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It's the last week in August and that means two things: football season is about to kick off, and the Federal Reserve is hosting its annual Jackson Hole Symposium. Started in 1982, the Fed event provides a stage for policymakers to announce, articulate or elaborate on monetary policy and to provide supportive commentary. The task for Chairman Powell's speech this morning was fairly clear... to convince financial markets that the central bank will stamp out the highest rates of inflation in decades without sending the economy into a death spiral.

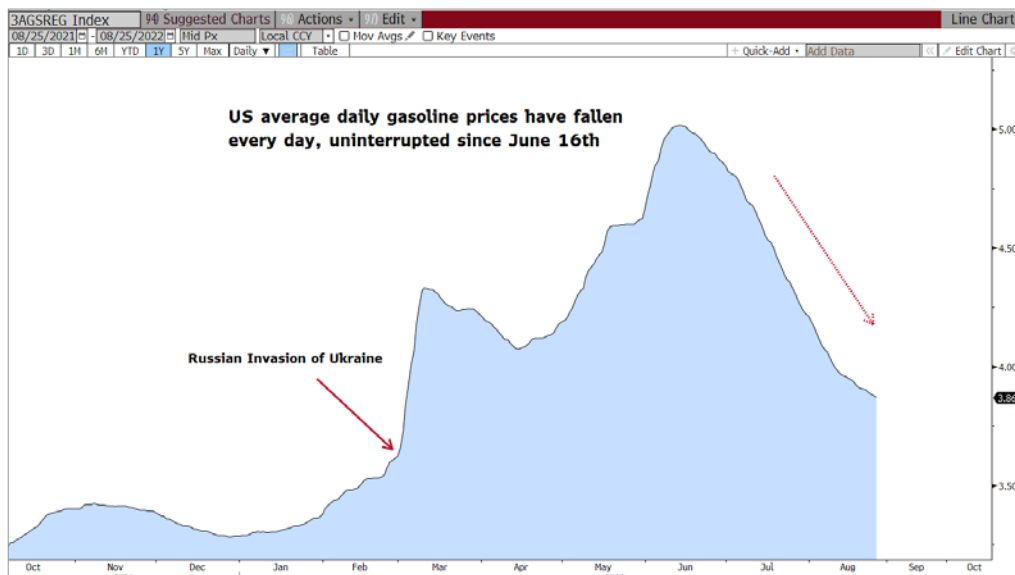
In recent weeks Fed officials have been consistent in their story. The inflation fight is their single point of focus. The objective is to slow demand-side inflation pressures (remember, the Fed can do little to help with supply-side issues and inflation caused by geopolitics). The ultimate goal is to bring inflation back to their 2% long-term target. The idea that they will pause, stop-and-reverse, or otherwise alter course before inflation measures fall in a meaningful way is off base. Fed officials may differ in how much and how fast to tighten, but the mission is to keep squeezing until inflation moves lower. These points were all reinforced by Powell this morning.

The good news coming into the day was that we have indeed seen the first signs of potential slowing in inflation rates. Both CPI and PCE inflation (the Fed's preferred measure) have been weaker in the last month. Specifically, CPI inflation now sits at 8.5% YOY which is .6% below the June level, and PCE is 6.3% which is half a percent lower than the prior month. Notably, core PCE inflation (which strips out volatile food and energy components) has now seen five consecutive months below its February peak. Maybe the most visible sign of good news on the inflation front is gasoline prices which have fallen remarkably since the midsummer peak. Still, as good as all of this news may seem in the moment, it is far short of what's ultimately needed for the Fed to be confident that inflation is moving lower in a meaningful way. We're still at historically high rates of inflation... the job is far from finished. This is a message the Fed is determined to reinforce.

