

Week in Review

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Woody Guthrie once wrote in one of his depression-era songs that, “...the farmer feeds us all.” And he was right. But, farmers don’t get much attention from the Bureau of Labor Statistics (BLS) who reported this morning that 261k more non-farmers found jobs last month. And on top of that, the 33k decline in non-farm jobs reported for September, was actually an 18k gain. So, good news for non-farmers, but one has to dig pretty deep in the 39 page BLS report to find out anything about the people out there getting their hands dirty on our behalf. Where’s the love?!

Well, it was unrequited, even from the perspective of non-agrarians as Average Hourly Earnings were unchanged. Or, in BLS terms, they grew at 0.0%. The year-over-year growth rate plummeted to 2.4% from last month’s 2.9%. Watch out, though, according to our policy-makers, that wage inflation thing is fixin’ to kick in at any moment. It *has* to, so goes the story, because the more-than-fully-employed economy became even more fully employed as the Unemployment Rate fell by a tenth to 4.1%. And inflation, well, the inflation story isn’t quite following the script that the Fed has written for it. We learned this week that the FOMC’s favorite measure of disinflation, the core Personal Consumption Expenditures Index (PCE) rose by 0.1% last month bringing the year-over-year rate to an unchanged 1.3%.

And that brings us to Jerome Powell, the President’s choice to replace Janet Yellen at the head of the big, shiny table. In a statement from Mr. Powell, a non-farmer, he thanked the President for nominating him to lead the Fed. Powell also lauded the economic progress that has been made since the financial crisis. He noted that “inflation has gradually moved up toward our target.” One is left to wonder if there is a target other than the 2% one of Janet Yellen’s. In a separate report from the Bureau of Economic Analysis (BEA), we learned that, in September, Personal Income rose by 0.4% while Personal Spending rose by a full 1.0%. Wait a minute; how is it that we can spend more than we make? Easy, this is America!

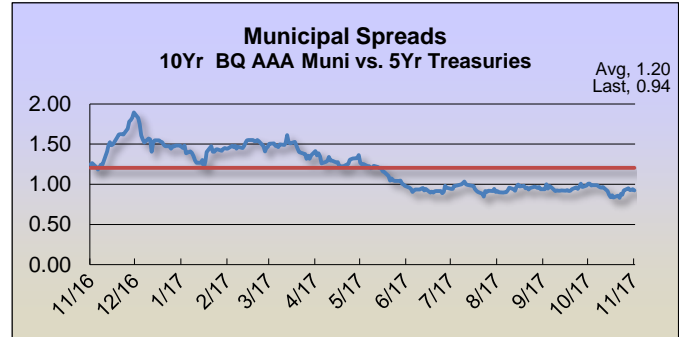
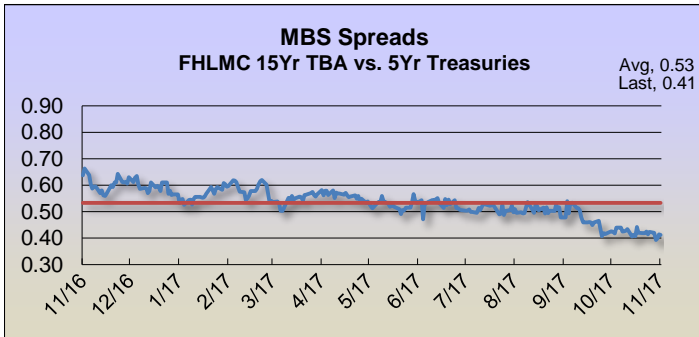
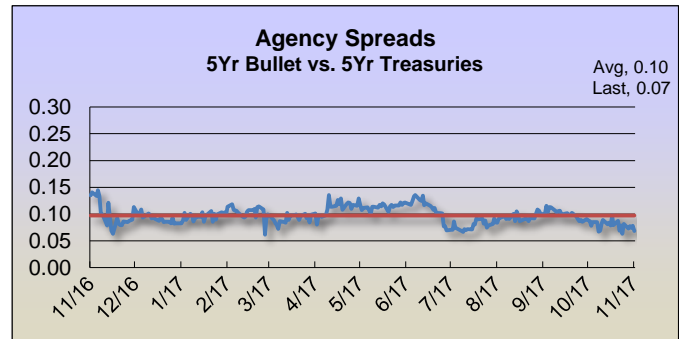
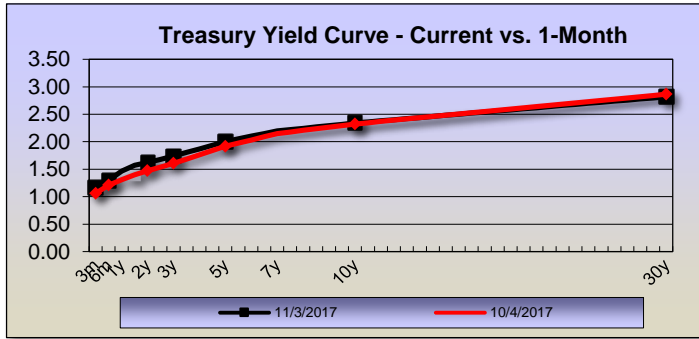
And Americans are feeling good! The Conference Board reported that its Consumer Confidence Index unexpectedly *leaped* to 125.9 from 120.6. Maybe we’re feeling good about spending all that money because our taxes are going to be cut. Aren’t they? Or maybe it’s because Americans are getting more efficient. The BLS told us that Non-farm Productivity (there’s that farm thing again) grew by 3% in Q3, and that’s good news even if it has an inflation-dampening effect. The same report revealed a 0.5% rise in Unit Labor Costs. Something that didn’t rise, and disconcertingly so, was the Labor Force Participation Rate. On the heels of recent and encouraging increases, that measure plummeted to 62.7 from 63.1, undoubtedly reflecting some degree of hurricane distortion.

