

## Baker Market Update: Week in Preview

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News of the President's improving condition and the prospect he will soon be released from the hospital have captured the morning's headlines. Financial markets that were rocked by the news of his infection last Friday appear to be settling down in today's early trading.

As investors follow that developing story, today's data calendar expects a report from the Institute of Supply Management showing that its Purchasing Managers Index for Services might have slipped a bit last month to 56.2 from 56.9 as reopening delays and interruptions might be negatively affecting the recent comeback of that sector. A similar, private report from Markit U.S. is also expected today and is expected to show its PMI for Services holding steady at 54.6.

Tomorrow will start off with an early morning report from the Census Bureau that may show that the nation's negative Trade Balance became more so in August with a move to minus \$66.2B from \$63.6B. The Bureau of Labor Statistics will also be releasing its Job Openings and Labor Turnover Survey and, among other things, is expected to show that openings for new positions fell to 6.5M in August from the prior month's 6.62M. A declining number of job openings is not considered a positive sign for the labor market as last week's Unemployment Report also portrayed a slowdown in job growth, despite the decline in the Unemployment Rate. But the Treasury is not slowing down its efforts to sell bonds and will conduct an auction tomorrow for \$52B Three-Year notes.

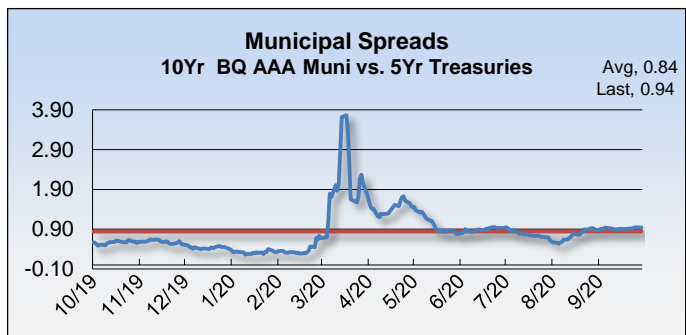
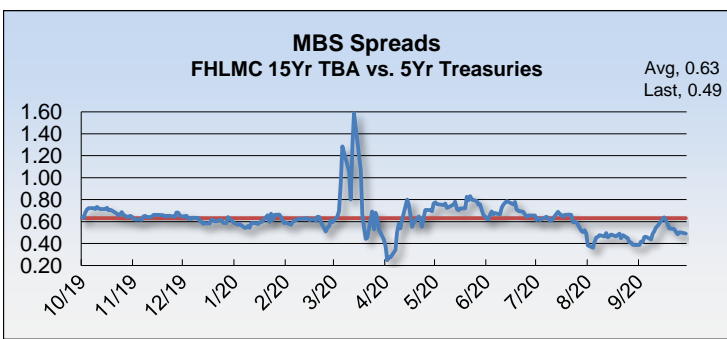
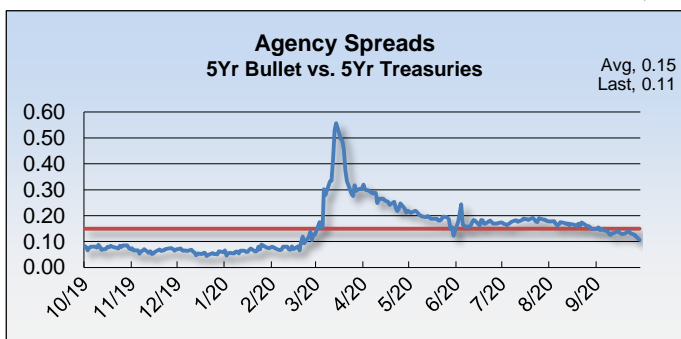
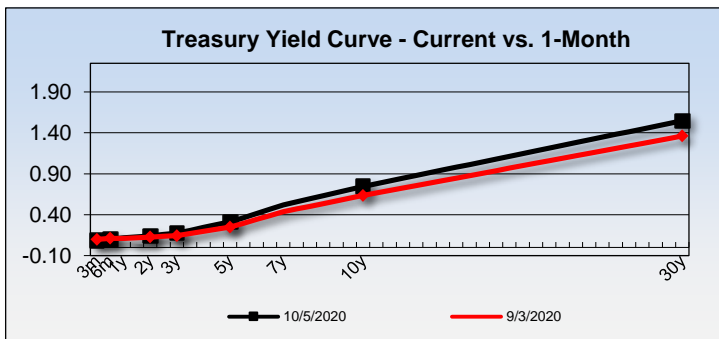
They're not stopping there, though, and will sell another \$35B Ten-Year notes on Wednesday. Wednesday will also bring us the minutes of the FOMC's September meeting and they will be closely scrutinized for clues about what the Committee is really thinking. Are they really thinking that they won't have to raise rates for at least another couple of years? Yes, they are really thinking that.

