

## Baker Market Update: Week in Preview

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For those who like to start things slow and then taper off, this is the week for you; at least where economic news is concerned. No big numbers are coming out today, but Janet Yellen is coming out of retirement to participate in a Senate Finance Committee confirmation hearing that will give lawmakers a chance to probe the depths of the incoming Administration's \$1.9T covid-relief bill. Ms Yellen is President-Elect Biden's nominee for Treasury Secretary.

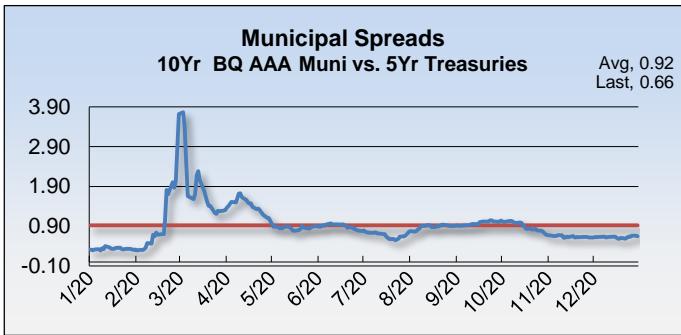
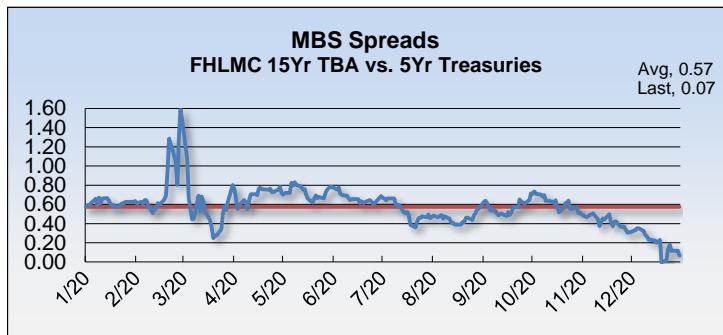
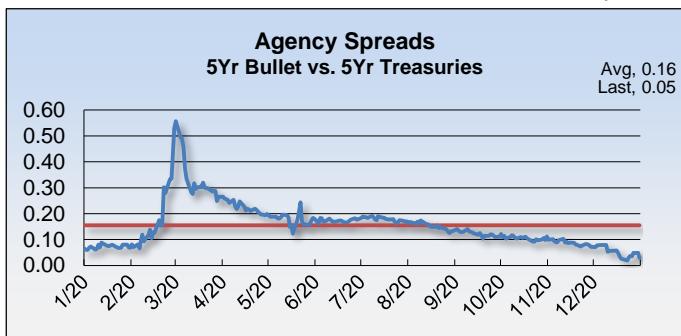
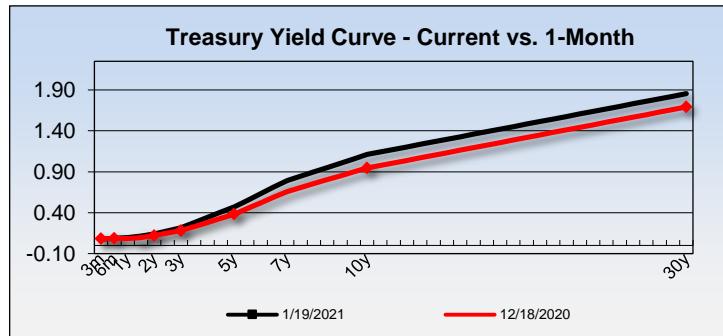
So far today, the lethargy of a long weekend and a dearth of statistical releases have investors focused upon what Yellen might say regarding greater fiscal support and higher Federal debt levels. She has expressed a willingness to pursue both courses of action. As such, equity indices are well into the green while backsiding Treasury prices have pushed the Ten-Year's yield up to around 1.11%.

Tomorrow morning, we'll hear from the National Association of Home Builders when it is expected to report that its Housing Market Index remained unchanged this month at a level of 86. After a nosedive to 30 back in the early lockdown days of last April, this measure climbed steadily to a record high of 90 in November before last month's slip. Some observers see December's retrenchment as one of a growing number of signs that pandemic-pushed homebuyers may be starting to feel not-so-pushed. Undaunted by any such trivialities, the Treasury will be pushing \$24B Twenty-Year bonds out the door when it auctions them off on Wednesday afternoon.

On Thursday, more housing-related news will come our way when the Census Bureau is expected to report that new Building Permits fell 2% last month as November's gain of 6.2% has already been revised to just 5.9%. The Philadelphia Fed Business Outlook Survey Index will also be published on Thursday and since December's reading of 11.1 has already been revised to 9.1, its predicted January move to 11.3 might look pretty good. This broadly based index had a value of 24.6 back in October.

