



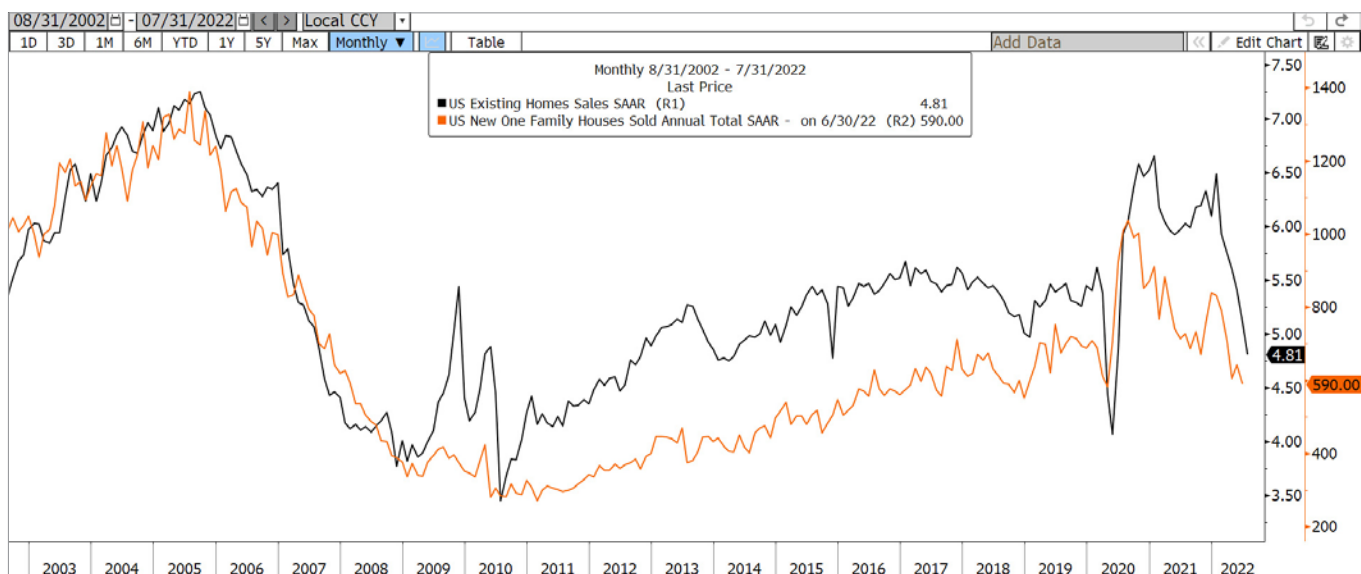
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Bond yields rose 10-16bp in the 3-10yr part of the curve this week despite weak housing data as multiple Fed officials gave mixed signals on the size of the September rate hike. St. Louis Fed President James Bullard, considered to be the most hawkish voting member of the FOMC, said he leaned towards a 75bp hike and said “we should continue to move expeditiously to a level of the policy rate that will put significant downward pressure on inflation.” On the other side of the hawk/dove divide is Kansas City Fed President Esther George who dissented in June in favor of a smaller 50bp hike and said this week “we have done a lot, and I think we have to be very mindful that our policy decisions often operate on a lag. We have to watch carefully how that’s coming through.” The markets seem to be trying to determine whether the hawks or the doves will win out as fed fund futures are currently pricing in a 55% probability of a 50bp hike net month and a 45% chance it will be 75bp. That debate could be resolved next Friday when Fed Chairman Jerome Powell speaks on the economic outlook at the Kansas City Fed’s annual policy retreat in Jackson Hole, WY.

