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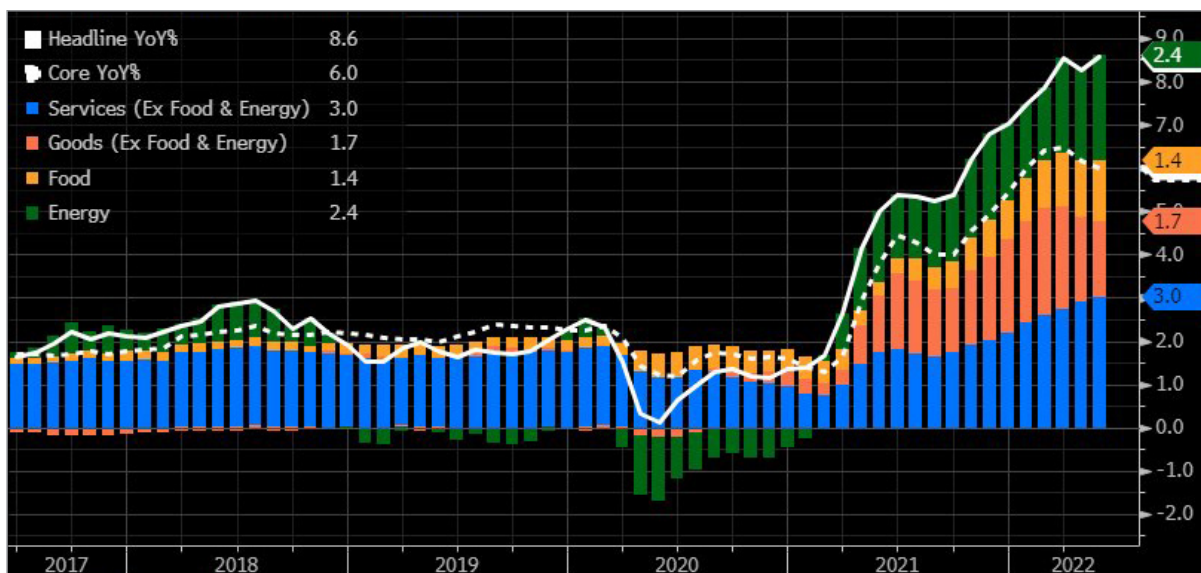
More volatility in the bond market this week as Treasury yields edged higher and the curve flattened. The 2Yr T-Note increased over 30 basis points since Monday and currently yields 2.97%. Farther out, the 10Yr currently sits at 3.13% this morning which is around 15 basis points higher from last Friday's close. The 30Yr long bond was largely unchanged this week and is sitting at 3.20%. Looking at various maturity spread indicators, 10s vs 2s is back down to 8 basis points and close to inverting again as it did in April this year. Other spreads such as the 5s v10s and 20s vs 30s remain negative highlighting the different kinks currently embedded in the Treasury curve. Turning to stocks, those were choppy as well with S&P 500 showing positive returns Monday and Tuesday this week followed by three days of selling off at least 1% to close out the week. Most of the action today appears to be off today's inflation report as the S&P and Dow Jones are set to finish down over 4% for the week.

Turning to economic data, last Friday, the BLS employment situation report was released for May indicating strong but slowing pace of job creation as 390,000 nonfarm payrolls were added and the unemployment rate remained at 3.6%, staying near multi-decade lows. On Thursday this week, signs of cooling were shown as the weekly initial jobless claims came in at 229,000 which is a five-month high. These weekly readings and wage growth will be key indicators as the very tight labor market begins to unwind as rates move higher.

