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As we move through mid-August, the economic data stream continues to give Fed officials reason to stay on task with an expected shift to dial back monetary accommodation. We learned this week that there are well over 10 million unfilled job openings in the US, and labor supply is expected to increase in coming months as supplemental federal jobless benefits expire and schools reopen. Still, the rapidly spreading Delta variant of COVID-19 could delay more significant progress in labor market participation if growing health concerns spur Americans to delay returning to work.

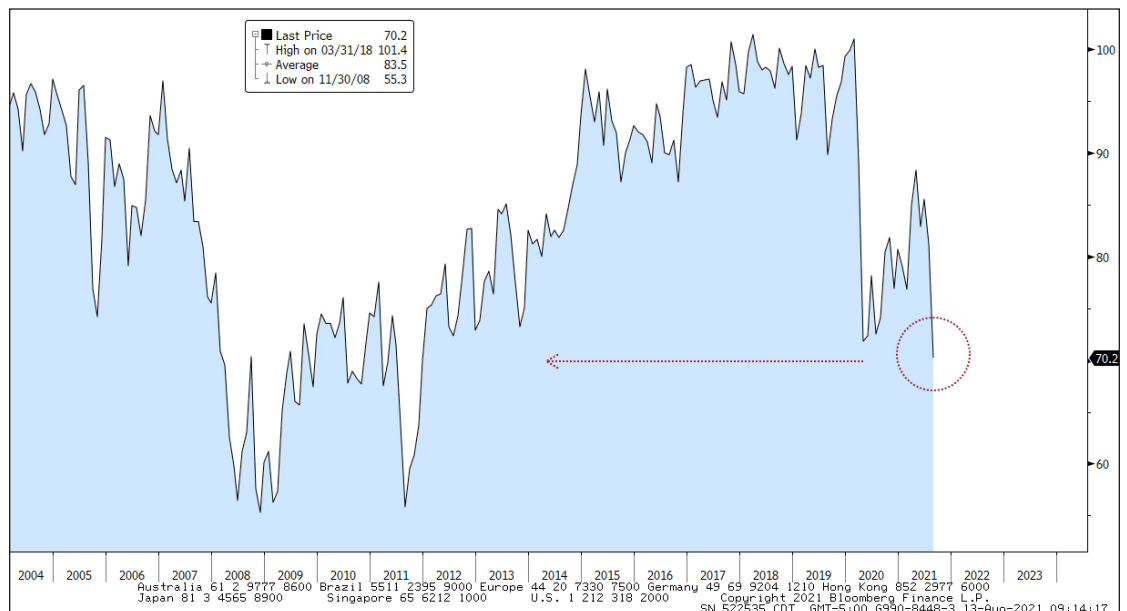
We also learned that core consumer price inflation is on a downtrend while producer price inflation remains hot. The core consumer price index fell to 4.3% year-over-year from 4.5% previously, but the same version of producer prices came in over 6%, the highest level since 2008. Continued pandemic-related supply chain disruptions and sclerotic trade flows are delaying deliveries, keeping prices elevated and forcing substitution of higher cost sources. Assuming an eventual resolution of the COVID disruption, all of this should normalize and inflation will revert to the mean. That, anyway, is what the Fed tells us and what markets appear to believe as breakeven inflation rates embedded in the Treasury market show expected inflation to remain well-behaved between 2 and 2.5% in coming years.

