

Baker Market Update: Week in Preview

Lester Murray

Associate Partner

Financial Strategies Group

lester@gobaker.com

800.937.2257

The Baker Group

GoBaker.com

1601 NW Expressway

20th Floor

Oklahoma City, OK

800.937.2257



Americans may be relieved to have gotten through Thanksgiving dinner and college football's rivalry week-end more or less unscathed, but that doesn't mean that all disputes have been resolved. China and America are still fussing over trade issues, lots of folks are fussing with each other at the nation's southern border, and Theresa May's fuss with the European Union will now become her fuss with Parliament. And the Saudi's? Well, despite facing worldwide criticism for taking a few liberties with one of their party guests, our oil is still underneath their sand, and that will probably limit the size of the fuss.

Amidst all the consternation, equity markets are experiencing somewhat of a rebound after a rough, holiday-shortened week. More talk about a possible Powell Pause seems to be gaining traction, or at least being talked about at louder volumes. This is significant for those who perceive a correlation between the volume of a message and the accuracy of its content. And then, there are those who just like to hear themselves talk, but that's another story. Perhaps we'll learn more this Wednesday when the FOMC's meeting minutes from September are made public.

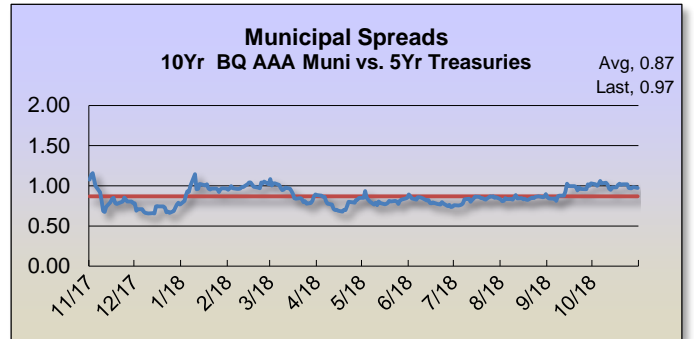
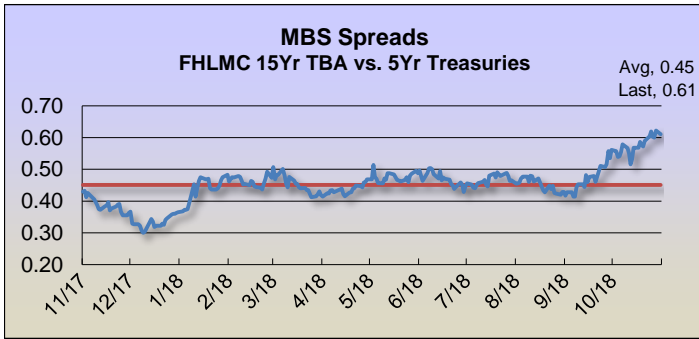
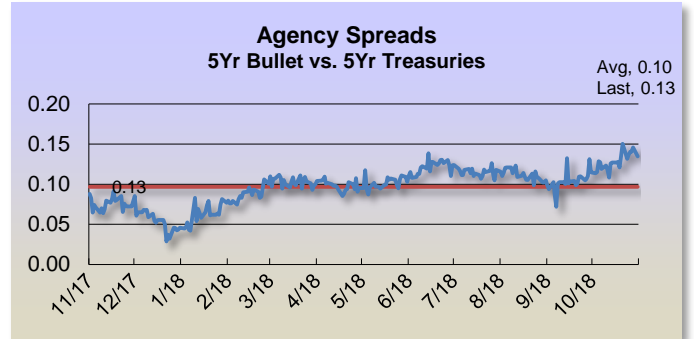
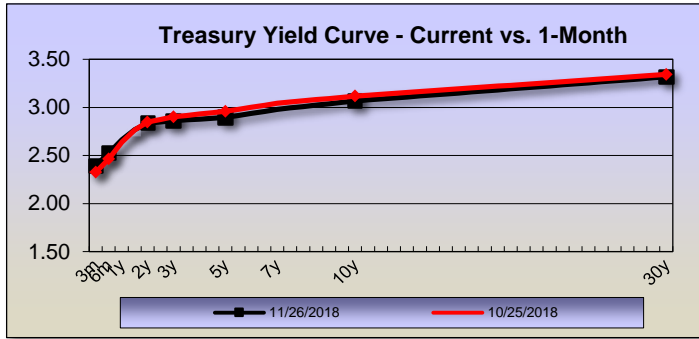
We're also set to learn more about the flagging prospects for the housing industry when the Case-Shiller Home Price Index comes out tomorrow along with a similar report from the Federal Housing Finance Agency. Readers may have already noticed today's report that for the year's 3rd quarter, cash-out home mortgage refinancings were the highest since 2007. Does anyone remember what happened in 2008?

