

## Baker Market Update: Week in Preview

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This week, not unlike the last couple, is starting out with news of yet another vaccine breakthrough. This time it's AstraZeneca announcing that recent trial results have shown its version of a vaccine to be up to 90% effective. Good news. This holiday-shortened week will, however, contain a lot of economic news that, unfortunately, isn't likely to be as good. If a bright spot is to come, the covid-proof Housing sector will likely be its source.

But the Chicago Fed has already provided a little bit of a surprising bright spot with the news this morning that its National Activity Index rose to 0.83 last month while September's value of 0.27 was revised to 0.32. Surveys suggested no change. In recent days, we've seen similar, broad measurements of economic vitality from the Federal Reserve Banks of New York and Philadelphia show evidence of a general slow-down. A little later today Markit U.S. will release its Purchasing Managers' Indices for Manufacturing and Services and both are expected to show slight declines. This afternoon, the Treasury will be selling \$57B Five-Year notes.

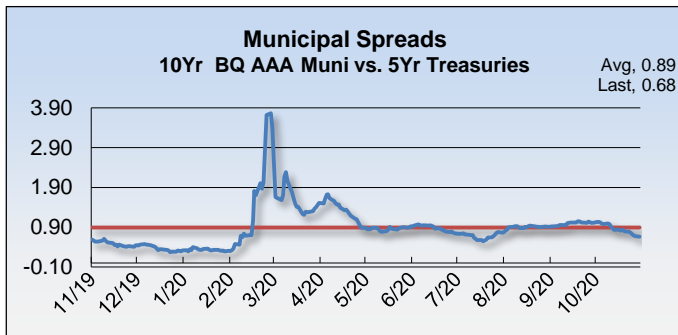
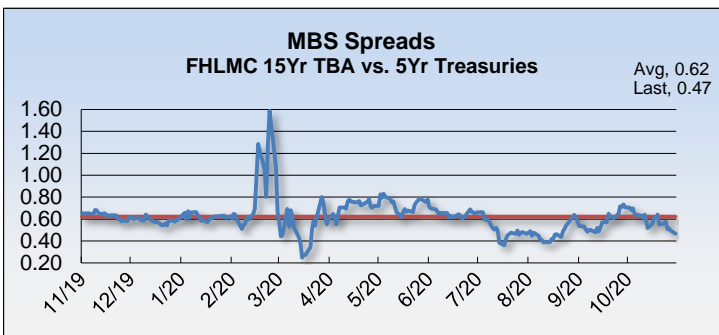
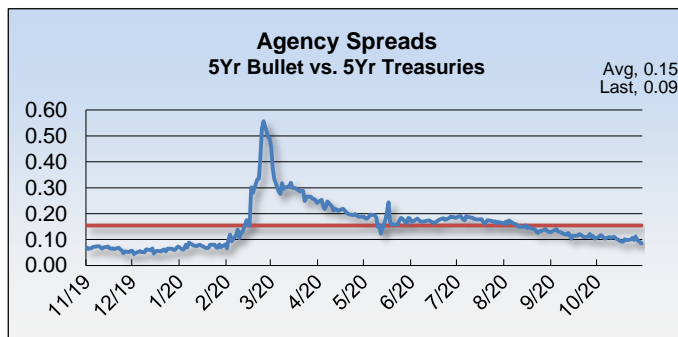
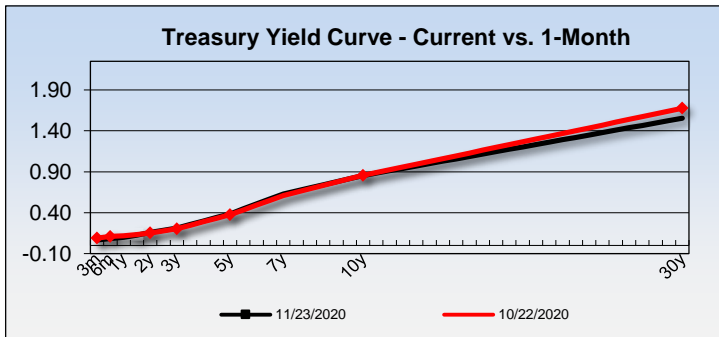
The week's Housing news starts tomorrow when the FHFA is expected to report that its House Price Index rose 0.5% in September after growing 1.5% the prior month. The Case-Shiller CoreLogic report for September is also due out tomorrow and its 20-City Price Index will likely show that prices rose 0.6% for the month and 4.8% year-over-year. High demand and low supply have characterized housing market conditions in many parts of the country ever since lockdown restrictions were first imposed in the spring, and those market conditions don't seem to be changing much. We may learn tomorrow that Consumer Confidence is changing, and not in a good way, if the Conference Board's Confidence Index falls as expected to 97.9 from 100.9. That news will be followed by November's report from the Richmond Fed about its Manufacturing Index. Like other, similar measures of late, it too is expected to fall, and may drop to 21 from October's 29. Not falling will be the nation's debt and, on Tuesday afternoon, the Treasury will be selling \$56B Seven-Year notes.

