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The Labor Department announced today that the U.S. unemployment rate unexpectedly fell from 9.0% to 8.6%, while payroll growth fell just shy of expectations. The latest 8.6% read on the household unemployment survey is the lowest level since March 2009. This drop comes as the number of people employed grew by 278K, while the labor force fell about half that amount. Currently, the labor participation rate sits at 64.0%, down from 64.2%. A broader measure of unemployment known as the U-6 figure which includes part-timers and 'marginally attached' workers, fell from 16.2% to 15.6%.

Though economists were anticipating a payrolls increase of 125,000 in November, today's 120,000 increase marks the fourteenth straight month of job growth. Additionally, October's tally was also revised up from 80,000 to 100,000. Average hourly earnings fell 0.1%, while year-over-year hourly earnings slowed to 1.8%. The average work week held steady at 34.3hrs. All told, the modest increase in payrolls still highlights a fragile labor market which has yet to take off, even after more than two years into the recovery.

Topping the news stories this week was the coordinated effort from the Fed and five other central banks to cut the cost of emergency funding for foreign banks by 50bps. This move was designed to help Europe cope with its burgeoning debt crisis. This sent stocks surging as the Dow saw its biggest rally since March 2009. Blue Chip stocks are up over 900pts to 12,137. Meanwhile, September's S&P/Case-Shiller index saw a larger-than-expected decline in home prices, dropping 3.65 vs. 3.0%. The Fed's latest commentary on the current economic conditions of it district, the so-called Beige Book, noted that economic growth has "increased at a slow to moderate pace" helped in part by the modest rise in consumer spending and manufacturing.

The 0.4% drop to 8.6% in the jobless rate is definitely a sign of relief, but headwinds are still strong as lackluster job growth remains. Combined with a relatively stagnant growth in the labor force for the past three-years, the continued decline in the unemployment rate will largely depend on much needed job growth.

U.S. Unemployment Rate - Last 40 Years



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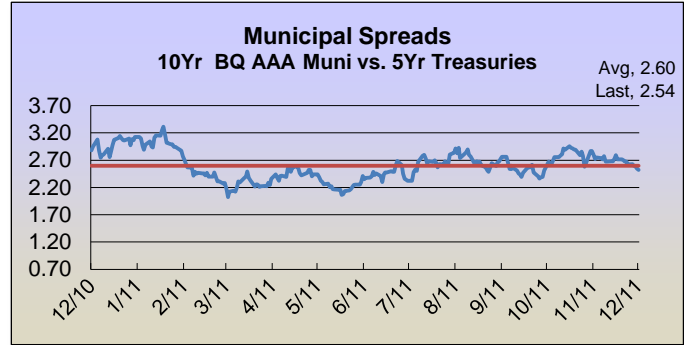
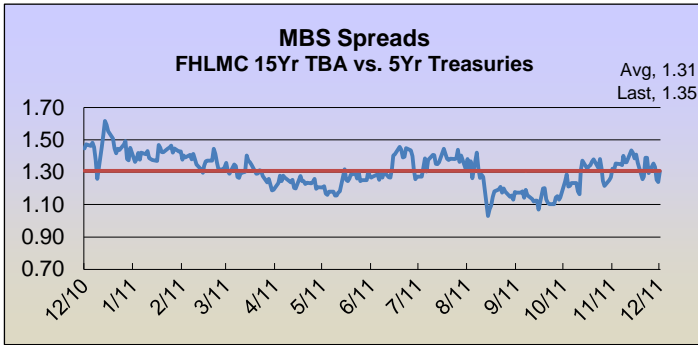
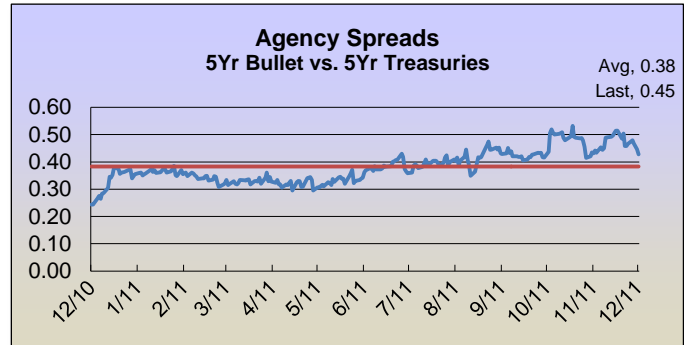
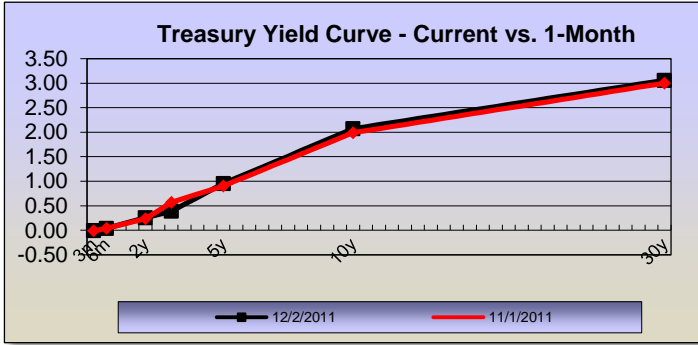
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Baker Market Update



