

Baker Market Update: Week in Preview

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This week begins with the rueful Ides of March but it's St. Patrick's Day that will have investors' attention. Will Jerome wear a green necktie at his press conference? Those more concerned with what he'll say rather than what he'll wear will be listening closely for any change in the Chairman's oft-repeated narrative that near-term inflation is transitory and the recent rise in bond yields wrought by market forces is not worthy of central bank intervention. That may be a relief for those wondering if there was anything not worthy of central bank intervention. But, we won't know until Wednesday.

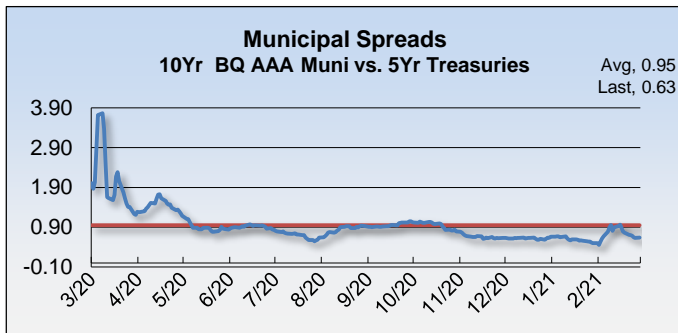
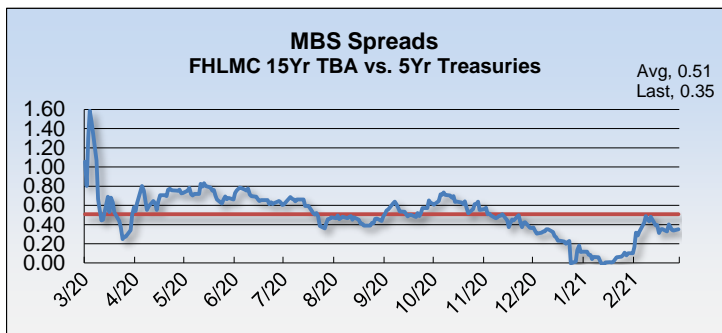
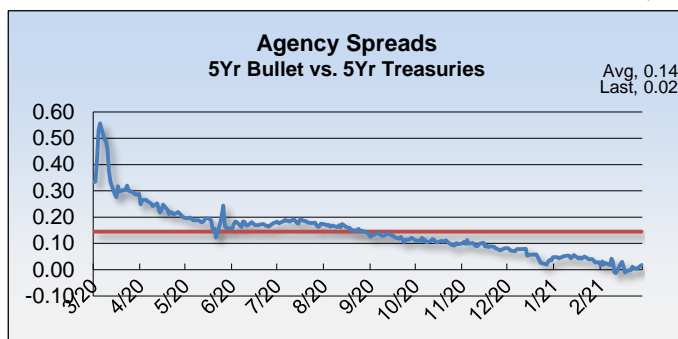
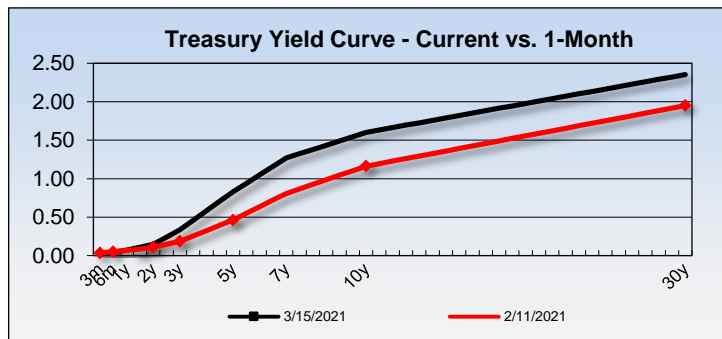
This morning, we know the Federal Reserve Bank of New York reported that its Empire Manufacturing Index rose to 17.4 this month from February's 12.1 which surprised everyone with its big jump from January's 3.5. Analysts were only looking for 15 today. Tomorrow starts off with a Bureau of Labor Statistics report that supposed to tell us that Import Prices rose 1.1% last month in a little disinflationary comedown from 1.4% the prior month. The 2.7% year-over-year rate for February that analysts expect to see might look like a runaway train if it weren't for the distortions caused by a significantly changed base for the twelve-month rate as early lockdown months begin to fall away. Market watchers saw a similar set of circumstances in last week's year-over-year changes for the Producer Price Index. Market watchers will see more of the same for more measurements in the months ahead. We're also supposed to learn that Export Prices rose 1% last month after January's rise of 2.5%.

