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Clarity; of thought, of purpose, of action. Conditions sought by many and attained by few. It was hoped, by the many, that this morning's Unemployment Report would provide some of that much desired clarity to the thoughts, purposes, and actions of the FOMC. If that clarity was achieved, it was only by the few and the muted response of financial markets seems to bear that out.

The 156k gain in Non-Farm Payrolls reported by the Bureau of Labor Statistics (BLS) was not so weak as to preclude a December rate hike, nor was it strong enough to make that action a foregone conclusion. One of the positive takeaways from today's BLS report may not be obvious from a galloping horse, but it *is* a positive, nonetheless. The hidden nugget of good news? The Unemployment Rate went *up* by a tenth to 5%! How is that good news?

Well, in a partial reversal of the arithmetic relationship that allowed the Rate to fall so much from its crisis-induced level of 10%, the return to the Labor Force by some of the many discouraged workers also adds that number back to the ranks of the unemployed. That reverse exodus doesn't occur unless a perception exists among that discouraged component that new opportunities for employment are present. Let's all hope that the perception is an accurate one and the opportunities are taken advantage of. One year ago, the Labor Force Participation Rate was 62.4% compared to today's reported 62.9%. Time to hand out some participation trophies.

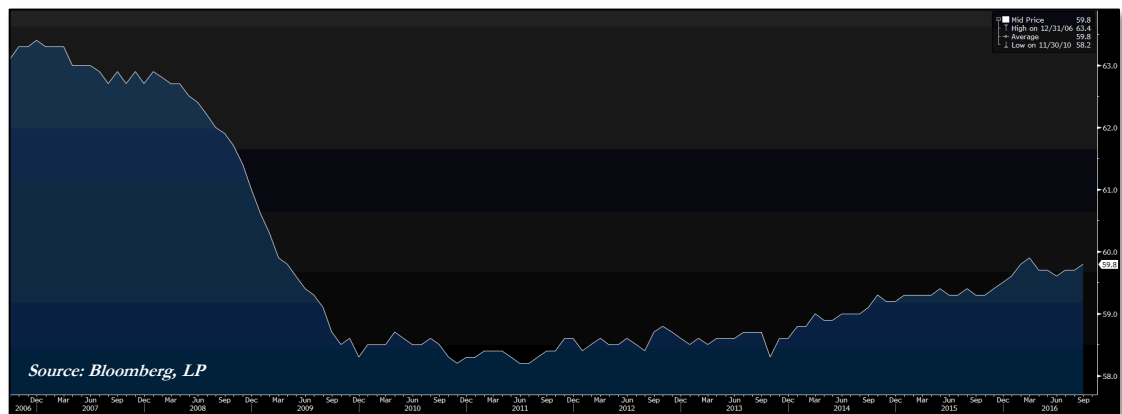
The Employment/Population ratio, likewise, shows renewed vitality. The 59.3% of the non-institutionalized civilian population that was at work one year ago, has grown to 59.8% today. But wait, that's not all; the compensation of hourly workers is growing at a 2.6% annualized rate compared to last month's 2.4%. So, more people at work and they're making more money. What's not to love about that?!

Nobody loved the Census Bureau's report on Monday that Construction Spending fell by 0.7% in August, but the Institute of Supply Management (ISM) also reported that its Manufacturing Index rose to 51.5 from 49.4. Regaining a level above 50 is significant for that sector as it generally portends expansion as levels below 50 do the opposite. The service sector notched a *huge* gain as the ISM non-manufacturing index surged to 57.1 from 51.4. Thank you for your service.

The 0.2% rise in Factory Orders didn't generate many expressions of thanks, but it was still better than the expected decline in that measure. Without transportation components, new orders were unchanged. The nation's trade balanced changed a little, but not in the desired direction. Imports outpaced exports by \$40.7B in August and that was about \$1.2B more than the month before. Durable Goods rose by an uninspiring 0.1%.

Will Janet- and- them be inspired to bump up the fed funds target when they meet in November? Almost certainly not. How about inspiration for a move in December? This morning's fancy Bloomberg math gives that outcome about a 64% probability. How about some clarity for the Presidential election? We're going to need some fancier math.

