

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



SEMINAR
40TH
ANNIVERSARY

Interest Rate Risk and
Investment Strategies

Oct 24-25, 2019
Scottsdale, Arizona
Westin Kierland Resort & Spa

Seminar, Meals, Golf Included

There is no cost for
this seminar

CPE SPONSORS **11 hours of CPE**

Click Here

Congratulations to the American *futbol* team for capturing its second straight World Cup Championship on Saturday! Well done! And, just in time for the team to make it to the first session of this week's two-day Humphrey-Hawkins testimony by Chairman Powell. The runners-up from Holland will have to attend both days.

Both types of inflation, retail and wholesale, will be revealed when the Bureau of Labor Statistics reports the Consumer Price Index on Thursday and the Producer Price Index the day after. Neither will show that the disinflationary trend is reversing. On the day prior to the CPI report, the FOMC minutes from June will be released and it will be interesting to see how the Committee's discussions went back then compared to what Chairman Powell will be telling all the monetary experts in Congress this week.

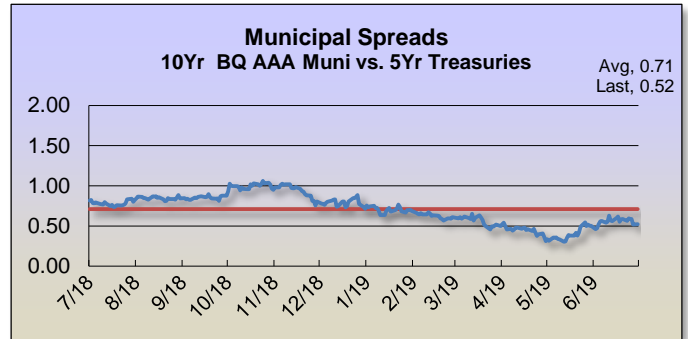
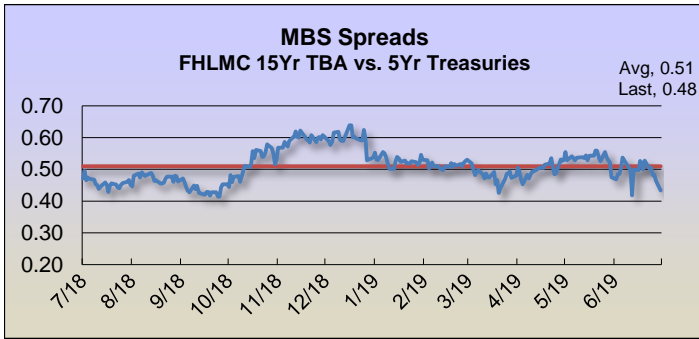
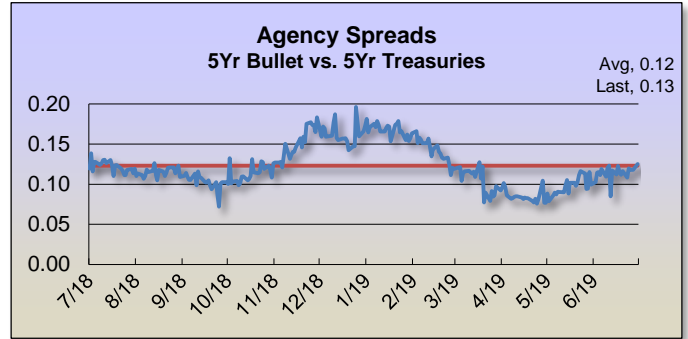
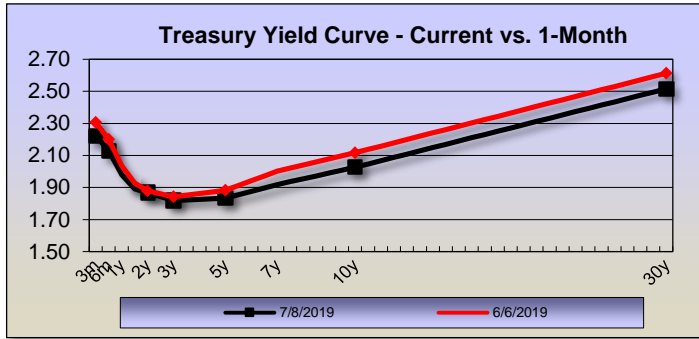
This afternoon, the Federal Reserve will report Consumer Credit for May and it is actually expected to show slower growth in May compared to April's spurt. Are consumers sensing that the time may have come for exercising caution? Probably not. Small business owners, on the other hand, might be feeling something else. On Tuesday, the National Federation of Independent Businesses is expected to report that its Small Business Optimism Index slipped substantially in June to 103.1 from 105. But, the BLS will likely show that Job Openings rose a bit in May when it issues its Job Openings and Labor Turnover Survey on Tuesday. Is anyone wondering about the value, in July, of learning about how many positions were open in May after having seen two complete BLS Employment Reports since the month in question? Just wondering.

