



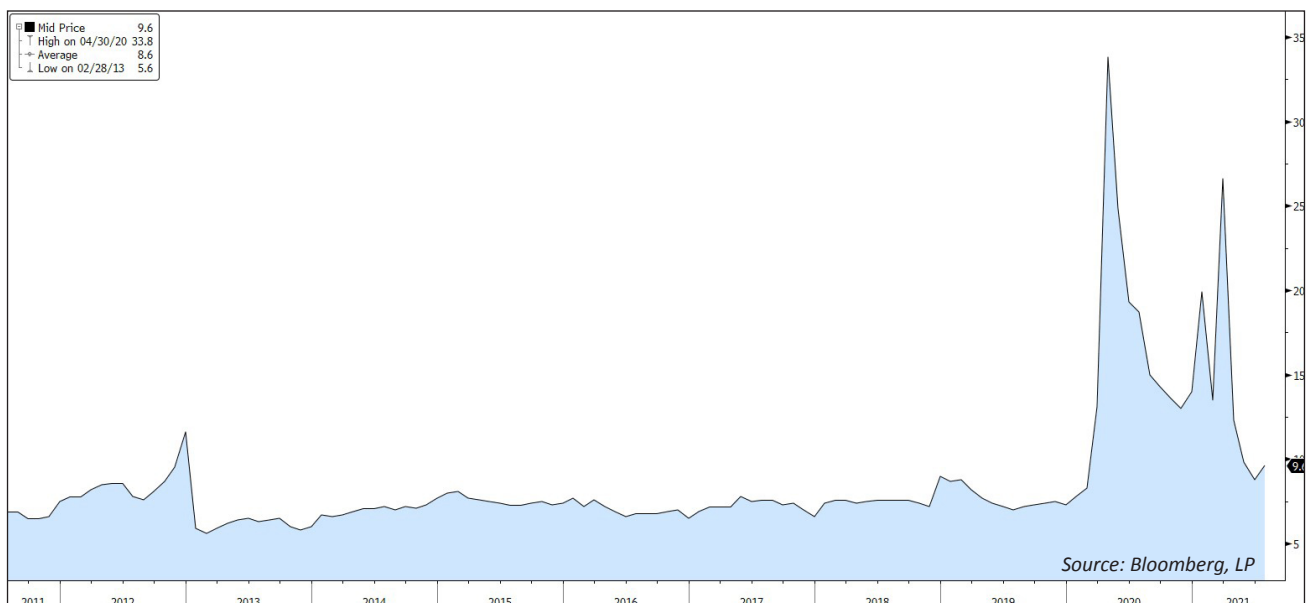
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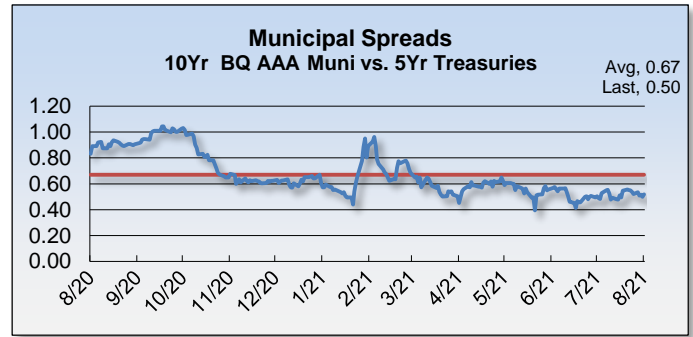
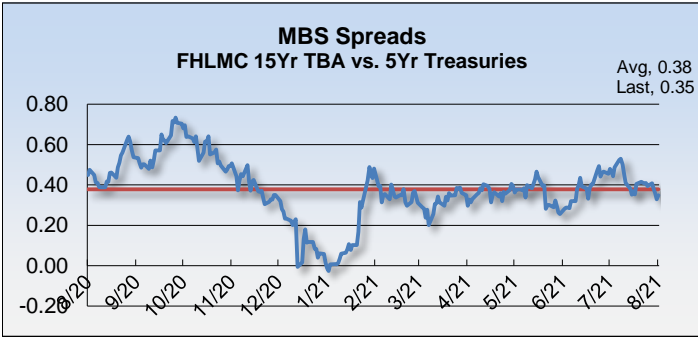
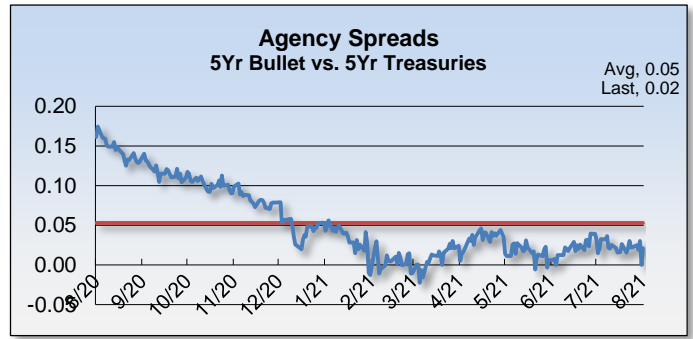
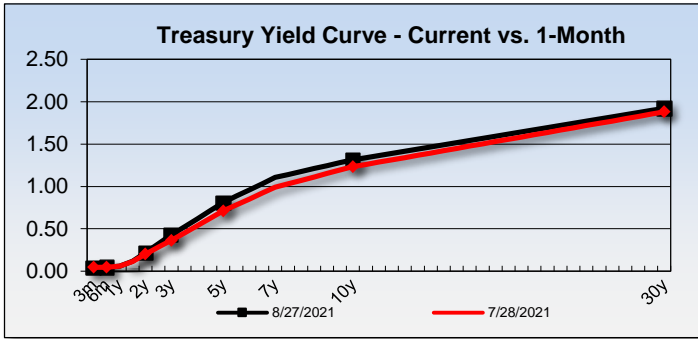
All eyes were on the Federal Reserve this week leading up to the virtual Jackson Hole Symposium as markets awaited any news that the Fed would soon begin to “taper” their \$120 billion of monthly bond purchases. Atlanta Fed President Raphael Bostic spoke early Friday morning saying “We should be trying to get our policies back into a more normal situation...We have been at a very extreme level of accommodation” and “the economy calls for us to pull off of that a little bit and let the economy stand on its own.” His comments added to those of Fed Presidents from Kansas City, St. Louis and Dallas this week urging an early taper. But it was Chairman Jerome Powell’s closely watched Friday speech that finally cemented the expectation that the Fed will begin tapering their bond purchases soon. Powell said the economy had now met the prerequisite of “substantial further progress” needed to taper, while also cautioning that they will be “carefully assessing incoming data and the evolving risks” as the Delta variant spreads rapidly. Powell was also careful to avoid a repeat of the 2013 “taper tantrum” when the 10yr yield nearly doubled in 4 months as the market assumed the beginning of the taper meant rate hikes were close behind. Powell sought to draw a sharp distinction between taper and rate

