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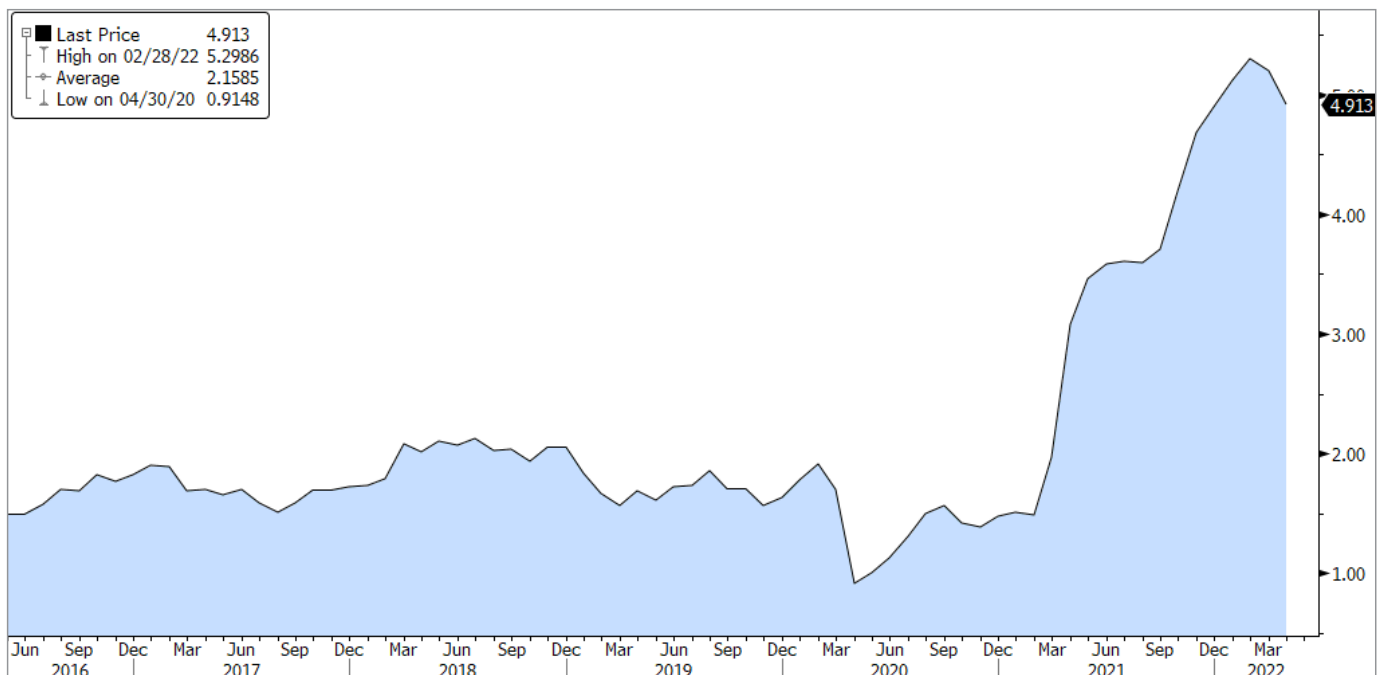
This week showed a continuation of recent trends, with one exception. Economic reports continued to come in weaker than expected as the impact of higher rates began to spread through the economy. Inflation and inflation expectations continued to fall as the most severe effects of the pandemic continued to dissipate. Bond yields continued to fall from their May 6th peak as markets are beginning to believe the Fed may not have to raise rates as much as originally anticipated. But the stock market reversed its recent trend with major indices rising for the first week in 10 in what could be the beginning of a bottoming process...or simply a bear market relief rally.

On Tuesday, the Census Bureau reported that New Home Sales plunged 17% (est = -2%) to the lowest level since April 2020 and the inventory of homes for sale surged to the highest level since May 2008, representing 9 months of supply at the current sales rate. This was the first report to show true weakness in the housing market and may be a sign of what's to come as the impact of rising mortgage rates and record prices begin to weigh on potential buyers. And Thursday saw Pending Home sales fall for the sixth month in a row (down 11.6% year-over-year) suggesting the pain in housing will continue, at least in the near term.

