



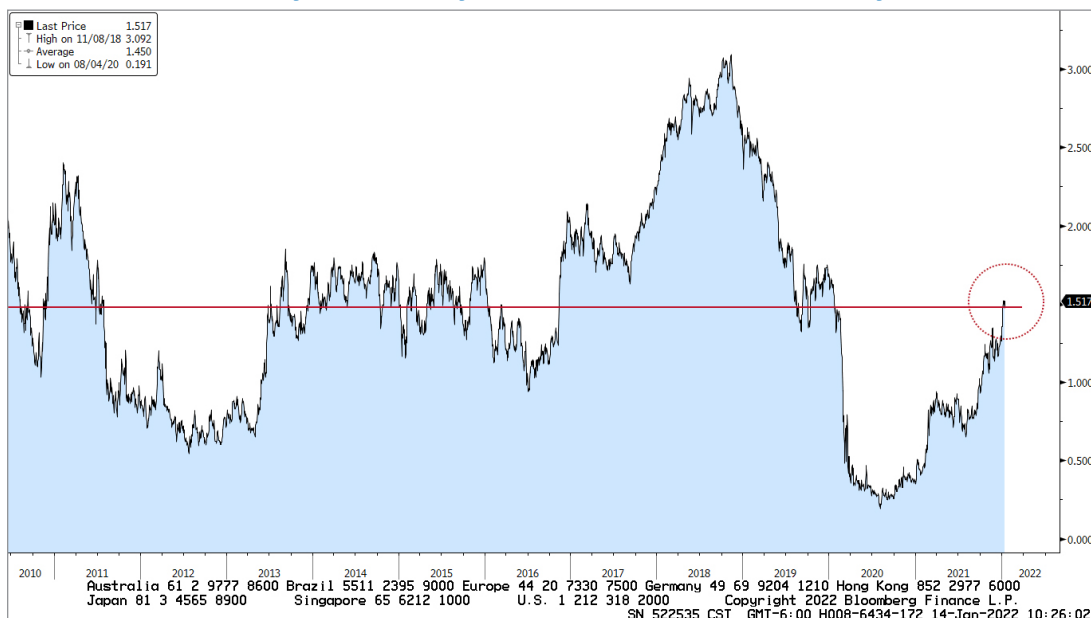
Jeffrey F. Caughron
 Chairman of the Board
 The Baker Group LP
JCaughron@GoBaker.com

