

## Baker Market Update: Week in Preview

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Anyone planning to visit the Grand Canyon this week will be relieved to know that legislation to fund the government and keep the park open has been signed into law by the President. That same \$1.4T bill comes along with the same \$900B covid-relief bill that had also been previously passed by Congress. Supplemental legislation to increase the size of \$600 direct payment to individuals might or might not be successful.

News of the bill's signing has sparked some Monday gloom in the Treasury market with a mild sell-off pushing the Ten-Year's yield up to 96 basis points as the Long Bond edges upward to 1.70%. The outlook of equity investors seems a bit more-bubbly with domestic markets poised to open well into the green.

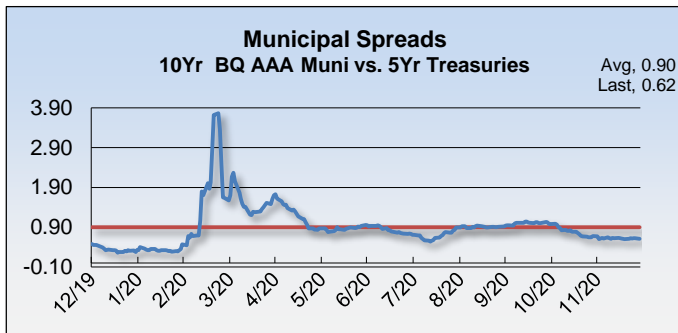
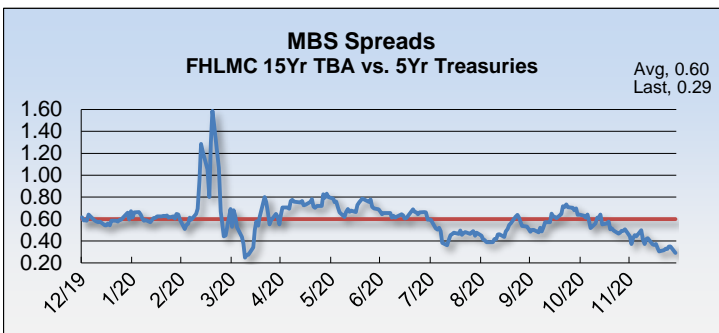
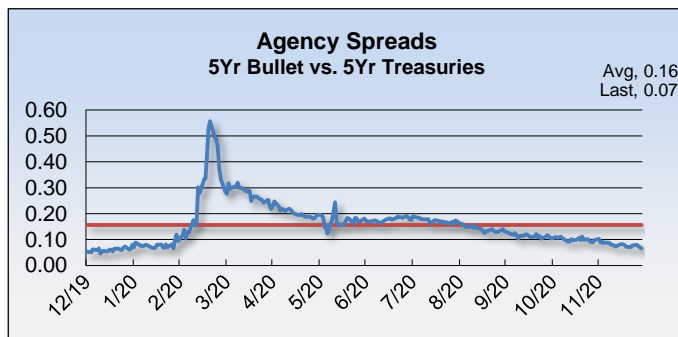
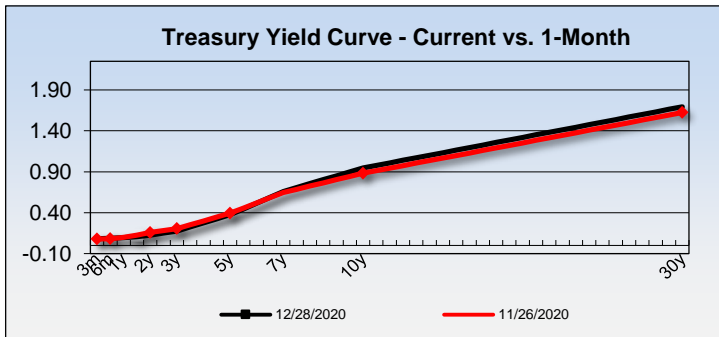
Today's only data report comes a little later this morning when the Dallas Fed is expected to report that its Manufacturing Index slipped this month to 10.2 from November's 12. The Richmond Fed surprised forecasters last week with an unexpectedly strong showing for a similar measurement so maybe we'll get another surprise out of Texas. Also today, the Treasury will be selling \$58B Two-Year notes and \$59B Five-Year notes. Does it seem like there's a lot of money getting thrown around these days?

A lot of home buyers have been throwing their money around this year and on Tuesday we'll see what that did to home prices in October with the release of the Case-Shiller CoreLogic 20-City House Price Index. For the month, analysts expect to see a 1% boost in a slight cooling from September's 1.27% rise. Year-over-year, that measure is expected to have grown to 6.95% from September's 6.57%. That's what throwing money around will do. Not to be left out, the Treasury will be selling \$59B Seven-Year notes tomorrow.

