

Baker Market Update: Week in Review

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The Federal Reserve Board's big, shiny table has an empty seat that's been that way for more than three years. Had the Board participated in last night's NFL draft, they probably would have been awarded first pick and problem solved. But, they didn't. Still, they managed to scrape together a quorum for this week's meeting of the Federal Open Market Committee and everyone agreed that things are looking up. Everyone also agreed that there will be no letting up in the current policy stance nor in the level of monetary accommodation. At his post-meeting press conference, Chairman Powell spoke for the group. They're a man down, you know.

But they are fully staffed at the Dallas Fed and that bank got the week started with the news that its Manufacturing Index rose in April to 37.3 from 28.9 and that soundly beat the estimate of 30. This outcome follows a trend of forecast-beating results for similar measures posted by Federal Reserve banks in Chicago, New York, Philadelphia, and Kansas City. Also out on Monday was a preliminary report from the Census Bureau for Durable Goods Orders in March telling us they rose 0.5%. That's better than February's dip of 0.9%, but well short of the estimated 2.3% growth. The Census Bureau also told us the 0.9% rise in core Capital Goods Orders was a disappointment for the analysts looking for 1.7%. Monday also saw the Treasury sell \$60B Two-Year notes at a high-yield of 0.175% along with \$61B Five-Year notes with the high-yield being 0.849%. For the Ten-Year, it started out the week with a yield of around 1.55% and that only got higher as the week progressed and is loitering around 1.64% today.

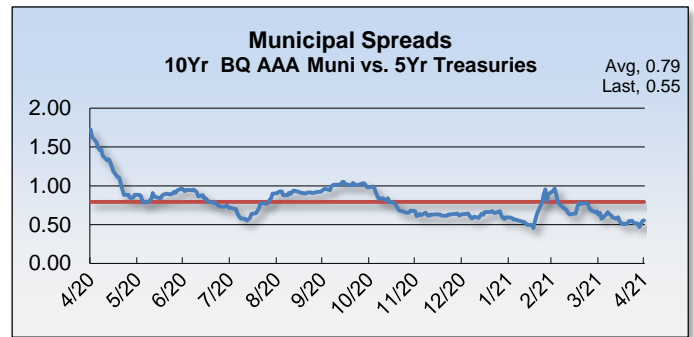
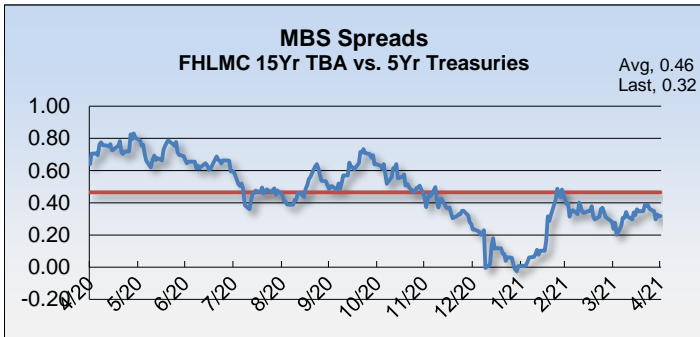
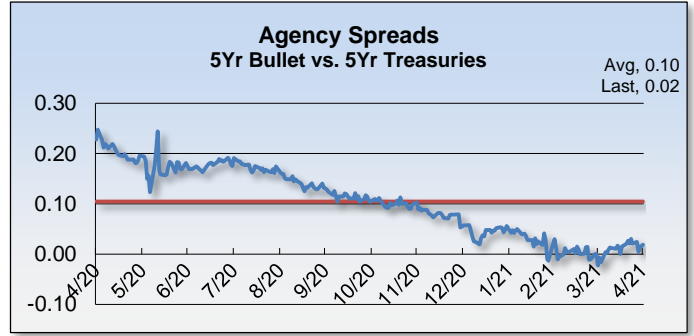
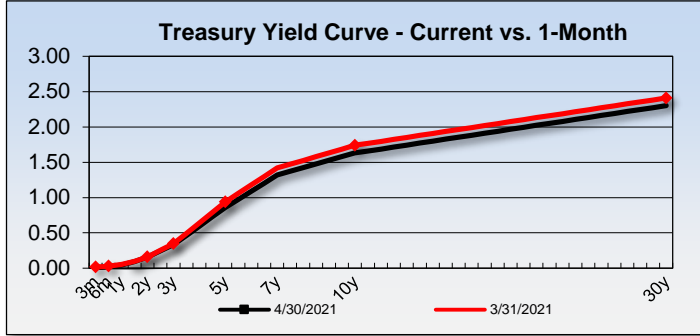
Tuesday brought news of home prices with the FHFA telling us that its House Price Index rose 0.9% in February and that was pretty close to the estimate. The CoreLogic Case-Shiller 20-City Home Price Index rose 1.17% for the same month and that was also about what was expected. Year-over-year, that measure was up 11.94% in February. For all of the U.S., year-over-year prices are up 11.97%. Also on Tuesday, the Conference Board reported that its Consumer Confidence Index beat the April estimates of 113 by coming in at 121.7. That's a big, stimulated improvement from March's 109 with the Present Situation sub-index roaring to 139.6 from 110.1. Perhaps tellingly, the Expectations component barely rose at all and only because the prior month was downwardly revised. Maybe someone out there expects those relief checks from the Treasury to someday end. Meanwhile, the Richmond Fed ended the streak of barn-burning manufacturing reports with the news that its own such measure fell short of the predicted level of 22 and remained unchanged last month at 17. Tuesday also saw the last of the week's Treasury note auctions with the sale of \$62B Seven-Year notes at a high-yield of 1.309%.

