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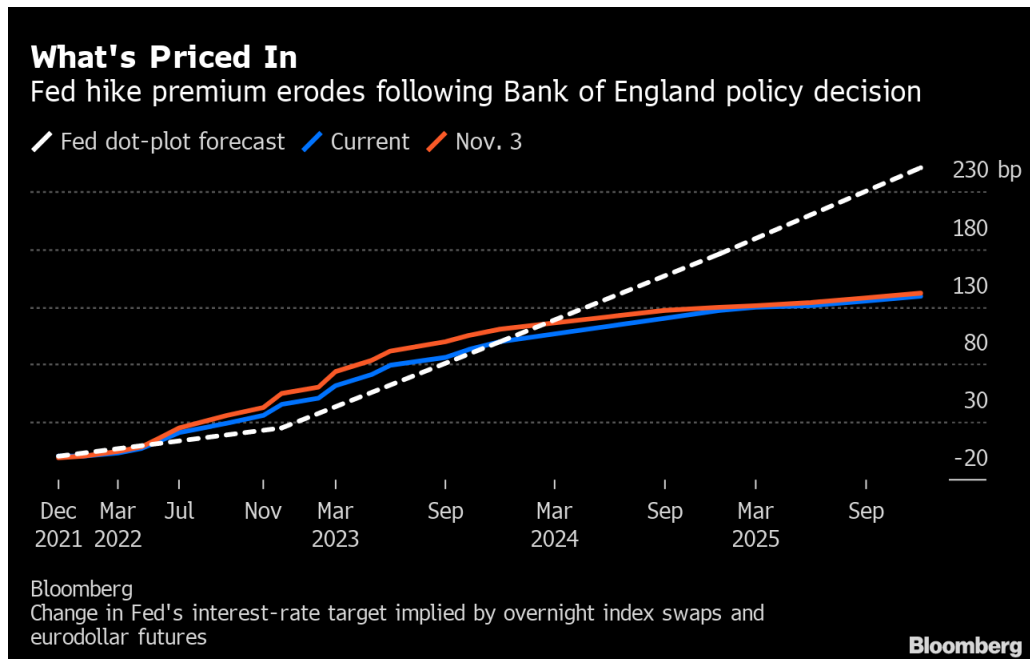
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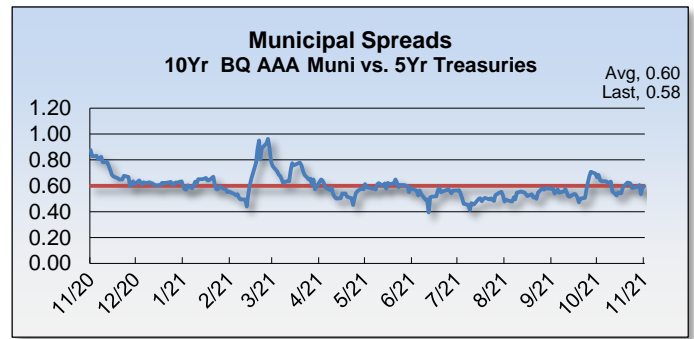
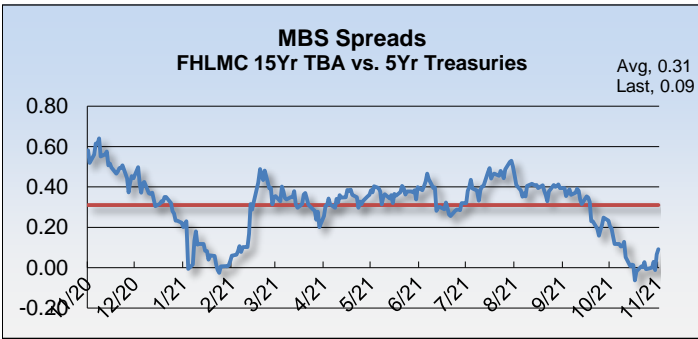
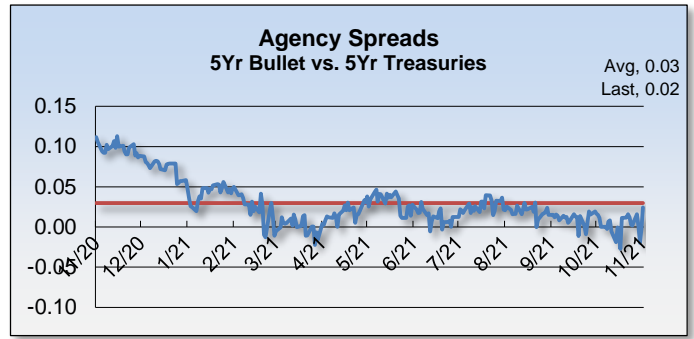
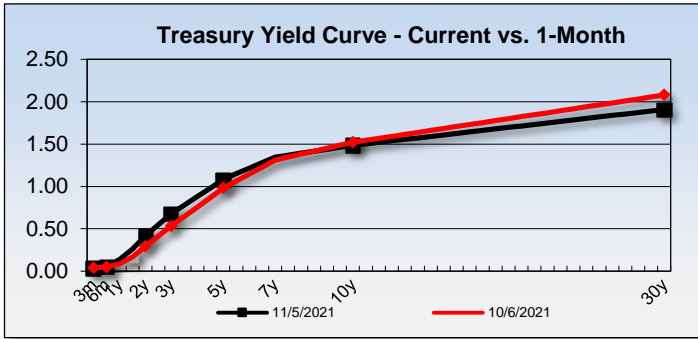
If you were to ask anyone what would happen to bond yields if it was reported in a single week that the stock market hit another record high, the economy added more than 500,000 jobs and the Federal Reserve announced they would immediately begin buying \$15 billion fewer bonds a month, they would almost surely say yields would spike higher. And yet those three things all happened this week and yields fell 0-7bp across the curve with the largest declines coming in the belly of the curve.

