

Week in Review

For many, the first week of February has been a little rocky. Seahawk fans will forever second-guess an ill-fated play call that managed to snatch defeat from the jaws of victory. Add to that, the Groundhog noticed that his shadow was showing, and Tiger Woods has again demonstrated that he is a shadow of his former self. Any bright spots? You betcha! Most observers will probably conclude that this morning's news of 257k new jobs created last month belongs in that category. Upward revisions to October and November reports bring the three month job-creation average to 336k and that is a *big* bright spot. The fact that the Unemployment Rate rose to 5.7% from 5.6% is not particularly worrisome as the Participation Rate rose to 62.9% from 62.7%. Paradoxically, the return of previously discouraged workers to the labor force could exert upward pressure on the *unemployment rate*, even as job creation numbers grow.

Not all spots were as bright as this morning's. Earlier in the week we learned that the 2.7% increase in Q4 Unit Labor Costs was, more or less, the undesirable converse of the 1.8% decline in Nonfarm Productivity. Also undesirable was the 2.4% decline in Factory Orders. The already undesirable .7% decline from the previous month was made more so by the revision to a 1.7% drop. In other compensation news, we learned that Average Hourly Earnings rose by 2.2% year-over-year, with Personal Income rising by .3% in December. Personal Spending surprisingly *fell* by .3% for the same period. Where are all those savings from the gas pump going and how does all this tie in with inflation? Well, not sure where the savings are going, but the FOMC's favorite inflation measurement, the Personal Consumption Expenditures Index, was unchanged at the core level last month and stands at 1.3% (core) on a year-over-year basis. That's not much inflation. And the all-inclusive "headline" rate? Well, that measure fell by .2% for the month and stands at a meager (some might say *very* meager) .7% year-over-year.

Manufacturing vitality dimmed a bit as the ISM Manufacturing Index fell to 53.5 from 55.1, but 22k of last month's new jobs were in this sector. Vitality in the construction biz brightened a bit as Construction Spending rose by .4% last month in a comeback from November's .2% decline. A slight decline in Total Vehicle Sales was also experienced as last month's 16.8M units dipped just a bit to 16.56M. Still good numbers, though; gas is cheap!

As for bond yields, this morning's favorable Bureau of Labor Statistics Report has pushed the yield on the Treasury Benchmark Ten Year Note to north of 1.90%. Earlier in the week it had languished near 1.75%.

As for next week, there will be no languishing as new reports for Retail Sales and Consumer Confidence are due out. And for Seahawk fans, coaching confidence in the running game will continue to be debated.

Non-Farm Payrolls - Since 2007



Source: Bloomberg, LP

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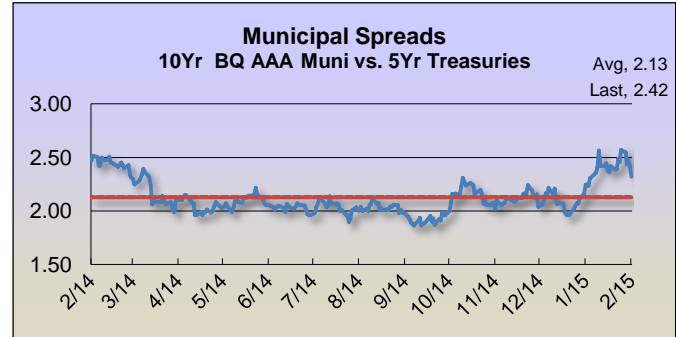
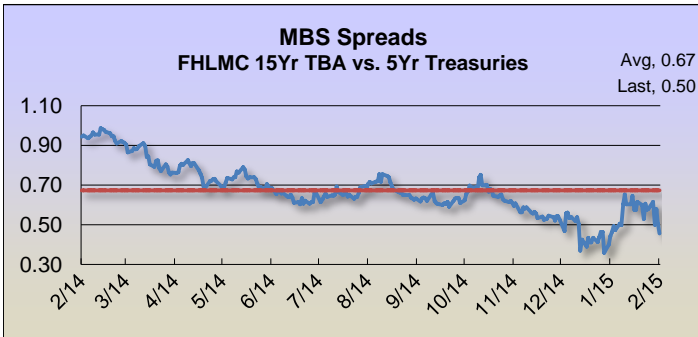
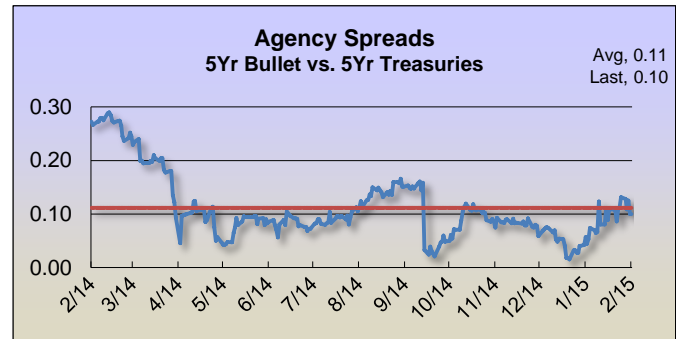
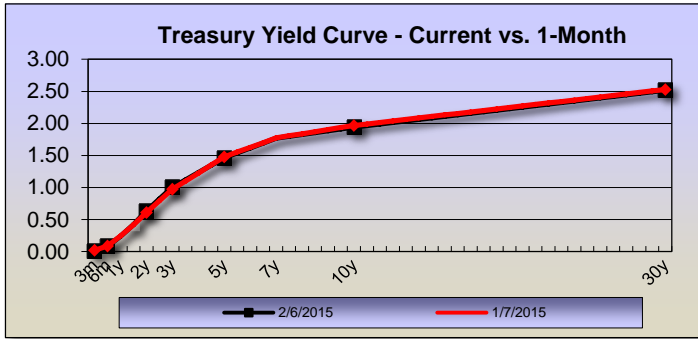
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Solid job growth continues to support growing optimism for the nation's prospects.

