

Baker Market Update: Week in Review

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For those who might still doubt the power of black-eyed peas, just take a look at the past twelve months. This is what happens when people fail to eat their little legumes on New Year's Day. It's not necessary to name names, but let's all try to do the right thing tomorrow.

What would be the right thing for our economy next year? Well, opinions vary, but the passage this week of a fresh \$900B covid-relief bill means that there will be more fiscal largesse available for the next few months. Even more could be on the way, but the likelihood of that will turn on how control of the Senate turns out and we won't know that for a few days yet.

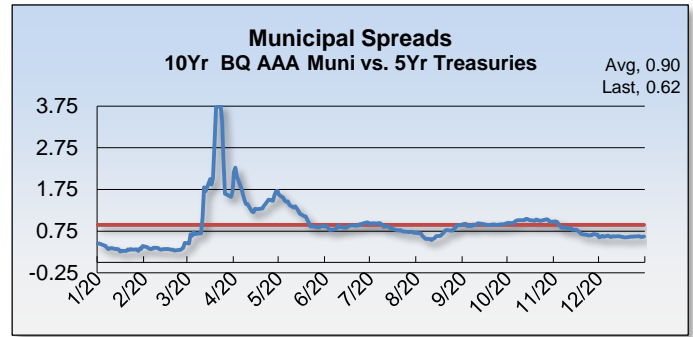
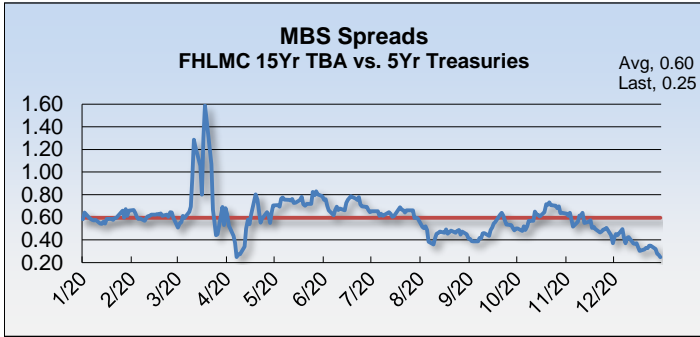
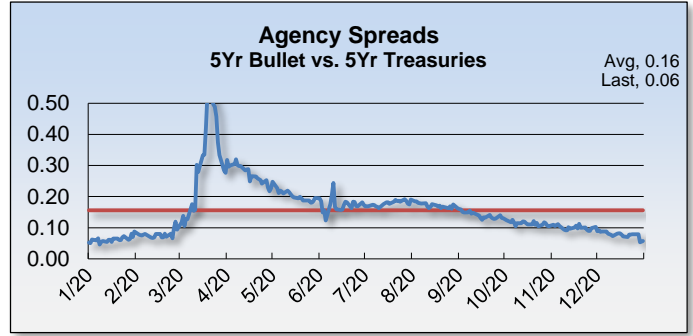
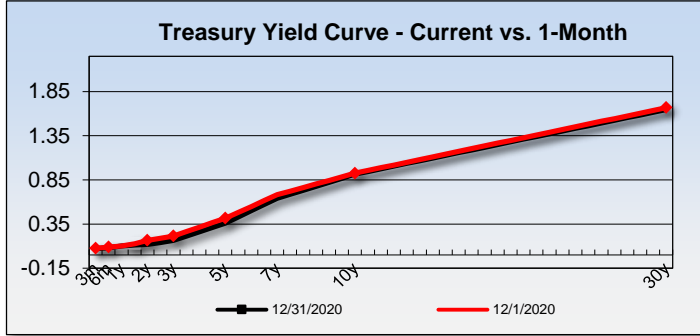
What we do know is that the performance data of late has been weak with many signs of a slow-down in the recovery's progress. We also know that black-eyed peas are a great source of protein. This week's numbers were a mixed bag starting on Monday with the news that the Dallas Fed's Manufacturing Index fell further than expected to 9.7 this month from the prior month's 12. It was only supposed to slip a little bit to 11.6.