Some may wonder if the upward trend in the four-week moving average of Initial Jobless Claims will continue this week. While most labor-related statistics are lagging indicators, jobless claims is not, and the recent upward trend is unsettling to some. They may still be unsettled after Thursday's report.

Also on Thursday, the Treasury will be selling \$16B 30-year bonds. The rumors that Jerome is going in big have not been confirmed. That auction will follow a \$24B sale of Ten-Year Notes on Wednesday and a \$38B sale of 3-year Notes on Tuesday.

For today, most of the Treasury curve is pretty quiet as the Ten-Year languishes just over 2%. But, if rumors are true, Mr. Powell is eyeing that shiny 2.50% yield that can still be had on the long bond. Equities are off mainly due to geo-political unrest and uncertainty. Round up the usual suspects.

Have a great week; 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 | 2.22 | 0.11 | 2.27 | 2.44 | 1.95 | 2yr | 1.93 | 1.90 | 1.74 | 1.85 | 7.00 | 2Yr | 1.94 | 1.94 | 1.94 | - |
| 6mo | 2.13 | 0.04 | 2.15 | 2.54 | 2.11 | 3yr | 1.91 | 1.82 | 1.75 | 1.86 | 10.67 | 3Yr | 2.10 | 2.11 | 2.11 | 2.10 |
| 1yr | 1.98 | 0.05 | 1.97 | 2.61 | 2.31 | 5yr | 1.91 | 1.81 | 1.82 | 1.94 | 18.00 | 5Yr | 2.19 | 2.22 | 2.24 | 2.24 |
| 2yr | 1.87 | 0.08 | 1.85 | 2.59 | 2.54 | 7yr | 2.06 | 1.87 | 1.97 | 2.10 | 28.00 | 7Yr | 2.42 | 2.47 | 2.52 | 2.53 |
| 3yr | 1.82 | 0.08 | 1.82 | 2.57 | 2.60 | 10yr | 2.29 | 1.97 | 2.27 | 2.41 | 44.00 | 10Yr | 2.57 | 2.62 | 2.69 | 2.72 |
| 5yr | 1.83 | 0.04 | 1.85 | 2.58 | 2.72 | 15yr | 2.44 | 2.11 | 2.66 | 2.83 | 82.00 | August TBA MBS | | | | |
| 7yr | 1.92 | 0.02 | 1.97 | 2.63 | 2.79 | 20yr | 2.59 | 2.17 | 2.94 | 3.13 | 66.00 | Cpn | 15Yr -Yld/AL | | 30Yr -Yld/AL | |
| 10yr | 2.03 | 0.00 | 2.08 | 2.73 | 2.82 | 25yr | 2.74 | 2.19 | 3.07 | 3.27 | 68.50 | 2.00 | 2.24 | 4.4y | | |
| 30yr | 2.52 | (0.03) | 2.57 | 3.01 | 2.93 | 30yr | | 2.20 | 3.21 | 3.41 | 71.00 | 2.50 | 2.31 | 4.6y | | |
| | | | | | | | | | | | | 3.00 | 2.53 | 4.9y | 2.82 | 6.8y |
| | | | | | | | | | | | | 3.50 | 2.43 | 3.4y | 2.73 | 3.6y |
| | | | | | | | | | | | | 4.00 | | | 2.78 | 3.2y |
| | | | | | | | | | | | | 4.50 | | | 2.90 | 3.2y |