The most anticipated news of the week was the Federal Reserve's announcement Tuesday that they would begin to taper their asset purchases this month and buy \$10b fewer Treasuries each month and \$5b fewer Agency MBS. If they maintain that pace of tapering, the Fed should complete its fourth round of quantitative easing in June 2022 with a balance sheet close to \$9 trillion. Chairman Powell has done a much better job communicating the impending taper than Chairman Bernanke did back in 2013 when he spooked the markets and caused the 10yr yield to nearly double in 4 months. Markets were well prepared for this announcement and both Treasury yields and MBS prices barely reacted to the news.

The second most important news of the week was Friday's jobs report that showed the economy added 531,000 jobs in October, the fastest pace in 3 months and more than double the originally reported 194k reported last month (revised higher to 312k). Job gains were led by leisure and hospitality (+164k), but there was broad based strength in business services (+100k), manufacturing (+60k) and transportation (+54k), indicating some of the pandemic related constraints on the economy may be easing. The Unemployment Rate also fell a larger than expected 0.2% to 4.6% and the Labor Force Participation Rate unexpectedly fell to 61.6% as the stronger jobs market seems to have done little to bring idle workers back into the labor force.

While all this positive economic news should have sent bond yields higher, just the opposite happened. The markets were already digesting the news that the Bank of England did not raise rates as expected Thursday but instead left rates at record lows. UK bond yields had risen noticeably in anticipation of that rate hike and quickly reversed course when it did not happen. US bond markets seem to have taken notice and may be questioning the 30bp rise in the 2yr yield over the last month. Markets are now less optimistic about an early Fed liftoff than before and continue to price in a Fed Funds rate around 1.25% in 2025, about half of what the Fed's most recent "dot plot" shows (see image below).