Some may remember that last month the Dallas Fed Manufacturing Index soared to 29.4 and manufacturing was back! This morning, we learned that manufacturing must have left again as that measure radically retrenched to 17.6. This is just one of several manufacturing activity measures showing recent declines. Also of interest will be tomorrow's report from the Conference Board about its latest measure of Consumer Confidence. The seemingly never-ending rise of Americans' buoyant attitudes may take a slight dip if early market surveys are correct in their anticipation of some back-up in the brightness of consumers' outlooks. Some may recall that, even before last Saturday's unsuccessful outing against Ohio State, the University of Michigan's Index of Consumer Sentiment had already started turning down.

And what about inflation? Will the projected decline in "core" prices possibly promote the prospect of a Powell Pause? Probably. When the Bureau of Economic Analysis (BEA) publishes its Personal Consumption Expenditures Index (PCE) report on Thursday, it is expected to show that, excluding food and energy, year-over-year price levels have once again dipped below the Fed's goal of 2%. Hmm. But, we'll also learn that Personal Income and Personal Spending both likely increased by 0.4% last month, with inflation-adjusted *Real* Personal Spending managing a gain of 0.2%

The 3.5% third-quarter gain in GDP will likely stay where it is when the BEA publishes its second estimate of the nation's quarterly output. On the same day, we'll also get quarterly reports for consumption and price levels. Neither are expected to contain anything that would contain the prospects for a possible Powell Pause. This morning, implied probabilities from the futures markets indicate less than a 10% chance of three Fed rate hikes next year. Just last Friday, that probability was over 30%. That's a change that might give anyone pause.

In the meantime, bonds are off just a touch with the Ten-Year still well below 3.10%. No muss, no fuss. Have great week and be careful out there.



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	2.39	0.04	2.32	1.89	1.27	2yr	2.91	3.02	2.81	2.99	26.00	2Yr	1.94	1.94	1.94	-	
6mo	2.52	0.02	2.47	2.07	1.44	3yr	2.94	3.04	2.93	3.11	33.67	3Yr	2.10	2.11	2.11	2.10	
1yr	2.66	0.01	2.62	2.25	1.59	5yr	3.04	3.04	3.12	3.32	49.00	5Yr	2.19	2.22	2.24	2.24	
2yr	2.83	0.04	2.81	2.48	1.75	7yr	3.15	3.07	3.32	3.53	65.00	7Yr	2.42	2.47	2.52	2.53	
3yr	2.86	0.03	2.86	2.61	1.85	10yr	3.36	3.13	3.65	3.89	83.00	10Yr	2.57	2.62	2.69	2.72	
5yr	2.90	0.02	2.91	2.77	2.06	15yr	3.48	3.20	4.03	4.29	106.00	December TBA MBS					
7yr	2.98	0.01	3.00	2.89	2.23	20yr	3.60	3.22	4.35	4.63	95.00	Cpn	15Yr -Yld/AL		30Yr -Yld/AL		
10yr	3.07	0.00	3.08	2.93	2.34	25yr	3.73	3.22	4.47	4.75	97.00		2.00	3.47	4.9y		
30yr	3.32	(0.00)	3.31	3.09	2.76	30yr		3.21	4.58	4.87	99.00		2.50	3.33	5.2y		
													3.00	3.31	5.6y	3.68	9.8y
													3.50	3.47	5.3y	3.82	9.6y
													4.00			3.97	8.2y
												4.50			4.03	6.7y	

