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April is National Poetry Month, so what better time to recall T.S. Eliot’s description of it as also being the “cruellest month.” And while that characterization had more to do with his low mood than with the IRS, we can all relate to the sentiment. The sentiment of consumers, meanwhile, may have more in common with Mr. Eliot’s outlook than anyone would like to see. Just this morning, the University of Michigan’s Index of Consumer Sentiment fell unexpectedly to 89.7 from 91. The puzzle for many observers is not that it fell, but instead, why that fall was unexpected.

After all, the week began with another unexpected drop in the National Federation of Independent Businesses (NFIB) Small Business Optimism Index from 92.9 to 92.6. Part of the problem may be with that measurement’s cumbersome title. Still, it’s going the wrong way. We also learned this week that inflation is going, well, nowhere. The all-inclusive Consumer Price Index (CPI) rose by 0.1% last month but the year-over-year rate fell to 0.9% from 1.0%. Without food & energy, the “core” story is similar. A one-tenth rise for the month, with a one-tenth drop to 2.2% year-over-year.

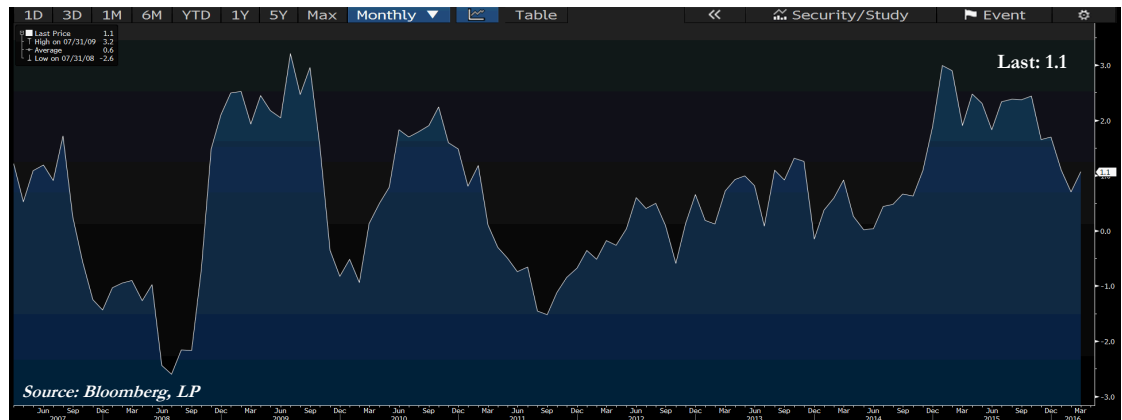
These reports were preceded by wholesale price measurements that weren’t much different. The Producer Price Index (PPI) fell by 0.1% for the month and stands at a negative 0.1% year-over-year. There is a word for negative inflation, but it’s better left unsaid. Without food & energy, core-PPI also fell by 0.1% for the month and its 1.0% year-over-year rate is two-tenths below what it was last month.

Also coming in lower than last month were Retail Sales. Even those with low expectations were disappointed with the 0.3% decline. That was unexpected and was led by the also unexpected 2.1% drop in auto sales. We are all expecting consumers to drive this economy onward and upward, and reports such as this one are not helpful. And while gasoline prices remain helpfully low, the March average of \$1.94/gallon is up 21 cents from February.

Not going up, unfortunately, was Industrial Production. The 0.6% drop for March represents the second consecutive month that measure has fallen by that same measure. No mystery, then, to the decline in Capacity Utilization from 75.3% to 74.8%. There is something that went up last month besides gasoline prices and this represents the week’s good news; Real Average Weekly Earnings. There should probably be a comma separating “real” and “average” since the 1.1% increase seems pretty mediocre, but the description just means that adjusted for inflation, labor remuneration (in cash or in kind) left employees with 1.1% greater purchasing power. Yep, that’s the good news for the week and helps explain why Ten Year Treasury yields continue to languish *well* below 2%.

Next week brings new reports for Housing Starts, Existing Home Sales, and the FHFA Home Price Index. Markets are hoping these reports take their cue from another famous poet, Elvis Presley. You know the one; “Don’t be Cruel”!

