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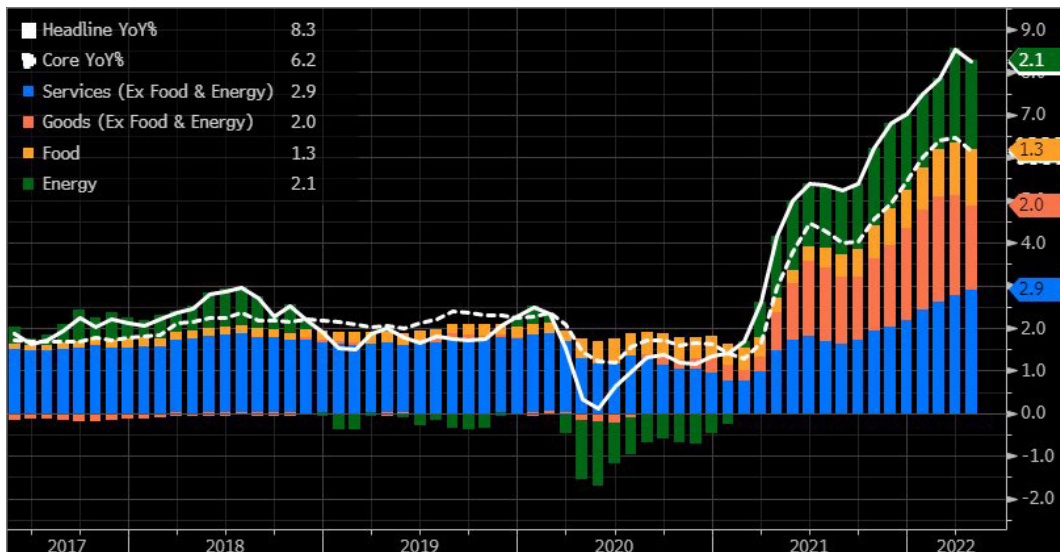
“No one here thinks that it will be easy” warned Federal Reserve Chairman Jerome Powell on Thursday as he discussed the notion of a soft landing when it comes to the US economy. He was confirmed in the Senate (80-19 vote) and will continue to lead the central bank’s campaign in fighting public enemy number one, inflation. In his comments, he reemphasized the Fed’s goal to bring back price stability while avoiding recession and keeping the labor market strong. This challenging task has been achieved rarely in prior cycles, and will be especially so after a negative 1.4% print on Q1 GDP after only two live meetings. Given current market readings, the Fed is expected to continue hiking rates by 50bps at the next two meetings (June and July).

What about the financial markets? No mention from Powell as they continue to take a beating this week and all of this year. Is the Fed Put really dead? As of Friday morning, the three major indices are lower with NASDAQ leading the drop down 3.75% for the week. For those keeping tally, the S&P is now off -16% YTD and NASDAQ -25%. Looking at the bond market, yields are lower across the curve from a week ago. UST 10YR yields are now trading around 2.92% (down from as an intraday high of 3.20% last week). On the short end, two-year yields continue to bounce around 2.50 to 2.75% as the market prices in the movement of the Fed Funds rate. On the consumer lending side, the 30yr mortgage continues to edge higher with a benchmark rate of 5.64% further stressing the impact of rising rates on housing affordability.