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	0.03	(0.02)	0.04	0.01	0.09	2yr	0.45	0.63	0.35	0.37	0.51	2Yr	0.29	0.29	0.29	-
6mo	0.05	(0.01)	0.05	0.04	0.10	3yr	0.70	0.90	0.48	0.51	0.75	3Yr	0.55	0.56	0.50	0.55
1yr	0.14	0.02	0.08	0.05	0.12	5yr	1.14	1.18	0.90	0.95	1.23	5Yr	1.04	1.04	1.03	0.97
2yr	0.42	(0.08)	0.29	0.15	0.15	7yr	1.40	1.37	1.30	1.39	1.57	7Yr	1.30	1.33	1.32	1.25
3yr	0.68	(0.08)	0.52	0.31	0.21	10yr	1.62	1.52	1.64	1.74	1.92	10Yr	1.49	1.55	1.54	1.47
5yr	1.08	(0.10)	0.97	0.79	0.33	15yr	1.85	1.66	1.81	1.92	2.27	December TBA MBS				
7yr	1.35	(0.11)	1.31	1.24	0.55	20yr	2.08	1.71	2.02	2.15	2.43	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	1.48	(0.07)	1.53	1.57	0.76	25yr	2.30	1.72	2.16	2.29	2.48	2.00	1.27	4.2y	1.92	
30yr	1.91	(0.03)	2.10	2.24	1.52	30yr	2.30	1.70	2.30	2.44	2.53	2.50	1.25	3.4y		
												3.00	1.27	3.0y	1.81	4.4y
												3.50	1.02	2.7y	1.92	4.2y
												4.00			2.02	4.2y
												4.50			2.25	4.2y

\* 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)	0.08	0.11	0.14
3 Month LIBOR	0.14	0.01	0.13	0.18	0.22
6 Month LIBOR	0.22	0.04	0.16	0.20	0.24
1 Year LIBOR	0.36	0.03	0.23	0.28	0.33
6 Month CD	0.11	(0.21)	0.11	0.13	0.25
1 Year CMT	0.14	(0.01)	0.09	0.06	0.12
REPO O/N	0.06	0.04	0.05	0.01	0.13
REPO 1Wk	0.12	(0.02)	0.14	0.09	0.13
CoF Federal	0.752	--	0.761	0.845	1.019
11th D. CoF (Sep)	0.225	--	0.238	0.377	0.523

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	0.22	0.34	0.27
6mo	0.24	0.33	0.28
1yr	0.35	0.37	0.38
2yr	0.62	0.82	0.68
3yr	0.88	1.10	0.96
4yr	1.13	1.38	1.24
5yr	1.27	1.51	1.38
7yr	1.56	1.84	1.69
10yr	1.78	2.09	1.93
5yr Am	0.98		1.13
10yr Am	1.49		1.62

Fed Fund Futures	
Maturity	Rate
Nov-21	0.078
Dec-21	0.075
Jan-22	0.075
Feb-22	0.080
Mar-22	0.095
Apr-22	0.110
May-22	0.145
Jun-22	0.195
Jul-22	0.245
Aug-22	0.300
Sep-22	0.335

