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### Markets

For a week with significant geopolitical turmoil and the continued threat of the Delta variant, the bond market was largely unchanged. Yields across the curve remained range bound as the 10Yr started the week at 1.27% and is currently 1.24%. Both short- and long-term rates acted similar as the 2 Year sits at .21-.22% and long bond (30Yr) dropped 5 basis points from 1.92% down 1.87%. Turning to the equity markets, all three major indices lost a little ground this week coming in approximately 0.3% and 0.5% lower before Friday's market close which is positive today. Oil prices came lower this week as West Texas Intermediate decreased from \$67.29 a barrel to around \$63 currently.

### Economic Data

Looking at this week's economic data there was a slew of releases, most of them to the downside. On Monday, the Empire State Manufacturing Index tumbled losing almost all of the gains in prior month's as it was previously hitting record highs. The index dropped to 18.3 from 43.0 with a median forecast of 29.0 meaning there were expectations of a pullback but not a complete reversal. Investors will look further into manufacturing when the August ISM index is released in early September, it has fallen the

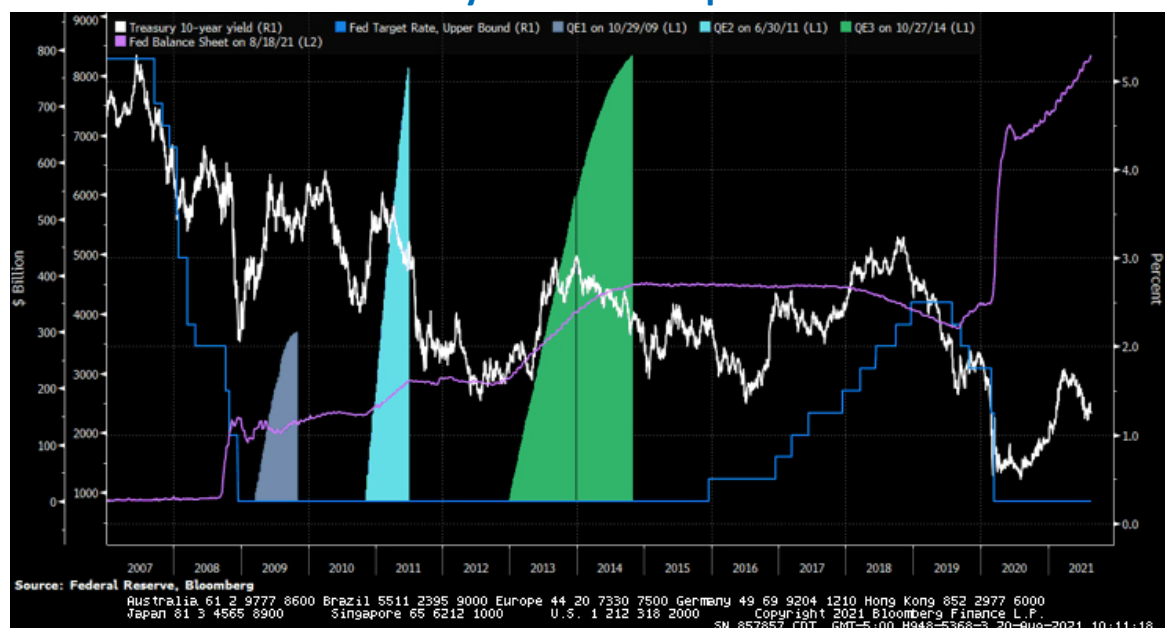
last two months. On Tuesday retail sales (including automobiles) dropped -1.1%, the second time in three months as analysts were expecting a drop of only 0.3%. While retail sales are still up 16% in the last year and still exceed pre-pandemic levels, expectations are for it to continue to weaken as the effects of government stimulus and pent-up demand wear-off. Wednesday saw US housing numbers from the National Association of Realtors. Homebuilding fell more than expected as new housing starts fell 7% in July. Housing permits on the other hand did see slight uptick. Also, on Wednesday the FOMC released their July meeting minutes which suggested the tapering of bond purchases could begin as early as late 2021. More on this next week as the FOMC will travel to Jackson Hole, Wyoming for the KC Fed Economic Symposium. Finally, on the positive side of the data releases, Leading indicators (a composite index which forecasts the future direction of the economy) grew in July 0.9% compared to June (0.7%).

