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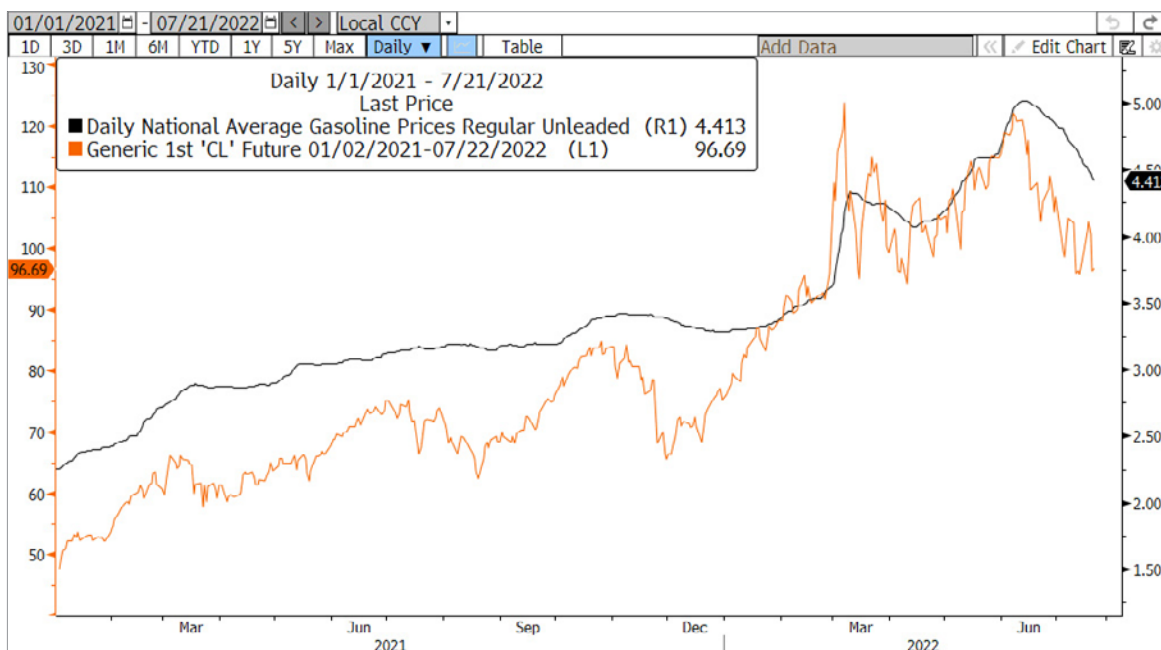
Bond prices continued to rally this week and the yield curve flattened further as a slew of negative housing data kept the market squarely focused on the risk of recession while plunging commodity prices pushed inflation fears to the background. For the week, the 10yr & 2yr yield both fell 13bp to 2.78% and 2.98% respectively, while the 1mo yield rose 29bp to 2.07%. The 10yr-2yr spread is now -20bp, the most negative since 2000 and a clear indication the market expects a recession has either already started or is on the way.

On the housing front, it was another bad week. Housing Starts fell 2.0%, Existing Home Sales fell 5.4%, Mortgage Applications fell another 6.3% and the NAHB Housing Market Index plunged to 55, the lowest level since May 2020. House prices have not yet corrected with the median price of an existing home sale jumping 13% from a year ago to a record \$416,000. Prices remain supported by historically low inventories, but that is beginning to change with monthly supply of homes for sale rising to 3.0 months, nearly double the 1.6 month record low set in January 2022.

