

Baker Market Update: Week in Review

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It's Siete de Mayo for the very festive among us, but any celebratory follow-through is likely to be muted after this morning's disappointing Jobs Report from the Bureau of Labor Statistics. Investors expecting to hear news of 1M new jobs in April were woefully disappointed with the result of only 266k. And just to make things worse, March's job growth of 916k was lowered to 770k. Other tidbits falling from today's statistical *pinata* were the loss of 111k Temporary Help positions, a decline of 74k Transportation and Warehousing jobs, and a fall of 79k jobs for Professional and Business Services. The Manufacturing sector lost 18k jobs while Leisure and Hospitality was the big winner with a re-opening driven gain of 331k.

Last month's mixture of winners and losers, along with a 0.2% rise in the Labor Force Participation Rate to 61.7%, resulted in an unforeseen bump in the Unemployment Rate to 6.1% from 6% versus expectations of a dip to 5.8%. Another unforeseen bump happened to Average Hourly Earnings with a monthly rise of 0.7% against a pre-release estimate of "no change." Year-over-year, that measure came in with a decline of 0.4% against an anticipated rise of 0.3%. This twelve-month rate was skewed by the deletion from the calculation of last April's relief-fueled 4.6% monthly jump.

Maybe this morning's unwelcome news shouldn't have been all that unexpected in a week that was filled with other unmet expectations starting with Monday's PMI reports for Manufacturing. Markit U.S. reported that its Manufacturing Index fell to 60.5 from 60.6 when it was supposed to move up to 60.7. But that was just a near-miss compared to the plummet that happened to the Institute of Supply Management's Index. That measure dropped to 60.7 from 64.7 as forecasters were looking for 65. The Employment component of that index fell to 55.1 from 59.6 in what now looks like a harbinger of today's BLS report. After also learning that Construction Spending only rose 0.2% in March against predictions of 1.6%, the boost in auto sales reported by Wards Automotive Group was the day's only bright spot. Total Vehicle Sales rose to an annualized growth of 18.51M last month from 17.75M while experts were expecting a dip to 17.6M.

Tuesday began with a report from the Census Bureau telling us that the nation's Trade Balance for all goods and services grew more deficient with a move in March to minus \$74.4B from February's minus \$70.5B. Also from the Census Bureau, we learned that Factory Orders in March recovered from February's 0.5% dip with a gain of 1.1%. That was still a little shy of estimates calling for 1.3%. Orders for Durable Goods also fared well with a March rise of 0.8% that beat the expectation of a half-percent gain. Likewise for core Capital Goods Orders. March's rise of 1.2% beat the estimates of 0.9%.

