

Baker Market Update: Week in Preview

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With no headline grabbing news on jobs or inflation on this week's data menu, it's unlikely that any items on the schedule of statistics have the star power to induce very much market mayhem. Unless, of course, the minutes from the last FOMC meeting have a surprise ending. We'll find out on Wednesday.

This morning, we've already learned that the New York Fed's Empire Manufacturing Index fell less-than-expected in May to 24.3 from 26.3. Pre-release estimates suggested a greater dip to 23.9. A little later, the National Association of Home Builders is expected to tell us its Housing Market Index might have slipped to 82 this month from April's level of 83.

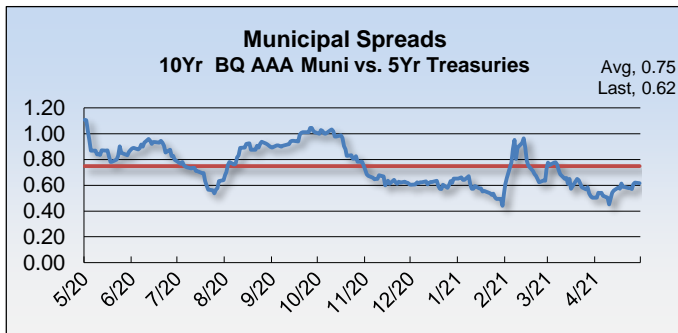
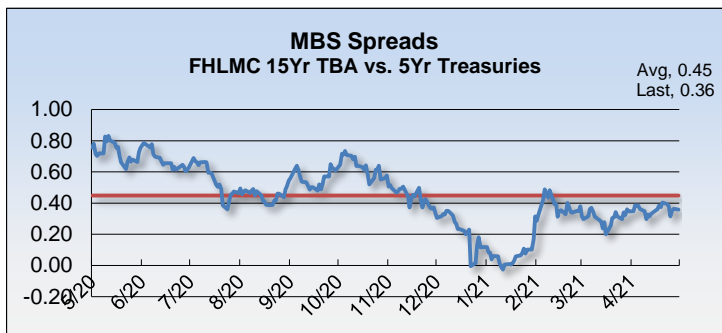
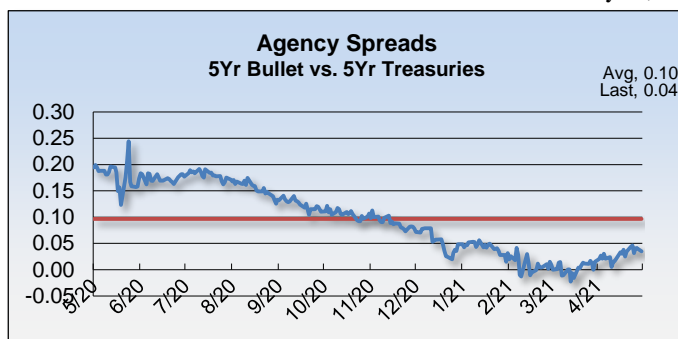
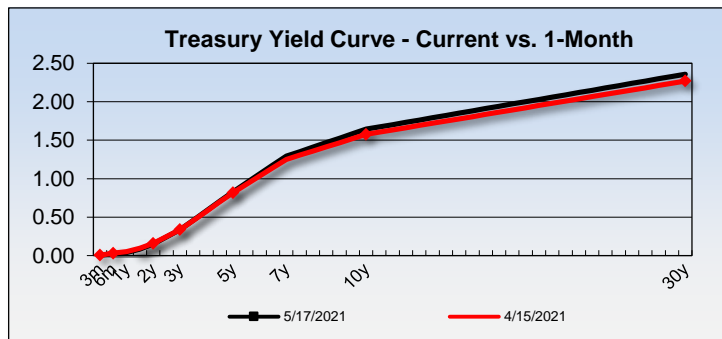
More Housing-related news will greet us tomorrow morning when the Census Bureau is expected to reveal that Building Permits slowed to a 0.6% rise in April from March's downwardly revised 2.3% monthly growth rate. Housing Starts may have slowed even more with analysts expecting the Census Bureau to report a 2% dip in April after March's 19.4% burst.

On Wednesday, the afore-mentioned minutes from the FOMC's late-April meeting will be published but unless the Fed's been hacked, those minutes won't tell us anything we don't already know. The Treasury will also be selling \$27B Twenty-Year bonds.

