

## Baker Market Update: Week in Preview

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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.

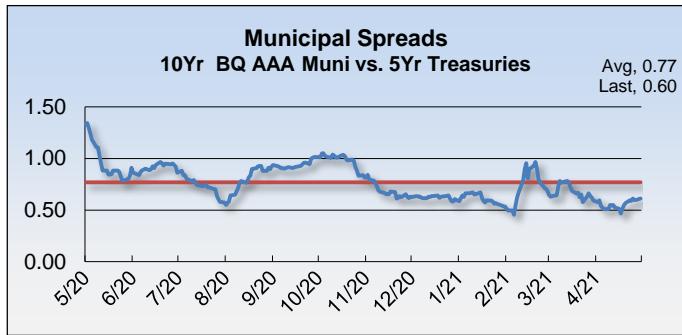
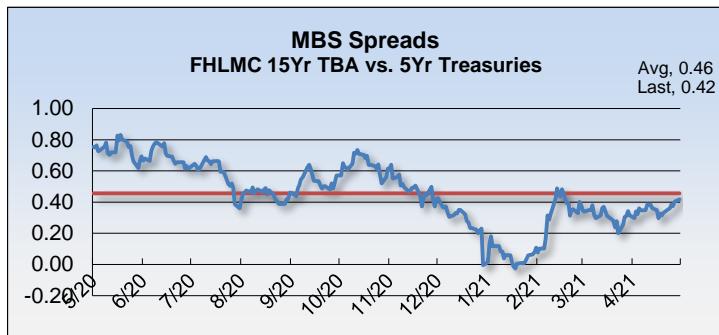
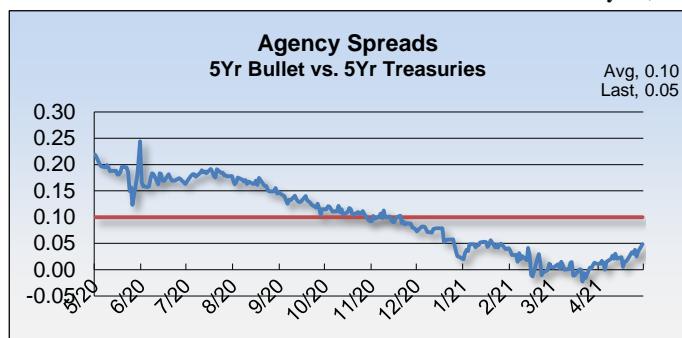
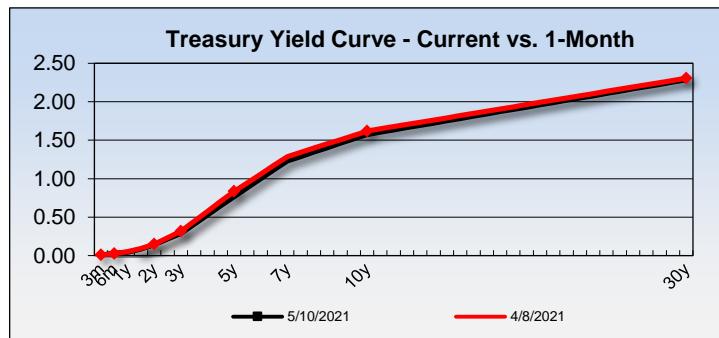
Wednesday morning brings the first chapter of the week's inflation story when the BLS is expected to report that its Consumer Price Index rose 0.2% last month and that would be less than March's rise of 0.6%. Year-over-year, headline CPI will likely show a jump to 3.6% from 2.6% as last year's lockdown 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              | 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                           | 0.01    | (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       | 2.00    | 2.17                | 2.31                | 2.82     | 2.50                | 0.95         | 3.1y         |      |      |
| * 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 <sup>4</sup> |             |      |      |      |      |      |
|------------------------------|-------------|------|------|------|------|------|
|                              | 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    |  |
| <b>Currencies</b>          |          |          |            |          |         |  |
| 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   |  |
| <b>Major Stock Indices</b> |          |          |            |          |         |  |
| 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 |  |
| <b>Commodities</b>         |          |          |            |          |         |  |
| 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           |  |  |  |  |  |  |

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