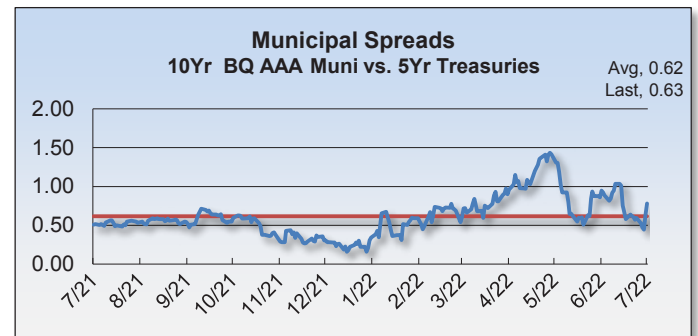
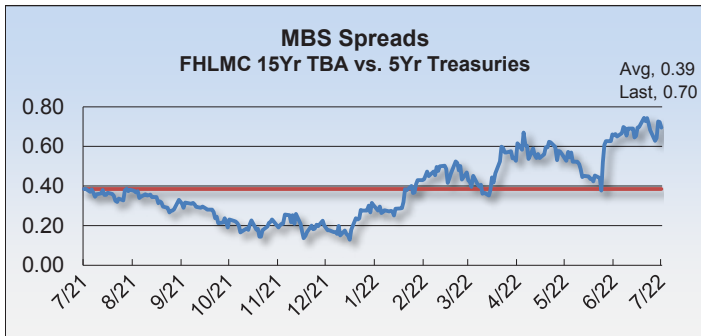
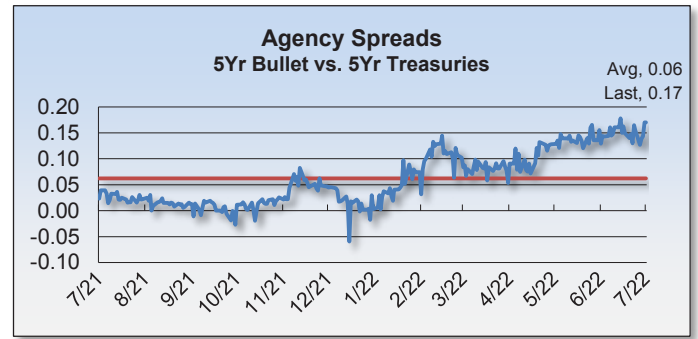
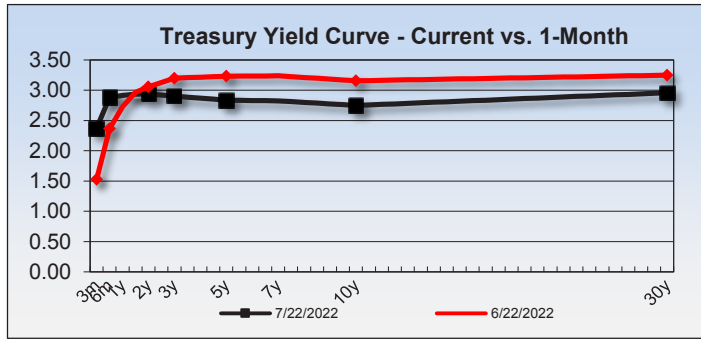
On the inflation front, commodity prices continue to plunge with gasoline prices down 60 cents and oil prices down nearly \$28 since early June. And it's not just energy prices - here are some of the biggest declines in 2022: Corn -30%, Wheat -40%, Soybeans -19%, Copper -32%, Gold -15%, Silver -30% and Lumber -53%. Falling commodity prices and fears of recession have caused market-based inflation expectations to drop sharply, with the 5-year breakeven inflation rate down to 2.56% from 3.73% in March while the Fed's 5-year forward 5-year inflation rate fell below 2% for the first time since 2020.

Next week will see a lot of economic data, but markets will be primarily focused on the Fed's July 27th rate decision and the preliminary estimate of Q2 GDP. The Atlanta Fed's GDPNow estimate of Q2 GDP is tracking at -1.6% while economists are estimating +0.4%. The FOMC is expected to hike rates another 75bp to 2.5% on Wednesday which would take the fed funds rates to the Fed's own definition of neutral. If Q2 turns out to show a second consecutive quarter of GDP contraction, which is considered by many to be the unofficial definition of a recession, that would mean the economy may be in a recession and slowing even before the Fed has hiked rates to neutral. Considering rate hikes have about a 6-month lag before effecting the economy and knowing the Fed wants to hike rates to 3.5% this year, the economy may be in for a rough 2nd half of the year.