Tomorrow's bigger news will likely come from the Census Bureau with its February report for Retail Sales. Many may recall that January's unexpected burst of 5.3% was very unexpected and we can only hope that the analysts looking for a drop of 0.5% for last month have gotten it wrong again. January's growth broke a three-month streak of declines. Without autos, a 0.1% bump is expected while the Control Group, without autos, gas stations, food services, and building materials is expected to have dipped by 0.9%. The Federal Reserve is also expected to report that Industrial Production rose 0.4% last month after January's jump of 0.9%. Capacity Utilization isn't expected to have changed much, but the change to 75.5% from 75.6% that surveys suggest will still be a change in the wrong direction. The National Association of Homebuilders is expected to report, also on Tuesday, its Housing Market Index was unchanged this month at 84. The Treasury's on a roll these days and will be selling \$24B Twenty-Year bonds on Tuesday afternoon.

Everyone is Irish on Wednesday and when Mr. Powell holds his afternoon press conference, he'll be telling all who will listen that there is no rate hike under consideration; not even a wee one. But before he does that, the Census Bureau is expected to break the news that Building Permits fell 7.2% in February after January's 10.7% leap while Housing Starts dropped 1.6% on the heels of January's steeper slide of 6%.

Thursday morning brings the weekly Jobless Claims report and Initial Claims for the week ending March 13 should come in around 700k and that's not much different that the prior week's 712k. The last time they were under 700k was the week ending March 13, 2020 when they came in at 282k before ballooning the next week to 3.3M. Continuing Claims for the week ending March 6th should drop a little bit, but not much, to 4.07M from 4.14M. The Philadelphia Fed is then expected to report that its Business Outlook Survey got a little boost to 24 this month from last month's 23.1. The Conference Board will then wrap up the week's data with a report that its Index of Leading Economic Indicators probably rose 0.3% last month.

So far in early trading, Treasury prices are little changed, but might be firming just a touch. The Ten-Year is hanging around 1.62% while the Long Bond rests at 2.38%. The Two-Year continues to anchor the short-end at an unchanged 15 basis points. Volatility has been on full display for the past couple of weeks and market participants would be wise to keep their shamrocks handy. 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	0.02	(0.02)	0.04	0.11	0.27	2yr	0.21	0.26	0.13	0.13	0.25	2Yr	0.09	0.09	0.09	-
6mo	0.04	(0.01)	0.05	0.12	0.36	3yr	0.36	0.44	0.29	0.31	0.49	3Yr	0.28	0.29	0.20	0.28
1yr	0.07	(0.01)	0.06	0.13	0.35	5yr	0.89	0.91	0.60	0.64	0.97	5Yr	0.86	0.86	0.85	0.79
2yr	0.15	(0.02)	0.11	0.14	0.49	7yr	1.28	1.28	0.94	1.00	1.48	7Yr	1.30	1.33	1.32	1.25
3yr	0.33	(0.01)	0.20	0.16	0.57	10yr	1.75	1.61	1.43	1.52	2.01	10Yr	1.69	1.75	1.74	1.67
5yr	0.83	(0.03)	0.49	0.27	0.72	15yr	2.23	1.89	1.75	1.86	2.39	April TBA MBS				
7yr	1.27	(0.01)	0.85	0.46	0.91	20yr	2.71	1.99	2.03	2.16	3.01	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	1.60	0.01	1.21	0.68	0.96	25yr	3.19	2.03	2.17	2.31	3.06	2.00	1.28	4.4y	1.95	
30yr	2.35	0.04	2.01	1.43	1.54	30yr		2.05	2.31	2.46	3.11	2.50	1.00	3.1y		
												3.00	1.13	3.1y	1.57	3.5y
												3.50	0.89	2.7y	1.27	2.9y
												4.00			1.08	2.8y
												4.50			0.92	2.6y

* 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	0.01	(0.01)	0.05	0.09	--
1 Month LIBOR	0.11	0.00	0.11	0.15	0.70
3 Month LIBOR	0.19	0.00	0.19	0.25	0.74
6 Month LIBOR	0.19	(0.00)	0.20	0.28	0.74
1 Year LIBOR	0.28	0.00	0.30	0.41	0.76
6 Month CD	0.15	(0.03)	0.13	0.21	0.84
1 Year CMT	0.09	0.01	0.06	0.13	0.39
REPO O/N	0.04	0.05	0.07	0.14	1.11
REPO 1Wk	0.09	0.02	0.07	0.09	0.11
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	0.26
6mo	0.23	0.32	0.27
1yr	0.29	0.30	0.30
2yr	0.35	0.52	0.38
3yr	0.54	0.73	0.57
4yr	0.80	1.00	0.84
5yr	1.02	1.23	1.06
7yr	1.46	1.72	1.51
10yr	1.85	2.13	1.91
5yr Am	0.67		0.79
10yr Am	1.37		1.46

Fed Fund Futures	
Maturity	Rate
Mar-21	0.067
Apr-21	0.070
May-21	0.075
Jun-21	0.075
Jul-21	0.080
Aug-21	0.080
Sep-21	0.080
Oct-21	0.085
Nov-21	0.085
Dec-21	0.085
Jan-22	0.085

