

Baker Market Update: Week in Review

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Play ball! Yes, this week saw opening day for Major League Baseball and there were fans in the stands! Things are indeed opening up. Today started with a lead-off home run when the Bureau of Labor Statistics reported that Non-Farm Payrolls grew by 916k last month when only a gain of 660k was expected. And the past got brighter, too, with revisions to the last two months adding another 156k we didn't know we had.

Along with that, the 6.2% Unemployment Rate we had in February turned into 6% in March. The Labor Force Participation Rate managed an infield single with its gain of one-tenth to 61.5%. It's early in the recovery season, but it's hoped that maybe a little more time in the batting cage will help that metric. Average Hourly Earnings had a swing-and-a-miss last month with an unexpected decline of 0.1%; the first monthly decline since last June. Year-over-year, that measure's growth rate fell more-than-expected to 4.2% from February's slightly revised twelve-month rate of 5.2%. If that still sounds pretty good, it is, but these stats have been seriously skewed by governmental relief measures. A turnaround of sorts was seen in Average Weekly Hours with last month recording an increase to 34.9 from February's 34.6. Weekly hours had fallen one-tenth in February.

Not surprisingly, the Services sector saw the biggest job gains last month with Leisure and Hospitality leading the way with an increase of 280k. Education and Health Services chipped in with 101k new jobs while Transportation and Warehousing added 48k. Perhaps in a sign of the times, 136k new Government jobs were unfortunately added. Some non-service winners were Construction with a gain of 110k while Manufacturing added 53k.

But before the BLS hit it out of the park with this morning's news, the Dallas Fed got things started on Monday with the pre-season surprise of a giant leap in its Manufacturing Index to 28.9 last month from February's level of 17.2. That's like a stolen base! Some may recall that the Philadelphia Fed reported a blowout result in a similar measure last week.

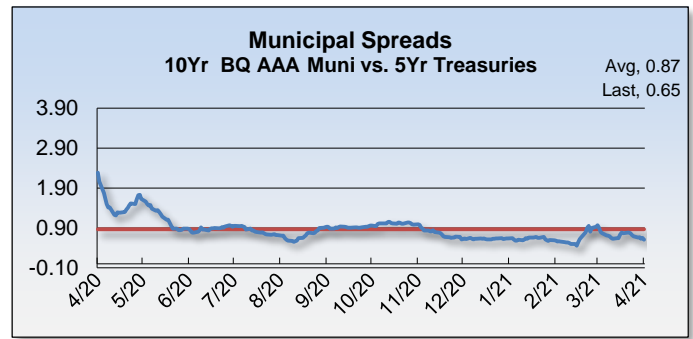
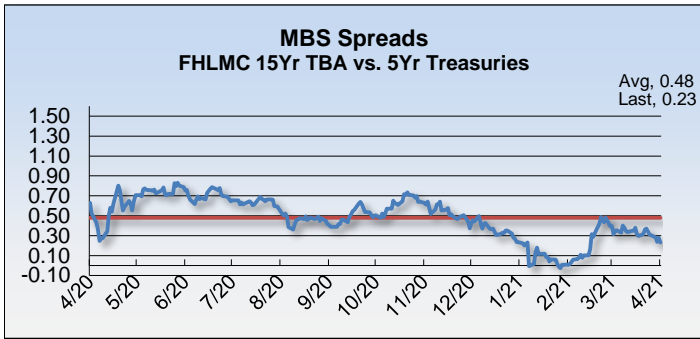
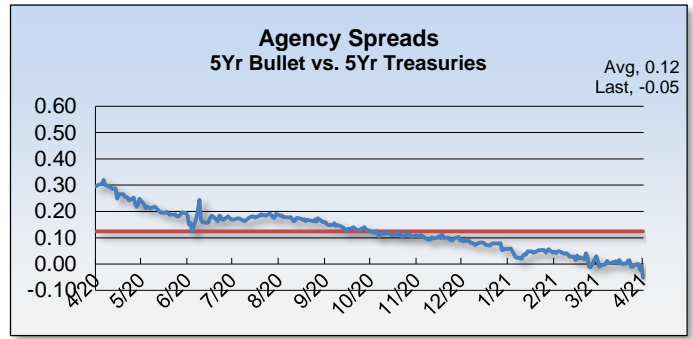
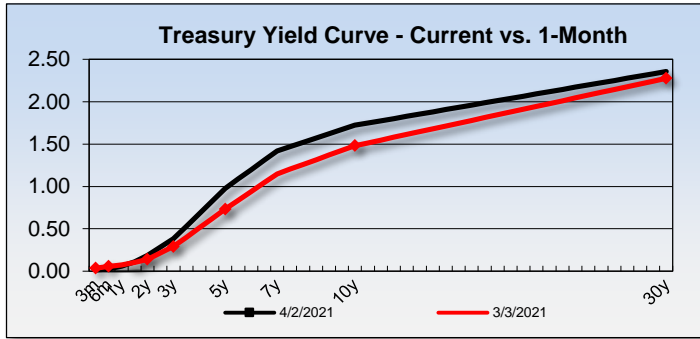
Tuesday brought us some news about houses, not the one that Ruth built, when the FHFA reported that its House Price Index rose 1% in January and the Case-Shiller 20-City Index notched a 1.2% pop. Year-over-year, the 20-City Index got a boost to 11.1% in January from the prior month's 10.17% twelve-month pace. And for the people living in those houses, the Conference Board announced that its Consumer Confidence Index had its own four-bagger with a leap to 109.7 from 90.4 when only a move to 96.9 was expected. Within the report, the Present Situation sub-index rose to 110 from 89.6 while the Expectations component jumped to 109.6 from 90.9. One could say things are looking up.