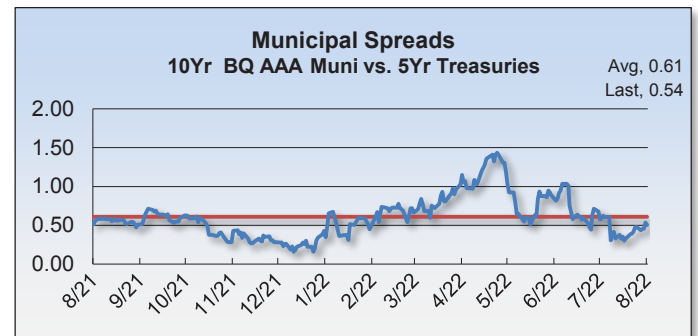
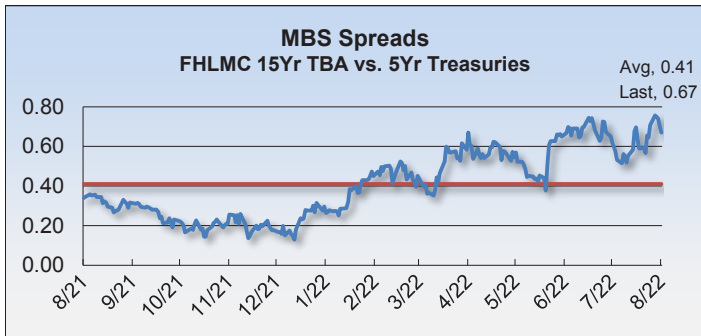
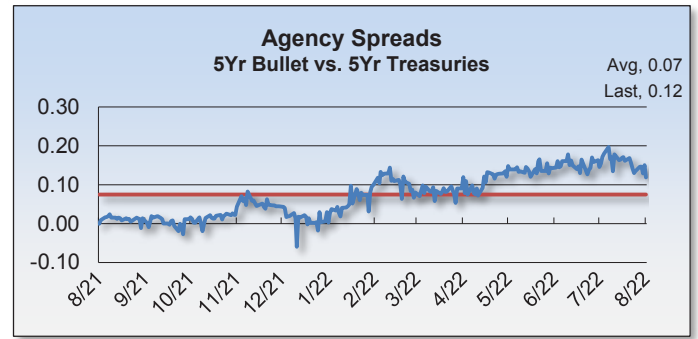
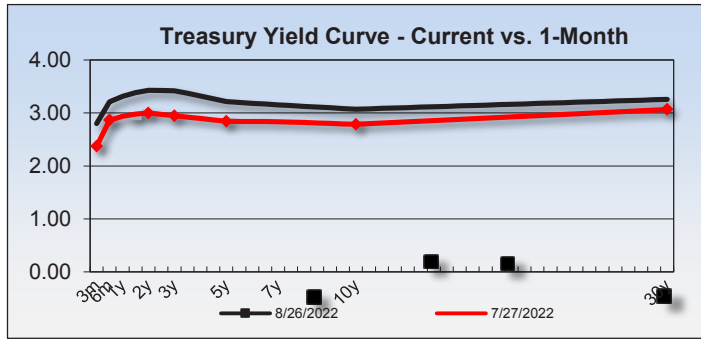
Powell's speech emphasized that restrictive policy will remain in place for some time, noting that "The historical record cautions strongly against prematurely loosening policy". Truer words were never spoken. He also acknowledged that success in the fight against inflation will bring some pain for households and businesses, requiring a "sustained" period of below-trend growth and a weaker labor market. These comments come on the heels of revised GDP data which showed that the contraction of output in Q2 was less than previously reported. Good news I suppose, but it doesn't change the fact that we've seen two consecutive quarters of negative growth... long-considered a basic definition of recession.

The Fed has received loads of justified criticism for failing to anticipate the current inflation problem. Now they seem determined to repair the blow to their reputation by staying on task with aggressive policy and slaying the inflation dragon no matter what.