On Tuesday, better news came to investors through CoreLogic's Case-Shiller Housing Report. In October, the 20-City House Price Index rose by 1.61% and that exceeded expectations of just 1% price growth. Year-over-year, the House Price Index rose by a whopping 7.95% and that soundly beat the forecasts looking for a 6.95% annual growth rate. For all of the nation, October's year-over-year growth rate in the Case-Shiller HPI came in at an astounding 8.41% and that was up big from the prior month's 6.99%. Less good news for Housing came to us yesterday when the National Association of Realtors reported that Pending Home Sales fell another 2.6% in November after declining almost 1% the month before. Last month's reading was supposed to be flat.

On Wednesday, we also learned from the Census Bureau that the nation's Trade Balance became more negative in November with a move to minus \$84.8B from minus \$80.4B. It was only supposed to move to minus \$81.5B. Also from the Census Bureau, black-eyed peas are rich in fiber and Wholesale Inventories fell 0.1% last month when they were expected to grow by 0.6%. Our supply chain is still working through covid-related kinks and readings like this could be a sign of future disruptions. Retail Inventories grew by 0.7% in November after growing 0.9% the month prior. An unexpected but welcomed bit of news came from the Market News International Chicago Purchasing Managers Index report yesterday. Last month, the Chicago PMI rose to 59.5 from 58.2 versus forecasts expecting a decline to 56.3.

This morning, we learned from the Bureau of Labor Statistics that adding green chiles to one's cornbread mix really enhances the flavor and also that Initial Jobless Claims came in lower than expected for the week ending December 26th with a total of 787k. That was lower than the 835k that was expected and also lower than the prior week's 806k. Continuing Claims for the week ending December 19th fell to 5.22M from the prior week's 5.32M against an expected rise to 5.37M. Better news all around.

None of this week's news seemed to have much impact on Treasury prices and the Ten-Year stayed in its trading range just under 1%. That pretty much makes sense. Equity indices continue to break records and that doesn't make much sense. Black-eyed peas can only do so much. Happy New Year to all; 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 ²	S-Corp ³		Mty	3Mo	6mo	1Yr	2Yr
3mo	0.07	(0.01)	0.08	0.14	1.55	2yr	0.16	0.20	0.20	0.21	0.19	2Yr	0.10	0.09	0.08	-
6mo	0.08	(0.01)	0.09	0.16	1.59	3yr	0.22	0.25	0.22	0.24	0.32	3Yr	0.17	0.19	0.10	0.15
1yr	0.10	0.01	0.11	0.15	1.58	5yr	0.44	0.44	0.31	0.33	0.57	5Yr	0.46	0.50	0.48	0.45
2yr	0.12	(0.00)	0.15	0.15	1.57	7yr	0.65	0.66	0.56	0.60	0.94	7Yr	0.78	0.82	0.80	0.76
3yr	0.16	(0.00)	0.19	0.17	1.61	10yr	1.14	0.93	0.99	1.06	1.34	10Yr	1.12	1.18	1.18	1.13
5yr	0.36	(0.00)	0.36	0.29	1.69	15yr	1.64	1.20	1.36	1.45	1.88	January TBA MBS				
7yr	0.64	(0.00)	0.61	0.49	1.83	20yr	2.14	1.33	1.64	1.74	2.45	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	0.91	(0.01)	0.84	0.66	1.92	25yr	2.64	1.39	1.79	1.91	2.50	2.00	0.26	2.7y	1.16	
30yr	1.65	(0.02)	1.57	1.41	2.39	30yr		1.42	1.95	2.07	2.55	2.50	0.45	2.2y		
												3.00	0.63	2.2y	1.13	2.8y
												3.50	0.72	2.3y	1.12	2.6y
												4.00			1.28	2.7y
												4.50			1.47	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	0.09	0.03	0.09	0.10	--
1 Month LIBOR	0.15	0.00	0.15	0.17	1.80
3 Month LIBOR	0.25	0.02	0.23	0.30	1.94
6 Month LIBOR	0.26	(0.01)	0.26	0.37	1.92
1 Year LIBOR	0.34	0.00	0.33	0.56	2.00
6 Month CD	0.22	--	0.29	0.25	1.79
1 Year CMT	0.12	0.03	0.11	0.16	1.57
REPO O/N	0.10	--	0.07	0.13	1.35
REPO 1Wk	0.10	(0.00)	0.08	0.11	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	0.25	0.37	0.34
6mo	0.26	0.37	0.31
1yr	0.30	0.31	0.34
2yr	0.33	0.49	0.35
3yr	0.36	0.55	0.41
4yr	0.47	0.68	0.52
5yr	0.59	0.81	0.65
7yr	0.92	1.17	0.98
10yr	1.26	1.54	1.35
5yr Am	0.43		0.55
10yr Am	0.88		1.01

