

## Baker Market Update: Week in Preview

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Unlike the previous three Mondays, this morning's headlines do not include the announcement of yet another vaccine breakthrough. But Moderna, developer of one of the three viable vaccine candidates so far successfully tested, did report this morning that it would be applying for emergency FDA approval as soon as today. That's good news, but it doesn't seem to be moving the needle much in the way of market reaction.

That could change as we move through the week with the most closely watched data being Friday's November Jobs Report from the Bureau of Labor Statistics. That's still a ways off, but analysts are expecting a 500k boost to Non-Farm Payrolls with the Unemployment Rate dipping one-tenth to 6.8%. That labor news will be preceded by Thursday's Jobless Claims report when the BLS is expected to tell us that there were 765k new claimants for the week ending November 28th. That weekly number has remained stubbornly high and the prior week's 778k surprised forecasters looking for that total to decline. Continuing Claims, which have been steadily declining, are expected to fall to 5.8M for the week ending November 21st from the prior week's 6.07M.

But before we learn that, Fed Chairman Jerome Powell will be spending Tuesday and Wednesday on Capitol Hill reporting to both houses of Congress on the current state of economic conditions along with their future prospects. Jerome has not been timid in his calls for further fiscal stimulus nor about his concern for what might prove to be permanent damage to some parts of our economy, particularly the labor market. The recently released minutes of the FOMC's November policy meeting also revealed concerns about climate change. The Fed seems to be concerned about everything these days and there could be some good reasons for that. While the hopeful news on vaccine development has provided a light at the end of the tunnel, how much more economic damage will occur during the next three to six months before it can be widely distributed to the general population? That is most likely unanswerable, but the rising number of new infections may accelerate before they diminish. And let's not forget, there's more running out at the end of the year than just the end of the year. Many covid-relief and aid benefit programs will also be expiring unless there is legislative extension. Winter is coming.

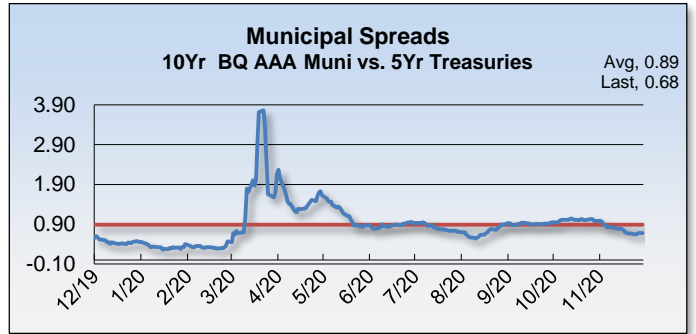
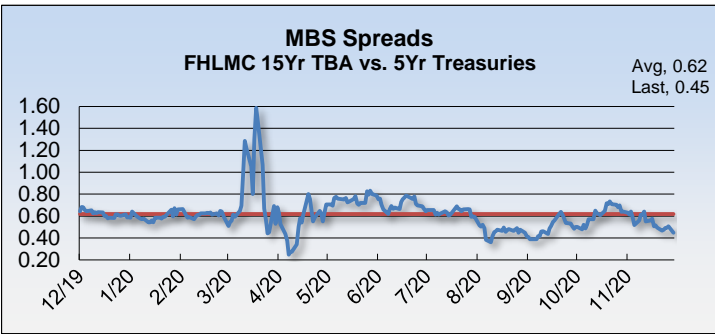
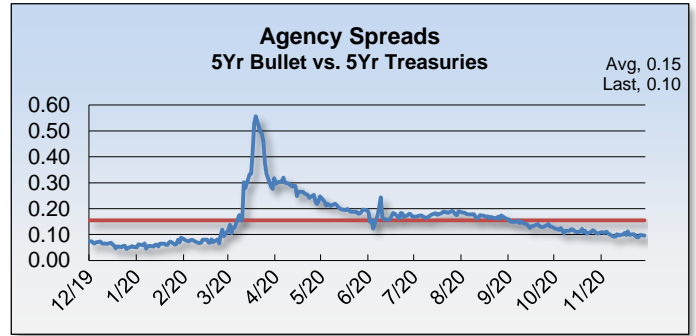
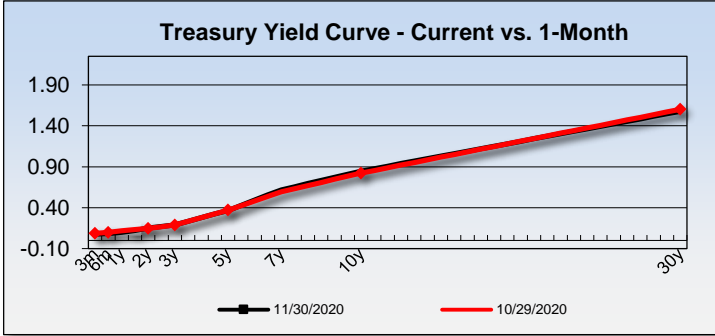
But before it gets here in earnest, Market News International will update its Chicago Purchasing Managers' Index for November a little later this morning and it is expected to have slipped a bit to 59 from 61.1. Following that, the National Association of Realtors is expected to report that Pending Home Sales rose 1% in October. The Housing sector has been a hotbed of activity this year as sales volumes and prices for single-family homes have recorded significant gains. Also expected this morning, the Dallas Fed will report that its Manufacturing Index probably fell to 15.8 this month from October's 19.8.

