

Baker Market Update: Week in Preview

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The next FOMC meeting is scheduled for March 16th and 17th, and that means that Fed officials are forbidden to make any public comments between now and the 18th. So, if investors don't like what happens this week, they can't blame it on something Jerome did or didn't say. At least not this week. But if things get as wild as they did for a time last week, well, there's still plenty they can whine about.

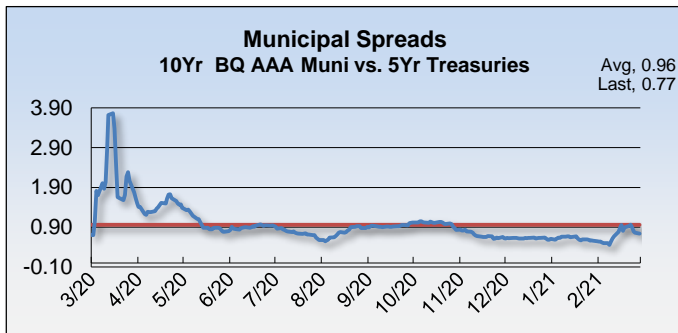
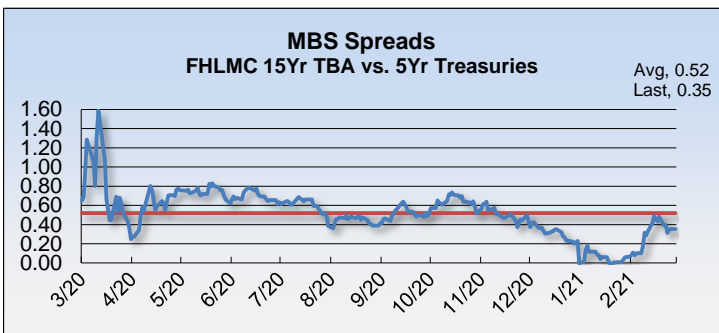
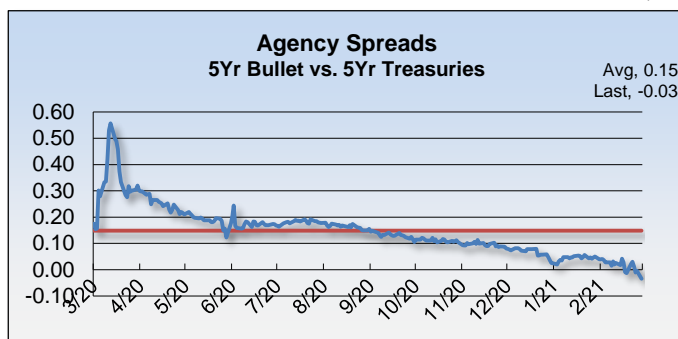
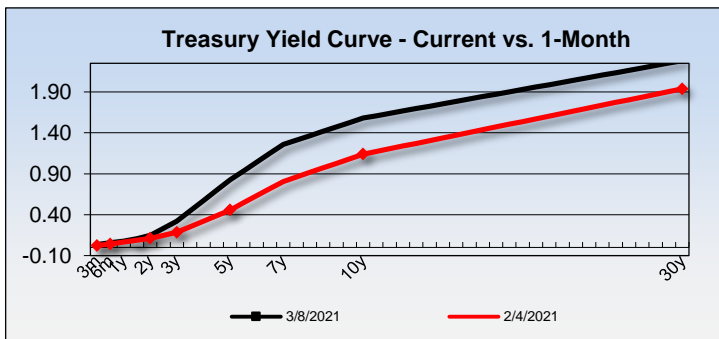
It's a little early to tell just how things will play out, but if Sunday's missile attack on a Saudi petroleum facility is how we're going to start the week, maybe a little vacation is in order. So far, bond prices are starting out a little weaker and that has pushed the Ten-Year's yield up to around 1.60% with the Long Bond at 2.30%. Crude oil is little changed despite Sunday's attack with WTI trading just under \$66 while gold has slipped another \$10 to \$1,690. DJIA futures are looking mildly green.

