

Baker Market Update: Week in Review

Lester Murray

Associate Partner

Financial Strategies Group

lester@gobaker.com

800.937.2257

The Baker Group

GoBaker.com

1601 NW Expressway

20th Floor

Oklahoma City, OK

800.937.2257



It is the height of spring and it's amazing to see what a little rain and some sunshine can do for the season's flowers. Of course, a little Miracle-Gro helps too. It's also springtime for our economy and it's been given a lot of Miracle-Gro in the form of monetary accommodation and fiscal spending. As one might expect, all that fertilizer is having an effect and it was apparent in this week's performance data. There wasn't a lot of it, but what there was, was pretty springy and a look at Treasury yields makes it look like the bond vigilantes might have gotten hit with a little Round-Up. For the third week in a row, the Ten-Year's yield will end the week lower than where it began.

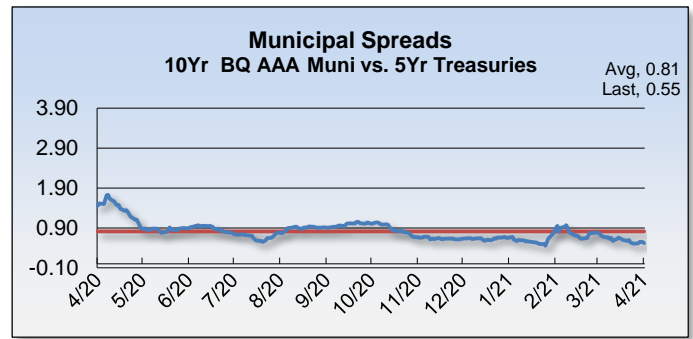
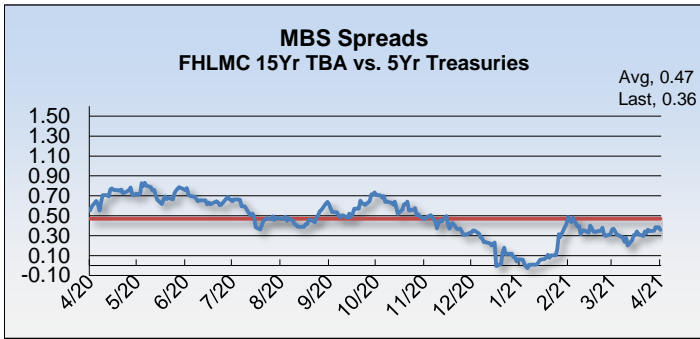
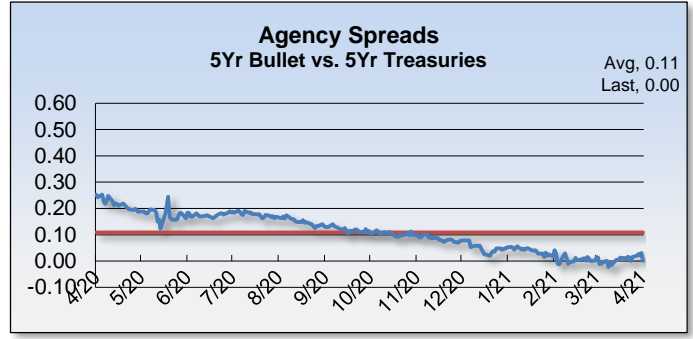
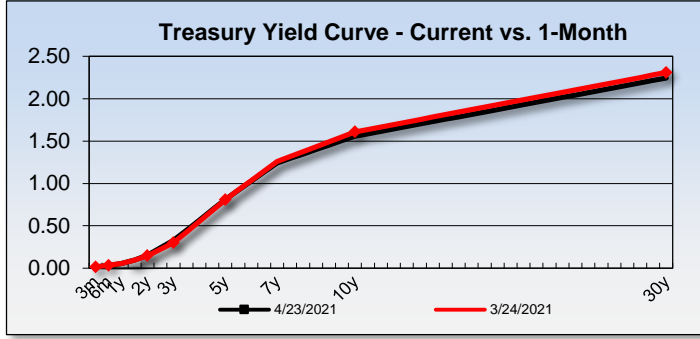
The week's data pronouncements didn't begin until Wednesday when the Mortgage Bankers Association reported that, for the week ending April 16th, Mortgage Applications rose 8.6%. That measure was down 3.7% the week prior and had been negative for nine of the last ten weeks despite the vigorous characteristics that currently describe the nation's housing market.

On Thursday, the Chicago Fed's broadly based National Activity Index was pretty active with a report showing that it rose to 1.71 last month in a huge turnaround from February's level of minus 1.2. March's new reading soundly beat estimates looking for 1.25. Also on that day, the Bureau of Labor Statistics surprised us with an unexpected total for Initial Jobless Claims. For the week ending April 17th, those claims came in at 547k and that was lower than the prior week's slightly revised 586k and also lower than the 610k pre-release estimate. Continuing Claims for the week ending April 10th did not provide much of a surprise when they fell to 3.67M from 3.7M against an estimate of 3.65M. These are pandemic-era lows for both measures but are still elevated compared to "normal" levels. Those "normal" levels would be in the 200k-250k range for Initial Claims and somewhere around 2M for Continuing Claims. Give or take.

