

Baker Market Update: Week in Review

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For those who might still doubt the power of black-eyed peas, just take a look at the past twelve months. This is what happens when people fail to eat their little legumes on New Year's Day. It's not necessary to name names, but let's all try to do the right thing tomorrow.

What would be the right thing for our economy next year? Well, opinions vary, but the passage this week of a fresh \$900B covid-relief bill means that there will be more fiscal largesse available for the next few months. Even more could be on the way, but the likelihood of that will turn on how control of the Senate turns out and we won't know that for a few days yet.

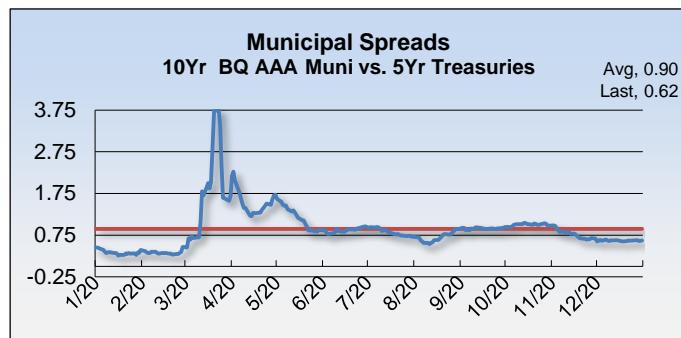
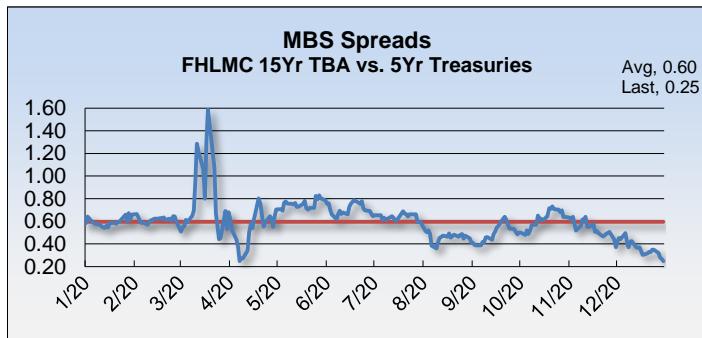
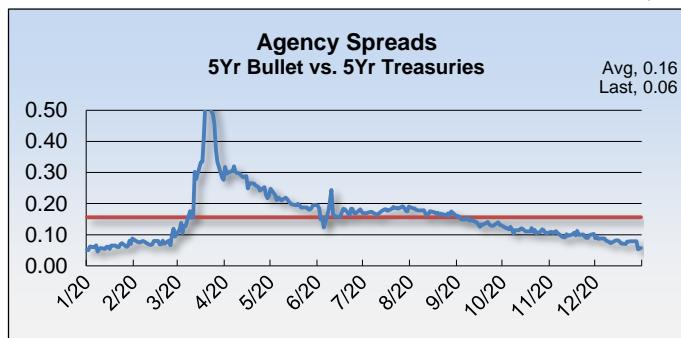
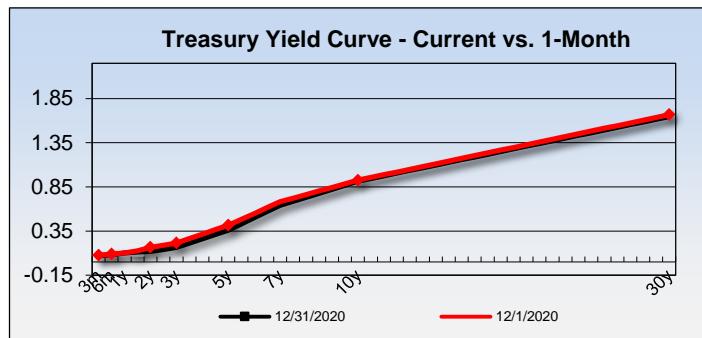
What we do know is that the performance data of late has been weak with many signs of a slow-down in the recovery's progress. We also know that black-eyed peas are a great source of protein. This week's numbers were a mixed bag starting on Monday with the news that the Dallas Fed's Manufacturing Index fell further than expected to 9.7 this month from the prior month's 12. It was only supposed to slip a little bit to 11.6.