* Interpolated

| Key Market Indices | | | | | |
|--------------------|---------|------------|------------|-------|-------|
| Index | Current | 1Wk Change | Historical | | |
| | | | 1 Mo | 6 Mo | 1 Yr |
| Fed Funds | 2.50 | -- | 2.50 | 2.50 | 2.00 |
| Primary Discount | 3.00 | -- | 3.00 | 3.00 | 2.50 |
| 2ndary Discount | 3.50 | -- | 3.50 | 3.50 | 3.00 |
| Prime Rate | 5.50 | -- | 5.50 | 5.50 | 5.00 |
| Sec. O.N. Finance | 2.59 | | | | |
| 1 Month LIBOR | 2.37 | -- | 2.42 | 2.52 | 2.10 |
| 3 Month LIBOR | 2.31 | -- | 2.47 | 2.80 | 2.34 |
| 6 Month LIBOR | 2.21 | -- | 2.41 | 2.86 | 2.52 |
| 1 Year LIBOR | 2.19 | 0.01 | 2.38 | 2.96 | 2.78 |
| 6 Month CD | 2.10 | -- | 2.34 | 2.84 | 2.50 |
| 1 Year CMT | 1.98 | 0.06 | 2.04 | 2.57 | 2.32 |
| REPO O/N | 2.56 | 0.06 | 2.43 | 2.53 | 1.96 |
| REPO 1Wk | 2.41 | -- | 2.42 | 2.44 | 1.99 |
| CoF Federal | 2.321 | -- | 2.326 | 2.188 | 1.877 |
| 11th D. CoF (May) | 1.144 | -- | 1.095 | 1.060 | 0.885 |

| FHLB Fixed Advance Rates | | | |
|--------------------------|---------|--------|--------|
| Maturity | Chicago | Boston | Topeka |
| 3mo | 2.38 | 2.46 | 2.60 |
| 6mo | 2.28 | 2.37 | 2.40 |
| 1yr | 2.23 | 2.24 | 2.29 |
| 2yr | 2.10 | 2.28 | 2.32 |
| 3yr | 2.04 | 2.24 | 2.27 |
| 4yr | 2.04 | 2.24 | 2.26 |
| 5yr | 2.07 | 2.28 | 2.28 |
| 7yr | 2.28 | 2.52 | 2.41 |
| 10yr | 2.51 | 2.77 | 2.65 |
| 5yr Am | 2.11 | | 2.29 |
| 10yr Am | 2.34 | | 2.52 |

| Fed Fund Futures | |
|------------------|-------|
| Maturity | Rate |
| Jul-19 | 2.393 |
| Aug-19 | 2.130 |
| Sep-19 | 2.060 |
| Oct-19 | 1.945 |
| Nov-19 | 1.870 |
| Dec-19 | 1.800 |
| Jan-20 | 1.750 |
| Feb-20 | 1.690 |
| Mar-20 | 1.670 |
| Apr-20 | 1.635 |
| May-20 | 1.595 |

