



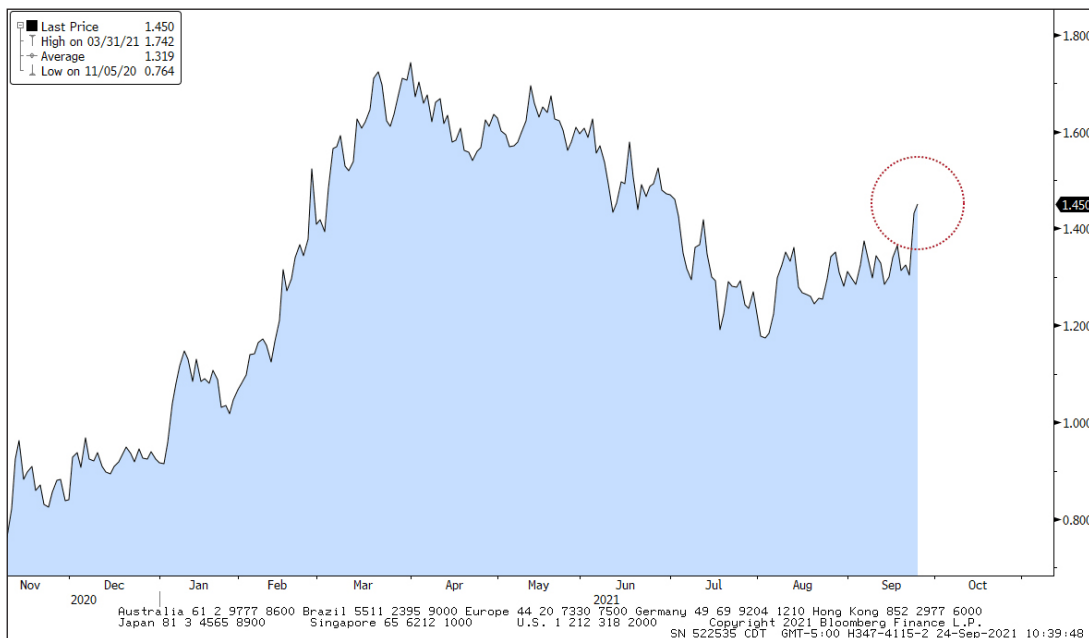
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With a wink and a nod, Federal Reserve Chairman Jerome Powell signaled to markets that a gradual reduction in the size of the Fed’s QE asset purchases could begin in November assuming the September jobs data is “decent.” Moreover, the Chair said a taper that “concludes around the middle of next year is likely to be appropriate.” A little quick, speculative math tells us that this could mean monthly reductions of \$10bn in Treasuries and \$5bn in MBS which allows for the complete elimination of the \$120bn/month purchase program by that time. The willingness to telegraph an endpoint in advance is quite different from the 2013-14 experience when it was a less certain month-by-month process. Revised FOMC economic and interest rate projections were also released, showing a median GDP growth estimate for this year that was marked down to 5.9% from 7%, but for ’22 was bumped up to 3.8% from 3.3%. Core inflation is estimated to come in at 3.7% this year, but falling to 2.2% over the next two years. The “dot plot” projections of the trajectory for Fed Funds showed that nine of the eighteen officials expected one or more rate hikes next year, up from seven who thought so in July.

