

## Baker Market Update: Week in Preview

Lester Murray  
Associate Partner  
Financial Strategies Group  
[lester@gobaker.com](mailto:lester@gobaker.com)  
800.937.2257

The Baker Group  
[GoBaker.com](http://GoBaker.com)  
1601 NW Expressway  
20th Floor  
Oklahoma City, OK  
800.937.2257

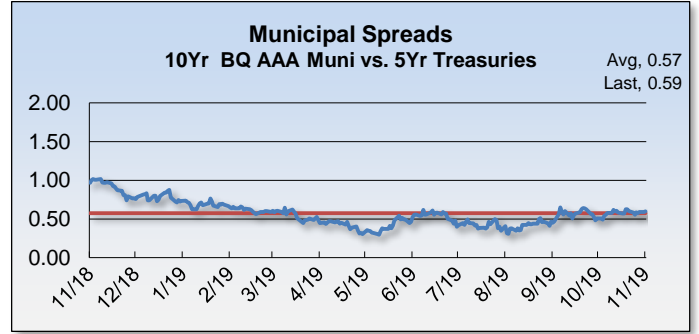
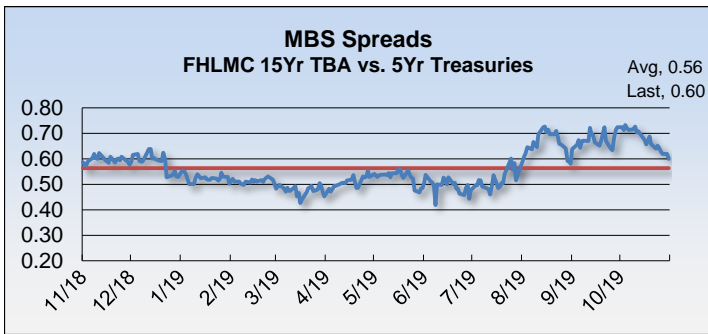
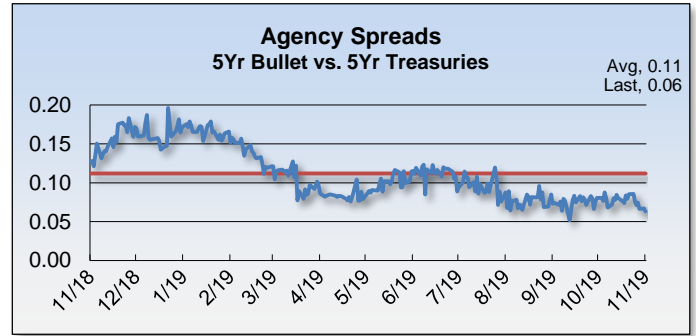
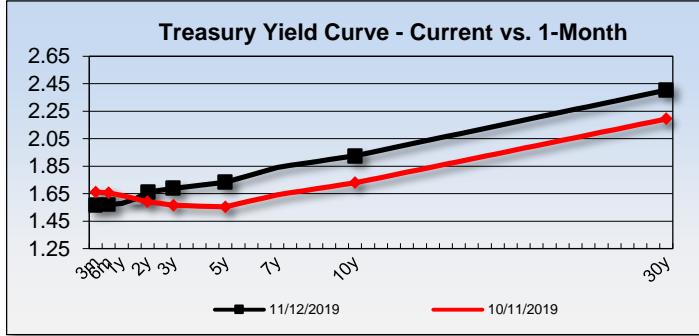


With many banks and businesses closed yesterday in observance of Veterans Day, that's one way to avoid the Monday morning blues. Today, the National Federation of Independent Businesses has already told us that moods are buoyant with a report that its Small Business Optimism Index got a boost last month to 102.4 from 101.8. That was unexpected, but welcome nonetheless.

Our policy-makers, at least the ones that make monetary policy, would welcome some inflation and we'll see tomorrow if any is showing up in the Consumer Price Index. Its core rate is expected to get a boost of 0.2% for the month and that should leave the year-over-year core rate at an unchanged 2.4%. Readers may recall that the last reading for the core Personal Consumption Expenditures Index was only 1.66% and that's the price metric that gets the most attention from Jerome 'n them. Inflation adjusted measures for Real Average Weekly & Hourly Earnings will also be reported by the BLS tomorrow, but one wonders why. For those who can add and subtract, that could all be gleaned from this month's Jobs Report. Maybe that's why there are no published survey estimates.

But, there are survey estimates for wholesale inflation and it is expected that the core Producer Price Index will show a rise of 0.2% last month. If it does, that will bring the year-over-year rate down to 1.5% from 2% and that spells disinflation with a capital "D"! "Downturn" also starts with a capital "D", and to describe the manufacturing sector as currently experiencing one of those is an understatement. We're expected to hear from the New York Fed on Friday that its Empire Manufacturing Index actually improved from last month's value of 4 to a shiny, new level of 6. We'll see how that looks when compared to the Fed's U.S. Industrial Production Manufacturing Index. It will also be published on Friday and it is expected to sink deeper into negative territory. Retail Sales also comes out on the 15<sup>th</sup>, and this may be the most significant data of the week. An overall increase of 0.2% is expected on the heels of last month's surprise drop of 0.3%. The signs of slowing growth are flashing brighter and brighter and the propensity of consumers to consume will be what drives this train or derails it.

