

## Baker Market Update: Week in Preview

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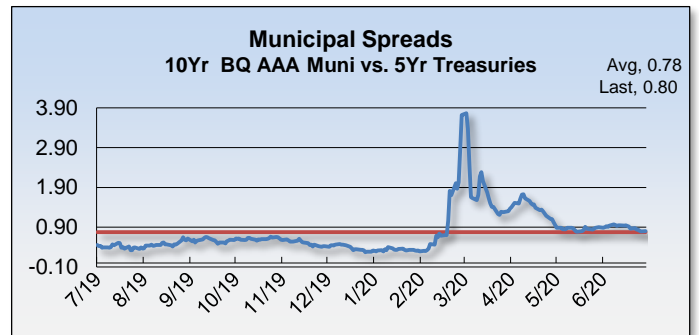
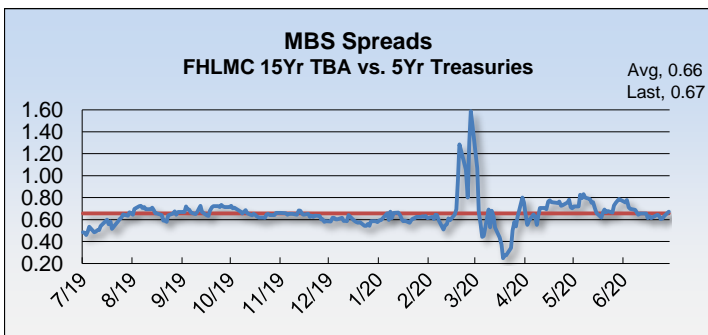
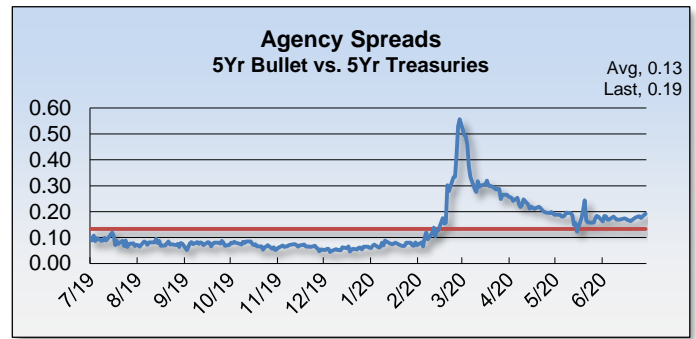
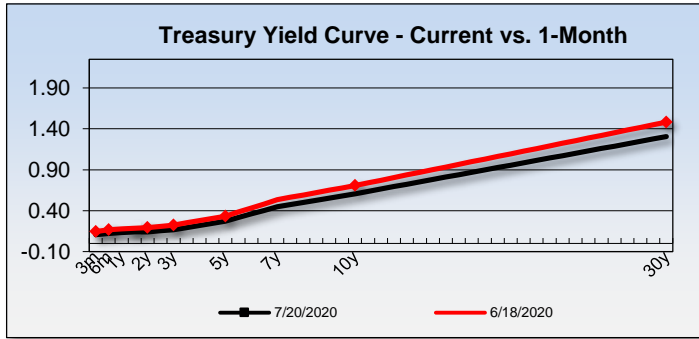


It's the doldrums for data this week and investors may have to look to less quantifiable variables if an excuse to overreact is found to be necessary. The less quantifiable variables in question today concern positive results on more vaccine studies and soon-to-be-fulfilled hopes of more economic stimulus both here and abroad. More stimulus is coming, but what exactly it may look like is the variable part.

The only numbers scheduled for today will be the ones telling you how hot and humid it is, but since the stock market seems to have a way of making everything seem like good news, maybe we'll have a heat-index rally. Tomorrow, the Chicago Fed is expected to share some good news with us when it is forecast to report that its National Activity Index (Business Conditions) rose in June to a value of 4.0 from May's 2.61. On the next day, the FHFA House Price Index is expected to show that in May, rising prices pushed that index up by 0.3%. A little dated, but good to know. It may also be good to know, if the experts are correct, that Existing Home Sales rose by over 21% last month on an annualized basis. New Home Sales for June will be reported on Friday, but their growth is expected to be barely positive.

Thursday will bring the weekly Jobless Claims statistics and, for the week ending July 18<sup>th</sup>, Initial Claims may drop a tiny bit from 1.3M to 1.29M. Continuing Claims for the week ending July 11<sup>th</sup> may also dip to 17M from 17.3M. Supplemental unemployment benefits expire on July 31<sup>st</sup> and the nature of future changes remain unknown until more is known about the next, proposed stimulus and relief effort. The Index of Leading Economic Indicators for June will be announced on Thursday and June's expected increase of 2.1% is a bit of a come-down from May's boost of 2.8%. The Kansas City Fed will have some good news when it reports on Thursday that its Manufacturing Index jumped in July clear up to 5.0 from June's meager value of 1.0. Markit Services will, on Friday, announce July PMI's for Manufacturing and Services and both are expected to move into expansionary values above "50" from the current contractionary levels.

