

Baker Market Update: Week in Preview

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No doubt about it. Tonight's big game is today's big event. But the resolution of March's madness coming in April is only one of life's little inconsistencies. Another one might be the Fed wanting inflation while investors want anything but. We may learn a little more about what else the Fed wants when the minutes of March's mid-madness meeting make it to press on Wednesday.

The pre-game begins a little later this morning when Markit U.S. is expected to confirm that its Purchasing Managers Index for Services rose to 60.2 from its preliminarily reported March reading of 60. After that, the Institute of Supply Management is also expected to contribute some more, positive news with a rise in its Services Index to 59 last month from February's 55.3. Much improvement has come to these various diffusion indices of late for both Services and Manufacturing as reopening efforts continue to provide momentum.

Also coming out today will be a little less contemporary news from the Census Bureau probably telling us that Factory Orders slipped 0.5% in February. That same report is expected to also show that Durable Goods Orders fell 1.1% that same month. It was cold.

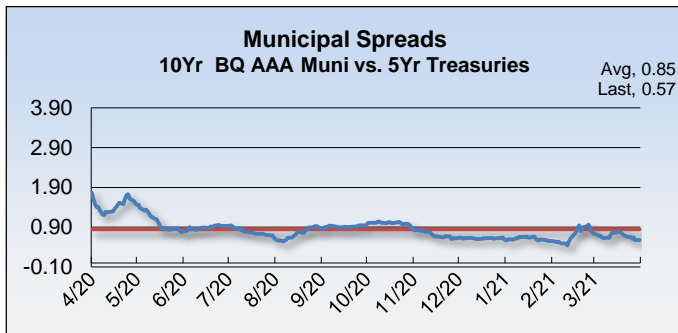
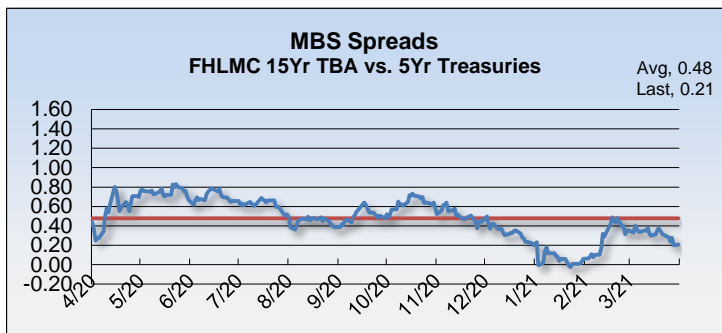
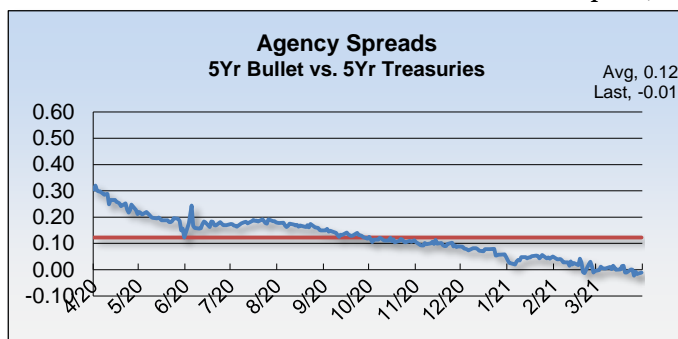
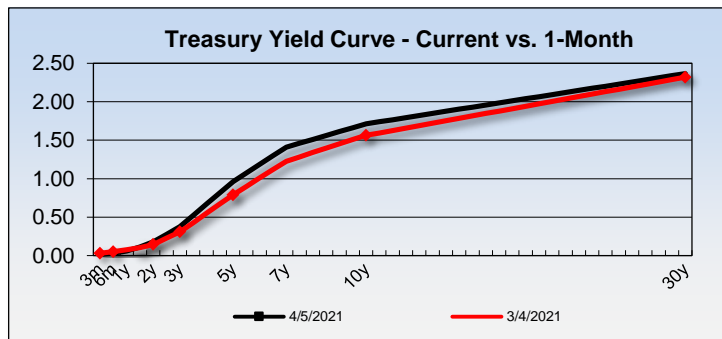
On Tuesday morning, the Bureau of Labor Statistics will open things up when it releases its February report for Job Openings. That total is expected to show a decline to 6.9M from 6.92M. With the last couple of Jobs Reports showing much-welcomed vitality, that dated information will be quickly forgotten.

