

Baker Market Update: Week in Preview

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



Will this week see any surprises as big as last week's disappointing Jobs Report? Well, not knowing the answer to that is kind of how surprises work. With a crowded calendar of economic data, the potential for surprises is high with the greatest attention focused on consumer inflation numbers later in the week. The Treasury's calendar of auctions is also pretty crowded with a total of \$126B threes, tens, and thirties looking for a home. Or homes.

But before any of that happens, and assuming there are no cyber-attacks between now and then, the National Federation of Independent Businesses will, on Tuesday, issue a report on its Small Business Optimism Index for April. That Index is expected to notch a rise to 100.8 from 98.2. Optimism is good and should lead to more good news from the Bureau of Labor Statistics when it is then expected to report that Job Openings rose to 7.5M in March from 7.37M the month before. Tuesday is also the day the Treasury will sell \$58B Three-Year notes.

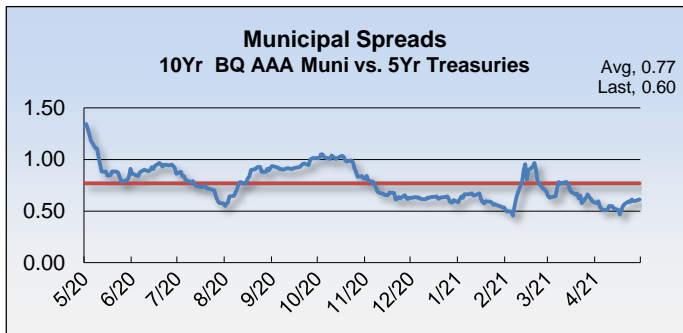
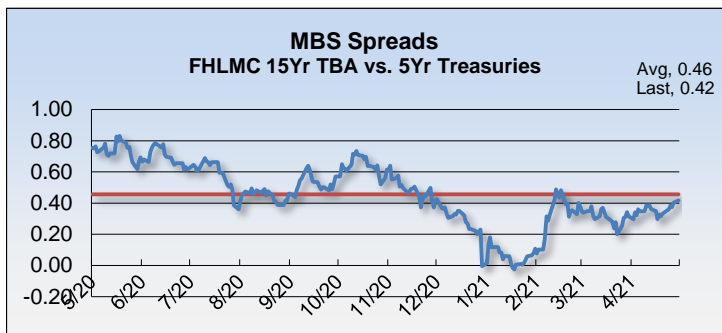
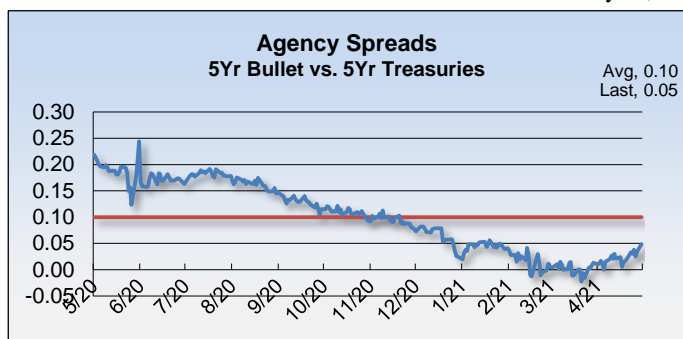
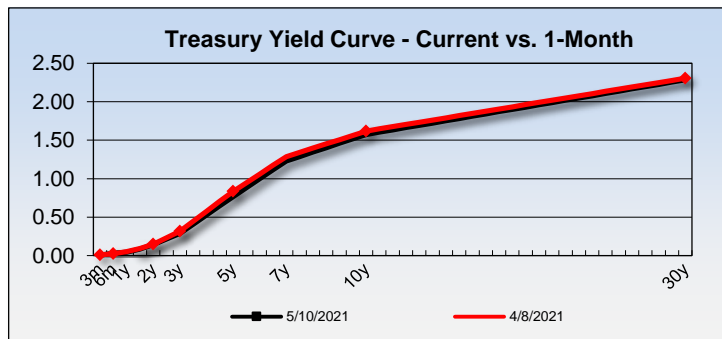
Wednesday morning brings the first chapter of the week's inflation story when the BLS is expected to report that its Consumer Price Index rose 0.2% last month and that would be less than March's rise of 0.6%. Year-over-year, headline CPI will likely show a jump to 3.6% from 2.6% as last year's lockdown data falls away. Without food and energy, core CPI is forecast to show a monthly rise of 0.3%, the same as the rise in March. Year-over-year, April's core pace will likely rise to 2.3% from 1.6% according to estimates. On Wednesday afternoon, the Treasury will put \$41B Ten-Year notes up for sale.