There may be those who don't see this as self-evident, but maybe they will see things differently when, also on Friday, the Federal Reserve reports that Capacity Utilization plunged to 77% from 77.5% and Industrial Production fell another 0.4%. There will, no doubt, be reports on trade issue progress or regress, but while we're waiting for the rumor mill to get going, the BLS, come week's end, will likely report that Import Prices fell by 0.2% last month with Export Prices coming in 0.1% lower. Not bad news for consumers, but more disinflation is not what our policy-makers want. And also according to the BLS, four-day work weeks are also disinflationary. Enjoy yours anyway; just 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 <sup>2</sup>	S-Corp <sup>3</sup>		Mty	3Mo	6mo	1Yr	2Yr			
3mo	1.57	0.02	1.67	2.42	2.35	2yr	1.72	1.71	1.58	1.68	1.77	2Yr	1.77	1.74	1.66	-			
6mo	1.57	(0.00)	1.67	2.44	2.52	3yr	1.75	1.70	1.60	1.70	1.84	3Yr	1.82	1.81	1.70	1.66			
1yr	1.58	(0.02)	1.65	2.36	2.73	5yr	1.80	1.72	1.69	1.80	1.98	5Yr	1.92	1.93	1.91	1.81			
2yr	1.66	0.03	1.60	2.27	2.93	7yr	1.95	1.76	1.89	2.01	2.25	7Yr	2.03	2.05	2.06	1.96			
3yr	1.69	0.05	1.57	2.23	2.96	10yr	2.19	1.85	2.24	2.38	2.53	10Yr	2.18	2.20	2.21	2.15			
5yr	1.73	0.07	1.55	2.26	3.04	15yr	2.41	1.95	2.59	2.76	2.88	December TBA MBS							
7yr	1.84	0.07	1.64	2.36	3.11	20yr	2.63	2.01	2.86	3.04	3.15	Cpn	15Yr -Yld/AL		30Yr -Yld/AL				
10yr	1.93	0.07	1.73	2.47	3.18	25yr	2.87	2.03	2.98	3.17	3.19		2.00	2.28	5.5y	2.82	6.2y		
30yr	2.40	0.06	2.20	2.89	3.39	30yr	2.87	2.03	3.11	3.31	3.22		2.50	2.37	5.3y			2.75	3.8y
													3.00	2.49	4.5y			2.68	3.2y
													3.50	2.38	3.4y			2.46	2.8y
												4.00							
												4.50							

\* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	1.75	--	2.00	2.50	2.25
Primary Discount	2.25	--	2.50	3.00	2.75
2ndary Discount	2.75	--	3.00	3.50	3.25
Prime Rate	4.75	--	5.00	5.50	5.25
Sec. O.N. Finance	1.56	(0.02)	1.85	2.43	--
1 Month LIBOR	1.76	(0.02)	1.94	2.45	2.32
3 Month LIBOR	1.90	0.01	2.01	2.55	2.61
6 Month LIBOR	1.92	0.02	1.96	2.58	2.86
1 Year LIBOR	2.00	0.07	1.89	2.71	3.14
6 Month CD	1.94	0.09	1.88	2.56	2.86
1 Year CMT	1.58	0.05	1.62	2.37	2.74
REPO O/N	1.62	0.10	1.87	2.42	2.25
REPO 1Wk	1.58	--	1.83	2.43	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	1.85
6mo	1.74	1.84	1.86
1yr	1.85	1.87	1.89
2yr	1.86	2.04	2.01
3yr	1.88	2.07	2.03
4yr	1.92	2.13	2.08
5yr	1.96	2.18	2.10
7yr	2.14	2.39	2.22
10yr	2.30	2.58	2.39
5yr Am	1.93		2.15
10yr Am	2.16		2.38

Fed Fund Futures	
Maturity	Rate
Nov-19	1.565
Dec-19	1.560
Jan-20	1.540
Feb-20	1.515
Mar-20	1.500
Apr-20	1.475
May-20	1.460
Jun-20	1.450
Jul-20	1.435
Aug-20	1.420
Sep-20	1.415