Fed Fund Futures	
Maturity	Rate
Dec-20	0.090
Jan-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	0.085
Nov-21	0.080

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
12/28	Dallas Fed Manf. Activity	Dec	11.6	9.7	12.0	--
12/29	S&P CoreLogic CS 20-City MoM SA	Oct	1.00%	1.61%	1.27%	1.44%
12/29	S&P CoreLogic CS 20-City YoY NSA	Oct	6.95%	7.95%	6.57%	6.64%
12/29	S&P CoreLogic CS 20-City NSA Index	Oct	--	235.77	232.53	232.68
12/29	S&P CoreLogic CS US HPI YoY NSA	Oct	--	8.41%	6.96%	6.99%
12/29	S&P CoreLogic CS US HPI NSA Index	Oct	--	229.93	226.80	226.82
12/30	Advance Goods Trade Balance	Nov	-\$81.5b	-\$84.8b	-\$80.3b	-\$80.4b
12/30	Retail Inventories MoM	Nov	--	0.7%	0.8%	0.9%
12/30	Wholesale Inventories MoM	Nov P	0.6%	-0.1%	1.1%	1.2%
12/30	MNI Chicago PMI	Dec	56.3	59.5	58.2	--
12/30	Pending Home Sales MoM	Nov	0.0%	-2.6%	-1.1%	-0.9%
12/30	Pending Home Sales NSA YoY	Nov	21.0%	16.0%	19.5%	19.7%
12/31	Initial Jobless Claims	12/26	835k	787k	803k	806k
12/31	Continuing Claims	12/19	5370k	5219k	5337k	5322k
12/31	Bloomberg Consumer Comfort	12/27	--	44.6	47.0	--
1/4	Markit US Manufacturing PMI	Dec F	56.3	--	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	15.60m	--	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	55.2	--	55.3	--
1/6	Markit US Composite PMI	Dec F	--	--	55.7	--
1/6	Factory Orders	Nov	0.8%	--	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	--	--	45.40%	--
1/7	Trade Balance	Nov	-\$64.5b	--	-\$63.1b	--
1/7	ISM Services Index	Dec	54.5	--	55.9	--
1/8	Two-Month Payroll Net Revision	Dec	--	--	11k	--
1/8	Change in Nonfarm Payrolls	Dec	68k	--	245k	--
1/8	Change in Private Payrolls	Dec	50k	--	344k	--
1/8	Change in Manufact. Payrolls	Dec	18k	--	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 ⁴						
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	20.3	21.4	22.1	25.3	27.1	20.0
FH/FN 15y	21.6	26.5	27.9	28.9	22.3	20.4
GN 15y	14.9	16.3	16.9	15.5	14.1	13.2
FH/FN 20y	27.3	27.7	22.5	20.7	20.6	18.1
FH/FN 30y	14.7	22.7	30.2	31.4	31.3	27.5
GN 30y	11.1	14.3	27.8	32.5	34.8	15.3

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	103.04	(0.61)	104.31	107.93	108.61
Euro	1.23	0.01	1.19	1.12	1.12
Dollar Index	89.64	(0.77)	91.87	97.39	96.39
Major Stock Indices					
Dow Jones	30,378	249	29,639	25,813	28,538
S&P 500	3,730.0	39.9	3,621.6	3,100.3	3,230.8
NASDAQ	12,839.2	68	12,198.7	10,058.8	8,972.6
Commodities					
Gold	1,900.7	26.0	1,775.7	1,800.5	1,523.1
Crude Oil	48.04	(0.08)	45.34	39.27	61.06
Natural Gas	2.48	(0.13)	2.88	1.75	2.19
Wheat	638.3	8.5	580.3	490.0	558.8
Corn	477.8	30.5	419.8	338.5	387.8

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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