

## Baker Market Update: Week in Preview

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It's Fed-week once again and with it comes a heavy data calendar with which to close out the month. The FOMC has had a lot of heavy data to ponder since it last met but none of it has been of the sort that might induce a change in policy or in its rhetorical description. At the conclusion of the Committee's last get-together in March, the Ten-Year's yield was 1.64%. By the end of last month, inflation-fearing sellers pushed that yield to 1.74%, but the worry has been assuaged, for now, and the Ten-Year is back below 1.60%, despite a parade of positive economic measurements. This week's monetary conclave will begin Tuesday and wrap up with Wednesday afternoon's press conference featuring Jerome Powell.

Today's early morning report from the Census Bureau featured an unwelcome miss by analysts expecting a 2.3% rise in March's Durable Goods Orders. Instead, this preliminary report only notched a rise of 0.5% while February's decline of 1.2% was revised to a 0.9% swoon. Without Transportation components, the rise of 1.6% matched pre-release estimates and last month's decline of 0.9% was revised to a dip of 0.3%. Core Capital Goods, non-defense inputs and without aircraft and parts, rose 0.9% last month but the experts were expecting 1.7%. A little later, the Dallas Fed is expected to tell us that its Manufacturing Index got a boost to 30 this month from March's 28.9. Readers may recall that last week saw significant improvements in the Kansas City Fed's Manufacturing Index and the Chicago Fed's National Activity Index. Then, in addition to the Treasury's sale of \$111B three-and-six-month bills, there will be auctions for \$60B Two-Year notes and \$61B Five-Year Notes.

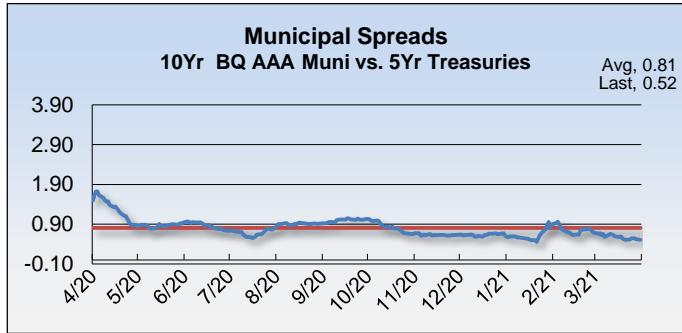
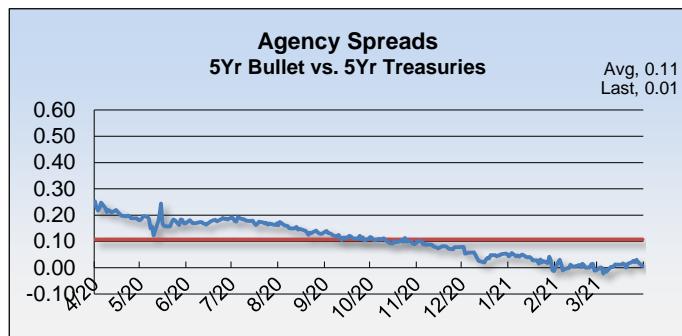
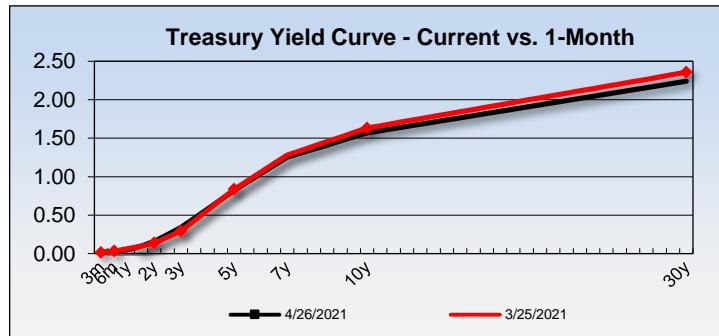
On Tuesday morning, the FHFA is expected to get things started by reporting that its House Price Index rose 1% in February. Along with that will come a similar report from CoreLogic Case-Shiller reporting that its 20-City Home Price Index rose 1.1% for the same month. February's year-over-year rate for that measure is expected to show a rise to 11.8% from the prior month's 11.1% twelve-month pace. Tuesday also brings the Conference Board's April read on Consumer Confidence and that Index is expected to come in at 112 in a move up from March's 109.7. Then, in a follow up to today's news from the Dallas Fed, the Richmond Fed is likely to report that its Manufacturing Index rose to 22 this month from last month's 17. More good news for Manufacturing. The Treasury will then sell \$28B Two-Year Floating Rate Notes and \$62B Seven-Year Notes. That's a lot of notes.

