

Baker Market Update: Week in Preview

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Fed Chairman Jerome Powell got a head start on the upcoming week's news by appearing on last night's edition of "60 Minutes". In his interview, the Chairman said that our economy was at an "inflection point", thankfully not an infection point, and still needed aggressive monetary support in order to achieve the recovery for which it is poised. Mr. Powell also said he sees the return-and-spread of the disease as being the brightening outlook's greatest risk. He went on to say he wants everyone to be careful out there.

The Treasury Department needs to be careful this afternoon when it is expected to announce that in March, it went another \$658B in the red after February's shortfall of \$311B. This could start adding up. After that, bond investors can start adding up just how many of the Treasury's \$58B Three-Year notes and \$38B Ten-Year notes they may want to buy at this afternoon's sale.

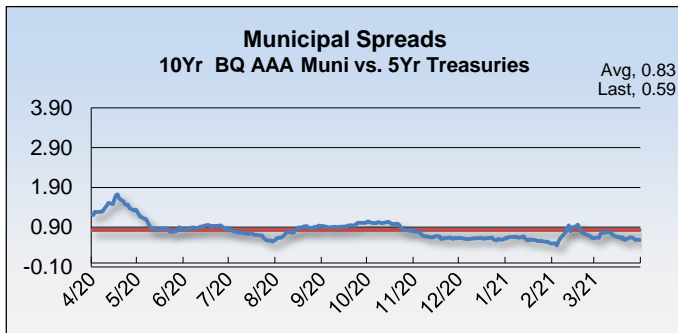
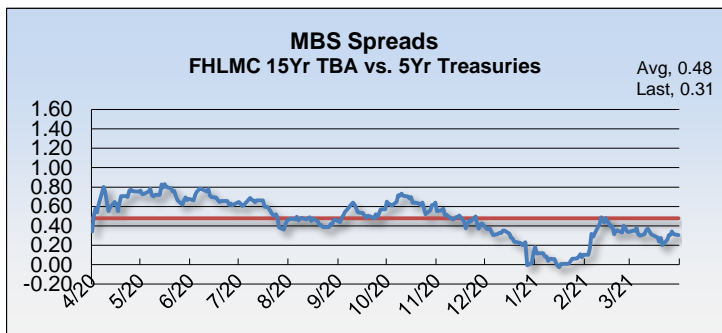
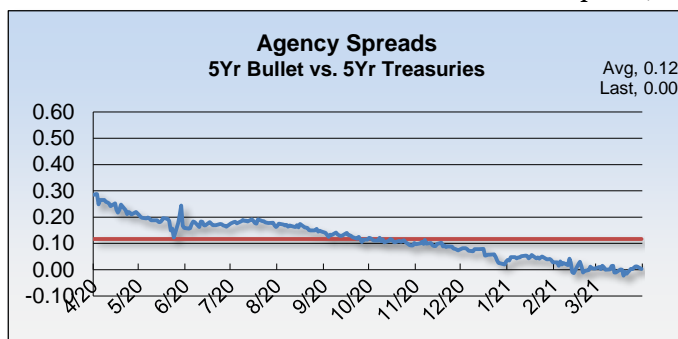
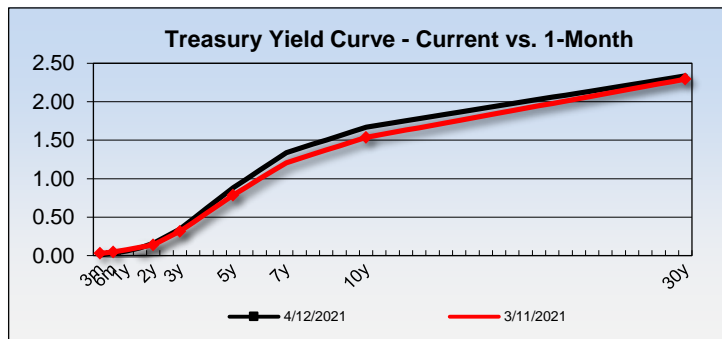
Tomorrow morning, the National Federation of Independent Businesses will start things off early when it is expected to report that its Small Business Optimism Index improved, yet again, to 98 last month from February's 95.8. After that, the Bureau of Labor Statistics will drop inflation's other shoe with a March report on its Consumer Price Index. Last week's report on Producer Prices showed some expected signs of rising heat and we're likely to see similar behavior from consumer prices. In pre-release estimates, headline CPI is expected to show a monthly gain of 0.5% with the year-over-year pace rising to 2.5% from 1.7%. Think "base effects." Without food and energy, core CPI should show a March rise of 0.2% helping to push the year-over-year pace to a still-modest 1.5%, up from 1.3%. The Treasury will then be selling \$24B Thirty-Year bonds and there's nothing modest about that.

On Wednesday, we'll get some more inflation-related news from the BLS when it is expected to report that its Import Price Index rose 0.9% last month while Export Prices rose 1%. Year-over-year, Import Prices are expected to reveal a whopping 6.7% rise, up from February's 3%. Think more "base effects." After that, the Fed is scheduled to release its blockbuster Beige Book. It's a page-turner.