The Conference Board gave us some more good news when it then reported that its Index of Leading Economic Indicators rose by a greater-than-expected 1.3% last month. Some of that shine was taken away when February's rise of 0.2% was revised to a 0.1% decline. But does it really matter if historic measures of leading indicators are revised in the present? Nah. The Kansas City Fed doesn't care, either, and springtime conditions continue to provide a tailwind to manufacturing efforts as measured by the Bank's Manufacturing Index. That measure, and others like it, have been trending upward and this month rose to 31 from 26 and beat the estimates calling for 28. Existing Home Sales for March did not beat estimates calling for an almost imperceptible dip of 0.2% and instead fell by about 3.7% on an annualized basis.

But this morning, the Census Bureau provided a counter to that disappointing news with a report telling us that New Home Sales leaped 21% last month. And that's after February's 775k annualized volume was revised to 846k. Analysts were expecting a gain of "only" 14%. Markit U.S. followed that up with the news that its Purchasing Managers' Index for Manufacturing improved again this month to 60.6 from 59.1, but fell a little short of the estimated move to 61. For Services, that Index jumped to 63.1 from 60.4 and that soundly outperformed the expectation of 61.5. That can't be all that unexpected since it's the Services sector that will reap the greatest benefits from accelerated re-openings.

Other impacts of accelerated re-openings are also showing up in the high-frequency data. The New York Fed's Weekly Economic Index, an amalgamation of ten daily and weekly measurements, jumped almost 12% last week. Economic Miracle-Gro can indeed do miraculous things, but if it's not reapplied at regular intervals, those vibrant blooms can wither and die. Will our economy be able to cultivate a lasting recovery amid the choking weeds of massive debt? Only thyme will tell. 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	0.02	0.00	0.01	0.09	0.10	2yr	0.19	0.28	0.10	0.10	0.22	2Yr	0.10	0.10	0.10	-
6mo	0.03	(0.01)	0.04	0.11	0.13	3yr	0.35	0.47	0.20	0.21	0.45	3Yr	0.27	0.28	0.20	0.27
1yr	0.06	(0.01)	0.06	0.12	0.16	5yr	0.85	0.92	0.50	0.54	0.90	5Yr	0.84	0.84	0.83	0.77
2yr	0.15	(0.01)	0.15	0.16	0.22	7yr	1.31	1.26	0.87	0.92	1.40	7Yr	1.28	1.31	1.30	1.23
3yr	0.33	(0.01)	0.31	0.20	0.27	10yr	1.66	1.58	1.30	1.39	1.86	10Yr	1.65	1.70	1.70	1.63
5yr	0.81	(0.02)	0.82	0.38	0.37	15yr	2.02	1.84	1.62	1.73	2.33	May TBA MBS				
7yr	1.24	(0.02)	1.27	0.61	0.51	20yr	2.38	1.95	1.90	2.03	2.69	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	1.56	(0.02)	1.62	0.84	0.60	25yr	2.78	1.99	2.04	2.17	2.74	2.00	1.21	4.4y	1.85	
30yr	2.24	(0.02)	2.33	1.64	1.18	30yr	2.00	2.00	2.17	2.31	2.78	2.50	0.99	3.1y		
												3.00	1.13	3.1y	1.46	3.4y
												3.50	0.71	2.6y	1.12	2.8y
												4.00			1.03	2.7y
												4.50			0.91	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	0.07	--
1 Month LIBOR	0.11	(0.01)	0.11	0.15	0.62
3 Month LIBOR	0.17	(0.01)	0.20	0.21	1.04
6 Month LIBOR	0.22	(0.00)	0.20	0.25	1.02
1 Year LIBOR	0.28	(0.00)	0.28	0.33	0.99
6 Month CD	0.19	0.05	0.22	0.28	0.78
1 Year CMT	0.06	--	0.06	0.13	0.16
REPO O/N	0.01	(0.01)	-0.01	0.11	0.13
REPO 1Wk	0.08	0.01	0.07	0.13	0.13
CoF Federal	0.845	--	0.876	1.019	1.657
11th D. CoF (Feb)	0.408	--	0.457	0.529	0.989

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	0.22	0.32	0.26
6mo	0.22	0.31	0.25
1yr	0.26	0.27	0.28
2yr	0.35	0.53	0.39
3yr	0.50	0.69	0.55
4yr	0.75	0.95	0.80
5yr	0.99	1.20	1.04
7yr	1.43	1.68	1.49
10yr	1.78	2.05	1.84
5yr Am	0.63		0.77
10yr Am	1.30		1.40

