

Baker Market Update: Week in Preview

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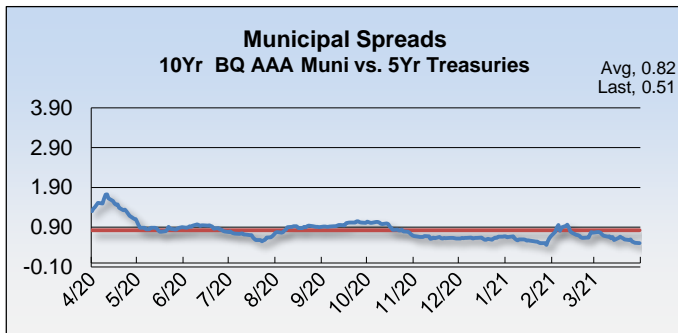
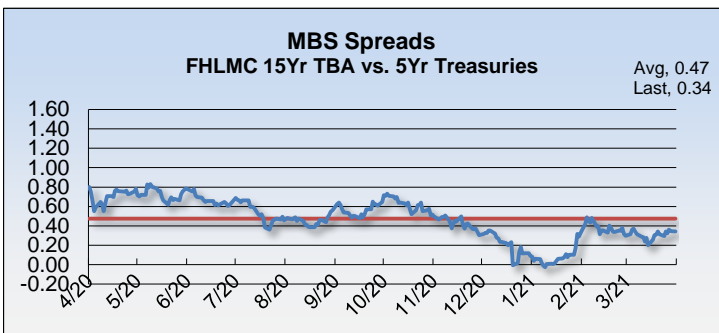
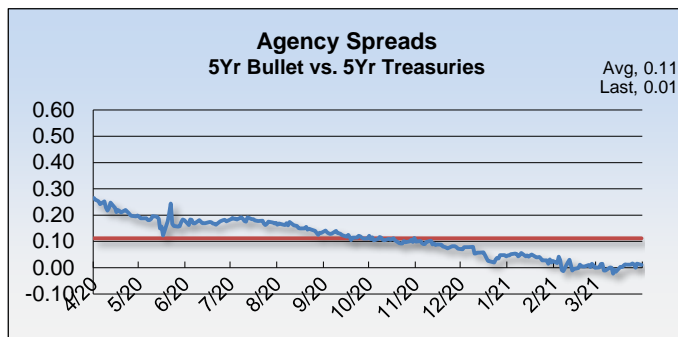
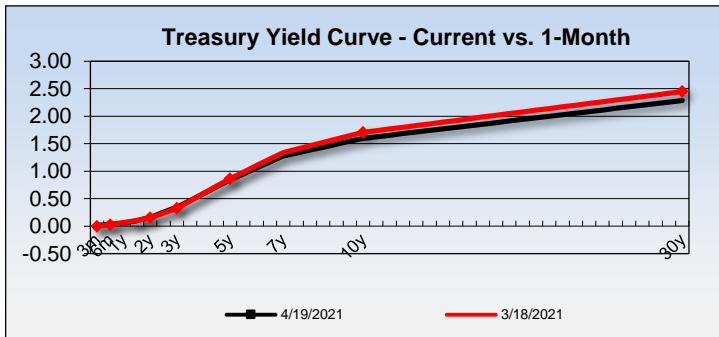
Last week brought a lot of news with it and most of it was good. Yet, even with consumer inflation coming in slightly above estimates, Treasury yields drifted steadily lower throughout the week. One might have thought there were enough economic positives last week to provide some cover for the bond vigilantes to work their mischief. But apparently, there were enough non-vigilantes to keep that from happening.

This week's calendar of economic news is much lighter and the topics less headline-grabbing, and if something crazy happens it won't be because of statistics. In fact, there aren't any numbers coming out until Wednesday morning's weekly report from the Mortgage Bankers Association telling us what happened with the prior week's Mortgage Applications. They've been down for nine of the last ten weeks and we'll find out in a couple days what happened last week. That afternoon, the Treasury will be selling \$24B Twenty-Year bonds. Last week's auctions of Tens and Thirties were pretty well received and that surprised a lot of people expecting an over-supply sell-off.

On Thursday, we'll see if the Bureau of Labor Statistics brings another surprising drop in Initial Jobless Claims like it did last week, but analysts are not expecting one. Instead, they estimate that the total for the week ending April 17th will come in around 625k and that would be up from the prior week's 576k. Continuing Claims for the week ending April 10th should edge slightly lower to 3.7M from 3.73M. Investors will also be getting some manufacturing news from the Chicago Fed when it is expected to report that its National Activity Index burst out of negative territory with a move to 1.2 from minus 1.09. That's pretty positive and the Kansas City Fed is expected to add to that with the news that its Manufacturing Index edged up to 28 this month from March's level of 26. The National Association of Realtors will also be reporting Existing Home Sales for March and a slight dip of about 0.1% in the annualized pace is expected. But then, the Conference Board should brighten things up with the news that its Index of Leading Economic Indicators got a 1% boost last month.