At the moment, equities markets seem indifferent and little changed while Treasury prices enjoy a slight scoot upward. The Ten-Year's yield is barely 60 basis points while crude oil tries to hang on to \$40. Gold is up just over \$4 to around \$1,815. Have a great week; be careful out there and stay in the shade.



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	0.11	(0.02)	0.15	1.56	2.07	2yr	0.22	0.22	0.24	0.25	0.35	2Yr	0.25	0.27	0.27	-
6mo	0.12	(0.02)	0.17	1.56	2.03	3yr	0.27	0.22	0.25	0.27	0.46	3Yr	0.36	0.39	0.30	0.33
1yr	0.13	(0.02)	0.17	1.55	1.94	5yr	0.47	0.31	0.43	0.46	0.69	5Yr	0.58	0.62	0.64	0.56
2yr	0.14	(0.01)	0.19	1.56	1.82	7yr	0.69	0.43	0.76	0.80	1.08	7Yr	0.78	0.84	0.87	0.80
3yr	0.17	(0.01)	0.22	1.57	1.82	10yr	0.99	0.59	1.05	1.12	1.50	10Yr	1.07	1.13	1.17	1.08
5yr	0.27	(0.02)	0.33	1.62	1.82	15yr	1.29	0.74	1.50	1.59	1.84	August TBA MBS				
7yr	0.45	(0.02)	0.53	1.73	1.93	20yr	1.59	0.81	1.78	1.89	2.34	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	0.61	(0.01)	0.70	1.82	2.06	25yr	1.89	0.84	1.92	2.04	2.39	2.00	1.08	4.3y	1.28	
30yr	1.31	(0.00)	1.46	2.28	2.58	30yr		0.84	2.06	2.19	2.44	2.50	1.05	3.6y		
												3.00	1.32	3.1y	0.61	2.4y
												3.50	1.61	2.8y	0.60	1.9y
												4.00			0.71	2.0y
												4.50			0.94	2.2y

\* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	0.25	--	0.25	1.75	2.50
Primary Discount	0.25	--	0.25	2.25	3.00
2ndary Discount	0.75	--	0.75	2.75	3.50
Prime Rate	3.25	--	3.25	4.75	5.50
Sec. O.N. Finance	0.12	0.02	0.09	1.54	--
1 Month LIBOR	0.18	0.00	0.19	1.65	2.30
3 Month LIBOR	0.27	0.00	0.32	1.82	2.30
6 Month LIBOR	0.33	(0.01)	0.42	1.84	2.20
1 Year LIBOR	0.47	(0.01)	0.58	1.92	2.22
6 Month CD	0.39	0.12	0.39	1.81	2.07
1 Year CMT	0.14	(0.01)	0.19	1.56	1.95
REPO O/N	0.14	(0.01)	0.10	1.56	2.48
REPO 1Wk	0.13	0.04	0.10	1.59	2.42
CoF Federal	1.224	--	1.333	1.998	2.321
11th D. CoF (May)	0.755	--	0.740	1.035	1.144

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	0.30	0.42	0.42
6mo	0.31	0.41	0.48
1yr	0.35	0.37	0.50
2yr	0.40	0.57	0.57
3yr	0.46	0.65	0.68
4yr	0.52	0.72	0.74
5yr	0.62	0.83	0.83
7yr	0.90	1.14	1.05
10yr	1.19	1.46	1.34
5yr Am	0.50		0.80
10yr Am	0.88		1.18

Fed Fund Futures	
Maturity	Rate
Jul-20	0.090
Aug-20	0.080
Sep-20	0.075
Oct-20	0.060
Nov-20	0.050
Dec-20	0.045
Jan-21	0.035
Feb-21	0.020
Mar-21	0.015
Apr-21	0.015
May-21	0.000