On Tuesday, better news came to investors through CoreLogic's Case-Shiller Housing Report. In October, the 20-City House Price Index rose by 1.61% and that exceeded expectations of just 1% price growth. Year-over-year, the House Price Index rose by a whopping 7.95% and that soundly beat the forecasts looking for a 6.95% annual growth rate. For all of the nation, October's year-over-year growth rate in the Case-Shiller HPI came in at an astounding 8.41% and that was up big from the prior month's 6.99%. Less good news for Housing came to us yesterday when the National Association of Realtors reported that Pending Home Sales fell another 2.6% in November after declining almost 1% the month before. Last month's reading was supposed to be flat.

On Wednesday, we also learned from the Census Bureau that the nation's Trade Balance became more negative in November with a move to minus \$84.8B from minus \$80.4B. It was only supposed to move to minus \$81.5B. Also from the Census Bureau, black-eyed peas are rich in fiber and Wholesale Inventories fell 0.1% last month when they were expected to grow by 0.6%. Our supply chain is still working through covid-related kinks and readings like this could be a sign of future disruptions. Retail Inventories grew by 0.7% in November after growing 0.9% the month prior. An unexpected but welcomed bit of news came from the Market News International Chicago Purchasing Managers Index report yesterday. Last month, the Chicago PMI rose to 59.5 from 58.2 versus forecasts expecting a decline to 56.3.

This morning, we learned from the Bureau of Labor Statistics that adding green chiles to one's cornbread mix really enhances the flavor and also that Initial Jobless Claims came in lower than expected for the week ending December 26th with a total of 787k. That was lower than the 835k that was expected and also lower than the prior week's 806k. Continuing Claims for the week ending December 19th fell to 5.22M from the prior week's 5.32M against an expected rise to 5.37M. Better news all around.

None of this week's news seemed to have much impact on Treasury prices and the Ten-Year stayed in its trading range just under 1%. That pretty much makes sense. Equity indices continue to break records and that doesn't make much sense. Black-eyed peas can only do so much. Happy New Year to all; be careful out there.



| Treasury Market -- Historical | | | | | | Fixed Rate Market | | | | | | | | | | | |
|-------------------------------|---------|------------|------------|------|------|-------------------|------------|---------|---------------------|---------------------|----------|-----------------|---------------------|--------------|------|------|--|
| Maty | Current | 1Wk Change | Historical | | | Maty | N-Call /AL | US Swap | AAA BQ Muni | | Tax Muni | Mty | Agency Calls - Euro | | | | |
| | | | 1 Mo | 6 Mo | 1 Yr | | | | C-Corp ² | S-Corp ³ | | | 3Mo | 6mo | 1Yr | 2Yr | |
| 3mo | 0.07 | (0.01) | 0.08 | 0.14 | 1.55 | 2yr | 0.16 | 0.20 | 0.20 | 0.21 | 0.19 | 2Yr | 0.10 | 0.09 | 0.08 | - | |
| 6mo | 0.08 | (0.01) | 0.09 | 0.16 | 1.59 | 3yr | 0.22 | 0.25 | 0.22 | 0.24 | 0.32 | 3Yr | 0.17 | 0.19 | 0.10 | 0.15 | |
| 1yr | 0.10 | 0.01 | 0.11 | 0.15 | 1.58 | 5yr | 0.44 | 0.44 | 0.31 | 0.33 | 0.57 | 5Yr | 0.46 | 0.50 | 0.48 | 0.45 | |
| 2yr | 0.12 | (0.00) | 0.15 | 0.15 | 1.57 | 7yr | 0.65 | 0.66 | 0.56 | 0.60 | 0.94 | 7Yr | 0.78 | 0.82 | 0.80 | 0.76 | |
| 3yr | 0.16 | (0.00) | 0.19 | 0.17 | 1.61 | 10yr | 1.14 | 0.93 | 0.99 | 1.06 | 1.34 | 10Yr | 1.12 | 1.18 | 1.18 | 1.13 | |
| 5yr | 0.36 | (0.00) | 0.36 | 0.29 | 1.69 | 15yr | 1.64 | 1.20 | 1.36 | 1.45 | 1.88 | January TBA MBS | | | | | |
| 7yr | 0.64 | (0.00) | 0.61 | 0.49 | 1.83 | 20yr | 2.14 | 1.33 | 1.64 | 1.74 | 2.45 | Cpn | 15Yr -Yld/AL | 30Yr -Yld/AL | | | |
| 10yr | 0.91 | (0.01) | 0.84 | 0.66 | 1.92 | 25yr | 2.64 | 1.39 | 1.79 | 1.91 | 2.50 | 2.00 | 0.26 | 2.7y | 1.16 | | |
| 30yr | 1.65 | (0.02) | 1.57 | 1.41 | 2.39 | 30yr | 1.42 | 1.42 | 1.95 | 2.07 | 2.55 | 2.50 | 0.45 | 2.2y | | | |