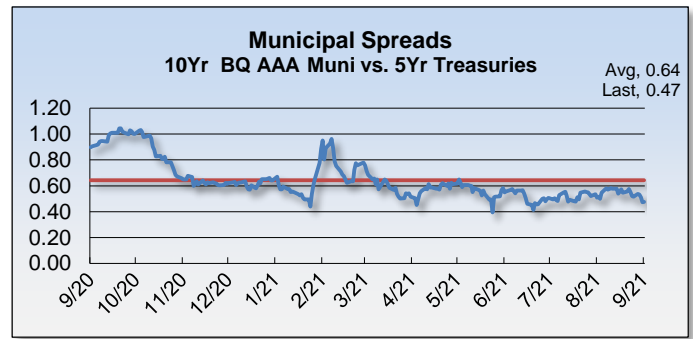
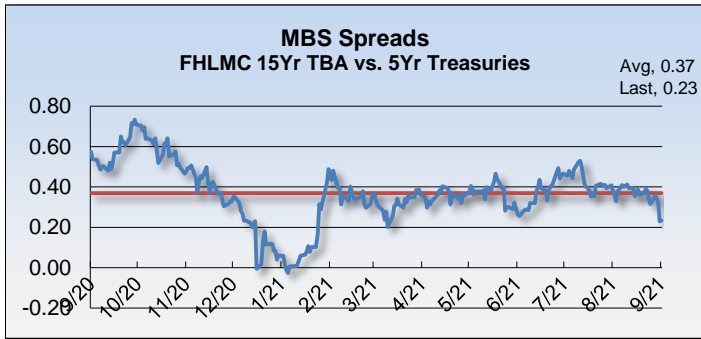
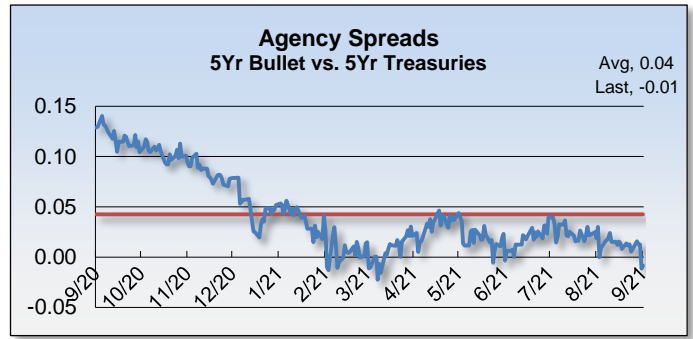
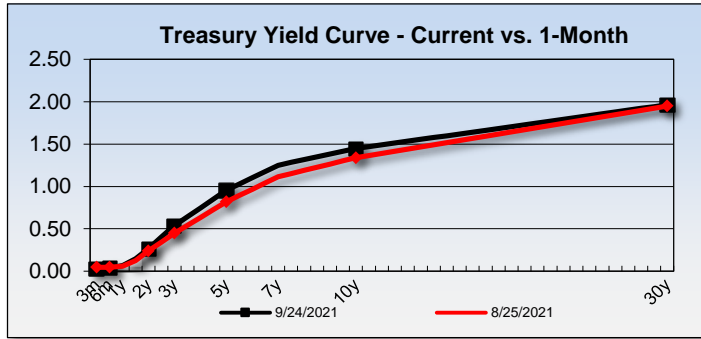
Initial market reaction to all of this was remarkably muted, but on reflection and absorption of the ripple effects, the bond market sold off sharply and pushed the 10yr T-Note yield up to 1.42%, the highest in over two months. The yield curve flattened initially, then steepened out to the widest since Independence Day as the difference between a 2yr versus 10yr Treasury yield now sits at 118bps. For its part, the stock market traded in a scatterbrained pattern (not a technical term) partly because of credit contagion fears from Evergrande, the Chinese property giant that’s facing a serious debt crisis and could presage a broader economic slowdown in China, where the real estate sector makes up about 30 per cent of GDP. If that wasn’t enough to cause tremors, we’re also having to witness the uniquely American ritual surrounding whether or not to pay our debts, when politicians are asked to raise the “debt limit” after they’ve already made irreversible commitments. Ugh. It’s no wonder the Dow traded in a 1200-point range Wednesday and Thursday.

On the data ledger this week, Housing Starts, Building Permits, Leading Indicators and New Home Sales all came in better than expected. While Existing Home Sales were weaker than expected and jobless claims jumped at bit. On balance, the data was neither good nor bad. Goldilocks would approve. Next week, look for fresh news on consumer sentiment and second quarter GDP data... and hopefully the US will decide to pay its bills.

