

Chris S. Wilson
Vice President
Financial Strategies Group
chris@gobaker.com
866.379.2487

The Baker Group
GoBaker.com
1601 NW Expressway
20th Floor
Oklahoma City, OK
800.937.2257

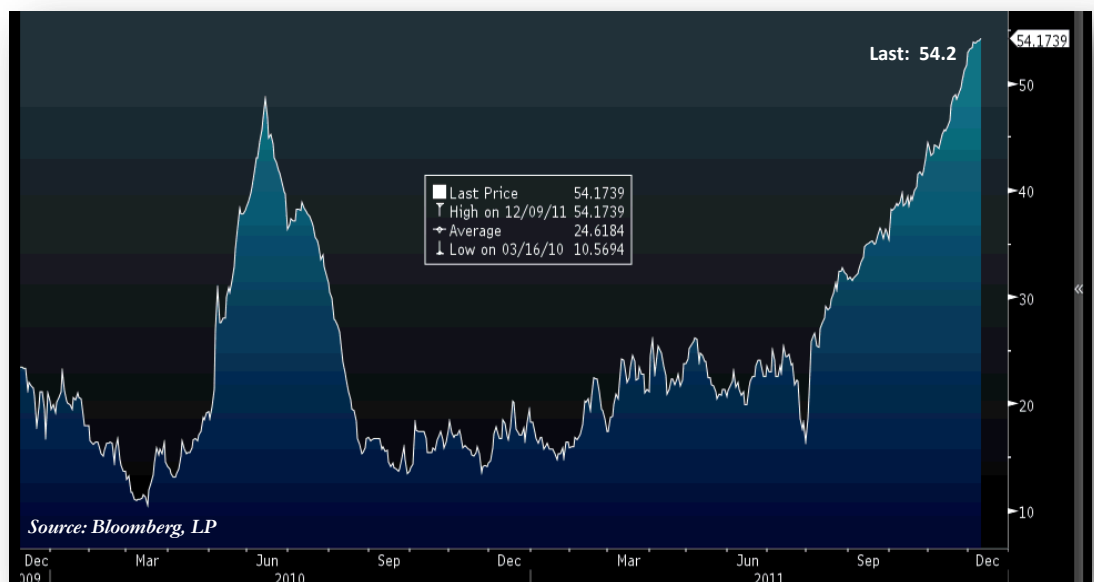
European leaders struck an accord today with a more detailed plan to contain their burgeoning debt crisis and place limits on future indebtedness of its EU members. The ECB also lowered the cost of interbank borrowing to help stimulate growth as the benchmark rate fell back to a record low of 1.00%. EU officials doubled-down on their rescue fund, adding about \$267 billion to help sop up some of the banks' exposure to sovereign debt like Italy and Spain. Lately, this has restored some confidence in stocks, boosting Euro stocks up about 2% and pushing US Blue Chip stocks up nearly 1.5% today.

Consumer Confidence also jumped this week, helped by a drop in unemployment, declining gas prices, and a stronger stock market. Crude oil prices have fallen over \$2/gln to around \$98.44 this week, as growth expectations in Europe waned.

Next week, the Treasury will auction \$66 billion 3Yr, 10Yr, and 30Yr Notes and Bonds. Fed members will gather on Tuesday for their last FOMC meeting of the year, with the market expecting no change to the Fed's zero interest rate policy. Additionally, some market participants feel central bankers might roll out a third-round of quantitative easing, in which the Fed could buy an estimated half-trillion dollars of mortgage-backed securities in order to keep borrowing rates near record lows. Economists expect retail sales for November to rise 0.6%, while sales less autos should rise 0.4%, just shy of the prior months 0.6%. Producer prices for the same month are expected to rise 0.2%, following October's unexpected decline. Core producer prices should follow headline numbers, rising 0.2% in November. On a year-over-year basis, core prices should hold at 2.8%. The consumer price index is expected to rise just 0.1%. November core retail prices for the prior year are expected to remain at 2.1%. Economists anticipate industrial production to slow from October's 0.7% to 0.2% in November, while capacity utilization should continue its subtle rise to 77.9%.

The TED spread is a useful measure of fear in the marketplace, as it shows the yield spread between Eurodollar deposits and short-term T-Bills. The 3Mo Libor has steadily risen since mid-June as demand for dollars has risen in Europe. Meanwhile, the 3Mo T-Bill has trended toward zero over the same time frame as demand for U.S. debt remains strong.