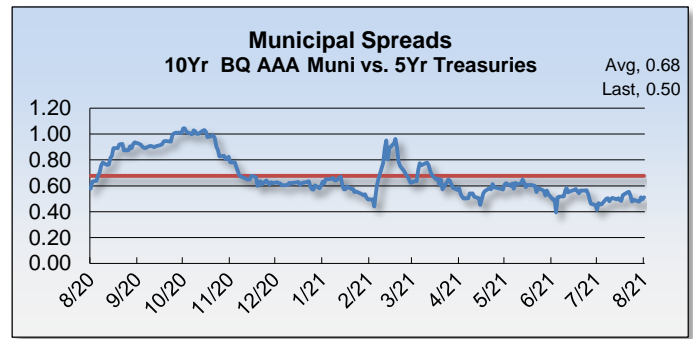
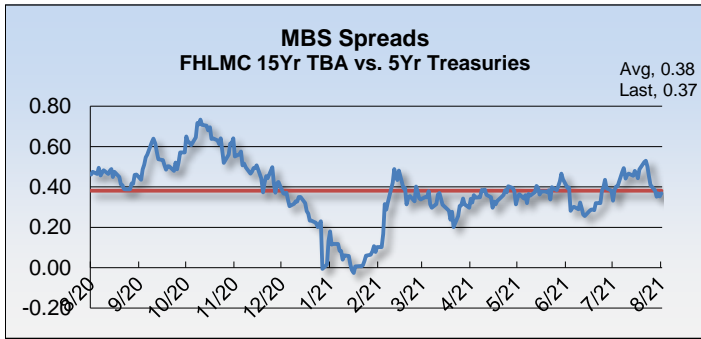
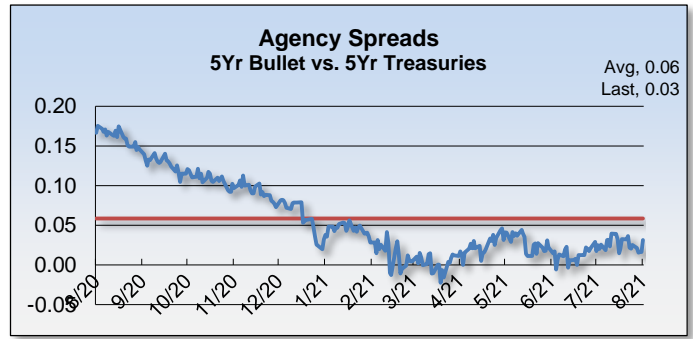
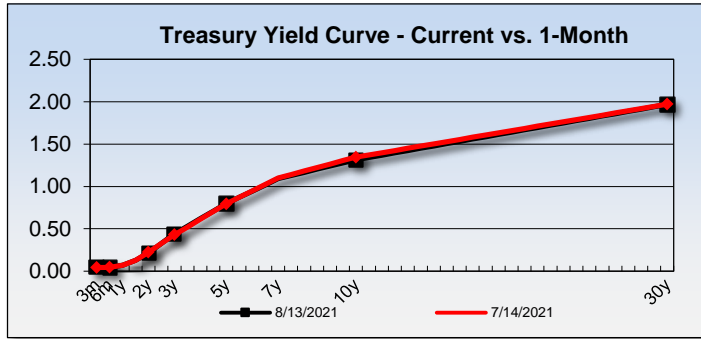
This morning the University of Michigan Consumer Sentiment Survey showed an ugly drop in confidence. The index plummeted to the lowest level in a decade. That doesn't portend good things for consumption expenditures and GDP.

Fed officials continue to offer a steady drumbeat of opinions on whether and when to begin tapering down their asset purchase program, now totaling \$120 billion a month. Chair Powell suggests that we're still "a ways off" from the necessary "substantial further progress" needed to justify a policy change. Several other FOMC members however (Kaplan, Bullard, Bostic, and Daly to name a few) seem ready at least to sketch out and communicate a plan that will give clarity to markets without causing a tantrum of the sort we saw in 2013. Their Jackson Hole retreat later this month is the perfect venue to formally announce such a change.

Next week we can look forward to plenty of new data: retail sales, capacity utilization, building permits and housing starts among others. Oh, and pre-season football... we can't forget that. Yes, all of the signs are here. The end of summer is upon us.

### University of Michigan Consumer Sentiment Survey: 2001 - 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	0.05	(0.00)	0.05	0.04	0.10	2yr	0.24	0.31	0.11	0.12	0.30	2Yr	0.09	0.09	0.09	-
6mo	0.05	(0.00)	0.05	0.05	0.12	3yr	0.45	0.55	0.18	0.19	0.51	3Yr	0.31	0.32	0.30	0.31
1yr	0.07	0.00	0.07	0.06	0.14	5yr	0.84	0.89	0.53	0.57	0.94	5Yr	0.75	0.76	0.75	0.68
2yr	0.22	0.01	0.25	0.11	0.16	7yr	1.15	1.12	0.87	0.92	1.24	7Yr	1.05	1.07	1.06	0.99
3yr	0.44	0.03	0.47	0.20	0.22	10yr	1.43	1.34	1.23	1.31	1.69	10Yr	1.32	1.38	1.37	1.31
5yr	0.80	0.03	0.85	0.49	0.32	15yr	1.70	1.54	1.57	1.67	2.14	September TBA MBS				
7yr	1.09	0.02	1.16	0.85	0.52	20yr	1.98	1.64	1.83	1.95	2.45	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	1.32	0.02	1.42	1.21	0.72	25yr	2.25	1.67	1.97	2.09	2.50	2.00	1.03	4.0y	1.79	
30yr	1.97	0.02	2.05	2.01	1.43	30yr		1.68	2.10	2.24	2.55	2.50	0.87	3.1y		
												3.00	0.96	2.8y	1.68	3.9y
												3.50	0.56	2.5y	1.73	3.7y
												4.00			1.77	3.6y
												4.50			2.06	3.8y