This week's parade of data gets started a little later this morning when the Census Bureau is expected to report that Wholesale Inventories rose another 1.3% in January after the same rise the month before. Along with that comes a report expected to show that Wholesale Trade Sales grew 1% in January on the heels of December's 1.2% gain. On Tuesday, the National Federation of Independent Businesses is scheduled to tell us that its Small Business Optimism Index rose last month to 96.5 from January's 95. If so, that will put an end to the steady slide that started last fall. This is also a big auction week for the Treasury and it will sell \$58B Three-Year notes that afternoon.

Wednesday morning will highlight inflation when the Bureau of Labor Statistics publishes its Consumer Price Index for February. Analysts estimate that headline CPI rose 0.4% for the month, pushing the year-over-year pace to 1.7% from 1.4%. Without food and energy, core CPI is estimated to have risen 0.2% last month while the year-over-year rate remained unchanged at 1.4%. It's hard to know how deviations from these expectations might affect inflation-centric outlooks and how that might affect the Treasury's sale that day of \$38B Ten-Year Notes.

Thursday morning brings more news from the BLS with its weekly report on Jobless Claims. For the week ending March 6th, Initial Claims are expected to remain naggingly high at 725k, although that would be a little less than the prior week's 745k. Continuing Claims for the week ending February 27th are expected to show a slight decline to 4.2M from 4.3M. Also naggingly high. More labor news comes our way with the Job Openings and Labor Turnover Survey (JOLTS). Its headline is expected to be that job openings held pretty steady in January at 6.65M. We've already seen the Unemployment Report for February, so it's not real clear how valuable that information is. But we're getting it anyway and Treasury investors are getting a chance to buy \$24B Thirty-Year Treasury bonds that afternoon.

More inflation news on Friday when the BLS reports on wholesale inflation with its Producer Price Index. Last month, headline PPI is expected to have grown 0.4% while February's year-over-year pace leaps to 2.7% from 1.7%. Don't panic, spiking commodity prices account for much of the monthly gain and the boost in the year-over-year rate is being skewed a bit by the exclusion of last February's 0.5% plunge from the twelve-month calculation. Surveys suggest that without food and energy, core PPI rose 0.2% for the month while the year-over-year pace moved to 2.6% from 2% as last February's decline of 0.3% no longer gets counted. The University of Michigan will close out the week's news when it then issues a preliminary March report for its Consumer Sentiment Index. Early estimates suggest an improvement to 78 from 76.8 with the Current Situation component improving to 88.3 from 86.2. The Expectations sub-index should also be looking up with an expected move to 72 from 70.7. Also expected this week is the final passage of the much ballyhooed \$1.9T spending bill as it makes its way back to the House after receiving Senate approval over the weekend. Unlike the Fed, legislators are unencumbered by black-out restrictions limiting their commentary. Too bad. 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 ²	S-Corp ³		Mty	3Mo	6mo	1Yr	2Yr
3mo	0.04	0.00	0.03	0.11	0.46	2yr	0.20	0.24	0.18	0.19	0.26	2Yr	0.09	0.09	0.09	-
6mo	0.06	0.01	0.05	0.12	0.40	3yr	0.37	0.44	0.35	0.37	0.48	3Yr	0.26	0.27	0.20	0.26
1yr	0.08	0.01	0.07	0.13	0.39	5yr	0.89	0.92	0.67	0.72	0.93	5Yr	0.85	0.85	0.84	0.78
2yr	0.15	0.03	0.11	0.14	0.51	7yr	1.26	1.29	1.05	1.12	1.43	7Yr	1.28	1.30	1.30	1.23
3yr	0.32	0.07	0.19	0.17	0.54	10yr	1.73	1.63	1.55	1.65	1.92	10Yr	1.65	1.71	1.70	1.64
5yr	0.83	0.13	0.48	0.27	0.61	15yr	2.20	1.89	1.90	2.03	2.30	April TBA MBS				
7yr	1.26	0.16	0.83	0.46	0.71	20yr	2.67	1.99	2.18	2.32	2.92	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	1.58	0.16	1.17	0.68	0.76	25yr	3.14	2.02	2.32	2.47	2.97	2.00	1.21	4.3y	1.91	
30yr	2.28	0.09	1.95	1.42	1.29	30yr		2.03	2.46	2.62	3.02	2.50	0.94	3.0y		
												3.00	1.06	3.0y	1.52	3.3y
												3.50	0.87	2.6y	1.21	2.8y
												4.00			1.07	2.7y
												4.50			0.88	2.5y