On Thursday, the Bureau of Labor Statistics will give us last week's total for Initial Jobless Claims and estimates suggest 455k and that would be down a bit from the prior week's 473k. Continuing Claims for the week ending May 8th should show another, small slip to 3.64M from 3.66M. The Philadelphia Fed will also be announcing the May results of its Business Outlook Survey of General Conditions Index. April's lofty level of 50.2 is expected to show a major decline to 41.5. Better news may come from the Conference Board when it is expected to tell us that its Index of Leading Economic Indicators rose another 1.3% in April following an identical boost the month before.

More manufacturing news will get Friday started when market participants will hear from Markit U.S. that its Manufacturing PMI in May slipped to 60.2 from 60.5. Markit's counterpart for Services may also come in with a perplexing decline to 64.5 from 64.7. That's still pretty high, but why would a Services PMI be showing any decline at all? Existing Home Sales for April should avoid posting a decline if estimates of a 1.1% increase are correct. The National Association of Realtors will let us know Friday morning.

So far today, markets are a little groggy with Treasury prices slipping slightly and equity futures in the red. The Ten-Year's yield of 1.63% is little changed from Friday's close. How much that changes throughout the week is anyone's guess, but whatever volatility we see is unlikely to be data-driven. 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	(0.00)	0.01	0.08	0.11	2yr	0.19	0.25	0.20	0.21	0.22	2Yr	0.09	0.09	0.09	-
6mo	0.03	(0.01)	0.04	0.09	0.14	3yr	0.34	0.45	0.35	0.37	0.47	3Yr	0.27	0.28	0.20	0.27
1yr	0.04	(0.01)	0.06	0.11	0.14	5yr	0.84	0.90	0.70	0.75	0.97	5Yr	0.84	0.84	0.83	0.77
2yr	0.15	(0.00)	0.16	0.17	0.15	7yr	1.28	1.26	1.04	1.10	1.41	7Yr	1.30	1.33	1.32	1.25
3yr	0.33	0.04	0.34	0.22	0.20	10yr	1.75	1.59	1.43	1.52	1.98	10Yr	1.70	1.76	1.75	1.69
5yr	0.83	0.04	0.83	0.38	0.31	15yr	2.21	1.87	1.69	1.80	2.41	June TBA MBS				
7yr	1.29	0.04	1.26	0.62	0.49	20yr	2.68	1.98	1.97	2.10	2.81	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	1.64	0.04	1.58	0.86	0.64	25yr	3.14	2.02	2.11	2.24	2.86	2.00	1.21	4.2y	1.87	
30yr	2.36	0.03	2.27	1.61	1.33	30yr		2.03	2.24	2.38	2.90	2.50	1.07	3.2y		
												3.00	0.96	2.8y	1.63	3.7y
												3.50	0.59	2.5y	1.64	3.4y
												4.00			1.67	3.3y
												4.50			1.80	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	0.10	(0.00)	0.12	0.14	0.18
3 Month LIBOR	0.16	(0.00)	0.18	0.22	0.39
6 Month LIBOR	0.19	(0.01)	0.22	0.25	0.67
1 Year LIBOR	0.27	(0.01)	0.29	0.34	0.76
6 Month CD	0.10	(0.05)	0.14	0.27	0.47
1 Year CMT	0.06	0.01	0.06	0.12	0.15
REPO O/N	0.01	--	0.01	0.11	0.08
REPO 1Wk	0.09	--	0.07	0.09	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	--	0.30	0.26
6mo	--	0.30	0.25
1yr	--	0.25	0.27
2yr	--	0.51	0.37
3yr	--	0.72	0.57
4yr	--	1.00	0.85
5yr	--	1.22	1.06
7yr	--	1.74	1.55
10yr	--	2.16	1.95
5yr Am	--	--	0.79
10yr Am	--	--	1.48

Fed Fund Futures		
Maturity	Rate	
May-21	0.063	
Jun-21	0.070	
Jul-21	0.075	
Aug-21	0.080	
Sep-21	0.080	
Oct-21	0.075	
Nov-21	0.075	
Dec-21	0.075	
Jan-22	0.075	
Feb-22	0.080	
Mar-22	0.085	