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
3/15	Empire Manufacturing	Mar	15.0	17.4	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 MoM	Feb	1.0%	--	1.4%	--
3/16	Import Price Index ex Petroleum MoM	Feb	0.4%	--	0.9%	--
3/16	Import Price Index YoY	Feb	2.6%	--	0.9%	--
3/16	Export Price Index MoM	Feb	0.9%	--	2.5%	--
3/16	Export Price Index YoY	Feb	--	--	2.3%	--
3/16	Retail Sales Ex Auto and Gas	Feb	-0.5%	--	6.1%	--
3/16	Retail Sales Control Group	Feb	-0.7%	--	6.0%	--
3/16	Capacity Utilization	Feb	75.5%	--	75.6%	--
3/16	Manufacturing (SIC) Production	Feb	0.1%	--	1.0%	--
3/16	Business Inventories	Jan	0.3%	--	0.6%	--
3/16	NAHB Housing Market Index	Mar	84	--	84	--
3/17	MBA Mortgage Applications	3/12	--	--	-1.3%	--
3/17	Building Permits	Feb	1750k	--	1884k	1886k
3/17	Housing Starts	Feb	1564k	--	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%	--	0.10%	--
3/18	Initial Jobless Claims	3/13	700k	--	712k	--
3/18	Continuing Claims	3/6	4035k	--	4144k	--
3/18	Philadelphia Fed Business Outlook	Mar	24.0	--	23.1	--
3/18	Langer Consumer Comfort	3/14	--	--	49.4	--
3/18	Leading Index	Feb	0.3%	--	0.5%	--
3/22	Chicago Fed Nat Activity Index	Feb	--	--	66.0%	--
3/22	Existing Home Sales	Feb	6.51m	--	6.69m	--
3/23	Current Account Balance	4Q	--	--	-\$178.5b	--
3/23	New Home Sales	Feb	880k	--	923k	--
3/24	Durables Ex Transportation	Feb P	0.6%	--	1.3%	--
3/24	Cap Goods Ship Nondef Ex Air	Feb P	--	--	1.8%	--
3/24	Markit US Manufacturing PMI	Mar P	--	--	58.6	--
3/24	Markit US Services PMI	Mar P	--	--	59.8	--
3/24	Markit US Composite PMI	Mar P	--	--	59.5	--
3/25	GDP Annualized QoQ	4Q T	4.1%	--	4.1%	--
3/25	Personal Consumption	4Q T	--	--	2.4%	--
3/25	GDP Price Index	4Q T	--	--	2.1%	--
3/25	Core PCE QoQ	4Q T	--	--	1.4%	--
3/26	Advance Goods Trade Balance	Feb	-\$84.8b	--	-\$83.7b	--
3/26	Personal Income	Feb	-7.2%	--	10.0%	--
3/26	Personal Spending	Feb	0.2%	--	2.4%	--
3/26	Real Personal Spending	Feb	--	--	2.0%	--
3/26	PCE Deflator YoY	Feb	--	--	1.5%	--
3/26	PCE Core Deflator YoY	Feb	--	--	1.5%	--
3/26	U. of Mich. Sentiment	Mar F	--	--	83.0	--
3/26	U. of Mich. Current Conditions	Mar F	--	--	91.5	--
3/26	U. of Mich. 1 Yr Inflation	Mar F	--	--	3.1%	--

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	50.6	43.1	27.9
CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	13.4	16.1	16.8	19.2	18.1	16.0
FH/FN 15y	13.5	19.4	20.5	29.7	19.0	21.7
GN 15y	17.8	14.9	15.0	14.3	13.5	13.2
FH/FN 20y	9.5	14.0	17.9	23.6	20.2	18.7
FH/FN 30y	8.5	14.1	25.6	28.9	31.2	29.9
GN 30y	10.1	13.1	19.6	19.9	27.4	21.2

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	109.14	0.25	105.38	105.44	105.83
Euro	1.19	0.01	1.21	1.18	1.12
Dollar Index	91.81	(0.50)	90.48	93.05	98.75
Major Stock Indices					
Dow Jones	32,692	889	31,458	27,996	23,186
S&P 500	3,941.9	120.5	3,934.8	3,401.2	2,711.0
NASDAQ	13,306.0	697	14,095.5	11,190.3	7,874.9
Commodities					
Gold	1,725.9	47.9	1,821.6	1,958.0	1,516.7
Crude Oil	64.57	(0.48)	59.47	38.28	31.73
Natural Gas	2.50	(0.17)	2.91	2.36	1.87
Wheat	642.8	-3.8	636.8	538.3	514.8
Corn	549.8	-15.3	538.8	366.0	370.8

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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