Tomorrow, Markit U.S. will finalize last week's preliminary report for its Manufacturing PMI and at 56.7, no change is expected. But, it's the Institute of Supply Management report that will probably get the most attention. Its Manufacturing Index for this month is expected to have slipped to 58 from 59.3. That is still well into the "greater than 50" expansion zone, but another sign of a cooling recovery. The Census Bureau is also expected to report that Construction Spending posted a rise in October of 0.8%, up from the prior month's 0.3% rise. Also tomorrow, Ward's Automotive Group will report Total Vehicle Sales for November and they may have slipped to a 16.1M annualized pace from October's 16.2M.

On Wednesday, ADP will release its private payroll report for this month and a pick-up of 420k new jobs is likely to be seen. Often considered to be a harbinger of the BLS jobs count, the ADP measurement does not have a high statistical correlation with the BLS numbers. We'll see on Friday. But not before we see on Thursday that the ISM's Services Index slipped to 56 this month from 56.6.

Also on Friday, we'll see the final October report for Factory Orders, Durable Goods Orders, and core Capital Goods Orders. No change in the values disclosed in last week's preliminary report are expected.

For now, Treasury prices are slightly weaker but not weak enough to move the Ten-Year's yield any higher than 85 basis points. The Long Bond rests languidly just below 1.60%. Crude oil has slipped a tiny bit, but is still hanging on to a \$45 handle while gold continues to melt. This morning's \$18 sell-off has pushed that price down to \$1,769. Have a great 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	0.00	0.09	0.14	1.57	2yr	0.15	0.23	0.21	0.22	0.24	2Yr	0.18	0.18	0.17	-
6mo	0.08	(0.00)	0.10	0.16	1.61	3yr	0.26	0.27	0.24	0.25	0.33	3Yr	0.26	0.26	0.20	0.24
1yr	0.10	(0.00)	0.12	0.17	1.59	5yr	0.50	0.43	0.32	0.34	0.52	5Yr	0.53	0.54	0.54	0.52
2yr	0.15	(0.01)	0.16	0.16	1.61	7yr	0.71	0.62	0.59	0.63	0.89	7Yr	0.82	0.83	0.82	0.80
3yr	0.19	(0.03)	0.20	0.20	1.62	10yr	1.15	0.85	1.02	1.09	1.27	10Yr	1.13	1.16	1.16	1.13
5yr	0.37	(0.02)	0.39	0.30	1.63	15yr	1.59	1.08	1.40	1.49	1.87	December TBA MBS				
7yr	0.62	(0.01)	0.64	0.50	1.73	20yr	2.03	1.19	1.68	1.79	2.45	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	0.85	(0.01)	0.87	0.65	1.78	25yr	2.47	1.24	1.83	1.95	2.51	2.00	0.52	2.9y	1.15	
30yr	1.58	0.02	1.66	1.41	2.21	30yr	2.56	1.26	1.99	2.12	2.56	2.50	0.68	2.3y		
												3.00	0.78	2.2y	1.18	2.7y
												3.50	0.86	2.4y	1.12	2.5y
												4.00			1.21	2.6y
												4.50			1.40	3.0y

\* 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	0.08	0.03	0.09	0.06	--
1 Month LIBOR	0.15	0.00	0.14	0.17	1.69
3 Month LIBOR	0.23	0.02	0.21	0.36	1.91
6 Month LIBOR	0.26	0.01	0.25	0.55	1.91
1 Year LIBOR	0.33	(0.01)	0.33	0.68	1.94
6 Month CD	0.29	0.01	0.24	0.41	1.91
1 Year CMT	0.11	--	0.12	0.18	1.60
REPO O/N	0.07	0.01	0.11	0.01	1.59
REPO 1Wk	0.08	(0.05)	0.09	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	0.51	0.34
6mo	0.26	0.52	0.31
1yr	0.31	0.47	0.33
2yr	0.33	0.68	0.39
3yr	0.38	0.74	0.45
4yr	0.49	0.87	0.56
5yr	0.61	0.99	0.68
7yr	0.92	1.33	0.99
10yr	1.24	1.67	1.31
5yr Am	0.45		0.59
10yr Am	0.89		1.03

### Fed Fund Futures

Maturity	Rate
Nov-20	0.088
Dec-20	0.082
Jan-21	0.075
Mar-21	0.070
Apr-21	0.070
May-21	0.070
Jun-21	0.065
Jul-21	0.065
Aug-21	0.065
Aug-21	0.065
Oct-21	0.065