Thursday morning will be a busy one for the BLS starting with its weekly Jobless Claims report. For the week ending May 8th, Initial Claims are expected to once again come in below 500k with a total of 495k. Continuing Claims for the week ending May 1st should show a little more, painfully slow improvement, with a slip to 3.64M from 3.69M. Chapter two of the inflation story also gets published with the Producer Price Index report. Analysts expect headline PPI to show a 0.3% rise for April in a decelerating move from March's spike of 1%. Year-over-year, that measure is expected to show an uncomfortable rise to 5.8% from an already uncomfortable 4.2%. Skewed statistics make everyone uncomfortable. Without food and energy, core PPI is estimated to come in with an April rise of 0.4% in a slowdown from the prior month's boost of 0.7%. Year-over-year, the core rate should show a jump to 3.7% from 3.1%. On Thursday afternoon, the Treasury will complete its trifecta with the sale of \$27B Thirty-Year bonds. The Treasury market may need some performance-enhancers to get through this week's supply.

And we won't get through this week until we hear all about Retail Sales on Friday. The Census Bureau is expected to report that those Sales rose 1% last month in a big slowdown from March's 9.7% surge. The Retail Sales Control Group, without food services, gas stations, building materials, and autos, is predicted to show zero growth after leaping 6.9% in March. Where did everybody go? One might think the Census Bureau would know.

Forget the Census Bureau, it's back to the BLS for Friday's report on Import Prices. That report will likely show that those prices rose 0.6% last month for a new year-over-year rate of 10.3%. March's year-over-year pace was 6.9%. After that, the Federal Reserve is expected to report that Industrial Production rose 1% in April following March's growth of 1.4%. The same report should also show that Capacity Utilization rose to 75.1% from 74.4%. There's still a lot of slack out there, just like in labor markets, but factories don't have to compete with the government for capacity.

The University of Michigan will round out the week's news when it reports that its Index of Consumer Sentiment probably improved to 90.1 from 88.3 this month. That shouldn't surprise anyone. The day is early yet, but so far we're surprise-free as the Treasury market begins its week about where it left off the last one with the Ten-Year languishing around 1.58%. 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)	0.01	0.10	0.11	2yr	0.18	0.25	0.15	0.16	0.22	2Yr	0.09	0.09	0.09	-
6mo	0.03	(0.00)	0.03	0.10	0.14	3yr	0.32	0.41	0.29	0.31	0.45	3Yr	0.23	0.24	0.20	0.23
1yr	0.05	(0.01)	0.06	0.12	0.14	5yr	0.79	0.86	0.63	0.67	0.92	5Yr	0.79	0.79	0.78	0.72
2yr	0.14	(0.02)	0.16	0.18	0.16	7yr	1.22	1.22	0.95	1.01	1.37	7Yr	1.25	1.28	1.27	1.20
3yr	0.29	(0.03)	0.33	0.25	0.22	10yr	1.69	1.55	1.36	1.45	1.92	10Yr	1.65	1.70	1.70	1.63
5yr	0.77	(0.06)	0.86	0.45	0.33	15yr	2.16	1.83	1.62	1.73	2.35	June TBA MBS				
7yr	1.23	(0.05)	1.32	0.72	0.53	20yr	2.64	1.94	1.90	2.03	2.73	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	1.58	(0.02)	1.66	0.96	0.68	25yr	3.11	1.98	2.04	2.17	2.78	2.00	1.15	4.4y	1.80	
30yr	2.29	(0.00)	2.33	1.74	1.38	30yr		2.00	2.17	2.31	2.82	2.50	0.95	3.1y		
												3.00	1.18	3.1y	1.34	3.2y
												3.50	0.71	2.6y	1.19	2.8y
												4.00			1.19	2.7y
												4.50			1.06	2.6y