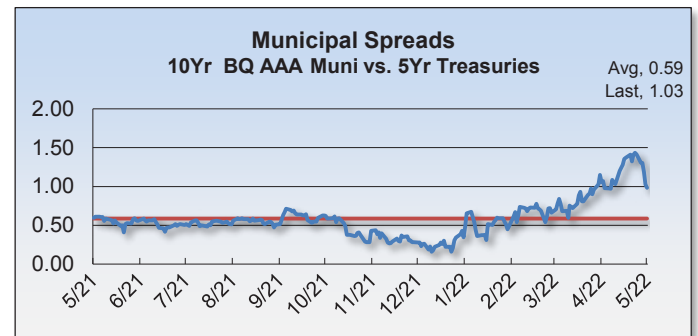
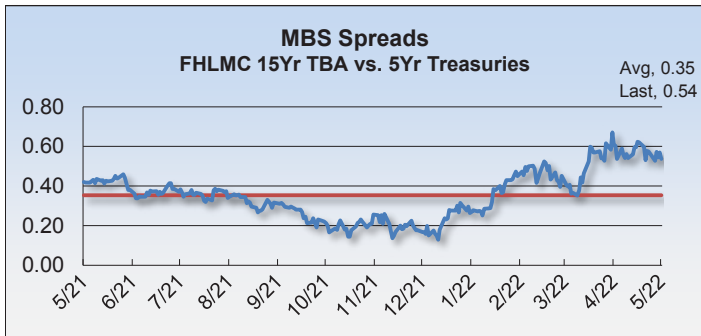
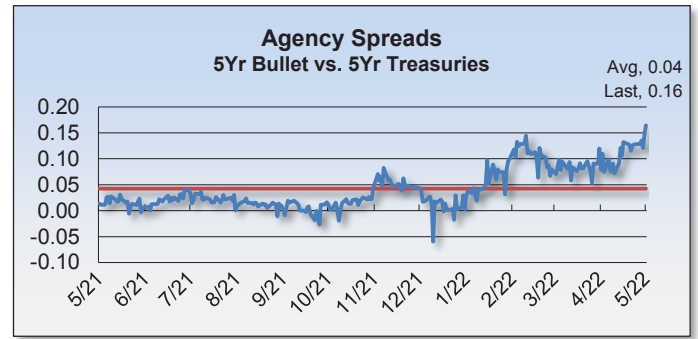
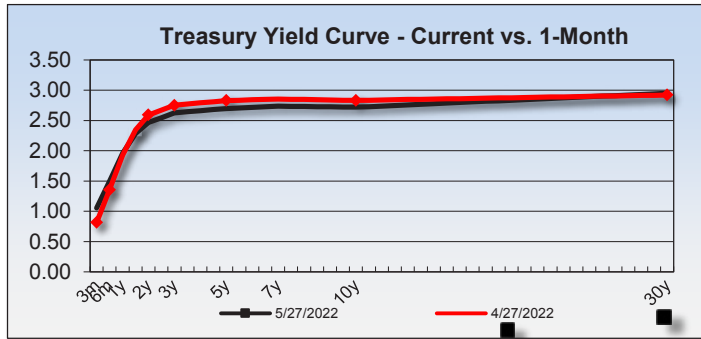
But it was not all bad news for the economy as the BEA reported Friday that Personal Spending rose 0.9% in April and Income rose 0.4%, pushing the savings rate down to the lowest level since 2008 (4.4%). The same report showed the Fed's preferred measure of inflation, Core PCE, slowed for the second month in a row to 4.9%. While that is still well above the Fed's target of 2%, the 2-month drop was a welcome sign for markets. 10-year Treasury yields fell to 2.72% on the news and are now down 40bp since their recent peak on May 6.

Next week we'll get reports on house prices, durable goods orders and the all-important May jobs report.