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
11/30	MNI Chicago PMI	Nov	59.0	58.2	61.1	--
11/30	Pending Home Sales NSA YoY	Oct	--	--	21.9%	--
11/30	Dallas Fed Manf. Activity	Nov	14.5	--	19.8	--
12/1	Markit US Manufacturing PMI	Nov F	56.7	--	56.7	--
12/1	ISM Manufacturing	Nov	58.0	--	59.3	--
12/1	ISM New Orders	Nov	--	--	67.9	--
12/1	ISM Prices Paid	Nov	65.0	--	65.5	--
12/1	ISM Employment	Nov	--	--	53.2	--
12/1	Wards Total Vehicle Sales	Nov	16.10m	--	16.21m	--
12/2	MBA Mortgage Applications	11/27	--	--	3.9%	--
12/2	ADP Employment Change	Nov	430k	--	365k	--
12/3	Challenger Job Cuts YoY	Nov	--	--	60.4%	--
12/3	Initial Jobless Claims	11/28	775k	--	778k	--
12/3	Continuing Claims	11/21	5811k	--	6071k	--
12/3	Bloomberg Consumer Comfort	11/29	--	--	49.6	--
12/3	Markit US Services PMI	Nov F	57.5	--	57.7	--
12/3	Markit US Composite PMI	Nov F	--	--	57.9	--
12/3	ISM Services Index	Nov	55.8	--	56.6	--
12/4	Change in Nonfarm Payrolls	Nov	500k	--	638k	--
12/4	Two-Month Payroll Net Revision	Nov	--	--	15k	--
12/4	Change in Private Payrolls	Nov	575k	--	906k	--
12/4	Change in Manufact. Payrolls	Nov	45k	--	38k	--
12/4	Unemployment Rate	Nov	6.8%	--	6.9%	--
12/4	Average Hourly Earnings YoY	Nov	4.2%	--	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%	--
12/4	Trade Balance	Oct	-\$64.8b	--	-\$63.9b	--
12/4	Factory Orders Ex Trans	Oct	--	--	0.5%	--
12/4	Durables Ex Transportation	Oct F	1.3%	--	1.3%	--
12/4	Cap Goods Ship Nondef Ex Air	Oct F	--	--	2.3%	--
12/8	NFIB Small Business Optimism	Nov	--	--	104	--
12/8	Nonfarm Productivity	3Q F	4.9%	--	4.9%	--
12/8	Unit Labor Costs	3Q F	-8.9%	--	-8.9%	--
12/9	JOLTS Job Openings	Oct	--	--	6436	--
12/10	CPI YoY	Nov	--	--	1.2%	--
12/10	CPI Ex Food and Energy YoY	Nov	--	--	1.6%	--
12/10	CPI Index NSA	Nov	--	--	260.39	--
12/10	CPI Core Index SA	Nov	--	--	269.30	--
12/10	Real Avg Hourly Earning YoY	Nov	--	--	3.2%	--
12/10	Real Avg Weekly Earnings YoY	Nov	--	--	4.4%	--
12/11	PPI Final Demand YoY	Nov	--	--	0.5%	--
12/11	PPI Ex Food and Energy YoY	Nov	--	--	1.1%	--
12/11	PPI Ex Food, Energy, Trade YoY	Nov	--	--	0.8%	--
12/11	U. of Mich. Sentiment	Dec P	--	--	76.9	--
12/11	U. of Mich. Current Conditions	Dec P	--	--	87.0	--
12/11	U. of Mich. 1 Yr Inflation	Dec P	--	--	2.8%	--

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	19.1	20.6	21.1	24.1	26.3	20.0
FH/FN 15y	20.2	25.2	27.2	28.3	21.6	20.0
GN 15y	14.6	15.6	16.5	15.3	14.1	13.1
FH/FN 20y	26.1	26.8	21.4	19.8	20.0	17.8
FH/FN 30y	14.9	23.3	31.0	32.1	32.0	28.0
GN 30y	11.1	14.5	27.2	33.4	35.5	15.4

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
<b>Currencies</b>					
Japanese Yen	104.26	(0.26)	104.72	107.59	108.98
Euro	1.20	0.01	1.16	1.11	1.11
Dollar Index	91.62	(0.77)	94.04	98.34	98.27
<b>Major Stock Indices</b>					
Dow Jones	29,662	398	26,502	25,383	28,051
S&P 500	3,630.7	73.1	3,270.0	3,044.3	3,141.0
NASDAQ	12,191.5	337	10,911.6	9,489.9	8,665.5
<b>Commodities</b>					
Gold	1,768.3	(104.1)	1,879.9	1,736.9	1,465.6
Crude Oil	45.26	3.11	35.79	35.49	55.17
Natural Gas	2.99	0.34	3.35	1.85	2.28
Wheat	591.0	-2.3	598.5	520.8	547.5
Corn	422.5	-0.8	398.5	325.8	371.3

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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