

Baker Market Update: Week in Preview

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According to the calendar, the year-of-the-covid may be behind us, but its effects are not, and won't be for a while. There's a lot of data scheduled for release this week and positive surprises are not expected. But then, surprises never are; thus the name.

Jumping ahead to Friday, it will come as no surprise that the year's first Unemployment Report is likely to be the weakest one in quite a while. Early estimates are only estimating that 62k new jobs were added to Non-Farm Payrolls last month with the Unemployment Rate expected to move up one-tenth to 6.8%. Since April's Payroll loss of almost 21M, June's gain of 4.78M set the high-water mark for monthly job growth, but has been steadily falling ever since. We'll get the details at week's end.

But before we do, we're likely to hear this morning from Markit U.S. that its Manufacturing PMI fell last month to 56.3 from 56.5. The Census Bureau will follow that with a report showing that Construction Spending grew 1% in November following the prior month's 1.3% boost.

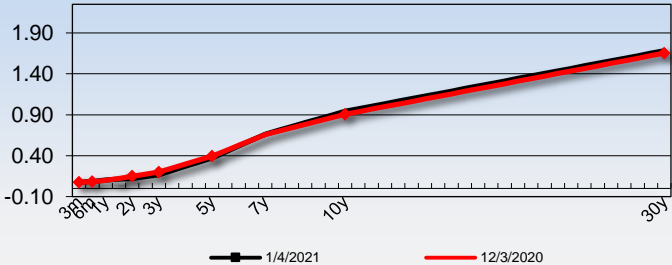
More about manufacturing on Tuesday with a report from the Institute of Supply Management saying that its Manufacturing Index fell to 56.6 last month from November's 57.5. Also, on that day, Ward's Automotive Group will report December's Total Vehicle Sales and they're expected to have totaled a 15.7M annualized pace, up from November's 15.55M. If so, that will reverse a two-month slide.

Wednesday morning will bring the ADP Private Employment Change report and it's estimated December job growth of 50k doesn't look any shinier than what we may get from the BLS. Markit is also expected to report that its PMI for Services was unchanged last month at 55.3. The Census Bureau will also be reporting November's Factory Orders and they should show a growth of 0.7% while Durable Goods Orders likely grew 0.9%. Wednesday afternoon will also bring the release of the FOMC's December meeting's minutes.

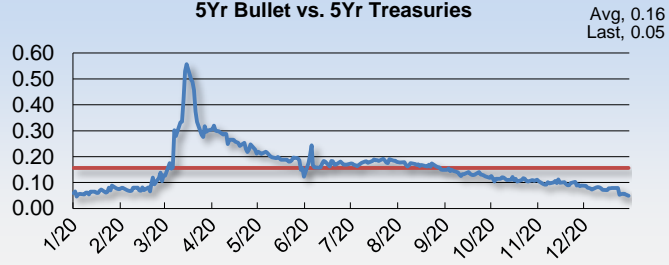
Thursday morning will come with the weekly BLS report on Jobless Claims and for the week ending January 2nd, Initial Claims may show a total of 803k and that would be greater than the prior week's 787k. Continuing Claims for the week ending December 26th are expected to come in at 5.15M in a slight decline from the prior week's 5.22M. We are also expected to learn from the Census Bureau that the deficit in the nation's Trade Balance grew to minus \$67B in November from October's minus \$63.1B. The ISM will also be coming out with its PMI for Services and it is expected to show a drop in December to 54.5 from 55.9. After the BLS releases its Friday morning Jobs Report, the Federal Reserve will close out the week's data that afternoon with a report that's expected to show that Consumer Credit grew \$9B in November following October's smaller-than-expected growth of \$7.22B.

The Treasury market looks to be beginning the week with a little price slippage here and there, but yields are little changed from last week. The Ten-Year's yield is hovering around 93 basis points with the Long Bond at 1.66%. The Two-Year anchors the short-end at 12 basis points. Crude oil is little changed at around \$48.29 while gold has enjoyed a pretty strong \$38 rally to \$1,937. Equity indices are poised to open in the green after some unexpectedly positive manufacturing news out of the European Union sparked an overnight rally in foreign markets. There's still plenty of room for more positive surprises.

