

Baker Market Update: Week in Preview

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Before she settled in to watch the Super Bowl yesterday, Treasury Secretary Janet Yellen appeared on some Sunday talk shows expressing her belief that if our economy soon receives the massive stimulus currently under consideration, we can return to full employment in 2022. Those comments were apparently enough to spark an overnight rally in global equities while inducing a mild sell-off in Treasury bonds.

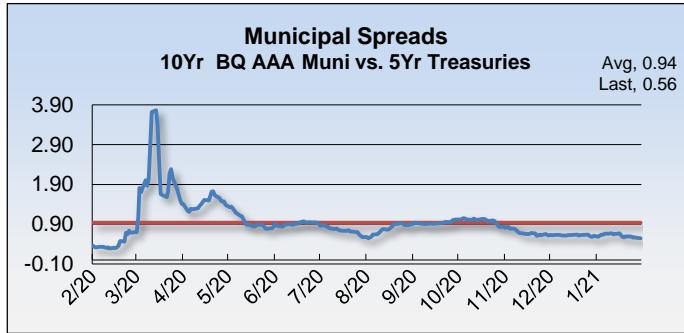
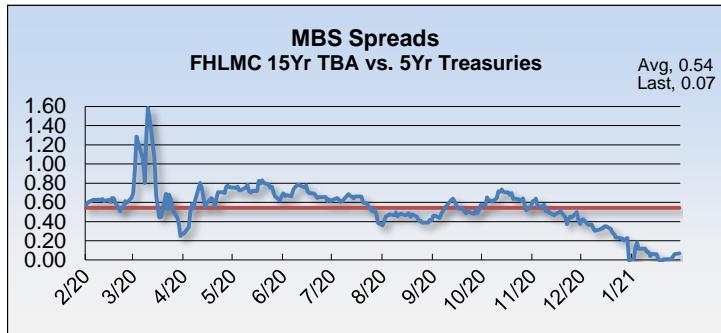
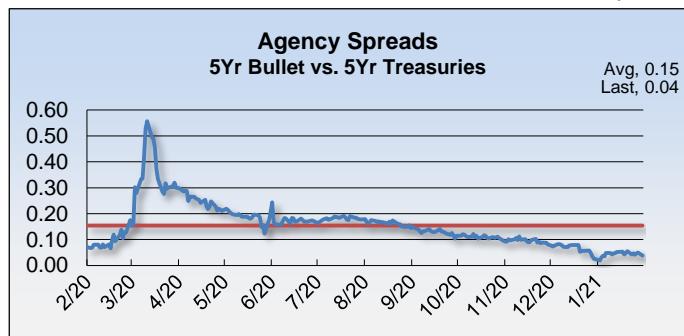
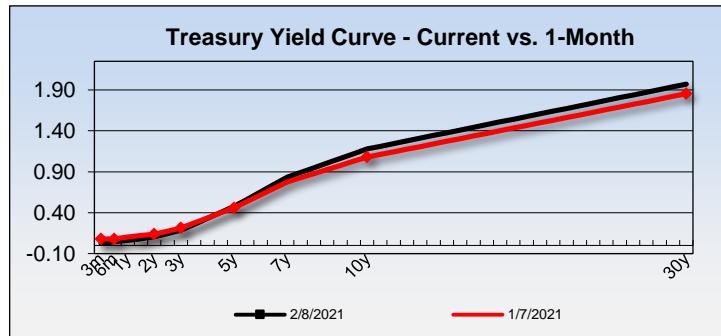
There are no data announcements scheduled for today, but tomorrow morning, the National Federation of Independent Businesses gets things started early when it is expected to tell us that its Small Business Optimism Index got a boost in January to 97.5 from 95.9. It's good to be optimistic and it's even better when one has a reason to be. A decline in the number of Job Openings is not such a reason, but that's what we're likely to hear when the BLS then releases its JOLTS report telling us that Job Openings fell in December to 6.4M from 6.53M. Not the kind of news that Janet Yellen wants to hear, but she's still going ahead with the sale of \$58B Three-Year notes tomorrow afternoon.

On Wednesday, we'll hear about inflation from the BLS when it is expected to tell us that the Consumer Price Index rose by 0.3% last month with the year-over-year pace rising to 1.5% from 1.4%. Without food and energy, core CPI is likely to show a monthly rise of 0.2% with the year-over-year rate slipping to 1.5% from 1.6%. We'll also see the effect of those inflation changes on Real Average Hourly and Weekly Earnings. And before the Treasury comes to market with \$41B Ten-Year notes, it is likely to tell us that, in January, the Monthly Budget Statement grew to a deficit of \$225B from December's shortfall of \$143.6B.

Thursday morning brings us news of Jobless Claims and for the week ending February 4th, Initial Claims are estimated to come in at 760k and that would be down a bit from the prior week's 779k. Continuing Claims for the week ending January 30th are expected to have fallen to 4.41M from 4.59M. The Treasury will wrap up its Quarterly Refunding with the sale of \$27B Thirty-Year bonds.

