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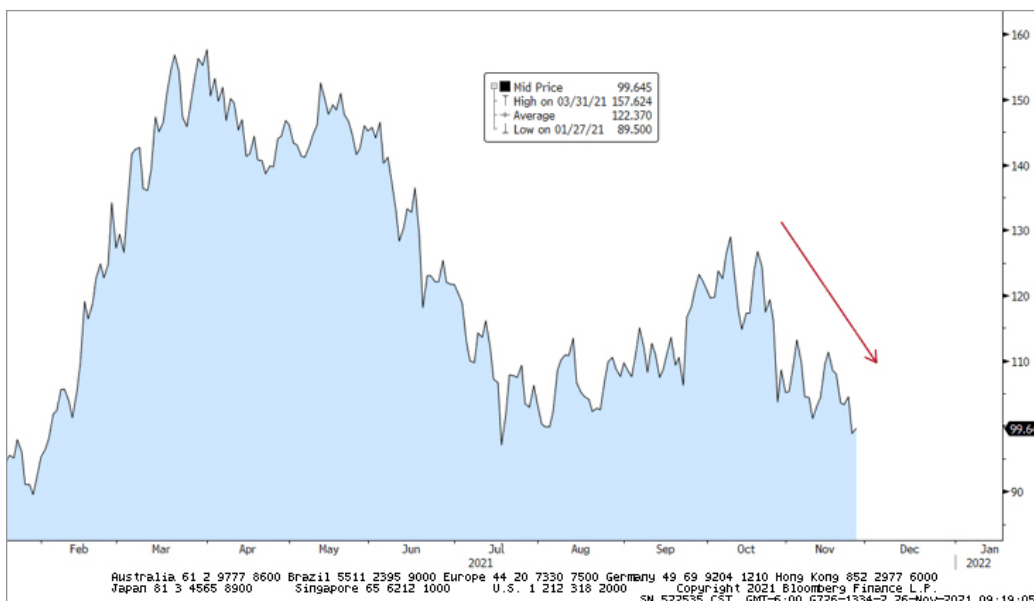
Wow. The week of Thanksgiving is normally sedate for financial markets, and traditionally the day after Thanksgiving is the single lowest volume day of the year. This year is quite different. In the last five active sessions, bond yields have ranged from an intraday low of 1.50% to a high 1.69% and now sit at 1.49%. There were some noteworthy news items this week to be sure, but a sudden and convulsive change in sentiment was driven by rising COVID caseloads and a new strain of the virus which has frightened markets and raised questions about the path forward for global economic conditions.