On Wednesday, the Census Bureau is expected to report that the nation's Trade Balance became more negative by moving to minus \$81.5B in November from minus \$80.3B the month before. We'll also hear from Market News International with its December Purchasing Managers' Index. Back in September, this measure reached 62.4, its high for the year, but has been slipping ever since. Analysts are looking for a value of 56.5 to be reported Wednesday; down from 58.2. Pending Home Sales for November also come out that day and they're expected to show a slight rise of 0.1% after they fell 1.1% the prior month.

When the BLS reports Initial Jobless Claims on Thursday, they'll likely be reporting a tally of 830k for the week ending December 26th. If so, that'll be higher than the previous week's 803k. Forecasters don't have a forecast for Continuing Claims ending the week of December 19th, but for the prior week they were 5.34M. Thursday is also the last day of 2020 and better days are ahead! 2021 will be a great year to visit the Grand Canyon. Happy New Year and 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)	0.08	0.14	1.56	2yr	0.16	0.21	0.20	0.21	0.18	2Yr	0.10	0.09	0.09	-
6mo	0.09	(0.00)	0.09	0.16	1.58	3yr	0.23	0.26	0.22	0.24	0.31	3Yr	0.19	0.21	0.10	0.16
1yr	0.09	0.01	0.10	0.16	1.50	5yr	0.47	0.46	0.31	0.33	0.57	5Yr	0.47	0.51	0.50	0.46
2yr	0.12	0.00	0.15	0.17	1.58	7yr	0.66	0.68	0.57	0.61	0.93	7Yr	0.80	0.83	0.82	0.77
3yr	0.18	(0.00)	0.19	0.19	1.62	10yr	1.14	0.96	0.99	1.06	1.34	10Yr	1.15	1.21	1.21	1.16
5yr	0.37	(0.01)	0.37	0.30	1.68	15yr	1.64	1.22	1.36	1.45	1.88	January TBA MBS				
7yr	0.66	0.00	0.61	0.49	1.80	20yr	2.14	1.35	1.64	1.74	2.46	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	0.95	0.01	0.84	0.64	1.88	25yr	2.63	1.41	1.79	1.91	2.51	2.00	0.35	2.7y	1.22	
30yr	1.69	0.02	1.57	1.37	2.32	30yr	2.63	1.44	1.95	2.07	2.56	2.50	0.50	2.2y		
												3.00	0.69	2.3y	1.16	2.8y
												3.50	0.75	2.3y	1.16	2.6y
												4.00			1.29	2.7y
												4.50			1.48	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	(0.01)	0.07	0.08	--
1 Month LIBOR	0.15	(0.01)	0.14	0.18	1.80
3 Month LIBOR	0.24	0.00	0.23	0.28	1.96
6 Month LIBOR	0.27	0.01	0.25	0.38	1.92
1 Year LIBOR	0.34	0.01	0.34	0.56	2.01
6 Month CD	0.21	(0.02)	0.28	0.37	1.89
1 Year CMT	0.10	0.01	0.11	0.17	1.53
REPO O/N	0.12	0.01	0.07	0.13	1.48
REPO 1Wk	0.10	0.01	0.08	0.13	1.56
CoF Federal	0.958	--	1.003	1.224	1.998
11th D. CoF (Oct)	0.503	--	0.523	0.740	1.100

### FHLB Fixed Advance Rates

Maturity	Chicago	Boston	Topeka
3mo	--	--	--
6mo	--	--	--
1yr	--	--	--
2yr	--	--	--
3yr	--	--	--
4yr	--	--	--
5yr	--	--	--
7yr	--	--	--
10yr	--	--	--
5yr Am	--	--	--
10yr Am	--	--	--

### Fed Fund Futures

Maturity	Rate
Dec-20	0.090
Jan-21	0.085
Feb-21	0.080
Mar-21	0.075
Apr-21	0.070
May-21	0.070
Jun-21	0.075
Jul-21	0.075
Aug-21	0.075
Sep-21	0.080
Oct-21	0.080