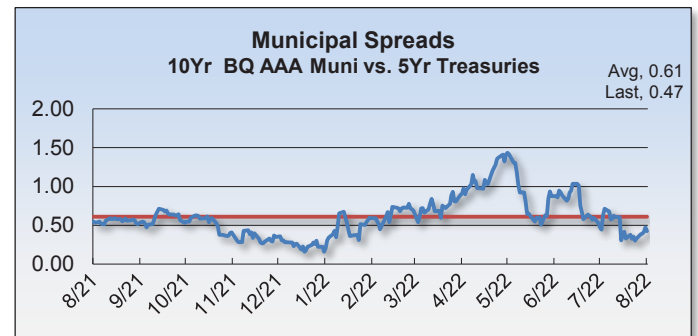
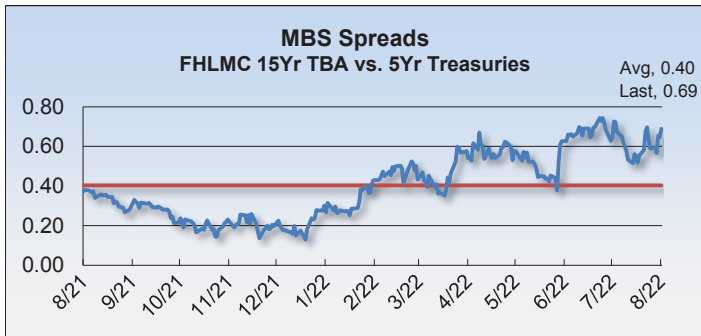
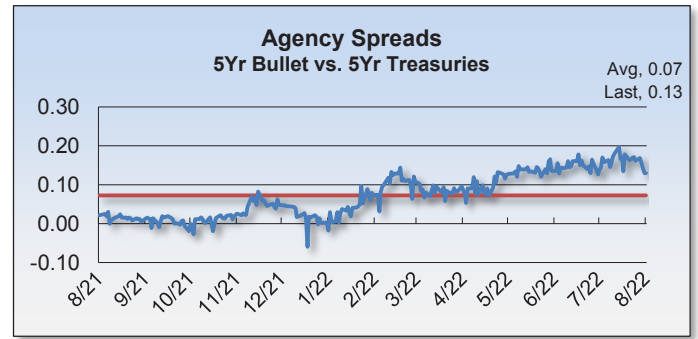
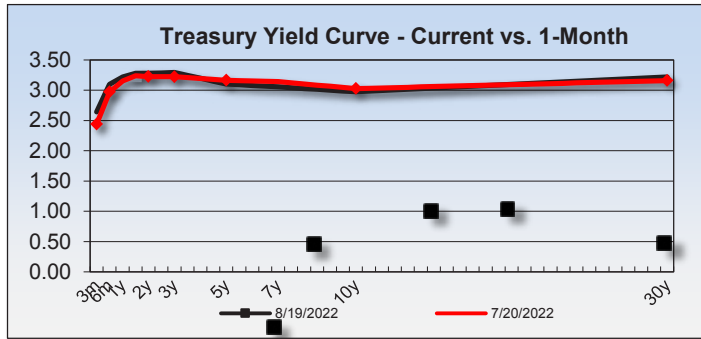
Economic data released this week showed housing fell deeper into recession while the consumer continues to spend in the face of higher inflation and industrial production expanded. Retail Sales were flat in July, but outside of gas and autos, sales rose a better than expected 0.7%. Industrial Production also rose 0.6%, double the expectation, while Capacity Utilization rose to 80.3%. Housing Starts fell 9.6% in July and are down 20% since April while Existing Home Sales fell another 5.9% and are now down a whopping 45% since January. The sharp drop in housing activity should be an early warning for the Fed as they try to anticipate the impact of recent rate hikes. Housing is leading the economy into a downturn since market yields tend to rise before the Fed hikes and mortgage rates had already risen 200bp by the time the Fed made their first move in March. The broader economy won’t see the full impact of the 150bp of rate hikes in June and July until this fall at the earliest, just as Ester George warned earlier this week.

Next week could be a busy one in financial markets with a slew of economic releases including New Home Sales, Durable Goods Orders, the second estimate of Q2 GDP, Personal Income/Spending and the Fed’s preferred measure of inflation, the PCE Deflator. But all eyes will be on Jackson Hole, WY next Friday as the market dissects every word of Fed Chairman Powell’s speech for any indication of how big the next rate hike will be and how long before the Fed takes their foot off the economic brakes.