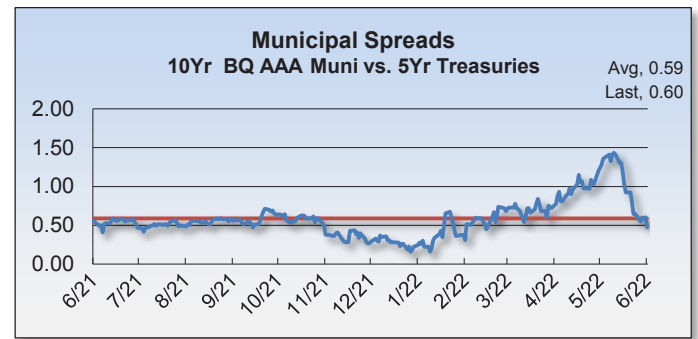
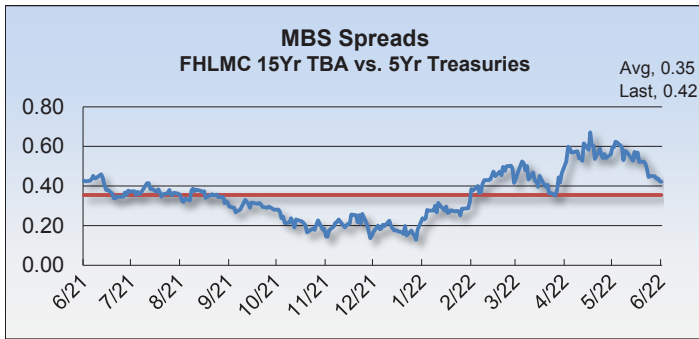
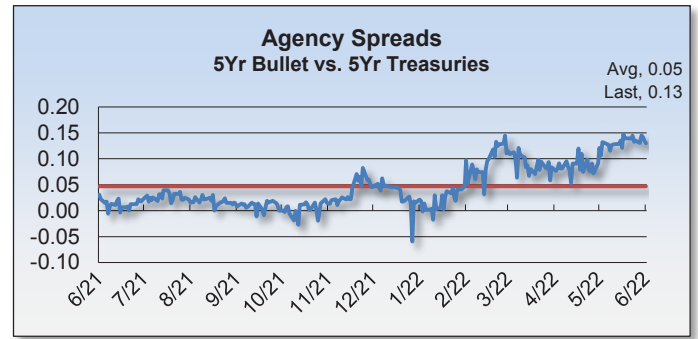
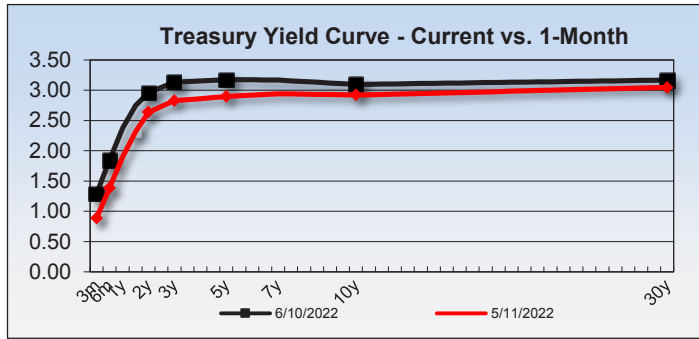
As for other economic data this week it was light aside from today's heavily anticipated monthly CPI report. Year-over-Year headline CPI, which includes the more volatile food and energy rose 8.6%, hitting a cycle high and a level not seen since 1981. Stripping out the more volatile items, core CPI lowered to 6.0% Y-o-Y (from 6.2% prior) but consensus forecast was expecting an increase of 5.9%. When looking at the different categories the increases were broad based but certain items to note were; food up 1%, energy up 3.9%, shelter up 0.5% and new and used were up too after falling recently. Supply chain dynamics and longer-term inflation expectations will be critical factors as the Fed navigates monetary policy to lower from current levels.

Next week, all eyes will be on the Federal Reserve as the Federal Open Market Committee (FOMC) will meet Tuesday and Wednesday for their June meeting. The fixed income market has priced in that the committee will raise the Federal Funds rate 50 basis points (same with July) but there might be some discussion of 75 basis points given the inflation report today.

US Headline Inflation hit 8.6% in May – Energy, groceries, shelter costs drive fastest rise in consumer-price index since December 1981