Fed's Preferred Measure of Inflation – Core PCE – Year-Over-Year



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	1.05	0.03	0.83	0.05	0.01	2yr	2.44	2.78	2.70	2.88	2.87	2Yr	2.47	2.47	2.47	-
6mo	1.49	0.02	1.37	0.09	0.03	3yr	2.69	2.79	2.88	3.07	3.00	3Yr	2.62	2.63	2.60	2.62
1yr	1.96	(0.09)	1.95	0.17	0.04	5yr	2.82	2.75	3.07	3.26	3.26	5Yr	2.78	2.78	2.77	2.71
2yr	2.47	(0.12)	2.59	0.50	0.15	7yr	2.93	2.75	3.37	3.59	3.51	7Yr	2.82	2.84	2.83	2.76
3yr	2.63	(0.11)	2.75	0.80	0.37	10yr	3.10	2.79	3.60	3.83	3.72	10Yr	2.85	2.91	2.90	2.83
5yr	2.70	(0.10)	2.83	1.16	0.82	15yr	3.27	2.87	3.77	4.01	3.90	June TBA MBS				
7yr	2.74	(0.08)	2.86	1.39	1.26	20yr	3.45	2.87	3.89	4.14	4.03	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	2.72	(0.06)	2.83	1.48	1.61	25yr	3.63	2.80	3.98	4.24	4.09	2.00	3.11	5.6y	3.41	
30yr	2.95	(0.04)	2.92	1.82	2.28	30yr		2.72	4.07	4.34	4.14	2.50	3.24	5.5y		
												3.00	3.24	5.1y	3.65	9.2y
												3.50	3.12	3.8y	3.76	8.2y
												4.00			3.87	6.7y
												4.50			4.00	4.6y

* 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	0.78	(0.01)	0.27	0.05	--
1 Month LIBOR	1.02	0.10	0.70	0.09	0.09
3 Month LIBOR	1.55	0.07	1.22	0.18	0.14
6 Month LIBOR	2.05	0.02	1.82	0.26	0.18
1 Year LIBOR	2.68	(0.06)	2.55	0.47	0.26
6 Month CD	2.12	(0.03)	1.76	0.23	0.07
1 Year CMT	1.99	(0.12)	1.99	0.20	0.04
REPO O/N	0.78	(0.01)	0.27	0.05	-0.01
REPO 1Wk	0.85	(0.06)	0.44	0.12	0.09
CoF Federal	0.963	--	0.870	0.749	0.823
11th D. CoF (Dec)	0.223	--	0.218	0.282	0.460

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	1.41	1.43	1.46
6mo	1.77	1.86	1.81
1yr	2.29	2.33	2.31
2yr	2.61	2.73	2.69
3yr	2.78	2.90	2.86
4yr	2.85	2.96	2.92
5yr	2.87	3.00	2.96
7yr	3.11	3.24	3.21
10yr	3.28	3.43	3.40
5yr Am	2.80		2.87
10yr Am	3.13		3.19

Fed Fund Futures	
Maturity	Rate
May-22	0.765
Jun-22	1.085
Jul-22	1.400
Aug-22	1.805
Sep-22	1.905
Oct-22	2.140
Nov-22	2.375
Dec-22	2.515
Jan-23	2.615
Feb-23	2.745
Mar-23	2.810