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
12/28	Dallas Fed Manf. Activity	Dec	10.2	--	12.0	--
12/29	S&P CoreLogic CS 20-City MoM SA	Oct	1.00%	--	1.27%	--
12/29	S&P CoreLogic CS 20-City YoY NSA	Oct	6.90%	--	6.57%	--
12/29	S&P CoreLogic CS 20-City NSA Index	Oct	--	--	232.53	--
12/29	S&P CoreLogic CS US HPI YoY NSA	Oct	--	--	6.96%	--
12/29	S&P CoreLogic CS US HPI NSA Index	Oct	--	--	226.8	--
12/30	Wholesale Inventories MoM	Nov P	0.7%	--	1.1%	--
12/30	Advance Goods Trade Balance	Nov	-\$81.5b	--	-\$80.3b	--
12/30	Retail Inventories MoM	Nov	--	--	0.8%	--
12/30	MNI Chicago PMI	Dec	56.0	--	58.2	--
12/30	Pending Home Sales MoM	Nov	0.0%	--	-1.1%	--
12/30	Pending Home Sales NSA YoY	Nov	21.0%	--	19.5%	--
12/31	Initial Jobless Claims	12/26	830k	--	803k	--
12/31	Continuing Claims	12/19	--	--	5337k	--
12/31	Bloomberg Consumer Comfort	12/27	--	--	47.0	--
1/4	Markit US Manufacturing PMI	Dec F	--	--	56.5	--
1/4	Construction Spending MoM	Nov	1.0%	--	1.3%	--
1/5	ISM Manufacturing	Dec	56.5	--	57.5	--
1/5	ISM New Orders	Dec	--	--	65.1	--
1/5	ISM Prices Paid	Dec	--	--	65.4	--
1/5	ISM Employment	Dec	--	--	48.4	--
1/5	Wards Total Vehicle Sales	Dec	15.50m	--	15.55m	--
1/6	MBA Mortgage Applications	1/1	--	--	0.8%	--
1/6	ADP Employment Change	Dec	75k	--	307k	--
1/6	Markit US Services PMI	Dec F	--	--	55.3	--
1/6	Markit US Composite PMI	Dec F	--	--	55.7	--
1/6	Factory Orders	Nov	0.9%	--	1.0%	--
1/6	Factory Orders Ex Trans	Nov	--	--	1.0%	--
1/6	Durable Goods Orders	Nov F	--	--	0.9%	--
1/6	Durables Ex Transportation	Nov F	--	--	0.4%	--
1/6	Cap Goods Orders Nondef Ex Air	Nov F	--	--	0.4%	--
1/6	Cap Goods Ship Nondef Ex Air	Nov F	--	--	0.4%	--
1/6	FOMC Meeting Minutes	12/16	--	--	--	--
1/7	Challenger Job Cuts YoY	Dec	--	--	45.4%	--
1/7	Trade Balance	Nov	-\$64.1b	--	-\$63.1b	--
1/7	ISM Services Index	Dec	54.50	--	55.90	--
1/8	Two-Month Payroll Net Revision	Dec	--	--	11k	--
1/8	Change in Nonfarm Payrolls	Dec	80k	--	245k	--
1/8	Change in Private Payrolls	Dec	88k	--	344k	--
1/8	Change in Manufact. Payrolls	Dec	--	--	27k	--
1/8	Unemployment Rate	Dec	6.8%	--	6.7%	--
1/8	Average Hourly Earnings MoM	Dec	0.2%	--	0.3%	--
1/8	Average Hourly Earnings YoY	Dec	4.5%	--	4.4%	--
1/8	Average Weekly Hours All Employees	Dec	34.8	--	34.8	--
1/8	Labor Force Participation Rate	Dec	--	--	61.5%	--
1/8	Underemployment Rate	Dec	--	--	12.0%	--
1/8	Wholesale Trade Sales MoM	Nov	--	--	1.8%	--

MBS Prepayments <sup>4</sup>						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	12.9	23.9	26.7	29.9	28.2	13.8
FH/FN 15y	16.1	34.7	43.7	48.0	21.6	21.2
GN 15y	25.6	20.6	20.5	20.6	18.7	17.7
FH/FN 20y	52.8	33.2	34.7	32.9	31.3	24.3
FH/FN 30y	7.8	45.7	58.3	58.0	59.0	51.9
GN 30y	13.5	22.4	40.5	52.1	42.4	31.0
CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	20.0	21.2	21.8	25.0	26.8	20.0
FH/FN 15y	21.2	26.0	27.5	28.5	22.1	20.3
GN 15y	14.8	16.1	16.8	15.4	14.0	13.2
FH/FN 20y	26.4	27.0	22.0	20.4	20.3	18.0
FH/FN 30y	14.5	22.2	30.0	31.2	31.2	27.4
GN 30y	11.0	14.1	27.1	32.1	34.6	15.2

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
<b>Currencies</b>					
Japanese Yen	103.65	0.33	104.31	107.58	108.88
Euro	1.22	(0.00)	1.19	1.12	1.12
Dollar Index	90.18	0.17	91.79	97.43	96.92
<b>Major Stock Indices</b>					
Dow Jones	30,364	185	29,872	25,746	28,515
S&P 500	3,703.1	(6.3)	3,629.7	3,083.8	3,223.4
NASDAQ	12,916.4	161	12,094.4	10,017.0	8,952.9
<b>Commodities</b>					
Gold	1,895.5	9.8	1,781.9	1,772.5	1,513.8
Crude Oil	48.11	(0.99)	45.53	38.49	61.72
Natural Gas	2.25	(0.45)	2.84	1.50	2.16
Wheat	619.3	11.0	596.5	474.0	556.3
Corn	452.8	15.3	425.5	317.0	390.0

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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