Jobless Claims come early this week and on Wednesday morning the Bureau of Labor Statistics is expected to show that, for the week ending November 21st, 733k Initial Claims were filed. The prior week's 742k was the first uptick in that measure in five weeks. Continuing Claims for the week ending November 14th are expected to fall to 6.01M from 6.37M. Wednesday will also bring the second-coming of Third-Quarter GDP and no revision to the previously reported 33.1% is anticipated. Also due for release that day will be October's preliminary report from the Census Bureau telling us that Durable Goods Orders rose 0.9%; down a little from September's 1.9% gain. That same story may well apply to core Capital Goods Orders as their expected October growth of 0.5% is but half of the prior month's 1% gain.

As uninspiring as those numbers from the Census Bureau are likely to be, they may seem positively uplifting compared to what the Bureau of Economic Analysis is likely to tell us on Wednesday. If the forecasters are right, the BEA will tell us that Personal Income did not grow in October after rising 0.9% the month before. Personal Spending may have fared a little better with an October boost of 0.4%, but that's a pretty big slow-down from September's 1.4% growth.

Following that, our monetary policy-makers will not like hearing the BEA's other report showing that inflation, as measured by the Personal Consumption Expenditures Index, is not on board with the plan. The plan is that core inflation ought to average around 2% over time, but, in October, core PCE, without food and energy, may have averaged zero and that likely brought the year-over-year rate down to 1.4% from 1.5%. Headline PCE is also expected to have shown no change as its twelve-month rate probably fell to 1.2% from 1.4%. Were it not for the swell of rising home prices, the deflationary forces of current circumstances would be even more apparent. New Home Sales for last month will be more apparent when the Census Bureau tells us, also on Wednesday, they probably grew 1.5%. Last week, it was reported that Existing Home Sales grew 4.3% in October. The University of Michigan will close out the week's news with its final, November report on Consumer Sentiment. The Wolverines are having a tough year and it's understandable why that index is unlikely to show much improvement.

But if anyone needs a little cheering up, the FOMC will be releasing the minutes of its last meeting just in time for Thanksgiving. And for the first time ever, an audio version will be available for that long car ride to Grammy's. Have a wonderful Thanksgiving! 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	0.07	(0.02)	0.09	0.12	1.58	2yr	0.19	0.25	0.21	0.22	0.25	2Yr	0.19	0.19	0.17	-
6mo	0.08	(0.01)	0.11	0.15	1.59	3yr	0.29	0.30	0.22	0.24	0.34	3Yr	0.28	0.28	0.20	0.27
1yr	0.10	(0.01)	0.12	0.16	1.56	5yr	0.52	0.46	0.31	0.33	0.53	5Yr	0.55	0.55	0.56	0.56
2yr	0.16	(0.02)	0.16	0.17	1.63	7yr	0.72	0.63	0.59	0.63	0.88	7Yr	0.83	0.83	0.83	0.83
3yr	0.21	(0.02)	0.20	0.21	1.63	10yr	1.15	0.85	1.02	1.09	1.29	10Yr	1.13	1.16	1.18	1.16
5yr	0.39	(0.02)	0.38	0.34	1.62	15yr	1.58	1.07	1.40	1.49	1.86	December TBA MBS				
7yr	0.63	(0.03)	0.61	0.51	1.71	20yr	2.01	1.18	1.68	1.79	2.40	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	0.85	(0.05)	0.84	0.66	1.77	25yr	2.44	1.22	1.83	1.95	2.46	2.00	0.90	3.7y	1.18	
30yr	1.55	(0.11)	1.64	1.37	2.22	30yr		1.24	1.99	2.12	2.51	2.50	1.07	3.0y		
												3.00	1.19	2.8y	0.81	2.2y
												3.50	1.14	2.6y	0.54	2.0y
												4.00			0.66	2.1y
												4.50			0.86	2.4y

\* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	0.25	--	0.25	0.25	1.75
Primary Discount	0.25	--	0.25	0.25	2.25
2ndary Discount	0.75	--	0.75	0.75	2.75
Prime Rate	3.25	--	3.25	3.25	4.75
Sec. O.N. Finance	0.05	(0.04)	0.08	0.01	--
1 Month LIBOR	0.15	0.01	0.15	0.17	1.72
3 Month LIBOR	0.20	(0.02)	0.22	0.36	1.90
6 Month LIBOR	0.25	0.00	0.25	0.59	1.89
1 Year LIBOR	0.34	(0.00)	0.34	0.71	1.91
6 Month CD	0.28	--	0.28	0.45	1.89
1 Year CMT	0.11	(0.01)	0.13	0.16	1.54
REPO O/N	0.07	(0.05)	0.11	0.11	1.60
REPO 1Wk	0.13	0.04	0.13	0.10	1.61
CoF Federal	1.003	--	1.019	1.333	2.068
11th D. CoF (Sep)	0.523	--	0.529	0.884	1.127

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	0.25	0.35	0.36
6mo	0.26	0.38	0.31
1yr	0.31	0.32	0.33
2yr	0.36	0.54	0.40
3yr	0.42	0.61	0.46
4yr	0.52	0.74	0.57
5yr	0.64	0.86	0.69
7yr	0.94	1.19	0.98
10yr	1.24	1.52	1.29
5yr Am	0.48		0.60
10yr Am	0.91		1.01

Fed Fund Futures		
Maturity	Rate	
Nov-20	0.087	
Dec-20	0.080	
Jan-21	0.075	
Feb-21	0.070	
Mar-21	0.070	
Apr-21	0.070	
May-21	0.065	
Jun-21	0.065	
Jul-21	0.065	
Aug-21	0.065	
Sep-21	0.065	