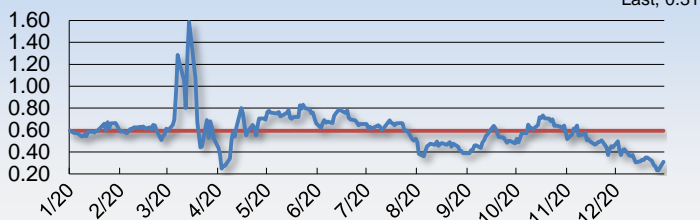
Treasury Yield Curve - Current vs. 1-Month



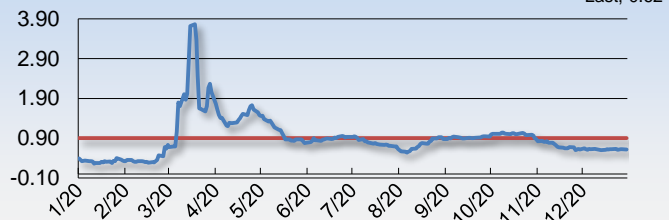
Agency Spreads
5Yr Bullet vs. 5Yr Treasuries



MBS Spreads
FHLMC 15Yr TBA vs. 5Yr Treasuries



Municipal Spreads
10Yr BQ AAA Muni vs. 5Yr Treasuries



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	0.08	(0.01)	0.08	0.14	1.51	2yr	0.15	0.19	0.20	0.21	0.18	2Yr	0.10	0.08	0.08	-
6mo	0.08	(0.02)	0.09	0.16	1.54	3yr	0.22	0.24	0.22	0.24	0.31	3Yr	0.18	0.20	0.10	0.15
1yr	0.10	(0.00)	0.10	0.15	1.54	5yr	0.45	0.43	0.31	0.33	0.56	5Yr	0.47	0.51	0.49	0.45
2yr	0.12	(0.00)	0.15	0.15	1.53	7yr	0.66	0.66	0.56	0.60	0.92	7Yr	0.62	0.83	0.82	0.77
3yr	0.17	0.00	0.21	0.18	1.55	10yr	1.18	0.94	0.99	1.06	1.32	10Yr	0.90	1.20	1.20	1.15
5yr	0.37	0.02	0.42	0.30	1.59	15yr	1.69	1.21	1.36	1.45	1.86	February TBA MBS				
7yr	0.66	0.02	0.70	0.50	1.71	20yr	2.21	1.34	1.64	1.74	2.43	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	0.94	0.02	0.97	0.67	1.79	25yr	2.73	1.40	1.79	1.91	2.48	2.00	0.18	2.6y	1.11	
30yr	1.68	0.02	1.74	1.43	2.25	30yr		1.43	1.95	2.07	2.53	2.50	0.36	2.2y		
												3.00	0.57	2.2y	1.04	2.8y
												3.50	0.67	2.3y	1.03	2.6y
												4.00			1.20	2.7y
												4.50			1.43	3.1y

* 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	0.07	(0.01)	0.09	0.10	--
1 Month LIBOR	0.14	(0.00)	0.15	0.16	1.76
3 Month LIBOR	0.24	(0.00)	0.23	0.30	1.91
6 Month LIBOR	0.26	(0.01)	0.26	0.37	1.91
1 Year LIBOR	0.34	0.00	0.33	0.55	2.00
6 Month CD	0.18	(0.03)	0.29	0.31	1.78
1 Year CMT	0.10	--	0.11	0.16	1.59
REPO O/N	0.12	--	0.12	0.13	1.54
REPO 1Wk	0.10	(0.06)	0.13	0.08	1.61
CoF Federal	0.958	--	1.003	1.224	1.998
11th D. CoF (Nov)	0.466	--	0.503	0.755	1.035