Wednesday will start out with the Census Bureau's report on an expected 0.5% rise in March's Wholesale Inventories and a 0.3% dip in that month's Retail Inventories. Wednesday will wrap up with Jerome's press conference.

Thursday morning is Jobless Claims Day and the Bureau of Labor Statistics is expected to tell us that Initial Claims for the week ending April 24th totaled 550k and that would be a slight uptick from the prior week's 547k. Continuing Claims for the week ending April 17th are expected to have fallen to 3.59M from 3.67M. The Bureau of Economic Analysis is also expected to give us our first look at Q1 GDP and analysts estimate that will come in around 6.9%. That same report is also expected to show a Q1 rise of 10.3% in Personal Consumption. The National Association of Realtors is then supposed to tell us that Pending Home Sales rose 4% in March after February's tumble of 10.6%.

More inflation news will come our way Friday morning when the BEA issues its March report for the Fed's favorite inflation gauge, the Personal Consumption Expenditures Index. Early estimates are calling for a 0.5% bump in headline PCE and a 0.3% rise without food and energy. Year-over-year, that's expected to take headline PCE to 2.3% from 1.6% with the twelve-month core rate rising to 1.8% from 1.4%. Markets managed to survive the CPI and PPI reports from a couple of weeks ago and should be able to handle this one. Personal Income for March will also be reported and analysts are looking for a monster rise of 20% as fiscal relief efforts show their impact and help reverse February's 7.1% pull-back. Personal Spending is expected to notch a rise of 4.2% for last month in a come-back from February's 1% fall.

Consumers also managed to survive all those earlier inflation reports and we'll learn a little more about how they're feeling when the University of Michigan then tells us about its Consumer Sentiment Index for April. Early estimates suggest a rise to 87.5 from 86.5. 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>		Mty	3Mo	6mo	1Yr	2Yr
3mo	0.02	(0.00)	0.02	0.08	0.11	2yr	0.19	0.28	0.10	0.10	0.23	2Yr	0.10	0.10	0.10	-
6mo	0.03	(0.01)	0.03	0.11	0.14	3yr	0.35	0.48	0.20	0.21	0.46	3Yr	0.27	0.28	0.20	0.27
1yr	0.05	(0.01)	0.06	0.12	0.16	5yr	0.86	0.93	0.50	0.54	0.92	5Yr	0.84	0.84	0.83	0.77
2yr	0.16	0.00	0.14	0.15	0.23	7yr	1.25	1.27	0.87	0.92	1.41	7Yr	1.28	1.31	1.30	1.23
3yr	0.34	0.00	0.31	0.19	0.28	10yr	1.68	1.58	1.30	1.39	1.87	10Yr	1.65	1.70	1.70	1.63
5yr	0.82	(0.01)	0.87	0.35	0.37	15yr	2.10	1.84	1.62	1.73	2.34	May TBA MBS				
7yr	1.25	(0.02)	1.34	0.57	0.52	20yr	2.53	1.94	1.90	2.03	2.70	Cpn	15Yr -Yld/AL	30Yr -Yld/AL		
10yr	1.57	(0.04)	1.68	0.80	0.60	25yr	2.96	1.98	2.04	2.17	2.75	2.00	1.23	4.5y	1.85	
30yr	2.24	(0.06)	2.38	1.59	1.17	30yr	3.00	1.99	2.17	2.31	2.79	2.50	1.00	3.2y		
* 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	0.08	--
1 Month LIBOR	0.11	(0.00)	0.11	0.16	0.49
3 Month LIBOR	0.18	(0.01)	0.20	0.22	0.99
6 Month LIBOR	0.20	(0.02)	0.21	0.25	0.97
1 Year LIBOR	0.28	(0.01)	0.28	0.34	0.96
6 Month CD	0.19	0.05	0.20	0.28	0.75
1 Year CMT	0.07	0.01	0.08	0.12	0.17
REPO O/N	0.01	--	-0.03	0.11	-0.08
REPO 1Wk	0.08	0.01	0.07	0.09	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	0.28	0.28
2yr	0.35	0.54	0.39
3yr	0.50	0.71	0.55
4yr	0.75	0.97	0.80
5yr	0.99	1.22	1.04
7yr	1.43	1.70	1.49
10yr	1.78	2.07	1.84
5yr Am	0.63		0.77
10yr Am	1.30		1.40