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
5/17	Empire Manufacturing	May	23.9	24.3	26.3	--
5/17	NAHB Housing Market Index	May	82.0	--	83.0	--
5/17	Total Net TIC Flows	Mar	--	--	\$72.6b	--
5/17	Net Long-term TIC Flows	Mar	--	--	\$4.2b	--
5/18	Housing Starts	Apr	1705k	--	1739k	--
5/18	Housing Starts MoM	Apr	-2.0%	--	19.4%	--
5/18	Building Permits	Apr	1770k	--	1766k	1759k
5/18	Building Permits MoM	Apr	0.6%	--	2.7%	2.3%
5/19	MBA Mortgage Applications	5/14	--	--	2.1%	--
5/19	FOMC Meeting Minutes	4/28	--	--	--	--
5/20	Philadelphia Fed Business Outlook	May	41.9	--	50.2	--
5/20	Initial Jobless Claims	5/15	455k	--	473k	--
5/20	Continuing Claims	5/8	3640k	--	3655k	--
5/20	Langer Consumer Comfort	5/16	--	--	54.6	--
5/20	Leading Index	Apr	1.3%	--	1.3%	--
5/21	Markit US Manufacturing PMI	May P	60.2	--	60.5	--
5/21	Markit US Services PMI	May P	64.5	--	64.7	--
5/21	Markit US Composite PMI	May P	--	--	63.5	--
5/21	Existing Home Sales	Apr	6.08m	--	6.01m	--
5/21	Existing Home Sales MoM	Apr	1.1%	--	-3.7%	--
5/24	Chicago Fed Nat Activity Index	Apr	--	--	1.71	--
5/25	FHFA House Price Index MoM	Mar	--	--	0.9%	--
5/25	House Price Purchase Index QoQ	1Q	--	--	3.8%	--
5/25	S&P CoreLogic CS 20-City MoM SA	Mar	--	--	1.17%	--
5/25	S&P CoreLogic CS 20-City YoY NSA	Mar	--	--	11.94%	--
5/25	S&P CoreLogic CS US HPI YoY NSA	Mar	--	--	11.97%	--
5/25	New Home Sales	Apr	960k	--	1021k	--
5/25	Conf. Board Consumer Confidence	May	120.0	--	121.7	--
5/25	Conf. Board Present Situation	May	--	--	139.6	--
5/25	Conf. Board Expectations	May	--	--	109.8	--
5/25	Richmond Fed Manufact. Index	May	--	--	17.0	--
5/27	Durables Ex Transportation	Apr P	0.6%	--	1.9%	--
5/27	Cap Goods Ship Nondef Ex Air	Apr P	--	--	1.6%	--
5/27	GDP Annualized QoQ	1Q S	6.4%	--	6.4%	--
5/27	Personal Consumption	1Q S	--	--	10.7%	--
5/27	GDP Price Index	1Q S	--	--	4.1%	--
5/27	Core PCE QoQ	1Q S	--	--	2.3%	--
5/27	Pending Home Sales NSA YoY	Apr	--	--	25.3%	--
5/28	Advance Goods Trade Balance	Apr	-\$91.0b	--	-\$90.6b	--
5/28	Personal Income	Apr	-15.0%	--	21.1%	--
5/28	Real Personal Spending	Apr	--	--	3.6%	--
5/28	PCE Deflator YoY	Apr	--	--	2.3%	--
5/28	PCE Core Deflator YoY	Apr	2.7%	--	1.8%	--
5/28	MNI Chicago PMI	May	69.0	--	72.1	--
5/28	U. of Mich. Sentiment	May F	--	--	82.8	--
5/28	U. of Mich. Current Conditions	May F	--	--	90.8	--
5/28	U. of Mich. 1 Yr Inflation	May F	--	--	4.6%	--

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	50.9	52.6	30.7
CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	17.4	18.8	19.4	20.3	21.6	20.1
FH/FN 15y	15.0	18.5	22.2	26.3	24.0	21.0
GN 15y	14.5	14.6	14.8	14.1	13.4	13.2
FH/FN 20y	13.6	16.7	16.7	16.9	17.1	16.7
FH/FN 30y	11.1	15.0	23.4	24.5	26.7	24.3
GN 30y	9.8	12.4	16.5	18.5	19.2	13.6

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	109.24	0.43	108.17	104.19	107.34
Euro	1.21	0.00	1.20	1.19	1.09
Dollar Index	90.34	0.13	91.56	92.42	100.40
Major Stock Indices					
Dow Jones	34,382	(396)	34,201	29,783	23,685
S&P 500	4,173.9	(58.8)	4,185.5	3,609.5	2,863.7
NASDAQ	13,430.0	(322)	14,052.3	11,899.3	9,014.6
Commodities					
Gold	1,849.9	12.3	1,779.0	1,885.1	1,756.3
Crude Oil	64.93	0.01	63.13	41.43	29.43
Natural Gas	3.05	0.12	2.68	2.69	1.65
Wheat	701.0	-41.5	652.5	595.3	500.3
Corn	649.3	-98.8	585.5	420.3	319.3

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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