

## Week in Review

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Late summer is upon us, the kids are heading back to school, and the baseball pennant races are heating up. There are two sets of protagonists in particular that are headed for a major showdown, and it's got nothing to do with Milwaukee vs. St. Louis. The clash between the Yellen Doves and the Plosser Hawks in the Central Bank League is shaping up to be a classic confrontation that may make all the other rivalries look tame. The release this week of the most recent FOMC minutes shows that oddsmakers can no longer ignore the growing momentum of the surging Hawks as they point to improving economic performance and growing threats of asset bubbles as reasons to dethrone the Doves and Ms. Yellen's easy-money style. While still outnumbered, the scrappy Hawks seem to be slowly bringing in a few converts off the bench.

It looks like more construction workers made it out of the dug-out last month as Housing Starts rose by an unexpectedly high 15.7% with Building Permits notching an impressive 8.1% gain. The recovery in Housing is back on track! Again. Maybe. Existing Home Sales numbers aren't quite as shiny, but last month's 2.4% increase looks pretty good against the market's expectation of a half per-cent drop. Statistics for New Home Sales are scheduled for release next Monday.

Inflation, or its absence, was reported this week as the core (ex-food & energy) CPI rate remains unchanged at 1.9% on a year-over-year basis. The Doves look at this as a good reason to be dovish; the Hawks think the Doves are looking in the wrong place. With a look to the future, the index of Leading Economic Indicators perked up by a healthy .9%. Everybody should like that.

Something else that everyone ought to feel good about is the improvement in general business conditions. The Philadelphia Fed Outlook Survey Index jumped to a value of 28 from its previous 23.9. Things are looking up in Philly! Did y'all see the Eagles last night?

Taking center stage today is the continuing conference of global Central Bankers that's held every year in Jackson Hole, Wyoming. It's hosted by the Kansas City Fed, but, for some reason, nobody wants to go to Kansas City. Just this morning, Janet Yellen addressed the gathering with remarks that surprised no one with her justifications for prolonged dovishness. We haven't heard the last of this as the Hawks prepare for confrontation.

For next week, markets are expecting a new report for Durable Goods Orders and a revised report for Q2 GDP. Survey results suggest any changes to the initial 4% report will likely be minimal. And lest anyone become too distracted by the Hawks vs. Doves, the college football season is set to get underway. That's America!

### U.S. New Privately Owned Housing Starts - Since 2008

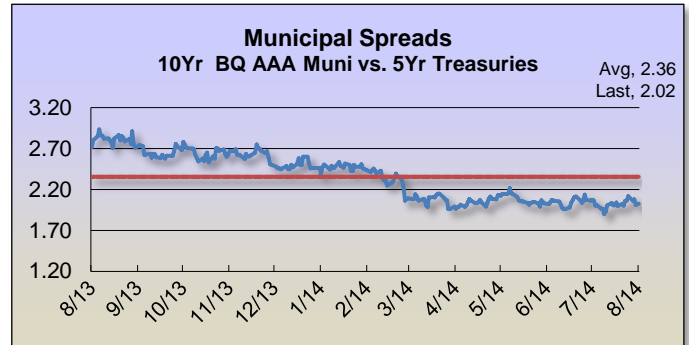
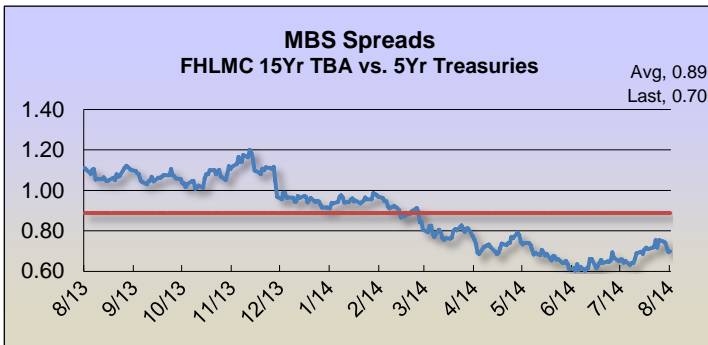
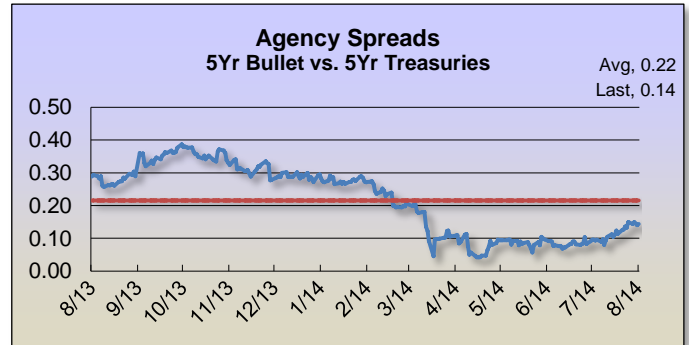
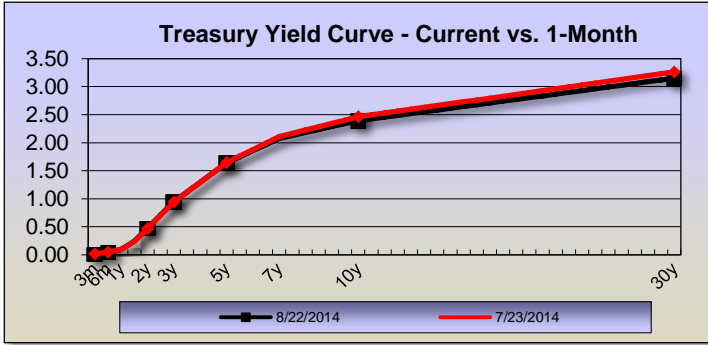


Good news for both construction and housing as starts of new private homes doubled expectations in July.