Fed Fund Futures	
Maturity	Rate
Apr-21	0.072
May-21	0.075
Jun-21	0.085
Jul-21	0.090
Aug-21	0.090
Sep-21	0.095
Oct-21	0.090
Nov-21	0.090
Dec-21	0.095
Jan-22	0.095
Feb-22	0.095

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
4/26	Durable Goods Orders	Mar P	2.3%	0.5%	-4.2%	-0.9%
4/26	Durables Ex Transportation	Mar P	1.6%	1.6%	-0.9%	-0.3%
4/26	Cap Goods Orders Nondef Ex Air	Mar P	1.7%	0.9%	-0.9%	-0.8%
4/26	Cap Goods Ship Nondef Ex Air	Mar P	1.5%	1.3%	-1.1%	--
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	112.5	--	109.7	--
4/27	Conf. Board Present Situation	Apr	--	--	110.0	--
4/28	MBA Mortgage Applications	4/23	--	--	8.6%	--
4/28	Advance Goods Trade Balance	Mar	-\$87.6b	--	-\$86.7b	--
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	Initial Jobless Claims	4/24	540k	--	547k	--
4/29	Continuing Claims	4/17	3590k	--	3674k	--
4/29	GDP Annualized QoQ	1Q A	6.6%	--	4.3%	--
4/29	Personal Consumption	1Q A	10.1%	--	2.3%	--
4/29	GDP Price Index	1Q A	2.6%	--	2.0%	--
4/29	Core PCE QoQ	1Q A	2.4%	--	1.3%	--
4/29	Langer Consumer Comfort	4/25	--	--	54.2	--
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	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	64.7	--	66.3	--
4/30	U. of Mich. Sentiment	Apr F	87.5	--	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%	--
5/3	Markit US Manufacturing PMI	Apr F	--	--	60.6	--
5/3	ISM Employment	Apr	--	--	59.6	--
5/5	ADP Employment Change	Apr	800k	--	517k	--
5/5	Markit US Composite PMI	Apr F	--	--	62.2	--
5/6	Challenger Job Cuts YoY	Apr	--	--	-86.2%	--
5/6	Nonfarm Productivity	1Q P	3.7%	--	-4.2%	--
5/6	Unit Labor Costs	1Q P	-0.8%	--	6.0%	--
5/7	Change in Nonfarm Payrolls	Apr	900k	--	916k	--
5/7	Two-Month Payroll Net Revision	Apr	--	--	156k	--
5/7	Change in Private Payrolls	Apr	860k	--	780k	--
5/7	Change in Manufact. Payrolls	Apr	--	--	53k	--
5/7	Unemployment Rate	Apr	5.8%	--	6.0%	--
5/7	Average Hourly Earnings YoY	Apr	--	--	4.2%	--
5/7	Average Weekly Hours All Employees	Apr	34.9	--	34.9	--
5/7	Labor Force Participation Rate	Apr	--	--	61.5%	--
5/7	Underemployment Rate	Apr	--	--	10.7%	--

MBS Prepayments <sup>4</sup>						
	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	13.6	16.6	17.1	19.7	18.2	16.3
FH/FN 15y	13.6	19.2	20.4	29.3	19.2	21.8
GN 15y	18.9	14.9	15.0	14.2	13.4	13.2
FH/FN 20y	10.9	13.7	17.9	19.1	19.4	18.5
FH/FN 30y	9.4	14.5	25.4	28.7	31.3	29.4
GN 30y	10.1	14.6	21.5	20.8	27.0	20.9

Other Markets						
Index	Current	1Wk Chng	Historical			
			1 Mo	6 Mo	1 Yr	
<b>Currencies</b>						
Japanese Yen	108.05	(0.12)	109.64	104.84	107.25	
Euro	1.21	0.00	1.18	1.18	1.08	
Dollar Index	90.91	(0.16)	92.77	93.05	100.38	
<b>Major Stock Indices</b>						
Dow Jones	34,043	(157)	33,073	27,685	23,775	
S&P 500	4,180.2	(5.3)	3,974.5	3,401.0	2,836.7	
NASDAQ	14,016.8	(36)	13,138.7	11,358.9	8,634.5	
<b>Commodities</b>						
Gold	1,771.1	1.7	1,732.3	1,902.7	1,723.5	
Crude Oil	61.01	(2.37)	60.97	38.56	16.94	
Natural Gas	2.71	(0.04)	2.56	3.02	1.75	
Wheat	727.0	74.8	613.3	620.0	526.8	
Corn	674.8	82.8	552.5	417.8	315.8	

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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