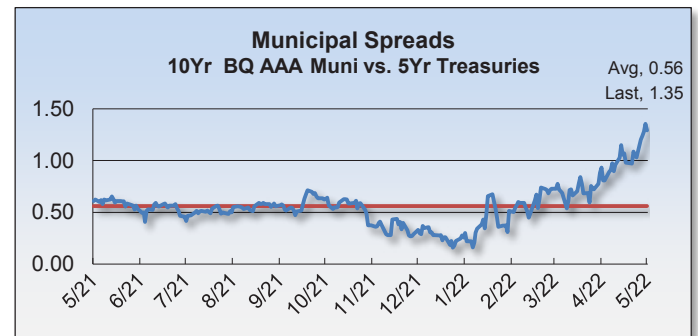
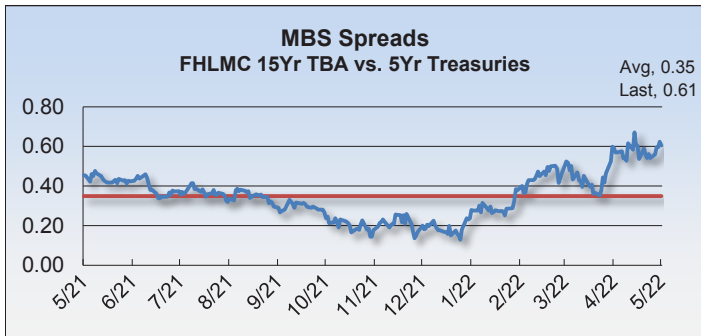
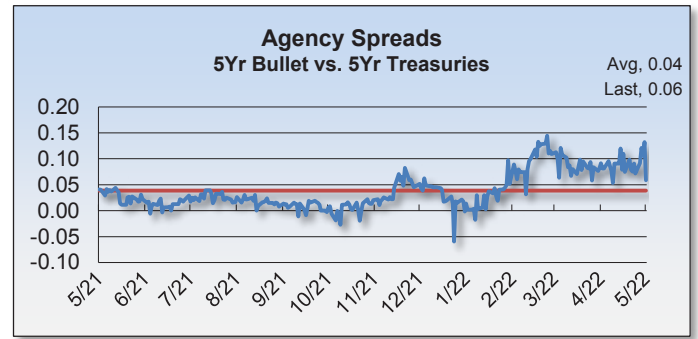
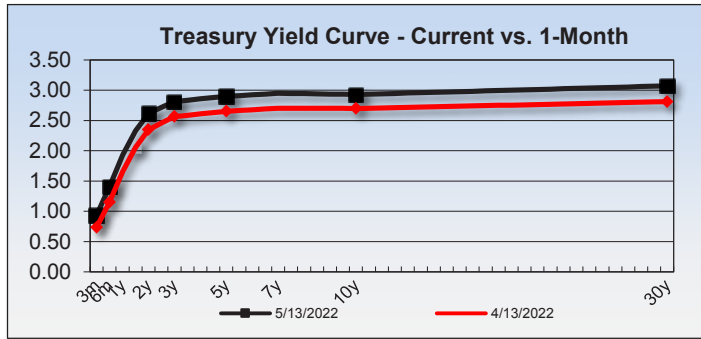
On Wednesday this week we saw the key release for prices from the BLS, the Consumer Price Index (CPI) report. April’s readings fell for the first time in eight months potentially beginning the start of a sustained decline. However, it appeared that most analyst expectations were for a further decline than actual potentially giving the Fed even more resolve to be hawkish. The headline reading which includes food and energy was 8.3% however economist was expecting a decline of 8.1%. The core figure (which strips food/energy) lowered as well to a 6.2%. The calculation’s base effects will continue to help however the month over month 0.6% is troubling indicating there could be signs of domestically generated inflation remaining strong. Also related to prices, PPI was released and it did show a moderation as well from 11.5% last month 11.0%

Next week brings a decent number of economic releases. On Monday the Empire State Manufacturing index will be released giving us insight on regional activity in the Northeast. Tuesday will be data heavy with releases on retail sales, industrial production and capacity utilization. Wednesday will see new building permits housing starts which give more insight to the impact of higher mortgage rates. Thursday will see the weekly jobless claims along with existing home sales.

Headline and Core CPI fell to 8.3% and 6.2% respectively in April. Energy prices posted the biggest drop while service and food inflation remain well above pre-pandemic levels. The drop in energy prices may be short lived as gasoline hit a record high of \$4.40 in May 11th.



Source: Bloomberg Finance L.P.



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	0.94	0.10	0.75	0.05	0.01	2yr	2.64	2.90	3.21	3.41	3.08	2Yr	2.62	2.62	2.62	-
6mo	1.41	0.06	1.17	0.06	0.03	3yr	2.88	2.95	3.44	3.67	3.22	3Yr	2.82	2.83	2.80	2.82
1yr	1.93	(0.06)	1.67	0.16	0.04	5yr	3.00	2.95	3.58	3.81	3.50	5Yr	2.99	2.99	2.98	2.92
2yr	2.62	(0.12)	2.35	0.51	0.15	7yr	3.12	2.97	3.89	4.14	3.63	7Yr	3.04	3.06	3.05	2.99
3yr	2.82	(0.14)	2.57	0.85	0.38	10yr	3.30	3.00	4.12	4.38	3.78	10Yr	3.07	3.12	3.12	3.05
5yr	2.90	(0.18)	2.65	1.22	0.83	15yr	3.48	3.06	4.28	4.56	3.96	June TBA MBS				
7yr	2.95	(0.20)	2.71	1.46	1.30	20yr	3.65	3.04	4.40	4.68	3.93	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	2.93	(0.20)	2.70	1.56	1.66	25yr	3.82	2.94	4.49	4.78	3.99	2.00	3.31	5.8y	3.60	
30yr	3.07	(0.16)	2.81	1.93	2.40	30yr	3.82	2.84	4.58	4.87	4.04	2.50	3.50	5.6y		
												3.00	3.49	5.5y	3.84	9.9y
												3.50	3.39	3.8y	3.98	8.9y
												4.00			4.12	7.4y
												4.50			4.13	4.9y

