

Baker Market Update: Week in Preview

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This week is notable not only for having a full calendar of economic data, including a new Jobs Report, but also for having a pretty heavy docket of Fed-Speakers. Dallas Fed President Robert Kaplan got a head start on this week's speaking engagements when, in a virtual address to the Montgomery Area Chamber of Commerce last Friday, he declared that it was time to start thinking about tapering asset purchases amid signs of excessive risk-taking and financial imbalances. He also thinks the Fed should have its first rate increase next year. Needless to say, this differs more than a little bit from what we heard from Jerome Powell at last week's Chairman's Press Conference. Is there dissension in the ranks? Maybe we'll learn more about that this afternoon when we will again get to hear from the Chairman at an event hosted by the National Community Reinvestment Coalition. We'll also be hearing what Chicago Fed President Charles Evans thinks about things when he gives a virtual speech to students at Bard College on Wednesday. Loretta Mester, President of the Cleveland Fed, will also be speaking on Wednesday but her audience will be the Economic Club of Boston. Why the Club couldn't get its own Fed President Eric Rosengren to address the group is a mystery. Get back Loretta.

But before Loretta even leaves, today is Purchasing Managers' Day and Markit U.S. is expected to tell us that its Manufacturing PMI got just the slightest of bumps in April to 60.7 from 60.6. After that, the Institute of Supply Management will report that its Manufacturing PMI likely rose in April to 65 from 64.7. These already lofty levels just keep getting loftier. Construction Spending for March also comes out today and analysts expect the report to show a 1.7% rise after February's dip of 0.8%. This afternoon, Wards Automotive Group is expected to report that Total Vehicle Sales were still pretty brisk in April even though surveys suggest a slight dip in last month's total to a 17.6M annualized pace from the prior month's 17.75M.

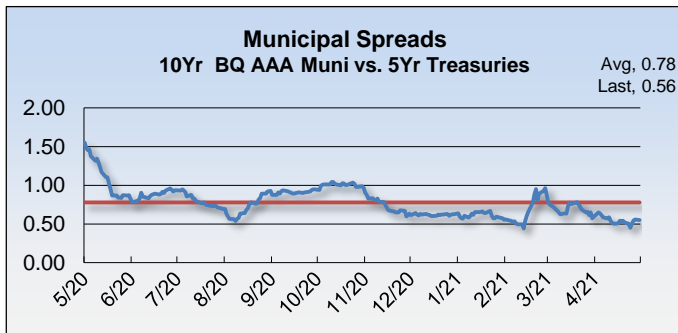
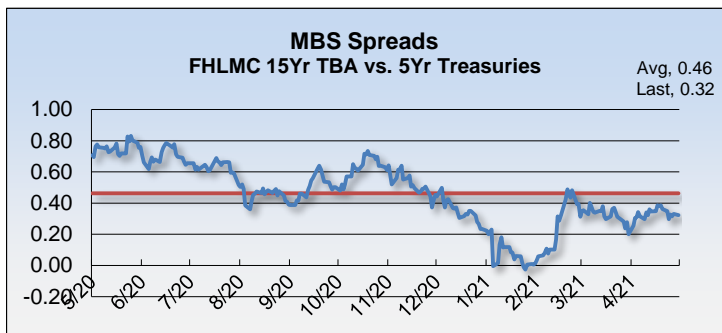
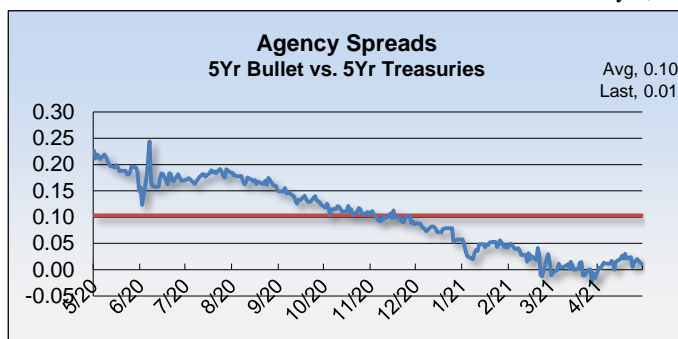
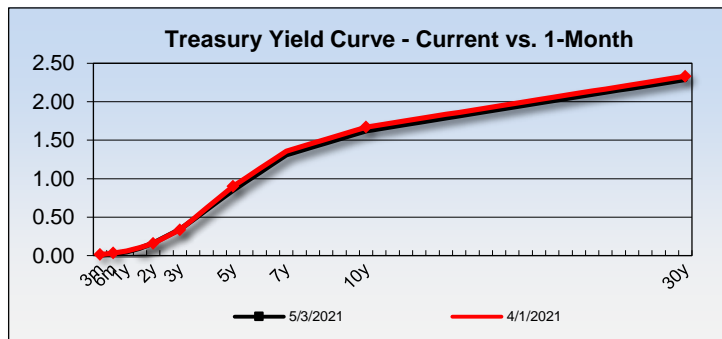
On Tuesday, the Census Bureau will start things off with a report on the Trade Balance, including Services, that should show the deficit grew in March to minus \$74.3B from minus \$71.1B. Tomorrow will also bring a report for March Factory Orders that should show a 1.3% rise and a final report for Durable Goods Orders indicating a 0.5% bump.

