

Baker Market Update: Week in Preview

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When Larry Kudlow made his comments last week about trade negotiations with China coming down to the “short strokes”, investors took that to mean that a deal favorable to U.S. interests was imminent. The unplayed strokes that remain have apparently lengthened over the weekend as fresh headlines decrying renewed doubts are in the process of undoing at least some of last week’s doings.

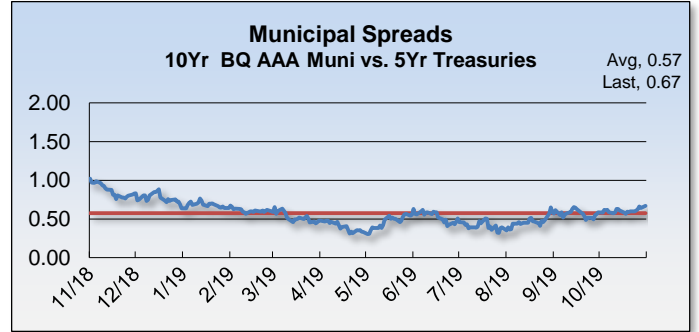
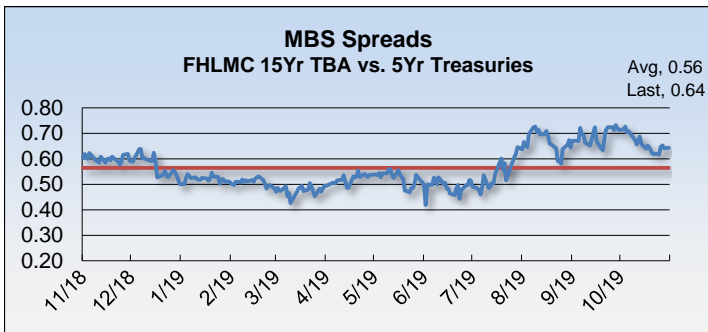
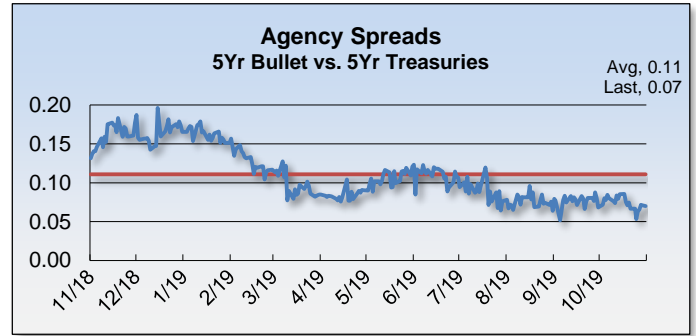
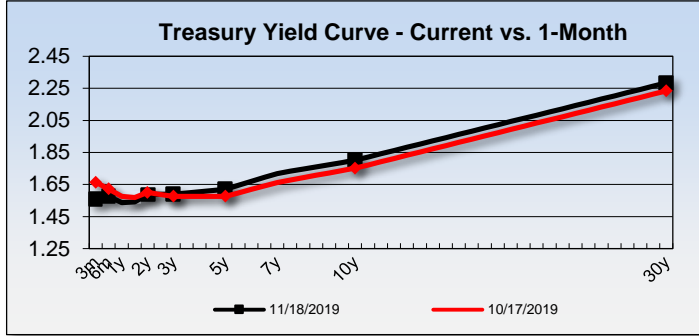
This week’s data doings have already begun with this morning’s announcement by the National Association of Home Builders that its Housing Market Index edged down to 70 from 71. That particular gauge of vitality began the year at just 56 and has enjoyed a steady, upward trajectory, but this is the first down-tick in five months. More housing news arrives tomorrow with October’s Housing Starts expected to notch about a 5% increase while Building Permits may show about a half-per-cent drop.

We’ll find out on Wednesday what hints may have been dropped at the last FOMC meeting when the minutes of that get-together are released. Hints about replacing the delayed publication of the Committee’s deliberations with live-streaming video have not been confirmed.

On Thursday, the succinctly titled Philadelphia Fed Business Outlook Survey Diffusion Index of General Conditions (PFBOSDIGC) will likely tell us that it’s *not* very sunny in Philadelphia even though this measure of perceived economic energy will show a slight improvement to 6 from 5.6. For a little context, this measure had a value of 22 at the end of July. If that report provides insufficient discouragement, more might be found when, also on Thursday, the Conference Board announces that its Index of Leading Economic Indicators fell further into negative territory with an October decline of 0.2%. Existing Home Sales for October will be announced at the same time, and should show that those sales number rose by about 110k.