### Next Week

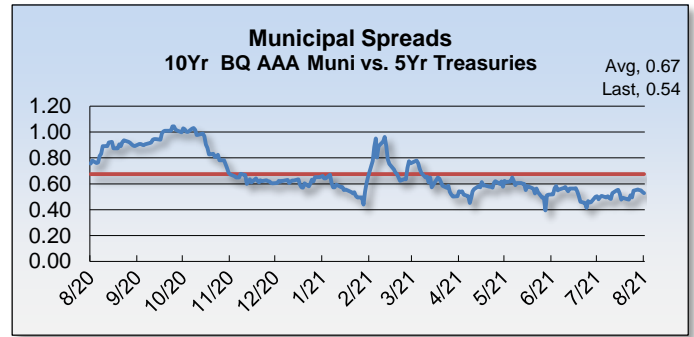
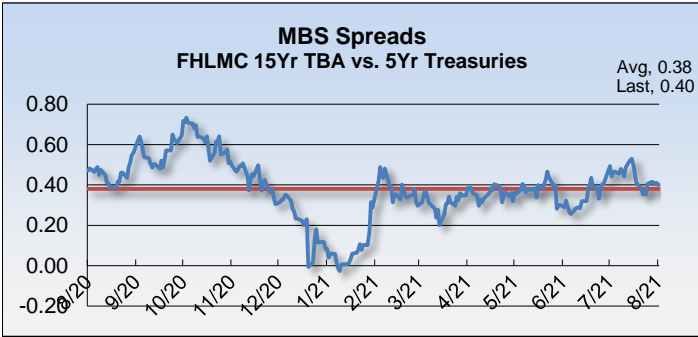
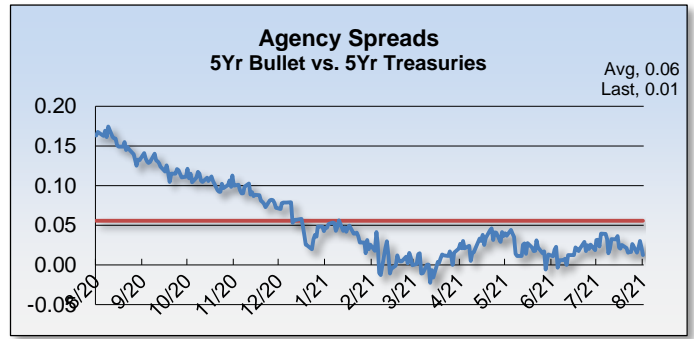
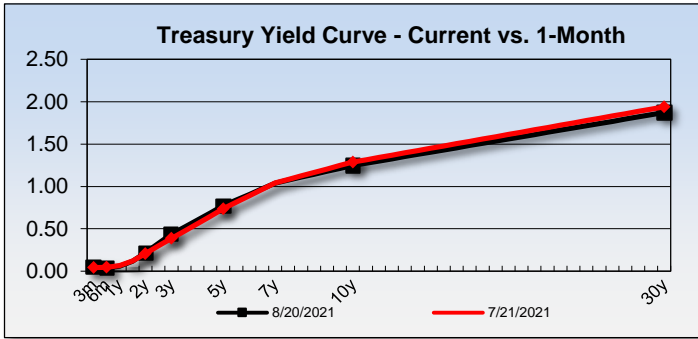
Turning to next week's economic calendar, Monday and Tuesday, US existing and new home sales will be released. On Wednesday durable goods orders will be published as investors continue to get a hold of the business investment outlook. On Thursday, the 2nd Quarter GDP will see the second estimate which currently sits at 6.5% from the initial release. The Fed's Summary of Economic Projections indicate GDP to be approximately 7% for the year. And on Friday to wrap the week, investors will see personal income, consumer spending, and the University of Michigan Consumer Sentiment index.

### Treasury Yields and Taper Talk

The market's reaction to the Fed discussing tapering was for stocks to decline and Treasuries to remain steady with the long end outperforming. This is in line with prior QE events and market history. An end to prior QE rounds sent yields lower (aside from the short lived Taper Tantrum of 2013) and saw stocks lose momentum as investors repriced expectations of less central bank stimulus and lower growth outlook.