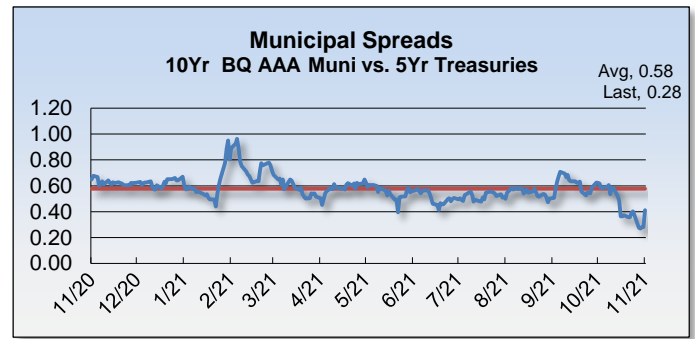
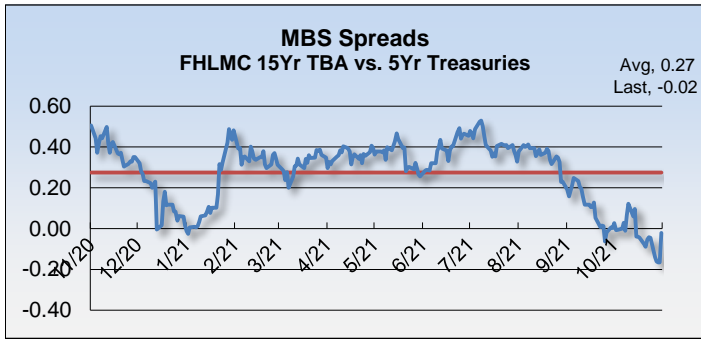
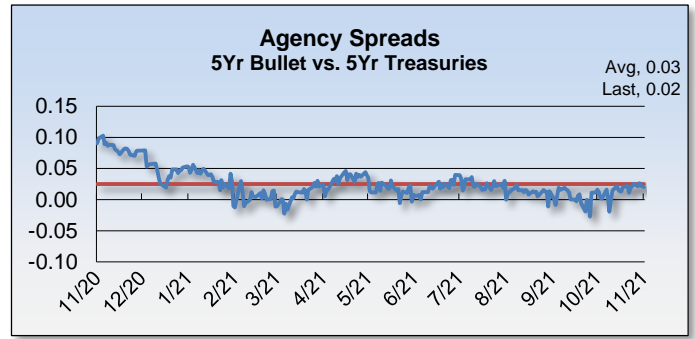
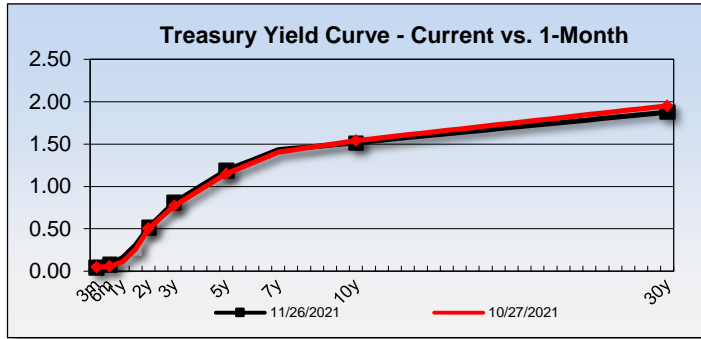
The data stream was light this week. Existing home sales rose a touch higher than expected, and initial jobless claims continued to improve. More interesting was the November FOMC minutes which revealed that policymakers generally still believe inflation is likely to be transitory but now expect the transition to take longer than previously expected. An understatement I'd say. Regarding the taper announcement, the minutes said "some participants suggested that reducing the pace of net asset purchases by more than \$15 billion each month could be warranted." This would allow them to move faster on the funds rate in light of stubbornly high inflation. Market expectations of a more aggressive Fed were immediately adjusted. Notably, the yield curve (10yr minus 2yr) has flattened by 30bps in less than two months.

Also, President Biden announced this week he would nominate Jerome Powell for a second term as Fed Chair which was not unexpected. He simultaneously announced the appointment of Lael Brainard as Vice Chair of the Board. Powell and Brainard hold similar views on the conduct of monetary policy, but Brainard is seen as having a greater inclination toward active regulation. There remain three vacant seats on the board and we may get nominations in the coming month.

The thing that's really moving markets this week, however, is the realization that COVID is again rising as a threat, and a virulent new strain is suddenly front and center. We've learned not to take this lightly. This new strain has reportedly already popped up in Hong Kong and Israel, and it's too early to know whether and to what degree current vaccines provide protection. The Europeans among others are already re-imposing lockdowns. It's important to remember that it is the restrictions imposed in response to the virus rather than the virus itself that causes damage to the economy and financial markets. Time will tell, but for now the US Treasury market is seeing a powerful rally as scared money flows to the safe haven.