We might also learn that Americans might be thinking that it's time to lean on their credit cards a little more when the Federal Reserve reports on Wednesday that, in August, Consumer Credit rose \$14B after July's growth of \$12.25B. During the lockdown, that figure cratered by \$20B in March, \$65B in April, and another \$14.4B in May before seeing positive growth come back in June. Is taking on more debt a sign that Americans are seeing their situation improve, or is it because they have to?

New totals for Jobless Claims will be out Thursday morning and, for the week ending October 3, Initial Claims of 820k are expected; down from the prior week's 837k. Continuing Claims for the week ending September 26<sup>th</sup> are forecast to fall to 11.4M from 11.77M. And, the Treasury will be selling \$23B Thirty-Year bonds.

Friday is looking to be a light news day, as it should be heading into a three-day weekend, and the only tidbit of data will be a report telling us that Wholesale Inventories rose by 0.5% in August. Probably not a market-mover.

News of the President's improving health is moving markets this morning as most equity indices return to green arrows while Treasury prices slip. The yield curve is steepening a bit as this morning's sell-off has pushed the Long Bond's yield to 1.53% and pushed the Ten-Year up to 73 basis points as the Two-Year anchors the short-end at an unchanged 13 basis points. Crude oil has rebounded by almost \$2 to \$38.70 while gold's \$9 rally takes that price to \$1,908. Enjoy your week; be careful out there.



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	0.08	(0.01)	0.11	0.08	1.69	2yr	0.19	0.22	0.18	0.19	0.25	2Yr	0.16	0.17	0.17	-
6mo	0.10	(0.01)	0.12	0.14	1.64	3yr	0.29	0.25	0.20	0.21	0.35	3Yr	0.27	0.29	0.20	0.27
1yr	0.12	0.00	0.12	0.14	1.59	5yr	0.47	0.37	0.36	0.39	0.56	5Yr	0.53	0.54	0.55	0.53
2yr	0.14	0.01	0.14	0.23	1.41	7yr	0.64	0.54	0.71	0.76	0.92	7Yr	0.79	0.80	0.80	0.78
3yr	0.18	0.03	0.18	0.30	1.39	10yr	1.11	0.76	1.23	1.31	1.34	10Yr	1.14	1.16	1.17	1.14
5yr	0.31	0.05	0.30	0.39	1.35	15yr	1.58	0.99	1.69	1.80	1.89	November TBA MBS				
7yr	0.52	0.07	0.50	0.51	1.45	20yr	2.06	1.10	1.99	2.12	2.41	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	0.75	0.09	0.72	0.60	1.53	25yr	2.53	1.15	2.14	2.27	2.47	2.00	0.55	2.8y	1.41	
30yr	1.55	0.13	1.47	1.21	2.02	30yr		1.18	2.28	2.43	2.52	2.50	0.59	2.4y		
												3.00	0.54	2.2y	1.07	2.7y
												3.50	0.86	2.3y	1.01	2.5y
												4.00			1.06	2.6y
												4.50			1.34	2.9y

\* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	0.25	--	0.25	0.25	2.00
Primary Discount	0.25	--	0.25	0.25	2.50
2ndary Discount	0.75	--	0.75	0.75	3.00
Prime Rate	3.25	--	3.25	3.25	5.00
Sec. O.N. Finance	0.10	0.02	0.09	0.01	--
1 Month LIBOR	0.14	(0.01)	0.15	0.98	2.00
3 Month LIBOR	0.23	0.02	0.25	1.37	2.06
6 Month LIBOR	0.24	(0.03)	0.29	1.20	2.02
1 Year LIBOR	0.36	(0.01)	0.43	1.06	1.96
6 Month CD	0.28	(0.01)	0.32	0.75	1.92
1 Year CMT	0.12	--	0.13	0.14	1.67
REPO O/N	0.13	0.05	0.14	0.02	1.87
REPO 1Wk	0.09	(0.04)	0.08	0.07	1.84
CoF Federal	1.053	--	1.107	1.888	2.200
11th D. CoF (Aug)	0.529	--	0.653	0.989	1.155

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	0.26	0.38	0.40
6mo	0.28	0.38	0.39
1yr	0.33	0.34	0.42
2yr	0.33	0.51	0.42
3yr	0.41	0.60	0.50
4yr	0.47	0.68	0.56
5yr	0.61	0.81	0.67
7yr	0.87	1.11	0.92
10yr	1.22	1.49	1.27
5yr Am	0.46		0.60
10yr Am	0.87		0.99

Fed Fund Futures	
Maturity	Rate
Oct-20	0.085
Nov-20	0.080
Dec-20	0.075
Jan-21	0.070
Feb-21	0.065
Mar-21	0.060
Apr-21	0.055
May-21	0.050
Jun-21	0.050
Jul-21	0.050
Aug-21	0.040

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
10/5	Markit US Services PMI	Sep F	54.6	54.6	54.6	--
10/5	Markit US Composite PMI	Sep F	--	54.3	54.4	--
10/5	ISM Services Index	Sep	56.2	--	56.9	--
10/5	U.S. To Sell USD54 Bln 13-Week Bills	1/0	0%	0%	0%	0%
10/5	U.S. To Sell USD51 Bln 26-Week Bills	1/0	0%	0%	0%	0%
10/6	Trade Balance	Aug	-\$66.2b	--	-\$63.6b	--
10/6	JOLTS Job Openings	Aug	6500	--	6618	--
10/6	U.S. To Sell USD30 Bln 42-Day CMB	1/0	0.00	0.00	0.00	0.00
10/6	U.S. To Sell USD30 Bln 119-Day CMB	1/0	0.00	0.00	0.00	0.00
10/6	U.S. To Sell USD34 Bln 52-Week Bills	1/0	0.00%	0.00%	0.00%	0.00%
10/6	U.S. To Sell USD52 Bln 3-Year Notes	1/0	0.00%	0.00%	0.00%	0.00%
10/7	MBA Mortgage Applications	10/2	--	--	-4.80%	--
10/7	U.S. To Sell USD35 Bln 10-Year Notes Re	1/0	0.00%	0.00%	0.00%	0.00%
10/7	FOMC Meeting Minutes	9/16	--	--	--	--
10/7	Consumer Credit	Aug	\$14.000b	--	\$12.250b	--
10/8	Initial Jobless Claims	10/3	820k	--	837k	--
10/8	Continuing Claims	9/26	11400k	--	11767k	--
10/8	8W High Yield Rate	10/8	--	--	0.00	--
10/8	8W Bid/Cover Ratio	10/8	--	--	3.61	--
10/8	8W Direct Accepted %	10/8	--	--	0.02	--
10/8	8W Indirect Accepted %	10/8	--	--	60.80%	--
10/8	U.S. To Sell 4-Week Bills	1/0	0.00%	0.00%	0.00%	0.00%
10/8	U.S. To Sell 8-Week Bills	1/0	0.00%	0.00%	0.00%	0.00%
10/8	U.S. To Sell USD23 Bln 30-Year Bonds Re	1/0	0.00%	0.00%	0.00%	0.00%
10/13	NFIB Small Business Optimism	Sep	--	--	100.20	--
10/13	Real Avg Weekly Earnings YoY	Sep	--	--	0.04	0.04
10/13	Real Avg Hourly Earning YoY	Sep	--	--	0.03	0.03
10/13	CPI YoY	Sep	0.01	--	0.01	--
10/13	CPI Ex Food and Energy YoY	Sep	0.02	--	0.02	--
10/13	CPI Index NSA	Sep	--	--	259.92	--
10/13	CPI Core Index SA	Sep	--	--	268.75	--
10/13	U.S. To Sell 14-Week Bills	1/0	0.0%	0.0%	0.0%	0.0%
10/13	U.S. To Sell 26-Week Bills	1/0	0.00	0.00	0.00	0.00
10/13	Monthly Budget Statement	Sep	--	--	-\$200.1b	--
10/14	PPI Final Demand YoY	Sep	0.20%	--	-0.20%	--
10/14	PPI Ex Food and Energy YoY	Sep	--	--	0.60%	--
10/14	PPI Ex Food, Energy, Trade YoY	Sep	--	--	0.0	--
10/15	Empire Manufacturing	Oct	14.00	--	17.00	--
10/15	Import Price Index YoY	Sep	--	--	-1.4%	--
10/15	Export Price Index YoY	Sep	--	--	0.0	--
10/15	Philadelphia Fed Business Outlook	Oct	15.0	--	15.0	--
10/16	Retail Sales Ex Auto and Gas	Sep	0.5%	--	0.7%	--
10/16	Retail Sales Control Group	Sep	--	--	-0.1%	--
10/16	Capacity Utilization	Sep	0.7	--	0.7	--
10/16	Manufacturing (SIC) Production	Sep	0.0	--	0.0	--
10/16	Business Inventories	Aug	0.0	--	0.0	--
10/16	U. of Mich. Sentiment	Oct P	81	--	80	--