U.S. Real Average Weekly Earnings (Year-over-Year)

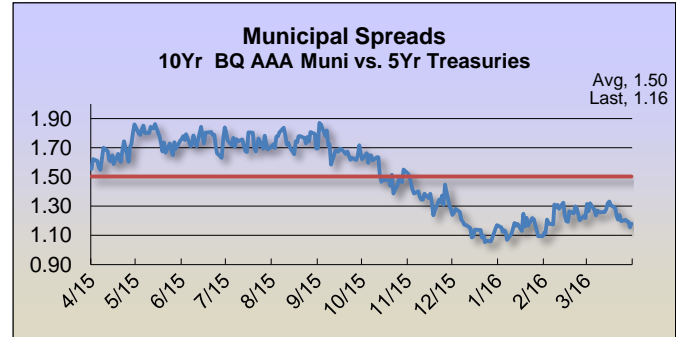
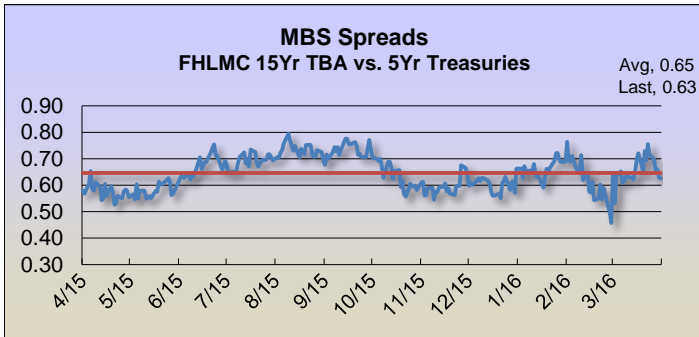
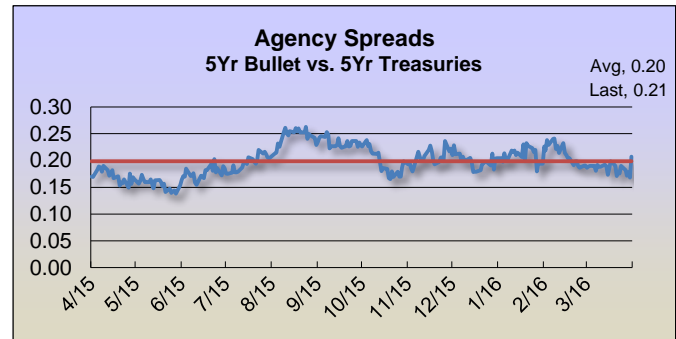
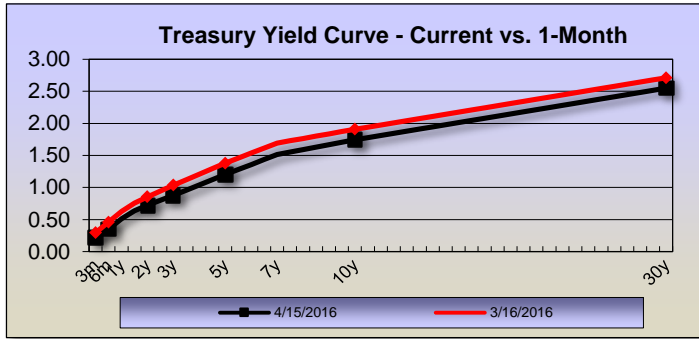


This measure of inflation-adjusted compensation remains positive, although well below recent highs, and is helped by the fact that there just isn’t much inflation for which to adjust.

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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	0.22	(0.01)	0.33	0.00	0.01	2yr	0.84	0.86	0.91	0.97	1.01	2Yr	0.97	0.97	0.93	-
6mo	0.35	0.01	0.52	0.07	0.08	3yr	0.99	0.96	1.05	1.12	1.25	3Yr	1.14	1.17	1.15	1.05
1yr	0.51	(0.00)	0.70	0.21	0.20	5yr	1.35	1.17	1.39	1.48	1.72	5Yr	1.44	1.50	1.49	1.42
2yr	0.73	0.03	0.97	0.60	0.50	7yr	1.61	1.37	1.74	1.85	2.21	7Yr	1.69	1.76	1.78	1.74
3yr	0.87	0.05	1.16	0.89	0.77	10yr	2.06	1.61	2.27	2.41	2.66	10Yr	1.94	2.05	2.10	2.08
5yr	1.20	0.05	1.49	1.33	1.32	15yr	2.62	1.86	2.83	3.01	3.34	May TBA MBS				
7yr	1.51	0.04	1.78	1.70	1.65	20yr	3.06	2.00	3.23	3.44	3.55	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	1.74	0.03	1.97	2.02	1.89	25yr	3.36	2.06	3.41	3.63	3.62	2.00	1.86	5.5y		
30yr	2.55	(0.00)	2.73	2.86	2.54	30yr		2.10	3.58	3.81	3.68	2.50	1.91	5.2y		
												3.00	1.81	4.1y	2.57	7.4y
												3.50	1.74	3.5y	2.51	5.8y
												4.00			2.09	4.0y
												4.50			1.94	3.8y