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	1.29	0.12	0.90	0.05	0.02	2yr	2.96	3.35	2.39	2.55	3.10	2Yr	2.96	2.96	2.96	-
6mo	1.85	0.21	1.42	0.12	0.04	3yr	3.21	3.34	2.60	2.77	3.24	3Yr	3.13	3.14	3.10	3.13
1yr	2.38	0.24	1.91	0.26	0.05	5yr	3.29	3.24	2.81	2.99	3.51	5Yr	3.25	3.25	3.24	3.18
2yr	2.96	0.30	2.61	0.66	0.15	7yr	3.35	3.19	3.22	3.43	3.76	7Yr	3.25	3.27	3.26	3.19
3yr	3.13	0.28	2.80	0.99	0.33	10yr	3.46	3.17	3.50	3.73	3.99	10Yr	3.22	3.28	3.27	3.21
5yr	3.17	0.24	2.92	1.25	0.71	15yr	3.57	3.20	3.79	4.04	4.18	July TBA MBS				
7yr	3.17	0.20	3.00	1.42	1.12	20yr	3.69	3.15	3.96	4.22	4.21	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	3.10	0.16	2.99	1.49	1.43	25yr	3.80	3.05	4.06	4.32	4.27	2.00	3.50	5.8y	3.81	
30yr	3.17	0.08	3.13	1.88	2.13	30yr		2.95	4.16	4.43	4.32	2.50	3.64	5.6y		
												3.00	3.70	5.5y	4.01	9.8y
												3.50	3.55	5.1y	4.13	9.1y
												4.00			4.29	7.7y
												4.50			4.43	6.5y

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	1.00	--	1.00	0.25	0.25
Primary Discount	1.00	--	1.00	0.25	0.25
2ndary Discount	1.50	--	1.50	0.75	0.75
Prime Rate	4.00	--	4.00	3.25	3.25
Sec. O.N. Finance	0.75	(0.04)	0.78	0.05	--
1 Month LIBOR	1.20	0.08	0.84	0.10	0.08
3 Month LIBOR	1.69	0.06	1.40	0.20	0.13
6 Month LIBOR	2.27	0.16	1.96	0.29	0.15
1 Year LIBOR	2.91	0.14	2.69	0.49	0.24
6 Month CD	2.31	0.07	1.79	0.32	0.08
1 Year CMT	2.35	0.20	1.99	0.28	0.05
REPO O/N	0.77	(0.04)	0.79	0.05	0.02
REPO 1Wk	1.13	0.21	0.86	0.12	0.08
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	1.55	1.61	1.56
6mo	1.97	2.13	2.02
1yr	2.71	2.75	2.62
2yr	3.11	3.20	3.05
3yr	3.28	3.39	3.24
4yr	3.32	3.44	3.30
5yr	3.33	3.46	3.34
7yr	3.52	3.64	3.56
10yr	3.63	3.77	3.69
5yr Am	3.24		3.25
10yr Am	3.50		3.52

Fed Fund Futures	
Maturity	Rate
Jun-22	1.090
Jul-22	1.425
Aug-22	1.900
Sep-22	2.040
Oct-22	2.370
Nov-22	2.710
Dec-22	2.900
Jan-23	3.040
Feb-23	3.245
Mar-23	3.350
Apr-23	3.445