TED Spread - Last 2 Years



[Click Here for Additional Economic & Financial News](#)

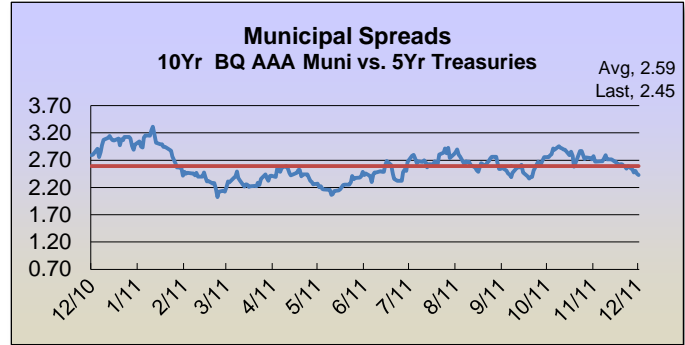
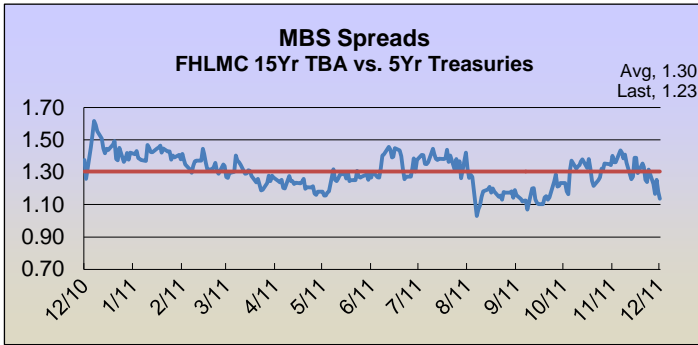
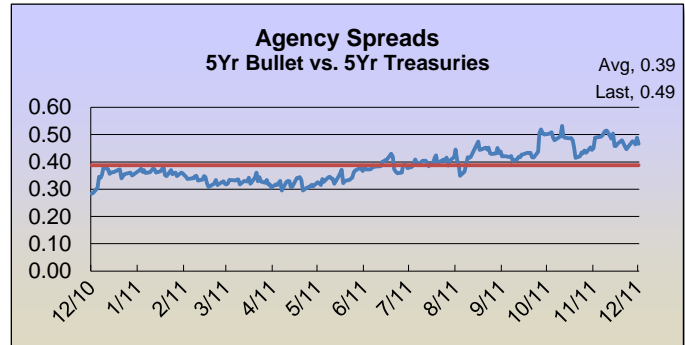
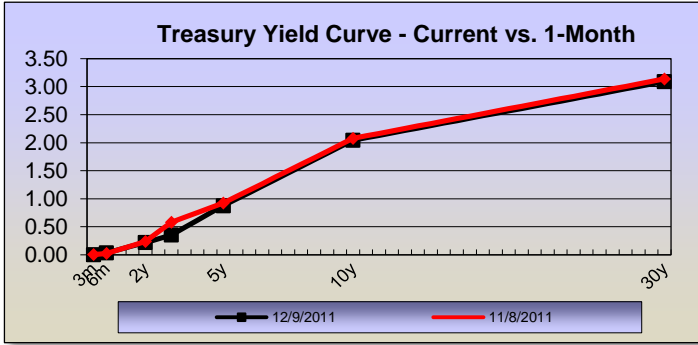
Austin, TX | Birmingham, AL | Indianapolis, IN | Oklahoma City, OK | Salt Lake City, UT | Springfield, IL

Member: Financial Industry Regulatory Authority (FINRA) and Securities Investors Protection Corporation (SIPC)