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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 <sup>2</sup>	S-Corp <sup>3</sup>		Mty	3Mo	6mo	1Yr	2Yr	
3mo	0.02	(0.01)	0.02	0.04	0.02	2yr	0.60	0.70	0.42	0.45	0.60	2Yr	0.63	0.63	0.61	-	
6mo	0.05	(0.00)	0.06	0.08	0.04	3yr	1.09	1.13	0.77	0.82	1.03	3Yr	1.13	1.16	1.11	1.11	
1yr	0.10	0.02	0.08	0.10	0.13	5yr	1.80	1.78	1.55	1.65	1.88	5Yr	1.85	1.89	1.88	1.89	
2yr	0.48	0.07	0.47	0.32	0.39	7yr	2.33	2.18	2.30	2.44	2.44	7Yr	2.20	2.30	2.30	2.30	
3yr	0.95	0.09	0.96	0.70	0.82	10yr	3.11	2.55	3.00	3.19	3.05	10Yr	2.65	2.78	2.80	2.82	
5yr	1.64	0.11	1.65	1.53	1.68	15yr	3.36	2.89	3.64	3.87	3.63	September TBA MBS					
7yr	2.08	0.09	2.11	2.17	2.31	20yr	3.50	3.05	4.03	4.29	3.84	Cpn	15Yr -Yld/AL		30Yr -Yld/AL		
10yr	2.40	0.06	2.46	2.73	2.89	25yr		3.12	4.21	4.48	3.90	2.00	2.35	5.6y		10.3y	
30yr	3.15	0.02	3.25	3.69	3.87	30yr		3.16	4.38	4.66	3.95	2.50	2.26	5.5y		3.13	9.9y
												3.00	2.22	5.1y		3.15	9.4y
												3.50	1.88	3.8y		3.12	8.4y
												4.00	2.13	3.4y		2.74	5.3y
												4.50	2.54	3.2y		2.46	4.5y

\* 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	0.16	--	0.15	0.16	0.18
3 Month LIBOR	0.23	--	0.23	0.24	0.26
6 Month LIBOR	0.33	--	0.33	0.33	0.39
1 Year LIBOR	0.56	--	0.55	0.55	0.67
6 Month CD	0.37	--	0.30	0.30	0.38
1 Year CMT	0.10	--	0.11	0.12	0.14
REPO O/N	0.10	--	0.06	0.04	0.03
REPO 1Wk	0.15	--	0.15	0.16	0.20
CoF Federal	0.935	--	0.934	0.947	0.955
11th D. CoF (Jun)	0.668	--	0.667	0.784	0.954

FHLB Fixed Advance Rates					Fed Fund Futures	
Maturity	Chicago	Boston	Dallas	Topeka	Maturity	Rate
3mo	0.20	0.34	0.18	0.34	Aug-14	0.090
6mo	0.22	0.36	0.21	0.37	Sep-14	0.090
1yr	0.35	0.40	0.28	0.45	Oct-14	0.090
2yr	0.75	0.98	0.78	0.96	Nov-14	0.100
3yr	1.32	1.46	1.28	1.44	Dec-14	0.105
4yr	1.71	1.87	1.66	1.86	Jan-15	0.110
5yr	2.02	2.18	1.95	2.18	Feb-15	0.120
7yr	2.52	2.70	2.37	--	Mar-15	0.140
10yr	3.09	3.29	2.77	3.15	Apr-15	0.170
5yr Am	1.45		1.49	1.73	May-15	0.205
10yr Am	2.42		2.30	2.62	Jun-15	0.255