hikes by stating, “The timing and pace of the coming reduction in asset purchases will not be intended to carry a direct signal regarding the timing of interest rate liftoff, for which we have articulated a different and substantially more stringent test.” This carefully coordinated Fed communication seems to have paid off. The 10yr yield had risen about 10bp this week in anticipation the Fed would announce a taper, but following the Friday morning speeches, the 10yr rallied slightly to 1.33% at publication.

The economic news this week was mixed. New and Existing Home Sales were reported to have increased more than expected in July despite surging prices and limited inventories, while Durable Goods Orders fell slightly and a closely watched Purchasing Managers Index was weaker than expected for August. But more than 2/3rds of U.S. GDP comes from consumer spending and Friday’s Personal Income and Spending report showed that despite a boost in income from the advanced child tax credit payments, real consumer spending actually fell in July. With income exceeding spending yet again, the personal savings rate rose slightly to 9.6% which is up from 8.8% last month but down from 27% in March of this year and 34% in April 2020. A drop in the personal savings rate from earlier this year was welcome news for financial institutions flush with deposits and eager for loan demand so any rebound in the savings rate driven by even more government stimulus payments will be closely watched in the months ahead.

### Personal Savings as a % of Personal Income: 2011 – 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	0.04	(0.00)	0.04	0.04	0.10	2yr	0.24	0.32	0.14	0.15	0.31	2Yr	0.09	0.09	0.09	-
6mo	0.05	(0.00)	0.05	0.05	0.11	3yr	0.45	0.56	0.21	0.22	0.52	3Yr	0.31	0.32	0.30	0.31
1yr	0.06	(0.00)	0.07	0.07	0.12	5yr	0.85	0.91	0.56	0.60	0.95	5Yr	0.77	0.77	0.76	0.70
2yr	0.22	(0.01)	0.21	0.13	0.16	7yr	1.16	1.14	0.90	0.95	1.32	7Yr	1.07	1.09	1.08	1.01
3yr	0.43	(0.02)	0.36	0.28	0.21	10yr	1.44	1.35	1.27	1.36	1.66	10Yr	1.32	1.38	1.37	1.31
5yr	0.81	0.03	0.70	0.73	0.31	15yr	1.72	1.53	1.60	1.70	2.11	September TBA MBS				
7yr	1.11	0.05	1.00	1.12	0.53	20yr	2.00	1.62	1.86	1.98	2.38	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	1.32	0.06	1.24	1.41	0.75	25yr	2.28	1.65	2.00	2.12	2.43	2.00	1.12	4.0y	1.79	
30yr	1.92	0.05	1.89	2.15	1.51	30yr		1.66	2.13	2.26	2.48	2.50	0.99	3.2y		
												3.00	1.03	2.8y	1.70	3.9y
												3.50	0.65	2.5y	1.76	3.7y
												4.00			1.80	3.6y
												4.50			2.07	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	0.01	--
1 Month LIBOR	0.09	(0.00)	0.09	0.12	0.17
3 Month LIBOR	0.12	(0.01)	0.13	0.19	0.25
6 Month LIBOR	0.16	(0.00)	0.16	0.20	0.31
1 Year LIBOR	0.24	0.00	0.24	0.28	0.44
6 Month CD	0.11	(0.11)	0.21	0.25	0.30
1 Year CMT	0.07	0.01	0.08	0.08	0.12
REPO O/N	0.05	0.01	0.05	0.12	0.09
REPO 1Wk	0.11	(0.03)	0.11	0.06	0.13
CoF Federal	0.780	--	0.785	0.911	1.107
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	0.28	0.28
2yr	0.42	0.59	0.46
3yr	0.63	0.83	0.69
4yr	0.87	1.07	0.93
5yr	1.02	1.22	1.08
7yr	1.35	1.59	1.42
10yr	1.65	1.92	1.74
5yr Am	0.71		0.85
10yr Am	1.26		1.38