US 10-Year T-Note Yield: Sept 2020 - Today



Source: Bloomberg, LP



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	0.03	(0.01)	0.05	0.02	0.10	2yr	0.30	0.38	0.18	0.19	0.32	2Yr	0.14	0.14	0.14	-
6mo	0.04	(0.01)	0.05	0.04	0.10	3yr	0.52	0.66	0.27	0.28	0.56	3Yr	0.41	0.42	0.40	0.41
1yr	0.07	(0.00)	0.06	0.07	0.12	5yr	1.00	1.04	0.60	0.64	1.03	5Yr	0.91	0.91	0.90	0.84
2yr	0.27	0.04	0.22	0.15	0.13	7yr	1.32	1.26	0.98	1.04	1.36	7Yr	1.21	1.23	1.22	1.15
3yr	0.54	0.07	0.45	0.30	0.18	10yr	1.58	1.46	1.36	1.45	1.71	10Yr	1.45	1.51	1.50	1.44
5yr	0.96	0.09	0.80	0.81	0.28	15yr	1.84	1.63	1.65	1.76	2.18	October TBA MBS				
7yr	1.25	0.09	1.08	1.26	0.46	20yr	2.10	1.70	1.90	2.03	2.36	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	1.45	0.08	1.30	1.61	0.67	25yr	2.37	1.72	2.04	2.18	2.41	2.00	1.23	4.1y	1.95	
30yr	1.96	0.06	1.92	2.31	1.41	30yr		1.72	2.18	2.32	2.46	2.50	1.12	3.3y		
												3.00	1.13	3.0y	1.79	4.2y
												3.50	0.81	2.6y	1.91	4.0y
												4.00			1.99	3.9y
												4.50			2.21	4.0y

* 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	0.08	(0.00)	0.09	0.11	0.15
3 Month LIBOR	0.13	0.01	0.13	0.19	0.22
6 Month LIBOR	0.16	0.01	0.15	0.20	0.27
1 Year LIBOR	0.23	0.00	0.24	0.28	0.38
6 Month CD	0.12	(0.01)	0.13	0.14	0.22
1 Year CMT	0.08	0.01	0.07	0.08	0.13
REPO O/N	0.04	(0.02)	0.03	0.03	0.09
REPO 1Wk	0.10	(0.03)	0.14	0.07	0.09
CoF Federal	0.761	--	0.780	0.876	1.053
11th D. CoF (Jul)	0.263	--	0.282	0.457	0.653

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	0.22	0.33	0.26
6mo	0.22	0.32	0.26
1yr	0.29	0.30	0.29
2yr	0.46	0.64	0.48
3yr	0.72	0.92	0.74
4yr	0.95	1.15	0.96
5yr	1.13	1.34	1.13
7yr	1.45	1.69	1.44
10yr	1.74	2.00	1.71
5yr Am	0.80		0.89
10yr Am	1.36		1.39

Fed Fund Futures	
Maturity	Rate
Sep-21	0.078
Oct-21	0.080
Nov-21	0.080
Dec-21	0.080
Jan-22	0.075
Feb-22	0.080
Mar-22	0.080
Apr-22	0.080
May-22	0.085
Jun-22	0.095
Jul-22	0.110