On that same morning, the Bureau of Labor Statistics will give us its weekly Jobless Claims data and the number of Initial Claims for the week ending January 16th should add up to 923k. That's down a little bit from the prior week's unpleasant surprise of 965k. Continuing Claims for the week ending January 9th are forecast to be 5.25m after rising to 5.27m the week before. After that, the Census Bureau is expected to tell us that Housing Starts in December grew a meager 0.8% to a seasonally-adjusted, annualized rate of 1.56M. November's growth rate was 1.2%. Also on Thursday, the Treasury will bring \$15B Ten-Year TIPS to market.

On Friday, investors can coast into the weekend after taking a look at Markit's Manufacturing PMI. That measure is expected to have fallen to 56.5 this month after posting 57.1 in December. Markit's PMI for Services may fall a little further to 53.4 from 54.8. The week's final data-point will be from the Census Bureau with an unfortunate report that will likely tell us that Existing Home Sales fell 2.1% last month to an annualized rate of 6.55M. November's dip was 2.48%. This could be a long year and it's best to pace one's self. Have a great week; 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	Agency Calls - Euro				
			1 Mo	6 Mo	1 Yr				C-Corp <sup>2</sup>	S-Corp <sup>3</sup>		3Mo	6mo	1Yr	2Yr	
3mo	0.08	(0.01)	0.08	0.11	1.56	2yr	0.17	0.21	0.21	0.22	0.21	2Yr	0.06	0.06	0.06	-
6mo	0.09	(0.00)	0.09	0.13	1.56	3yr	0.26	0.28	0.25	0.27	0.35	3Yr	0.14	0.15	0.10	0.14
1yr	0.10	(0.00)	0.09	0.14	1.55	5yr	0.52	0.54	0.38	0.40	0.63	5Yr	0.49	0.48	0.46	0.40
2yr	0.14	(0.00)	0.12	0.15	1.56	7yr	0.78	0.81	0.67	0.72	1.01	7Yr	0.80	0.82	0.81	0.75
3yr	0.21	(0.02)	0.18	0.18	1.58	10yr	1.28	1.11	1.11	1.18	1.48	10Yr	1.17	1.22	1.21	1.15
5yr	0.47	(0.03)	0.38	0.28	1.62	15yr	1.79	1.39	1.51	1.61	2.01	February TBA MBS				
7yr	0.79	(0.04)	0.66	0.47	1.73	20yr	2.29	1.51	1.79	1.91	2.57	Cpn	15Yr -Yld/AL	30Yr -Yld/AL		
10yr	1.11	(0.02)	0.95	0.63	1.82	25yr	2.80	1.57	1.93	2.05	2.62	2.00	0.83	3.8y	1.34	
30yr	1.85	(0.02)	1.69	1.33	2.28	30yr	1.60	1.60	2.06	2.19	2.67	2.50	0.75	2.9y		
* 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	0.08	(0.01)	0.09	0.13	--
1 Month LIBOR	0.13	0.00	0.15	0.18	1.67
3 Month LIBOR	0.22	(0.00)	0.23	0.27	1.84
6 Month LIBOR	0.25	0.00	0.25	0.33	1.87
1 Year LIBOR	0.32	(0.01)	0.33	0.48	1.95
6 Month CD	0.19	(0.02)	0.22	0.39	1.81
1 Year CMT	0.10	--	0.09	0.15	1.54
REPO O/N	0.09	(0.01)	0.11	0.13	1.56
REPO 1Wk	0.09	--	0.09	0.13	1.59
CoF Federal	0.958	--	1.003	1.224	1.998
11th D. CoF (Nov)	0.466	--	0.503	0.755	1.035

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	--	--	--
6mo	--	--	--
1yr	--	--	--
2yr	--	--	--
3yr	--	--	--
4yr	--	--	--
5yr	--	--	--
7yr	--	--	--
10yr	--	--	--
5yr Am	--	--	--
10yr Am	--	--	--

Fed Fund Futures	
Maturity	Rate
Jan-21	0.087
Feb-21	0.080
Mar-21	0.075
Apr-21	0.075
May-21	0.075
Jun-21	0.070
Jul-21	0.070
Aug-21	0.070
Sep-21	0.070
Oct-21	0.075
Nov-21	0.075