### U.S. Employment-to-Population Ratio

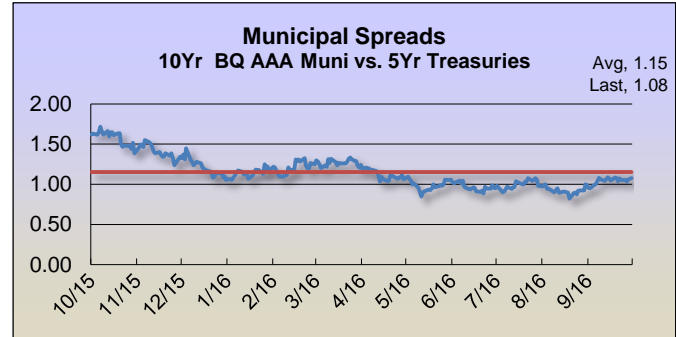
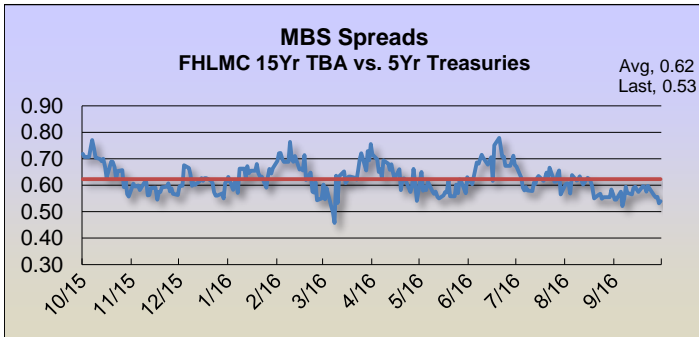
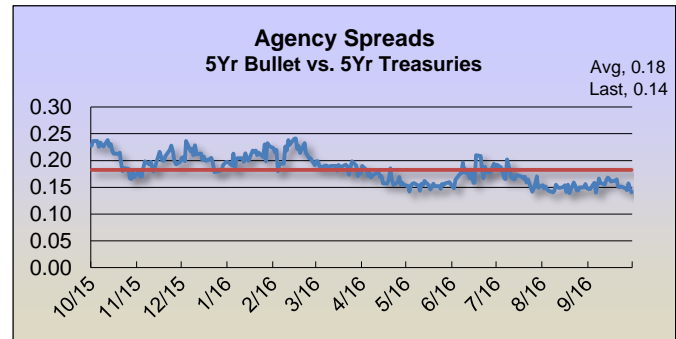
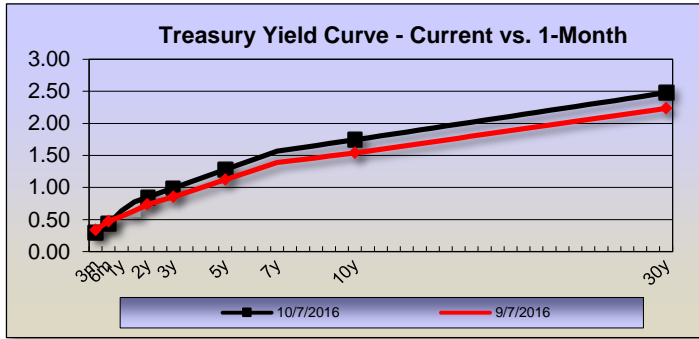


Recent increases in this "employment rate" are encouraging, but still leave this measure far below pre-crisis levels.

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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	0.30	0.02	0.34	0.23	0.00	2yr	0.95	1.09	1.20	1.28	1.06	2Yr	1.06	1.05	1.02	-
6mo	0.43	(0.00)	0.48	0.34	0.07	3yr	1.13	1.16	1.30	1.39	1.27	3Yr	1.20	1.24	1.22	1.13
1yr	0.64	0.05	0.55	0.52	0.24	5yr	1.47	1.30	1.51	1.61	1.68	5Yr	1.42	1.50	1.51	1.44
2yr	0.85	0.09	0.74	0.69	0.63	7yr	1.72	1.43	1.78	1.89	1.98	7Yr	1.60	1.69	1.72	1.68
3yr	0.99	0.12	0.86	0.82	0.87	10yr	2.09	1.59	2.30	2.44	2.58	10Yr	1.81	1.92	1.98	1.97
5yr	1.28	0.13	1.12	1.14	1.37	15yr	2.48	1.77	2.88	3.07	3.11	November TBA MBS				
7yr	1.57	0.14	1.39	1.45	1.75	20yr	2.87	1.86	3.22	3.43	3.33	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	1.74	0.15	1.54	1.69	2.07	25yr	3.26	1.91	3.33	3.54	3.38		2.00	1.81	5.4y	
30yr	2.48	0.16	2.24	2.52	2.89	30yr		1.93	3.43	3.65	3.42	2.50	1.78	4.8y		
												3.00	1.74	4.0y	2.37	5.9y
												3.50	1.87	3.6y	2.39	5.3y
												4.00			1.98	3.8y
												4.50			1.71	3.6y

\* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	0.50	--	0.50	0.50	0.25
Primary Discount	1.00	--	1.00	1.00	0.75
2ndary Discount	1.50	--	1.50	1.50	1.25
Prime Rate	3.50	--	3.50	3.50	3.25
1 Month LIBOR	0.53	--	0.52	0.44	0.19
3 Month LIBOR	0.87	0.03	0.84	0.63	0.32
6 Month LIBOR	1.26	0.02	1.25	0.90	0.53
1 Year LIBOR	1.58	0.02	1.56	1.21	0.84
6 Month CD	1.21	--	1.23	0.89	0.52
1 Year CMT	0.65	0.06	0.56	0.55	0.26
REPO O/N	0.39	0.04	0.54	0.47	0.15
REPO 1Wk	0.41	0.18	0.24	0.53	0.27
CoF Federal	1.092	--	1.103	1.081	0.968
11th D. CoF (Aug)	0.703	--	0.693	0.670	0.639

FHLB Fixed Advance Rates					Fed Fund Futures	
Maturity	Chicago	Boston	Dallas	Topeka	Maturity	Rate
3mo	0.46	0.65	0.56	0.65	Oct-16	0.392
6mo	0.60	0.77	0.66	0.76	Nov-16	0.415
1yr	0.92	0.97	0.88	0.99	Dec-16	0.500
2yr	1.09	1.31	1.14	1.28	Jan-17	0.565
3yr	1.28	1.46	1.32	1.44	Feb-17	0.585
4yr	1.43	1.62	1.47	1.60	Mar-17	0.615
5yr	1.58	1.78	1.64	1.73	Apr-17	0.635
7yr	1.86	2.08	1.91	1.95	May-17	0.655
10yr	2.22	2.47	2.28	2.32	Jun-17	0.685
5yr Am	1.36		1.42	1.59	Jul-17	0.700
10yr Am	1.87		2.34	2.08	Aug-17	0.700