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
Jan-21	0.082
Feb-21	0.080
Mar-21	0.075
Apr-21	0.070
May-21	0.070
Jun-21	0.070
Jul-21	0.070
Aug-21	0.070
Sep-21	0.070
Oct-21	0.080
Nov-21	0.080

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
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	56.7	--	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	--
1/6	MBA Mortgage Applications	1/1	--	--	0.8%	--
1/6	ADP Employment Change	Dec	50k	--	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 Ex Trans	Nov	--	--	1.0%	--
1/6	Durables Ex Transportation	Nov F	0.4%	--	0.4%	--
1/6	Cap Goods Ship Nondef Ex Air	Nov F	--	--	0.4%	--
1/7	Challenger Job Cuts YoY	Dec	--	--	45.4%	--
1/7	Initial Jobless Claims	1/2	803k	--	787k	--
1/7	Continuing Claims	12/26	5150k	--	5219k	--
1/7	Trade Balance	Nov	-\$67.0b	--	-\$63.1b	--
1/7	Bloomberg Consumer Comfort	1/3	--	--	44.6	--
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	62k	--	245k	--
1/8	Change in Private Payrolls	Dec	50k	--	344k	--
1/8	Change in Manufact. Payrolls	Dec	16k	--	27k	--
1/8	Unemployment Rate	Dec	6.8%	--	6.7%	--
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	Consumer Credit	Nov	\$9,000b	--	\$7,228b	--
1/12	NFIB Small Business Optimism	Dec	--	--	101.4	--
1/12	JOLTS Job Openings	Nov	--	--	6652	--
1/13	CPI YoY	Dec	1.3%	--	1.2%	--
1/13	CPI Ex Food and Energy YoY	Dec	1.6%	--	1.6%	--
1/13	CPI Index NSA	Dec	260.38	--	260.23	--
1/13	CPI Core Index SA	Dec	--	--	269.89	--
1/13	Real Avg Hourly Earning YoY	Dec	--	--	3.2%	--
1/13	Real Avg Weekly Earnings YoY	Dec	--	--	4.7%	--
1/13	Monthly Budget Statement	Dec	--	--	-\$145.3b	--
1/14	Import Price Index YoY	Dec	--	--	-1.0%	--
1/14	Export Price Index YoY	Dec	--	--	-1.1%	--
1/15	PPI Final Demand YoY	Dec	0.7%	--	0.8%	--
1/15	PPI Ex Food, Energy, Trade YoY	Dec	--	--	0.9%	--
1/15	PPI Ex Food and Energy YoY	Dec	--	--	1.4%	--
1/15	Empire Manufacturing	Jan	6.0	--	4.9	--
1/15	Retail Sales Ex Auto and Gas	Dec	--	--	-0.8%	--
1/15	Retail Sales Control Group	Dec	--	--	-0.5%	--
1/15	Capacity Utilization	Dec	73.5%	--	73.3%	--

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	20.5	21.5	22.3	25.5	27.2	20.0
FH/FN 15y	21.9	26.8	28.1	29.2	22.4	20.4
GN 15y	15.0	16.4	17.0	15.5	14.1	13.2
FH/FN 20y	27.8	28.0	22.8	21.0	20.7	18.1
FH/FN 30y	14.9	22.9	30.4	31.5	31.3	27.6
GN 30y	11.1	14.3	27.9	32.6	34.9	15.3

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	103.01	(0.80)	104.17	107.35	108.37
Euro	1.23	0.01	1.21	1.13	1.12
Dollar Index	89.55	(0.77)	90.70	97.17	96.84
Major Stock Indices					
Dow Jones	30,606	477	29,824	25,735	28,538
S&P 500	3,756.1	66.1	3,662.5	3,115.9	3,230.8
NASDAQ	12,888.3	117	12,355.1	10,154.6	8,972.6
Commodities					
Gold	1,944.2	64.3	1,835.9	1,790.0	1,552.4
Crude Oil	48.94	0.71	46.26	40.65	63.05
Natural Gas	2.66	0.14	2.58	1.73	2.13
Wheat	644.3	17.3	566.5	490.0	554.5
Corn	491.3	40.3	417.0	342.5	386.5

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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