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	0.50	--	0.50	0.25	0.25
Primary Discount	1.00	--	1.00	0.75	0.75
2ndary Discount	1.50	--	1.50	1.25	1.25
Prime Rate	3.50	--	3.50	3.25	3.25
1 Month LIBOR	0.43	--	0.44	0.20	0.18
3 Month LIBOR	0.63	--	0.63	0.32	0.28
6 Month LIBOR	0.90	--	0.91	0.52	0.41
1 Year LIBOR	1.22	--	1.22	0.84	0.70
6 Month CD	0.89	--	1.07	0.49	0.40
1 Year CMT	0.55	0.03	0.70	0.21	0.23
REPO O/N	0.46	--	0.43	0.26	0.25
REPO 1Wk	0.53	--	0.55	0.24	0.24
CoF Federal	1.081	--	1.071	0.968	0.940
11th D. CoF (Feb)	0.670	--	0.664	0.639	0.700

FHLB Fixed Advance Rates					Fed Fund Futures	
Maturity	Chicago	Boston	Dallas	Topeka	Maturity	Rate
3mo	0.46	0.66	0.45	0.66	Apr-16	0.362
6mo	0.58	0.71	0.56	0.75	May-16	0.365
1yr	0.79	0.84	0.74	0.89	Jun-16	0.385
2yr	0.97	1.19	0.97	1.17	Jul-16	0.405
3yr	1.19	1.35	1.17	1.34	Aug-16	0.445
4yr	1.39	1.58	1.40	1.57	Sep-16	0.455
5yr	1.54	1.73	1.55	1.69	Oct-16	0.485
7yr	1.91	2.11	1.93	1.99	Nov-16	0.495
10yr	2.43	2.65	2.46	2.51	Dec-16	0.520
5yr Am	1.28		1.32	1.53	Jan-17	0.540
10yr Am	1.91		2.46	2.13	Feb-17	0.560