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	1.00	--	0.50	0.25	0.25
Primary Discount	1.00	--	0.50	0.25	0.25
2ndary Discount	1.50	--	1.00	0.75	0.75
Prime Rate	4.00	--	3.50	3.25	3.25
Sec. O.N. Finance	0.79	--	0.29	0.05	--
1 Month LIBOR	0.85	0.01	0.52	0.09	0.09
3 Month LIBOR	1.42	0.02	1.02	0.16	0.16
6 Month LIBOR	1.96	(0.06)	1.55	0.23	0.19
1 Year LIBOR	2.62	(0.13)	2.28	0.39	0.27
6 Month CD	2.03	0.09	1.46	0.30	0.09
1 Year CMT	1.96	(0.12)	1.77	0.17	0.05
REPO O/N	0.79	0.01	0.31	0.06	-0.01
REPO 1Wk	0.91	(0.02)	0.37	0.12	0.09
CoF Federal	0.870	--	0.791	0.752	0.845
11th D. CoF (Dec)	0.223	--	0.218	0.282	0.460

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	1.20	1.25	1.23
6mo	1.62	1.71	1.67
1yr	2.25	2.33	2.31
2yr	2.78	2.88	2.84
3yr	2.94	3.06	3.00
4yr	3.03	3.14	3.04
5yr	3.10	3.21	3.07
7yr	3.26	3.39	3.27
10yr	3.46	3.59	3.46
5yr Am	2.96		2.99
10yr Am	3.27		3.27

Fed Fund Futures	
Maturity	Rate
May-22	0.765
Jun-22	1.105
Jul-22	1.435
Aug-22	1.860
Sep-22	1.975
Oct-22	2.235
Nov-22	2.500
Dec-22	2.640
Jan-23	2.745
Feb-23	2.865
Mar-23	2.935