Wednesday provided a look at a jobs report preview when ADP announced that its private Employment Change Report showed a gain of 517k last month in a jump from February's 176k. Although March's result was a little below pre-release estimates, it was the biggest monthly rise in six months. And more constructive news for Manufacturing came our way when Market News International reported that its Chicago PMI beat expectations last month with a move to 66.3 from 59.5 while analysts were only looking for 61. Also on Wednesday, there was a little bit of a fly-ball in the ointment when the National Association of Realtors reported that Pending Home Sales plunged 10.6% in February when only a 3% decline was expected. That measure represents a leading indicator and has been negative for three of the last four months. It's beginning to look like there may be more to the story than just low inventories.

Opening Day was on Thursday and the BLS got things started with its weekly report for Jobless Claims. For the week ending March 27th, Initial Claims suffered a balk with a total of 719k and that was up from the prior week's 658k and also more than the 675k that was expected. Continuing Claims for the week ending March 20th fell to 3.79M from 3.84M against an expectation of 3.75M. In today's BLS report, the number of persons out of work for 27 weeks or more rose by 70k.

Investors also learned on Thursday that Construction Spending fell 0.8% in February, but it was pretty cold. Better news came from the Institute of Supply Management when it reported that its PMI for Manufacturing outperformed expectations last month with a jump to 64.7 from 60.8. In another sign of a healing labor market, the ISM reported that its Employment component leaped to 59.6 from 54.4. Wards Automotive Group closed out Thursday's news with its uplifting report that Total Vehicle Sales out-hustled expectations with an annualized pace of 17.75M in March when only 16.4M was predicted. February's pace was 15.67M.

