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The Fed has always said they will be data driven. If they needed more ammunition before they decide to raise interest rates for the first time since December 2018, they got it this week. Yesterday, the headline consumer price index increased 7.5% compared with a year ago. Core CPI, which strips out volatile food and energy costs, increased 6%, compared with the estimate of 5.9%. Core inflation rose at its fastest level since August 1982. The monthly CPI rates also came in higher than expected with headline and core CPI both rising 0.6%, compared with estimates for a 0.4% increase by both measurements.

What items are driving up the CPI? That's a great question... I'm glad you asked! Fuel oil rose 9.5% month over month as part of a 46.5% year over year increase. Energy costs overall were up 0.9% for the month and 27% on the year. Vehicle costs, which have been a big inflation contribution since the spring of 2021, were flat for new cars and up 1.5% for used cars and trucks in January. The lack of new car inventory due to a microchip shortage is generally to blame for the higher auto prices. Shelter

costs, which make up one-third of the total CPI number, increased 0.3% on the month, which is the smallest gain since August 2021, but still up 4.4% over the past year.

Okay... that was a lot of number and percentages. Let's talk about the Fed. Most are no longer debating when the Fed will raise rates, but rather by how much at the upcoming March meeting. The Fed hasn't increased interest rates by 50bps in one meeting since 2000. In the last two weeks, some Fed officials have tried to play down expectations of a 50bp move. This week, Cleveland Fed President Loretta Mester laid out a plan where the Fed starts with quarter-point rate hikes, with more aggressive moves on the table in the second half of the year if the high inflation readings remain. Inflation is a function of supply and demand. It is hard to envision how Fed rate hikes will magically heal or improve the damaged supply chains, but the Fed's rate hikes should have some impact on demand at some point in the future to cool off inflation. Stay tuned as the Fed will meet next month starting on March 15th and concluding the following day.

Next week's economic calendar includes some key retail sales data as well as industrial production and capacity utilization. Additionally, some housing related data will come by the way of new housing starts and existing home sales.

Lastly, I'll leave everyone with some fun Super Bowl facts in time for Super Bowl Sunday. \$6,214: The average cost of a ticket to the past five Super Bowls. \$6.5 million: The cost of a 30-second Super Bowl ad this year. It will be the 2nd time a team will play the Super Bowl in their home stadium. The last time this happened? Just last year with the Tampa Bay Buccaneers! Enjoy the game and have a great weekend!

Consumer Price Index, Percent Change from a Year Ago (1980 to Present)



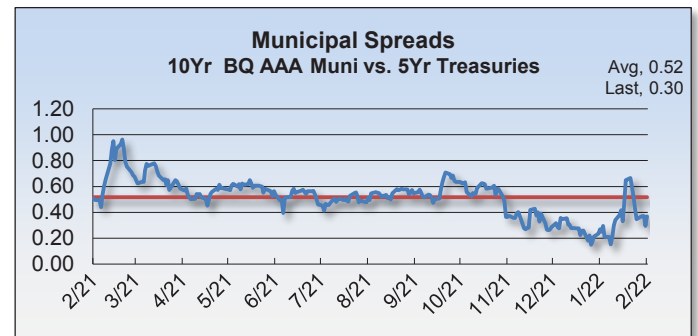
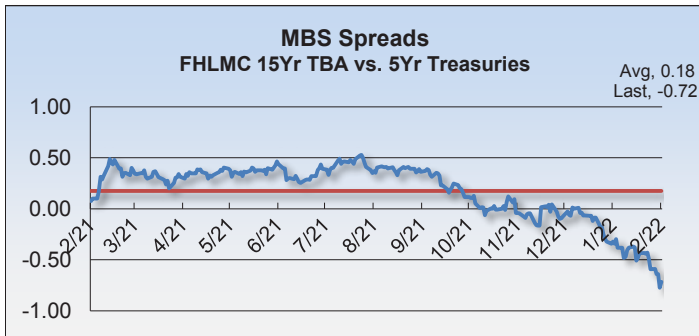
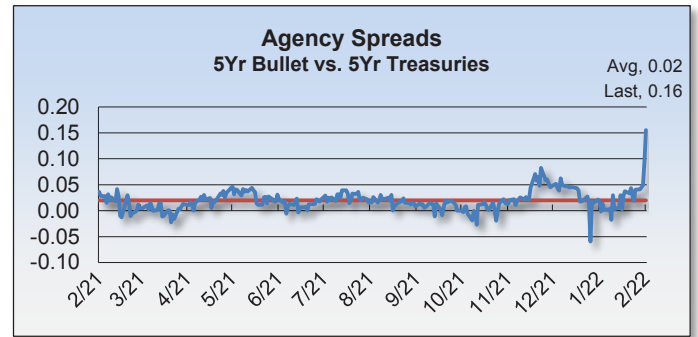
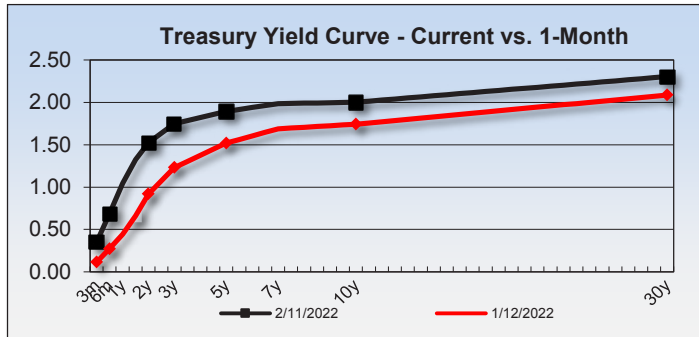
Source: Bureau of Labor Statistics