### Oil and Gasoline Prices Since January 2021



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 <sup>2</sup> | S-Corp <sup>3</sup> |          | Mty                 | 3Mo          | 6mo  | 1Yr          | 2Yr  |
| 3mo                           | 2.37    | 0.03       | 1.56       | 0.17 | 0.05 | 2yr               | 2.90          | 3.16    | 2.38                | 2.53                | 3.23     | 2Yr                 | 2.95         | 2.95 | 2.95         | -    |
| 6mo                           | 2.88    | 0.01       | 2.39       | 0.35 | 0.05 | 3yr               | 2.97          | 2.97    | 2.52                | 2.68                | 3.24     | 3Yr                 | 2.91         | 2.92 | 2.90         | 2.81 |
| 1yr                           | 2.92    | (0.15)     | 2.77       | 0.55 | 0.07 | 5yr               | 2.94          | 2.82    | 2.77                | 2.95                | 3.25     | 5Yr                 | 2.92         | 2.92 | 2.91         | 2.85 |
| 2yr                           | 2.94    | (0.19)     | 3.06       | 1.00 | 0.20 | 7yr               | 2.99          | 2.79    | 3.15                | 3.35                | 3.52     | 7Yr                 | 2.92         | 2.94 | 2.93         | 2.86 |
| 3yr                           | 2.90    | (0.23)     | 3.20       | 1.29 | 0.37 | 10yr              | 3.15          | 2.82    | 3.42                | 3.64                | 3.76     | 10Yr                | 2.89         | 2.94 | 2.94         | 2.87 |
| 5yr                           | 2.84    | (0.20)     | 3.23       | 1.56 | 0.72 | 15yr              | 3.31          | 2.91    | 3.79                | 4.04                | 3.95     | August TBA MBS      |              |      |              |      |
| 7yr                           | 2.83    | (0.19)     | 3.24       | 1.71 | 1.03 | 20yr              | 3.48          | 2.90    | 4.05                | 4.31                | 4.11     | Cpn                 | 15Yr -Yld/AL |      | 30Yr -Yld/AL |      |
| 10yr                          | 2.75    | (0.17)     | 3.16       | 1.76 | 1.28 | 25yr              | 3.64          | 2.81    | 4.14                | 4.41                | 4.17     | 2.00                | 3.29         | 5.7y | 3.48         |      |
| 30yr                          | 2.96    | (0.12)     | 3.25       | 2.07 | 1.92 | 30yr              | 3.71          | 2.71    | 4.24                | 4.51                | 4.22     | 2.50                | 3.46         | 5.6y |              |      |
|                               |         |            |            |      |      |                   |               |         |                     |                     |          | 3.00                | 3.47         | 5.5y | 3.73         | 9.9y |
|                               |         |            |            |      |      |                   |               |         |                     |                     |          | 3.50                | 3.49         | 5.2y | 3.85         | 9.4y |
|                               |         |            |            |      |      |                   |               |         |                     |                     |          | 4.00                |              |      | 4.05         | 7.8y |
|                               |         |            |            |      |      |                   |               |         |                     |                     |          | 4.50                |              |      | 4.18         | 5.4y |