\* 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	0.01	0.10	0.11	0.16
3 Month LIBOR	0.12	(0.00)	0.13	0.20	0.25
6 Month LIBOR	0.16	0.00	0.15	0.21	0.34
1 Year LIBOR	0.24	0.01	0.24	0.30	0.46
6 Month CD	0.20	0.11	0.22	0.12	0.21
1 Year CMT	0.09	0.01	0.08	0.06	0.13
REPO O/N	0.05	(0.01)	0.05	0.09	0.12
REPO 1Wk	0.11	--	0.11	0.07	0.09
CoF Federal	0.785	--	0.806	0.925	1.158
11th D. CoF (Jun)	0.282	--	0.306	0.460	0.682

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	0.22	0.34	0.26
6mo	0.22	0.32	0.27
1yr	0.27	0.29	0.30
2yr	0.40	0.59	0.45
3yr	0.61	0.82	0.67
4yr	0.84	1.06	0.92
5yr	0.99	1.21	1.06
7yr	1.34	1.61	1.42
10yr	1.62	1.94	1.75
5yr Am	0.71		0.84
10yr Am	1.25		1.38

Fed Fund Futures	
Maturity	Rate
Aug-21	0.097
Sep-21	0.095
Oct-21	0.095
Nov-21	0.090
Dec-21	0.090
Jan-22	0.085
Feb-22	0.090
Mar-22	0.095
Apr-22	0.095
May-22	0.100
Jun-22	0.115