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
5/23	Chicago Fed Nat Activity Index	Apr	50%	47%	44%	36%
5/24	S&P Global US Manufacturing PMI	May P	57.7	57.5	59.2	--
5/24	S&P Global US Services PMI	May P	55.2	53.5	55.6	--
5/24	S&P Global US Composite PMI	May P	55.7	53.8	56.0	--
5/25	MBA Mortgage Applications	5/20	--	-1.2%	-11.0%	--
5/25	Durables Ex Transportation	Apr P	0.6%	0.3%	4.4%	1.1%
5/25	Cap Goods Ship Nondef Ex Air	Apr P	0.5%	0.8%	0.4%	0.2%
5/26	GDP Annualized QoQ	1Q S	-1.3%	-1.5%	-1.4%	--
5/26	Personal Consumption	1Q S	2.8%	3.1%	2.7%	--
5/26	GDP Price Index	1Q S	8.0%	8.1%	8.0%	--
5/26	Core PCE QoQ	1Q S	5.2%	5.1%	5.2%	--
5/26	Initial Jobless Claims	5/21	215k	210k	218k	--
5/26	Continuing Claims	5/14	1310k	1346k	1347k	1315k
5/26	Pending Home Sales NSA YoY	Apr	-7.6%	-11.5%	-8.9%	-9.2%
5/27	Advance Goods Trade Balance	Apr	-\$114.9b	-\$105.9b	-\$125.3b	-\$125.9b
5/27	Personal Income	Apr	0.5%	0.4%	0.5%	--
5/27	Real Personal Spending	Apr	0.7%	0.7%	0.2%	0.5%
5/27	PCE Deflator YoY	Apr	6.2%	6.3%	6.6%	--
5/27	PCE Core Deflator YoY	Apr	4.9%	4.9%	5.2%	--
5/27	U. of Mich. Sentiment	May F	59.1	58.4	59.1	--
5/27	U. of Mich. Current Conditions	May F	63.6	63.3	63.6	--
5/27	U. of Mich. 1 Yr Inflation	May F	5.4%	5.3%	5.4%	--
5/31	House Price Purchase Index QoQ	1Q	--	--	3.3%	--
5/31	S&P CoreLogic CS 20-City YoY NSA	Mar	19.6%	--	20.2%	--
5/31	S&P CoreLogic CS US HPI YoY NSA	Mar	--	--	19.8%	--
5/31	MNI Chicago PMI	May	55.0	--	56.4	--
5/31	Conf. Board Consumer Confidence	May	103.7	--	107.3	--
5/31	Conf. Board Present Situation	May	--	--	152.6	--
5/31	Dallas Fed Manf. Activity	May	1.5	--	1.1	--
6/1	ISM Manufacturing	May	54.8	--	55.4	--
6/1	ISM Prices Paid	May	80.0	--	84.6	--
6/1	ISM New Orders	May	--	--	53.5	--
6/1	ISM Employment	May	--	--	50.9	--
6/1	JOLTS Job Openings	Apr	11350k	--	11549k	--
6/2	Challenger Job Cuts YoY	May	--	--	6.0%	--
6/2	ADP Employment Change	May	295k	--	247k	--
6/2	Nonfarm Productivity	1Q F	-7.5%	--	-7.5%	--
6/2	Unit Labor Costs	1Q F	11.6%	--	11.6%	--
6/3	Two-Month Payroll Net Revision	May	--	--	-39k	--
6/3	Change in Nonfarm Payrolls	May	325k	--	428k	--
6/3	Change in Private Payrolls	May	314k	--	406k	--
6/3	Change in Manufact. Payrolls	May	37k	--	55k	--
6/3	Unemployment Rate	May	3.5%	--	3.6%	--
6/3	Average Hourly Earnings YoY	May	5.2%	--	5.5%	--
6/3	Average Weekly Hours All Employees	May	34.6	--	34.6	--
6/3	Labor Force Participation Rate	May	62.3%	--	62.2%	--
6/3	Underemployment Rate	May	--	--	7.0%	--

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	8.8	9.6	12.3	27.5	26.7	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	12.1	9.0	15.8	15.2	19.5	45.5
GN 30y	4.8	10.2	19.0	19.8	21.2	21.6

CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	13.3	16.2	17.0	17.2	17.9	18.1
FH/FN 15y	9.7	9.4	10.7	12.6	16.7	20.0
GN 15y	10.9	10.8	11.6	11.6	11.8	12.1
FH/FN 20y	53.1	8.2	9.8	10.3	10.9	11.2
FH/FN 30y	6.9	6.7	8.2	9.3	12.8	17.4
GN 30y	6.3	7.9	10.6	10.8	11.1	11.8

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	126.89	(0.99)	128.43	113.53	109.81
Euro	1.08	0.02	1.06	1.13	1.22
Dollar Index	101.54	(1.61)	102.95	96.09	89.97
Major Stock Indices					
Dow Jones	32,874	1,612	33,302	34,899	34,465
S&P 500	4,113.5	212.1	4,184.0	4,594.6	4,200.9
NASDAQ	11,981.3	627	12,488.9	15,491.7	13,736.3
Commodities					
Gold	1,853.9	11.8	1,888.7	1,785.5	1,895.7
Crude Oil	114.12	0.89	102.02	68.15	66.85
Natural Gas	8.36	0.28	7.27	5.45	2.96
Wheat	1,155.3	-13.5	1,080.0	825.5	676.3
Corn	774.5	-4.3	815.5	586.8	664.5

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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