| Weekly Economic Calendar | | | | | | |
|--------------------------|-------------------------------------|-------|-----------|--------|-----------|---------|
| This Week & Next | | | | | | |
| Date | Release | Per. | Est. | Actual | Prior | Revised |
| 7/8 | Consumer Credit | May | \$17.000b | -- | \$17.497b | -- |
| 7/9 | NFIB Small Business Optimism | Jun | 103.1 | -- | 105.0 | -- |
| 7/9 | JOLTS Job Openings | May | 7473 | -- | 7449 | -- |
| 7/10 | MBA Mortgage Applications | 7/5 | -- | -- | -0.1% | -- |
| 7/10 | Wholesale Trade Sales MoM | May | 0.3% | -- | -0.4% | -- |
| 7/10 | Wholesale Inventories MoM | May F | 0.4% | -- | 0.4% | -- |
| 7/11 | CPI MoM | Jun | 0.0% | -- | 0.1% | -- |
| 7/11 | CPI Ex Food and Energy MoM | Jun | 0.2% | -- | 0.1% | -- |
| 7/11 | CPI YoY | Jun | 1.6% | -- | 1.8% | -- |
| 7/11 | CPI Ex Food and Energy YoY | Jun | 2.0% | -- | 2.0% | -- |
| 7/11 | CPI Core Index SA | Jun | 262.56 | -- | 262.03 | -- |
| 7/11 | Initial Jobless Claims | 7/6 | 221k | -- | 221k | -- |
| 7/11 | CPI Index NSA | Jun | 256.09 | -- | 256.09 | -- |
| 7/11 | Continuing Claims | 6/29 | 1683k | -- | 1686k | -- |
| 7/11 | Real Avg Hourly Earning YoY | Jun | -- | -- | 1.3% | -- |
| 7/11 | Real Avg Weekly Earnings YoY | Jun | -- | -- | 1.0% | -- |
| 7/11 | Bloomberg Consumer Comfort | 7/7 | -- | -- | 62.6 | -- |
| 7/11 | Monthly Budget Statement | Jun | -\$12.5b | -- | -\$207.8b | -- |
| 7/12 | PPI Final Demand YoY | Jun | 1.6% | -- | 1.8% | -- |
| 7/12 | PPI Ex Food and Energy YoY | Jun | 2.1% | -- | 2.3% | -- |
| 7/12 | PPI Ex Food, Energy, Trade YoY | Jun | -- | -- | 2.3% | -- |
| 7/15 | Empire Manufacturing | Jul | 2.0 | -- | -8.6 | -- |
| 7/16 | Import Price Index MoM | Jun | -0.8% | -- | -0.3% | -- |
| 7/16 | Import Price Index ex Petroleum MoM | Jun | -0.2% | -- | -0.3% | -- |
| 7/16 | Import Price Index YoY | Jun | -- | -- | -1.5% | -- |
| 7/16 | Export Price Index YoY | Jun | -- | -- | -0.7% | -- |
| 7/16 | Retail Sales Ex Auto and Gas | Jun | -- | -- | 0.5% | -- |
| 7/16 | Retail Sales Control Group | Jun | 0.3% | -- | 0.5% | 0.4% |
| 7/16 | Industrial Production MoM | Jun | 0.2% | -- | 0.4% | -- |
| 7/16 | Manufacturing (SIC) Production | Jun | -- | -- | 0.2% | -- |
| 7/16 | Capacity Utilization | Jun | 78.1% | -- | 78.1% | -- |
| 7/16 | NAHB Housing Market Index | Jul | 65 | -- | 64 | -- |
| 7/16 | Business Inventories | May | 0.4% | -- | 0.5% | -- |
| 7/16 | Net Long-term TIC Flows | May | -- | -- | \$46.9b | -- |
| 7/16 | Total Net TIC Flows | May | -- | -- | -\$7.8b | -- |
| 7/17 | MBA Mortgage Applications | 7/12 | -- | -- | -- | -- |
| 7/17 | Housing Starts | Jun | 1260k | -- | 1269k | -- |
| 7/17 | Building Permits | Jun | 1310k | -- | 1294k | 1299k |
| 7/18 | Philadelphia Fed Business Outlook | Jul | 5.3 | -- | 0.3 | -- |
| 7/18 | Initial Jobless Claims | 7/13 | -- | -- | -- | -- |
| 7/18 | Continuing Claims | 7/6 | -- | -- | -- | -- |
| 7/18 | Bloomberg Consumer Comfort | 7/14 | -- | -- | -- | -- |
| 7/18 | Bloomberg Economic Expectations | Jul | -- | -- | 50.5 | -- |
| 7/18 | Leading Index | Jun | 0.1% | -- | 0.0% | -- |
| 7/19 | U. of Mich. Sentiment | Jul P | 98.2 | -- | 98.2 | -- |
| 7/19 | U. of Mich. Current Conditions | Jul P | -- | -- | 111.9 | -- |
| 7/19 | U. of Mich. 1 Yr Inflation | Jul P | -- | -- | 2.7% | -- |