The week’s events have further flattened the yield curve as the Ten Year yield has moved back south of 2.40% and prospects of a December rate hike have become somewhat of a lock. Oh yeah, the FOMC got together this week for a meeting that was largely ignored by everyone; farmers and non-farmers alike.

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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	1.17	0.07	1.05	0.87	0.37	2yr	1.71	1.84	1.58	1.68	1.78	2Yr	1.69	1.70	1.69	-
6mo	1.30	0.02	1.21	0.99	0.51	3yr	1.82	1.95	1.71	1.82	1.98	3Yr	1.86	1.88	1.88	1.84
1yr	1.46	0.05	1.29	1.09	0.62	5yr	2.07	2.09	2.00	2.13	2.39	5Yr	2.08	2.12	2.15	2.14
2yr	1.62	0.03	1.47	1.30	0.81	7yr	2.30	2.20	2.34	2.49	2.69	7Yr	2.23	2.29	2.35	2.36
3yr	1.74	0.02	1.61	1.48	0.96	10yr	2.60	2.33	2.80	2.98	3.05	10Yr	2.41	2.49	2.58	2.60
5yr	2.00	(0.03)	1.92	1.85	1.27	15yr	2.83	2.47	3.33	3.55	3.52	December TBA MBS				
7yr	2.20	(0.06)	2.15	2.13	1.58	20yr	3.07	2.54	3.67	3.90	3.52	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	2.34	(0.07)	2.32	2.32	1.81	25yr	3.30	2.56	3.79	4.04	3.56	2.00	2.36	5.7y		
30yr	2.82	(0.10)	2.86	2.97	2.60	30yr		2.57	3.92	4.17	3.60	2.50	2.39	5.4y		
												3.00	2.42	4.8y	2.97	9.1y
												3.50	2.32	3.7y	2.96	6.5y
												4.00			2.92	5.4y
												4.50			2.78	4.6y