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
1/19	Total Net TIC Flows	Nov	--	--	-\$10.4b	--
1/19	Net Long-term TIC Flows	Nov	--	--	\$51.9b	--
1/20	MBA Mortgage Applications	1/15	--	--	16.7%	--
1/20	NAHB Housing Market Index	Jan	86	--	86	--
1/21	Building Permits MoM	Dec	-1.8%	--	6.2%	5.9%
1/21	Building Permits	Dec	1605k	--	1639k	1635k
1/21	Philadelphia Fed Business Outlook	Jan	11.0	--	444	9.1
1/21	Initial Jobless Claims	1/16	925k	--	965k	--
1/21	Continuing Claims	1/9	5300k	--	5271k	--
1/21	Housing Starts	Dec	1560k	--	1547k	--
1/21	Housing Starts MoM	Dec	0.8%	--	1.2%	--
1/21	Bloomberg Economic Expectations	Jan	--	--	38.5	--
1/21	Bloomberg Consumer Comfort	1/17	--	--	43.2	--
1/22	Markit US Manufacturing PMI	Jan P	56.5	--	57.1	--
1/22	Markit US Composite PMI	Jan P	--	--	55.3	--
1/22	Markit US Services PMI	Jan P	53.2	--	54.8	--
1/22	Existing Home Sales	Dec	6.55m	--	6.69m	--
1/22	Existing Home Sales MoM	Dec	-2.1%	--	-2.5%	--
1/25	Dallas Fed Manf. Activity	Jan	--	--	9.7	--
1/26	S&P CoreLogic CS 20-City YoY NSA	Nov	--	--	7.95%	--
1/26	S&P CoreLogic CS US HPI YoY NSA	Nov	--	--	8.41%	--
1/26	Conf. Board Expectations	Jan	--	--	87.5	--
1/26	Conf. Board Consumer Confidence	Jan	88.0	--	88.6	--
1/26	Conf. Board Present Situation	Jan	--	--	90.3	--
1/27	Durables Ex Transportation	Dec P	0.4%	--	0.4%	--
1/27	Cap Goods Orders Nondef Ex Air	Dec P	--	--	0.5%	--
1/27	Cap Goods Ship Nondef Ex Air	Dec P	--	--	0.5%	--
1/27	FOMC Rate Decision (Upper Bound)	1/27	0.25%	--	0.25%	--
1/27	FOMC Rate Decision (Lower Bound)	1/27	0.00%	--	0.00%	--
1/27	Interest Rate on Excess Reserves	1/28	--	--	0.10%	--
1/28	Advance Goods Trade Balance	Dec	-\$83.5b	--	-\$84.8b	--
1/28	GDP Annualized QoQ	4Q A	4.5%	--	33.4%	--
1/28	Personal Consumption	4Q A	--	--	41.0%	--
1/28	GDP Price Index	4Q A	--	--	3.5%	--
1/28	Core PCE QoQ	4Q A	--	--	3.4%	--
1/28	Leading Index	Dec	0.4%	--	0.6%	--
1/28	New Home Sales	Dec	877k	--	841k	--
1/29	Personal Income	Dec	0.1%	--	-1.1%	--
1/29	Employment Cost Index	4Q	0.5%	--	0.5%	--
1/29	Real Personal Spending	Dec	--	--	-0.4%	--
1/29	PCE Deflator YoY	Dec	--	--	1.1%	--
1/29	PCE Core Deflator YoY	Dec	1.3%	--	1.4%	--
1/29	MNI Chicago PMI	Jan	58.5	--	59.5	--
1/29	Pending Home Sales NSA YoY	Dec	--	--	16.0%	--
1/29	U. of Mich. Sentiment	Jan F	79.2	--	79.2	--
1/29	U. of Mich. Current Conditions	Jan F	--	--	87.7	--
1/29	U. of Mich. 1 Yr Inflation	Jan F	--	--	3.0%	--

MBS Prepayments <sup>4</sup>						
	3-Month CPR					
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	13.4	24.8	27.3	29.5	30.4	16.0
FH/FN 15y	16.9	35.0	43.5	47.9	22.3	22.1
GN 15y	25.1	20.4	19.8	20.2	17.8	19.0
FH/FN 20y	53.5	34.1	35.1	33.7	32.2	25.4
FH/FN 30y	8.2	47.0	58.5	58.7	59.5	53.3
GN 30y	13.4	20.3	42.0	51.6	41.9	31.3

CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	18.0	21.8	19.5	23.2	18.5	15.8
FH/FN 15y	16.6	22.8	24.2	34.9	19.3	21.9
GN 15y	25.0	16.2	16.1	14.7	13.5	13.1
FH/FN 20y	14.8	20.6	22.5	30.2	20.2	17.8
FH/FN 30y	14.0	22.3	37.3	38.0	36.4	33.0
GN 30y	11.8	20.2	28.1	24.9	29.8	22.7

Other Markets						
Index	Current	1Wk Chng	Historical			
			1 Mo	6 Mo	1 Yr	
<b>Currencies</b>						
Japanese Yen	103.91	0.15	103.32	107.27	110.18	
Euro	1.21	(0.01)	1.22	1.14	1.11	
Dollar Index	90.45	0.36	90.02	95.94	97.61	
<b>Major Stock Indices</b>						
Dow Jones	30,814	(284)	30,179	26,672	29,348	
S&P 500	3,768.3	(56.4)	3,709.4	3,224.7	3,329.6	
NASDAQ	12,998.5	(203)	12,755.6	10,503.2	9,388.9	
<b>Commodities</b>						
Gold	1,838.2	(12.6)	1,885.7	1,810.0	1,560.3	
Crude Oil	52.33	0.08	49.10	40.59	58.54	
Natural Gas	2.58	(0.17)	2.70	1.72	2.00	
Wheat	685.3	50.5	608.3	534.8	570.5	
Corn	529.8	37.5	437.5	333.0	389.3	

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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