| MBS Prepayments ⁴ | | | | | | |
|------------------------------|------|------|------|------|------|------|
| 3-Month CPR | | | | | | |
| Type | 2.0 | 2.5 | 3.0 | 3.5 | 4.0 | 4.5 |
| FN 10y | 14.5 | 15.3 | 16.4 | 17.4 | 16.9 | 27.2 |
| FH/FN 15y | 8.9 | 9.2 | 8.5 | 17.9 | 15.7 | 15.9 |
| GN 15y | 5.4 | 11.8 | 13.1 | 13.8 | 12.8 | 13.7 |
| FH/FN 20y | -- | 7.7 | 9.5 | 10.8 | 12.7 | 13.2 |
| FH/FN 30y | 6.8 | 7.8 | 3.1 | 12.7 | 21.1 | 27.9 |
| GN 30y | 11.2 | 11.9 | 15.6 | 16.6 | 15.0 | 14.6 |
| CPR Projections | | | | | | |
| Type | 2.0 | 2.5 | 3.0 | 3.5 | 4.0 | 4.5 |
| FN 10y | 13.2 | 13.2 | 13.7 | 20.9 | 15.0 | 30.3 |
| FH/FN 15y | 9.3 | 9.5 | 10.4 | 17.0 | 13.8 | 22.2 |
| GN 15y | 7.9 | 10.8 | 16.4 | 15.8 | 13.8 | 13.7 |
| FH/FN 20y | 0.1 | 7.5 | 11.0 | 16.8 | 19.1 | 16.6 |
| FH/FN 30y | 5.8 | 7.0 | 11.3 | 20.4 | 24.9 | 24.8 |
| GN 30y | 11.0 | 9.4 | 12.6 | 15.5 | 24.2 | 24.6 |

| Other Markets | | | | | |
|----------------------------|---------|----------|------------|---------|---------|
| Index | Current | 1Wk Chng | Historical | | |
| | | | 1 Mo | 6 Mo | 1 Yr |
| Currencies | | | | | |
| Japanese Yen | 108.68 | 0.23 | 108.45 | 108.75 | 110.85 |
| Euro | 1.12 | (0.01) | 1.13 | 1.14 | 1.18 |
| Dollar Index | 97.34 | 1.21 | 96.54 | 95.90 | 93.96 |
| Major Stock Indices | | | | | |
| Dow Jones | 26,831 | 231 | 25,984 | 23,787 | 24,456 |
| S&P 500 | 2,975.5 | 33.8 | 2,873.3 | 2,574.4 | 2,759.8 |
| NASDAQ | 8,104.4 | 98 | 7,742.1 | 6,897.0 | 7,688.4 |
| Commodities | | | | | |
| Gold | 1,402.1 | (11.6) | 1,341.2 | 1,285.9 | 1,255.8 |
| Crude Oil | 58.36 | (0.11) | 53.99 | 49.78 | 73.80 |
| Natural Gas | 2.38 | 0.07 | 2.34 | 2.97 | 2.86 |
| Wheat | 519.8 | -8.3 | 504.5 | 517.8 | 512.8 |
| Corn | 439.8 | 19.5 | 415.8 | 380.0 | 351.8 |

| 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 | |

INTENDED FOR INSTITUTIONAL INVESTORS ONLY. The data provided in these reports is for informational purposes only and is intended solely for your private use. Information herein is believed to be reliable but The Baker Group LP does not guarantee its completeness or accuracy. Opinions constitute our judgment and are subject to change without notice. Past performance is not indicative of future results. The investments and strategies discussed here may not be suitable for all investors; if you have

Source for the aforementioned indices, rates, descriptions, & economic indicators: Bloomberg, LP. This report was printed as of: 07/08/2019 10:08AM