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
6/7	Trade Balance	Apr	-\$89.5b	-\$87.1b	-\$109.8b	-\$107.7b
6/7	Consumer Credit	Apr	\$35.000b	\$38.069b	\$52.435b	\$47.340b
6/8	MBA Mortgage Applications	6/3	--	-6.5%	-2.3%	--
6/8	Wholesale Inventories MoM	Apr F	2.1%	2.2%	2.1%	--
6/8	Wholesale Trade Sales MoM	Apr	--	0.7%	1.7%	1.8%
6/9	Initial Jobless Claims	6/4	206k	229k	200k	202k
6/9	Continuing Claims	5/28	1303k	1306k	1309k	1306k
6/9	Household Change in Net Worth	1Q	--	-\$544b	\$5297b	\$4859b
6/10	CPI MoM	May	0.7%	1.0%	0.3%	--
6/10	CPI Ex Food and Energy MoM	May	0.5%	0.6%	0.6%	--
6/10	CPI YoY	May	8.3%	8.6%	8.3%	--
6/10	CPI Ex Food and Energy YoY	May	5.9%	6.0%	6.2%	--
6/10	CPI Index NSA	May	291.69	292.30	289.11	--
6/10	CPI Core Index SA	May	291.95	292.29	290.46	--
6/10	Real Avg Hourly Earning YoY	May	--	-3.0%	-2.6%	--
6/10	Real Avg Weekly Earnings YoY	May	--	-3.9%	-3.4%	--
6/10	U. of Mich. Sentiment	Jun P	58.1	50.2	58.4	--
6/10	U. of Mich. Current Conditions	Jun P	62.9	55.4	63.3	--
6/10	U. of Mich. Expectations	Jun P	55.3	46.8	55.2	--
6/10	U. of Mich. 1 Yr Inflation	Jun P	5.3%	5.4%	5.3%	--
6/10	U. of Mich. 5-10 Yr Inflation	Jun P	--	3.3%	3.0%	--
6/10	Monthly Budget Statement	May	-\$136.5b	--	-\$132.0b	--
6/14	NFIB Small Business Optimism	May	93.0	--	93.2	--
6/14	PPI Final Demand MoM	May	0.8%	--	0.5%	--
6/14	PPI Ex Food and Energy MoM	May	0.6%	--	0.4%	--
6/14	PPI Ex Food, Energy, Trade MoM	May	0.5%	--	0.6%	--
6/14	PPI Final Demand YoY	May	10.8%	--	11.0%	--
6/14	PPI Ex Food and Energy YoY	May	8.6%	--	8.8%	--
6/14	PPI Ex Food, Energy, Trade YoY	May	--	--	6.9%	--
6/15	Empire Manufacturing	Jun	4.0	--	-11.6	--
6/15	Retail Sales Ex Auto and Gas	May	0.4%	--	1.0%	--
6/15	Retail Sales Control Group	May	0.1%	--	1.0%	--
6/15	Import Price Index MoM	May	1.2%	--	0.0%	--
6/15	Import Price Index YoY	May	--	--	12.0%	--
6/15	Export Price Index YoY	May	--	--	18.0%	--
6/15	Business Inventories	Apr	1.2%	--	2.0%	--
6/15	NAHB Housing Market Index	Jun	68	--	69	--
6/15	FOMC Rate Decision (Lower Bound)	6/15	1.25%	--	0.75%	--
6/15	FOMC Rate Decision (Upper Bound)	6/15	1.50%	--	1.00%	--
6/15	Interest on Reserve Balances Rate	6/16	1.40%	--	0.90%	--
6/15	Net Long-term TIC Flows	Apr	--	--	\$23.1b	--
6/15	Total Net TIC Flows	Apr	--	--	\$149.2b	--
6/16	Building Permits	May	1788k	--	1819k	1823k
6/16	Housing Starts	May	1709k	--	1724k	--
6/16	Philadelphia Fed Business Outlook	Jun	6.0	--	2.6	--
6/17	Industrial Production MoM	May	0.4%	--	1.1%	--
6/17	Capacity Utilization	May	79.2%	--	79.0%	--

MBS Prepayments ⁴						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	10.9	18.4	21.7	21.4	19.9	30.7
FH/FN 15y	9.2	10.0	11.5	14.2	25.5	24.5
GN 15y	13.2	17.0	19.1	18.9	21.8	21.4
FH/FN 20y	53.2	10.8	14.2	16.9	19.0	19.7
FH/FN 30y	12.3	8.7	12.2	13.8	17.0	21.3
GN 30y	6.1	10.3	18.8	18.2	20.8	20.2

CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	9.9	10.1	10.7	12.6	13.9	14.7
FH/FN 15y	8.0	8.2	9.2	11.0	16.9	19.7
GN 15y	10.8	10.1	10.9	14.5	14.9	15.6
FH/FN 20y	6.2	6.9	7.6	8.6	10.5	11.6
FH/FN 30y	5.9	6.2	7.0	8.0	10.3	13.4
GN 30y	6.9	6.8	8.1	10.3	12.2	12.6

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	134.23	3.35	130.45	113.44	109.33
Euro	1.05	(0.02)	1.05	1.13	1.22
Dollar Index	104.06	1.92	103.92	96.10	90.08
Major Stock Indices					
Dow Jones	31,540	(1,360)	32,161	35,971	34,466
S&P 500	3,940.3	(168.3)	4,001.1	4,712.0	4,239.2
NASDAQ	11,412.8	(600)	11,737.7	15,630.6	14,020.3
Commodities					
Gold	1,831.9	(13.5)	1,841.0	1,782.9	1,894.2
Crude Oil	121.49	2.62	99.76	71.67	70.29
Natural Gas	8.74	0.22	7.39	3.93	3.15
Wheat	1,065.0	25.0	1,083.3	782.0	683.8
Corn	767.3	40.3	786.5	588.5	699.0

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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