On Friday morning, the University of Michigan will release its preliminary February report on Consumer Sentiment. The overall index is expected to show some improvement to 80.9 from 79 with the Current Conditions rising to 89 from 86.7. The Expectations sub-index may show a boost to 76 from 74.

In early trading today, falling Treasury prices have pushed the Long Bond's yield to the threshold of 2% while the Two-Year holds steady at just 10 basis points. The Ten-Year's yield has risen slightly to 1.18% as the yield curve steepens a bit more. Crude oil is up about a half-dollar to \$57.44 while gold's \$12 rally has pushed that price to \$1,826. Domestic equity markets are rallying with the DJIA up triple digits. Janet, by the way, makes great queso. 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 ²	S-Corp ³		Mty	3Mo	6mo	1Yr	2Yr
3mo	0.02	(0.03)	0.08	0.09	1.55	2yr	0.14	0.21	0.14	0.15	0.17	2Yr	0.03	0.03	0.03	-
6mo	0.05	(0.02)	0.09	0.11	1.56	3yr	0.23	0.29	0.17	0.18	0.30	3Yr	0.11	0.11	0.10	0.11
1yr	0.06	(0.02)	0.10	0.13	1.48	5yr	0.53	0.60	0.32	0.34	0.57	5Yr	0.48	0.48	0.47	0.41
2yr	0.11	(0.01)	0.14	0.13	1.40	7yr	0.84	0.92	0.59	0.63	0.98	7Yr	0.84	0.86	0.85	0.78
3yr	0.18	0.01	0.22	0.14	1.40	10yr	1.35	1.26	1.02	1.09	1.49	10Yr	1.23	1.29	1.28	1.22
5yr	0.48	0.05	0.48	0.23	1.41	15yr	1.87	1.56	1.39	1.48	1.99	March TBA MBS				
7yr	0.83	0.07	0.81	0.41	1.51	20yr	2.39	1.68	1.67	1.77	2.58	Cpn	15Yr -Yld/AL	30Yr -Yld/AL		
10yr	1.18	0.10	1.12	0.56	1.58	25yr	2.91	1.74	1.80	1.91	2.63	2.00	0.77	3.8y	1.39	
30yr	1.97	0.11	1.88	1.23	2.05	30yr	1.77	1.77	1.93	2.06	2.68	2.50	0.58	2.8y		
* 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	0.02	(0.04)	0.11	0.09	--
1 Month LIBOR	0.12	(0.00)	0.13	0.15	1.67
3 Month LIBOR	0.19	(0.01)	0.24	0.24	1.74
6 Month LIBOR	0.21	(0.02)	0.25	0.30	1.76
1 Year LIBOR	0.30	(0.01)	0.33	0.44	1.83
6 Month CD	0.14	(0.04)	0.18	0.19	1.72
1 Year CMT	0.06	(0.04)	0.10	0.12	1.49
REPO O/N	0.05	(0.09)	0.12	0.12	1.58
REPO 1Wk	0.07	--	0.09	0.09	1.59
CoF Federal	0.925	--	0.958	1.158	1.955
11th D. CoF (Dec)	0.460	--	0.466	0.682	1.036

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	0.23	0.32	0.29
6mo	0.23	0.32	0.27
1yr	0.29	0.29	0.28
2yr	0.31	0.47	0.33
3yr	0.37	0.56	0.42
4yr	0.51	0.72	0.57
5yr	0.67	0.88	0.72
7yr	1.03	1.27	1.10
10yr	1.45	1.72	1.53
5yr Am	0.46		0.56
10yr Am	1.00		1.11

Fed Fund Futures	
Maturity	Rate
Feb-21	0.063
Mar-21	0.060
Apr-21	0.065
May-21	0.075
Jun-21	0.075
Jul-21	0.075
Aug-21	0.075
Sep-21	0.080
Oct-21	0.080
Nov-21	0.080
Dec-21	0.080