Wednesday began on a sour note when the Mortgage Bankers Association reported that Mortgage Applications fell 2.5% for the week ending April 23rd despite the Average Thirty-Year Fixed Rate falling to 3.17% from 3.2%. The 8.6% rise during the prior week had broken a downward trend that many observers thought would stay broken. The news didn't get any better when the Census Bureau followed that up with a report telling us the nation's trade deficit slipped to minus \$90.6B from minus \$87.1B. March's slippage was supposed to stop at minus \$88B. Then in a sign of the times, the Census Bureau told us that Retail Inventories fell 1.4% in March when they really weren't expected to fall at all. That's got more to do with shipments not getting shipped than anything else. Maybe that's why Wholesale Inventories rose 1.4% when they were only expected to rise by 0.5%.

On Thursday, the Bureau of Labor Statistics released its weekly totals for Jobless Claims with Initial Claims for the week ending April 24th coming in at 553k. That's a new pandemic low for that measure after the prior week's 547k was revised to 566k, but was still above the forecast of 540k. Continuing Claims for the week ending April 17th rose to 3.66M after the prior week was revised to 3.65M from 3.67M. Yesterday's other big news came from the BEA with its first estimate of Q1 GDP. The reported 6.4% came in a little shy of the 6.7% expectation. Also for the first quarter, we learned that Personal Consumption rose by 10.7% and that was slightly higher than the 10.5% pre-release estimate. Consumption's growth in the fourth quarter of 2020 was just 2.3%. The National Association of Realtors also announced yesterday that Pending Home Sales rose by a disappointing 1.9% in the face of a forecast of 4.4%. That measure plummeted 11.5% in February and has been negative for three of the last five months despite the red-hot real estate market.

This morning brought lots of numbers for investors to ponder with inflation data being chief among them. The BEA reported that its Personal Consumption Expenditures Index, the Fed's preferred inflation gauge, rose by the expected 0.5% in March pushing the year-over-year pace to the expected 2.3% from 1.5%. Without food and energy, core PCE rose 0.4% for the month, slightly higher than predicted, with the year-over-year rate rising to 1.8% from 1.4% and that matched survey estimates. We also learned that Personal Income jumped an incredible, relief-fueled 21.1% in March and that even beat the estimates calling for an incredible, relief-fueled 20.3% leap. February's plunge of 7% was unaided by stimulus checks. Personal Spending managed a 4.2% increase in March and that was pretty close to what analysts were expecting. Adjusted for inflation, Real Personal Spending's growth of 3.6% barely missed the forecast of 3.7%.