Wednesday brings not only the afore-mentioned Fed minutes, but also the news that the nation's Trade Deficit became a little more deficient in February with a move to minus \$70.4B from minus \$68.2B. The Fed may want to keep an eye on that since it's unlikely our trading partners ever want to import our inflation any more than we ever want to keep it. The Fed always keeps an eye on Consumer Credit and the Federal Reserve will tell us on Wednesday how much that changed in February. Pre-release estimates suggest a monthly increase of \$2.8B. For context, January's change was a \$1.3B decline when analysts' estimates at the time suggested a \$12B increase. One can't help but wonder how those analysts are betting tonight's game and if you find out, take the other side.

Thursday morning brings Jobless Claims front and center and after last week's unexpected and unwelcomed uptick, a fall in the new weekly total to 690k from 719k is expected. Continuing Claims are expected to continue their glacially-paced decline to 3.65M from 3.79M.

Friday morning will bring a BLS report on "wholesale" inflation when it releases its Producer Price Index for March. Last month's headline rate is expected to show a 0.5% rise with the year-over-year pace rising to 3.8% from February's 2.8%. Yes, that looks alarming and it would be if it weren't for the removal of last March's 0.5% decline from the twelve-month calculation. Brace yourself for next month's year-over-year rate when last April's 1.1% monthly nosedive is no longer counted. Without food and energy, core PPI should notch a 0.2% March rise for a new year-over-year growth rate of 2.7%. That's only up a little bit from February's 2.5% twelve-month rate.

So far this morning, Treasuries are starting game-day with a modest sell-off that has moved yields up slightly. The Long Bond is loitering around 2.38% while the Ten-Year hovers around 1.73%. Equity markets are coming out of their long weekend ready to go and futures are again flashing bright green; a different kind of March madness. 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	0.00	0.03	0.09	0.08	2yr	0.23	0.32	0.21	0.22	0.32	2Yr	0.12	0.12	0.12	-
6mo	0.03	(0.00)	0.06	0.11	0.14	3yr	0.40	0.56	0.38	0.40	0.57	3Yr	0.32	0.33	0.30	0.32
1yr	0.06	0.00	0.07	0.12	0.14	5yr	1.01	1.10	0.73	0.77	1.08	5Yr	1.00	1.00	0.99	0.93
2yr	0.18	0.04	0.14	0.15	0.23	7yr	1.41	1.46	1.09	1.16	1.66	7Yr	1.45	1.47	1.46	1.39
3yr	0.38	0.06	0.31	0.19	0.28	10yr	1.81	1.77	1.55	1.65	2.07	10Yr	1.80	1.86	1.85	1.78
5yr	0.96	0.07	0.80	0.34	0.39	15yr	2.21	2.02	1.86	1.98	2.49	May TBA MBS				
7yr	1.41	0.04	1.24	0.55	0.51	20yr	2.61	2.12	2.14	2.28	2.98	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	1.71	0.00	1.57	0.78	0.60	25yr	3.01	2.15	2.28	2.43	3.03	2.00	1.30	4.0y	2.03	
30yr	2.37	(0.04)	2.30	1.59	1.21	30yr		2.16	2.42	2.58	3.08	2.50	1.20	3.4y		
												3.00	0.92	2.9y	1.80	4.0y
												3.50	0.71	2.6y	1.67	3.6y
												4.00			1.60	3.5y
												4.50			1.62	3.5y

* 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	--	0.02	0.08	--
1 Month LIBOR	0.11	0.00	0.11	0.14	1.02
3 Month LIBOR	0.20	0.01	0.18	0.23	1.44
6 Month LIBOR	0.20	(0.00)	0.20	0.25	1.20
1 Year LIBOR	0.28	(0.00)	0.28	0.36	1.00
6 Month CD	0.19	(0.02)	0.23	0.28	0.75
1 Year CMT	0.07	0.01	0.08	0.12	0.14
REPO O/N	0.04	0.12	0.05	0.10	0.02
REPO 1Wk	0.09	0.02	0.09	0.09	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	0.46	0.26
6mo	0.22	0.46	0.25
1yr	0.31	0.50	0.28
2yr	0.38	0.72	0.39
3yr	0.58	0.94	0.58
4yr	0.87	1.25	0.87
5yr	1.13	1.53	1.14
7yr	1.58	2.00	1.61
10yr	1.93	2.37	1.97
5yr Am	0.73		0.83
10yr Am	1.45		1.52

Fed Fund Futures	
Maturity	Rate
Apr-21	0.063
May-21	0.070
Jun-21	0.070
Jul-21	0.080
Aug-21	0.080
Sep-21	0.080
Oct-21	0.080
Nov-21	0.080
Dec-21	0.085
Jan-22	0.095
Feb-22	0.100