Baker Market Update



December 9, 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	0.00	0.00	0.01	0.04	0.14	3mo	0.08					2Yr	0.00	0.00	0.43	-
6mo	0.04	(0.01)	0.03	0.09	0.18	6mo	0.12					3Yr	0.00	0.00	0.70	0.69
1yr	0.08	(0.02)	0.08	0.17	0.27	1yr	0.18		0.74	0.77	0.59	5Yr	0.00	1.29	1.37	1.36
2yr	0.22	(0.03)	0.23	0.42	0.62	2yr	0.40	0.64	0.97	1.01	0.78	7Yr	0.00	1.96	2.00	1.98
3yr	0.35	(0.04)	0.38	0.81	1.05	3yr	0.63	0.76	1.27	1.29	1.07	10Yr	0.00	2.49	2.61	2.57
5yr	0.88	(0.04)	0.87	1.59	1.89	5yr	1.23	1.26	1.92	1.95	1.72	January TBA MBS				
7yr	1.46	(0.02)	1.40	2.29	2.60	7yr	1.78	1.73	2.43	2.46	2.44	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	2.04	0.01	1.96	3.00	3.21	10yr	2.55	2.18	3.37	3.42	2.98	4.00	1.73	2.57y	2.46	3.3y
30yr	3.09	0.07	3.03	4.22	4.40	20yr	3.45		4.65	4.74	4.73	4.50	1.69	2.55y	1.69	2.4y
												5.00	1.64	2.38y	1.44	2.4y
												5.50	2.07	2.6y	1.90	2.72y
												6.00	2.93	2.7y	2.15	2.82y

* 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	0.28	0.01	0.25	0.19	0.26
3 Month LIBOR	0.54	0.01	0.45	0.25	0.30
6 Month LIBOR	0.76	0.01	0.65	0.40	0.46
1 Year LIBOR	1.08	0.02	0.96	0.72	0.78
6 Month CD	0.74	0.01	0.63	0.37	0.43
1 Year CMT	0.10	(0.02)	0.10	0.18	0.30
REPO O/N	0.06	--	0.02	0.01	0.07
REPO 1Wk	0.07	--	0.03	0.05	0.10
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	0.14	0.20	0.14	0.30
6mo	0.19	0.24	0.20	0.34
1yr	0.33	0.41	0.29	0.44
2yr	0.53	0.75	0.93	0.72
3yr	0.85	1.05	1.04	0.95
4yr	1.14	1.36	1.28	1.26
5yr	1.40	1.62	1.56	1.54
7yr	2.07	2.29	2.07	--
10yr	2.74	3.06	2.59	2.82
5yr Am	1.08		1.25	1.22
10yr Am	2.24		2.05	2.14

Fed Fund Futures	
Maturity	Rate
Dec-11	0.082
Jan-12	0.090
Feb-12	0.100
Mar-12	0.105
Apr-12	0.115
May-12	0.125
Jun-12	0.125
Jul-12	0.130
Aug-12	0.135
Sep-12	0.135
Oct-12	0.135

[Click Here for Additional Economic & Financial News](#)

Austin, TX | Birmingham, AL | Indianapolis, IN | Oklahoma City, OK | Salt Lake City, UT | Springfield, IL

Member: Financial Industry Regulatory Authority (FINRA) and Securities Investors Protection Corporation (SIPC)