Market participants also heard from the University of Michigan today when it announced that its Index of Consumer Sentiment climbed to 88.3 this month from March's 86.5. That was also good enough to beat the estimates looking for 87.5. Unlike the Conference Board's rousing Present Situation component, the Wolverines' Current Conditions sub-index was flat at 97.2, while the Expectations survey moved up to 82.7 from 79.7. The report's One-Year Inflation Outlook fell to 3.4% from 3.7%. But nothing fell in this morning's report from Market News International with its Chicago PMI diffusion index skyrocketing to 72.1 this month from 66.3 in the face of an expected dip to 65. With outcomes like that, maybe the Fed doesn't need Trevor Lawrence after all. Have a great weekend; 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)	0.02	0.09	0.10	2yr	0.20	0.28	0.14	0.15	0.24	2Yr	0.10	0.10	0.10	-		
6mo	0.02	(0.01)	0.03	0.10	0.11	3yr	0.34	0.48	0.27	0.28	0.48	3Yr	0.27	0.28	0.20	0.27		
1yr	0.05	(0.01)	0.06	0.12	0.16	5yr	0.87	0.95	0.60	0.64	0.97	5Yr	0.88	0.88	0.87	0.81		
2yr	0.16	0.00	0.16	0.16	0.20	7yr	1.31	1.31	0.97	1.03	1.46	7Yr	1.34	1.37	1.36	1.29		
3yr	0.33	(0.00)	0.35	0.20	0.25	10yr	1.75	1.63	1.39	1.48	1.94	10Yr	1.71	1.76	1.75	1.69		
5yr	0.86	0.04	0.94	0.39	0.36	15yr	2.19	1.90	1.68	1.79	2.41	May TBA MBS						
7yr	1.32	0.07	1.42	0.64	0.54	20yr	2.63	2.00	1.96	2.09	2.76	Cpn	15Yr -Yld/AL	30Yr -Yld/AL				
10yr	1.63	0.07	1.74	0.87	0.64	25yr	3.06	2.04	2.09	2.23	2.81	2.00	1.22	4.5y	1.87			
30yr	2.30	0.07	2.41	1.66	1.29	30yr		2.05	2.23	2.37	2.85	2.50	1.02	3.2y				
												3.00	1.19	3.2y	1.53	3.5y		
												3.50	0.70	2.6y	1.08	2.8y		
												4.00			1.06	2.7y		
												4.50			0.94	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	0.09	--
1 Month LIBOR	0.11	0.00	0.11	0.15	0.37
3 Month LIBOR	0.18	(0.00)	0.20	0.21	0.69
6 Month LIBOR	0.21	(0.00)	0.20	0.24	0.80
1 Year LIBOR	0.28	0.00	0.28	0.33	0.90
6 Month CD	0.10	(0.09)	0.19	0.24	0.58
1 Year CMT	0.05	(0.01)	0.06	0.12	0.18
REPO O/N	0.01	--	0.02	0.12	0.12
REPO 1Wk	0.10	0.02	0.10	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	0.30	0.26
6mo	0.22	0.30	0.24
1yr	0.27	0.28	0.27
2yr	0.36	0.54	0.40
3yr	0.53	0.73	0.59
4yr	0.79	0.99	0.85
5yr	1.05	1.26	1.11
7yr	1.49	1.75	1.56
10yr	1.86	2.14	1.94
5yr Am	0.67		0.81
10yr Am	1.38		1.49

Fed Fund Futures	
Maturity	Rate
Apr-21	0.070
May-21	0.070
Jun-21	0.085
Jul-21	0.090
Aug-21	0.090
Sep-21	0.095
Oct-21	0.095
Nov-21	0.095
Dec-21	0.095
Jan-22	0.095
Mar-22	0.105

