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Wake me up when September ends... it is officially the start of October. As we welcome a new month, let's take a look at the economic and market happenings from this week.

This morning brought us the core personal consumption expenditures price index, which excludes food and energy costs and is the Federal Reserve's preferred measure of inflation. The index increased 0.3% for the month and was up 3.6% from a year ago. The monthly gain was slightly higher than the 0.2% estimate. This new inflation data comes a couple of days after Fed Chairman Jerome Powell spoke at the European Central Bank forum where he called inflation "frustrating." He also stated that U.S. inflation could be prolonged into early next year because parts and material shortages might be getting worse. However, he is sticking to his view that inflation will cool off in 2022 as shortages ease, but supply chain issues aren't clearing up as quickly as he had hoped.

New consumer spending and income data was also released this morning. Personal spending rose 0.8% and income was up 0.2%. Personal spending was revised downward to -0.1% for the month of July signaling that the delta variant likely had some impact on the demand of good and services. Also, U.S. consumer sentiment edged upward in September as the University of Michigan Consumer Sentiment index was at 72.8 vs. 70.3 last month. Despite the rise in consumer sentiment in September, the index remains well below the 101.0 level registered before the pandemic in February 2020.

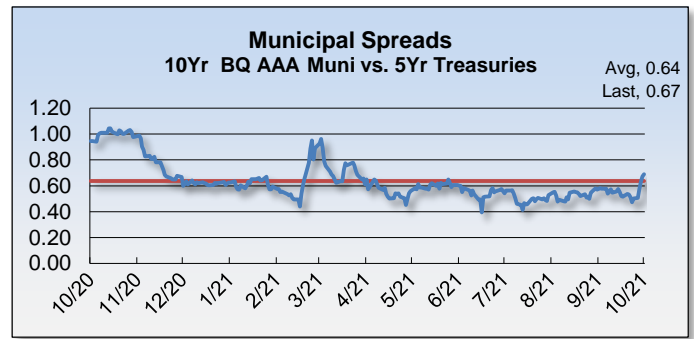
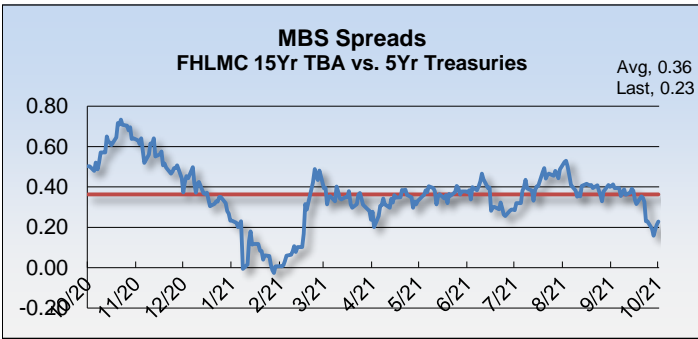
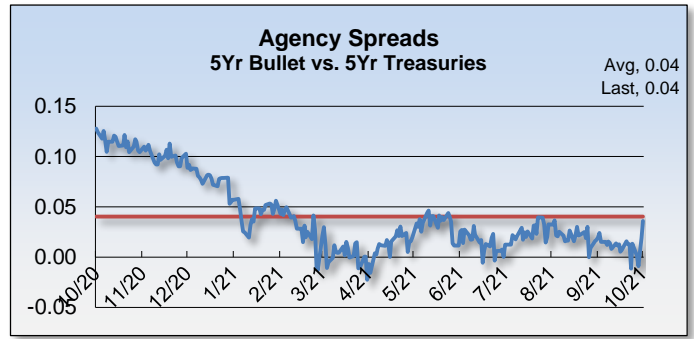
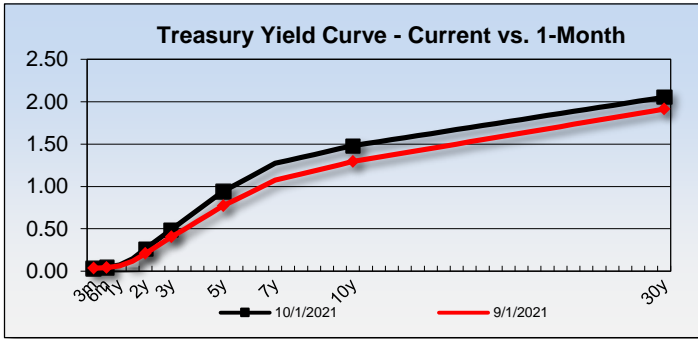
Yesterday, weekly jobless claims jumped 362,000, a two-month high, amid a large increase in California. New claims have fallen in most other states giving hope that the labor market is reasonably healthy despite the delta variant. Many of the people who recently lost some or all of their unemployment benefits are likely to rejoin the labor force in the coming months and should make it easier for companies to hire. A lack of labor is one of the bigger challenges for the economy to recover from COVID.