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
11/1	Markit US Manufacturing PMI	Oct F	59.2	58.4	59.2	--
11/1	ISM Manufacturing	Oct	60.5	60.8	61.1	--
11/1	ISM Prices Paid	Oct	82.0	85.7	81.2	--
11/1	ISM New Orders	Oct	64.2	59.8	66.7	--
11/1	ISM Employment	Oct	51.0	52.0	50.2	--
11/3	MBA Mortgage Applications	10/29	--	-3.3%	0.3%	--
11/3	ADP Employment Change	Oct	400k	571k	568k	523k
11/3	Markit US Composite PMI	Oct F	--	57.6	57.3	--
11/3	Markit US Services PMI	Oct F	58.2	58.7	58.2	--
11/3	ISM Services Index	Oct	62.0	66.7	61.9	--
11/3	Factory Orders Ex Trans	Sep	0.0%	0.7%	0.5%	--
11/3	Durables Ex Transportation	Sep F	0.4%	0.5%	0.4%	--
11/3	Cap Goods Ship Nondef Ex Air	Sep F	--	1.4%	1.4%	--
11/3	FOMC Rate Decision (Lower Bound)	11/3	0.00%	0.00%	0.00%	--
11/3	FOMC Rate Decision (Upper Bound)	11/3	0.25%	0.25%	0.25%	--
11/3	Interest on Reserve Balances Rate	11/4	0.15%	0.15%	0.15%	--
11/4	Challenger Job Cuts YoY	Oct	--	-71.7%	-84.9%	--
11/4	Initial Jobless Claims	10/30	275k	269k	284k	283k
11/4	Continuing Claims	10/23	2150k	2105k	2243k	2239k
11/4	Nonfarm Productivity	3Q P	-3.1%	-5.0%	2.1%	2.4%
11/4	Unit Labor Costs	3Q P	7.0%	8.3%	4.3%	1.1%
11/4	Trade Balance	Sep	-\$80.2b	-\$80.9b	-\$73.3b	-\$72.8b
11/4	Langer Consumer Comfort	10/31	--	49.2	47.9	--
11/5	Two-Month Payroll Net Revision	Oct	--	235k	--	--
11/5	Change in Nonfarm Payrolls	Oct	450k	531k	494k	312k
11/5	Change in Private Payrolls	Oct	420k	604k	347k	365k
11/5	Change in Manufact. Payrolls	Oct	30k	60k	26k	31k
11/5	Unemployment Rate	Oct	4.7%	4.6%	4.8%	--
11/5	Average Hourly Earnings MoM	Oct	0.4%	0.4%	0.6%	--
11/5	Average Hourly Earnings YoY	Oct	4.9%	4.9%	4.6%	--
11/5	Average Weekly Hours All Employees	Oct	34.8	34.7	34.8	--
11/5	Labor Force Participation Rate	Oct	61.7%	61.6%	61.6%	--
11/5	Underemployment Rate	Oct	--	8.3%	8.5%	--
11/5	Consumer Credit	Sep	\$16.000b	--	\$14.379b	--
11/9	NFIB Small Business Optimism	Oct	99.3	--	99.1	--
11/9	PPI Final Demand YoY	Oct	8.6%	--	8.6%	--
11/9	PPI Ex Food and Energy YoY	Oct	6.8%	--	6.8%	--
11/9	PPI Ex Food, Energy, Trade YoY	Oct	--	--	5.9%	--
11/10	CPI YoY	Oct	5.8%	--	5.4%	--
11/10	CPI Ex Food and Energy YoY	Oct	4.3%	--	4.0%	--
11/10	CPI Index NSA	Oct	275.76	--	274.31	--
11/10	CPI Core Index SA	Oct	281.01	--	280.02	--
11/10	Real Avg Hourly Earning YoY	Oct	--	--	-0.8%	--
11/10	Real Avg Weekly Earnings YoY	Oct	--	--	-0.8%	--
11/10/2	Mortgage Delinquencies	3Q	--	--	5.47%	--
11/10/2	MBA Mortgage Foreclosures	3Q	--	--	0.51%	--
11/12	JOLTS Job Openings	Sep	--	--	10439k	--

MBS Prepayments <sup>4</sup>						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	17.6	25.4	25.7	26.9	26.0	13.4
FH/FN 15y	14.2	32.0	35.2	37.5	30.4	23.3
GN 15y	27.1	19.8	20.9	19.7	19.6	21.1
FH/FN 20y	56.7	26.8	28.2	27.4	27.6	23.5
FH/FN 30y	8.7	17.2	46.1	45.5	46.1	47.7
GN 30y	6.9	17.1	45.4	45.8	42.9	27.6

CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	16.5	18.0	18.8	19.5	20.8	19.8
FH/FN 15y	14.6	16.5	19.4	23.2	22.2	21.1
GN 15y	13.9	13.9	13.8	13.2	12.5	12.3
FH/FN 20y	56.4	14.4	14.9	15.2	15.8	15.7
FH/FN 30y	10.8	13.0	19.0	19.7	20.8	20.1
GN 30y	9.0	11.1	15.7	15.4	15.5	12.2

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
<b>Currencies</b>					
Japanese Yen	113.66	(0.29)	111.46	109.21	103.49
Euro	1.15	(0.00)	1.16	1.20	1.18
Dollar Index	94.48	0.36	93.98	91.31	92.53
<b>Major Stock Indices</b>					
Dow Jones	36,406	586	34,315	34,230	28,390
S&P 500	4,711.9	106.5	4,345.7	4,167.6	3,510.5
NASDAQ	16,018.7	520	14,433.8	13,582.4	11,890.9
<b>Commodities</b>					
Gold	1,801.0	17.1	1,759.6	1,784.3	1,946.8
Crude Oil	79.63	(3.94)	78.93	65.63	38.79
Natural Gas	5.53	0.10	6.31	2.94	2.94
Wheat	769.8	-3.0	744.8	755.8	609.3
Corn	555.5	-12.8	537.5	753.3	409.3

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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