On Friday, Markit U.S. should keep things pretty upbeat when it reports an April improvement in its Manufacturing PMI to 60.5 from 59.1. Its PMI for Services should also come in pretty lively with a boost to 61.5 from 60.4. Then the Census Bureau will close out the week's data with the news that New Home Sales rose about 14% last month after plummeting more than 18% in February.

So far this morning, Treasury prices are very slightly lower but the Ten-Year's yield remains just below 1.60% while the Long Bond is trading just below 2.30%. We'll have to wait and see what the tone of this week's data sounds like, but bonds are behaving themselves so far. 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	0.01	(0.00)	0.01	0.09	0.11	2yr	0.20	0.28	0.10	0.10	0.27	2Yr	0.10	0.10	0.10	-
6mo	0.04	(0.00)	0.03	0.11	0.16	3yr	0.35	0.47	0.20	0.21	0.49	3Yr	0.29	0.29	0.20	0.28
1yr	0.06	(0.01)	0.06	0.12	0.16	5yr	0.88	0.92	0.50	0.54	0.92	5Yr	0.86	0.87	0.86	0.79
2yr	0.16	(0.01)	0.15	0.15	0.20	7yr	1.27	1.26	0.87	0.92	1.43	7Yr	1.30	1.32	1.32	1.25
3yr	0.34	(0.01)	0.33	0.19	0.26	10yr	1.68	1.57	1.30	1.39	1.87	10Yr	1.67	1.73	1.72	1.65
5yr	0.84	(0.04)	0.88	0.34	0.36	15yr	2.08	1.84	1.62	1.73	2.34	May TBA MBS				
7yr	1.28	(0.06)	1.37	0.55	0.52	20yr	2.48	1.95	1.90	2.03	2.81	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	1.60	(0.07)	1.72	0.77	0.64	25yr	2.89	1.99	2.04	2.17	2.86	2.00	1.24	4.4y	1.87	
30yr	2.29	(0.05)	2.44	1.56	1.26	30yr		2.00	2.17	2.31	2.91	2.50	1.02	3.2y		
												3.00	1.11	3.2y	1.50	3.4y
												3.50	0.80	2.6y	1.19	2.8y
												4.00			1.03	2.7y
												4.50			0.92	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	0.09	--
1 Month LIBOR	0.12	0.00	0.11	0.15	0.72
3 Month LIBOR	0.19	0.00	0.19	0.22	1.14
6 Month LIBOR	0.22	0.01	0.20	0.26	1.13
1 Year LIBOR	0.29	0.01	0.28	0.34	0.98
6 Month CD	0.14	(0.01)	0.20	0.22	0.93
1 Year CMT	0.06	--	0.07	0.12	0.17
REPO O/N	-0.01	(0.01)	-0.01	0.11	-0.05
REPO 1Wk	0.07	--	0.06	0.09	0.16
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	0.26
1yr	0.28	0.28	0.28
2yr	0.37	0.54	0.40
3yr	0.53	0.72	0.58
4yr	0.80	1.00	0.84
5yr	1.03	1.24	1.08
7yr	1.45	1.71	1.51
10yr	1.82	2.10	1.88
5yr Am	0.67		0.80
10yr Am	1.35		1.45

Fed Fund Futures		
Maturity	Rate	
Apr-21	0.070	
May-21	0.080	
Jun-21	0.085	
Jul-21	0.090	
Aug-21	0.095	
Sep-21	0.095	
Oct-21	0.090	
Nov-21	0.095	
Dec-21	0.095	
Jan-22	0.095	
Feb-22	0.095	