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October 7, 2016

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
10/03	Markit US Manufacturing PMI	Sep F	51.40	51.50	51.40	--
10/03	Construction Spending MoM	Aug	0.30%	-0.70%	0.00%	-0.30%
10/03	ISM Manufacturing	Sep	50.40	51.50	49.40	--
10/03	ISM Prices Paid	Sep	53.50	53.00	53.00	--
10/03	ISM New Orders	Sep	--	55.10	49.10	--
10/03	Wards Domestic Vehicle Sales	Sep	13.33m	13.87m	13.13m	--
10/04	ISM New York	Sep	--	49.60	47.50	--
10/05	MBA Mortgage Applications	9/30	--	2.90%	-0.70%	--
10/05	ADP Employment Change	Sep	165k	154k	177k	175k
10/05	Trade Balance	Aug	-\$39.2b	-\$40.7b	-\$39.5b	--
10/05	Markit US Composite PMI	Sep F	--	52.30	52.00	--
10/05	ISM Non-Manf. Composite	Sep	53.00	57.10	51.40	--
10/05	Factory Orders Ex Trans	Aug	--	0.00%	0.20%	-0.10%
10/05	Durables Ex Transportation	Aug F	--	-0.20%	-0.40%	--
10/05	Cap Goods Ship Nondef Ex Air	Aug F	--	-0.10%	-0.40%	--
10/06	Challenger Job Cuts YoY	Sep	--	-24.70%	-21.80%	--
10/06	Initial Jobless Claims	10/1	256k	249k	254k	--
10/06	Continuing Claims	9/24	2081k	2058k	2062k	2064k
10/07	Change in Nonfarm Payrolls	Sep	172k	156k	154k	167k
10/07	Two-Month Payroll Net Revision	Sep	--	-7k	-1k	--
10/07	Change in Private Payrolls	Sep	170k	167k	126k	144k
10/07	Change in Manufact. Payrolls	Sep	-4k	-13k	-14k	-16k
10/07	Unemployment Rate	Sep	4.90%	5.00%	4.90%	--
10/07	Average Hourly Earnings YoY	Sep	2.60%	2.60%	2.40%	--
10/07	Average Weekly Hours All Employees	Sep	34.40	34.40	34.30	--
10/07	Change in Household Employment	Sep	--	354.00	97.00	--
10/07	Labor Force Participation Rate	Sep	--	62.90%	62.80%	--
10/07	Underemployment Rate	Sep	--	9.70%	9.70%	--
10/07	Wholesale Inventories MoM	Aug F	-0.10%	-0.20%	-0.10%	--
10/07	Wholesale Trade Sales MoM	Aug	0.10%	0.70%	0.40%	-0.60%
10/07	Consumer Credit	Aug	\$16.500b	--	\$17.713b	--
10/11	NFIB Small Business Optimism	Sep	95.00	--	94.40	--
10/11	Labor Market Conditions Index Change	Sep	--	--	-70.00%	--
10/12	MBA Mortgage Applications	10/7	--	--	2.90%	--
10/12	JOLTS Job Openings	Aug	5788.00	--	5871.00	--
10/12	FOMC Meeting Minutes	9/21	--	--	--	--
10/13	Import Price Index YoY	Sep	-1.10%	--	-2.20%	--
10/13	Initial Jobless Claims	10/8	254k	--	249k	--
10/13	Continuing Claims	10/1	--	--	2058k	--
10/14	Retail Sales Ex Auto and Gas	Sep	0.30%	--	-0.10%	--
10/14	PPI Final Demand YoY	Sep	0.60%	--	0.00%	--
10/14	PPI Ex Food and Energy YoY	Sep	1.20%	--	1.00%	--
10/14	PPI Ex Food, Energy, Trade YoY	Sep	--	--	1.20%	--
10/14	Business Inventories	Aug	0.10%	--	0.00%	--
10/14	U. of Mich. Sentiment	Oct P	92.00	--	91.20	--
10/14	U. of Mich. Current Conditions	Oct P	--	--	104.20	--
10/14	U. of Mich. 1 Yr Inflation	Oct P	--	--	2.40%	--

MBS Prepayments <sup>4</sup>						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	11.8	13.7	15.6	17.7	19.6	20.1
FH/FN 15y	9.5	12.3	14.6	15.4	17.9	19.3
GN 15y	12.0	14.4	16.3	17.6	16.2	16.2
FH/FN 20y		11.6	14.6	18.7	18.5	20.0
FH/FN 30y		7.7	12.8	19.7	23.0	23.3
GN 30y	8.9	12.4	18.0	21.1	24.5	25.5
CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	8.1	12.2	15.1	16.4	17.4	17.6
FH/FN 15y	7.5	10.2	13.8	16.0	17.4	22.7
GN 15y	12.6	7.5	12.2	15.4	13.4	16.8
FH/FN 20y	6.0	10.2	15.3	19.1	20.3	18.7
FH/FN 30y	6.4	7.8	13.3	15.1	21.6	22.8
GN 30y	9.5	9.9	13.4	17.3	20.3	24.3

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
<b>Currencies</b>					
Japanese Yen	103.23	1.88	101.74	108.21	120.01
Euro	1.12	(0.01)	1.12	1.14	1.12
Dollar Index	96.61	1.14	94.96	94.48	95.50
<b>Major Stock Indices</b>					
Dow Jones	18,235	(73)	18,526	17,542	16,912
S&P 500	2,155.8	(12.5)	2,186.2	2,041.9	1,995.8
NASDAQ	5,294.7	(17.3)	5,283.9	4,848.4	4,791.2
<b>Commodities</b>					
Gold	1,254.9	(58.4)	1,345.3	1,236.2	1,149.0
Crude Oil	50.28	2.04	45.50	37.26	47.81
Natural Gas	3.12	0.21	2.68	2.02	2.47
Wheat	398.0	-4.0	375.3	457.0	516.8
Corn	342.8	6.0	321.0	361.5	395.8

### 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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