Equity and bonds markets had their fair share of volatility this week. The Dow Jones Industrial Average is down about 700 points from the start of this week, but up this morning, potentially snapping a 5-day losing streak. On Monday, investors were spooked by the potential government shutdown that was eventually avoided this week as Congress passed a bill to keep the government funding through early December.

The 10-Year Treasury Bond Yield reached a recent high of 1.56% earlier this week and is now trading lower at a yield of 1.49%. The 2-Year Treasury Yield saw a recent high of 0.31% earlier in the week and is now back down to 0.27%. Investors were concerned with a longer lasting rise in prices and the prospect of tighter monetary policy with the Federal Reserve signaling that a "moderation in the pace of asset purchases may soon be warranted." During his press conference last week, Chairman Powell gave further details saying, "A drawdown of the central bank's \$120 billion in monthly bond purchases could begin after the November policy meeting as long as U.S. job growth through September is reasonable strong."

Will job growth through September remain reasonably strong? We will find out next Friday as we get our monthly employment data including the number of nonfarm payrolls added in September, average hourly earnings, the unemployment rate, and labor force participation rate. Next Friday's data is likely to have a big impact on the Federal Reserve decision on when to start tapering asset purchases.

I'm glad I woke up this morning when September ended in order to author this newsletter. Have a great weekend and as Lester would say, "Be Careful Out There!"



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	0.02	0.09	2yr	0.29	0.38	0.24	0.25	0.38	2Yr	0.14	0.14	0.14	-
6mo	0.05	(0.00)	0.05	0.03	0.10	3yr	0.50	0.64	0.34	0.36	0.63	3Yr	0.37	0.37	0.30	0.36
1yr	0.07	0.00	0.06	0.06	0.11	5yr	0.99	1.04	0.70	0.75	1.13	5Yr	0.90	0.90	0.89	0.83
2yr	0.27	(0.00)	0.21	0.16	0.13	7yr	1.33	1.30	1.16	1.24	1.53	7Yr	1.23	1.25	1.24	1.17
3yr	0.49	(0.05)	0.41	0.34	0.18	10yr	1.63	1.51	1.60	1.70	1.90	10Yr	1.49	1.54	1.54	1.47
5yr	0.94	(0.01)	0.77	0.90	0.27	15yr	1.93	1.70	1.82	1.94	2.30	November TBA MBS				
7yr	1.27	0.02	1.08	1.36	0.47	20yr	2.22	1.79	2.06	2.19	2.53	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	1.48	0.03	1.30	1.67	0.68	25yr	2.51	1.81	2.20	2.34	2.59	2.00	1.19	4.1y	1.92	
30yr	2.05	0.07	1.91	2.33	1.46	30yr		1.81	2.34	2.49	2.64	2.50	1.12	3.3y		
												3.00	1.09	2.9y	1.75	4.3y
												3.50	0.80	2.6y	1.86	4.1y
												4.00			1.93	4.0y
												4.50			2.17	4.1y

\* 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	0.00	0.12	0.20	0.23
6 Month LIBOR	0.16	0.00	0.15	0.20	0.27
1 Year LIBOR	0.24	0.02	0.24	0.28	0.36
6 Month CD	0.18	0.06	0.10	0.12	0.18
1 Year CMT	0.09	0.01	0.08	0.06	0.12
REPO O/N	0.05	0.01	0.06	0.04	0.12
REPO 1Wk	0.14	0.04	0.14	0.09	0.13
CoF Federal	0.761	--	0.780	0.876	1.053
11th D. CoF (Aug)	0.238	--	0.263	0.408	0.529

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	0.22	0.33	0.26
6mo	0.22	0.32	0.26
1yr	0.26	0.27	0.30
2yr	0.48	0.66	0.49
3yr	0.70	0.90	0.73
4yr	0.93	1.14	0.98
5yr	1.13	1.35	1.19
7yr	1.48	1.74	1.55
10yr	1.79	2.06	1.85
5yr Am	0.79		0.92
10yr Am	1.39		1.48

Fed Fund Futures	
Maturity	Rate
Oct-21	0.080
Oct-21	0.080
Dec-21	0.075
Dec-21	0.075
Jan-22	0.075
Mar-22	0.080
Apr-22	0.080
May-22	0.085
Jun-22	0.100
Jul-22	0.115
Aug-22	0.135