On Friday, the Wolverines are back! The University of Michigan will issue its final November report for Consumer Sentiment and pre-release estimates hint at a slight improvement to 95.7 from October’s 95.5. One might have thought that U of M’s big win over Sparty on Saturday might have garnered some greater goodwill. Tough crowd! Later that day, the crowd at the Kansas City Fed is expected to report that its Manufacturing Index is still negative, but slightly less so; October’s negative 3 should improve to negative 2.

Today’s improvement in bond prices has pushed the Ten-Year’s yield below 1.80% with yields slightly lower all along the curve. In the meantime, the Peoples’ Bank o’ China has lowered key lending rates and announced a \$26B injection aimed at stimulating that huge but struggling economy. Which juggernaut will blink first? Mr. Kudlow may not have as much stroke as he thinks he does. 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	1.56	0.01	1.67	2.38	2.35	2yr	1.63	1.60	1.55	1.65	1.73	2Yr	1.71	1.67	1.58	-	
6mo	1.58	0.00	1.62	2.41	2.50	3yr	1.64	1.57	1.57	1.67	1.79	3Yr	1.75	1.73	1.60	1.56	
1yr	1.54	(0.04)	1.57	2.33	2.66	5yr	1.69	1.57	1.67	1.77	1.92	5Yr	1.83	1.84	1.81	1.70	
2yr	1.59	(0.09)	1.58	2.20	2.80	7yr	1.81	1.61	1.83	1.95	2.18	7Yr	1.93	1.96	1.95	1.84	
3yr	1.59	(0.11)	1.56	2.15	2.83	10yr	2.04	1.70	2.17	2.31	2.45	10Yr	2.04	2.08	2.09	2.02	
5yr	1.62	(0.13)	1.57	2.17	2.88	15yr	2.27	1.80	2.51	2.67	2.80	December TBA MBS					
7yr	1.72	(0.14)	1.66	2.27	2.97	20yr	2.49	1.86	2.76	2.94	3.04	Cpn	15Yr -Yld/AL		30Yr -Yld/AL		
10yr	1.80	(0.14)	1.76	2.39	3.06	25yr	2.71	1.88	2.88	3.07	3.09		2.00	2.21	5.5y		
30yr	2.28	(0.14)	2.25	2.83	3.32	30yr		1.88	3.01	3.20	3.13		2.50	2.29	5.3y		
													3.00	2.41	4.5y	2.70	6.1y
													3.50	2.31	3.4y	2.61	3.6y
												4.00			2.59	3.1y	
												4.50			2.41	2.8y	

* 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	1.59	0.03	2.00	2.48	--
1 Month LIBOR	1.73	(0.03)	1.89	2.43	2.30
3 Month LIBOR	1.90	0.00	2.00	2.53	2.64
6 Month LIBOR	1.92	(0.00)	1.98	2.55	2.86
1 Year LIBOR	1.96	(0.04)	1.97	2.63	3.12
6 Month CD	1.90	(0.03)	1.88	2.52	2.86
1 Year CMT	1.54	(0.04)	1.65	2.30	2.70
REPO O/N	1.63	0.11	1.90	2.39	2.27
REPO 1Wk	1.60	0.03	1.88	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	1.82	1.83	1.86
6mo	1.74	1.83	1.87
1yr	1.83	1.85	1.89
2yr	1.79	1.97	1.93
3yr	1.79	1.98	1.93
4yr	1.82	2.02	1.97
5yr	1.86	2.08	2.00
7yr	2.01	2.27	2.10
10yr	2.19	2.47	2.28
5yr Am	1.84		2.05
10yr Am	2.06		2.27

Fed Fund Futures	
Maturity	Rate
Nov-19	1.555
Dec-19	1.560
Jan-20	1.540
Feb-20	1.505
Mar-20	1.485
Apr-20	1.455
May-20	1.425
Jun-20	1.400
Jul-20	1.375
Aug-20	1.350
Sep-20	1.330

