

Baker Market Update: Week in Preview

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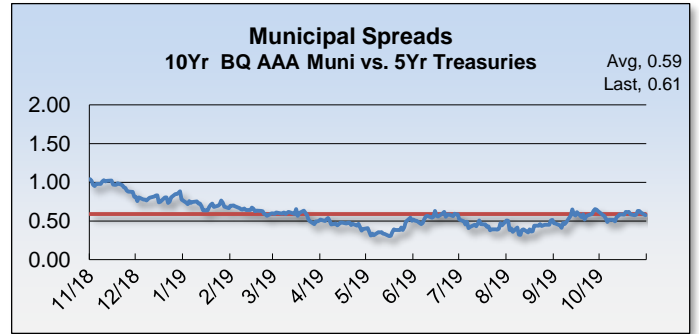
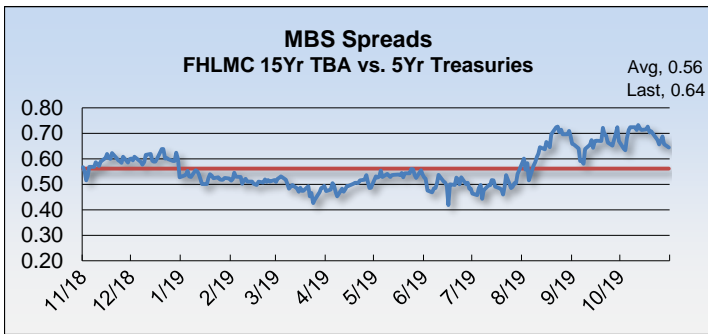
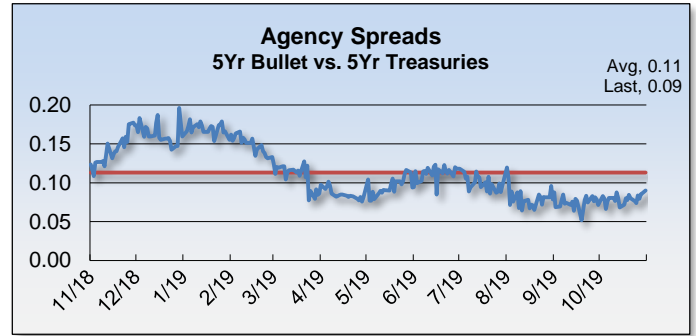
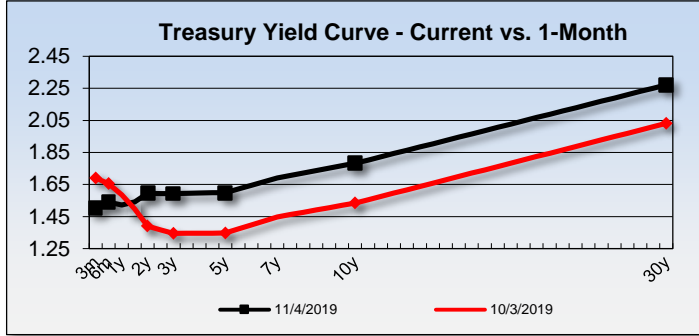


Everyone knows that tired, old lament about the capricious nature of the weather; if you don't like it, just wait ten minutes. That tired, old lament has now become a new lament that seems to be the most accurate description of the ups and downs of the ongoing trade negotiations that America is putatively conducting with China.

Today, the sun is shining and the sunny disposition of Commerce Secretary Wilbur Ross has infected global markets with his irrepressible good cheer. Stock prices are up and bond prices are down. The Ten-Year is off about half-a-point and that has pushed its yield up a handful of basis points to around 1.77%. For those who might be curious about the slope of the yield curve after last week's third rate-cut of the year, well, there's not a lot of slope. The 90-day/Ten-year inversion has evaporated as the short-end has responded to Fed Funds-related spreads. The ultra-short end is still a little bumpy, but the yield curve has regained its positive slope despite the efforts of Eric Rosengren and Esther George, the dissenting dark clouds on Jerome Powell's horizon.

Also on the horizon is a slate of economic news that, so far, has not found the sunny side of the street. A final report for September Factory Orders revealed a decline of 0.6% as Durable Goods Orders dropped 1.2%. Meanwhile, core Capital Goods (non-defense, ex-aircraft & parts) dropped 0.6%. If anyone needed a reminder about how weak business spending has become, the Census Bureau has provided that reminder. Tomorrow, our shot at some better news rests with the Institute of Supply Management Services Index which should show an improvement to 53.5 from 52.6. Over the last few weeks, we've seen similar measures for manufacturing slip below the tipping-point value of "50" that separates growth from contraction. The BLS will also provide a new survey for Job Openings and Labor Turnover and it is expected to show that the availability of new openings has risen a little bit. Always good news. We'll also learn how productive our non-farmers were in the third quarter when the BLS tell us that on Wednesday. Unfortunately, we're likely to learn that worker productivity has fallen off a bit, but not as much as the Browns' offense. The report will also contain Q3 Unit Labor Costs and the inflationary pressure that our policy makers want to see will, also unfortunately, be absent.