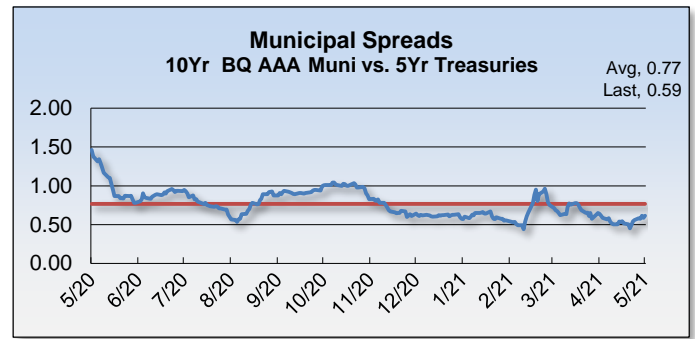
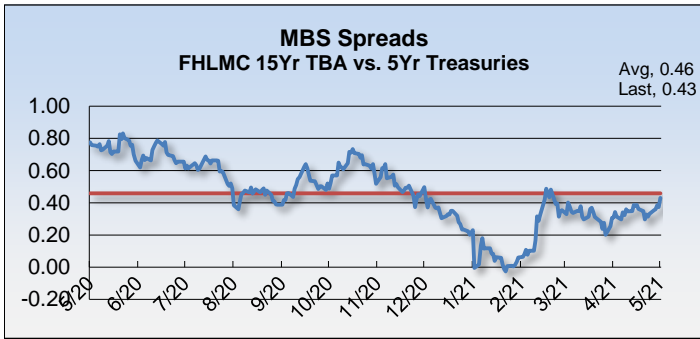
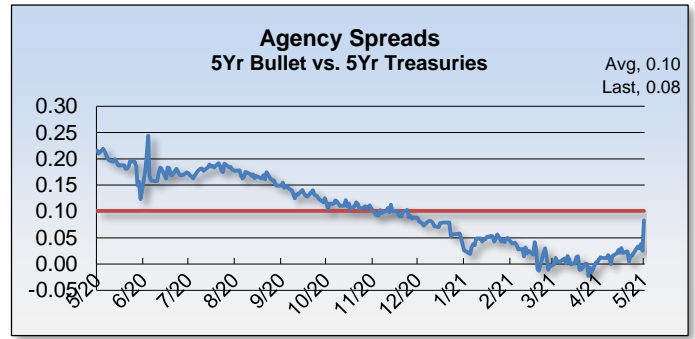
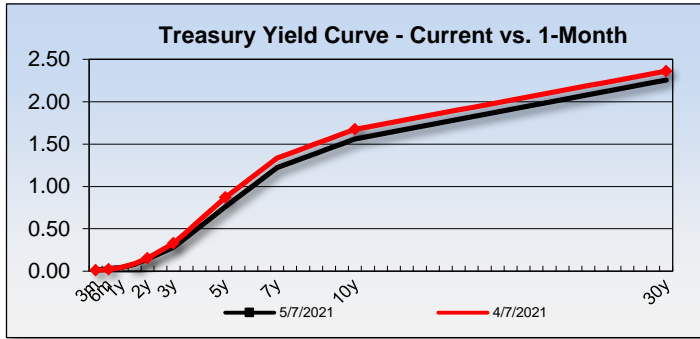
On Wednesday, the Mortgage Bankers Association began the day with the dreary news that Mortgage Applications fell another 0.9% for the week ending April 30th on the heels of a 2.5% drop the week before. In fact, this measure has been negative for *cinco* of the last *seis* weeks. The ADP Private Payroll report for April wasn't exactly negative, but it was still a disappointment. The 742k new private jobs measured in this report looks pretty good against today's BLS numbers, but it was still well below the forecasts of 850k. We also got some Service sector news and even with re-opening efforts steaming ahead, the ISM's Services Index fell to 62.7 from 63.7 and that was another big miss for those expecting 64.1. A similar measure from Markit U.S. was a bit more upbeat with its Services index rising to a survey-beating 64.7 from 63.1.

More labor market news came our way yesterday when Challenger, Gray, and Christmas reported that, in April, the year-over-year pace of Job Cuts fell 96.6%. March's year-over-year rate of decline was 86.2%. Outcomes like that may have helped Initial Jobless Claims for the week ending May 1st fall to a new pandemic low of 498k from the prior week's 553k. Continuing Claims for the week ending April 24th didn't get the memo as they rose to 3.69M from 3.65M. We also got some inflation-related news on Thursday even if it was a little dated. Investors learned from the BLS that, in the first quarter, Non-farm Productivity leaped by 5.4% soundly beating estimates calling for a 4.3% improvement. This also helped reverse 2020's Q4 decline of 3.8%. For Unit Labor Costs, another dominant variable in inflation calculations, that measure fell 0.3% in Q1 while analysts were looking for a larger drop of 1%. In Q4 of last year, that measure jumped 5.6%.

While today's Jobs Report has captured the most attention from market participants, there were a few other numbers this morning. From the Mortgage Bankers Association, we learned that Mortgage Delinquencies rose 6.38% in the first quarter after rising 6.73% in last year's Q4. Foreclosure rose 0.54% in Q1 after rising 0.56% the quarter before. We also learned from the Census Bureau that Wholesale Inventories rose 1.3% in March and that was about what was expected.

What wasn't expected by anyone was today's wild ride for Treasuries. Prices were mostly flat prior to this morning Jobs Report but then gapped up after its release. The Thirty-Year experienced an almost immediate one-point price gain that pushed that yield down to around 2.20% as the Ten-Year's yield fell to about 1.50%. Since then, it's more than given it all back with long-dated issues actually down slightly for the day as small price gains in the short-end steepen the curve.