September 24, 2021

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
9/20	NAHB Housing Market Index	Sep	74	76	75	--
9/21	Housing Starts	Aug	1550k	1615k	1534k	1554k
9/21	Building Permits	Aug	1600k	1728k	1635k	1630k
9/21	Current Account Balance	2Q	-\$190.8b	-\$190.3b	-\$195.7b	-\$189.4b
9/22	MBA Mortgage Applications	9/17	--	4.9%	0.3%	--
9/22	Existing Home Sales	Aug	5.89m	5.88m	5.99m	6.00m
9/22	Existing Home Sales MoM	Aug	-1.7%	-2.0%	2.0%	2.2%
9/22	FOMC Rate Decision (Lower Bound)	9/22	0.00%	0.00%	0.00%	--
9/22	FOMC Rate Decision (Upper Bound)	9/22	0.25%	0.25%	0.25%	--
9/22	Interest on Reserve Balances Rate	9/23	0.15%	0.15%	0.15%	--
9/23	Chicago Fed Nat Activity Index	Aug	0.50	0.29	0.53	0.75
9/23	Initial Jobless Claims	9/18	320k	351k	332k	335k
9/23	Continuing Claims	9/11	2600k	2845k	2665k	2714k
9/23	Langer Consumer Comfort	9/19	--	56.3	57.7	--
9/23	Markit US Manufacturing PMI	Sep P	61.0	60.5	61.1	--
9/23	Markit US Services PMI	Sep P	54.9	54.4	55.1	--
9/23	Markit US Composite PMI	Sep P	--	54.5	55.4	--
9/23	Leading Index	Aug	0.7%	0.9%	0.9%	0.8%
9/23	Kansas City Fed Manf. Activity	Sep	25.0	22.0	29.0	--
9/23	Household Change in Net Worth	2Q	--	\$5849b	\$4997b	\$5131b
9/24	New Home Sales	Aug	715k	740k	708k	729k
9/24	New Home Sales MoM	Aug	1.0%	1.5%	1.0%	6.4%
9/27	Durables Ex Transportation	Aug P	0.5%	--	0.8%	--
9/27	Cap Goods Ship Nondef Ex Air	Aug P	0.5%	--	0.9%	--
9/27	Dallas Fed Manf. Activity	Sep	11.0	--	9.0	--
9/28	Advance Goods Trade Balance	Aug	-\$87.3b	--	-\$86.4b	--
9/28	S&P CoreLogic CS 20-City YoY NSA	Jul	20.00%	--	19.08%	--
9/28	S&P CoreLogic CS US HPI YoY NSA	Jul	--	--	18.61%	--
9/28	Conf. Board Consumer Confidence	Sep	115.0	--	113.8	--
9/28	Conf. Board Present Situation	Sep	--	--	147.3	--
9/28	Conf. Board Expectations	Sep	--	--	91.4	--
9/28	Richmond Fed Manufact. Index	Sep	10.0	--	9.0	--
9/29	Pending Home Sales NSA YoY	Aug	--	--	-9.5%	--
9/30	GDP Annualized QoQ	2Q T	6.6%	--	6.6%	--
9/30	Personal Consumption	2Q T	11.9%	--	11.9%	--
9/30	GDP Price Index	2Q T	6.1%	--	6.1%	--
9/30	Core PCE QoQ	2Q T	--	--	6.1%	--
9/30	MNI Chicago PMI	Sep	65.0	--	66.8	--
10/1	Personal Spending	Aug	0.6%	--	0.3%	--
10/1	Real Personal Spending	Aug	0.4%	--	-0.1%	--
10/1	PCE Deflator YoY	Aug	4.1%	--	4.2%	--
10/1	PCE Core Deflator YoY	Aug	3.6%	--	3.6%	--
10/1	U. of Mich. Sentiment	Sep F	71.0	--	71.0	--
10/1	U. of Mich. Current Conditions	Sep F	--	--	77.1	--
10/1	U. of Mich. 1 Yr Inflation	Sep F	--	--	4.7%	--
10/1	ISM Manufacturing	Sep	59.5	--	59.9	--
10/1	ISM Prices Paid	Sep	--	--	79.4	--

MBS Prepayments ⁴						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	16.6	25.6	27.3	27.3	30.3	18.0
FH/FN 15y	12.6	30.6	35.9	41.1	32.7	23.8
GN 15y	19.6	21.4	21.2	20.0	20.1	19.4
FH/FN 20y	55.2	25.1	28.5	28.6	29.5	24.4
FH/FN 30y	8.6	16.9	44.9	48.2	49.1	49.6
GN 30y	7.4	19.8	31.3	53.7	54.4	30.4
CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	16.7	18.2	18.9	19.7	21.1	19.8
FH/FN 15y	14.8	17.2	20.2	24.2	22.7	21.1
GN 15y	14.0	14.0	14.1	13.4	12.7	12.5
FH/FN 20y	13.1	15.1	15.4	15.7	16.2	15.9
FH/FN 30y	10.9	13.4	20.1	20.9	22.3	21.3
GN 30y	9.0	11.4	16.3	15.8	16.1	12.6

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	110.62	0.69	109.65	108.73	105.41
Euro	1.17	(0.00)	1.18	1.18	1.17
Dollar Index	93.35	0.15	92.89	92.53	94.35
Major Stock Indices					
Dow Jones	34,838	253	35,366	32,420	26,815
S&P 500	4,437.8	4.8	4,486.2	3,889.1	3,246.6
NASDAQ	15,001.3	(43)	15,019.8	12,961.9	10,672.3
Commodities					
Gold	1,741.4	(8.0)	1,805.6	1,733.2	1,868.9
Crude Oil	73.43	1.46	67.54	61.18	40.31
Natural Gas	5.03	(0.08)	3.90	2.52	2.25
Wheat	718.3	9.5	718.0	624.8	549.8
Corn	525.3	-2.0	544.5	553.3	363.5

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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