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
4/21	MBA Mortgage Applications	4/16	--	--	-3.7%	--
4/22	Chicago Fed Nat Activity Index	Mar	1.20	--	-1.09	--
4/22	Initial Jobless Claims	4/17	625k	--	576k	--
4/22	Continuing Claims	4/10	3640k	--	3731k	--
4/22	Langer Consumer Comfort	4/18	--	--	53.9	--
4/22	Leading Index	Mar	1.1%	--	0.2%	--
4/22	Existing Home Sales	Mar	6.19m	--	6.22m	--
4/22	Existing Home Sales MoM	Mar	-0.5%	--	-6.6%	--
4/22	Kansas City Fed Manf. Activity	Apr	28.0	--	26.0	--
4/23	Markit US Manufacturing PMI	Apr P	61.0	--	59.1	--
4/23	Markit US Services PMI	Apr P	61.9	--	60.4	--
4/23	Markit US Composite PMI	Apr P	--	--	59.7	--
4/23	New Home Sales	Mar	885k	--	775k	--
4/23	New Home Sales MoM	Mar	14.2%	--	-18.2%	--
4/26	Durable Goods Orders	Mar P	2.0%	--	-1.2%	--
4/26	Durables Ex Transportation	Mar P	1.5%	--	-0.9%	--
4/26	Cap Goods Orders Nondef Ex Air	Mar P	1.5%	--	-0.9%	--
4/26	Cap Goods Ship Nondef Ex Air	Mar P	--	--	-1.1%	--
4/26	Dallas Fed Manf. Activity	Apr	29.0	--	28.9	--
4/27	FHFA House Price Index MoM	Feb	1.0%	--	1.0%	--
4/27	S&P CoreLogic CS 20-City MoM SA	Feb	1.1%	--	1.2%	--
4/27	S&P CoreLogic CS 20-City YoY NSA	Feb	--	--	11.1%	--
4/27	S&P CoreLogic CS US HPI YoY NSA	Feb	--	--	11.22%	--
4/27	Conf. Board Consumer Confidence	Apr	111.1	--	109.7	--
4/27	Conf. Board Present Situation	Apr	--	--	110.0	--
4/27	Conf. Board Expectations	Apr	--	--	109.6	--
4/27	Richmond Fed Manufact. Index	Apr	20.0	--	17.0	--
4/28	Advance Goods Trade Balance	Mar	-\$87.5b	--	-\$86.7b	--
4/28	Wholesale Inventories MoM	Mar P	--	--	0.6%	--
4/28	Retail Inventories MoM	Mar	--	--	0.0%	--
4/28	FOMC Rate Decision (Lower Bound)	4/28	0.00%	--	0.00%	--
4/28	FOMC Rate Decision (Upper Bound)	4/28	0.25%	--	0.25%	--
4/28	Interest Rate on Excess Reserves	4/29	--	--	0.10%	--
4/29	GDP Annualized QoQ	1Q A	6.0%	--	4.3%	--
4/29	Personal Consumption	1Q A	--	--	2.3%	--
4/29	GDP Price Index	1Q A	2.5%	--	2.0%	--
4/29	Core PCE QoQ	1Q A	--	--	1.3%	--
4/29	Pending Home Sales NSA YoY	Mar	--	--	-2.7%	--
4/30	Employment Cost Index	1Q	0.7%	--	0.7%	--
4/30	Personal Income	Mar	20.0%	--	-7.1%	--
4/30	Real Personal Spending	Mar	--	--	-1.2%	--
4/30	PCE Deflator YoY	Mar	--	--	1.6%	--
4/30	PCE Core Deflator YoY	Mar	1.9%	--	1.4%	--
4/30	MNI Chicago PMI	Apr	63.0	--	66.3	--
4/30	U. of Mich. Sentiment	Apr F	87.2	--	86.5	--
4/30	U. of Mich. Current Conditions	Apr F	--	--	97.2	--
4/30	U. of Mich. 1 Yr Inflation	Apr F	--	--	3.7%	--

MBS Prepayments ⁴						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	17.7	26.7	28.0	29.5	27.4	33.1
FH/FN 15y	9.8	37.7	43.5	46.2	33.7	22.5
GN 15y	22.2	19.2	19.4	19.8	20.6	19.5
FH/FN 20y	56.2	36.2	35.6	33.0	31.0	24.0
FH/FN 30y	6.4	24.3	58.7	58.1	56.2	53.6
GN 30y	9.1	20.4	41.6	51.8	47.6	28.9

CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	13.5	16.4	17.0	19.6	18.2	16.2
FH/FN 15y	13.7	19.1	20.3	29.4	19.1	21.8
GN 15y	19.2	14.9	15.1	14.2	13.4	13.2
FH/FN 20y	10.8	13.7	17.8	19.1	19.4	18.5
FH/FN 30y	9.4	14.4	25.2	28.6	31.2	29.4
GN 30y	10.1	14.5	21.2	20.8	27.0	20.9

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	108.08	(1.30)	108.88	105.43	107.62
Euro	1.20	0.01	1.19	1.18	1.09
Dollar Index	91.11	(1.03)	91.92	93.43	99.78
Major Stock Indices					
Dow Jones	34,201	400	32,628	28,195	24,242
S&P 500	4,185.5	56.7	3,913.1	3,426.9	2,874.6
NASDAQ	14,052.3	152	13,215.2	11,478.9	8,650.1
Commodities					
Gold	1,780.0	48.8	1,741.7	1,906.4	1,689.2
Crude Oil	63.18	3.48	61.42	40.83	18.27
Natural Gas	2.72	0.16	2.54	2.80	1.75
Wheat	656.5	28.5	627.0	627.0	533.5
Corn	595.5	26.5	557.8	405.3	322.3

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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