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
5/9	Wholesale Inventories MoM	Mar F	2.3%	2.3%	2.3%	--
5/9	Wholesale Trade Sales MoM	Mar	1.8%	1.7%	1.7%	1.5%
5/10	NFIB Small Business Optimism	Apr	92.9	93.2	93.2	--
5/11	MBA Mortgage Applications	5/6	--	2.0%	2.5%	--
5/11	CPI MoM	Apr	0.2%	0.3%	1.2%	--
5/11	CPI Ex Food and Energy MoM	Apr	0.4%	0.6%	0.3%	--
5/11	CPI YoY	Apr	8.1%	8.3%	8.5%	--
5/11	CPI Ex Food and Energy YoY	Apr	6.0%	6.2%	6.5%	--
5/11	CPI Index NSA	Apr	288.72	289.11	287.50	--
5/11	CPI Core Index SA	Apr	289.82	290.46	288.81	--
5/11	Real Avg Hourly Earning YoY	Apr	--	-2.6%	-2.7%	-2.6%
5/11	Real Avg Weekly Earnings YoY	Apr	--	-3.4%	-3.6%	-3.5%
5/11	Monthly Budget Statement	Apr	\$260.0b	\$308.2b	-\$225.6b	--
5/12	PPI Final Demand MoM	Apr	0.5%	0.5%	1.4%	1.6%
5/12	PPI Ex Food and Energy MoM	Apr	0.7%	0.4%	1.0%	1.2%
5/12	PPI Ex Food, Energy, Trade MoM	Apr	0.6%	0.6%	0.9%	0.9%
5/12	PPI Final Demand YoY	Apr	10.7%	11.0%	11.2%	11.5%
5/12	PPI Ex Food and Energy YoY	Apr	8.9%	8.8%	9.2%	9.6%
5/12	PPI Ex Food, Energy, Trade YoY	Apr	6.6%	6.9%	7.0%	7.1%
5/12	Initial Jobless Claims	5/7	193k	203k	200k	202k
5/12	Continuing Claims	4/30	1372k	1343k	1384k	1387k
5/13	Import Price Index MoM	Apr	0.6%	0.0%	2.6%	2.9%
5/13	Import Price Index ex Petroleum MoM	Apr	0.7%	0.4%	1.1%	1.2%
5/13	Import Price Index YoY	Apr	12.3%	12.0%	12.5%	13.0%
5/13	Export Price Index MoM	Apr	0.7%	0.6%	4.5%	4.1%
5/13	Export Price Index YoY	Apr	19.2%	18.0%	18.8%	18.6%
5/13	U. of Mich. Sentiment	May P	64.0	59.1	65.2	--
5/13	U. of Mich. Current Conditions	May P	69.3	63.6	69.4	--
5/13	U. of Mich. Expectations	May P	61.5	56.3	62.5	--
5/13	U. of Mich. 1 Yr Inflation	May P	5.5%	5.4%	5.4%	--
5/13	U. of Mich. 5-10 Yr Inflation	May P	--	3.0%	3.0%	--
5/16	Empire Manufacturing	May	15.0	--	24.6	--
5/16	Net Long-term TIC Flows	Mar	--	--	\$141.7b	--
5/16	Total Net TIC Flows	Mar	--	--	\$162.6b	--
5/17	Retail Sales Advance MoM	Apr	0.9%	--	0.5%	0.7%
5/17	Retail Sales Ex Auto MoM	Apr	0.3%	--	1.1%	1.4%
5/17	Retail Sales Control Group	Apr	0.8%	--	-0.1%	0.7%
5/17	Retail Sales Ex Auto and Gas	Apr	0.7%	--	0.2%	0.7%
5/17	Industrial Production MoM	Apr	0.4%	--	0.9%	--
5/17	Capacity Utilization	Apr	78.5%	--	78.3%	--
5/17	Manufacturing (SIC) Production	Apr	0.3%	--	0.9%	--
5/17	Business Inventories	Mar	1.9%	--	1.5%	--
5/17	NAHB Housing Market Index	May	75	--	77	--
5/18	Building Permits	Apr	1820k	--	1873k	1870k
5/18	Housing Starts	Apr	1766k	--	1793k	--
5/19	Philadelphia Fed Business Outlook	May	16.9	--	17.6	--
5/19	Existing Home Sales	Apr	5.65m	--	5.77m	--

MBS Prepayments ⁴						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	11.3	19.1	22.0	22.8	20.1	33.5
FH/FN 15y	11.7	15.2	18.5	21.5	24.2	24.3
GN 15y	11.7	17.2	19.5	18.5	21.2	20.8
FH/FN 20y	53.2	11.8	15.9	18.8	20.6	20.2
FH/FN 30y	14.6	12.4	15.8	21.2	25.6	27.5
GN 30y	4.8	10.2	19.0	19.8	19.7	20.8
CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	9.9	10.2	11.0	12.9	14.1	14.9
FH/FN 15y	8.6	9.2	10.3	12.6	17.0	19.5
GN 15y	10.7	10.4	11.1	14.2	14.9	15.5
FH/FN 20y	6.0	6.9	7.5	9.2	10.3	11.8
FH/FN 30y	6.1	6.4	7.4	8.9	11.9	16.0
GN 30y	6.9	7.0	8.0	10.6	12.7	12.8

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	129.29	(1.27)	125.62	114.12	109.47
Euro	1.04	(0.02)	1.09	1.14	1.21
Dollar Index	104.79	1.13	99.88	95.13	90.75
Major Stock Indices					
Dow Jones	32,103	(797)	34,565	36,100	34,021
S&P 500	3,995.0	(128.4)	4,446.6	4,682.9	4,112.5
NASDAQ	11,704.1	(441)	13,643.6	15,861.0	13,125.0
Commodities					
Gold	1,811.2	(71.6)	1,981.0	1,868.5	1,824.0
Crude Oil	108.66	(1.11)	104.25	80.79	63.82
Natural Gas	7.67	(0.37)	7.00	4.79	2.97
Wheat	1,174.5	78.5	1,103.8	817.0	754.8
Corn	813.5	9.8	776.3	577.3	757.5

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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