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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	0.02	0.01	0.03	0.02	0.07	2yr	0.74	0.86	0.57	0.61	0.84	2Yr	0.84	0.81	0.80	-	
6mo	0.08	0.03	0.09	0.05	0.07	3yr	1.10	1.18	0.81	0.86	1.16	3Yr	1.24	1.22	1.19	1.14	
1yr	0.24	0.10	0.21	0.09	0.12	5yr	1.62	1.57	1.36	1.45	1.81	5Yr	1.71	1.75	1.73	1.69	
2yr	0.64	0.18	0.63	0.46	0.32	7yr	1.95	1.81	1.95	2.07	2.34	7Yr	2.00	2.00	2.10	2.00	
3yr	1.00	0.27	0.99	0.90	0.72	10yr	2.30	2.02	2.60	2.77	2.83	10Yr	2.26	2.37	2.41	2.41	
5yr	1.46	0.31	1.48	1.65	1.52	15yr	2.60	2.22	3.18	3.38	3.33	March TBA MBS					
7yr	1.77	0.31	1.76	2.13	2.17	20yr	2.71	2.31	3.49	3.71	3.47	Cpn	15Yr -Yld/AL		30Yr -Yld/AL		
10yr	1.94	0.30	1.94	2.47	2.70	25yr	2.98	2.35	3.61	3.84	3.53	2.00	1.89	5.3y		10.4y	
30yr	2.52	0.30	2.50	3.27	3.67	30yr	3.25	2.38	3.72	3.96	3.59	2.50	1.90	5.2y		2.61	9.0y
												3.00	1.74	4.1y		2.66	8.3y
												3.50	1.65	3.5y		2.46	5.4y
												4.00	1.88	2.9y		2.18	4.1y
												4.50	2.69	2.9y		1.80	3.4y

* 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	0.17	--	0.17	0.16	0.16
3 Month LIBOR	0.26	--	0.26	0.24	0.24
6 Month LIBOR	0.36	--	0.36	0.33	0.33
1 Year LIBOR	0.63	--	0.63	0.56	0.56
6 Month CD	0.48	0.06	0.36	0.35	0.31
1 Year CMT	0.20	0.03	0.26	0.12	0.12
REPO O/N	0.19	0.07	0.10	0.08	0.04
REPO 1Wk	0.26	0.03	0.25	0.17	0.16
CoF Federal	0.936	--	0.934	0.934	0.944
11th D. CoF (Dec)	0.692	--	0.686	0.668	0.784

FHLB Fixed Advance Rates					Fed Fund Futures	
Maturity	Chicago	Boston	Dallas	Topeka	Maturity	Rate
3mo	0.20	0.36	0.15	0.34	Feb-15	0.125
6mo	0.25	0.41	0.18	0.41	Mar-15	0.130
1yr	0.49	0.50	0.32	0.54	Apr-15	0.135
2yr	0.87	1.01	0.87	1.00	May-15	0.155
3yr	1.32	1.36	1.29	1.35	Jun-15	0.195
4yr	1.60	1.63	1.52	1.63	Jul-15	0.265
5yr	1.82	1.86	1.70	1.83	Aug-15	0.310
7yr	2.21	2.29	2.10	--	Sep-15	0.355
10yr	2.60	2.72	2.50	2.57	Oct-15	0.425
5yr Am	1.42		1.38	1.56	Nov-15	0.485
10yr Am	2.14		2.03	2.22	Dec-15	0.535