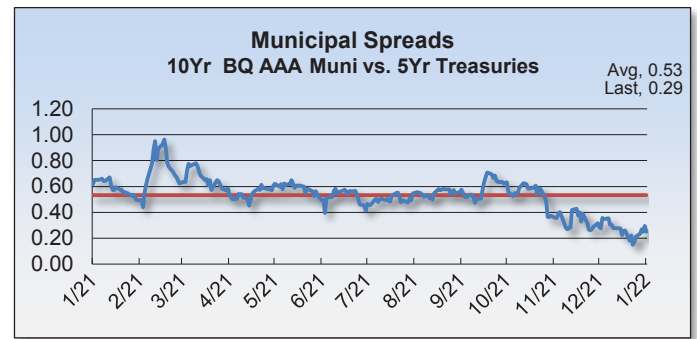
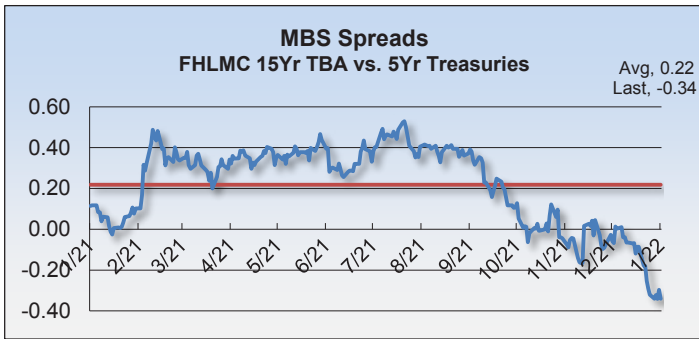
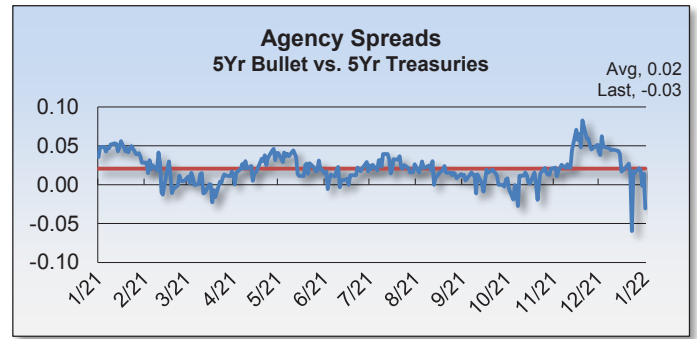
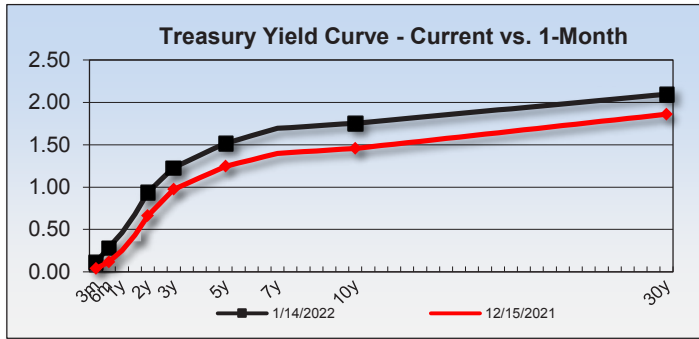
After starting the week near its highest level in two years, the 10yr T-Note yield seems to have settled down a bit, currently hovering around 1.75%. Three consecutive sessions saw lower yields this week and we'll likely end the day with the first weekly drop in a month. Having jumped 25-30bps since New Year's Day, this is the pause that refreshes. A time to reassess the Fed's newfound commitment to fighting inflation with more aggressive policy, and to rethink what constitutes good value in bond yields. It's worth noting that the 5yr yield for example, at 1.50%, is above its average yield over the last twelve years. Moreover, its yield now exceeds the dividend yield on the S&P 500 for the first time since 2019. And buyers of US Treasury auctions this week were happy to bid 'em and buy 'em at current levels... the bid/cover ratio for the 10yr auction was a healthy 2.51%. Still, challenges abound as we saw another eye-popping inflation number when the Consumer Price Index came in at 7% YOY, a level not seen since Ronald Reagan was in his second year as President. So, make no mistake there remains plenty of uncertainty about how the year will play out.

In addition to CPI, we got producer price data that also remained elevated, and this morning we learned that retail sales screeched to a halt late in the holiday shopping season. The so-called "control group" for retail sales (which feeds into GDP calculations) was down 3.1% for the month, likely related to the surge in COVID Omicron cases as well as supply-disruptions and the above-mentioned jump in retail prices. There were also important developments related to the Fed this week as confirmation hearings took place for Chairman Powell and Lael Brainard who has been nominated as Vice Chair. Sarah Bloom Raskin, no stranger to the board of governors, was also nominated to become Vice Chair of Supervision. Two other nominees to join the board, Lisa Cook and Philip Jefferson are both academic economists who (pending confirmation) would round out the Biden Fed... more regulatory focused for sure, but probably little changed from the standpoint of monetary policy.

At this point, without exception, policymakers agree that inflation is enemy number one and policy should be focused on stamping it out. That, of course, raises questions about how much tightening is enough, and about the likelihood of a policy mistake. If COVID passes, we could return to a pre-pandemic regime of low growth and low inflation... the conditions that existed pre-pandemic. Therefore, caution and thoughtful debate needs to be the order of the day for the Fed rather than knee-jerk reactions to the day's news. After all, financial markets see all news as old news and the price action today should reflect where we're heading, not where we've been. A good point to ponder as we look forward in the year. Next week we'll get data on consumer sentiment, housing market activity, and the index of leading economic indicators among other tidbits.