\* Interpolated

| Key Market Indices |         |            |            |       |       |
|--------------------|---------|------------|------------|-------|-------|
| Index              | Current | 1Wk Change | Historical |       |       |
|                    |         |            | 1 Mo       | 6 Mo  | 1 Yr  |
| Fed Funds          | 1.75    | --         | 1.75       | 0.25  | 0.25  |
| Primary Discount   | 1.75    | --         | 1.75       | 0.25  | 0.25  |
| 2ndary Discount    | 2.25    | --         | 2.25       | 0.75  | 0.75  |
| Prime Rate         | 4.75    | --         | 4.75       | 3.25  | 3.25  |
| Sec. O.N. Finance  | 1.53    | --         | 1.45       | 0.05  | --    |
| 1 Month LIBOR      | 2.21    | 0.21       | 1.63       | 0.11  | 0.09  |
| 3 Month LIBOR      | 2.76    | 0.25       | 2.12       | 0.26  | 0.14  |
| 6 Month LIBOR      | 3.33    | 0.27       | 2.81       | 0.45  | 0.15  |
| 1 Year LIBOR       | 3.89    | 0.16       | 3.62       | 0.80  | 0.24  |
| 6 Month CD         | 3.42    | 0.03       | 2.91       | 0.38  | 0.21  |
| 1 Year CMT         | 3.11    | (0.05)     | 2.92       | 0.58  | 0.07  |
| REPO O/N           | 1.54    | --         | 1.45       | 0.02  | 0.05  |
| REPO 1Wk           | 2.24    | 0.64       | 1.13       | 0.10  | 0.11  |
| CoF Federal        | 1.283   | --         | 1.096      | 0.736 | 0.785 |
| 11th D. CoF (Dec)  | 0.223   | --         | 0.218      | 0.282 | 0.460 |

| FHLB Fixed Advance Rates |         |        |        |
|--------------------------|---------|--------|--------|
| Maturity                 | Chicago | Boston | Topeka |
| 3mo                      | 2.71    | 2.74   | 2.73   |
| 6mo                      | 3.19    | 3.26   | 3.25   |
| 1yr                      | 3.27    | 3.31   | 3.52   |
| 2yr                      | 3.19    | 3.28   | 3.53   |
| 3yr                      | 3.13    | 3.25   | 3.53   |
| 4yr                      | 3.15    | 3.28   | 3.56   |
| 5yr                      | 3.10    | 3.22   | 3.50   |
| 7yr                      | 3.25    | 3.37   | 3.64   |
| 10yr                     | 3.37    | 3.52   | 3.73   |
| 5yr Am                   | 3.21    |        | 3.54   |
| 10yr Am                  | 3.34    |        | 3.67   |

| Fed Fund Futures |       |  |
|------------------|-------|--|
| Maturity         | Rate  |  |
| Jul-22           | 1.683 |  |
| Aug-22           | 2.360 |  |
| Sep-22           | 2.540 |  |
| Oct-22           | 2.960 |  |
| Nov-22           | 3.240 |  |
| Dec-22           | 3.320 |  |
| Jan-23           | 3.365 |  |
| Feb-23           | 3.340 |  |
| Mar-23           | 3.315 |  |
| Apr-23           | 3.265 |  |
| May-23           | 3.165 |  |