Fed Fund Futures	
Maturity	Rate
Apr-21	0.070
May-21	0.080
Jun-21	0.090
Jul-21	0.095
Aug-21	0.095
Sep-21	0.095
Oct-21	0.090
Nov-21	0.090
Dec-21	0.090
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	--	8.6%	-3.7%	--
4/22	Chicago Fed Nat Activity Index	Mar	1.25	1.71	-1.09	-1.20
4/22	Initial Jobless Claims	4/17	610k	547k	576k	586k
4/22	Continuing Claims	4/10	3650k	3674k	3731k	3708k
4/22	Langer Consumer Comfort	4/18	--	54.2	53.9	--
4/22	Leading Index	Mar	1.0%	1.3%	0.2%	-0.1%
4/22	Existing Home Sales	Mar	6.11m	6.01m	6.22m	6.24m
4/22	Existing Home Sales MoM	Mar	-1.8%	-3.7%	-6.6%	-6.3%
4/22	Kansas City Fed Manf. Activity	Apr	28.0	31.0	26.0	--
4/23	Markit US Manufacturing PMI	Apr P	61.0	60.6	59.1	--
4/23	Markit US Services PMI	Apr P	61.5	63.1	60.4	--
4/23	Markit US Composite PMI	Apr P	--	62.2	59.7	--
4/23	New Home Sales	Mar	885k	1021k	775k	846k
4/23	New Home Sales MoM	Mar	14.2%	20.7%	-18.2%	-16.2%
4/26	Durable Goods Orders	Mar P	2.5%	--	-1.2%	--
4/26	Durables Ex Transportation	Mar P	1.6%	--	-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	1.5%	--	-1.1%	--
4/26	Dallas Fed Manf. Activity	Apr	30.0	--	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	11.8%	--	11.1%	--
4/27	S&P CoreLogic CS US HPI YoY NSA	Feb	--	--	11.22%	--
4/27	Conf. Board Consumer Confidence	Apr	112.0	--	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	22.0	--	17.0	--
4/28	Advance Goods Trade Balance	Mar	-\$87.5b	--	-\$86.7b	--
4/28	Wholesale Inventories MoM	Mar P	0.6%	--	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%	--	0.10%	--
4/29	GDP Annualized QoQ	1Q A	6.5%	--	4.3%	--
4/29	Personal Consumption	1Q A	10.5%	--	2.3%	--
4/29	GDP Price Index	1Q A	2.5%	--	2.0%	--
4/29	Core PCE QoQ	1Q A	2.4%	--	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	3.7%	--	-1.2%	--
4/30	PCE Deflator YoY	Mar	2.3%	--	1.6%	--
4/30	PCE Core Deflator YoY	Mar	1.8%	--	1.4%	--
4/30	MNI Chicago PMI	Apr	65.0	--	66.3	--
4/30	U. of Mich. Sentiment	Apr F	87.8	--	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	13.7	16.8	17.3	19.8	18.2	16.3
FH/FN 15y	13.7	19.4	20.6	29.4	19.2	21.8
GN 15y	19.2	14.9	15.1	14.2	13.4	13.2
FH/FN 20y	11.2	13.7	18.1	19.1	19.4	18.5
FH/FN 30y	9.4	14.6	25.6	28.7	31.3	29.5
GN 30y	10.1	14.8	21.7	20.8	27.0	20.9

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	108.09	(0.71)	108.59	104.71	107.60
Euro	1.20	0.01	1.18	1.19	1.08
Dollar Index	91.06	(0.50)	92.34	92.77	100.43
Major Stock Indices					
Dow Jones	33,972	(229)	32,423	28,336	23,515
S&P 500	4,163.5	(22.0)	3,910.5	3,465.4	2,797.8
NASDAQ	13,946.3	(106)	13,227.7	11,548.3	8,494.8
Commodities					
Gold	1,772.0	(7.0)	1,725.1	1,902.0	1,733.3
Crude Oil	62.14	(0.99)	57.76	39.85	16.50
Natural Gas	2.74	0.06	2.51	2.97	1.82
Wheat	708.8	56.3	634.8	632.8	547.0
Corn	648.0	62.5	551.3	419.3	319.3

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

INTENDED FOR INSTITUTIONAL INVESTORS ONLY. The data provided in these reports is for informational purposes only and is intended solely for your private use. Information herein is believed to be reliable but The Baker Group LP does not guarantee its completeness or accuracy. Opinions constitute our judgment and are subject to change without notice. Past performance is not indicative of future results. The investments and strategies discussed here may not be suitable for all investors; if you have

Source for the aforementioned indices, rates, descriptions, & economic indicators: Bloomberg, LP. This report was printed as of: 04/23/2021 10:47AM