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	0.25	--	0.25	0.25	1.25
Primary Discount	0.25	--	0.25	0.25	1.75
2ndary Discount	0.75	--	0.75	0.75	2.25
Prime Rate	3.25	--	3.25	3.25	4.25
Sec. O.N. Finance	0.02	0.01	0.02	0.09	--
1 Month LIBOR	0.10	(0.02)	0.12	0.15	1.01
3 Month LIBOR	0.19	(0.00)	0.19	0.25	1.00
6 Month LIBOR	0.20	(0.01)	0.21	0.29	0.97
1 Year LIBOR	0.28	(0.01)	0.30	0.42	0.94
6 Month CD	0.18	0.03	0.14	0.20	0.83
1 Year CMT	0.08	--	0.06	0.13	0.48
REPO O/N	0.05	(0.07)	0.05	0.12	1.13
REPO 1Wk	0.07	0.01	0.07	0.09	1.12
CoF Federal	0.911	--	0.925	1.107	1.914
11th D. CoF (Jan)	0.457	--	0.460	0.653	0.984

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	0.23	0.33	0.27
6mo	0.24	0.33	0.28
1yr	0.30	0.31	0.31
2yr	0.35	0.51	0.37
3yr	0.52	0.71	0.56
4yr	0.79	0.98	0.84
5yr	1.00	1.19	1.05
7yr	1.45	1.67	1.51
10yr	1.85	2.09	1.92
5yr Am	0.65		0.78
10yr Am	1.35		1.45

Fed Fund Futures	
Maturity	Rate
Mar-21	0.067
Apr-21	0.065
May-21	0.080
Jun-21	0.075
Jul-21	0.075
Aug-21	0.080
Sep-21	0.080
Oct-21	0.080
Nov-21	0.080
Dec-21	0.085
Jan-22	0.085

