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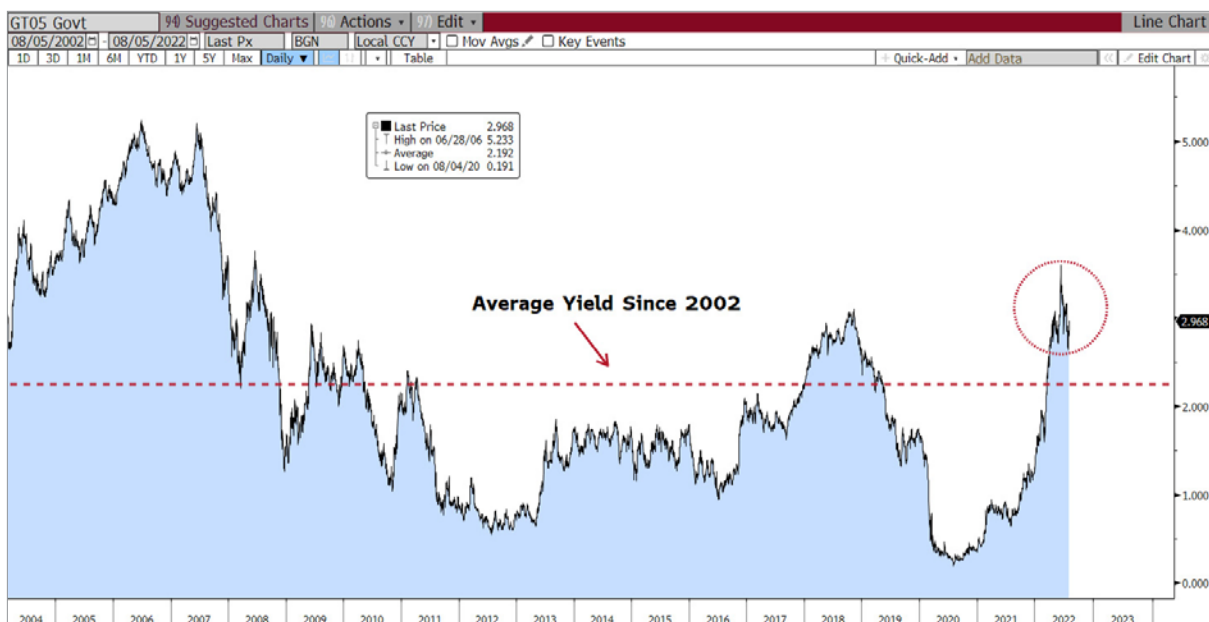
In the last forty-five days, the yield on the 10yr T-Note has traded in a 100bps range, from a low of 2.51% to a high of 3.50%. It currently hovers around 2.85%. During that month and a half, we have gotten several key pieces of information about the strength and resilience of US economic growth trends, inflation and other Fed policy considerations. For example, we learned that year-over-year CPI inflation in June clocked a multi-decade high of 9.10%, but since that survey period we've also watched average gasoline prices fall for 52 consecutive days. Similarly, GDP growth was reported to have been negative through the entire first half of the year, a common baseline definition of recession. But at the very same time, job creation remains extremely, even historically, strong as we cranked out over half a million new jobs in the month of July. Through it all, the Fed continues to collectively talk tough about their commitment to squash inflation, and the yield curve is as inverted as it's been since the turn of the century. So, in the midst of this crossfire, what's a reasonable view about the future?

Though it's a moving target, the wisdom of markets and investor expectations at a point in time is worth considering. Right now (post-employment report) futures markets project a 3.5% fed funds rate by year-end, rising further in early 2023 before bending back in the second half of next year. The deeply inverted yield curve suggests a similar trajectory. The Fed can be expected to stay on task with aggressive tightening up to a point... somewhere around 3.5%, then let off the brake and cruise for a while, maybe eventually some slight reacceleration if the recession gets ugly. But all bets are off if inflation data doesn't behave. It's not a stretch to say that everything else is secondary. We get another CPI number next week... currently expected to drop by 40bps to 8.7%. All eyes will be on that one. Later in the month we'll see the Fed's preferred measure, PCE inflation, as well. These are the numbers that will give the Fed what they need to justify continuing their policy stance, or tweaking it as they deem appropriate.