Baker Market Update

Week in Review

The Baker Group

February 11, 2022



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	0.35	0.12	0.12	0.05	0.04	2yr	1.55	1.73	1.33	1.42	1.72	2Yr	1.53	1.53	1.53	-	
6mo	0.69	0.14	0.27	0.05	0.05	3yr	1.80	1.89	1.48	1.58	1.88	3Yr	1.75	1.76	1.70	1.75	
1yr	1.04	0.18	0.44	0.08	0.07	5yr	1.99	1.98	1.74	1.85	2.19	5Yr	1.98	1.98	1.97	1.91	
2yr	1.52	0.21	0.89	0.22	0.11	7yr	2.12	2.03	1.93	2.06	2.38	7Yr	2.07	2.09	2.08	2.02	
3yr	1.75	0.21	1.18	0.45	0.23	10yr	2.28	2.08	2.14	2.28	2.58	10Yr	2.14	2.19	2.19	2.12	
5yr	1.89	0.12	1.50	0.81	0.46	15yr	2.43	2.15	2.34	2.49	2.87		March TBA MBS				
7yr	1.98	0.10	1.68	1.11	0.81	20yr	2.58	2.17	2.52	2.68	2.90	Cpn	15Yr -Yld/AL		30Yr -Yld/AL		
10yr	2.00	0.09	1.74	1.33	1.17	25yr	2.73	2.14	2.63	2.80	2.96	2.00	2.17	5.1y	2.60		
30yr	2.30	0.09	2.06	2.00	1.95	30yr		2.11	2.74	2.92	3.01	2.50	2.21	3.9y			
* Interpolated												3.00	2.22	3.4y	2.90	5.3y	
												3.50	2.35	3.4y	2.72	4.1y	
												4.00			2.59	3.8y	
												4.50			2.66	3.7y	
Key Market Indices																	
		1Wk	Historical														

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	0.25	--	0.25	0.25	0.25
Primary Discount	0.25	--	0.25	0.25	0.25
2ndary Discount	0.75	--	0.75	0.75	0.75
Prime Rate	3.25	--	3.25	3.25	3.25
Sec. O.N. Finance	0.05	--	0.05	0.05	--
1 Month LIBOR	0.12	0.01	0.11	0.10	0.12
3 Month LIBOR	0.38	0.07	0.24	0.13	0.20
6 Month LIBOR	0.63	0.11	0.38	0.15	0.21
1 Year LIBOR	1.09	0.16	0.66	0.24	0.31
6 Month CD	0.80	0.21	0.32	0.11	0.16
1 Year CMT	1.14	0.36	0.46	0.08	0.07
REPO O/N	0.06	0.01	0.04	0.05	0.09
REPO 1Wk	0.10	0.02	0.09	0.11	0.07
CoF Federal	0.736	--	0.738	0.785	0.925
11th D. CoF (Dec)	0.223	--	0.218	0.282	0.460

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	0.62	0.69	0.55
6mo	0.93	1.03	0.90
1yr	1.37	1.38	1.23
2yr	1.75	1.93	1.69
3yr	1.97	2.16	1.92
4yr	2.06	2.26	2.06
5yr	2.12	2.32	2.11
7yr	2.27	2.50	2.29
10yr	2.45	2.70	2.46
5yr Am	1.95		1.97
10yr Am	2.24		2.26

Fed Fund Futures	
Maturity	Rate
Feb-22	0.100
Mar-22	0.305
Apr-22	0.490
May-22	0.785
Jun-22	0.960
Jul-22	1.110
Aug-22	1.260
Sep-22	1.325
Oct-22	1.465
Nov-22	1.565
Dec-22	1.640