Thursday morning will begin as it usually does with another BLS report for weekly Jobless Claims. Despite the recent trend of improving economic news on almost all fronts, Initial Claims have defiantly and unexpectedly risen the past two weeks. For the week ending April 10th, analysts are looking for a count of 700k and that would be a little better than the prior week's 744k. Continuing Claims for the week ending April 3rd are expected to dip almost imperceptibly to 3.7M from 3.73M. Also on Thursday, the Census Bureau is expected to report that Retail Sales got a stimulus-aided 5.5% boost in March after dipping 3% in February. The New York Fed will then likely tell us that its Empire Manufacturing Index rose to 18.8 last month from February's 17.4.

The Philadelphia Fed is then supposed to report that its Business Outlook Survey Index came back to earth a little bit this month with a move to 40 from March's totally unexpected leap to 51.8. That measure was only 23.1 in February, so 40 still looks pretty good. Also looking pretty good will be the 2.5% March rise in Industrial Production that the Federal Reserve is supposed to announce as it also announces that Capacity Utilization rose to 75.6% last month from 73.8%. If it works out that way, that's a big jump that gets us a lot closer to the pre-pandemic level of 76.9%. But, that still leaves quite a ways to go and that seems lost on those determined to fret about inflation. Thursday's news will wrap up with the National Association of Home Builders expected to tell us that its Housing Market Index rose to 84 this month after back-sliding to 82 in March.

More housing news will begin the day on Friday when we're expected to learn from the Census Bureau that Building Permits grew 1.7% in March after cratering 8.8% the prior month. Housing Starts will then likely show a 12.5% boost in March after February's frigid fall of 10.3%. Then it's off to the University of Michigan for what should be a heartwarming leap to 89 in April's Consumer Sentiment Index. In March, that measure only registered 84.9 on the sentiment scale. Within the report, the Current Conditions sub-index is expected to rise to 96 from 93 while the Expectations component improves to 85.7 from 79.7. Have a great week and remember what Jerome said; 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	(0.01)	0.03	0.10	0.22	2yr	0.20	0.28	0.18	0.19	0.27	2Yr	0.10	0.10	0.10	-
6mo	0.03	0.00	0.04	0.12	0.23	3yr	0.38	0.49	0.29	0.31	0.50	3Yr	0.28	0.29	0.20	0.28
1yr	0.06	(0.00)	0.07	0.13	0.22	5yr	0.91	0.99	0.66	0.70	0.97	5Yr	0.90	0.90	0.89	0.83
2yr	0.16	(0.01)	0.15	0.16	0.23	7yr	1.32	1.36	1.01	1.07	1.53	7Yr	1.35	1.38	1.37	1.30
3yr	0.34	(0.01)	0.34	0.20	0.29	10yr	1.75	1.69	1.44	1.53	1.97	10Yr	1.74	1.79	1.79	1.72
5yr	0.88	(0.04)	0.84	0.34	0.41	15yr	2.18	1.96	1.74	1.85	2.44	May TBA MBS				
7yr	1.34	(0.05)	1.29	0.55	0.60	20yr	2.60	2.07	2.02	2.15	2.89	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	1.67	(0.03)	1.63	0.78	0.72	25yr	3.03	2.10	2.16	2.29	2.94	2.00	1.27	4.2y	1.92	
30yr	2.34	(0.01)	2.38	1.57	1.35	30yr		2.11	2.30	2.44	2.99	2.50	1.09	3.2y		
												3.00	0.84	2.8y	1.61	3.8y
												3.50	0.64	2.5y	1.53	3.4y
												4.00			1.49	3.3y
												4.50			1.58	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	0.09	--
1 Month LIBOR	0.11	0.00	0.11	0.15	0.81
3 Month LIBOR	0.19	(0.01)	0.18	0.22	1.22
6 Month LIBOR	0.21	0.01	0.19	0.25	1.23
1 Year LIBOR	0.29	0.01	0.28	0.35	1.05
6 Month CD	0.15	(0.04)	0.16	0.25	1.30
1 Year CMT	0.06	(0.01)	0.10	0.15	0.25
REPO O/N	0.01	(0.04)	0.02	0.11	0.11
REPO 1Wk	0.07	(0.02)	0.07	0.09	0.20
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	0.25
1yr	0.29	0.29	0.28
2yr	0.37	0.54	0.40
3yr	0.56	0.73	0.61
4yr	0.84	1.01	0.88
5yr	1.09	1.28	1.14
7yr	1.53	1.77	1.60
10yr	1.90	2.17	1.98
5yr Am	0.71		0.84
10yr Am	1.43		1.52

Fed Fund Futures	
Maturity	Rate
Apr-21	0.067
May-21	0.075
Jun-21	0.080
Jul-21	0.080
Aug-21	0.080
Sep-21	0.080
Oct-21	0.085
Nov-21	0.080
Dec-21	0.080
Jan-22	0.085
Feb-22	0.090