US 5yr Treasury Note Yield: 2010 – 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 ²	S-Corp ³		Mty	3Mo	6mo	1Yr	2Yr
3mo	0.11	0.02	0.05	0.05	0.08	2yr	0.99	1.14	0.64	0.69	1.06	2Yr	0.94	0.94	0.94	-
6mo	0.29	0.05	0.12	0.05	0.09	3yr	1.26	1.40	0.84	0.89	1.28	3Yr	1.23	1.24	1.20	1.23
1yr	0.46	0.05	0.25	0.07	0.10	5yr	1.57	1.60	1.13	1.21	1.73	5Yr	1.60	1.60	1.59	1.53
2yr	0.94	0.07	0.66	0.22	0.14	7yr	1.76	1.71	1.44	1.53	1.95	7Yr	1.78	1.80	1.79	1.72
3yr	1.23	0.08	0.97	0.43	0.26	10yr	1.93	1.81	1.65	1.76	2.21	10Yr	1.89	1.94	1.94	1.87
5yr	1.52	0.02	1.24	0.80	0.48	15yr	2.10	1.92	1.85	1.97	2.50	February TBA MBS				
7yr	1.69	0.00	1.39	1.10	0.82	20yr	2.27	1.96	2.06	2.19	2.59	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	1.75	(0.01)	1.44	1.35	1.13	25yr	2.44	1.95	2.18	2.32	2.65	2.00	1.81	4.6y	2.33	
30yr	2.09	(0.02)	1.83	1.97	1.87	30yr		1.92	2.30	2.44	2.70	2.50	1.82	3.8y		
												3.00	1.71	3.4y	2.47	5.6y
												3.50	1.89	3.3y	2.40	5.0y
												4.00			2.58	4.9y
												4.50			2.79	4.7y

* 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	0.05	--
1 Month LIBOR	0.11	0.01	0.11	0.10	0.13
3 Month LIBOR	0.24	0.01	0.20	0.13	0.23
6 Month LIBOR	0.38	0.04	0.29	0.15	0.25
1 Year LIBOR	0.70	0.10	0.51	0.24	0.33
6 Month CD	0.34	0.04	0.33	0.21	0.21
1 Year CMT	0.47	0.02	0.27	0.08	0.12
REPO O/N	0.03	(0.02)	0.05	0.05	0.09
REPO 1Wk	0.09	--	0.12	0.11	0.09
CoF Federal	0.738	--	0.749	0.806	0.958
11th D. CoF (Nov)	0.218	--	0.225	0.306	0.466

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	0.31	0.41	0.32
6mo	0.45	0.56	0.50
1yr	0.72	0.75	0.71
2yr	1.14	1.32	1.17
3yr	1.41	1.59	1.45
4yr	1.58	1.77	1.63
5yr	1.72	1.92	1.77
7yr	1.91	2.14	1.97
10yr	2.13	2.38	2.18
5yr Am	1.43		1.55
10yr Am	1.86		1.93

Fed Fund Futures		
Maturity	Rate	
Jan-22	0.080	
Feb-22	0.090	
Mar-22	0.195	
Apr-22	0.315	
May-22	0.400	
Jun-22	0.495	
Jul-22	0.585	
Aug-22	0.655	
Sep-22	0.695	
Oct-22	0.790	
Nov-22	0.860	