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
8/9	JOLTS Job Openings	Jun	9270k	10073k	<del>9209k</del>	9483k
8/10	NFIB Small Business Optimism	Jul	102.0	99.7	102.5	--
8/10	Nonfarm Productivity	2Q P	3.2%	2.3%	<del>5.4%</del>	4.3%
8/10	Unit Labor Costs	2Q P	1.0%	1.0%	<del>4.7%</del>	-2.8%
8/11	MBA Mortgage Applications	8/6	--	2.8%	-1.7%	--
8/11	CPI MoM	Jul	0.5%	0.5%	0.9%	--
8/11	CPI Ex Food and Energy MoM	Jul	0.4%	0.3%	0.9%	--
8/11	CPI YoY	Jul	5.3%	5.4%	5.4%	--
8/11	CPI Ex Food and Energy YoY	Jul	4.3%	4.3%	4.5%	--
8/11	CPI Index NSA	Jul	272.94	273.00	271.70	--
8/11	CPI Core Index SA	Jul	279.45	279.05	278.14	--
8/11	Real Avg Weekly Earnings YoY	Jul	--	-0.7%	<del>-1.4%</del>	-1.0%
8/11	Real Avg Hourly Earning YoY	Jul	--	-1.2%	<del>-1.7%</del>	-1.6%
8/11	Monthly Budget Statement	Jul	-\$294.0b	-\$302.1b	-\$63.0b	--
8/12	Initial Jobless Claims	8/7	375k	375k	<del>385k</del>	387k
8/12	Continuing Claims	7/31	2900k	2866k	<del>2930k</del>	2980k
8/12	PPI Final Demand YoY	Jul	7.2%	7.8%	7.3%	--
8/12	PPI Ex Food and Energy YoY	Jul	5.6%	6.2%	5.6%	--
8/12	PPI Ex Food, Energy, Trade YoY	Jul	5.7%	6.1%	5.5%	--
8/13	Import Price Index MoM	Jul	0.6%	0.3%	<del>4.0%</del>	1.1%
8/13	Import Price Index ex Petroleum MoM	Jul	0.5%	0.1%	0.7%	--
8/13	Import Price Index YoY	Jul	10.5%	10.2%	<del>11.2%</del>	11.3%
8/13	Export Price Index MoM	Jul	0.8%	1.3%	1.2%	--
8/13	Export Price Index YoY	Jul	16.0%	17.2%	<del>16.8%</del>	16.9%
8/13	U. of Mich. Sentiment	Aug P	81.2	70.2	81.2	--
8/13	U. of Mich. Current Conditions	Aug P	83.5	77.9	84.5	--
8/13	U. of Mich. Expectations	Aug P	78.0	65.2	79.0	--
8/13	U. of Mich. 1 Yr Inflation	Aug P	4.6%	4.6%	4.7%	--
8/13	U. of Mich. 5-10 Yr Inflation	Aug P	--	3.0%	2.8%	--
8/16	Empire Manufacturing	Aug	26.3	--	43.0	--
8/16	Total Net TIC Flows	Jun	--	--	\$105.3b	--
8/16	Net Long-term TIC Flows	Jun	--	--	-\$30.2b	--
08/16/2	Mortgage Delinquencies	2Q	--	--	6.38%	--
08/16/2	MBA Mortgage Foreclosures	2Q	--	--	0.54%	--
8/17	Retail Sales Advance MoM	Jul	-0.3%	--	0.6%	--
8/17	Retail Sales Ex Auto MoM	Jul	0.2%	--	1.3%	--
8/17	Retail Sales Ex Auto and Gas	Jul	0.0%	--	1.1%	--
8/17	Retail Sales Control Group	Jul	-0.3%	--	1.1%	--
8/17	Capacity Utilization	Jul	75.7%	--	75.4%	--
8/17	Manufacturing (SIC) Production	Jul	0.7%	--	-0.1%	--
8/17	Business Inventories	Jun	0.8%	--	0.5%	--
8/17	NAHB Housing Market Index	Aug	80.0	--	80.0	--
8/18	Building Permits	Jul	1610k	--	<del>1598k</del>	1594k
8/18	Housing Starts	Jul	1605k	--	1643k	--
8/18	FOMC Meeting Minutes	7/28	--	--	--	--
8/19	Philadelphia Fed Business Outlook	Aug	24.2	--	21.9	--
8/19	Leading Index	Jul	0.8%	--	0.7%	--

MBS Prepayments <sup>4</sup>						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	16.0	24.8	27.0	27.6	29.3	21.4
FH/FN 15y	11.8	29.8	35.8	42.1	33.2	23.0
GN 15y	15.2	20.4	19.9	19.5	19.9	18.7
FH/FN 20y	54.1	24.2	28.6	28.9	30.0	23.7
FH/FN 30y	2.1	15.7	46.1	49.0	50.7	50.1
GN 30y	4.7	20.3	30.8	54.0	55.6	30.6
CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	17.8	18.8	19.4	20.5	21.6	20.2
FH/FN 15y	15.6	19.0	22.3	26.0	23.8	21.4
GN 15y	14.4	14.5	14.6	13.8	13.0	12.7
FH/FN 20y	14.5	17.2	16.8	16.9	17.0	16.6
FH/FN 30y	11.6	14.6	22.0	22.9	24.3	22.5
GN 30y	9.3	12.1	16.1	16.9	17.3	13.0

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
<b>Currencies</b>					
Japanese Yen	110.06	(0.19)	110.63	105.38	106.93
Euro	1.18	0.00	1.18	1.21	1.18
Dollar Index	92.77	(0.03)	92.75	90.48	93.34
<b>Major Stock Indices</b>					
Dow Jones	35,531	322	34,889	31,458	27,897
S&P 500	4,467.4	30.8	4,369.2	3,934.8	3,373.4
NASDAQ	14,806.8	(29)	14,677.7	14,095.5	11,042.5
<b>Commodities</b>					
Gold	1,762.1	2.1	1,809.9	1,821.6	1,956.7
Crude Oil	68.95	0.67	75.25	59.47	42.24
Natural Gas	3.92	(0.23)	3.70	2.91	2.18
Wheat	765.8	46.8	628.8	636.8	496.8
Corn	570.8	15.8	677.0	538.8	325.3

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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