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
3/8	Wholesale Inventories MoM	Jan F	1.3%	--	1.3%	--
3/8	Wholesale Trade Sales MoM	Jan	0.9%	--	1.2%	--
3/9	NFIB Small Business Optimism	Feb	96.8	--	95.0	--
3/10	MBA Mortgage Applications	3/5	--	--	0.5%	--
3/10	CPI MoM	Feb	0.4%	--	0.3%	--
3/10	CPI Ex Food and Energy MoM	Feb	0.2%	--	0.0%	--
3/10	CPI YoY	Feb	1.7%	--	1.4%	--
3/10	CPI Ex Food and Energy YoY	Feb	1.4%	--	1.4%	--
3/10	CPI Index NSA	Feb	263.13	--	261.58	--
3/10	CPI Core Index SA	Feb	270.39	--	270.03	--
3/10	Real Avg Weekly Earnings YoY	Feb	--	--	6.4%	5.7%
3/10	Real Avg Hourly Earning YoY	Feb	--	--	4.0%	3.9%
3/10	Monthly Budget Statement	Feb	-\$280.0b	--	-\$235.3b	--
3/11	Initial Jobless Claims	3/6	725k	--	745k	--
3/11	Continuing Claims	2/27	4200k	--	4295k	--
3/11	Langer Consumer Comfort	3/7	--	--	48.9	--
3/11	JOLTS Job Openings	Jan	6650	--	6646	--
3/11	Household Change in Net Worth	4Q	--	--	\$3817b	--
3/12	PPI Final Demand MoM	Feb	0.4%	--	1.3%	--
3/12	PPI Ex Food and Energy MoM	Feb	0.2%	--	1.2%	--
3/12	PPI Ex Food, Energy, Trade MoM	Feb	0.3%	--	1.2%	--
3/12	PPI Final Demand YoY	Feb	2.7%	--	1.7%	--
3/12	PPI Ex Food and Energy YoY	Feb	2.6%	--	2.0%	--
3/12	PPI Ex Food, Energy, Trade YoY	Feb	2.5%	--	2.0%	--
3/12	U. of Mich. Sentiment	Mar P	78.5	--	76.8	--
3/12	U. of Mich. Current Conditions	Mar P	88.3	--	86.2	--
3/12	U. of Mich. Expectations	Mar P	72.0	--	70.7	--
3/12	U. of Mich. 1 Yr Inflation	Mar P	3.3%	--	3.3%	--
3/12	U. of Mich. 5-10 Yr Inflation	Mar P	--	--	2.7%	--
3/15	Empire Manufacturing	Mar	12.1	--	12.1	--
3/15	Total Net TIC Flows	Jan	--	--	-\$0.6b	--
3/15	Net Long-term TIC Flows	Jan	--	--	\$121.0b	--
3/16	Import Price Index YoY	Feb	--	--	0.9%	--
3/16	Retail Sales Ex Auto and Gas	Feb	0.1%	--	6.1%	--
3/16	Retail Sales Control Group	Feb	0.3%	--	6.0%	--
3/16	Export Price Index YoY	Feb	--	--	2.3%	--
3/16	Capacity Utilization	Feb	75.4%	--	75.6%	--
3/16	Manufacturing (SIC) Production	Feb	0.7%	--	1.0%	--
3/16	Business Inventories	Jan	0.3%	--	0.6%	--
3/16	NAHB Housing Market Index	Mar	84.0	--	84.0	--
3/17	Building Permits	Feb	1725k	--	1884k	1886k
3/17	Housing Starts	Feb	1555k	--	1580k	--
3/17	FOMC Rate Decision (Lower Bound)	3/17	0.00%	--	0.00%	--
3/17	FOMC Rate Decision (Upper Bound)	3/17	0.25%	--	0.25%	--
3/17	Interest Rate on Excess Reserves	3/18	--	--	0.10%	--
3/18	Philadelphia Fed Business Outlook	Mar	20.0	--	23.1	--
3/18	Leading Index	Feb	0.3%	--	0.5%	--

MBS Prepayments ⁴						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	16.0	25.5	26.8	28.0	29.2	28.0
FH/FN 15y	15.5	35.6	41.3	44.5	22.5	22.1
GN 15y	18.3	17.9	18.9	19.8	19.0	19.3
FH/FN 20y	55.4	33.7	33.7	31.8	29.7	23.8
FH/FN 30y	4.6	22.8	57.3	56.2	55.2	51.9
GN 30y	10.3	18.5	41.9	50.8	43.1	28.0
CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	13.7	16.4	17.1	19.5	18.3	16.1
FH/FN 15y	13.8	20.9	22.3	30.4	19.0	21.6
GN 15y	18.1	14.9	15.0	14.3	13.5	13.2
FH/FN 20y	10.1	18.6	20.4	26.3	20.0	17.8
FH/FN 30y	9.1	14.9	28.4	31.7	32.5	31.0
GN 30y	10.3	14.0	20.9	20.8	30.4	22.7

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	108.72	1.96	105.23	106.03	102.36
Euro	1.19	(0.02)	1.21	1.18	1.15
Dollar Index	92.21	1.17	90.93	93.45	95.95
Major Stock Indices					
Dow Jones	31,496	564	31,386	27,501	25,865
S&P 500	3,841.9	30.8	3,915.6	3,331.8	2,972.4
NASDAQ	12,920.2	(272)	13,987.6	10,847.7	8,575.6
Commodities					
Gold	1,687.8	(35.2)	1,831.9	1,935.1	1,672.4
Crude Oil	65.80	5.16	57.97	36.76	41.28
Natural Gas	2.65	(0.13)	2.88	2.40	1.71
Wheat	659.5	15.8	655.8	533.3	521.3
Corn	565.0	17.5	563.8	351.0	377.3

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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