as the economy moves closer to reaching the Fed's goals. She deigned to disclose which of the upcoming FOMC meetings might produce a rate hike and also chose not to explain why the Kansas City Fed doesn't have its big event in Kansas City. She did, however, devote much of her speech to describing and reviewing the Fed's various policy implementation tools, how they have been used in the past, and how they might be used in the future. Could this be an attempt to redirect the obsession that many investors and market participants have with the Fed Funds rate, or is she subliminally preparing us for the next recession. Semi-dovish jawboning?

Besides the blizzard of sound-bites blowing around this week, there was also a flurry of figures. July's New Home Sales recorded a stunning 12.4% leap that was all the more stunning when compared to the markets' expectation of a 2% decline. Existing Home Sales stunned a little less with a 3.2% drop. Also dropping, some might say precipitously, was the Richmond Fed's Manufacturing Index. This diffusion index fell to a level of negative 11 from July's positive 10 reading. But, and this is good news, Durable Goods Orders increased by 4.4% in July. This is the Census Bureau's preliminary report and is subject to revision. Yes, isn't everything?

Take Q2 Gross Domestic Product for instance. That's one stat the Bureau of Economic Analysis (BEA) might want to stop revising. The previously estimated 1.2% GDP became a revised 1.1% estimate. One might reasonably experience a pause when, on the same day, Janet speaks of an economy that is close to reaching its goals. Hmm.

Next week ushers in a brand spankin' new season of college football and for that, we can all be grateful. And if that observation seems out of context, it's not. Mascots matter, and if we learned nothing else this week, we discovered that Hawks have bigger jawbones than Doves.

### Rate Hike Probabilities versus Two-Year Treasury Yields

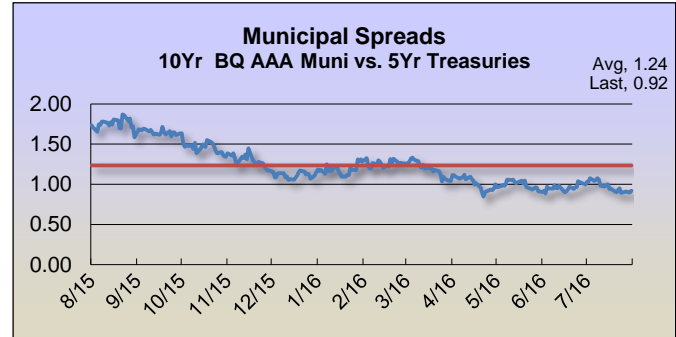
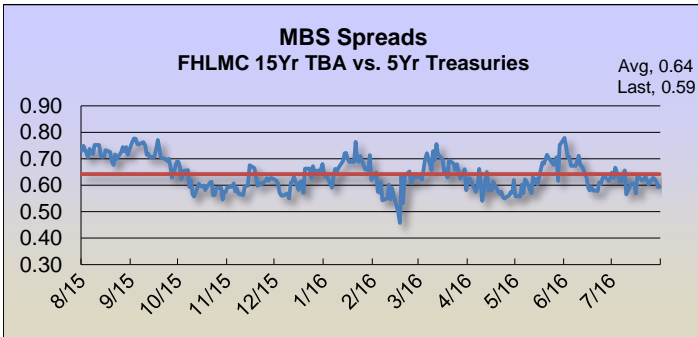
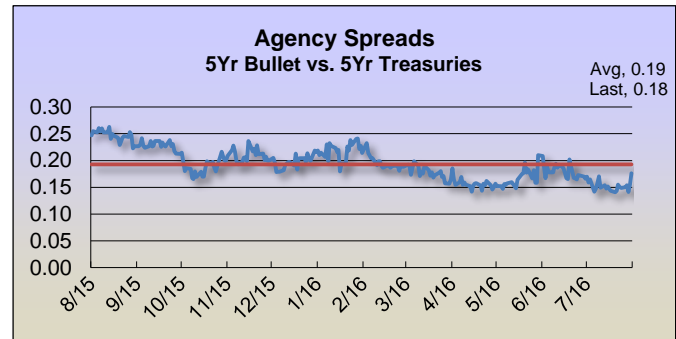
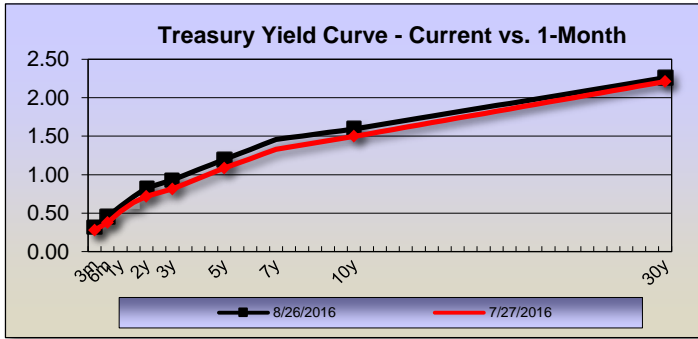


When will the Fed next act and what will that do to the short end?