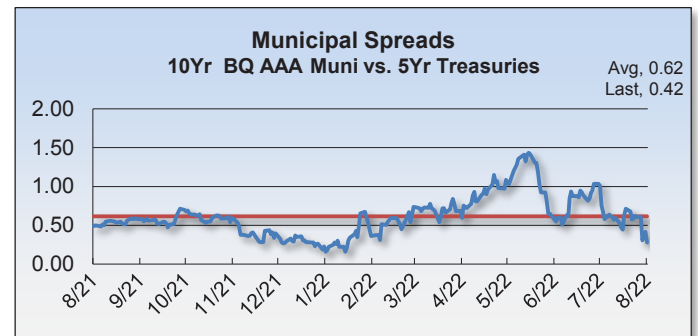
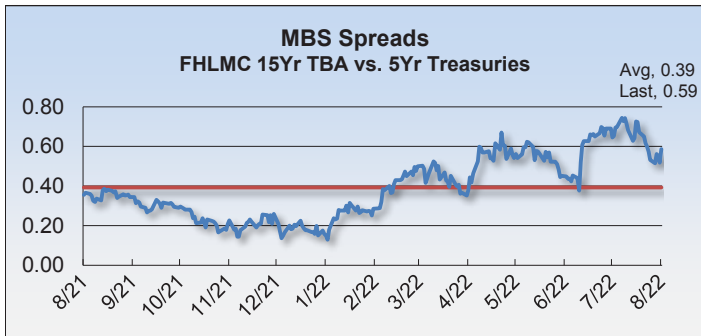
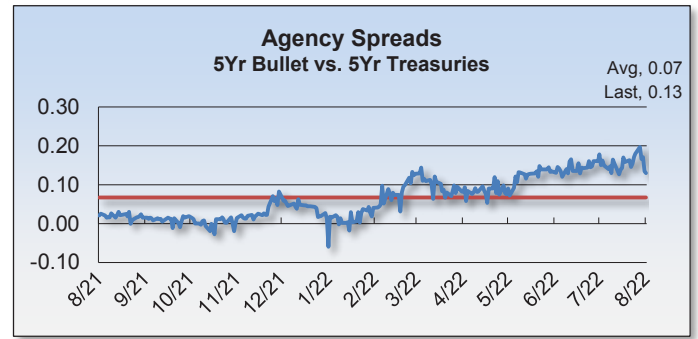
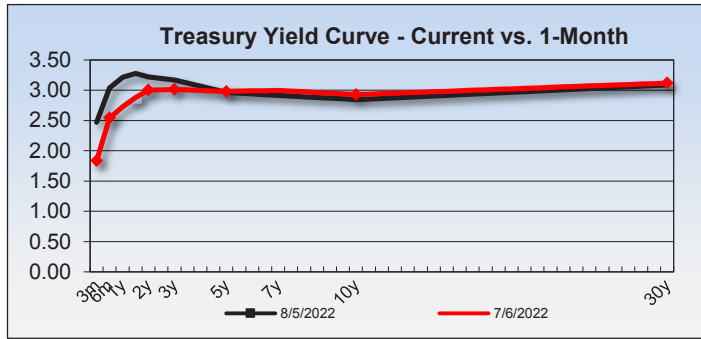
While wondering where we go from here, it's also worth considering how much has already been baked in the cake. Let's remember how far we've come in terms of the yield increases that we've seen to date. Take the 5yr T-Note yield, for example... a bond that anchors the "belly" of the yield curve. Over the last twenty years, that mid-maturity treasury has averaged 2.25%. Today it sits at 2.96%... 71bps above the average of the prior two decades. The enormous jump in yield that we've seen in the last year has produced far greater value relative to the average of what's been seen in the lifetimes of this year's college graduates. A point worth pondering.

In addition to CPI, we'll get a look at the latest consumer sentiment survey data as well as some key treasury auctions. Nearly \$100 billion of threes, tens, and long-bonds will come to market. How well those are received will tell us a lot about the underlying strength of the bond market.