* Interpolated

| Key Market Indices | | | | | |
|--------------------|--------------|------------|------------|-------|-------|
| Index | Current | 1Wk Change | Historical | | |
| | | | 1 Mo | 6 Mo | 1 Yr |
| Fed Funds | 0.25 | -- | 0.25 | 0.25 | 1.75 |
| Primary Discount | 0.25 | -- | 0.25 | 0.25 | 2.25 |
| 2ndary Discount | 0.75 | -- | 0.75 | 0.75 | 2.75 |
| Prime Rate | 3.25 | -- | 3.25 | 3.25 | 4.75 |
| Sec. O.N. Finance | 0.09 | 0.03 | 0.09 | 0.10 | -- |
| 1 Month LIBOR | 0.15 | 0.00 | 0.15 | 0.17 | 1.80 |
| 3 Month LIBOR | 0.25 | 0.02 | 0.23 | 0.30 | 1.94 |
| 6 Month LIBOR | 0.26 | (0.01) | 0.26 | 0.37 | 1.92 |
| 1 Year LIBOR | 0.34 | 0.00 | 0.33 | 0.56 | 2.00 |
| 6 Month CD | 0.22 | -- | 0.29 | 0.25 | 1.79 |
| 1 Year CMT | 0.12 | 0.03 | 0.11 | 0.16 | 1.57 |
| REPO O/N | 0.10 | -- | 0.07 | 0.13 | 1.35 |
| REPO 1Wk | 0.10 | (0.00) | 0.08 | 0.11 | 1.56 |
| CoF Federal | 0.958 | -- | 1.003 | 1.224 | 1.998 |
| 11th D. CoF (Oct) | 0.503 | -- | 0.523 | 0.740 | 1.100 |

| FHLB Fixed Advance Rates | | | |
|--------------------------|---------|--------|--------|
| Maturity | Chicago | Boston | Topeka |
| 3mo | 0.25 | 0.37 | 0.34 |
| 6mo | 0.26 | 0.37 | 0.31 |
| 1yr | 0.30 | 0.31 | 0.34 |
| 2yr | 0.33 | 0.49 | 0.35 |
| 3yr | 0.36 | 0.55 | 0.41 |
| 4yr | 0.47 | 0.68 | 0.52 |
| 5yr | 0.59 | 0.81 | 0.65 |
| 7yr | 0.92 | 1.17 | 0.98 |
| 10yr | 1.26 | 1.54 | 1.35 |
| 5yr Am | 0.43 | | 0.55 |
| 10yr Am | 0.88 | | 1.01 |

| Fed Fund Futures | |
|------------------|-------|
| Maturity | Rate |
| Dec-20 | 0.090 |
| Jan-21 | 0.080 |
| Mar-21 | 0.075 |
| Apr-21 | 0.070 |
| May-21 | 0.070 |
| Jun-21 | 0.075 |
| Jul-21 | 0.075 |
| Aug-21 | 0.075 |
| Sep-21 | 0.080 |
| Oct-21 | 0.085 |
| Nov-21 | 0.080 |