Wednesday morning brings a precursor to Friday's Unemployment Report when ADP is expected to announce in its Monthly Employment Change Report that private payrolls grew 875k last month. They were up 517k in March. Then more PMI news, this time for Services, when Markit U.S. will likely tell us that its Services PMI was unchanged last month at 63.1. Still pretty high, but isn't the pace of re-opening accelerating? ISM is then expected to report that its PMI for Services jumped to 64.1 from 63.7.

The Bureau of Labor Statistics will take over on Thursday when it gives its weekly report for Jobless Claims. For the week ending May 1st, Initial Claims are predicted to total 540k; the same as last week's prediction when we got 553k. Continuing Claims for the week ending April 24th should show a decline to 3.62M from 3.66M. More news from the BLS will then come our way with a report that should tell us that Non-Farm Productivity rose 4.2% in this year's first quarter after falling by the same rate in last year's fourth quarter. Rising productivity, by the way, is a natural inflation fighter. Another key metric for inflation-watchers is Unit Labor Costs. Historically, it's the rising costs of workers' compensation relative to output that foments inflation much more than rising commodity prices and the BLS is expected to report that those Unit Labor Costs fell 1% in Q1 after jumping by 6% in last year's fourth quarter.

Friday should be the week's big news day with the publication of April's Unemployment Situation and analysts think the Non-Farm Payroll gain will be 978k. That's almost a million and that would be big news. March's gain was 916k and that was pretty big news. It will also be big news if the expected drop in the Unemployment Rate to 5.7% from 6% occurs. Average Hourly Earnings are expected to be flat for the month with the year-over-year pace falling to negative 0.4% from plus 4.2% as last April's 4.6% monthly jump drops out of the twelve-month calculation. Average Weekly Hours are expected to be unchanged at 34.9 which seems a little disappointing with more re-openings and fewer restrictions. The Labor Force Participation Rate is expected to get a one-tenth per cent nudge to 61.6%. The Federal Reserve will wrap up the week's news when it announces March's change in Consumer Credit. Surveys suggest a monthly growth of \$20B after February's rise of \$27.58B.

So far this morning, long-dated Treasury prices are up slightly in early trading after having been slightly off in even earlier trading. The Ten-Year looks to be resting around 1.62% and we'll have to wait and see how much the week's data and rhetoric disturb that rest. 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	0.01	(0.01)	0.02	0.09	0.11	2yr	0.20	0.28	0.14	0.15	0.23	2Yr	0.10	0.10	0.10	-
6mo	0.02	(0.01)	0.04	0.11	0.12	3yr	0.36	0.48	0.27	0.28	0.47	3Yr	0.28	0.28	0.20	0.27
1yr	0.05	(0.01)	0.06	0.12	0.16	5yr	0.88	0.95	0.60	0.64	0.96	5Yr	0.87	0.87	0.86	0.80
2yr	0.16	(0.00)	0.19	0.17	0.19	7yr	1.31	1.31	0.97	1.03	1.45	7Yr	1.33	1.36	1.35	1.28
3yr	0.34	(0.00)	0.39	0.21	0.24	10yr	1.75	1.63	1.39	1.48	1.93	10Yr	1.70	1.75	1.75	1.68
5yr	0.85	0.02	0.98	0.40	0.35	15yr	2.19	1.89	1.68	1.79	2.40	June TBA MBS				
7yr	1.31	0.05	1.42	0.66	0.51	20yr	2.64	2.00	1.96	2.09	2.75	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	1.62	0.05	1.72	0.90	0.61	25yr	3.10	2.04	2.09	2.23	2.80	2.00	1.15	4.1y	1.82	
30yr	2.29	0.05	2.36	1.68	1.25	30yr		2.05	2.23	2.37	2.84	2.50	0.98	3.2y		
												3.00	0.89	2.7y	1.54	3.7y
												3.50	0.48	2.4y	1.35	3.4y
												4.00			1.44	3.3y
												4.50			1.59	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	--	0.01	0.09	--
1 Month LIBOR	0.11	(0.00)	0.12	0.14	0.33
3 Month LIBOR	0.18	(0.01)	0.20	0.22	0.56
6 Month LIBOR	0.20	0.00	0.21	0.24	0.76
1 Year LIBOR	0.28	0.00	0.29	0.33	0.86
6 Month CD	0.13	(0.06)	0.19	0.28	0.46
1 Year CMT	0.05	(0.02)	0.06	0.13	0.16
REPO O/N	0.02	0.01	0.04	0.12	0.05
REPO 1Wk	0.10	0.02	0.09	0.13	0.04
CoF Federal	0.845	--	0.876	1.019	1.657
11th D. CoF (Mar)	0.377	--	0.408	0.523	0.884