US 5yr Treasury-Note Yield: 2002 – Today



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	2.47	0.11	1.69	0.23	0.05	2yr	3.26	3.47	2.25	2.40	3.22	2Yr	3.21	3.21	3.21	-
6mo	3.04	0.17	2.51	0.55	0.05	3yr	3.25	3.24	2.31	2.46	3.16	3Yr	3.16	3.17	3.10	3.16
1yr	3.22	0.28	2.71	0.87	0.07	5yr	3.06	3.00	2.46	2.62	3.04	5Yr	3.04	3.04	3.03	2.97
2yr	3.22	0.33	2.82	1.31	0.20	7yr	3.07	2.92	2.79	2.97	3.26	7Yr	2.99	3.01	3.00	2.93
3yr	3.17	0.36	2.83	1.54	0.37	10yr	3.20	2.90	3.05	3.25	3.51	10Yr	2.97	3.03	3.02	2.95
5yr	2.97	0.29	2.82	1.77	0.72	15yr	3.33	2.97	3.50	3.73	3.70	September TBA MBS				
7yr	2.91	0.23	2.86	1.88	1.02	20yr	3.47	2.96	3.79	4.04	3.95	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	2.85	0.19	2.81	1.91	1.22	25yr	3.60	2.88	3.89	4.14	4.01	2.00	3.39	5.5y	3.61	
30yr	3.09	0.08	3.04	2.21	1.86	30yr		2.80	3.99	4.25	4.06	2.50	3.52	5.4y		
												3.00	3.50	5.1y	3.77	9.5y
												3.50	3.51	4.8y	3.89	8.5y
												4.00			4.07	6.7y
												4.50			4.03	3.6y

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	2.50	--	1.75	0.25	0.25
Primary Discount	2.50	--	1.75	0.25	0.25
2ndary Discount	3.00	--	2.25	0.75	0.75
Prime Rate	5.50	--	4.75	3.25	3.25
Sec. O.N. Finance	2.29	0.01	1.52	0.05	--
1 Month LIBOR	2.38	0.00	1.80	0.11	0.09
3 Month LIBOR	2.83	0.03	2.29	0.32	0.12
6 Month LIBOR	3.39	0.02	2.90	0.53	0.16
1 Year LIBOR	3.84	0.03	3.56	0.94	0.23
6 Month CD	3.30	(0.07)	3.04	0.59	0.10
1 Year CMT	3.11	0.18	2.79	0.89	0.07
REPO O/N	2.30	--	1.54	0.04	0.06
REPO 1Wk	2.31	(0.02)	1.56	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	2.76	2.79	2.75
6mo	3.23	3.32	3.19
1yr	3.51	3.51	3.42
2yr	3.45	3.55	3.37
3yr	3.35	3.48	3.29
4yr	3.33	3.45	3.25
5yr	3.22	3.33	3.11
7yr	3.24	3.39	3.20
10yr	3.42	3.56	3.37
5yr Am	3.33		3.25
10yr Am	3.37		3.30

Fed Fund Futures	
Maturity	Rate
Aug-22	2.335
Sep-22	2.540
Oct-22	3.000
Nov-22	3.350
Dec-22	3.470
Jan-23	3.550
Feb-23	3.605
Mar-23	3.610
Apr-23	3.610
May-23	3.555
Jun-23	3.500