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	2.25	--	2.25	1.75	1.25
Primary Discount	2.75	--	2.75	2.25	1.75
2ndary Discount	3.25	--	3.25	2.75	2.25
Prime Rate	5.25	--	5.25	4.75	4.25
Sec. O.N. Finance	2.23				
1 Month LIBOR	2.32	0.02	2.28	1.96	1.33
3 Month LIBOR	2.69	0.05	2.49	2.33	1.46
6 Month LIBOR	2.89	0.02	2.75	2.50	1.65
1 Year LIBOR	3.12	--	3.03	2.75	1.93
6 Month CD	2.85	--	2.80	2.42	1.63
1 Year CMT	2.67	--	2.67	2.29	1.61
REPO O/N	2.28	--	2.22	1.79	1.05
REPO 1Wk	2.24	--	2.25	1.78	1.20
CoF Federal	2.132	--	2.070	1.811	1.472
11th D. CoF (Sep)	1.018	--	1.015	0.814	0.729

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	2.56	2.70	2.69
6mo	2.69	2.80	2.82
1yr	2.98	2.95	3.07
2yr	3.04	3.21	3.26
3yr	3.08	3.27	3.32
4yr	3.13	3.33	3.37
5yr	3.17	3.38	3.41
7yr	3.36	3.60	3.52
10yr	3.55	3.82	3.71
5yr Am	3.15		3.36
10yr Am	3.40		3.60

Fed Fund Futures	
Maturity	Rate
Nov-18	2.197
Dec-18	2.280
Jan-19	2.395
Feb-19	2.410
Mar-19	2.455
Apr-19	2.530
May-19	2.560
Jun-19	2.595
Jul-19	2.635
Aug-19	2.660
Sep-19	2.675

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
11/27	FHFA House Price Index MoM	Sep	0.40%	--	0.30%	--
11/27	House Price Purchase Index QoQ	3Q	--	--	1.10%	--
11/27	S&P CoreLogic CS 20-City YoY NSA	Sep	5.25%	--	5.49%	--
11/27	S&P CoreLogic CS US HPI YoY NSA	Sep	--	--	5.77%	--
11/27	Conf. Board Consumer Confidence	Nov	135.80	--	137.90	--
11/27	Conf. Board Expectations	Nov	--	--	114.60	--
11/28	MBA Mortgage Applications	11/23	--	--	-0.10%	--
11/28	Advance Goods Trade Balance	Oct	-\$77.0b	--	-\$76.0b	-\$76.3b
11/28	GDP Annualized QoQ	3Q S	3.50%	--	3.50%	--
11/28	Personal Consumption	3Q S	3.90%	--	4.00%	--
11/28	GDP Price Index	3Q S	1.70%	--	1.70%	--
11/28	Core PCE QoQ	3Q S	1.60%	--	1.60%	--
11/28	New Home Sales	Oct	575k	--	553k	--
11/29	Personal Income	Oct	0.40%	--	0.20%	--
11/29	Real Personal Spending	Oct	0.20%	--	0.30%	--
11/29	PCE Deflator YoY	Oct	2.10%	--	2.00%	--
11/29	PCE Core YoY	Oct	1.90%	--	2.00%	--
11/29	Initial Jobless Claims	11/24	220k	--	224k	--
11/29	Continuing Claims	11/17	1667k	--	1668k	--
11/29	Bloomberg Consumer Comfort	11/25	--	--	61.30	--
11/29	Pending Home Sales NSA YoY	Oct	-2.80%	--	-3.40%	--
12/03	Markit US Manufacturing PMI	Nov F	--	--	55.40	--
12/03	ISM Employment	Nov	--	--	56.80	--
12/03	ISM Prices Paid	Nov	--	--	71.60	--
12/03	ISM New Orders	Nov	--	--	57.40	--
12/05	ADP Employment Change	Nov	205k	--	227k	--
12/05	Nonfarm Productivity	3Q F	2.40%	--	2.20%	--
12/05	Unit Labor Costs	3Q F	1.00%	--	1.20%	--
12/05	Markit US Composite PMI	Nov F	--	--	54.40	--
12/05	ISM Non-Manufacturing Index	Nov	59.00	--	60.30	--
12/06	Challenger Job Cuts YoY	Nov	--	--	1.54	--
12/06	Initial Jobless Claims	12/1	--	--	--	--
12/06	Continuing Claims	11/24	--	--	--	--
12/06	Factory Orders Ex Trans	Oct	--	--	0.40%	--
12/06	Durables Ex Transportation	Oct F	--	--	0.10%	--
12/06	Cap Goods Ship Nondef Ex Air	Oct F	--	--	0.30%	--
12/07	Change in Nonfarm Payrolls	Nov	212k	--	250k	--
12/07	Two-Month Payroll Net Revision	Nov	--	--	0k	--
12/07	Change in Private Payrolls	Nov	210k	--	246k	--
12/07	Change in Manufact. Payrolls	Nov	20k	--	32k	--
12/07	Unemployment Rate	Nov	3.70%	--	3.70%	--
12/07	Underemployment Rate	Nov	--	--	7.40%	--
12/07	Average Hourly Earnings YoY	Nov	--	--	3.10%	--
12/07	Average Weekly Hours All Employees	Nov	34.50	--	34.50	--
12/07	Labor Force Participation Rate	Nov	--	--	62.90%	--
12/07	U. of Mich. Sentiment	Dec P	97.00	--	97.50	--
12/07	U. of Mich. 1 Yr Inflation	Dec P	--	--	2.80%	--