This week saw Treasury yields bounce around a little bit with the Ten-Year touching a 14-month high of 1.74%. It's a little less than that today, but that day is just about over. It's Good Friday and we're all taking the afternoon off. The sun is shining, the birds are chirping, and the grass is only getting greener. In the immortal words of Ernie Banks, "let's play two!" Happy Easter; 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	0.01	(0.01)	0.04	0.09	0.08	2yr	0.22	0.31	0.21	0.22	0.29	2Yr	0.12	0.12	0.12	-
6mo	0.03	(0.01)	0.06	0.10	0.14	3yr	0.38	0.54	0.38	0.40	0.53	3Yr	0.31	0.32	0.30	0.31
1yr	0.06	(0.00)	0.07	0.12	0.14	5yr	0.99	1.06	0.73	0.77	1.01	5Yr	0.97	0.97	0.96	0.90
2yr	0.19	0.05	0.12	0.13	0.23	7yr	1.39	1.43	1.09	1.16	1.61	7Yr	1.42	1.44	1.43	1.36
3yr	0.38	0.07	0.25	0.17	0.28	10yr	1.80	1.74	1.55	1.65	2.03	10Yr	1.78	1.83	1.83	1.76
5yr	0.98	0.11	0.66	0.29	0.38	15yr	2.21	2.00	1.86	1.98	2.45	May TBA MBS				
7yr	1.42	0.08	1.06	0.48	0.51	20yr	2.63	2.10	2.14	2.28	2.95	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	1.72	0.04	1.39	0.70	0.60	25yr	3.05	2.13	2.28	2.43	3.00	2.00	1.35	4.3y	2.02	
30yr	2.36	(0.02)	2.19	1.49	1.24	30yr	3.05	2.14	2.42	2.58	3.05	2.50	1.17	3.2y		
												3.00	1.14	3.2y	1.78	3.7y
												3.50	0.95	2.7y	1.51	3.0y
												4.00			1.28	2.9y
												4.50			0.98	2.7y

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	0.25	--	0.25	0.25	0.25
Primary Discount	0.25	--	0.25	0.25	0.25
2ndary Discount	0.75	--	0.75	0.75	0.75
Prime Rate	3.25	--	3.25	3.25	3.25
Sec. O.N. Finance	0.01	--	0.01	0.08	--
1 Month LIBOR	0.11	0.00	0.12	0.15	0.99
3 Month LIBOR	0.19	(0.00)	0.19	0.23	1.45
6 Month LIBOR	0.21	(0.00)	0.20	0.26	1.18
1 Year LIBOR	0.28	0.00	0.28	0.36	1.00
6 Month CD	0.19	(0.01)	0.12	0.27	0.88
1 Year CMT	0.06	(0.01)	0.08	0.12	0.16
REPO O/N	0.04	(0.01)	0.12	0.12	0.05
REPO 1Wk	0.09	0.02	0.10	0.13	0.07
CoF Federal	0.876	--	0.911	1.053	1.888
11th D. CoF (Feb)	0.408	--	0.457	0.529	0.989

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	0.22	0.31	0.26
6mo	0.22	0.31	0.25
1yr	0.31	0.32	0.28
2yr	0.38	0.54	0.39
3yr	0.58	0.74	0.59
4yr	0.87	1.03	0.88
5yr	1.13	1.31	1.16
7yr	1.58	1.82	1.62
10yr	1.93	2.19	2.00
5yr Am	0.73		0.84
10yr Am	1.45		1.54

Fed Fund Futures	
Maturity	Rate
Apr-21	0.063
May-21	0.065
Jun-21	0.070
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	0.090
Feb-22	0.095