US Daily Average Gasoline Price: 2021 - 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	2.80	0.13	2.51	0.32	0.05	2yr	3.45	3.74	3.09	3.29	3.60	2Yr	3.42	3.42	3.42	-
6mo	3.21	0.10	2.95	0.70	0.05	3yr	3.49	3.55	3.12	3.32	3.56	3Yr	3.41	3.42	3.40	3.41
1yr	3.31	0.09	3.04	1.10	0.06	5yr	3.31	3.27	3.16	3.37	3.47	5Yr	3.28	3.28	3.27	3.21
2yr	3.43	0.19	3.06	1.57	0.24	7yr	3.29	3.16	3.29	3.50	3.71	7Yr	3.23	3.25	3.24	3.17
3yr	3.42	0.16	3.01	1.76	0.44	10yr	3.43	3.13	3.56	3.78	3.95	10Yr	3.19	3.25	3.24	3.18
5yr	3.21	0.12	2.90	1.87	0.85	15yr	3.58	3.18	4.03	4.29	4.14	September TBA MBS				
7yr	3.15	0.10	2.89	1.95	1.13	20yr	3.72	3.15	4.33	4.60	4.32	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	3.07	0.10	2.81	1.96	1.35	25yr	3.86	3.05	4.42	4.71	4.38	2.00	3.55	5.7y	3.72	
30yr	3.26	0.04	3.03	2.28	1.95	30yr		2.96	4.52	4.81	4.43	2.50	3.71	5.6y		
												3.00	3.67	5.4y	3.92	10.0y
												3.50	3.80	5.2y	4.05	9.6y
												4.00			4.24	8.7y
												4.50			4.41	6.0y

* 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	--	1.53	0.05	--
1 Month LIBOR	2.45	0.09	2.25	0.21	0.09
3 Month LIBOR	3.01	0.03	2.77	0.51	0.12
6 Month LIBOR	3.49	(0.01)	3.32	0.80	0.16
1 Year LIBOR	4.08	0.08	3.81	1.29	0.24
6 Month CD	3.65	0.15	3.42	0.90	0.22
1 Year CMT	3.33	0.09	3.07	1.13	0.07
REPO O/N	2.30	--	1.54	0.06	0.05
REPO 1Wk	2.39	0.06	2.36	0.64	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	3.04	3.10	3.09
6mo	3.38	3.46	3.43
1yr	3.52	3.61	3.64
2yr	3.53	3.65	3.67
3yr	3.52	3.65	3.65
4yr	3.44	3.59	3.57
5yr	3.37	3.51	3.49
7yr	3.47	3.62	3.58
10yr	3.63	3.80	3.74
5yr Am	3.49		3.59
10yr Am	3.57		3.67

Fed Fund Futures	
Maturity	Rate
Aug-22	2.333
Sep-22	2.530
Oct-22	2.960
Nov-22	3.380
Dec-22	3.545
Jan-23	3.630
Feb-23	3.735
Mar-23	3.765
Apr-23	3.795
May-23	3.790
Jun-23	3.760