MBS Prepayments <sup>4</sup>						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	13.6	22.0	25.1	29.4	27.6	10.8
FH/FN 15y	11.5	17.4	42.5	49.6	20.9	20.5
GN 15y	33.6	28.2	28.3	25.5	24.6	21.7
FH/FN 20y	1.8	24.6	30.2	30.5	30.5	22.5
FH/FN 30y	11.0	21.0	36.3	56.0	61.2	54.5
GN 30y	23.7	22.9	31.2	44.5	40.2	34.9
CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	18.9	20.4	20.9	23.5	26.2	20.1
FH/FN 15y	20.1	24.2	28.3	29.5	21.3	19.8
GN 15y	14.6	15.6	16.7	15.7	14.4	13.4
FH/FN 20y	21.3	27.2	22.0	20.0	20.2	17.9
FH/FN 30y	14.4	21.1	31.4	33.0	33.6	28.9
GN 30y	10.3	14.7	28.5	34.2	36.0	15.7

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
<b>Currencies</b>					
Japanese Yen	105.58	0.08	106.27	109.22	107.26
Euro	1.18	0.01	1.18	1.08	1.10
Dollar Index	93.43	(0.85)	92.72	100.58	98.81
<b>Major Stock Indices</b>					
Dow Jones	27,942	358	28,133	21,053	26,574
S&P 500	3,380.2	28.6	3,427.0	2,488.7	2,952.0
NASDAQ	11,201.0	84	11,313.1	7,373.1	7,982.5
<b>Commodities</b>					
Gold	1,908.4	35.6	1,926.2	1,633.7	1,506.2
Crude Oil	38.82	(1.78)	39.77	28.34	52.81
Natural Gas	2.66	0.56	2.59	1.62	2.35
Wheat	583.5	33.3	539.8	549.3	490.5
Corn	381.0	14.3	347.3	330.8	384.8

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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