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Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
02/02	Personal Income	Dec	0.2%	0.3%	0.4%	0.3%
02/02	Personal Spending	Dec	-0.2%	-0.3%	0.6%	0.5%
02/02	PCE Deflator MoM	Dec	-0.3%	-0.2%	-0.2%	--
02/02	PCE Deflator YoY	Dec	0.8%	0.7%	1.2%	--
02/02	PCE Core MoM	Dec	0.0%	0.0%	0.0%	--
02/02	PCE Core YoY	Dec	1.3%	1.3%	1.4%	--
02/02	Construction Spending MoM	Dec	0.7%	0.4%	0.3%	-0.2%
02/02	ISM Manufacturing	Jan	54.5	53.5	55.5	55.1
02/02	ISM Prices Paid	Jan	39.5	35.0	38.5	--
02/03	Factory Orders	Dec	-2.4%	-3.4%	0.7%	-1.7%
02/03	Wards Total Vehicle Sales	Jan	16.60M	16.56M	16.80M	--
02/03	Wards Domestic Vehicle Sales	Jan	13.50M	13.31M	13.46M	--
02/04	MBA Mortgage Applications	1/30	--	1.3%	-3.2%	--
02/04	ADP Employment Change	Jan	223K	213K	241K	253K
02/04	Markit US Composite PMI	Jan F	--	54.0%	54.0%	--
02/04	Markit US Services PMI	Jan F	54.1	54.2	54.0	--
02/04	ISM Non-Manf. Composite	Jan	56.4	56.7	56.2	56.5
02/05	Challenger Job Cuts YoY	Jan	--	17.6%	6.6%	--
02/05	Nonfarm Productivity	4Q P	0.1%	-1.8%	2.3%	3.7%
02/05	Unit Labor Costs	4Q P	1.2%	2.7%	1.0%	-2.3%
02/05	Initial Jobless Claims	1/31	290K	278K	265K	267K
02/05	Continuing Claims	1/24	2400K	2400K	2385K	2394K
02/05	Trade Balance	Dec	-\$38.0B	-\$46.6B	-\$39.0B	-\$39.8B
02/06	Change in Nonfarm Payrolls	Jan	228K	257K	252K	329K
02/06	Two-Month Payroll Net Revision	Jan	--	147K	--	--
02/06	Unemployment Rate	Jan	5.6%	5.7%	5.6%	--
02/06	Average Hourly Earnings MoM	Jan	0.3%	0.5%	-0.2%	--
02/06	Average Hourly Earnings YoY	Jan	1.9%	2.2%	4.7%	1.9%
02/06	Average Weekly Hours All Employees	Jan	34.6	34.6	34.6	--
02/06	Underemployment Rate	Jan	--	11.3%	11.2%	--
02/06	Change in Household Employment	Jan	250.0	759.0	111.0	--
02/06	Labor Force Participation Rate	Jan	62.7%	62.9%	62.7%	--
02/06	Consumer Credit	Dec	\$15.000B	--	\$14.081B	--
02/10	Wholesale Inventories MoM	Dec	0.1%	--	0.8%	--
02/10	JOLTS Job Openings	Dec	4,975.0	--	4,972.0	--
02/10	U.S. to Sell USD24 Bln 3-Year Notes					
02/11	U.S. to Sell USD24 Bln 10-Year Notes					
02/12	Retail Sales Advance MoM	Jan	-0.4%	--	-0.9%	--
02/12	Retail Sales Ex Auto MoM	Jan	-0.4%	--	-1.0%	--
02/12	Retail Sales Ex Auto and Gas	Jan	0.5%	--	-0.3%	--
02/12	Retail Sales Control Group	Jan	0.5%	--	-0.4%	--
02/12	Initial Jobless Claims	2/7	285K	--	278K	--
02/12	Continuing Claims	1/31	2393K	--	2400K	--
02/12	U.S. to Sell USD16 Bln 30-Year Bonds					
02/13	Import Price Index MoM	Jan	-3.3%	--	-2.5%	--
02/13	Import Price Index YoY	Jan	-9.3%	--	-5.5%	--
02/13	U. of Mich. Sentiment	Feb P	98.2	--	98.1	--

MBS Prepayments ⁴						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	7.1	8.7	11.9	13.7	16.5	17.0
FH/FN 15y	4.8	6.1	8.9	11.3	14.9	16.4
GN 15y	4.9	7.6	9.8	13.8	14.0	14.7
FH/FN 20y		4.5	5.5	9.2	12.6	16.1
FH/FN 30y		3.8	5.0	8.2	14.4	16.7
GN 30y	4.7	5.2	9.3	13.6	15.2	17.5
CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	9.5	10.3	17.2	17.4	18.1	17.7
FH/FN 15y	7.9	9.1	14.2	16.9	18.3	19.9
GN 15y	7.0	8.0	12.1	14.2	13.8	15.2
FH/FN 20y	6.0	7.5	9.8	16.2	18.7	15.8
FH/FN 30y	4.7	7.0	8.7	14.5	20.2	24.5
GN 30y	3.9	8.0	13.6	16.5	22.3	24.9

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	118.68	1.19	118.39	102.10	102.11
Euro	1.14	0.01	1.19	1.34	1.36
Dollar Index	94.51	(0.30)	91.50	81.44	80.91
Major Stock Indices					
Dow Jones	17,890	725	17,372	16,443	15,629
S&P 500	2,062.5	67.5	2,002.6	1,920.2	1,773.4
NASDAQ	4,765.4	130.2	4,592.7	4,355.1	4,057.1
Commodities					
Gold	1,237.9	(40.6)	1,219.4	1,306.7	1,257.6
Crude Oil	51.06	2.82	47.93	96.92	97.84
Natural Gas	2.59	(0.10)	2.94	3.93	4.93
Wheat	529.5	26.8	591.8	568.0	580.8
Corn	386.8	16.8	405.0	363.3	443.0

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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