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
4/12	Monthly Budget Statement	Mar	-\$658.0b	--	-\$119.1b	--
4/13	NFIB Small Business Optimism	Mar	98.3	--	95.8	--
4/13	CPI MoM	Mar	0.5%	--	0.4%	--
4/13	CPI Ex Food and Energy MoM	Mar	0.2%	--	0.1%	--
4/13	CPI YoY	Mar	2.5%	--	1.7%	--
4/13	CPI Ex Food and Energy YoY	Mar	1.5%	--	1.3%	--
4/13	CPI Index NSA	Mar	264.69	--	263.01	--
4/13	CPI Core Index SA	Mar	270.98	--	270.30	--
4/13	Real Avg Weekly Earnings YoY	Mar	--	--	4.1%	--
4/13	Real Avg Hourly Earning YoY	Mar	--	--	3.4%	--
4/14	MBA Mortgage Applications	4/9	--	--	-5.1%	--
4/14	Import Price Index MoM	Mar	1.0%	--	1.3%	--
4/14	Import Price Index ex Petroleum MoM	Mar	0.5%	--	0.5%	--
4/14	Import Price Index YoY	Mar	6.5%	--	3.0%	--
4/14	Export Price Index MoM	Mar	1.0%	--	1.6%	--
4/14	Export Price Index YoY	Mar	--	--	5.2%	--
4/15	Initial Jobless Claims	4/10	700k	--	744k	--
4/15	Retail Sales Advance MoM	Mar	5.6%	--	-3.0%	--
4/15	Continuing Claims	4/3	3700k	--	3734k	--
4/15	Retail Sales Ex Auto MoM	Mar	5.0%	--	-2.7%	--
4/15	Empire Manufacturing	Apr	20.0	--	17.4	--
4/15	Retail Sales Ex Auto and Gas	Mar	6.5%	--	-3.3%	--
4/15	Retail Sales Control Group	Mar	7.2%	--	-3.5%	--
4/15	Philadelphia Fed Business Outlook	Apr	40.9	--	51.8	--
4/15	Industrial Production MoM	Mar	2.6%	--	-2.2%	--
4/15	Capacity Utilization	Mar	75.6%	--	73.8%	--
4/15	Manufacturing (SIC) Production	Mar	3.9%	--	-3.1%	--
4/15	Langer Consumer Comfort	4/11	--	--	51.9	--
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	1750k	--	1682k	1720k
4/16	Housing Starts	Mar	1610k	--	1421k	--
4/16	U. of Mich. Sentiment	Apr P	89.0	--	84.9	--
4/16	U. of Mich. Current Conditions	Apr P	96.0	--	93.0	--
4/16	U. of Mich. Expectations	Apr P	85.7	--	79.7	--
4/16	U. of Mich. 1 Yr Inflation	Apr P	3.2%	--	3.1%	--
4/16	U. of Mich. 5-10 Yr Inflation	Apr P	--	--	2.8%	--
4/22	Chicago Fed Nat Activity Index	Mar	--	--	-1.09	--
4/22	Leading Index	Mar	0.7%	--	0.2%	--
4/22	Existing Home Sales	Mar	6.18m	--	6.22m	--
4/22	Kansas City Fed Manf. Activity	Apr	--	--	26.0	--
4/23	Markit US Manufacturing PMI	Apr P	--	--	59.1	--
4/23	Markit US Services PMI	Apr P	--	--	60.4	--
4/23	Markit US Composite PMI	Apr P	--	--	59.7	--
4/23	New Home Sales	Mar	886k	--	775k	--

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	17.3	18.8	19.3	20.2	21.5	20.0
FH/FN 15y	14.7	18.4	22.2	26.4	24.0	20.9
GN 15y	14.5	14.6	14.9	14.1	13.4	13.2
FH/FN 20y	13.3	16.6	16.7	16.8	17.1	16.6
FH/FN 30y	10.7	14.3	23.4	24.5	27.1	24.8
GN 30y	9.9	12.5	16.8	18.6	19.8	13.8

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	109.29	(0.89)	109.03	105.33	107.77
Euro	1.19	0.01	1.20	1.18	1.09
Dollar Index	92.06	(0.53)	91.68	93.07	99.52
Major Stock Indices					
Dow Jones	33,801	647	32,779	28,838	23,719
S&P 500	4,128.8	108.9	3,943.3	3,534.2	2,789.8
NASDAQ	13,900.2	420	13,319.9	11,876.3	8,153.6
Commodities					
Gold	1,736.0	9.0	1,719.8	1,922.5	1,736.2
Crude Oil	60.10	1.45	65.61	39.43	22.76
Natural Gas	2.58	0.07	2.60	2.88	1.73
Wheat	632.3	14.3	631.8	594.3	556.5
Corn	577.5	24.3	549.3	389.0	331.8

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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