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	1.25	--	1.25	1.00	0.50
Primary Discount	1.75	--	1.75	1.50	1.00
2ndary Discount	2.25	--	2.25	2.00	1.50
Prime Rate	4.25	--	4.25	4.00	3.50
1 Month LIBOR	1.24	--	1.23	1.00	0.53
3 Month LIBOR	1.38	0.01	1.33	1.17	0.88
6 Month LIBOR	1.58	0.02	1.51	1.43	1.26
1 Year LIBOR	1.86	0.01	1.78	1.77	1.58
6 Month CD	1.56	0.01	1.49	1.55	1.33
1 Year CMT	1.46	0.03	1.31	1.08	0.64
REPO O/N	1.21	--	1.07	0.85	0.50
REPO 1Wk	1.20	--	1.20	0.94	0.24
CoF Federal	1.452	--	1.429	1.233	1.093
11th D. CoF (Aug)	0.732	--	0.707	0.591	0.703

FHLB Fixed Advance Rates					Fed Fund Futures	
Maturity	Chicago	Boston	Dallas	Topeka	Maturity	Rate
3mo	1.33	1.49	1.34	1.44	Nov-17	1.158
6mo	1.43	1.55	1.45	1.58	Dec-17	1.280
1yr	1.69	1.71	1.64	1.75	Jan-18	1.385
2yr	1.83	2.01	1.84	2.03	Feb-18	1.385
3yr	1.95	2.14	2.01	2.16	Mar-18	1.425
4yr	2.08	2.28	2.16	2.30	Apr-18	1.510
5yr	2.19	2.41	2.27	2.39	May-18	1.525
7yr	2.45	2.70	2.53	2.59	Jun-18	1.565
10yr	2.78	3.06	2.86	2.92	Jul-18	1.600
5yr Am	2.02		2.10	2.27	Aug-18	1.615
10yr Am	2.46		2.92	2.69	Sep-18	1.610

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November 3, 2017

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
10/30	Personal Income	Sep	0.40%	0.40%	0.20%	--
10/30	Real Personal Spending	Sep	0.50%	0.60%	-0.10%	--
10/30	PCE Deflator YoY	Sep	1.60%	1.60%	1.40%	--
10/30	PCE Core YoY	Sep	1.30%	1.30%	1.30%	--
10/31	Employment Cost Index	3Q	0.70%	0.70%	0.50%	--
10/31	S&P CoreLogic CS 20-City YoY NSA	Aug	5.93%	5.92%	5.81%	5.83%
10/31	S&P CoreLogic CS US HPI YoY NSA	Aug	--	6.07%	5.94%	5.88%
10/31	Chicago Purchasing Manager	Oct	60.00	66.20	65.20	--
10/31	Conf. Board Consumer Confidence	Oct	121.50	125.90	119.80	120.60
10/31	Conf. Board Present Situation	Oct	--	151.10	146.40	146.90
11/01	MBA Mortgage Applications	10/27	--	-2.60%	-4.60%	--
11/01	ADP Employment Change	Oct	200k	235k	135k	110k
11/01	Markit US Manufacturing PMI	Oct F	54.50	54.60	54.50	--
11/01	ISM Manufacturing	Oct	59.50	58.70	60.80	--
11/01	ISM Prices Paid	Oct	67.80	68.50	71.50	--
11/01	ISM New Orders	Oct	--	63.40	64.60	--
11/01	ISM Employment	Oct	--	59.80	60.30	--
11/01	FOMC Rate Decision (Upper Bound)	11/1	1.25%	1.25%	1.25%	--
11/01	FOMC Rate Decision (Lower Bound)	11/1	1.00%	1.00%	1.00%	--
11/01	Wards Domestic Vehicle Sales	Oct	13.70m	13.95m	14.33m	--
11/02	Challenger Job Cuts YoY	Oct	--	-3.00%	-27.00%	--
11/02	Initial Jobless Claims	10/28	235k	229k	233k	234k
11/02	Continuing Claims	10/21	1894k	1884k	1893k	1899k
11/02	Nonfarm Productivity	3Q P	2.60%	3.00%	1.50%	--
11/02	Unit Labor Costs	3Q P	0.40%	0.50%	0.20%	0.30%
11/03	Change in Nonfarm Payrolls	Oct	313k	261k	33k	18k
11/03	Two-Month Payroll Net Revision	Oct	--	90k	--	--
11/03	Change in Private Payrolls	Oct	302k	252k	40k	15k
11/03	Change in Manufact. Payrolls	Oct	15k	24k	4k	6k
11/03	Unemployment Rate	Oct	4.20%	4.10%	4.20%	--
11/03	Average Hourly Earnings YoY	Oct	2.70%	2.40%	2.90%	2.80%
11/03	Average Weekly Hours All Employees	Oct	34.40	34.40	34.40	--
11/03	Labor Force Participation Rate	Oct	63.10%	62.70%	63.10%	--
11/03	Underemployment Rate	Oct	--	7.90%	8.30%	--
11/03	Markit US Composite PMI	Oct F	--	55.20	55.70	--
11/03	ISM Non-Manf. Composite	Oct	58.50	60.10	59.80	--
11/03	Factory Orders Ex Trans	Sep	--	0.70%	0.40%	0.60%
11/03	Durables Ex Transportation	Sep F	--	0.70%	0.70%	--
11/03	Cap Goods Ship Nondef Ex Air	Sep F	--	0.90%	0.70%	--
11/07	JOLTS Job Openings	Sep	--	--	6082.00	--
11/09	Initial Jobless Claims	11/4	232k	--	229k	--
11/09	Continuing Claims	10/28	--	--	1884k	--
11/09	Wholesale Trade Sales MoM	Sep	--	--	1.70%	--
11/09	Wholesale Inventories MoM	Sep F	0.30%	--	0.30%	--
11/10	U. of Mich. Sentiment	Nov P	100.50	--	100.70	--
11/10	U. of Mich. Current Conditions	Nov P	--	--	116.50	--
11/10	U. of Mich. 1 Yr Inflation	Nov P	--	--	2.40%	--