SOURCE: H/T - BLOOMBERG/CHART OF THE DAY Garfield Reynolds



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)	0.04	0.03	0.09	2yr	0.24	0.32	0.11	0.12	0.29	2Yr	0.09	0.09	0.09	-
6mo	0.04	(0.01)	0.05	0.04	0.11	3yr	0.44	0.54	0.18	0.19	0.49	3Yr	0.31	0.31	0.30	0.31
1yr	0.06	(0.01)	0.07	0.05	0.12	5yr	0.82	0.86	0.53	0.57	0.88	5Yr	0.73	0.73	0.72	0.66
2yr	0.22	0.01	0.20	0.11	0.14	7yr	1.10	1.07	0.87	0.92	1.13	7Yr	1.00	1.02	1.01	0.94
3yr	0.44	0.00	0.37	0.21	0.19	10yr	1.37	1.27	1.23	1.31	1.56	10Yr	1.25	1.31	1.30	1.24
5yr	0.77	(0.00)	0.69	0.58	0.27	15yr	1.64	1.46	1.57	1.67	2.01	September TBA MBS				
7yr	1.04	(0.02)	0.98	0.97	0.46	20yr	1.90	1.56	1.83	1.95	2.32	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	1.25	(0.03)	1.22	1.34	0.65	25yr	2.17	1.59	1.97	2.09	2.37	2.00	1.05	4.0y	1.75	
30yr	1.87	(0.06)	1.88	2.14	1.38	30yr		1.60	2.10	2.24	2.42	2.50	0.89	3.1y		
												3.00	0.97	2.8y	1.66	3.8y
												3.50	0.63	2.5y	1.73	3.7y
												4.00			1.78	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	0.02	--
1 Month LIBOR	0.09	(0.01)	0.08	0.11	0.16
3 Month LIBOR	0.13	0.01	0.13	0.18	0.25
6 Month LIBOR	0.16	0.00	0.15	0.20	0.32
1 Year LIBOR	0.24	(0.01)	0.24	0.29	0.45
6 Month CD	0.22	0.02	0.21	0.21	0.20
1 Year CMT	0.06	(0.03)	0.07	0.07	0.13
REPO O/N	0.04	(0.02)	0.05	0.09	0.12
REPO 1Wk	0.14	--	0.11	0.07	0.13
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	0.29
2yr	0.40	0.59	0.44
3yr	0.60	0.81	0.64
4yr	0.82	1.03	0.86
5yr	0.95	1.16	0.99
7yr	1.26	1.51	1.31
10yr	1.55	1.83	1.61
5yr Am	0.68		0.79
10yr Am	1.18		1.27

Fed Fund Futures	
Maturity	Rate
Aug-21	0.095
Sep-21	0.090
Oct-21	0.085
Nov-21	0.085
Dec-21	0.085
Jan-22	0.085
Feb-22	0.090
Mar-22	0.090
Apr-22	0.090
May-22	0.095
Jun-22	0.105