On Friday, the Wolverines will try to keep their recent momentum going when the University of Michigan reports that it's Consumer Sentiment Index didn't go down! This is just a preliminary report that won't be finalized until the 20th. When will the Phase 1 agreement with China be finalized? Well, no one knows for sure at the moment, but wait ten minutes and maybe we will. Or not. 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	1.51	(0.13)	1.69	2.42	2.32	2yr	1.65	1.63	1.55	1.65	10.00	2Yr	1.79	1.73	1.63	-	
6mo	1.54	(0.11)	1.64	2.45	2.50	3yr	1.63	1.59	1.55	1.65	15.00	3Yr	1.83	1.80	1.70	1.56	
1yr	1.52	(0.07)	1.59	2.40	2.68	5yr	1.66	1.57	1.62	1.73	25.00	5Yr	1.89	1.88	1.85	1.74	
2yr	1.59	(0.05)	1.41	2.33	2.91	7yr	1.78	1.61	1.79	1.91	40.00	7Yr	1.96	1.97	1.97	1.88	
3yr	1.59	(0.05)	1.36	2.30	2.95	10yr	1.98	1.69	2.09	2.22	60.00	10Yr	2.08	2.09	2.11	2.06	
5yr	1.60	(0.06)	1.35	2.32	3.03	15yr	2.22	1.80	2.38	2.53	95.00	December TBA MBS					
7yr	1.69	(0.06)	1.45	2.43	3.13	20yr	2.45	1.86	2.63	2.80	73.00	Cpn	15Yr -Yld/AL		30Yr -Yld/AL		
10yr	1.78	(0.06)	1.53	2.53	3.21	25yr	2.68	1.88	2.76	2.94	76.50		2.00	2.22	4.3y		
30yr	2.27	(0.06)	2.02	2.92	3.45	30yr		1.88	2.88	3.07	80.00		2.50	2.28	5.3y		
													3.00	2.37	4.2y	2.68	5.7y
													3.50	2.32	3.4y	2.66	3.6y
												4.00			2.60	3.0y	
												4.50			2.46	2.7y	

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	1.75	(0.25)	2.00	2.50	2.25
Primary Discount	2.25	(0.25)	2.50	3.00	2.75
2ndary Discount	2.75	(0.25)	3.00	3.50	3.25
Prime Rate	4.75	(0.25)	5.00	5.50	5.25
Sec. O.N. Finance	1.58	(0.26)	1.88	2.54	--
1 Month LIBOR	1.77	(0.03)	2.01	2.48	2.31
3 Month LIBOR	1.89	(0.04)	2.09	2.58	2.58
6 Month LIBOR	1.90	(0.03)	2.06	2.61	2.82
1 Year LIBOR	1.93	(0.03)	2.04	2.71	3.10
6 Month CD	1.90	(0.06)	1.92	2.58	2.81
1 Year CMT	1.53	(0.07)	1.73	2.39	2.67
REPO O/N	1.62	(0.12)	1.85	2.41	2.20
REPO 1Wk	1.65	(0.01)	1.93	2.45	2.24
CoF Federal	2.150	--	2.200	2.319	2.070
11th D. CoF (Sep)	1.127	--	1.155	0.958	1.018

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	1.84	1.82	1.89
6mo	1.71	1.82	1.84
1yr	1.82	1.85	1.85
2yr	1.79	1.96	1.92
3yr	1.78	1.97	1.92
4yr	1.79	1.99	1.93
5yr	1.82	2.04	1.95
7yr	1.96	2.23	2.04
10yr	2.14	2.43	2.21
5yr Am	1.82		2.02
10yr Am	2.01		2.21

Fed Fund Futures	
Maturity	Rate
Nov-19	1.580
Dec-19	1.565
Jan-20	1.535
Feb-20	1.490
Mar-20	1.475
Apr-20	1.435
May-20	1.410
Jun-20	1.395
Jul-20	1.375
Aug-20	1.350
Sep-20	1.345