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
2/9	NFIB Small Business Optimism	Jan	96.8	--	95.9	--
2/9	JOLTS Job Openings	Dec	6400	--	6527	--
2/10	MBA Mortgage Applications	2/5	--	--	8.1%	--
2/10	CPI MoM	Jan	0.3%	--	0.4%	0.2%
2/10	CPI Ex Food and Energy MoM	Jan	0.2%	--	0.1%	0.0%
2/10	CPI YoY	Jan	1.5%	--	1.4%	--
2/10	CPI Ex Food and Energy YoY	Jan	1.5%	--	1.6%	--
2/10	CPI Index NSA	Jan	261.80	--	260.47	--
2/10	CPI Core Index SA	Jan	270.59	--	270.42	269.94
2/10	Real Avg Weekly Earnings YoY	Jan	--	--	4.9%	5.3%
2/10	Real Avg Hourly Earning YoY	Jan	--	--	3.7%	4.1%
2/10	Wholesale Trade Sales MoM	Dec	--	--	0.2%	--
2/10	Wholesale Inventories MoM	Dec F	0.1%	--	0.1%	--
2/10	Monthly Budget Statement	Jan	-\$187.5b	--	-\$32.6b	--
0/2021	Mortgage Delinquencies	4Q	--	--	7.65%	--
0/2021	MBA Mortgage Foreclosures	4Q	--	--	0.59%	--
2/11	Initial Jobless Claims	2/6	755k	--	779k	--
2/11	Continuing Claims	1/30	4410k	--	4592k	--
2/11	Bloomberg Consumer Comfort	2/7	--	--	44.6	--
2/12	U. of Mich. Sentiment	Feb P	81.0	--	79.0	--
2/12	U. of Mich. Current Conditions	Feb P	89.0	--	86.7	--
2/12	U. of Mich. Expectations	Feb P	76.0	--	74.0	--
2/12	U. of Mich. 1 Yr Inflation	Feb P	--	--	3.0%	--
2/12	U. of Mich. 5-10 Yr Inflation	Feb P	--	--	2.7%	--
2/16	Empire Manufacturing	Feb	5.0	--	3.5	--
2/16	Total Net TIC Flows	Dec	--	--	\$214.1b	--
2/16	Net Long-term TIC Flows	Dec	--	--	\$149.2b	--
2/17	PPI Final Demand YoY	Jan	--	--	0.8%	--
2/17	PPI Ex Food and Energy YoY	Jan	--	--	1.2%	--
2/17	PPI Ex Food, Energy, Trade YoY	Jan	--	--	1.1%	--
2/17	Retail Sales Ex Auto and Gas	Jan	--	--	-2.1%	--
2/17	Retail Sales Control Group	Jan	0.4%	--	-1.9%	--
2/17	Industrial Production MoM	Jan	0.4%	--	1.6%	--
2/17	Capacity Utilization	Jan	74.9%	--	74.5%	--
2/17	Manufacturing (SIC) Production	Jan	0.7%	--	0.9%	--
2/17	Business Inventories	Dec	0.5%	--	0.5%	--
2/17	NAHB Housing Market Index	Feb	84	--	83	--
2/17	FOMC Meeting Minutes	1/27	--	--	--	--
2/18	Building Permits	Jan	1665k	--	4709k	1704k
2/18	Housing Starts	Jan	1658k	--	1669k	--
2/18	Philadelphia Fed Business Outlook	Feb	19.0	--	26.5	--
2/18	Import Price Index YoY	Jan	--	--	-0.3%	--
2/18	Export Price Index YoY	Jan	--	--	0.2%	--
2/18	Bloomberg Economic Expectations	Feb	--	--	39.5	--
2/19	Markit US Manufacturing PMI	Feb P	--	--	59.2	--
2/19	Markit US Composite PMI	Feb P	--	--	58.7	--
2/19	Existing Home Sales	Jan	6.63m	--	6.76m	--

MBS Prepayments ⁴						
	3-Month CPR					
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	14.4	25.0	26.7	28.6	28.5	27.5
FH/FN 15y	13.8	34.4	40.4	45.0	22.3	22.2
GN 15y	20.3	19.3	18.9	19.8	17.8	19.0
FH/FN 20y	54.3	32.5	33.3	32.1	30.4	24.0
FH/FN 30y	3.5	23.0	57.6	56.5	56.8	52.3
GN 30y	11.4	18.1	42.3	51.7	41.8	28.7

CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	17.2	21.8	19.5	23.3	18.6	16.0
FH/FN 15y	16.8	23.5	24.2	35.0	19.4	22.1
GN 15y	25.2	16.1	15.8	14.6	13.5	13.1
FH/FN 20y	14.8	20.6	22.3	30.4	20.2	17.8
FH/FN 30y	13.3	21.0	37.0	38.2	36.1	32.7
GN 30y	12.0	20.4	28.7	25.2	30.1	22.7

Other Markets						
Index	Current	1Wk Chng	Historical			
			1 Mo	6 Mo	1 Yr	
Currencies						
Japanese Yen	105.47	0.54	103.94	105.96	109.77	
Euro	1.20	(0.00)	1.22	1.17	1.09	
Dollar Index	91.12	0.14	90.10	93.44	98.68	
Major Stock Indices						
Dow Jones	31,148	1,166	31,098	27,433	29,103	
S&P 500	3,886.8	172.6	3,824.7	3,351.3	3,327.7	
NASDAQ	13,856.3	786	13,202.0	11,011.0	9,520.5	
Commodities						
Gold	1,827.1	(33.7)	1,835.4	2,010.1	1,568.6	
Crude Oil	57.54	3.99	52.24	41.22	50.32	
Natural Gas	2.91	0.06	2.70	2.24	1.86	
Wheat	652.8	1.8	638.8	495.5	558.8	
Corn	554.5	5.3	496.3	307.8	383.5	

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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