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
4/26	Durables Ex Transportation	Mar P	1.6%	1.6%	-0.9%	-0.3%
4/26	Cap Goods Ship Nondef Ex Air	Mar P	1.5%	1.3%	-1.1%	--
4/27	S&P CoreLogic CS 20-City YoY NSA	Feb	11.80%	11.94%	11.10%	11.12%
4/27	S&P CoreLogic CS US HPI YoY NSA	Feb	--	11.97%	11.22%	--
4/27	Conf. Board Consumer Confidence	Apr	113.0	121.7	109.7	109.0
4/27	Conf. Board Present Situation	Apr	--	139.6	140.0	110.1
4/27	Conf. Board Expectations	Apr	--	109.8	109.6	108.3
4/28	MBA Mortgage Applications	4/23	--	-2.5%	8.6%	--
4/28	FOMC Rate Decision (Lower Bound)	4/28	0.00%	0.00%	0.00%	--
4/28	FOMC Rate Decision (Upper Bound)	4/28	0.25%	0.25%	0.25%	--
4/28	Interest Rate on Excess Reserves	4/29	0.10%	0.10%	0.10%	--
4/29	Initial Jobless Claims	4/24	540k	553k	547k	566k
4/29	Continuing Claims	4/17	3590k	3660k	3674k	3651k
4/29	GDP Annualized QoQ	1Q A	6.7%	6.4%	4.3%	--
4/29	Personal Consumption	1Q A	10.5%	10.7%	2.3%	--
4/29	GDP Price Index	1Q A	2.6%	4.1%	2.0%	--
4/29	Core PCE QoQ	1Q A	2.4%	2.3%	1.3%	--
4/29	Pending Home Sales NSA YoY	Mar	27.5%	25.3%	-2.7%	-3.8%
4/30	Employment Cost Index	1Q	0.7%	0.9%	0.7%	--
4/30	Personal Income	Mar	20.3%	21.1%	-7.1%	-7.0%
4/30	Real Personal Spending	Mar	3.7%	3.6%	-1.2%	--
4/30	PCE Deflator YoY	Mar	2.3%	2.3%	1.6%	1.5%
4/30	PCE Core Deflator YoY	Mar	1.8%	1.8%	1.4%	--
4/30	MNI Chicago PMI	Apr	65.0	72.1	66.3	--
4/30	U. of Mich. Sentiment	Apr F	87.5	88.3	86.5	--
4/30	U. of Mich. Current Conditions	Apr F	97.6	97.2	97.2	--
4/30	U. of Mich. 1 Yr Inflation	Apr F	--	3.4%	3.7%	--
5/3	ISM Manufacturing	Apr	65.0	--	64.7	--
5/3	ISM Prices Paid	Apr	86.1	--	85.6	--
5/3	ISM New Orders	Apr	69.5	--	68.0	--
5/3	ISM Employment	Apr	--	--	59.6	--
5/4	Factory Orders Ex Trans	Mar	1.8%	--	-0.6%	--
5/5	ADP Employment Change	Apr	888k	--	517k	--
5/5	Markit US Composite PMI	Apr F	--	--	62.2	--
5/5	ISM Services Index	Apr	64.2	--	63.7	--
5/6	Challenger Job Cuts YoY	Apr	--	--	-86.2%	--
5/6	Nonfarm Productivity	1Q P	4.1%	--	-4.2%	--
5/6	Unit Labor Costs	1Q P	-1.0%	--	6.0%	--
5/7	Change in Nonfarm Payrolls	Apr	970k	--	916k	--
5/7	Two-Month Payroll Net Revision	Apr	--	--	156k	--
5/7	Change in Private Payrolls	Apr	888k	--	780k	--
5/7	Change in Manufact. Payrolls	Apr	70k	--	53k	--
5/7	Unemployment Rate	Apr	5.7%	--	6.0%	--
5/7	Average Hourly Earnings YoY	Apr	-0.5%	--	4.2%	--
5/7	Average Weekly Hours All Employees	Apr	34.9	--	34.9	--
5/7	Labor Force Participation Rate	Apr	61.6%	--	61.5%	--
5/7	Underemployment Rate	Apr	--	--	10.7%	--

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	13.3	16.2	16.9	19.4	18.0	16.2
FH/FN 15y	13.5	18.8	20.1	29.2	19.0	21.7
GN 15y	18.9	14.7	14.9	14.1	13.4	13.2
FH/FN 20y	10.4	13.7	17.5	19.1	19.4	18.5
FH/FN 30y	9.4	14.1	25.1	28.6	31.2	29.4
GN 30y	9.7	14.2	20.9	20.8	27.0	20.9

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	109.33	1.45	110.72	104.72	107.18
Euro	1.20	(0.01)	1.17	1.16	1.10
Dollar Index	91.00	0.14	93.23	94.04	99.02
Major Stock Indices					
Dow Jones	33,825	(219)	32,982	26,502	24,346
S&P 500	4,188.8	8.6	3,972.9	3,270.0	2,912.4
NASDAQ	14,011.4	(5)	13,246.9	10,911.6	8,889.6
Commodities					
Gold	1,771.4	(5.6)	1,713.8	1,879.9	1,694.2
Crude Oil	63.35	1.21	59.16	35.79	18.84
Natural Gas	2.94	0.21	2.61	3.35	1.95
Wheat	733.8	23.5	618.0	598.5	529.8
Corn	712.5	57.0	564.3	398.5	311.5

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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