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
7/21	Chicago Fed Nat Activity Index	Jun	4.00	--	2.61	--
7/22	MBA Mortgage Applications	7/17	--	--	5.1%	--
7/22	FHFA House Price Index MoM	May	0.3%	--	0.2%	--
7/22	Existing Home Sales	Jun	4.75m	--	3.91m	--
7/22	Existing Home Sales MoM	Jun	21.5%	--	-9.7%	--
7/23	Initial Jobless Claims	7/18	1288k	--	1300k	--
7/23	Continuing Claims	7/11	17000k	--	17338k	--
7/23	Bloomberg Economic Expectations	Jul	--	--	38.0	--
7/23	Bloomberg Consumer Comfort	7/19	--	--	44.3	--
7/23	Leading Index	Jun	2.1%	--	2.8%	--
7/23	Kansas City Fed Manf. Activity	Jul	5	--	1	--
7/24	Markit US Manufacturing PMI	Jul P	52.0	--	49.8	--
7/24	Markit US Services PMI	Jul P	51.0	--	47.9	--
7/24	Markit US Composite PMI	Jul P	--	--	47.9	--
7/24	New Home Sales	Jun	700k	--	676k	--
7/24	New Home Sales MoM	Jun	3.6%	--	16.6%	--
7/27	Durable Goods Orders	Jun P	6.5%	--	15.7%	--
7/27	Durables Ex Transportation	Jun P	3.5%	--	3.7%	--
7/27	Cap Goods Orders Nondef Ex Air	Jun P	--	--	1.6%	--
7/27	Cap Goods Ship Nondef Ex Air	Jun P	--	--	1.5%	--
7/27	Dallas Fed Manf. Activity	Jul	--	--	-6.1	--
7/28	S&P CoreLogic CS 20-City YoY NSA	May	--	--	3.98%	--
7/28	S&P CoreLogic CS US HPI YoY NSA	May	--	--	4.73%	--
7/28	Conf. Board Consumer Confidence	Jul	96.5	--	98.1	--
7/28	Conf. Board Present Situation	Jul	--	--	86.2	--
7/28	Conf. Board Expectations	Jul	--	--	106	--
7/28	Richmond Fed Manufact. Index	Jul	--	--	0	--
7/29	Advance Goods Trade Balance	Jun	-\$74.2b	--	-\$74.3b	--
7/29	Wholesale Inventories MoM	Jun P	--	--	-1.2%	--
7/29	Retail Inventories MoM	Jun	--	--	-6.1%	--
7/29	Pending Home Sales NSA YoY	Jun	--	--	-10.4%	--
7/29	FOMC Rate Decision (Upper Bound)	7/29	0.25%	--	0.25%	--
7/29	FOMC Rate Decision (Lower Bound)	7/29	0.00%	--	0.00%	--
7/29	Interest Rate on Excess Reserves	7/30	--	--	0.1%	--
7/30	GDP Annualized QoQ	2Q A	-32.8%	--	-5.0%	--
7/30	Personal Consumption	2Q A	--	--	-6.8%	--
7/30	GDP Price Index	2Q A	--	--	1.4%	--
7/30	Core PCE QoQ	2Q A	--	--	1.7%	--
7/31	Personal Income	Jun	0.5%	--	-4.2%	--
7/31	Real Personal Spending	Jun	--	--	8.1%	--
7/31	PCE Deflator YoY	Jun	--	--	0.5%	--
7/31	PCE Core Deflator YoY	Jun	--	--	1.0%	--
7/31	Employment Cost Index	2Q	0.6%	--	0.8%	--
7/31	MNI Chicago PMI	Jul	43.5	--	36.6	--
7/31	U. of Mich. Sentiment	Jul F	--	--	73.2	--
7/31	U. of Mich. Current Conditions	Jul F	--	--	84.2	--
7/31	U. of Mich. 1 Yr Inflation	Jul F	--	--	3.1%	--

MBS Prepayments <sup>4</sup>						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	15.0	18.1	21.3	26.9	25.7	14.8
FH/FN 15y	8.5	11.2	40.0	51.2	17.9	17.5
GN 15y	22.0	20.6	22.3	21.0	20.5	20.1
FH/FN 20y	1.7	18.3	25.0	28.0	29.3	20.8
FH/FN 30y	0.5	13.5	32.5	54.8	64.6	57.5
GN 30y	28.4	16.6	16.6	28.6	35.1	29.6
CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	15.0	16.4	17.4	32.1	18.9	15.0
FH/FN 15y	15.6	20.8	21.9	24.1	17.6	21.9
GN 15y	33.6	12.2	16.4	16.8	14.7	14.9
FH/FN 20y	18.7	23.9	20.9	22.5	23.9	17.9
FH/FN 30y	15.0	22.3	35.9	42.5	35.7	31.4
GN 30y	13.0	18.2	19.6	23.1	26.4	23.9

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
<b>Currencies</b>					
Japanese Yen	107.15	(0.14)	106.91	110.18	107.87
Euro	1.14	0.01	1.13	1.11	1.12
Dollar Index	96.06	(0.41)	97.62	97.61	97.15
<b>Major Stock Indices</b>					
Dow Jones	26,511	425	25,871	29,348	27,154
S&P 500	3,220.7	65.5	3,097.7	3,329.6	2,976.6
NASDAQ	10,553.1	162	9,946.1	9,388.9	8,146.5
<b>Commodities</b>					
Gold	1,814.9	0.8	1,745.9	1,560.3	1,426.7
Crude Oil	40.23	0.13	39.75	58.54	55.63
Natural Gas	1.64	(0.10)	1.67	2.00	2.25
Wheat	525.8	1.0	481.3	570.5	502.5
Corn	327.0	-7.0	332.5	389.3	430.8

Notes
1 Call Agy = Maturity at left w/ a 1-Year Call at Par
2 Muni TEY (21% Fed, 0.75% CoF)
3 S-Corp TEY Muni (29.6%, no TEFERA)
4 MBS Prepayments are provided by Bloomberg

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