MBS Prepayments ⁴						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	11.7	12.5	14.7	15.1	20.0	29.7
FH/FN 15y	6.1	6.4	7.2	8.5	14.0	16.2
GN 15y	6.1	11.4	12.0	13.2	13.1	13.2
FH/FN 20y		6.1	7.5	8.7	9.2	10.9
FH/FN 30y	2.2	5.2	3.9	3.9	5.0	7.8
GN 30y	7.4	10.5	13.1	15.3	14.0	14.5
CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	12.4	11.4	12.3	18.1	13.2	24.5
FH/FN 15y	7.3	7.9	7.1	8.6	12.0	21.5
GN 15y	10.8	10.0	12.7	14.6	14.3	13.7
FH/FN 20y	0.1	6.5	7.1	8.6	10.6	12.3
FH/FN 30y	4.9	5.6	5.9	6.3	8.5	11.4
GN 30y	10.2	7.7	8.5	9.9	16.0	18.7

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	113.47	0.92	111.91	109.42	111.09
Euro	1.13	(0.01)	1.14	1.16	1.19
Dollar Index	96.89	0.43	96.36	94.25	92.78
Major Stock Indices					
Dow Jones	24,645	(768)	24,688	24,753	23,558
S&P 500	2,668.7	(67.6)	2,658.7	2,721.3	2,602.4
NASDAQ	7,046.6	(201)	7,167.2	7,433.9	6,889.2
Commodities					
Gold	1,223.8	0.8	1,232.5	1,303.7	1,287.3
Crude Oil	52.14	(4.32)	67.59	67.88	58.95
Natural Gas	4.16	(0.11)	3.19	2.94	2.81
Wheat	503.0	-3.8	505.3	543.0	415.8
Corn	355.8	-9.0	367.8	406.0	342.3

Notes	
1 Call Agy = Maturity at left w/ a 1-Year Call at Par	
2 Muni TEY (21% Fed, 0.5% CoF)	
3 S-Corp TEY Muni (29.6%, no TEFERA)	
4 MBS Prepayments are provided by Bloomberg	

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