### New and Existing Home Sales – Last 20 Years



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	2.64	0.09	2.49	0.34	0.05	2yr	3.32	3.62	2.94	3.13	3.47	2Yr	3.28	3.28	3.28	-
6mo	3.10	0.04	3.02	0.64	0.04	3yr	3.36	3.41	2.94	3.13	3.43	3Yr	3.29	3.30	3.20	3.29
1yr	3.22	(0.03)	3.18	0.98	0.06	5yr	3.18	3.13	2.97	3.16	3.34	5Yr	3.18	3.19	3.18	3.11
2yr	3.28	0.03	3.24	1.47	0.22	7yr	3.18	3.04	3.11	3.31	3.49	7Yr	3.14	3.16	3.15	3.09
3yr	3.29	0.11	3.24	1.68	0.40	10yr	3.32	3.02	3.37	3.59	3.71	10Yr	3.11	3.16	3.16	3.09
5yr	3.10	0.14	3.15	1.82	0.77	15yr	3.47	3.08	3.82	4.07	3.90	September TBA MBS				
7yr	3.05	0.15	3.13	1.92	1.04	20yr	3.61	3.06	4.12	4.38	4.13	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	2.97	0.14	3.02	1.93	1.24	25yr	3.75	2.98	4.20	4.47	4.19	2.00	3.43	5.7y	3.66	
30yr	3.22	0.11	3.18	2.24	1.87	30yr		2.90	4.28	4.56	4.24	2.50	3.57	5.5y		
												3.00	3.58	5.3y	3.87	9.9y
												3.50	3.71	5.1y	4.03	9.1y
												4.00			4.22	7.6y
												4.50			4.35	4.9y

\* 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	2.28	--	1.54	0.05	--
1 Month LIBOR	2.37	(0.03)	2.12	0.16	0.09
3 Month LIBOR	2.98	0.05	2.74	0.48	0.13
6 Month LIBOR	3.51	(0.04)	3.31	0.77	0.16
1 Year LIBOR	4.00	(0.00)	3.90	1.29	0.24
6 Month CD	3.50	0.10	3.40	0.78	0.20
1 Year CMT	3.24	(0.01)	3.13	1.03	0.07
REPO O/N	2.30	--	1.54	0.05	0.04
REPO 1Wk	2.35	(0.09)	1.68	0.09	0.14
CoF Federal	1.508	--	1.283	0.750	0.780
11th D. CoF (Dec)	0.223	--	0.218	0.282	0.460

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	2.85	2.91	2.90
6mo	3.28	3.37	3.34
1yr	3.51	3.58	3.57
2yr	3.45	3.53	3.54
3yr	3.46	3.55	3.54
4yr	3.38	3.50	3.47
5yr	3.30	3.42	3.38
7yr	3.39	3.52	3.48
10yr	3.57	3.73	3.66
5yr Am	3.43		3.49
10yr Am	3.53		3.58

Fed Fund Futures	
Maturity	Rate
Aug-22	2.333
Sep-22	2.530
Oct-22	2.940
Nov-22	3.295
Dec-22	3.430
Jan-23	3.520
Feb-23	3.620
Mar-23	3.640
Apr-23	3.670
May-23	3.660
Jun-23	3.635