Baker Market Update



December 9, 2011

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
12/05	ISM Non-Manf. Composite	NOV	53.9	52.0	52.9	--
12/05	Factory Orders	OCT	-0.3%	-0.4%	0.3%	-0.1%
12/07	MBA Mortgage Applications	12/2	--	12.8%	-11.7%	--
12/07	Consumer Credit	OCT	\$7.000B	\$7.645B	\$7.386B	\$6.880B
12/08	Initial Jobless Claims	12/3	395K	381K	402K	404K
12/08	Continuing Claims	11/26	3700K	3583K	3740K	3757K
12/08	Bloomberg Consumer Comfort	12/4	(49.3)	(50.3)	(50.2)	--
12/08	Wholesale Inventories	OCT	0.3%	1.6%	-0.1%	0.0%
12/09	Trade Balance	OCT	-\$43.9B	-\$43.5B	-\$43.4B	-\$44.2B
12/09	U. of Michigan Confidence	DEC P	65.8	67.7	64.1	--
12/12	U.S. to Sell USD32 Bln 3-Year Notes					
12/12	Monthly Budget Statement	NOV	-\$140.0B	--	-\$150.4B	--
12/13	NFIB Small Business Optimism	NOV	91.3	--	90.2	--
12/13	Advance Retail Sales	NOV	0.6%	--	0.5%	--
12/13	Retail Sales Less Autos	NOV	0.4%	--	0.6%	--
12/13	Retail Sales Ex Auto & Gas	NOV	0.5%	--	0.7%	--
12/13	IBD/TIPP Economic Optimism	DEC	41.8	--	40.6	--
12/13	JOLTs Job Openings	OCT	--	--	3,354.0	--
12/13	Business Inventories	OCT	0.5%	--	0.0%	--
12/13	U.S. to Sell 4-Week Bills					
12/13	U.S. to Sell USD21 Bln 10-Year Notes R					
12/13	FOMC Rate Decision	12/13	0.25%	--	0.25%	--
12/14	MBA Mortgage Applications	12/9	--	--	12.8%	--
12/14	Import Price Index (MoM)	NOV	1.1%	--	-0.6%	--
12/14	Import Price Index (YoY)	NOV	10.4%	--	11.0%	--
12/14	U.S. to Sell USD13 Bln 30-Year Bonds R					
12/15	Producer Price Index (MoM)	NOV	0.2%	--	-0.3%	--
12/15	PPI Ex Food & Energy (MoM)	NOV	0.2%	--	0.0%	--
12/15	Producer Price Index (YoY)	NOV	5.9%	--	5.9%	--
12/15	PPI Ex Food & Energy (YoY)	NOV	2.8%	--	2.8%	--
12/15	Current Account Balance	3Q	-\$107.2B	--	-\$118.0B	--
12/15	Empire Manufacturing	DEC	3.0	--	0.6	--
12/15	Initial Jobless Claims	12/10	390K	--	--	--
12/15	Continuing Claims	12/3	3640K	--	--	--
12/15	Net Long-term TIC Flows	OCT	--	--	\$68.6B	--
12/15	Total Net TIC Flows	OCT	--	--	\$57.4B	--
12/15	Industrial Production	NOV	0.2%	--	0.7%	--
12/15	Capacity Utilization	NOV	77.9%	--	77.8%	--
12/15	Bloomberg Consumer Comfort	12/11	--	--	(50.3)	--
12/15	Philadelphia Fed.	DEC	5.0	--	3.6	--
12/15	U.S. to Sell USD12 Bln 5-Year TIPS Rec					
12/16	Consumer Price Index (MoM)	NOV	0.1%	--	-0.1%	--
12/16	CPI Ex Food & Energy (MoM)	NOV	0.1%	--	0.1%	--
12/16	Consumer Price Index (YoY)	NOV	3.5%	--	3.5%	--
12/16	CPI Ex Food & Energy (YoY)	NOV	2.1%	--	2.1%	--
12/16	Consumer Price Index NSA	NOV	--	--	226.4	--
12/16	CPI Core Index SA	NOV	--	--	226.4	--

MBS Prepayments ⁴					
3-Month CPR					
Type	4.5	5.0	5.5	6.0	6.5
FN 10y	26.2	23.8	22.0	15.7	19.9
FH/FN 15y	26.2	22.6	20.9	18.6	16.1
GN 15y	17.5	17.5	13.9	13.9	14.5
FH/FN 20y	27.8	26.6	25.1	21.5	16.9
FH/FN 30y	27.3	25.4	24.9	22.2	19.6
GN 30y	15.6	19.2	21.5	20.7	17.9
PSA Projections					
Type	4.5	5.0	5.5	6.0	6.5
FN 10y	460	482	428	400	346
FH/FN 15y	468	478	426	399	344
GN 15y	325	418	384	345	250
FH/FN 20y	502	494	455	402	382
FH/FN 30y	570	571	496	485	470
GN 30y	411	471	464	491	464

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	77.66	(0.33)	77.82	80.36	83.76
Euro	1.34	(0.00)	1.35	1.45	1.32
Dollar Index	78.69	0.07	77.93	74.19	80.07
Major Stock Indices					
Dow Jones	12,126.4	107.0	11,780.9	12,124.4	11,370.1
S&P 500	1,248.7	4.5	1,229.1	1,289.0	1,233.0
NASDAQ	2,622.7	(4.2)	2,621.7	2,684.9	2,616.7
Commodities					
Gold	1,716.80	(34.50)	1,794.10	1,546.20	1,407.00
Crude Oil	98.18	(2.78)	95.64	104.00	90.24
Natural Gas	3.37	(0.22)	3.75	5.14	5.25
Wheat	598.3	(27.3)	662.3	877.0	839.0
Corn	602.75	7.50	665.00	724.25	537.00

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
 Source for the aforementioned indices, rates, descriptions, & economic indicators: Bloomberg, LP. Although believed to be reliable, The Baker Group does not guarantee the accuracy of the listed information. This report was printed as of: 12/09/2011 12:19PM

[Click Here for Additional Economic & Financial News](#)

Austin, TX | Birmingham, AL | Indianapolis, IN | Oklahoma City, OK | Salt Lake City, UT | Springfield, IL

Member: Financial Industry Regulatory Authority (FINRA) and Securities Investors Protection Corporation (SIPC)