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	0.27	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	1.76	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
May-21	0.072
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
Feb-22	0.100
Mar-22	0.105

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
5/3	Markit US Manufacturing PMI	Apr F	60.7	--	60.6	--
5/3	Construction Spending MoM	Mar	1.7%	--	-0.8%	--
5/3	ISM Manufacturing	Apr	65.0	--	64.7	--
5/3	ISM Prices Paid	Apr	86.0	--	85.6	--
5/3	ISM New Orders	Apr	69.5	--	68.0	--
5/3	ISM Employment	Apr	--	--	59.6	--
5/4	Trade Balance	Mar	-\$74.3b	--	-\$71.1b	--
5/4	Factory Orders Ex Trans	Mar	1.8%	--	-0.6%	--
5/4	Durables Ex Transportation	Mar F	1.6%	--	1.6%	--
5/4	Cap Goods Ship Nondef Ex Air	Mar F	--	--	1.3%	--
5/5	MBA Mortgage Applications	4/30	--	--	-2.5%	--
5/5	ADP Employment Change	Apr	875k	--	517k	--
5/5	Markit US Composite PMI	Apr F	--	--	62.2	--
5/5	ISM Services Index	Apr	64.1	--	63.7	--
5/6	Challenger Job Cuts YoY	Apr	--	--	-86.2%	--
5/6	Nonfarm Productivity	1Q P	4.2%	--	-4.2%	--
5/6	Unit Labor Costs	1Q P	-1.0%	--	6.0%	--
5/6	Initial Jobless Claims	5/1	540k	--	553k	--
5/6	Continuing Claims	4/24	3620k	--	3660k	--
5/6	Langer Consumer Comfort	5/2	--	--	55	--
5/7	Change in Nonfarm Payrolls	Apr	980k	--	916k	--
5/7	Two-Month Payroll Net Revision	Apr	--	--	156k	--
5/7	Change in Private Payrolls	Apr	913k	--	780k	--
5/7	Change in Manufact. Payrolls	Apr	60k	--	53k	--
5/7	Unemployment Rate	Apr	5.7%	--	6.0%	--
5/7	Average Hourly Earnings YoY	Apr	-0.4%	--	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%	--
0/2021	Mortgage Delinquencies	1Q	--	--	6.73%	--
0/2021	MBA Mortgage Foreclosures	1Q	--	--	0.56%	--
5/11	NFIB Small Business Optimism	Apr	101.0	--	98.2	--
5/11	JOLTS Job Openings	Mar	--	--	7367k	--
5/12	CPI YoY	Apr	3.6%	--	2.6%	--
5/12	CPI Ex Food and Energy YoY	Apr	2.3%	--	1.6%	--
5/12	CPI Index NSA	Apr	--	--	264.88	--
5/12	CPI Core Index SA	Apr	--	--	271.21	--
5/12	Real Avg Weekly Earnings YoY	Apr	--	--	3.9%	--
5/12	Real Avg Hourly Earning YoY	Apr	--	--	1.5%	--
5/13	PPI Final Demand YoY	Apr	--	--	4.2%	--
5/13	PPI Ex Food and Energy YoY	Apr	--	--	3.1%	--
5/13	PPI Ex Food, Energy, Trade YoY	Apr	--	--	3.1%	--
5/14	Retail Sales Ex Auto and Gas	Apr	--	--	8.2%	--
5/14	Retail Sales Control Group	Apr	--	--	6.9%	--
5/14	Import Price Index YoY	Apr	--	--	6.9%	--
5/14	Export Price Index YoY	Apr	--	--	9.1%	--
5/14	Capacity Utilization	Apr	75.4%	--	74.4%	--

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	17.6	19.1	19.5	20.5	21.7	20.2
FH/FN 15y	15.0	19.1	23.1	27.1	24.5	21.1
GN 15y	14.6	14.8	15.0	14.2	13.4	13.2
FH/FN 20y	14.0	17.6	17.3	17.3	17.4	16.9
FH/FN 30y	11.1	15.2	24.4	25.6	27.9	25.3
GN 30y	9.9	12.9	17.3	19.1	20.3	14.0

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	109.34	1.26	110.18	104.49	106.74
Euro	1.20	(0.00)	1.18	1.17	1.09
Dollar Index	91.10	0.29	92.93	93.55	99.08
Major Stock Indices					
Dow Jones	33,875	(169)	33,153	27,480	23,724
S&P 500	4,181.2	1.0	4,019.9	3,369.2	2,830.7
NASDAQ	13,962.7	(54)	13,480.1	11,160.6	8,604.9
Commodities					
Gold	1,785.5	6.3	1,726.5	1,910.4	1,700.9
Crude Oil	63.60	1.69	61.45	37.66	19.78
Natural Gas	2.94	0.15	2.64	3.06	1.89
Wheat	748.5	9.0	611.0	608.0	521.5
Corn	757.5	77.0	559.8	401.0	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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