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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	0.32	0.02	0.31	0.31	0.06	2yr	0.90	1.02	0.76	0.80	1.00	2Yr	1.05	1.03	0.99	-	
6mo	0.46	0.02	0.42	0.46	0.20	3yr	1.02	1.07	0.87	0.92	1.20	3Yr	1.19	1.20	1.17	1.07	
1yr	0.59	0.01	0.55	0.57	0.34	5yr	1.31	1.17	1.19	1.27	1.61	5Yr	1.38	1.42	1.43	1.35	
2yr	0.82	0.08	0.76	0.80	0.67	7yr	1.54	1.28	1.60	1.70	1.99	7Yr	1.51	1.58	1.62	1.58	
3yr	0.93	0.06	0.86	0.93	0.94	10yr	1.87	1.41	1.97	2.10	2.44	10Yr	1.69	1.78	1.85	1.84	
5yr	1.20	0.03	1.13	1.24	1.48	15yr	2.27	1.55	2.46	2.62	2.96	September TBA MBS					
7yr	1.46	0.03	1.39	1.54	1.89	20yr	2.67	1.63	2.80	2.98	3.15	Cpn	15Yr -Yld/AL		30Yr -Yld/AL		
10yr	1.59	0.01	1.56	1.76	2.18	25yr	3.08	1.66	2.88	3.07	3.20		2.00	1.72	5.4y		
30yr	2.26	(0.03)	2.28	2.64	2.93	30yr		1.68	2.97	3.16	3.25		2.50	1.73	4.9y		
													3.00	1.66	3.9y	2.30	6.4y
													3.50	1.77	3.7y	2.21	4.8y
													4.00			1.90	3.8y
												4.50			1.73	3.6y	

\* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	0.50	--	0.50	0.50	0.25
Primary Discount	1.00	--	1.00	1.00	0.75
2ndary Discount	1.50	--	1.50	1.50	1.25
Prime Rate	3.50	--	3.50	3.50	3.25
1 Month LIBOR	0.52	--	0.49	0.43	0.20
3 Month LIBOR	0.83	0.01	0.72	0.63	0.33
6 Month LIBOR	1.22	0.02	1.04	0.88	0.52
1 Year LIBOR	1.53	--	1.37	1.15	0.83
6 Month CD	1.32	0.04	1.06	0.91	0.50
1 Year CMT	0.60	0.02	0.55	0.56	0.36
REPO O/N	0.53	0.07	0.46	0.28	0.09
REPO 1Wk	0.24	--	0.23	0.50	0.28
CoF Federal	1.103	--	1.097	1.071	0.958
11th D. CoF (Jun)	0.690	--	0.691	0.655	0.659

FHLB Fixed Advance Rates					Fed Fund Futures	
Maturity	Chicago	Boston	Dallas	Topeka	Maturity	Rate
3mo	0.45	0.64	0.55	0.66	Aug-16	0.400
6mo	0.58	0.72	0.58	0.73	Sep-16	0.420
1yr	0.84	0.90	0.82	0.95	Oct-16	0.455
2yr	1.03	1.25	1.07	1.23	Nov-16	0.475
3yr	1.19	1.38	1.24	1.35	Dec-16	0.520
4yr	1.33	1.54	1.38	1.51	Jan-17	0.560
5yr	1.46	1.67	1.51	1.61	Feb-17	0.575
7yr	1.72	1.96	1.76	1.80	Mar-17	0.595
10yr	2.06	2.32	2.11	2.14	Apr-17	0.605
5yr Am	1.26		1.33	1.50	May-17	0.615
10yr Am	1.73		2.19	1.94	Jun-17	0.630