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April 15, 2016

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
04/12	NFIB Small Business Optimism	Mar	93.50	92.60	92.90	--
04/12	Import Price Index YoY	Mar	-4.80%	-6.20%	-6.40%	-6.50%
04/12	Monthly Budget Statement	Mar	-\$104.0b	-\$108.0b	-\$52.9b	--
04/13	MBA Mortgage Applications	4/8	--	10.00%	2.70%	--
04/13	Retail Sales Advance MoM	Mar	0.10%	-0.30%	+0.10%	0.00%
04/13	Retail Sales Ex Auto MoM	Mar	0.40%	0.20%	+0.10%	0.00%
04/13	Retail Sales Ex Auto and Gas	Mar	0.30%	0.10%	0.30%	0.60%
04/13	Retail Sales Control Group	Mar	0.40%	0.10%	0.00%	0.10%
04/13	PPI Ex Food, Energy, Trade MoM	Mar	0.10%	0.00%	0.10%	--
04/13	PPI Final Demand YoY	Mar	0.30%	-0.10%	0.00%	--
04/13	PPI Ex Food and Energy YoY	Mar	1.30%	1.00%	1.20%	--
04/13	PPI Ex Food, Energy, Trade YoY	Mar	--	0.90%	0.90%	--
04/13	Business Inventories	Feb	-0.10%	-0.10%	0.10%	-0.10%
04/13	U.S. Sells USD20 Bln 10-Year Notes Reopening; High Yld 1.765%					
04/14	Initial Jobless Claims	4/9	270k	253k	267k	266k
04/14	Continuing Claims	4/2	2183k	2171k	2194k	2189k
04/14	CPI YoY	Mar	1.00%	0.90%	1.00%	--
04/14	CPI Ex Food and Energy YoY	Mar	2.30%	2.20%	2.30%	--
04/14	CPI Index NSA	Mar	238.54	238.13	237.11	--
04/14	CPI Core Index SA	Mar	246.33	246.10	245.93	--
04/14	Real Avg Weekly Earnings YoY	Mar	--	1.10%	0.60%	0.70%
04/14	U.S. Sells USD12 Bln 30-Year Bonds Reopening; High Yld 2.596%					
04/15	Empire Manufacturing	Apr	2.00	9.56	0.62	--
04/15	Industrial Production MoM	Mar	-0.10%	-0.60%	+0.50%	-0.60%
04/15	Capacity Utilization	Mar	75.30%	74.80%	76.70%	75.30%
04/15	Manufacturing (SIC) Production	Mar	0.10%	-0.30%	0.20%	-0.10%
04/15	U. of Mich. Sentiment	Apr P	92.00	89.70	91.00	--
04/15	U. of Mich. Current Conditions	Apr P	--	105.40	105.60	--
04/15	U. of Mich. Expectations	Apr P	--	79.60	81.50	--
04/15	U. of Mich. 1 Yr Inflation	Apr P	--	2.70%	2.70%	--
04/15	U. of Mich. 5-10 Yr Inflation	Apr P	--	2.50%	2.70%	--
04/15	Total Net TIC Flows	Feb	--	--	\$118.4b	--
04/15	Net Long-term TIC Flows	Feb	--	--	-\$12.0b	--
04/18	NAHB Housing Market Index	Apr	59.00	--	58.00	--
04/19	Housing Starts	Mar	1168k	--	1178k	--
04/19	Housing Starts MoM	Mar	-0.90%	--	5.20%	--
04/19	Building Permits	Mar	1200k	--	1167k	1177k
04/19	Building Permits MoM	Mar	2.00%	--	-3.10%	-2.20%
04/20	MBA Mortgage Applications	4/15	--	--	10.00%	--
04/20	Existing Home Sales	Mar	5.29m	--	5.08m	--
04/21	Chicago Fed Nat Activity Index	Mar	--	--	-0.29	--
04/21	Initial Jobless Claims	4/16	265k	--	253k	--
04/21	Continuing Claims	4/9	--	--	2171k	--
04/21	Philadelphia Fed Business Outlook	Apr	8.00	--	12.40	--
04/21	FHFA House Price Index MoM	Feb	0.30%	--	0.50%	--
04/21	Leading Index	Mar	0.40%	--	0.10%	--
04/22	Markit US Manufacturing PMI	Apr P	51.80	--	51.50	--

MBS Prepayments ⁴						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	9.3	10.4	12.7	15.0	17.4	19.6
FH/FN 15y	5.9	7.5	9.2	11.3	14.8	17.0
GN 15y	4.6	9.4	12.0	14.0	13.9	15.5
FH/FN 20y		5.9	7.2	10.1	12.2	15.4
FH/FN 30y		4.3	6.6	9.8	14.0	16.5
GN 30y	7.2	7.4	10.9	14.5	17.4	20.5
CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	8.1	11.0	15.0	16.7	17.5	18.5
FH/FN 15y	7.5	9.0	14.1	15.7	16.8	21.8
GN 15y	5.3	7.6	11.3	14.6	13.4	15.8
FH/FN 20y	6.0	7.1	10.9	14.6	17.0	16.6
FH/FN 30y	6.2	6.9	9.9	13.8	20.7	22.3
GN 30y	5.7	8.5	11.9	15.6	19.0	22.0

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	108.63	0.56	113.18	118.90	119.14
Euro	1.13	(0.01)	1.11	1.14	1.07
Dollar Index	94.69	0.46	96.63	94.37	98.32
Major Stock Indices					
Dow Jones	17,897	320	17,252	17,142	18,113
S&P 500	2,080.3	32.7	2,015.9	2,023.9	2,106.6
NASDAQ	4,931.5	80.9	4,728.7	4,870.1	5,011.0
Commodities					
Gold	1,226.9	(15.6)	1,231.0	1,187.9	1,201.5
Crude Oil	40.16	0.44	36.34	46.38	56.39
Natural Gas	1.91	(0.08)	1.85	2.45	2.61
Wheat	458.8	-1.5	477.3	502.5	490.8
Corn	377.8	15.5	368.5	375.5	376.0

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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