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
8/15	Empire Manufacturing	Aug	5.0	-31.3	11.1	--
8/15	NAHB Housing Market Index	Aug	54	49	55	--
8/15	Net Long-term TIC Flows	Jun	--	\$121.8b	\$155.3b	--
8/15	Total Net TIC Flows	Jun	--	\$22.1b	\$482.5b	\$194.5b
8/16	Housing Starts	Jul	1527k	1446k	1559k	1599k
8/16	Housing Starts MoM	Jul	-2.1%	-9.6%	-2.0%	2.4%
8/16	Building Permits	Jul	1640k	1674k	1685k	1696k
8/16	Building Permits MoM	Jul	-3.3%	-1.3%	-0.6%	0.1%
8/16	Industrial Production MoM	Jul	0.3%	0.6%	-0.2%	0.0%
8/16	Capacity Utilization	Jul	80.2%	80.3%	80.0%	79.9%
8/16	Manufacturing (SIC) Production	Jul	0.3%	0.7%	-0.5%	-0.4%
8/17	MBA Mortgage Applications	8/12	--	-2.3%	0.2%	--
8/17	Retail Sales Advance MoM	Jul	0.1%	0.0%	1.0%	0.8%
8/17	Retail Sales Ex Auto MoM	Jul	-0.1%	0.4%	1.0%	0.9%
8/17	Retail Sales Ex Auto and Gas	Jul	0.4%	0.7%	0.7%	--
8/17	Retail Sales Control Group	Jul	0.6%	0.8%	0.8%	0.7%
8/17	Business Inventories	Jun	1.4%	1.4%	1.4%	1.6%
8/18	Initial Jobless Claims	8/13	264k	250k	262k	252k
8/18	Continuing Claims	8/6	1455k	1437k	1428k	1430k
8/18	Philadelphia Fed Business Outlook	Aug	-5.0	6.2	-12.3	--
8/18	Existing Home Sales	Jul	4.86m	4.81m	5.12m	5.11m
8/18	Existing Home Sales MoM	Jul	-5.1%	-5.9%	-5.4%	-5.5%
8/18	Leading Index	Jul	-0.5%	-0.4%	-0.8%	-0.7%
8/22	Chicago Fed Nat Activity Index	Jul	--	--	-0.19	--
8/23	S&P Global US Manufacturing PMI	Aug P	51.9	--	52.2	--
8/23	S&P Global US Services PMI	Aug P	50.0	--	47.3	--
8/23	S&P Global US Composite PMI	Aug P	--	--	47.7	--
8/23	Richmond Fed Manufact. Index	Aug	-5.0	--	0.0	--
8/23	New Home Sales	Jul	580k	--	590k	--
8/24	Durable Goods Orders	Jul P	0.6%	--	2.0%	--
8/24	Durables Ex Transportation	Jul P	0.1%	--	0.4%	--
8/24	Cap Goods Orders Nondef Ex Air	Jul P	0.1%	--	0.7%	--
8/24	Cap Goods Ship Nondef Ex Air	Jul P	--	--	0.7%	--
8/24	Pending Home Sales NSA YoY	Jul	--	--	-19.8%	--
8/25	GDP Annualized QoQ	2Q S	-0.9%	--	-0.9%	--
8/25	Personal Consumption	2Q S	--	--	1.0%	--
8/25	GDP Price Index	2Q S	8.7%	--	8.7%	--
8/25	Core PCE QoQ	2Q S	--	--	4.4%	--
8/26	Advance Goods Trade Balance	Jul	-\$98.6b	--	-\$98.2b	-\$98.6b
8/26	Personal Income	Jul	0.6%	--	0.6%	--
8/26	Personal Spending	Jul	0.4%	--	1.1%	--
8/26	Real Personal Spending	Jul	0.3%	--	0.1%	--
8/26	PCE Deflator YoY	Jul	6.4%	--	6.8%	--
8/26	PCE Core Deflator YoY	Jul	4.7%	--	4.8%	--
8/26	U. of Mich. Sentiment	Aug F	55.3	--	55.1	--
8/26	U. of Mich. Current Conditions	Aug F	--	--	55.5	--
8/26	U. of Mich. 1 Yr Inflation	Aug F	--	--	5.0%	--

MBS Prepayments <sup>4</sup>						
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	15.0	15.4	12.7	14.3
CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	9.7	9.9	10.5	11.7	13.2	13.1
FH/FN 15y	8.1	8.0	9.3	10.6	15.7	20.0
GN 15y	10.5	9.5	10.2	13.5	14.3	14.9
FH/FN 20y	6.2	6.9	7.5	8.3	9.9	11.1
FH/FN 30y	5.9	6.2	6.9	7.9	10.2	15.0
GN 30y	6.8	6.8	8.0	9.5	12.1	11.6

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
<b>Currencies</b>					
Japanese Yen	136.99	3.57	138.19	114.74	109.74
Euro	1.00	(0.02)	1.02	1.13	1.17
Dollar Index	107.96	2.33	106.68	96.04	93.57
<b>Major Stock Indices</b>					
Dow Jones	33,771	10	31,827	34,079	34,894
S&P 500	4,240.9	(39.3)	3,936.7	4,348.9	4,405.8
NASDAQ	12,763.8	(283)	11,713.2	13,548.1	14,541.8
<b>Commodities</b>					
Gold	1,750.0	(48.6)	1,710.7	1,898.6	1,780.2
Crude Oil	90.32	(1.77)	104.22	91.07	63.69
Natural Gas	9.11	0.34	7.26	4.43	3.83
Wheat	729.3	-76.8	812.3	797.0	727.5
Corn	618.0	-21.8	596.8	654.3	550.0

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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