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
11/12	NFIB Small Business Optimism	Oct	102.0	102.4	101.8	--
11/13	MBA Mortgage Applications	11/8	--	--	-0.1%	--
11/13	CPI MoM	Oct	0.3%	--	0.0%	--
11/13	CPI Ex Food and Energy MoM	Oct	0.2%	--	0.1%	--
11/13	CPI YoY	Oct	1.7%	--	1.7%	--
11/13	CPI Ex Food and Energy YoY	Oct	2.4%	--	2.4%	--
11/13	CPI Core Index SA	Oct	265.1	--	264.6	--
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	Monthly Budget Statement	Oct	-\$129.1b	--	\$82.8b	--
11/13	Mortgage Delinquencies	3Q	--	--	4.5%	--
11/13	MBA Mortgage Foreclosures	3Q	--	--	0.90%	--
11/14	PPI Final Demand MoM	Oct	0.3%	--	-0.3%	--
11/14	PPI Ex Food and Energy MoM	Oct	0.2%	--	-0.3%	--
11/14	PPI Ex Food, Energy, Trade MoM	Oct	0.2%	--	0.0%	--
11/14	PPI Final Demand YoY	Oct	0.9%	--	1.4%	--
11/14	PPI Ex Food and Energy YoY	Oct	1.5%	--	2.0%	--
11/14	PPI Ex Food, Energy, Trade YoY	Oct	--	--	1.7%	--
11/14	Initial Jobless Claims	11/9	215k	--	211k	--
11/14	Continuing Claims	11/2	1685k	--	1689k	--
11/14	Bloomberg Consumer Comfort	11/10	--	--	59.1	--
11/14	8W High Yield Rate	11/14	--	--	1.5%	--
11/14	8W Bid/Cover Ratio	11/14	--	--	2.81	--
11/14	8W Direct Accepted %	11/14	--	--	2.8%	--
11/14	8W Indirect Accepted %	11/14	--	--	43.2%	--
11/14	U.S. to Sell 4-Week Bills					
11/14	U.S. to Sell 8-Week Bills					
11/15	Empire Manufacturing	Nov	6.0	--	4.0	--
11/15	Import Price Index MoM	Oct	-0.2%	--	0.2%	--
11/15	Import Price Index ex Petroleum MoM	Oct	-0.1%	--	-0.1%	--
11/15	Import Price Index YoY	Oct	-2.3%	--	-1.6%	--
11/15	Export Price Index MoM	Oct	-0.1%	--	-0.2%	--
11/15	Export Price Index YoY	Oct	--	--	-1.6%	--
11/15	Retail Sales Advance MoM	Oct	0.2%	--	-0.3%	--
11/15	Retail Sales Ex Auto MoM	Oct	0.4%	--	-0.1%	--
11/15	Retail Sales Ex Auto and Gas	Oct	0.3%	--	0.0%	--
11/15	Retail Sales Control Group	Oct	0.3%	--	0.0%	--
11/15	Industrial Production MoM	Oct	-0.4%	--	-0.4%	--
11/15	Manufacturing (SIC) Production	Oct	-0.7%	--	-0.5%	--
11/15	Capacity Utilization	Oct	77.0%	--	77.5%	--
11/15	Business Inventories	Sep	0.1%	--	0.0%	--
11/18	U.S. to Sell 13-Week Bills					
11/18	U.S. to Sell 26-Week Bills					
11/18	Net Long-term TIC Flows	Sep	--	--	-\$41.1b	--
11/18	Total Net TIC Flows	Sep	--	--	\$70.5b	--
11/19	Building Permits MoM	Oct	-0.1%	--	-2.7%	-2.4%
11/19	Building Permits	Oct	1390k	--	1387k	1391k

MBS Prepayments <sup>4</sup>						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	15.5	16.1	17.7	20.4	23.2	22.7
FH/FN 15y	6.2	11.3	28.9	39.5	15.3	16.3
GN 15y	12.3	14.0	14.0	13.7	13.4	13.8
FH/FN 20y		9.6	13.0	16.3	21.0	16.6
FH/FN 30y	8.3	5.3	14.9	48.8	54.9	53.2
GN 30y	10.7	12.7	17.7	21.2	18.1	17.9
CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	14.9	13.4	13.8	22.5	14.7	14.9
FH/FN 15y	8.5	8.2	11.5	17.7	13.7	21.3
GN 15y	9.7	10.8	15.6	14.7	13.4	13.2
FH/FN 20y	0.2	7.9	10.6	16.9	19.4	17.8
FH/FN 30y	5.9	6.7	13.2	21.7	24.8	26.9
GN 30y	11.4	9.7	12.6	16.9	27.8	24.6

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
<b>Currencies</b>					
Japanese Yen	109.21	0.05	108.40	109.30	113.84
Euro	1.10	(0.01)	1.10	1.12	1.12
Dollar Index	98.40	0.41	98.30	97.33	97.54
<b>Major Stock Indices</b>					
Dow Jones	27,760	268	26,817	25,942	25,387
S&P 500	3,100.2	25.6	2,970.3	2,881.4	2,726.2
NASDAQ	8,508.6	74	8,057.0	7,916.9	7,200.9
<b>Commodities</b>					
Gold	1,451.3	(32.4)	1,482.7	1,287.4	1,203.5
Crude Oil	57.45	0.22	54.70	61.66	59.93
Natural Gas	2.64	(0.22)	2.21	2.62	3.79
Wheat	509.0	-6.3	508.0	419.0	519.8
Corn	374.8	-7.0	397.8	342.5	371.3

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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