| Weekly Economic Calendar |                                   |       |           |          |           |         |
|--------------------------|-----------------------------------|-------|-----------|----------|-----------|---------|
| This Week & Next         |                                   |       |           |          |           |         |
| Date                     | Release                           | Per.  | Est.      | Actual   | Prior     | Revised |
| 7/18                     | NAHB Housing Market Index         | Jul   | 65        | 55       | 67        | --      |
| 7/18                     | Net Long-term TIC Flows           | May   | --        | \$155.3b | \$87.7b   | \$87.2b |
| 7/18                     | Total Net TIC Flows               | May   | --        | \$182.5b | \$133b    | -\$2.7b |
| 7/19                     | Housing Starts                    | Jun   | 1580k     | 1559k    | 1549k     | 1591k   |
| 7/19                     | Building Permits                  | Jun   | 1650k     | 1685k    | 1695k     | --      |
| 7/19                     | Housing Starts MoM                | Jun   | 2.0%      | -2.0%    | -14.4%    | -11.9%  |
| 7/19                     | Building Permits MoM              | Jun   | -2.7%     | -0.6%    | -7.0%     | --      |
| 7/20                     | MBA Mortgage Applications         | 7/15  | --        | -6.3%    | -1.7%     | --      |
| 7/20                     | Existing Home Sales               | Jun   | 5.35m     | 5.12m    | 5.41m     | --      |
| 7/20                     | Existing Home Sales MoM           | Jun   | 0.0       | -0.1     | 0.0       | --      |
| 7/21                     | Philadelphia Fed Business Outlook | Jul   | 0.8       | -12.3    | -3.3      | --      |
| 7/21                     | Initial Jobless Claims            | 7/16  | 240k      | 251k     | 244k      | --      |
| 7/21                     | Continuing Claims                 | 7/9   | 1340k     | 1384k    | 1334k     | 1333k   |
| 7/21                     | Leading Index                     | Jun   | -0.6%     | -0.8%    | -0.4%     | -0.6%   |
| 7/22                     | S&P Global US Manufacturing PMI   | Jul P | 52.0      | 52.3     | 52.7      | --      |
| 7/22                     | S&P Global US Services PMI        | Jul P | 52.7      | 47.0     | 52.7      | --      |
| 7/22                     | S&P Global US Composite PMI       | Jul P | 52.4      | 47.5     | 52.3      | --      |
| 7/25                     | Chicago Fed Nat Activity Index    | Jun   | --        | --       | 0.0       | --      |
| 7/25                     | Dallas Fed Manf. Activity         | Jul   | -22.0     | --       | -17.7     | --      |
| 7/26                     | S&P CoreLogic CS 20-City MoM SA   | May   | 1.60%     | --       | 1.77%     | --      |
| 7/26                     | S&P CoreLogic CS 20-City YoY NSA  | May   | 20.40%    | --       | 21.23%    | --      |
| 7/26                     | S&P CoreLogic CS US HPI YoY NSA   | May   | --        | --       | 20.39%    | --      |
| 7/26                     | Conf. Board Consumer Confidence   | Jul   | 96.0      | --       | 98.7      | --      |
| 7/26                     | Conf. Board Present Situation     | Jul   | --        | --       | 147.1     | --      |
| 7/26                     | Conf. Board Expectations          | Jul   | --        | --       | 66.4      | --      |
| 7/27                     | MBA Mortgage Applications         | 7/22  | --        | --       | -6.3%     | --      |
| 7/27                     | Advance Goods Trade Balance       | Jun   | -\$103.2b | --       | -\$104.3b | --      |
| 7/27                     | Durables Ex Transportation        | Jun P | 0.2%      | --       | 0.7%      | --      |
| 7/27                     | Pending Home Sales NSA YoY        | Jun   | --        | --       | -12.0%    | --      |
| 7/27                     | FOMC Rate Decision (Lower Bound)  | 7/27  | 2.25%     | --       | 1.50%     | --      |
| 7/27                     | FOMC Rate Decision (Upper Bound)  | 7/27  | 2.50%     | --       | 1.75%     | --      |
| 7/27                     | Interest on Reserve Balances Rate | 7/28  | 2.40%     | --       | 1.65%     | --      |
| 7/28                     | GDP Annualized QoQ                | 2Q A  | 0.4%      | --       | -1.6%     | --      |
| 7/28                     | Personal Consumption              | 2Q A  | 1.2%      | --       | 1.8%      | --      |
| 7/28                     | GDP Price Index                   | 2Q A  | 7.3%      | --       | 8.2%      | --      |
| 7/28                     | Core PCE QoQ                      | 2Q A  | 4.3%      | --       | 5.2%      | --      |
| 7/28                     | Initial Jobless Claims            | 7/23  | 255k      | --       | 251k      | --      |
| 7/28                     | Continuing Claims                 | 7/16  | --        | --       | 1384k     | --      |
| 7/29                     | Employment Cost Index             | 2Q    | 1.1%      | --       | 1.4%      | --      |
| 7/29                     | Personal Income                   | Jun   | 0.5%      | --       | 0.5%      | --      |
| 7/29                     | Real Personal Spending            | Jun   | 0.1%      | --       | -0.4%     | --      |
| 7/29                     | PCE Deflator YoY                  | Jun   | 6.7%      | --       | 6.3%      | --      |
| 7/29                     | PCE Core Deflator YoY             | Jun   | 4.7%      | --       | 4.7%      | --      |
| 7/29                     | MNI Chicago PMI                   | Jul   | 55.4      | --       | 56.0      | --      |
| 7/29                     | U. of Mich. Sentiment             | Jul F | 51.1      | --       | 51.1      | --      |
| 7/29                     | U. of Mich. Current Conditions    | Jul F | --        | --       | 57.1      | --      |
| 7/29                     | U. of Mich. 1 Yr Inflation        | Jul F | --        | --       | 5.2%      | --      |