If today's curveball from the BLS is more than you feel like fooling with, margaritas are half-price all 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	0.00	0.01	0.09	0.10	2yr	0.18	0.24	0.15	0.16	0.23	2Yr	0.08	0.08	0.08	-
6mo	0.03	0.01	0.03	0.10	0.14	3yr	0.31	0.41	0.29	0.31	0.47	3Yr	0.22	0.23	0.20	0.22
1yr	0.05	(0.00)	0.05	0.12	0.14	5yr	0.79	0.85	0.63	0.67	0.95	5Yr	0.78	0.78	0.77	0.71
2yr	0.14	(0.02)	0.15	0.15	0.14	7yr	1.22	1.20	0.98	1.04	1.37	7Yr	1.25	1.27	1.26	1.19
3yr	0.28	(0.05)	0.33	0.20	0.20	10yr	1.68	1.53	1.39	1.48	1.90	10Yr	1.63	1.69	1.68	1.61
5yr	0.76	(0.09)	0.87	0.36	0.31	15yr	2.13	1.81	1.65	1.76	2.33	June TBA MBS				
7yr	1.22	(0.09)	1.34	0.59	0.50	20yr	2.59	1.92	1.93	2.06	2.69	Cpn	15Yr -Yld/AL	30Yr -Yld/AL		
10yr	1.56	(0.07)	1.67	0.82	0.64	25yr	3.05	1.96	2.07	2.20	2.74	2.00	1.08	4.1y	1.75	
30yr	2.25	(0.05)	2.36	1.60	1.33	30yr		1.97	2.20	2.34	2.78	2.50	0.93	3.1y		
												3.00	0.86	2.7y	1.43	3.5y
												3.50	0.48	2.4y	1.38	3.3y
												4.00			1.49	3.2y
												4.50			1.63	3.4y

* 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	0.10	--
1 Month LIBOR	0.10	(0.02)	0.11	0.13	0.22
3 Month LIBOR	0.16	(0.01)	0.20	0.21	0.45
6 Month LIBOR	0.20	(0.01)	0.20	0.24	0.69
1 Year LIBOR	0.27	(0.01)	0.29	0.33	0.80
6 Month CD	0.12	0.02	0.19	0.25	0.51
1 Year CMT	0.05	--	0.06	0.12	0.16
REPO O/N	0.02	0.01	0.02	0.12	0.13
REPO 1Wk	0.09	(0.01)	0.06	0.13	0.09
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	0.31	0.25
1yr	0.25	0.26	0.27
2yr	0.32	0.51	0.38
3yr	0.47	0.69	0.54
4yr	0.73	0.97	0.81
5yr	0.93	1.18	1.01
7yr	1.40	1.67	1.47
10yr	1.78	2.06	1.84
5yr Am	0.61		0.76
10yr Am	1.30		1.40

Fed Fund Futures	
Maturity	Rate
May-21	0.063
Jun-21	0.075
Jul-21	0.080
Aug-21	0.080
Sep-21	0.085
Oct-21	0.080
Nov-21	0.080
Dec-21	0.085
Jan-22	0.085
Feb-22	0.085
Mar-22	0.085