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
3/29	Dallas Fed Manf. Activity	Mar	16.8	28.9	17.2	--
3/30	FHFA House Price Index MoM	Jan	1.2%	1.0%	1.1%	1.2%
3/30	S&P CoreLogic CS 20-City MoM SA	Jan	1.20%	1.20%	1.25%	1.30%
3/30	S&P CoreLogic CS 20-City YoY NSA	Jan	11.20%	11.10%	10.10%	10.17%
3/30	S&P CoreLogic CS US HPI YoY NSA	Jan	10.50%	11.22%	10.37%	10.41%
3/30	Conf. Board Consumer Confidence	Mar	96.9	109.7	91.3	90.4
3/30	Conf. Board Present Situation	Mar	--	110.0	92.0	89.6
3/30	Conf. Board Expectations	Mar	--	109.6	90.8	90.9
3/31	MBA Mortgage Applications	3/26	--	-2.2%	-2.5%	--
3/31	ADP Employment Change	Mar	550k	517k	417k	176k
3/31	MNI Chicago PMI	Mar	61.0	66.3	59.5	--
3/31	Pending Home Sales MoM	Feb	-3.0%	-10.6%	-2.8%	-2.4%
3/31	Pending Home Sales NSA YoY	Feb	6.5%	-2.7%	8.2%	8.8%
4/1	Challenger Job Cuts YoY	Mar	--	-86.2%	-39.1%	--
4/1	Initial Jobless Claims	3/27	675k	719k	684k	658k
4/1	Continuing Claims	3/20	3750k	3794k	3870k	3840k
4/1	Langer Consumer Comfort	3/28	--	50.0	49.1	--
4/1	Markit US Manufacturing PMI	Mar F	59.1	59.1	59.0	--
4/1	Construction Spending MoM	Feb	-1.0%	-0.8%	1.7%	1.2%
4/1	ISM Manufacturing	Mar	61.5	64.7	60.8	--
4/1	ISM Prices Paid	Mar	85.0	85.6	86.0	--
4/1	ISM New Orders	Mar	67.0	68.0	64.8	--
4/1	ISM Employment	Mar	--	59.6	54.4	--
4/1	Wards Total Vehicle Sales	Mar	16.40m	17.75m	15.67m	--
4/2	Two-Month Payroll Net Revision	Mar	--	156k	--	--
4/2	Change in Nonfarm Payrolls	Mar	660k	916k	379k	468k
4/2	Change in Private Payrolls	Mar	643k	780k	465k	558k
4/2	Change in Manufact. Payrolls	Mar	35k	53k	21k	18k
4/2	Unemployment Rate	Mar	6.0%	6.0%	6.2%	--
4/2	Average Hourly Earnings MoM	Mar	0.1%	-0.1%	0.2%	0.3%
4/2	Average Hourly Earnings YoY	Mar	4.5%	4.2%	5.3%	5.2%
4/2	Average Weekly Hours All Employees	Mar	34.7	34.9	34.6	--
4/2	Labor Force Participation Rate	Mar	61.5%	61.5%	61.4%	--
4/2	Underemployment Rate	Mar	--	10.7%	11.1%	--
4/5	Markit US Services PMI	Mar F	60.2	--	60.0	--
4/5	Markit US Composite PMI	Mar F	--	--	59.1	--
4/5	ISM Services Index	Mar	58.7	--	55.3	--
4/5	Factory Orders Ex Trans	Feb	-0.3%	--	1.7%	--
4/5	Durables Ex Transportation	Feb F	-0.9%	--	-0.9%	--
4/5	Cap Goods Orders Nondef Ex Air	Feb F	--	--	-0.8%	--
4/5	Cap Goods Ship Nondef Ex Air	Feb F	--	--	-1.0%	--
4/6	JOLTS Job Openings	Feb	6944	--	6917	--
4/7	Trade Balance	Feb	-\$70.5b	--	-\$68.2b	--
4/7	Consumer Credit	Feb	\$2.800b	--	-\$1.315b	--
4/9	PPI Final Demand YoY	Mar	3.8%	--	2.8%	--
4/9	PPI Ex Food and Energy YoY	Mar	2.7%	--	2.5%	--
4/9	PPI Ex Food, Energy, Trade YoY	Mar	--	--	2.2%	--

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	13.0	15.7	16.5	18.9	17.9	16.1
FH/FN 15y	13.3	18.4	20.1	28.6	18.9	21.6
GN 15y	16.9	14.7	14.9	14.2	13.5	13.1
FH/FN 20y	8.8	14.0	17.5	19.4	20.0	18.7
FH/FN 30y	8.1	13.5	24.7	28.2	30.5	29.5
GN 30y	10.0	12.7	19.1	19.0	27.4	21.2

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	110.74	1.10	106.69	105.29	107.91
Euro	1.18	(0.00)	1.21	1.17	1.09
Dollar Index	93.05	0.28	90.79	93.84	100.18
Major Stock Indices					
Dow Jones	33,153	534	31,392	27,683	21,413
S&P 500	4,019.9	110.4	3,870.3	3,348.4	2,526.9
NASDAQ	13,480.1	502	13,358.8	11,075.0	7,487.3
Commodities					
Gold	1,726.5	1.4	1,723.0	1,908.4	1,578.2
Crude Oil	61.45	2.89	60.64	38.72	20.31
Natural Gas	2.64	0.07	2.78	2.53	1.59
Wheat	611.0	-1.5	643.8	570.3	550.3
Corn	559.8	13.3	547.5	382.8	334.8

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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