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
11/4	Factory Orders	Sep	-0.5%	-0.6%	-0.1%	--
11/4	Factory Orders Ex Trans	Sep	--	-0.1%	0.0%	-0.2%
11/4	Durable Goods Orders	Sep F	-1.1%	-1.2%	-1.1%	--
11/4	Durables Ex Transportation	Sep F	-0.3%	-0.4%	-0.3%	--
11/4	Cap Goods Orders Nondef Ex Air	Sep F	--	-0.6%	-0.5%	--
11/4	Cap Goods Ship Nondef Ex Air	Sep F	--	-0.7%	-0.7%	--
11/5	Trade Balance	Sep	-\$52.4b	--	-\$54.9b	--
11/5	Markit US Services PMI	Oct F	51.0	--	51.0	--
11/5	Markit US Composite PMI	Oct F	--	--	51.2	--
11/5	JOLTS Job Openings	Sep	7063	--	7051	--
11/5	ISM Non-Manufacturing Index	Oct	53.5	--	52.6	--
11/5	Mortgage Delinquencies	3Q	--	--	4.53%	--
11/5	MBA Mortgage Foreclosures	3Q	--	--	0.9%	--
11/6	MBA Mortgage Applications	11/1	--	--	0.6%	--
11/6	Nonfarm Productivity	3Q P	0.9%	--	2.3%	--
11/6	Unit Labor Costs	3Q P	2.2%	--	2.6%	--
11/7	Initial Jobless Claims	11/2	215k	--	218k	--
11/7	Continuing Claims	10/26	1680k	--	1690k	--
11/7	Bloomberg Consumer Comfort	11/3	--	--	61	--
11/7	Consumer Credit	Sep	\$15.000b	--	\$17.901b	--
11/8	Wholesale Inventories MoM	Sep F	-0.3%	--	-0.3%	--
11/8	Wholesale Trade Sales MoM	Sep	0.2%	--	0.0%	--
11/8	U. of Mich. Sentiment	Nov P	95.5	--	95.5	--
11/8	U. of Mich. Current Conditions	Nov P	--	--	113.2	--
11/8	U. of Mich. Expectations	Nov P	--	--	84.2	--
11/8	U. of Mich. 1 Yr Inflation	Nov P	--	--	2.5%	--
11/8	U. of Mich. 5-10 Yr Inflation	Nov P	--	--	2.3%	--
11/12	NFIB Small Business Optimism	Oct	--	--	101.8	--
11/13	Real Avg Weekly Earnings YoY	Oct	--	--	0.9%	1.0%
11/13	Real Avg Hourly Earning YoY	Oct	--	--	4.2%	1.3%
11/13	CPI YoY	Oct	1.6%	--	1.7%	--
11/13	CPI Ex Food and Energy YoY	Oct	2.4%	--	2.4%	--
11/13	CPI Core Index SA	Oct	--	--	264.6	--
11/13	CPI Index NSA	Oct	257.30	--	256.76	--
11/13	Monthly Budget Statement	Oct	--	--	\$82.8b	--
11/14	PPI Final Demand YoY	Oct	--	--	1.4%	--
11/14	PPI Ex Food and Energy YoY	Oct	--	--	2.0%	--
11/14	PPI Ex Food, Energy, Trade YoY	Oct	--	--	1.7%	--
11/15	Empire Manufacturing	Nov	6	--	4	--
11/15	Import Price Index YoY	Oct	--	--	-1.6%	--
11/15	Export Price Index YoY	Oct	--	--	-1.6%	--
11/15	Retail Sales Ex Auto and Gas	Oct	--	--	0.0%	--
11/15	Retail Sales Control Group	Oct	--	--	0.0%	--
11/15	Industrial Production MoM	Oct	-0.3%	--	-0.4%	--
11/15	Manufacturing (SIC) Production	Oct	--	--	-0.5%	--
11/15	Capacity Utilization	Oct	77.1%	--	77.5%	--
11/15	Business Inventories	Sep	0.1%	--	0.0%	--

MBS Prepayments ⁴						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	14.8	15.9	17.2	19.5	22.4	22.0
FH/FN 15y	9.3	9.8	28.8	38.8	15.1	16.4
GN 15y	10.6	13.8	14.0	13.4	13.4	13.5
FH/FN 20y	--	9.6	12.2	14.6	19.2	15.5
FH/FN 30y	5.2	5.3	9.8	46.5	53.0	51.7
GN 30y	9.4	12.5	17.0	22.6	17.0	17.4
CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	14.6	13.5	14.1	22.7	15.4	15.3
FH/FN 15y	9.6	8.1	12.1	18.3	13.9	21.3
GN 15y	8.1	10.9	16.2	15.0	13.5	13.4
FH/FN 20y	0.2	8.0	11.0	17.3	19.7	17.8
FH/FN 30y	6.1	7.1	13.8	22.2	25.8	27.1
GN 30y	10.3	9.9	13.3	17.2	28.8	24.6

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	108.45	(0.50)	106.94	110.76	113.19
Euro	1.12	0.01	1.10	1.12	1.14
Dollar Index	97.37	(0.40)	98.81	97.52	96.54
Major Stock Indices					
Dow Jones	27,471	380	26,574	26,505	25,271
S&P 500	3,078.6	39.2	2,952.0	2,945.6	2,723.1
NASDAQ	8,431.7	106	7,982.5	8,164.0	7,357.0
Commodities					
Gold	1,513.5	23.5	1,506.2	1,281.3	1,233.3
Crude Oil	57.09	1.28	52.81	61.94	63.14
Natural Gas	2.81	0.36	2.35	2.57	3.28
Wheat	513.5	1.8	490.5	428.0	508.8
Corn	386.3	2.3	384.8	363.0	371.3

Notes	
1	Call Agy = Maturity at left w/ a 1-Year Call at Par
2	Muni TEY (21% Fed, 0.5% CoF)
3	S-Corp TEY Muni (29.6%, no TEFERA)
4	MBS Prepayments are provided by Bloomberg

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