US Treasury Yield Curve Slope: 2yr vs 10Yr





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	0.05	(0.00)	0.05	0.01	0.09	2yr	0.55	0.75	0.35	0.37	0.72	2Yr	0.53	0.53	0.53	-	
6mo	0.08	0.02	0.06	0.03	0.09	3yr	0.84	1.05	0.49	0.52	0.96	3Yr	0.82	0.83	0.80	0.82	
1yr	0.16	0.01	0.12	0.04	0.10	5yr	1.25	1.31	0.87	0.92	1.44	5Yr	1.28	1.28	1.27	1.21	
2yr	0.52	0.01	0.44	0.15	0.16	7yr	1.50	1.46	1.27	1.36	1.77	7Yr	1.52	1.54	1.53	1.47	
3yr	0.81	(0.05)	0.76	0.30	0.24	10yr	1.68	1.58	1.53	1.62	2.03	10Yr	1.65	1.71	1.70	1.64	
5yr	1.19	(0.03)	1.18	0.78	0.39	15yr	1.86	1.69	1.68	1.79	2.36	December TBA MBS					
7yr	1.43	(0.02)	1.45	1.23	0.65	20yr	2.04	1.74	1.89	2.01	2.44	Cpn	15Yr -Yld/AL		30Yr -Yld/AL		
10yr	1.52	(0.03)	1.61	1.58	0.88	25yr	2.22	1.73	2.02	2.15	2.49	2.00	1.41	4.3y	2.03		
30yr	1.88	(0.04)	2.04	2.26	1.62	30yr		1.71	2.16	2.29	2.54	2.50	1.40	3.5y			
												3.00	1.39	3.2y	2.06	4.6y	
												3.50	1.31	2.8y	2.14	4.4y	
												4.00			2.23	4.3y	
												4.50			2.47	4.3y	

* 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	0.09	0.14
3 Month LIBOR	0.18	0.02	0.12	0.14	0.23
6 Month LIBOR	0.25	0.02	0.17	0.18	0.25
1 Year LIBOR	0.45	0.05	0.32	0.26	0.34
6 Month CD	0.23	(0.05)	0.18	0.08	0.28
1 Year CMT	0.24	0.06	0.13	0.04	0.11
REPO O/N	0.06	0.02	0.03	0.02	0.08
REPO 1Wk	0.12	--	0.11	0.09	0.13
CoF Federal	0.749	--	0.752	0.823	1.003
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	0.25	0.36	0.29
1yr	0.43	0.45	0.42
2yr	0.83	0.94	0.86
3yr	1.16	1.24	1.21
4yr	1.40	1.48	1.45
5yr	1.56	1.62	1.60
7yr	1.81	1.94	1.87
10yr	2.04	2.15	2.08
5yr Am	1.21		1.34
10yr Am	1.72		1.80

Fed Fund Futures	
Maturity	Rate
Nov-21	0.080
Dec-21	0.080
Jan-22	0.075
Feb-22	0.085
Mar-22	0.105
Apr-22	0.130
May-22	0.180
Jun-22	0.235
Jul-22	0.280
Aug-22	0.340
Sep-22	0.375