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Baker Market Update

Week in Review

February 11, 2022

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
2/7	Consumer Credit	Dec	\$21.900b	\$18.898b	\$39.994b	\$38.821b
2/8	NFIB Small Business Optimism	Jan	97.5	97.1	98.9	--
2/8	Trade Balance	Dec	-\$83.0b	-\$80.7b	-\$80.2b	-\$79.3b
2/9	MBA Mortgage Applications	2/4	--	-8.1%	12.0%	--
2/9	Wholesale Inventories MoM	Dec F	2.1%	2.2%	2.1%	2.2%
2/9	Wholesale Trade Sales MoM	Dec	1.5%	0.2%	1.3%	1.7%
2/10	Initial Jobless Claims	2/5	230k	223k	238k	239k
2/10	Continuing Claims	1/29	1615k	1621k	1628k	1621k
2/10	CPI MoM	Jan	0.4%	0.6%	0.5%	0.6%
2/10	CPI Ex Food and Energy MoM	Jan	0.5%	0.6%	0.6%	--
2/10	CPI YoY	Jan	7.3%	7.5%	7.0%	--
2/10	CPI Ex Food and Energy YoY	Jan	5.9%	6.0%	5.5%	--
2/10	CPI Index NSA	Jan	280.4	281.1	278.8	--
2/10	CPI Core Index SA	Jan	286.07	286.43	284.76	284.77
2/10	Real Avg Hourly Earning YoY	Jan	--	-1.7%	-2.4%	-2.0%
2/10	Real Avg Weekly Earnings YoY	Jan	--	-3.1%	-2.3%	-2.0%
2/10	Monthly Budget Statement	Jan	\$23.0b	\$118.7b	-\$162.8b	--
2/11	U. of Mich. Sentiment	Feb P	67.0	61.7	67.2	--
2/11	U. of Mich. Current Conditions	Feb P	72.1	68.5	72.0	--
2/11	U. of Mich. Expectations	Feb P	64.5	57.4	64.1	--
2/11	U. of Mich. 1 Yr Inflation	Feb P	5.0%	5.0%	4.9%	--
2/11	U. of Mich. 5-10 Yr Inflation	Feb P	--	3.1%	3.1%	--
2/15	PPI Final Demand MoM	Jan	0.5%	--	0.2%	0.3%
2/15	PPI Ex Food and Energy MoM	Jan	0.4%	--	0.5%	--
2/15	PPI Ex Food, Energy, Trade MoM	Jan	0.4%	--	0.4%	0.3%
2/15	PPI Final Demand YoY	Jan	9.0%	--	9.7%	--
2/15	PPI Ex Food and Energy YoY	Jan	7.9%	--	8.3%	--
2/15	PPI Ex Food, Energy, Trade YoY	Jan	6.3%	--	6.9%	--
2/15	Empire Manufacturing	Feb	12.0	--	-0.7	--
2/15	Net Long-term TIC Flows	Dec	--	--	\$137.4b	--
2/15	Total Net TIC Flows	Dec	--	--	\$223.9b	--
2/16	Retail Sales Advance MoM	Jan	1.8%	--	-1.9%	--
2/16	Retail Sales Ex Auto MoM	Jan	1.0%	--	-2.3%	--
2/16	Retail Sales Ex Auto and Gas	Jan	0.9%	--	-2.5%	--
2/16	Retail Sales Control Group	Jan	1.0%	--	-3.1%	--
2/16	Import Price Index YoY	Jan	--	--	10.4%	--
2/16	Export Price Index YoY	Jan	--	--	14.7%	--
2/16	Capacity Utilization	Jan	76.8%	--	76.5%	--
2/16	Manufacturing (SIC) Production	Jan	0.3%	--	-0.3%	--
2/16	Business Inventories	Dec	2.0%	--	1.3%	--
2/16	NAHB Housing Market Index	Feb	83	--	83	--
2/16	FOMC Meeting Minutes	1/26	--	--	--	--
2/17	Building Permits	Jan	1750k	--	1873k	1885k
2/17	Housing Starts	Jan	1700k	--	1702k	--
2/17	Philadelphia Fed Business Outlook	Feb	20.4	--	23.2	--
2/18	Existing Home Sales	Jan	6.10m	--	6.18m	--
2/18	Leading Index	Jan	0.2%	--	0.8%	--

MBS Prepayments ⁴						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	14.0	22.5	24.0	24.3	23.3	16.0
FH/FN 15y	10.2	23.9	26.4	32.0	29.8	23.0
GN 15y	25.4	17.1	18.9	19.4	20.2	19.7
FH/FN 20y	54.4	19.8	22.6	22.8	24.6	20.6
FH/FN 30y	1.3	11.7	33.1	39.2	43.6	44.4
GN 30y	4.8	16.3	33.6	36.6	39.4	24.8
CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	15.1	17.4	18.0	18.4	19.5	19.3
FH/FN 15y	11.6	13.4	14.6	16.1	19.1	20.9
GN 15y	13.3	12.7	12.6	12.7	12.5	12.3
FH/FN 20y	54.5	11.3	11.5	11.7	12.5	12.9
FH/FN 30y	8.7	9.4	15.5	18.5	22.0	22.6
GN 30y	8.5	9.7	13.5	13.6	14.1	13.0

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	115.78	0.52	115.30	110.43	104.75
Euro	1.14	(0.01)	1.14	1.17	1.21
Dollar Index	95.80	0.32	95.62	92.92	90.42
Major Stock Indices					
Dow Jones	35,283	194	36,252	35,485	31,431
S&P 500	4,512.2	11.7	4,713.1	4,447.7	3,916.4
NASDAQ	14,107.5	10	15,153.5	14,765.1	14,025.8
Commodities					
Gold	1,828.0	21.4	1,818.5	1,750.4	1,824.9
Crude Oil	91.11	(1.20)	81.22	69.25	58.24
Natural Gas	3.91	(0.67)	4.25	4.06	2.87
Wheat	785.8	22.5	770.3	727.0	633.5
Corn	647.3	26.8	601.0	556.3	541.0

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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