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
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	59.0	--	55.3	--
4/5	Factory Orders	Feb	-0.5%	--	2.6%	--
4/5	Factory Orders Ex Trans	Feb	-1.1%	--	1.7%	--
4/5	Durable Goods Orders	Feb F	-1.1%	--	-1.1%	--
4/5	Durables Ex Transportation	Feb F	-0.9%	--	-0.9%	--
4/5	Cap Goods Orders Nondef Ex Air	Feb F	-0.8%	--	-0.8%	--
4/5	Cap Goods Ship Nondef Ex Air	Feb F	--	--	-1.0%	--
4/6	JOLTS Job Openings	Feb	6900	--	6917	--
4/7	MBA Mortgage Applications	4/2	--	--	-2.2%	--
4/7	Trade Balance	Feb	-\$70.4b	--	-\$68.2b	--
4/7	FOMC Meeting Minutes	3/17	--	--	--	--
4/7	Consumer Credit	Feb	\$2.800b	--	-\$1.315b	--
4/8	Initial Jobless Claims	4/3	688k	--	719k	--
4/8	Continuing Claims	3/27	3638k	--	3794k	--
4/8	Langer Consumer Comfort	4/4	--	--	50.0	--
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	2.7%	--	2.2%	--
4/9	Wholesale Inventories MoM	Feb F	0.5%	--	0.5%	--
4/9	Wholesale Trade Sales MoM	Feb	--	--	4.9%	--
4/12	Monthly Budget Statement	Mar	--	--	-\$310.9b	--
4/13	NFIB Small Business Optimism	Mar	98.0	--	95.8	--
4/13	CPI YoY	Mar	2.5%	--	1.7%	--
4/13	CPI Ex Food and Energy YoY	Mar	1.6%	--	1.3%	--
4/13	CPI Index NSA	Mar	--	--	263.01	--
4/13	CPI Core Index SA	Mar	--	--	270.3	--
4/13	Real Avg Weekly Earnings YoY	Mar	--	--	4.1%	--
4/13	Real Avg Hourly Earning YoY	Mar	--	--	3.4%	--
4/14	Import Price Index YoY	Mar	--	--	3.0%	--
4/14	Export Price Index YoY	Mar	--	--	5.2%	--
4/15	Empire Manufacturing	Apr	16.0	--	17.4	--
4/15	Retail Sales Ex Auto and Gas	Mar	4.4%	--	-3.3%	--
4/15	Retail Sales Control Group	Mar	--	--	-3.5%	--
4/15	Philadelphia Fed Business Outlook	Apr	38.5	--	51.8	--
4/15	Capacity Utilization	Mar	75.9%	--	73.8%	--
4/15	Manufacturing (SIC) Production	Mar	3.6%	--	-3.1%	--
4/15	Business Inventories	Feb	0.5%	--	0.3%	--
4/15	NAHB Housing Market Index	Apr	84	--	82	--
4/15	Total Net TIC Flows	Feb	--	--	\$106.3b	--
4/15	Net Long-term TIC Flows	Feb	--	--	\$90.8b	--
4/16	Building Permits	Mar	1745k	--	4682k	1720k
4/16	Housing Starts	Mar	1615k	--	1421k	--
4/16	U. of Mich. Sentiment	Apr P	89.5	--	84.9	--
4/16	U. of Mich. Current Conditions	Apr P	--	--	93.0	--
4/16	U. of Mich. 1 Yr Inflation	Apr P	--	--	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	17.4	18.8	19.3	20.0	21.3	19.9
FH/FN 15y	15.5	18.3	22.1	26.3	21.2	20.9
GN 15y	14.6	14.6	14.9	14.2	13.5	13.2
FH/FN 20y	12.8	16.4	16.7	16.6	17.0	16.6
FH/FN 30y	10.6	13.8	23.1	24.6	27.2	25.3
GN 30y	9.9	12.0	16.8	18.6	19.8	14.0

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	110.46	0.65	108.31	105.75	109.22
Euro	1.18	0.00	1.19	1.18	1.08
Dollar Index	92.91	0.14	91.98	93.51	100.58
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	1,724.8	12.6	1,698.5	1,912.5	1,633.7
Crude Oil	60.18	(1.38)	66.09	39.22	28.34
Natural Gas	2.56	(0.02)	2.70	2.62	1.62
Wheat	614.5	-2.3	654.0	584.3	549.3
Corn	559.3	12.5	562.0	379.5	330.8

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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