Weekly Economic Calendar
This Week & Next

| Date | Release | Per. | Est. | Actual | Prior | Revised |
|-------|------------------------------------|-------|----------|----------|----------|----------|
| 12/28 | Dallas Fed Manf. Activity | Dec | 11.6 | 9.7 | 12.0 | -- |
| 12/29 | S&P CoreLogic CS 20-City MoM SA | Oct | 1.00% | 1.61% | 4.27% | 1.44% |
| 12/29 | S&P CoreLogic CS 20-City YoY NSA | Oct | 6.95% | 7.95% | 6.57% | 6.64% |
| 12/29 | S&P CoreLogic CS 20-City NSA Index | Oct | -- | 235.77 | 232.53 | 232.68 |
| 12/29 | S&P CoreLogic CS US HPI YoY NSA | Oct | -- | 8.41% | 6.96% | 6.99% |
| 12/29 | S&P CoreLogic CS US HPI NSA Index | Oct | -- | 229.93 | 226.80 | 226.82 |
| 12/30 | Advance Goods Trade Balance | Nov | -\$81.5b | -\$84.8b | -\$80.3b | -\$80.4b |
| 12/30 | Retail Inventories MoM | Nov | -- | 0.7% | 0.8% | 0.9% |
| 12/30 | Wholesale Inventories MoM | Nov P | 0.6% | -0.1% | 1.1% | 1.2% |
| 12/30 | MNI Chicago PMI | Dec | 56.3 | 59.5 | 58.2 | -- |
| 12/30 | Pending Home Sales MoM | Nov | 0.0% | -2.6% | -4.4% | -0.9% |
| 12/30 | Pending Home Sales NSA YoY | Nov | 21.0% | 16.0% | 49.5% | 19.7% |
| 12/31 | Initial Jobless Claims | 12/26 | 835k | 787k | 803k | 806k |
| 12/31 | Continuing Claims | 12/19 | 5370k | 5219k | 5337k | 5322k |
| 12/31 | Bloomberg Consumer Comfort | 12/27 | -- | 44.6 | 47.0 | -- |
| 1/4 | Markit US Manufacturing PMI | Dec F | 56.3 | -- | 56.5 | -- |
| 1/4 | Construction Spending MoM | Nov | 1.0% | -- | 1.3% | -- |
| 1/5 | ISM Manufacturing | Dec | 56.5 | -- | 57.5 | -- |
| 1/5 | ISM New Orders | Dec | -- | -- | 65.1 | -- |
| 1/5 | ISM Prices Paid | Dec | -- | -- | 65.4 | -- |
| 1/5 | ISM Employment | Dec | -- | -- | 48.4 | -- |
| 1/5 | Wards Total Vehicle Sales | Dec | 15.60m | -- | 15.55m | -- |
| 1/6 | MBA Mortgage Applications | 1/1 | -- | -- | 0.8% | -- |
| 1/6 | ADP Employment Change | Dec | 75k | -- | 307k | -- |
| 1/6 | Markit US Services PMI | Dec F | 55.2 | -- | 55.3 | -- |
| 1/6 | Markit US Composite PMI | Dec F | -- | -- | 55.7 | -- |
| 1/6 | Factory Orders | Nov | 0.8% | -- | 1.0% | -- |
| 1/6 | Factory Orders Ex Trans | Nov | -- | -- | 1.0% | -- |
| 1/6 | Durable Goods Orders | Nov F | -- | -- | 0.9% | -- |
| 1/6 | Durables Ex Transportation | Nov F | -- | -- | 0.4% | -- |
| 1/6 | Cap Goods Orders Nondef Ex Air | Nov F | -- | -- | 0.4% | -- |
| 1/6 | Cap Goods Ship Nondef Ex Air | Nov F | -- | -- | 0.4% | -- |
| 1/6 | FOMC Meeting Minutes | 12/16 | -- | -- | -- | -- |
| 1/7 | Challenger Job Cuts YoY | Dec | -- | -- | 45.40% | -- |
| 1/7 | Trade Balance | Nov | -\$64.5b | -- | -\$63.1b | -- |
| 1/7 | ISM Services Index | Dec | 54.5 | -- | 55.9 | -- |
| 1/8 | Two-Month Payroll Net Revision | Dec | -- | -- | 11k | -- |
| 1/8 | Change in Nonfarm Payrolls | Dec | 68k | -- | 245k | -- |
| 1/8 | Change in Private Payrolls | Dec | 50k | -- | 344k | -- |
| 1/8 | Change in Manufact. Payrolls | Dec | 18k | -- | 27k | -- |
| 1/8 | Unemployment Rate | Dec | 6.8% | -- | 6.7% | -- |
| 1/8 | Average Hourly Earnings MoM | Dec | 0.2% | -- | 0.3% | -- |
| 1/8 | Average Hourly Earnings YoY | Dec | 4.5% | -- | 4.4% | -- |
| 1/8 | Average Weekly Hours All Employees | Dec | 34.8 | -- | 34.8 | -- |
| 1/8 | Labor Force Participation Rate | Dec | -- | -- | 61.5% | -- |
| 1/8 | Underemployment Rate | Dec | -- | -- | 12.0% | -- |
| 1/8 | Wholesale Trade Sales MoM | Nov | -- | -- | 1.8% | -- |