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
8/1	S&P Global US Manufacturing PMI	Jul F	52.3	52.2	52.3	--
8/1	Construction Spending MoM	Jun	0.1%	-1.1%	-0.4%	0.1%
8/1	ISM Manufacturing	Jul	52.0	52.8	53.0	--
8/1	ISM Prices Paid	Jul	74.3	60.0	78.5	--
8/1	ISM New Orders	Jul	49.0	48.0	49.2	--
8/1	ISM Employment	Jul	48.2	49.9	47.3	--
8/2	JOLTS Job Openings	Jun	1100k	10698k	11254k	11303k
8/2	Wards Total Vehicle Sales	Jul	13.40m	13.35m	13.00m	--
8/3	MBA Mortgage Applications	7/29	--	1.2%	-1.8%	--
8/3	S&P Global US Services PMI	Jul F	47.0	47.3	47.0	--
8/3	S&P Global US Composite PMI	Jul F	--	47.7	47.5	--
8/3	Factory Orders	Jun	1.2%	2.0%	1.6%	1.8%
8/3	Factory Orders Ex Trans	Jun	--	1.4%	1.7%	1.8%
8/3	Durable Goods Orders	Jun F	1.9%	2.0%	1.9%	--
8/3	Durables Ex Transportation	Jun F	0.3%	0.4%	0.3%	--
8/3	Cap Goods Orders Nondef Ex Air	Jun F	--	0.7%	0.5%	--
8/3	Cap Goods Ship Nondef Ex Air	Jun F	--	0.7%	0.7%	--
8/3	ISM Services Index	Jul	53.5	56.7	55.3	--
8/4	Challenger Job Cuts YoY	Jul	--	36.3%	58.8%	--
8/4	Trade Balance	Jun	-\$80.0b	-\$79.6b	-\$85.5b	-\$84.9b
8/4	Initial Jobless Claims	7/30	260k	260k	256k	254k
8/4	Continuing Claims	7/23	1385k	1416k	1359k	1368k
8/5	Two-Month Payroll Net Revision	Jul	--	28k	--	--
8/5	Change in Nonfarm Payrolls	Jul	250k	528k	372k	398k
8/5	Change in Private Payrolls	Jul	230k	471k	381k	404k
8/5	Change in Manufact. Payrolls	Jul	20k	30k	29k	27k
8/5	Unemployment Rate	Jul	3.6%	3.5%	3.6%	--
8/5	Average Hourly Earnings MoM	Jul	0.3%	0.5%	0.3%	0.4%
8/5	Average Hourly Earnings YoY	Jul	4.9%	5.2%	5.4%	5.2%
8/5	Average Weekly Hours All Employees	Jul	34.5	34.6	34.5	34.6
8/5	Labor Force Participation Rate	Jul	62.2%	62.1%	62.2%	--
8/5	Underemployment Rate	Jul	--	6.7%	6.7%	--
8/9	NFIB Small Business Optimism	Jul	89.3	--	89.5	--
8/9	Nonfarm Productivity	2Q P	-4.6%	--	-7.3%	--
8/9	Unit Labor Costs	2Q P	9.8%	--	12.6%	--
8/10	CPI YoY	Jul	8.7%	--	9.1%	--
8/10	CPI Ex Food and Energy YoY	Jul	6.1%	--	5.9%	--
8/10	CPI Index NSA	Jul	296.80	--	296.31	--
8/10	CPI Core Index SA	Jul	295.69	--	294.35	--
8/10	Real Avg Hourly Earning YoY	Jul	--	--	-3.6%	-3.4%
8/10	Real Avg Weekly Earnings YoY	Jul	--	--	-4.4%	-4.0%
8/11	PPI Ex Food and Energy YoY	Jul	7.8%	--	8.2%	--
8/11	PPI Final Demand YoY	Jul	10.4%	--	11.3%	--
8/11	PPI Ex Food, Energy, Trade YoY	Jul	5.9%	--	6.4%	--
8/12	U. of Mich. Sentiment	Aug P	52.0	--	51.5	--
8/12	U. of Mich. Current Conditions	Aug P	--	--	58.1	--
8/12	U. of Mich. 1 Yr Inflation	Aug P	5.1%	--	5.2%	--

MBS Prepayments ⁴						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	9.4	15.2	16.8	17.0	18.2	14.5
FH/FN 15y	7.8	8.9	10.3	13.1	14.7	21.3
GN 15y	14.7	13.1	15.6	17.5	20.2	20.2
FH/FN 20y	52.8	8.1	10.3	11.7	13.4	14.9
FH/FN 30y	4.1	6.7	9.4	10.1	12.4	13.9
GN 30y	4.6	8.3	15.1	15.4	12.7	14.4
CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	9.9	10.1	10.7	11.8	13.4	13.2
FH/FN 15y	8.4	8.5	10.1	11.3	16.3	20.1
GN 15y	11.0	10.2	10.9	14.1	14.6	15.2
FH/FN 20y	6.4	6.9	7.7	8.8	10.7	11.7
FH/FN 30y	6.1	6.6	7.6	8.9	12.0	18.7
GN 30y	6.8	7.1	8.5	10.4	13.9	12.5

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	135.14	1.87	135.85	115.10	109.77
Euro	1.02	(0.00)	1.03	1.14	1.18
Dollar Index	106.69	0.79	106.54	95.49	92.24
Major Stock Indices					
Dow Jones	32,709	(136)	30,968	35,090	35,064
S&P 500	4,128.1	(2.2)	3,831.4	4,500.5	4,429.1
NASDAQ	12,686.0	295	11,322.2	14,098.0	14,895.1
Commodities					
Gold	1,769.9	7.0	1,763.9	1,806.6	1,805.1
Crude Oil	89.45	(9.17)	99.50	92.31	69.09
Natural Gas	8.14	(0.09)	5.52	4.57	4.14
Wheat	776.5	-31.3	793.8	763.3	712.8
Corn	603.0	-13.3	736.0	620.5	555.8

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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Source for the aforementioned indices, rates, descriptions, & economic indicators: Bloomberg, L.P. This report was printed as of: 08/05/2022 9:26AM