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
11/18	NAHB Housing Market Index	Nov	71	70	71	--
11/18	Net Long-term TIC Flows	Sep	--	--	-\$41.1b	--
11/18	Total Net TIC Flows	Sep	--	--	\$70.5b	--
11/19	Housing Starts	Oct	1320k	--	1256k	--
11/19	Building Permits	Oct	1385k	--	1387k	1391k
11/20	MBA Mortgage Applications	11/15	--	--	9.6%	--
11/21	Philadelphia Fed Business Outlook	Nov	6.0	--	5.6	--
11/21	Initial Jobless Claims	11/16	218k	--	225k	--
11/21	Continuing Claims	11/9	1683k	--	1683k	--
11/21	Bloomberg Consumer Comfort	11/17	--	--	58	--
11/21	Bloomberg Economic Expectations	Nov	--	--	49	--
11/21	Leading Index	Oct	-0.2%	--	-0.1%	--
11/21	Existing Home Sales	Oct	5.49m	--	5.38m	--
11/22	Markit US Services PMI	Nov P	51.1	--	50.6	51.0
11/22	Markit US Manufacturing PMI	Nov P	51.4	--	51.3	--
11/22	Markit US Composite PMI	Nov P	--	--	50.9	--
11/22	U. of Mich. Sentiment	Nov F	95.7	--	95.7	--
11/22	U. of Mich. Current Conditions	Nov F	111.2	--	110.9	--
11/22	U. of Mich. 1 Yr Inflation	Nov F	--	--	2.5%	--
11/25	Chicago Fed Nat Activity Index	Oct	--	--	-45%	--
11/26	Retail Inventories MoM	Oct	--	--	0.3%	0.2%
11/26	Advance Goods Trade Balance	Oct	-\$71.0b	--	-\$70.4b	--
11/26	Wholesale Inventories MoM	Oct P	--	--	-0.4%	--
11/26	House Price Purchase Index QoQ	3Q	--	--	1.0%	--
11/26	FHFA House Price Index MoM	Sep	--	--	0.2%	--
11/26	S&P CoreLogic CS 20-City YoY NSA	Sep	--	--	2.03%	--
11/26	S&P CoreLogic CS US HPI YoY NSA	Sep	--	--	3.17%	--
11/26	Richmond Fed Manufact. Index	Nov	--	--	8	--
11/26	New Home Sales	Oct	705k	--	701k	--
11/26	Conf. Board Consumer Confidence	Nov	126.1	--	125.9	--
11/26	New Home Sales MoM	Oct	0.5%	--	-0.7%	--
11/26	Conf. Board Present Situation	Nov	--	--	172.3	--
11/26	Conf. Board Expectations	Nov	--	--	94.9	--
11/27	GDP Annualized QoQ	3Q S	1.9%	--	1.9%	--
11/27	Personal Consumption	3Q S	--	--	2.9%	--
11/27	GDP Price Index	3Q S	1.7%	--	1.7%	--
11/27	Core PCE QoQ	3Q S	--	--	2.2%	--
11/27	Durables Ex Transportation	Oct P	0.3%	--	-0.4%	--
11/27	Cap Goods Orders Nondef Ex Air	Oct P	--	--	-0.6%	--
11/27	Cap Goods Ship Nondef Ex Air	Oct P	--	--	-0.7%	--
11/27	MNI Chicago PMI	Nov	47.1	--	43.2	--
11/27	Personal Income	Oct	0.3%	--	0.3%	--
11/27	Personal Spending	Oct	0.3%	--	0.2%	--
11/27	Real Personal Spending	Oct	--	--	0.2%	--
11/27	PCE Deflator YoY	Oct	--	--	1.3%	--
11/27	PCE Core Deflator YoY	Oct	--	--	1.7%	--
11/27	Pending Home Sales NSA YoY	Oct	--	--	6.3%	--

MBS Prepayments ⁴						
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	13.6	14.0	23.2	14.9	15.2
FH/FN 15y	8.6	8.2	11.7	17.9	13.9	21.4
GN 15y	9.7	10.8	16.1	14.9	13.5	13.4
FH/FN 20y	0.2	8.1	10.8	17.3	19.7	17.8
FH/FN 30y	6.0	7.0	13.4	22.3	25.3	27.3
GN 30y	11.4	9.7	12.7	17.2	28.7	24.6

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	108.61	(0.44)	108.45	110.06	112.55
Euro	1.11	0.00	1.12	1.12	1.15
Dollar Index	97.84	(0.36)	97.28	98.00	96.47
Major Stock Indices					
Dow Jones	27,990	298	26,770	25,764	25,413
S&P 500	3,117.0	30.0	2,986.2	2,859.5	2,736.3
NASDAQ	8,510.2	46	8,089.5	7,816.3	7,247.9
Commodities					
Gold	1,470.5	13.4	1,488.2	1,275.7	1,223.0
Crude Oil	57.21	0.35	53.78	62.76	56.46
Natural Gas	2.61	(0.02)	2.32	2.63	4.27
Wheat	501.8	-4.0	532.3	465.0	506.8
Corn	368.3	-5.0	391.0	383.3	364.8

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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