* 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	(0.01)	0.11	0.13	0.20
3 Month LIBOR	0.16	(0.02)	0.19	0.21	0.43
6 Month LIBOR	0.19	(0.01)	0.21	0.24	0.69
1 Year LIBOR	0.27	(0.01)	0.29	0.33	0.78
6 Month CD	0.15	0.02	0.20	0.20	0.48
1 Year CMT	0.05	--	0.06	0.12	0.15
REPO O/N	0.01	(0.02)	0.01	0.12	0.10
REPO 1Wk	0.09	(0.01)	0.07	0.10	0.11
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	0.27	0.27
2yr	0.32	0.52	0.38
3yr	0.47	0.69	0.54
4yr	0.73	0.96	0.81
5yr	0.93	1.17	1.01
7yr	1.40	1.68	1.47
10yr	1.78	2.08	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	0.085
Sep-21	0.080
Oct-21	0.080
Nov-21	0.080
Dec-21	0.080
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
5/11	NFIB Small Business Optimism	Apr	100.8	--	98.2	--
5/11	JOLTS Job Openings	Mar	7500k	--	7367k	--
5/12	MBA Mortgage Applications	5/7	--	--	-0.9%	--
5/12	CPI MoM	Apr	0.2%	--	0.6%	--
5/12	CPI Ex Food and Energy MoM	Apr	0.3%	--	0.3%	--
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	265.59	--	264.88	--
5/12	CPI Core Index SA	Apr	271.95	--	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	-\$100.0b	--	-\$659.6b	--
5/13	PPI Final Demand MoM	Apr	0.3%	--	1.0%	--
5/13	PPI Ex Food and Energy MoM	Apr	0.4%	--	0.7%	--
5/13	Initial Jobless Claims	5/8	490k	--	498k	--
5/13	PPI Ex Food, Energy, Trade MoM	Apr	0.3%	--	0.6%	--
5/13	Continuing Claims	5/1	3645k	--	3690k	--
5/13	PPI Final Demand YoY	Apr	5.8%	--	4.2%	--
5/13	PPI Ex Food and Energy YoY	Apr	3.8%	--	3.1%	--
5/13	PPI Ex Food, Energy, Trade YoY	Apr	4.3%	--	3.1%	--
5/13	Langer Consumer Comfort	5/9	--	--	54.4	--
5/14	Retail Sales Advance MoM	Apr	1.0%	--	9.8%	9.7%
5/14	Retail Sales Ex Auto MoM	Apr	0.8%	--	8.4%	--
5/14	Retail Sales Ex Auto and Gas	Apr	0.3%	--	8.2%	--
5/14	Retail Sales Control Group	Apr	-0.4%	--	6.9%	--
5/14	Import Price Index YoY	Apr	10.2%	--	6.9%	--
5/14	Export Price Index YoY	Apr	--	--	9.1%	--
5/14	Capacity Utilization	Apr	75.1%	--	74.4%	--
5/14	Manufacturing (SIC) Production	Apr	0.3%	--	2.7%	--
5/14	Business Inventories	Mar	0.3%	--	0.5%	--
5/14	U. of Mich. Sentiment	May P	90.0	--	88.3	--
5/14	U. of Mich. Current Conditions	May P	--	--	97.2	--
5/14	U. of Mich. Expectations	May P	--	--	82.7	--
5/14	U. of Mich. 1 Yr Inflation	May P	3.5%	--	3.4%	--
5/14	U. of Mich. 5-10 Yr Inflation	May P	--	--	2.7%	--
5/17	Empire Manufacturing	May	23.0	--	26.3	--
5/17	NAHB Housing Market Index	May	83.0	--	83.0	--
5/17	Total Net TIC Flows	Mar	--	--	\$72.6b	--
5/17	Net Long-term TIC Flows	Mar	--	--	\$4.2b	--
5/18	Building Permits	Apr	1771k	--	1766k	1759k
5/18	Housing Starts	Apr	1705k	--	1739k	--
5/20	Philadelphia Fed Business Outlook	May	41.9	--	50.2	--
5/20	Leading Index	Apr	1.3%	--	1.3%	--
5/21	Markit US Manufacturing PMI	May P	--	--	60.5	--
5/21	Markit US Services PMI	May P	--	--	64.7	--
5/21	Markit US Composite PMI	May P	--	--	63.5	--
5/21	Existing Home Sales	Apr	6.04m	--	6.01m	--

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	13.7	16.7	18.3	19.8	18.2	16.4
FH/FN 15y	13.9	19.5	20.6	29.3	19.2	21.8
GN 15y	19.2	14.9	15.0	14.2	13.5	13.2
FH/FN 20y	11.4	16.0	19.0	19.1	19.4	18.5
FH/FN 30y	9.9	15.4	28.3	29.6	31.1	29.3
GN 30y	10.0	17.1	22.9	21.1	31.8	20.9

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	108.66	(0.41)	109.38	105.30	107.66
Euro	1.22	0.01	1.19	1.18	1.08
Dollar Index	90.11	(0.84)	92.16	92.75	99.73
Major Stock Indices					
Dow Jones	34,778	903	33,801	29,421	24,331
S&P 500	4,232.6	51.4	4,128.8	3,545.5	2,929.8
NASDAQ	13,752.2	(210)	13,900.2	11,553.9	9,121.3
Commodities					
Gold	1,841.1	49.3	1,743.3	1,876.4	1,713.9
Crude Oil	65.44	0.95	59.32	41.36	24.74
Natural Gas	2.93	(0.04)	2.53	2.95	1.82
Wheat	767.5	42.0	638.8	608.5	529.5
Corn	762.0	29.8	577.3	423.0	319.0

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	

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 any

Source for the aforementioned indices, rates, descriptions, & economic indicators: Bloomberg, L.P. This report was printed as of: 05/10/2021 8:09AM