December 2, 2011



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		Maty	3Mo	6mo	1Yr	2Yr
3mo	-0.01	(0.02)	0.00	0.04	0.15	3mo	0.10					2Yr	0.00	0.00	0.50	-
6mo	0.04	(0.02)	0.04	0.10	0.19	6mo	0.10					3Yr	0.00	0.00	0.79	0.80
1yr	0.10	(0.02)	0.10	0.19	0.27	1yr	0.20		0.80	0.83	0.65	5Yr	0.00	1.43	1.50	1.51
2yr	0.25	(0.02)	0.23	0.46	0.54	2yr	0.45	0.70	1.05	1.08	0.80	7Yr	0.00	2.06	2.13	2.12
3yr	0.39	(0.01)	0.36	0.86	0.92	3yr	0.71	0.85	1.37	1.40	1.10	10Yr	0.00	2.63	2.71	2.68
5yr	0.95	0.02	0.88	1.65	1.67	5yr	1.35	1.36	2.11	2.15	1.75	January TBA MBS				
7yr	1.52	0.07	1.43	2.34	2.37	7yr	1.91	1.82	2.70	2.74	2.40	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	2.07	0.11	1.99	3.03	2.99	10yr	2.60	2.24	3.60	3.65	3.00	4.00	1.88	2.5y	2.76	3.48y
30yr	3.06	0.14	3.01	4.25	4.26	20yr	3.42		4.75	4.85	4.75	4.50	2.00	2.68y	2.12	2.51y
												5.00	1.78	2.38y	1.84	2.47y
												5.50	2.16	2.63y	2.13	2.69y
												6.00	2.78	2.76y	2.34	2.83y

* 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	0.75	--	0.75	0.75	0.75
2ndary Discount	1.25	--	1.25	1.25	1.25
Prime Rate	3.25	--	3.25	3.25	3.25
1 Month LIBOR	0.27	0.01	0.25	0.19	0.27
3 Month LIBOR	0.53	0.01	0.43	0.25	0.30
6 Month LIBOR	0.75	0.01	0.62	0.40	0.47
1 Year LIBOR	1.07	0.01	0.94	0.73	0.79
6 Month CD	0.73	0.02	0.60	0.38	0.44
1 Year CMT	0.12	--	0.13	0.18	0.28
REPO O/N	0.04	--	0.10	0.07	0.15
REPO 1Wk	0.04	--	0.08	0.04	0.15
CoF National Med	1.25	--	1.28	1.43	1.66
11th District CoF	1.22	--	1.28	1.36	1.65

FHLB Fixed Advance Rates				
Maturity	Chicago	Boston	Dallas	Topeka
3mo	0.15	0.21	0.16	0.30
6mo	0.21	0.26	0.22	0.36
1yr	0.33	0.43	0.30	0.45
2yr	0.57	0.82	0.99	0.79
3yr	0.92	1.12	1.14	1.03
4yr	1.25	1.46	1.42	1.38
5yr	1.56	1.78	1.73	1.72
7yr	2.22	2.43	2.25	--
10yr	2.88	3.19	2.77	2.97
5yr Am	1.20		1.37	1.34
10yr Am	2.38		2.22	2.29

Fed Fund Futures	
Maturity	Rate
Dec-11	0.085
Jan-12	0.095
Feb-12	0.100
Mar-12	0.110
Apr-12	0.120
May-12	0.130
Jun-12	0.125
Jul-12	0.130
Aug-12	0.135
Sep-12	0.135
Oct-12	0.135