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
11/23	Chicago Fed Nat Activity Index	Oct	27.0%	83.0%	<del>27.0%</del>	32.0%
11/23	Markit US Manufacturing PMI	Nov P	53.0	56.7	53.4	--
11/23	Markit US Services PMI	Nov P	55.0	57.7	56.9	--
11/23	Markit US Composite PMI	Nov P	--	57.9	56.3	--
11/24	FHFA House Price Index MoM	Sep	0.8%	--	1.5%	--
11/24	House Price Purchase Index QoQ	3Q	--	--	0.8%	--
11/24	S&P CoreLogic CS 20-City YoY NSA	Sep	5.25%	--	5.18%	--
11/24	S&P CoreLogic CS US HPI YoY NSA	Sep	--	--	5.71%	--
11/24	Conf. Board Consumer Confidence	Nov	97.6	--	100.9	--
11/24	Conf. Board Present Situation	Nov	--	--	104.6	--
11/24	Conf. Board Expectations	Nov	--	--	98.4	--
11/25	MBA Mortgage Applications	11/20	--	--	-0.3%	--
11/25	Initial Jobless Claims	11/21	733k	--	742k	--
11/25	Continuing Claims	11/14	6010k	--	6372k	--
11/25	Advance Goods Trade Balance	Oct	-\$80.2b	--	-\$79.4b	--
11/25	GDP Annualized QoQ	3Q S	33.1%	--	33.1%	--
11/25	Personal Consumption	3Q S	41.2%	--	40.7%	--
11/25	GDP Price Index	3Q S	3.6%	--	3.6%	--
11/25	Core PCE QoQ	3Q S	3.5%	--	3.5%	--
11/25	Durables Ex Transportation	Oct P	0.5%	--	0.9%	--
11/25	Cap Goods Ship Nondef Ex Air	Oct P	0.3%	--	0.5%	--
11/25	Bloomberg Consumer Comfort	11/21	--	--	49.8	--
11/25	Personal Income	Oct	0.0%	--	0.9%	--
11/25	Real Personal Spending	Oct	0.3%	--	1.2%	--
11/25	PCE Deflator YoY	Oct	1.2%	--	1.4%	--
11/25	PCE Core Deflator YoY	Oct	1.4%	--	1.5%	--
11/25	U. of Mich. Sentiment	Nov F	77.0	--	77.0	--
11/25	U. of Mich. Current Conditions	Nov F	--	--	85.8	--
11/25	U. of Mich. 1 Yr Inflation	Nov F	--	--	2.8%	--
11/25	New Home Sales	Oct	973k	--	959k	--
11/30	MNI Chicago PMI	Nov	59.2	--	61.1	--
12/1	ISM Manufacturing	Nov	57.5	--	59.3	--
12/1	ISM New Orders	Nov	--	--	67.9	--
12/1	ISM Prices Paid	Nov	--	--	65.5	--
12/1	ISM Employment	Nov	--	--	53.2	--
12/2	ADP Employment Change	Nov	500k	--	365k	--
12/3	Challenger Job Cuts YoY	Nov	--	--	60.4%	--
12/3	ISM Services Index	Nov	56.5	--	56.6	--
12/4	Change in Nonfarm Payrolls	Nov	570k	--	638k	--
12/4	Two-Month Payroll Net Revision	Nov	--	--	15k	--
12/4	Change in Private Payrolls	Nov	655k	--	906k	--
12/4	Change in Manufact. Payrolls	Nov	48k	--	38k	--
12/4	Unemployment Rate	Nov	6.7%	--	6.9%	--
12/4	Average Hourly Earnings YoY	Nov	--	--	4.5%	--
12/4	Average Weekly Hours All Employees	Nov	34.8	--	34.8	--
12/4	Labor Force Participation Rate	Nov	--	--	61.7%	--
12/4	Underemployment Rate	Nov	--	--	12.1%	--

MBS Prepayments <sup>4</sup>						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	12.8	23.6	27.0	29.6	29.6	12.4
FH/FN 15y	15.0	34.6	43.8	49.1	21.9	21.1
GN 15y	20.0	21.1	21.2	21.6	19.9	18.2
FH/FN 20y	52.3	31.8	34.2	32.3	30.8	23.5
FH/FN 30y	11.6	42.9	57.0	57.3	58.3	51.9
GN 30y	13.0	23.0	36.7	49.3	41.9	30.6
CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	19.0	21.9	20.4	23.7	22.7	18.1
FH/FN 15y	16.5	21.5	23.5	25.1	18.6	20.8
GN 15y	23.5	13.8	16.4	16.1	14.0	13.1
FH/FN 20y	16.4	21.9	22.3	21.8	21.0	18.0
FH/FN 30y	15.2	22.2	37.2	37.9	34.8	30.6
GN 30y	11.9	18.7	27.1	26.0	29.1	22.7

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
<b>Currencies</b>					
Japanese Yen	103.99	(0.59)	104.71	107.71	108.93
Euro	1.19	0.00	1.19	1.09	1.10
Dollar Index	92.09	(0.55)	92.77	99.86	98.27
<b>Major Stock Indices</b>					
Dow Jones	29,537	(414)	28,336	24,465	27,876
S&P 500	3,577.8	(49.2)	3,465.4	2,955.5	3,110.3
NASDAQ	11,945.2	21	11,548.3	9,324.6	8,519.9
<b>Commodities</b>					
Gold	1,866.0	(21.8)	1,902.0	1,735.5	1,463.6
Crude Oil	42.80	1.46	39.85	33.25	57.77
Natural Gas	2.68	(0.02)	2.97	1.73	2.67
Wheat	603.3	5.3	632.8	508.8	515.3
Corn	428.0	11.8	419.3	318.0	368.8

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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