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
8/16	Empire Manufacturing	Aug	28.5	18.3	43.0	--
8/16	Total Net TIC Flows	Jun	--	\$31.5b	<del>\$105.3b</del>	\$98.2b
8/16	Net Long-term TIC Flows	Jun	--	\$110.9b	<del>-\$30.2b</del>	-\$30.0b
8/17	Retail Sales Advance MoM	Jul	-0.3%	-1.1%	0.6%	0.7%
8/17	Retail Sales Ex Auto MoM	Jul	0.2%	-0.4%	1.3%	1.6%
8/17	Retail Sales Ex Auto and Gas	Jul	-0.1%	-0.7%	1.1%	1.3%
8/17	Retail Sales Control Group	Jul	-0.2%	-1.0%	1.1%	1.4%
8/17	Industrial Production MoM	Jul	0.5%	0.9%	0.4%	0.2%
8/17	Capacity Utilization	Jul	75.7%	76.1%	75.4%	--
8/17	Manufacturing (SIC) Production	Jul	0.7%	1.4%	-0.1%	-0.3%
8/17	Business Inventories	Jun	0.8%	0.8%	0.5%	0.6%
8/17	NAHB Housing Market Index	Aug	80	75	80	--
8/18	MBA Mortgage Applications	8/13	--	-3.9%	2.8%	--
8/18	Housing Starts	Jul	1600k	1534k	<del>1643k</del>	1650k
8/18	Building Permits	Jul	1610k	1635k	<del>1598k</del>	1594k
8/18	Housing Starts MoM	Jul	-2.6%	-7.0%	6.3%	3.5%
8/18	Building Permits MoM	Jul	1.0%	2.6%	-5.1%	-5.3%
8/18	FOMC Meeting Minutes	7/28	--	--	--	--
8/19	Initial Jobless Claims	8/14	364k	348k	<del>375k</del>	377k
8/19	Continuing Claims	8/7	2800k	2820k	<del>2866k</del>	2899k
8/19	Philadelphia Fed Business Outlook	Aug	23.1	19.4	21.9	--
8/19	Mortgage Delinquencies	2Q	--	5.47%	6.38%	--
8/19	MBA Mortgage Foreclosures	2Q	--	0.51%	0.54%	--
8/19	Leading Index	Jul	0.7%	0.9%	0.7%	0.5%
8/23	Chicago Fed Nat Activity Index	Jul	--	--	9.0%	--
8/23	Markit US Manufacturing PMI	Aug P	62.5	--	63.4	--
8/23	Markit US Services PMI	Aug P	59.0	--	59.9	--
8/23	Markit US Composite PMI	Aug P	--	--	59.9	--
8/23	Existing Home Sales	Jul	5.84m	--	5.86m	--
8/24	Richmond Fed Manufact. Index	Aug	25	--	27	--
8/24	New Home Sales	Jul	700k	--	676k	--
8/25	Durables Ex Transportation	Jul P	0.5%	--	0.5%	--
8/25	Cap Goods Ship Nondef Ex Air	Jul P	--	--	0.6%	--
8/26	GDP Annualized QoQ	2Q S	6.7%	--	6.5%	--
8/26	Personal Consumption	2Q S	12.3%	--	11.8%	--
8/26	GDP Price Index	2Q S	6.0%	--	6.0%	--
8/26	Core PCE QoQ	2Q S	6.1%	--	6.1%	--
8/26	Kansas City Fed Manf. Activity	Aug	25	--	30	--
8/27	Advance Goods Trade Balance	Jul	-\$90.5b	--	-\$91.2b	--
8/27	Personal Income	Jul	0.1%	--	0.1%	--
8/27	Personal Spending	Jul	0.4%	--	1.0%	--
8/27	Real Personal Spending	Jul	-0.1%	--	0.5%	--
8/27	PCE Deflator YoY	Jul	4.1%	--	4.0%	--
8/27	PCE Core Deflator YoY	Jul	3.6%	--	3.5%	--
8/27	U. of Mich. Sentiment	Aug F	71.0	--	70.2	--
8/27	U. of Mich. Current Conditions	Aug F	--	--	77.9	--
8/27	U. of Mich. 1 Yr Inflation	Aug F	--	--	4.6%	--

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	17.7	18.8	19.4	20.5	21.6	20.2
FH/FN 15y	15.6	18.9	22.2	26.0	23.8	21.4
GN 15y	14.4	14.5	14.6	13.8	13.0	12.7
FH/FN 20y	14.6	17.1	16.7	16.9	17.0	16.6
FH/FN 30y	11.8	14.9	22.3	23.1	24.5	22.7
GN 30y	9.4	12.1	16.3	17.0	17.4	13.0

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
<b>Currencies</b>					
Japanese Yen	109.86	0.27	109.85	105.08	105.80
Euro	1.17	(0.01)	1.18	1.22	1.19
Dollar Index	93.60	1.08	92.97	90.36	92.79
<b>Major Stock Indices</b>					
Dow Jones	35,078	(438)	34,512	31,494	27,740
S&P 500	4,424.5	(43.5)	4,323.1	3,906.7	3,385.5
NASDAQ	14,664.3	(159)	14,498.9	13,874.5	11,265.0
<b>Commodities</b>					
Gold	1,780.9	5.7	1,811.4	1,775.8	1,933.8
Crude Oil	63.26	(5.18)	67.42	59.24	42.58
Natural Gas	3.93	0.07	3.88	3.07	2.35
Wheat	724.5	-37.8	700.5	650.8	519.5
Corn	543.5	-24.8	571.8	542.8	324.5

### 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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