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Baker Market Update



December 2, 2011

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
11/28	New Home Sales	OCT	315K	307K	313K	303K
11/28	New Home Sales MoM	OCT	0.6%	1.3%	5.7%	3.4%
11/28	Dallas Fed Manf. Activity	NOV	5.0	3.2	2.3	--
11/29	S&P/CS 20 City MoM% SA	SEP	-0.1%	-0.6%	-0.4%	-0.3%
11/29	S&P/CS Composite-20 YoY	SEP	-3.0%	-3.6%	-3.8%	-3.8%
11/29	S&P/CaseShiller Home Price Ind	SEP	--	142.0	142.8	142.9
11/29	S&P/Case-Shiller US HPI YOY%	3Q	-3.1%	-3.9%	-5.9%	-5.8%
11/29	S&P/Case-Shiller US HPI	3Q	--	130.4	130.4	130.2
11/29	Consumer Confidence	NOV	44.0	56.0	39.8	40.9
11/29	House Price Index MoM	SEP	-0.1%	0.9%	-0.4%	-0.2%
11/29	House Price Purchase Index QoQ	3Q	--	0.2%	-0.6%	-0.3%
11/30	MBA Mortgage Applications	11/25	--	-11.7%	-1.2%	--
11/30	Challenger Job Cuts YoY	NOV	--	-12.8%	12.6%	--
11/30	ADP Employment Change	NOV	130K	206K	110K	130K
11/30	Nonfarm Productivity	3Q F	2.5%	2.3%	3.1%	--
11/30	Unit Labor Costs	3Q F	-2.1%	-2.5%	-2.4%	--
11/30	Chicago Purchasing Manager	NOV	58.5	62.6	58.4	--
11/30	Pending Home Sales MoM	OCT	2.0%	10.4%	-4.6%	--
11/30	Pending Home Sales YoY	OCT	--	7.3%	7.9%	--
11/30	NAPM-Milwaukee	NOV	56.0	56.7	55.5	--
12/01	RBC Consumer Outlook Index	DEC	--	40.3	39.6	--
12/01	Initial Jobless Claims	11/26	390K	402K	393K	396K
12/01	Continuing Claims	11/19	3650K	3740K	3691K	3705K
12/01	Bloomberg Consumer Comfort	11/27	(49.0)	(50.2)	(50.1)	--
12/01	Construction Spending MoM	OCT	0.3%	0.8%	0.2%	--
12/01	ISM Manufacturing	NOV	51.8	52.7	50.8	--
12/01	ISM Prices Paid	NOV	45.0	45.0	41.0	--
12/01	ICSC Chain Store Sales YoY	NOV	--	3.2%	3.7%	--
12/01	Total Vehicle Sales	NOV	13.40M	13.59M	13.20M	--
12/01	Domestic Vehicle Sales	NOV	10.40M	10.53M	10.29M	--
12/02	Change in Nonfarm Payrolls	NOV	125K	120K	80K	100K
12/02	Change in Private Payrolls	NOV	150K	140K	104K	117K
12/02	Change in Manufact. Payrolls	NOV	9K	2K	5K	6K
12/02	Unemployment Rate	NOV	9.0%	8.6%	9.0%	--
12/02	Underemployment Rate (U6)	NOV	--	15.6%	16.2%	--
12/02	Avg Hourly Earning MOM All Emp	NOV	0.2%	-0.1%	0.2%	0.3%
12/02	Avg Hourly Earning YOY All Emp	NOV	2.0%	1.8%	1.8%	1.9%
12/02	Avg Weekly Hours All Employees	NOV	34.3	34.3	34.3	--
12/02	Chg in Household Survey Empl	NOV	--	278.0	277.0	--
12/05	ISM Non-Manf. Composite	NOV	53.5	--	52.9	--
12/05	Factory Orders	OCT	-0.3%	--	0.3%	--
12/07	Consumer Credit	OCT	\$7.000B	--	\$7.386B	--
12/08	Initial Jobless Claims	12/3	398K	--	402K	402K
12/08	Continuing Claims	11/26	--	--	--	--
12/08	Bloomberg Consumer Comfort	12/4	--	--	(50.2)	--
12/08	Wholesale Inventories	OCT	0.3%	--	-0.1%	--
12/09	Trade Balance	OCT	-\$43.0B	--	-\$43.1B	--

MBS Prepayments ⁴					
3-Month CPR					
Type	4.5	5.0	5.5	6.0	6.5
FN 10y	24.6	24.1	21.9	17.2	14.9
FH/FN 15y	24.2	21.8	20.6	18.6	16.3
GN 15y	16.7	16.7	14.3	14.7	15.3
FH/FN 20y	23.4	25.2	25.1	22.3	17.2
FH/FN 30y	22.1	22.6	23.8	22.2	19.9
GN 30y	12.8	17.3	20.6	20.4	17.9
PSA Projections					
Type	4.5	5.0	5.5	6.0	6.5
FN 10y	432	482	421	386	314
FH/FN 15y	461	476	418	384	313
GN 15y	317	417	383	342	248
FH/FN 20y	502	494	455	400	376
FH/FN 30y	552	558	508	483	457
GN 30y	397	468	463	494	463

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	77.92	0.19	78.05	80.90	83.82
Euro	1.35	0.02	1.37	1.45	1.32
Dollar Index	78.28	(1.40)	77.02	74.33	80.30
Major Stock Indices					
Dow Jones	12,124.2	892.5	11,836.0	12,248.6	11,362.4
S&P 500	1,257.2	98.5	1,237.9	1,312.9	1,221.5
NASDAQ	2,652.4	210.8	2,640.0	2,773.3	2,579.4
Commodities					
Gold	1,753.50	65.00	1,731.70	1,536.50	1,403.60
Crude Oil	100.32	3.55	92.35	102.88	89.89
Natural Gas	3.61	(0.05)	3.88	5.25	5.25
Wheat	614.3	25.3	659.0	906.0	815.8
Corn	603.00	13.00	656.00	705.50	530.50

Notes: ¹ Call Ggy = Maturity at left w/ a 1-Year Call at Par; ² Muni TEY (34% Fed, 2.0% COF); ³ S-Corp TEY Muni (35%, no TEFERA); ⁴ MBS Prepayments are provided by Bloomberg
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