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
11/22	Chicago Fed Nat Activity Index	Oct	10.0%	76.0%	43.0%	-18.0%
11/22	Existing Home Sales	Oct	6.20m	6.34m	6.29m	--
11/23	Markit US Manufacturing PMI	Nov P	59.1	59.1	58.4	--
11/23	Markit US Services PMI	Nov P	59.0	57.0	58.7	--
11/23	Markit US Composite PMI	Nov P	--	56.5	57.6	--
11/24	MBA Mortgage Applications	11/19	--	1.8%	-2.8%	--
11/24	Initial Jobless Claims	11/20	260k	199k	268k	270k
11/24	Continuing Claims	11/13	2032k	2049k	2080k	2109k
11/24	Advance Goods Trade Balance	Oct	-\$95.0b	-\$82.9b	-\$96.3b	-\$97.0b
11/24	GDP Annualized QoQ	3Q S	2.2%	2.1%	2.0%	--
11/24	Personal Consumption	3Q S	1.6%	1.7%	1.6%	--
11/24	GDP Price Index	3Q S	5.7%	5.9%	5.7%	--
11/24	Core PCE QoQ	3Q S	4.5%	4.5%	4.5%	--
11/24	Durables Ex Transportation	Oct P	0.5%	0.5%	0.5%	0.7%
11/24	Cap Goods Ship Nondef Ex Air	Oct P	0.5%	0.3%	1.4%	1.3%
11/24	Langer Consumer Comfort	11/21	--	52.2	50.7	--
11/24	Real Personal Spending	Oct	0.5%	0.7%	0.3%	--
11/24	PCE Deflator YoY	Oct	5.1%	5.0%	4.4%	--
11/24	PCE Core Deflator YoY	Oct	4.1%	4.1%	3.6%	3.7%
11/24	U. of Mich. Sentiment	Nov F	66.9	67.4	66.8	--
11/24	U. of Mich. Current Conditions	Nov F	73.2	73.6	73.2	--
11/24	U. of Mich. 1 Yr Inflation	Nov F	--	4.9%	4.9%	--
11/24	New Home Sales	Oct	800k	745k	800k	742k
11/29	Pending Home Sales NSA YoY	Oct	--	--	-7.2%	--
11/29	Dallas Fed Manf. Activity	Nov	19.0	--	14.6	--
11/30	House Price Purchase Index QoQ	3Q	--	--	4.9%	--
11/30	S&P CoreLogic CS 20-City YoY NSA	Sep	--	--	19.66%	--
11/30	S&P CoreLogic CS US HPI YoY NSA	Sep	--	--	19.84%	--
11/30	MNI Chicago PMI	Nov	67.0	--	68.4	--
11/30	Conf. Board Consumer Confidence	Nov	110.7	--	113.8	--
11/30	Conf. Board Present Situation	Nov	--	--	147.4	--
11/30	Conf. Board Expectations	Nov	--	--	91.3	--
12/1	ADP Employment Change	Nov	515k	--	571k	--
12/1	ISM Manufacturing	Nov	61.0	--	60.8	--
12/1	ISM Prices Paid	Nov	--	--	85.7	--
12/1	ISM New Orders	Nov	--	--	59.8	--
12/1	ISM Employment	Nov	--	--	52.0	--
12/2	Challenger Job Cuts YoY	Nov	--	--	-71.7%	--
12/3	Two-Month Payroll Net Revision	Nov	--	--	235k	--
12/3	Change in Nonfarm Payrolls	Nov	525k	--	531k	--
12/3	Change in Private Payrolls	Nov	525k	--	604k	--
12/3	Change in Manufact. Payrolls	Nov	45k	--	60k	--
12/3	Unemployment Rate	Nov	4.5%	--	4.6%	--
12/3	Average Hourly Earnings YoY	Nov	5.0%	--	4.9%	--
12/3	Average Weekly Hours All Employees	Nov	34.7	--	34.7	--
12/3	Labor Force Participation Rate	Nov	61.7%	--	61.6%	--
12/3	Underemployment Rate	Nov	--	--	8.3%	--

MBS Prepayments ⁴						
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	45.9	42.9	27.5
CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	16.2	17.8	18.5	19.2	20.5	19.6
FH/FN 15y	14.2	15.8	18.4	22.2	21.7	20.9
GN 15y	13.8	13.6	13.6	13.1	12.5	12.2
FH/FN 20y	56.0	13.6	14.2	14.6	15.4	15.4
FH/FN 30y	10.3	12.4	18.1	19.0	20.1	19.7
GN 30y	8.9	10.5	15.2	14.7	15.0	12.1

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	113.73	(0.26)	114.16	109.15	104.26
Euro	1.13	(0.00)	1.16	1.22	1.19
Dollar Index	96.27	0.73	93.95	90.04	#N/A N/A
Major Stock Indices					
Dow Jones	35,072	(799)	35,741	34,312	29,872
S&P 500	4,701.5	(3.1)	4,566.5	4,188.1	3,629.7
NASDAQ	15,705.2	(288)	15,226.7	13,657.2	12,094.4
Commodities					
Gold	1,804.8	(56.6)	1,792.7	1,901.2	1,805.5
Crude Oil	73.00	(6.01)	84.65	66.21	45.71
Natural Gas	5.32	0.42	5.88	2.98	2.90
Wheat	836.8	14.5	756.0	662.3	611.3
Corn	579.8	4.5	538.0	657.3	425.8

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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