| MBS Prepayments ⁴ | | | | | | |
|------------------------------|-------------|------|------|------|------|------|
| | 3-Month CPR | | | | | |
| Type | 2.0 | 2.5 | 3.0 | 3.5 | 4.0 | 4.5 |
| FN 10y | 12.9 | 23.9 | 26.7 | 29.9 | 28.2 | 13.8 |
| FH/FN 15y | 16.1 | 34.7 | 43.7 | 48.0 | 21.6 | 21.2 |
| GN 15y | 25.6 | 20.6 | 20.5 | 20.6 | 18.7 | 17.7 |
| FH/FN 20y | 52.8 | 33.2 | 34.7 | 32.9 | 31.3 | 24.3 |
| FH/FN 30y | 7.8 | 45.7 | 58.3 | 58.0 | 59.0 | 51.9 |
| GN 30y | 13.5 | 22.4 | 40.5 | 52.1 | 42.4 | 31.0 |
| CPR Projections | | | | | | |
| Type | 2.0 | 2.5 | 3.0 | 3.5 | 4.0 | 4.5 |
| FN 10y | 20.3 | 21.4 | 22.1 | 25.3 | 27.1 | 20.0 |
| FH/FN 15y | 21.6 | 26.5 | 27.9 | 28.9 | 22.3 | 20.4 |
| GN 15y | 14.9 | 16.3 | 16.9 | 15.5 | 14.1 | 13.2 |
| FH/FN 20y | 27.3 | 27.7 | 22.5 | 20.7 | 20.6 | 18.1 |
| FH/FN 30y | 14.7 | 22.7 | 30.2 | 31.4 | 31.3 | 27.5 |
| GN 30y | 11.1 | 14.3 | 27.8 | 32.5 | 34.8 | 15.3 |

| Other Markets | | | | | | |
|----------------------------|----------|----------|------------|----------|---------|--|
| Index | Current | 1Wk Chng | Historical | | | |
| | | | 1 Mo | 6 Mo | 1 Yr | |
| Currencies | | | | | | |
| Japanese Yen | 103.04 | (0.61) | 104.31 | 107.93 | 108.61 | |
| Euro | 1.23 | 0.01 | 1.19 | 1.12 | 1.12 | |
| Dollar Index | 89.64 | (0.77) | 91.87 | 97.39 | 96.39 | |
| Major Stock Indices | | | | | | |
| Dow Jones | 30,378 | 249 | 29,639 | 25,813 | 28,538 | |
| S&P 500 | 3,730.0 | 39.9 | 3,621.6 | 3,100.3 | 3,230.8 | |
| NASDAQ | 12,839.2 | 68 | 12,198.7 | 10,058.8 | 8,972.6 | |
| Commodities | | | | | | |
| Gold | 1,900.7 | 26.0 | 1,775.7 | 1,800.5 | 1,523.1 | |
| Crude Oil | 48.04 | (0.08) | 45.34 | 39.27 | 61.06 | |
| Natural Gas | 2.48 | (0.13) | 2.88 | 1.75 | 2.19 | |
| Wheat | 638.3 | 8.5 | 580.3 | 490.0 | 558.8 | |
| Corn | 477.8 | 30.5 | 419.8 | 338.5 | 387.8 | |

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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