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
1/10	Wholesale Inventories MoM	Nov F	1.2%	1.4%	1.2%	--
1/10	Wholesale Trade Sales MoM	Nov	1.0%	1.3%	2.2%	2.5%
1/11	NFIB Small Business Optimism	Dec	98.7	98.9	98.4	--
1/12	MBA Mortgage Applications	1/7	--	1.4%	-5.6%	--
1/12	CPI MoM	Dec	0.4%	0.5%	0.8%	--
1/12	CPI Ex Food and Energy MoM	Dec	0.5%	0.6%	0.5%	--
1/12	CPI YoY	Dec	7.0%	7.0%	6.8%	--
1/12	CPI Ex Food and Energy YoY	Dec	5.4%	5.5%	4.9%	--
1/12	CPI Index NSA	Dec	278.74	278.80	277.95	--
1/12	CPI Core Index SA	Dec	284.61	284.76	283.20	--
1/12	Real Avg Weekly Earnings YoY	Dec	--	-2.3%	-1.9%	--
1/12	Real Avg Hourly Earning YoY	Dec	--	-2.4%	-1.9%	-1.7%
1/12	Monthly Budget Statement	Dec	-\$5.0b	-\$21.3b	-\$143.6b	--
1/13	PPI Final Demand MoM	Dec	0.4%	0.2%	0.8%	1.0%
1/13	PPI Ex Food and Energy MoM	Dec	0.5%	0.5%	0.7%	0.9%
1/13	PPI Ex Food, Energy, Trade MoM	Dec	0.5%	0.4%	0.7%	0.8%
1/13	PPI Final Demand YoY	Dec	9.8%	9.7%	9.6%	9.8%
1/13	PPI Ex Food and Energy YoY	Dec	8.0%	8.3%	7.7%	7.9%
1/13	PPI Ex Food, Energy, Trade YoY	Dec	6.9%	6.9%	6.9%	--
1/13	Initial Jobless Claims	1/8	200k	230k	207k	--
1/13	Continuing Claims	1/1	1733k	1559k	1754k	1753k
1/14	Retail Sales Advance MoM	Dec	-0.1%	-1.9%	0.3%	0.2%
1/14	Retail Sales Ex Auto MoM	Dec	0.1%	-2.3%	0.3%	0.1%
1/14	Retail Sales Ex Auto and Gas	Dec	-0.2%	-2.5%	0.2%	-0.1%
1/14	Retail Sales Control Group	Dec	0.0%	-3.1%	-0.1%	-0.5%
1/14	Import Price Index MoM	Dec	0.2%	-0.2%	0.7%	--
1/14	Import Price Index ex Petroleum MoM	Dec	0.6%	0.3%	0.7%	--
1/14	Import Price Index YoY	Dec	10.8%	10.4%	11.7%	--
1/14	Export Price Index MoM	Dec	0.3%	-1.8%	1.0%	0.8%
1/14	Export Price Index YoY	Dec	16.0%	14.7%	18.2%	--
1/14	Industrial Production MoM	Dec	0.2%	-0.1%	0.5%	0.7%
1/14	Capacity Utilization	Dec	77.0%	76.5%	76.8%	76.6%
1/14	Manufacturing (SIC) Production	Dec	0.3%	-0.3%	0.7%	0.6%
1/14	Business Inventories	Nov	1.3%	1.3%	1.2%	1.3%
1/14	U. of Mich. Sentiment	Jan P	70.0	68.8	70.6	--
1/14	U. of Mich. Current Conditions	Jan P	73.8	73.2	74.2	--
1/14	U. of Mich. Expectations	Jan P	67.0	65.9	68.3	--
1/14	U. of Mich. 1 Yr Inflation	Jan P	4.8%	4.9%	4.8%	--
1/14	U. of Mich. 5-10 Yr Inflation	Jan P	--	3.1%	2.9%	--
1/18	Empire Manufacturing	Jan	25.5	--	31.9	--
1/18	NAHB Housing Market Index	Jan	84.0	--	84.0	--
1/18	Net Long-term TIC Flows	Nov	--	--	\$7.1b	--
1/18	Total Net TIC Flows	Nov	--	--	\$143.0b	--
1/19	Building Permits	Dec	1703k	--	1712k	1717k
1/19	Housing Starts	Dec	1650k	--	1679k	--
1/20	Philadelphia Fed Business Outlook	Jan	20.0	--	15.4	--
1/20	Existing Home Sales	Dec	6.42m	--	6.46m	--

MBS Prepayments ⁴						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	15.4	23.9	24.7	25.4	23.4	13.1
FH/FN 15y	11.6	27.5	29.0	34.7	30.6	22.7
GN 15y	19.5	18.2	19.7	18.9	19.7	19.5
FH/FN 20y	55.3	23.0	25.1	24.9	26.5	21.6
FH/FN 30y	1.8	15.4	39.8	42.2	45.0	46.6
GN 30y	4.1	17.0	41.0	42.0	38.8	26.3
CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	15.2	17.2	17.9	18.5	19.3	19.1
FH/FN 15y	12.9	13.9	14.9	17.5	19.5	20.6
GN 15y	14.0	13.1	13.0	12.7	12.3	12.1
FH/FN 20y	55.1	11.6	12.4	13.0	13.7	14.4
FH/FN 30y	9.5	10.7	14.6	15.9	17.1	17.4
GN 30y	8.1	9.6	13.7	12.8	13.5	11.5

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	113.80	(1.76)	113.70	109.97	103.80
Euro	1.14	0.01	1.13	1.18	1.22
Dollar Index	94.93	(0.79)	96.57	92.41	90.24
Major Stock Indices					
Dow Jones	35,933	(299)	35,544	34,933	30,992
S&P 500	4,646.9	(30.1)	4,634.1	4,374.3	3,795.5
NASDAQ	14,814.2	(122)	15,237.6	14,645.0	13,112.6
Commodities					
Gold	1,823.4	26.0	1,770.4	1,825.0	1,851.4
Crude Oil	82.96	4.06	70.73	73.13	53.57
Natural Gas	4.21	0.30	3.75	3.66	2.67
Wheat	739.8	-18.8	785.5	645.0	670.0
Corn	587.0	-19.8	588.8	683.0	534.3

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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