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Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
08/19	CPI MoM	Jul	0.1%	0.1%	0.3%	--
08/19	CPI Ex Food and Energy MoM	Jul	0.2%	0.1%	0.1%	--
08/19	CPI YoY	Jul	2.0%	2.0%	2.1%	--
08/19	CPI Ex Food and Energy YoY	Jul	1.9%	1.9%	1.9%	--
08/19	CPI Core Index SA	Jul	238.5	238.3	238.1	--
08/19	Housing Starts	Jul	965K	1093K	893K	945K
08/19	Building Permits	Jul	1000K	1052K	963K	973K
08/20	MBA Mortgage Applications	8/15	--	1.4%	-2.7%	--
08/21	Initial Jobless Claims	8/16	303K	298K	344K	312K
08/21	Continuing Claims	8/9	2520K	2500K	2544K	2549K
08/21	Markit US Manufacturing PMI	Aug P	55.7	58.0	55.8	--
08/21	Philadelphia Fed Business Outlook	Aug	19.7	28.0	23.9	--
08/21	Existing Home Sales	Jul	5.02M	5.15M	5.04M	5.03M
08/21	Leading Index	Jul	0.6%	0.9%	0.3%	0.6%
08/25	Chicago Fed Nat Activity Index	Jul	20.0%	--	12.0%	--
08/25	New Home Sales	Jul	426K	--	406K	--
08/25	Dallas Fed Manf. Activity	Aug	12.5	--	12.7	--
08/26	Durable Goods Orders	Jul	7.0%	--	0.7%	1.7%
08/26	Durables Ex Transportation	Jul	0.4%	--	0.8%	1.9%
08/26	Cap Goods Ship Nondef Ex Air	Jul	0.5%	--	-1.0%	-0.3%
08/26	Cap Goods Orders Nondef Ex Air	Jul	0.1%	--	1.4%	3.3%
08/26	FHFA House Price Index MoM	Jun	0.3%	--	0.4%	--
08/26	S&P/CS 20 City MoM SA	Jun	-0.1%	--	-0.3%	--
08/26	S&P/CS Composite-20 YoY	Jun	8.2%	--	9.3%	--
08/26	S&P/Case-Shiller US HPI YoY	2Q	--	--	10.4%	--
08/26	Consumer Confidence Index	Aug	88.8	--	90.9	--
08/26	Richmond Fed Manufact. Index	Aug	6.0	--	7.0	--
08/26	U.S. to Sell USD29 Bln 2-Year Notes					
08/27	U.S. to Sell USD13 Bln 2-Year Floating Rate Notes Reopening					
08/27	U.S. to Sell USD35 Bln 5-Year Notes					
08/28	Initial Jobless Claims	8/23	300K	--	298K	--
08/28	GDP Annualized QoQ	2Q S	3.9%	--	4.0%	--
08/28	Continuing Claims	8/16	--	--	2500K	--
08/28	Personal Consumption	2Q S	0.02	--	0.03	--
08/28	GDP Price Index	2Q S	2.0%	--	2.0%	--
08/28	Core PCE QoQ	2Q S	2.0%	--	2.0%	--
08/28	Pending Home Sales MoM	Jul	0.5%	--	-1.1%	--
08/28	Kansas City Fed Manf. Activity	Aug	7.0	--	9.0	--
08/28	U.S. to Sell USD29 Bln 7-Year Notes					
08/29	Personal Income	Jul	0.3%	--	0.4%	--
08/29	Personal Spending	Jul	0.2%	--	0.4%	--
08/29	PCE Deflator MoM	Jul	0.1%	--	0.2%	--
08/29	PCE Deflator YoY	Jul	1.6%	--	1.6%	--
08/29	PCE Core MoM	Jul	0.1%	--	0.1%	--
08/29	PCE Core YoY	Jul	1.5%	--	1.5%	--
08/29	Chicago Purchasing Manager	Aug	56.2	--	52.6	--
08/29	Univ. of Michigan Confidence	Aug F	80.2	--	79.2	--

MBS Prepayments <sup>4</sup>						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	6.8	8.6	12.5	14.6	17.4	19.9
FH/FN 15y	5.4	6.8	9.1	11.8	15.9	17.4
GN 15y	5.7	7.7	11.3	13.4	16.0	16.9
FH/FN 20y		4.2	5.7	8.5	12.1	16.6
FH/FN 30y		4.9	5.9	7.7	10.9	15.4
GN 30y	0.6	5.2	8.4	12.9	15.7	20.0
CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	8.0	9.4	16.1	16.6	17.4	17.2
FH/FN 15y	6.7	7.8	9.8	15.0	16.2	17.8
GN 15y	3.8	8.1	10.6	13.6	13.9	15.7
FH/FN 20y	6.0	5.3	7.3	10.2	12.5	15.2
FH/FN 30y	4.8	5.7	6.8	8.2	14.8	18.2
GN 30y	1.5	6.7	8.5	11.1	14.3	18.6

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
<b>Currencies</b>					
Japanese Yen	103.81	1.45	101.46	102.51	98.72
Euro	1.33	(0.01)	1.35	1.37	1.34
Dollar Index	82.22	0.79	80.78	80.24	81.49
<b>Major Stock Indices</b>					
Dow Jones	17,039	326	17,114	16,103	14,964
S&P 500	1,992.4	37.2	1,983.5	1,836.3	1,657.0
NASDAQ	4,532.1	79.1	4,456.0	4,263.4	3,638.7
<b>Commodities</b>					
Gold	1,279.2	(25.3)	1,306.3	1,323.9	1,371.2
Crude Oil	93.62	(3.73)	104.42	102.20	105.03
Natural Gas	3.86	0.08	3.77	6.14	3.55
Wheat	549.5	-1.8	524.5	609.8	630.5
Corn	363.8	-2.0	360.3	453.0	487.5

### 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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