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
8/22	Chicago Fed Nat Activity Index	Jul	-25%	27%	-19%	-25%
8/23	S&P Global US Manufacturing PMI	Aug P	51.8	51.3	52.2	--
8/23	S&P Global US Services PMI	Aug P	49.8	44.1	47.3	--
8/23	S&P Global US Composite PMI	Aug P	--	45.0	47.7	--
8/23	New Home Sales	Jul	575k	511k	590k	585k
8/24	MBA Mortgage Applications	8/19	--	-1.2%	-2.3%	--
8/24	Durables Ex Transportation	Jul P	0.2%	0.3%	0.4%	0.3%
8/24	Cap Goods Ship Nondef Ex Air	Jul P	0.5%	0.7%	0.7%	0.8%
8/24	Pending Home Sales NSA YoY	Jul	-21.4%	-22.5%	-19.8%	-20.1%
8/25	Initial Jobless Claims	8/20	252k	243k	250k	245k
8/25	Continuing Claims	8/13	1441k	1415k	1437k	1434k
8/25	GDP Annualized QoQ	2Q S	-0.7%	-0.6%	-0.9%	--
8/25	Personal Consumption	2Q S	1.5%	1.5%	1.0%	--
8/25	GDP Price Index	2Q S	8.7%	8.9%	8.7%	--
8/25	Core PCE QoQ	2Q S	4.4%	4.4%	4.4%	--
8/26	Advance Goods Trade Balance	Jul	-\$98.5b	-\$89.1b	-\$98.2b	-\$98.6b
8/26	Personal Income	Jul	0.6%	0.2%	0.6%	0.7%
8/26	Real Personal Spending	Jul	0.4%	0.2%	0.4%	0.0%
8/26	PCE Deflator YoY	Jul	6.4%	6.3%	6.8%	--
8/26	PCE Core Deflator YoY	Jul	4.7%	4.6%	4.8%	--
8/26	U. of Mich. Sentiment	Aug F	55.5	58.2	55.1	--
8/26	U. of Mich. Current Conditions	Aug F	55.6	58.6	55.5	--
8/26	U. of Mich. 1 Yr Inflation	Aug F	5.0%	4.8%	5.0%	--
8/30	House Price Purchase Index QoQ	2Q	--	--	4.6%	--
8/30	S&P CoreLogic CS 20-City YoY NSA	Jun	19.0%	--	20.5%	--
8/30	S&P CoreLogic CS US HPI YoY NSA	Jun	--	--	19.75%	--
8/30	Conf. Board Consumer Confidence	Aug	97.4	--	95.7	--
8/30	Conf. Board Present Situation	Aug	--	--	141.3	--
8/30	JOLTS Job Openings	Jul	10300k	--	10698k	--
8/31	ADP Employment Change	Aug	319k	--	128k	--
8/31	MNI Chicago PMI	Aug	52.8	--	52.1	--
9/1	Challenger Job Cuts YoY	Aug	--	--	36.3%	--
9/1	Nonfarm Productivity	2Q F	-4.5%	--	-4.6%	--
9/1	Unit Labor Costs	2Q F	10.8%	--	10.8%	--
9/1	ISM Manufacturing	Aug	52.0	--	52.8	--
9/1	ISM Prices Paid	Aug	--	--	60.0	--
9/1	ISM New Orders	Aug	--	--	48.0	--
9/1	ISM Employment	Aug	--	--	49.9	--
9/2	Two-Month Payroll Net Revision	Aug	--	--	28k	--
9/2	Change in Nonfarm Payrolls	Aug	300k	--	528k	--
9/2	Change in Private Payrolls	Aug	300k	--	471k	--
9/2	Change in Manufact. Payrolls	Aug	18k	--	30k	--
9/2	Unemployment Rate	Aug	3.5%	--	3.5%	--
9/2	Average Hourly Earnings YoY	Aug	5.3%	--	5.2%	--
9/2	Average Weekly Hours All Employees	Aug	34.6	--	34.6	--
9/2	Labor Force Participation Rate	Aug	--	--	62.1%	--
9/2	Underemployment Rate	Aug	--	--	6.7%	--

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	15.0	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	9.8	10.4	11.7	13.0	13.7
FH/FN 15y	7.9	7.8	8.9	10.2	15.3	19.9
GN 15y	10.4	9.2	9.9	13.3	14.3	14.9
FH/FN 20y	6.0	6.9	7.2	7.8	9.2	10.9
FH/FN 30y	5.8	6.1	6.6	7.3	8.9	13.0
GN 30y	6.7	6.5	7.6	9.1	10.3	11.6

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	136.98	0.01	136.91	115.00	110.09
Euro	1.01	0.00	1.01	1.12	1.18
Dollar Index	107.68	(0.49)	107.19	96.62	93.06
Major Stock Indices					
Dow Jones	33,201	(506)	31,762	34,059	35,213
S&P 500	4,162.5	(66.0)	3,921.1	4,384.7	4,470.0
NASDAQ	12,578.1	(127)	11,562.6	13,694.6	14,945.8
Commodities					
Gold	1,751.8	4.2	1,717.7	1,887.6	1,792.2
Crude Oil	92.77	2.00	94.98	91.59	67.42
Natural Gas	9.53	0.19	8.99	4.47	4.18
Wheat	785.0	31.8	803.8	843.0	725.3
Corn	668.3	42.3	597.0	659.5	552.8

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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