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Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
08/22	Chicago Fed Nat Activity Index	Jul	0.20	0.27	0.16	0.05
08/23	Markit US Manufacturing PMI	Aug P	52.60	52.10	52.90	--
08/23	New Home Sales	Jul	580k	654k	592k	582k
08/24	MBA Mortgage Applications	8/19	--	-2.10%	-4.00%	--
08/24	FHFA House Price Index MoM	Jun	0.30%	0.20%	0.20%	--
08/24	Existing Home Sales	Jul	5.51m	5.39m	5.57m	--
08/25	Initial Jobless Claims	8/20	265k	261k	262k	--
08/25	Continuing Claims	8/13	2155k	2145k	2175k	--
08/25	Durables Ex Transportation	Jul P	0.40%	1.50%	0.40%	-0.30%
08/25	Cap Goods Orders Nondef Ex Air	Jul P	0.20%	1.60%	0.40%	0.50%
08/25	Markit US Composite PMI	Aug P	--	51.50	51.80	--
08/26	Wholesale Inventories MoM	Jul P	0.10%	0.00%	0.30%	0.20%
08/26	GDP Annualized QoQ	2Q S	1.10%	1.10%	1.20%	--
08/26	Personal Consumption	2Q S	4.20%	4.40%	4.20%	--
08/26	GDP Price Index	2Q S	2.20%	2.30%	2.20%	--
08/26	Core PCE QoQ	2Q S	1.70%	1.80%	1.70%	--
08/26	U. of Mich. Sentiment	Aug F	90.80	89.80	90.40	--
08/26	U. of Mich. 1 Yr Inflation	Aug F	--	2.50%	2.50%	--
08/29	Personal Income	Jul	0.40%	--	0.20%	--
08/29	Real Personal Spending	Jul	0.20%	--	0.30%	--
08/29	PCE Deflator YoY	Jul	0.80%	--	0.90%	--
08/29	PCE Core YoY	Jul	1.50%	--	1.60%	--
08/30	S&P CoreLogic CS 20-City NSA Index	Jun	--	--	188.29	--
08/30	S&P CoreLogic CS 20-City YoY NSA	Jun	5.10%	--	5.24%	--
08/30	S&P CoreLogic CS US HPI YoY NSA	Jun	--	--	5.05%	--
08/30	Consumer Confidence Index	Aug	97.00	--	97.30	--
08/31	ADP Employment Change	Aug	175k	--	179k	--
08/31	Chicago Purchasing Manager	Aug	54.00	--	55.80	--
09/01	Challenger Job Cuts YoY	Aug	--	--	-57.10%	--
09/01	Nonfarm Productivity	2Q F	-0.60%	--	-0.50%	--
09/01	Unit Labor Costs	2Q F	2.00%	--	2.00%	--
09/01	ISM Manufacturing	Aug	52.00	--	52.60	--
09/01	ISM Prices Paid	Aug	54.50	--	55.00	--
09/01	ISM New Orders	Aug	--	--	56.90	--
09/01	Wards Domestic Vehicle Sales	Aug	13.50m	--	13.77m	--
09/02	Change in Nonfarm Payrolls	Aug	185k	--	255k	--
09/02	Two-Month Payroll Net Revision	Aug	--	--	18k	--
09/02	Change in Private Payrolls	Aug	180k	--	217k	--
09/02	Change in Manufact. Payrolls	Aug	-4k	--	9k	--
09/02	Unemployment Rate	Aug	4.80%	--	4.90%	--
09/02	Average Hourly Earnings YoY	Aug	2.50%	--	2.60%	--
09/02	Average Weekly Hours All Employees	Aug	34.50	--	34.50	--
09/02	Change in Household Employment	Aug	--	--	420.00	--
09/02	Labor Force Participation Rate	Aug	--	--	62.80%	--
09/02	Underemployment Rate	Aug	--	--	9.70%	--
09/02	ISM New York	Aug	--	--	60.70	--
09/02	Factory Orders Ex Trans	Jul	--	--	0.40%	--

MBS Prepayments <sup>4</sup>						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	12.1	13.3	14.9	17.2	19.9	19.6
FH/FN 15y	9.3	11.0	12.8	14.4	17.3	19.1
GN 15y	16.4	14.5	15.2	16.9	16.7	16.9
FH/FN 20y		9.9	11.2	14.9	16.1	18.9
FH/FN 30y		7.8	10.7	15.0	19.6	21.6
GN 30y	8.9	12.2	16.7	19.9	22.6	25.2

CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	8.2	12.4	16.4	16.7	17.6	18.2
FH/FN 15y	7.8	10.0	14.9	15.8	16.7	22.6
GN 15y	10.6	7.6	11.5	14.5	13.4	15.8
FH/FN 20y	6.0	12.4	15.5	19.0	17.6	16.7
FH/FN 30y	6.5	7.7	11.3	17.0	21.7	23.1
GN 30y	9.5	9.6	12.9	17.8	19.5	23.5

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
<b>Currencies</b>					
Japanese Yen	100.45	0.23	104.66	114.00	119.92
Euro	1.13	(0.00)	1.10	1.09	1.13
Dollar Index	94.72	0.21	97.16	98.15	95.10
<b>Major Stock Indices</b>					
Dow Jones	18,540	(13)	18,474	16,640	16,286
S&P 500	2,184.0	0.1	2,169.2	1,948.1	1,940.5
NASDAQ	5,243.2	4.8	5,110.0	4,590.5	4,697.5
<b>Commodities</b>					
Gold	1,338.6	(1.8)	1,320.8	1,220.4	1,124.6
Crude Oil	47.90	(0.62)	42.92	32.78	38.60
Natural Gas	2.85	0.26	2.71	1.79	2.69
Wheat	393.3	-33.8	415.0	443.3	489.8
Corn	322.3	-12.0	332.5	354.5	361.8

Notes	
1	Call Agy = Maturity at left w/ a 1-Year Call at Par
2	Muni TEY (34% Fed, 0.5% CoF)
3	S-Corp TEY Muni (39.6%, no TEFERA)
4	MBS Prepayments are provided by Bloomberg

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