Fed Fund Futures	
Maturity	Rate
Aug-21	0.093
Sep-21	0.085
Oct-21	0.080
Nov-21	0.080
Dec-21	0.080
Jan-22	0.080
Feb-22	0.085
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
8/23	Chicago Fed Nat Activity Index	Jul	12.0%	53.0%	9.0%	-1.0%
8/23	Markit US Manufacturing PMI	Aug P	62.0	61.2	63.4	--
8/23	Markit US Services PMI	Aug P	59.2	55.2	59.9	--
8/23	Markit US Composite PMI	Aug P	--	55.4	59.9	--
8/23	Existing Home Sales	Jul	5.83m	5.99m	5.86m	5.87m
8/24	Richmond Fed Manufact. Index	Aug	24	9	27	--
8/24	New Home Sales	Jul	697k	708k	676k	701k
8/25	MBA Mortgage Applications	8/20	--	1.6%	-3.9%	-3.9%
8/25	Durables Ex Transportation	Jul P	0.5%	0.7%	0.5%	0.6%
8/25	Cap Goods Ship Nondef Ex Air	Jul P	0.7%	1.0%	0.6%	--
8/26	Initial Jobless Claims	8/21	350k	353k	348k	349k
8/26	Continuing Claims	8/14	2772k	2862k	2820k	2865k
8/26	GDP Annualized QoQ	2Q S	6.7%	6.6%	6.5%	--
8/26	Personal Consumption	2Q S	12.2%	11.9%	11.8%	--
8/26	GDP Price Index	2Q S	6.0%	6.1%	6.0%	--
8/26	Core PCE QoQ	2Q S	6.1%	6.1%	6.1%	--
8/27	Advance Goods Trade Balance	Jul	-\$90.9b	-\$86.4b	-\$91.2b	-\$92.1b
8/27	Personal Income	Jul	0.3%	1.1%	0.4%	0.2%
8/27	Real Personal Spending	Jul	-0.1%	-0.1%	0.5%	--
8/27	PCE Deflator YoY	Jul	4.1%	4.2%	4.0%	--
8/27	PCE Core Deflator YoY	Jul	3.6%	3.6%	3.5%	3.6%
8/27	U. of Mich. Sentiment	Aug F	70.8	70.3	70.2	--
8/27	U. of Mich. Current Conditions	Aug F	77.9	78.5	77.9	--
8/27	U. of Mich. 1 Yr Inflation	Aug F	4.6%	4.6%	4.6%	--
8/31	House Price Purchase Index QoQ	2Q	--	--	3.5%	--
8/31	MNI Chicago PMI	Aug	68.0	--	73.4	--
8/31	Conf. Board Consumer Confidence	Aug	123.0	--	129.1	--
8/31	Conf. Board Present Situation	Aug	--	--	160.3	--
8/31	Conf. Board Expectations	Aug	--	--	108.4	--
9/1	ADP Employment Change	Aug	650k	--	330k	--
9/1	ISM Manufacturing	Aug	58.6	--	59.5	--
9/1	ISM Prices Paid	Aug	--	--	85.7	--
9/1	ISM New Orders	Aug	--	--	64.9	--
9/1	ISM Employment	Aug	--	--	52.9	--
9/2	Challenger Job Cuts YoY	Aug	--	--	-92.8%	--
9/2	Nonfarm Productivity	2Q F	2.4%	--	2.3%	--
9/2	Unit Labor Costs	2Q F	1.0%	--	1.0%	--
9/2	Factory Orders Ex Trans	Jul	--	--	1.4%	--
9/3	Change in Nonfarm Payrolls	Aug	750k	--	943k	--
9/3	Two-Month Payroll Net Revision	Aug	--	--	119k	--
9/3	Change in Private Payrolls	Aug	700k	--	703k	--
9/3	Change in Manufact. Payrolls	Aug	35k	--	27k	--
9/3	Unemployment Rate	Aug	5.2%	--	5.4%	--
9/3	Average Hourly Earnings YoY	Aug	3.9%	--	4.0%	--
9/3	Average Weekly Hours All Employees	Aug	34.8	--	34.8	--
9/3	Labor Force Participation Rate	Aug	--	--	61.7%	--
9/3	Underemployment Rate	Aug	--	--	9.2%	--

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	17.4	18.7	19.2	20.3	21.5	20.1
FH/FN 15y	15.3	18.3	21.7	25.6	23.6	21.3
GN 15y	14.3	14.4	14.5	13.7	13.0	12.7
FH/FN 20y	14.1	16.6	16.4	16.6	16.8	16.4
FH/FN 30y	11.6	14.5	22.0	22.8	24.2	22.5
GN 30y	9.3	12.0	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	110.01	0.23	109.78	106.76	106.57
Euro	1.18	0.01	1.18	1.20	1.18
Dollar Index	92.91	(0.59)	92.43	90.88	93.00
<b>Major Stock Indices</b>					
Dow Jones	35,392	272	35,059	30,932	28,492
S&P 500	4,484.0	42.3	4,401.5	3,811.2	3,484.6
NASDAQ	15,035.5	321	14,660.6	13,192.4	11,625.3
<b>Commodities</b>					
Gold	1,792.2	12.0	1,799.2	1,728.8	1,940.7
Crude Oil	68.86	6.54	71.65	61.50	43.04
Natural Gas	4.32	0.47	3.97	2.77	2.58
Wheat	721.8	7.5	674.5	655.0	542.5
Corn	552.0	13.3	548.8	555.5	344.3

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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