| MBS Prepayments <sup>4</sup> |      |      |      |      |      |      |
|------------------------------|------|------|------|------|------|------|
| 3-Month CPR                  |      |      |      |      |      |      |
| Type                         | 2.0  | 2.5  | 3.0  | 3.5  | 4.0  | 4.5  |
| FN 10y                       | 10.2 | 16.8 | 18.9 | 18.7 | 19.2 | 20.9 |
| FH/FN 15y                    | 8.9  | 9.8  | 11.6 | 13.8 | 13.5 | 22.7 |
| GN 15y                       | 11.9 | 15.7 | 17.2 | 17.8 | 21.5 | 21.6 |
| FH/FN 20y                    | 53.1 | 9.6  | 12.2 | 14.0 | 16.0 | 17.6 |
| FH/FN 30y                    | 7.8  | 7.5  | 10.9 | 11.9 | 14.3 | 16.9 |
| GN 30y                       | 5.2  | 9.9  | 16.5 | 18.0 | 17.2 | 17.3 |
| CPR Projections              |      |      |      |      |      |      |
| Type                         | 2.0  | 2.5  | 3.0  | 3.5  | 4.0  | 4.5  |
| FN 10y                       | 9.6  | 9.9  | 10.4 | 11.7 | 13.4 | 14.2 |
| FH/FN 15y                    | 8.0  | 7.9  | 8.9  | 10.4 | 15.2 | 19.7 |
| GN 15y                       | 10.1 | 9.5  | 10.3 | 13.8 | 14.5 | 15.1 |
| FH/FN 20y                    | 5.9  | 6.9  | 7.2  | 7.9  | 9.4  | 11.1 |
| FH/FN 30y                    | 5.8  | 6.1  | 6.7  | 7.6  | 9.7  | 14.2 |
| GN 30y                       | 6.8  | 6.7  | 7.6  | 9.5  | 11.3 | 11.6 |

| Other Markets              |          |          |            |          |          |
|----------------------------|----------|----------|------------|----------|----------|
| Index                      | Current  | 1Wk Chng | Historical |          |          |
|                            |          |          | 1 Mo       | 6 Mo     | 1 Yr     |
| <b>Currencies</b>          |          |          |            |          |          |
| Japanese Yen               | 136.26   | (2.31)   | 136.26     | 113.95   | 110.14   |
| Euro                       | 1.02     | 0.01     | 1.06       | 1.13     | 1.18     |
| Dollar Index               | 106.80   | (1.26)   | 104.20     | 95.64    | 92.82    |
| <b>Major Stock Indices</b> |          |          |            |          |          |
| Dow Jones                  | 32,121   | 832      | 30,483     | 34,265   | 34,823   |
| S&P 500                    | 4,003.1  | 139.9    | 3,759.9    | 4,397.9  | 4,367.5  |
| NASDAQ                     | 12,036.7 | 584      | 11,053.1   | 13,768.9 | 14,684.6 |
| <b>Commodities</b>         |          |          |            |          |          |
| Gold                       | 1,723.9  | 20.3     | 1,834.3    | 1,831.8  | 1,805.4  |
| Crude Oil                  | 95.91    | (1.68)   | 106.19     | 85.14    | 71.91    |
| Natural Gas                | 8.33     | 1.31     | 6.86       | 4.00     | 4.00     |
| Wheat                      | 776.8    | --       | 976.5      | 780.0    | 692.3    |
| Corn                       | 573.3    | -31.0    | 768.0      | 616.3    | 564.5    |

| 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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