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
9/27	Durables Ex Transportation	Aug P	0.5%	0.2%	0.8%	--
9/27	Cap Goods Ship Nondef Ex Air	Aug P	0.5%	0.7%	0.9%	--
9/28	Advance Goods Trade Balance	Aug	-\$87.3b	-\$87.6b	-\$86.4b	-\$86.8b
9/28	FHFA House Price Index MoM	Jul	1.5%	1.4%	1.6%	1.7%
9/28	S&P CoreLogic CS 20-City YoY NSA	Jul	20.00%	19.95%	19.08%	19.14%
9/28	S&P CoreLogic CS US HPI YoY NSA	Jul	--	19.70%	18.61%	18.73%
9/28	Conf. Board Consumer Confidence	Sep	115.0	109.3	113.8	115.2
9/28	Conf. Board Present Situation	Sep	--	143.4	147.3	148.9
9/28	Conf. Board Expectations	Sep	--	86.6	91.4	92.8
9/28	Richmond Fed Manufact. Index	Sep	10.0	-3.0	9.0	--
9/29	MBA Mortgage Applications	9/24	--	-1.1%	4.9%	--
9/29	Pending Home Sales NSA YoY	Aug	-13.8%	-6.3%	-9.5%	-9.6%
9/30	Initial Jobless Claims	9/25	330k	362k	351k	--
9/30	Continuing Claims	9/18	2790k	2802k	2845k	2820k
9/30	GDP Annualized QoQ	2Q T	6.6%	6.7%	6.6%	--
9/30	Personal Consumption	2Q T	11.9%	12.0%	11.9%	--
9/30	GDP Price Index	2Q T	6.1%	6.1%	6.1%	--
9/30	Core PCE QoQ	2Q T	6.1%	6.1%	6.1%	--
9/30	Langer Consumer Comfort	9/26	--	54.7	56.3	--
9/30	MNI Chicago PMI	Sep	65.0	64.7	66.8	--
10/1	Personal Income	Aug	0.2%	0.2%	1.1%	--
10/1	Real Personal Spending	Aug	0.4%	0.4%	-0.1%	-0.5%
10/1	PCE Deflator YoY	Aug	4.2%	4.3%	4.2%	--
10/1	PCE Core Deflator YoY	Aug	3.5%	3.6%	3.6%	--
10/1	Markit US Manufacturing PMI	Sep F	60.5	60.7	60.5	--
10/1	U. of Mich. Sentiment	Sep F	71.0	72.8	71.0	--
10/1	U. of Mich. Current Conditions	Sep F	77.1	80.1	77.1	--
10/1	U. of Mich. 1 Yr Inflation	Sep F	4.8%	4.6%	4.7%	--
10/1	ISM Manufacturing	Sep	59.5	61.1	59.9	--
10/1	ISM Prices Paid	Sep	78.5	81.2	79.4	--
10/1	ISM New Orders	Sep	63.6	66.7	66.7	--
10/1	ISM Employment	Sep	50.2	50.2	49.0	--
10/4	Factory Orders Ex Trans	Aug	0.6%	--	0.8%	--
10/5	Markit US Services PMI	Sep F	54.4	--	54.4	--
10/5	Markit US Composite PMI	Sep F	--	--	54.5	--
10/5	ISM Services Index	Sep	59.90	--	61.70	--
10/6	ADP Employment Change	Sep	430k	--	374k	--
10/7	Challenger Job Cuts YoY	Sep	--	--	-86.4%	--
10/8	Change in Nonfarm Payrolls	Sep	500k	--	235k	--
10/8	Two-Month Payroll Net Revision	Sep	--	--	134k	--
10/8	Change in Private Payrolls	Sep	450k	--	243k	--
10/8	Change in Manufact. Payrolls	Sep	25k	--	37k	--
10/8	Unemployment Rate	Sep	5.1%	--	5.2%	--
10/8	Average Hourly Earnings YoY	Sep	4.6%	--	4.3%	--
10/8	Average Weekly Hours All Employees	Sep	34.7	--	34.7	--
10/8	Labor Force Participation Rate	Sep	--	--	61.7%	--
10/8	Underemployment Rate	Sep	--	--	8.8%	--

MBS Prepayments <sup>4</sup>						
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	17.1	18.4	19.1	20.0	21.2	19.9
FH/FN 15y	15.0	17.7	20.9	24.7	23.0	21.2
GN 15y	14.1	14.1	14.3	13.5	12.7	12.5
FH/FN 20y	13.5	15.6	15.8	16.1	16.4	16.1
FH/FN 30y	11.0	13.6	20.3	21.1	22.5	21.4
GN 30y	9.0	11.6	16.4	15.9	16.3	12.6

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
<b>Currencies</b>					
Japanese Yen	111.06	0.33	110.01	110.62	105.53
Euro	1.16	(0.01)	1.18	1.18	1.17
Dollar Index	94.03	0.70	92.45	92.93	93.71
<b>Major Stock Indices</b>					
Dow Jones	34,025	(773)	35,313	33,153	27,817
S&P 500	4,308.3	(147.2)	4,524.1	4,019.9	3,380.8
NASDAQ	14,404.7	(643)	15,309.4	13,480.1	11,326.5
<b>Commodities</b>					
Gold	1,757.9	8.2	1,813.8	1,726.5	1,908.4
Crude Oil	75.19	1.21	68.59	61.45	38.72
Natural Gas	5.69	0.55	4.62	2.64	2.53
Wheat	743.8	20.0	701.0	611.0	570.3
Corn	539.0	12.3	515.5	559.8	382.8

### 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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