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
5/3	Markit US Manufacturing PMI	Apr F	60.7	60.5	60.6	--
5/3	ISM Manufacturing	Apr	65.0	60.7	64.7	--
5/3	ISM Prices Paid	Apr	86.0	89.6	85.6	--
5/3	ISM New Orders	Apr	69.5	64.3	68.0	--
5/3	ISM Employment	Apr	--	55.1	59.6	--
5/4	Trade Balance	Mar	-\$74.4b	-\$74.4b	-\$71.1b	-\$70.5b
5/4	Factory Orders Ex Trans	Mar	1.8%	1.7%	-0.6%	-0.2%
5/4	Durables Ex Transportation	Mar F	1.6%	1.9%	1.6%	--
5/4	Cap Goods Orders Nondef Ex Air	Mar F	0.9%	1.2%	0.9%	--
5/4	Cap Goods Ship Nondef Ex Air	Mar F	--	1.6%	1.3%	--
5/5	MBA Mortgage Applications	4/30	--	-0.9%	-2.5%	--
5/5	ADP Employment Change	Apr	850k	742k	517k	565k
5/5	Markit US Composite PMI	Apr F	--	63.5	62.2	--
5/5	ISM Services Index	Apr	64.1	62.7	63.7	--
5/6	Challenger Job Cuts YoY	Apr	--	-96.6%	-86.2%	--
5/6	Nonfarm Productivity	1Q P	4.3%	5.4%	4.2%	-3.8%
5/6	Unit Labor Costs	1Q P	-1.0%	-0.3%	6.0%	5.6%
5/6	Initial Jobless Claims	5/1	538k	498k	553k	590k
5/6	Continuing Claims	4/24	3620k	3690k	3660k	3653k
5/6	Langer Consumer Comfort	5/2	--	54.4	55.0	--
5/7	Average Hourly Earnings MoM	Apr	0.0%	0.7%	-0.1%	--
5/7	Change in Nonfarm Payrolls	Apr	1000k	266k	916k	770k
5/7	Two-Month Payroll Net Revision	Apr	--	-78k	--	--
5/7	Change in Private Payrolls	Apr	933k	218k	780k	708k
5/7	Change in Manufact. Payrolls	Apr	54k	-18k	53k	54k
5/7	Unemployment Rate	Apr	5.8%	6.1%	6.0%	--
5/7	Average Hourly Earnings YoY	Apr	-0.4%	0.3%	4.2%	--
5/7	Average Weekly Hours All Employees	Apr	34.9	35.0	34.9	--
5/7	Labor Force Participation Rate	Apr	61.6%	61.7%	61.5%	--
5/7	Underemployment Rate	Apr	--	10.4%	10.7%	--
5/7	Mortgage Delinquencies	1Q	--	6.38%	6.73%	--
5/7	MBA Mortgage Foreclosures	1Q	--	0.54%	0.56%	--
5/7	Consumer Credit	Mar	\$20.000b	--	\$27.578b	--
5/11	NFIB Small Business Optimism	Apr	100.8	--	98.2	--
5/11	JOLTS Job Openings	Mar	7500k	--	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	265.58	--	264.88	--
5/12	CPI Core Index SA	Apr	271.89	--	271.21	--
5/12	Real Avg Weekly Earnings YoY	Apr	--	--	3.9%	--
5/12	Real Avg Hourly Earning YoY	Apr	--	--	1.5%	--
5/12	Monthly Budget Statement	Apr	--	--	-\$659.6b	--
5/13	PPI Final Demand YoY	Apr	5.8%	--	4.2%	--
5/13	PPI Ex Food and Energy YoY	Apr	3.7%	--	3.1%	--
5/13	PPI Ex Food, Energy, Trade YoY	Apr	--	--	3.1%	--
5/14	Retail Sales Ex Auto and Gas	Apr	0.7%	--	8.2%	--
5/14	Retail Sales Control Group	Apr	-0.3%	--	6.9%	--

MBS Prepayments ⁴						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	17.2	27.1	28.6	31.0	28.6	21.9
FH/FN 15y	11.6	37.5	44.4	47.9	35.1	23.3
GN 15y	25.3	19.9	21.1	19.4	21.3	19.1
FH/FN 20y	55.8	35.3	36.5	34.4	32.8	25.5
FH/FN 30y	9.4	25.5	57.1	58.8	58.5	55.3
GN 30y	9.5	21.7	45.3	50.7	52.6	30.9

CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	17.9	19.0	19.6	20.6	21.8	20.2
FH/FN 15y	15.3	19.3	23.1	27.1	24.5	21.2
GN 15y	14.7	15.0	15.2	14.2	13.6	13.2
FH/FN 20y	14.5	17.8	17.3	17.4	17.4	16.9
FH/FN 30y	11.6	15.9	24.5	25.5	27.5	24.8
GN 30y	10.0	13.0	17.9	19.6	20.7	14.0

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	108.52	(0.79)	109.85	105.38	106.28
Euro	1.21	0.01	1.19	1.18	1.08
Dollar Index	90.37	(0.91)	92.46	92.23	99.89
Major Stock Indices					
Dow Jones	34,705	831	33,446	28,323	23,876
S&P 500	4,233.0	51.8	4,080.0	3,509.4	2,881.2
NASDAQ	13,815.3	(147)	13,688.8	11,895.2	8,979.7
Commodities					
Gold	1,833.1	65.4	1,740.1	1,951.7	1,725.8
Crude Oil	64.63	1.05	59.77	37.14	23.55
Natural Gas	2.94	0.01	2.52	2.89	1.89
Wheat	760.5	18.0	616.3	602.0	529.0
Corn	755.0	15.0	560.5	406.8	316.0

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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