MBS Prepayments ⁴						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	11.7	12.3	14.3	15.7	20.3	24.2
FH/FN 15y	7.9	9.0	11.0	12.4	14.7	17.7
GN 15y	8.4	13.0	14.2	14.4	15.0	15.2
FH/FN 20y		5.4	8.8	11.3	12.6	15.2
FH/FN 30y	5.3	5.6	8.0	11.2	13.9	15.9
GN 30y	5.7	11.1	14.6	16.0	18.2	20.0
CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	11.6	11.9	12.3	16.8	19.0	20.8
FH/FN 15y	6.2	7.8	10.6	12.4	18.1	24.1
GN 15y	8.4	8.5	11.6	13.9	13.0	15.4
FH/FN 20y	10.3	6.9	9.9	14.0	14.7	16.2
FH/FN 30y	5.3	6.0	7.4	11.8	15.2	17.5
GN 30y	8.0	8.6	10.2	13.3	18.1	22.3

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	114.33	0.66	112.85	112.75	102.98
Euro	1.16	0.00	1.17	1.09	1.11
Dollar Index	94.95	0.03	93.57	99.21	97.16
Major Stock Indices					
Dow Jones	23,524	90	22,642	20,958	17,931
S&P 500	2,580.2	(0.9)	2,534.6	2,388.1	2,088.7
NASDAQ	6,733.5	32	6,531.7	6,072.6	5,058.4
Commodities					
Gold	1,267.4	(1.1)	1,271.5	1,248.5	1,303.3
Crude Oil	54.59	0.69	50.42	47.82	44.66
Natural Gas	2.98	0.22	2.89	3.23	2.77
Wheat	426.0	-1.3	448.0	443.0	412.0
Corn	348.5	-0.3	349.5	366.3	348.0

Notes

- 1 Call Agy = Maturity at left w/ a 1-Year Call at Par
- 2 Muni TEY (34% Fed, 0.5% CoF)
- 3 S-Corp TEY Muni (39.6%, no TEFERA)
- 4 MBS Prepayments are provided by Bloomberg

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