

Baker Market Update: Week in Review

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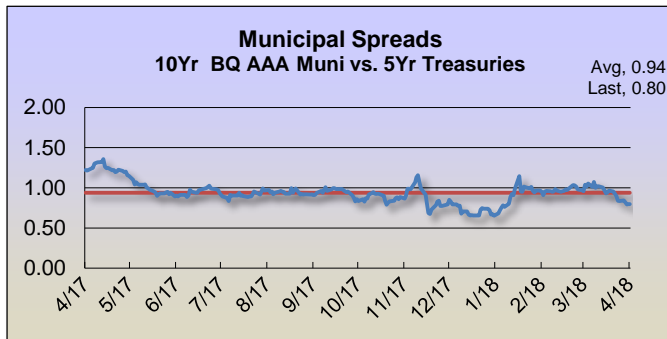
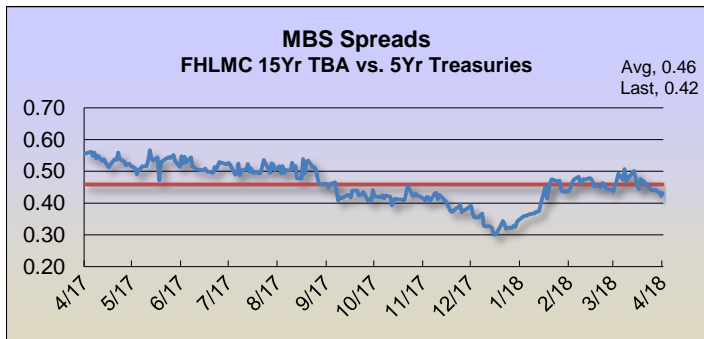
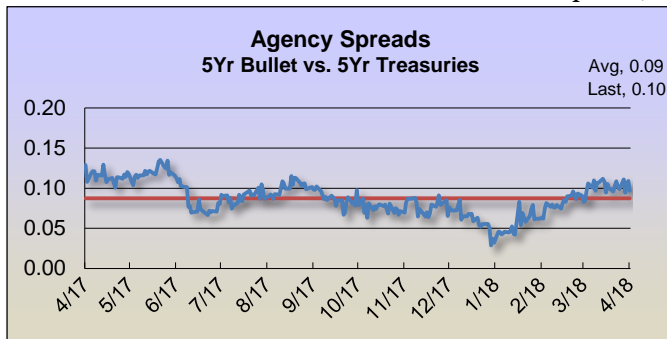
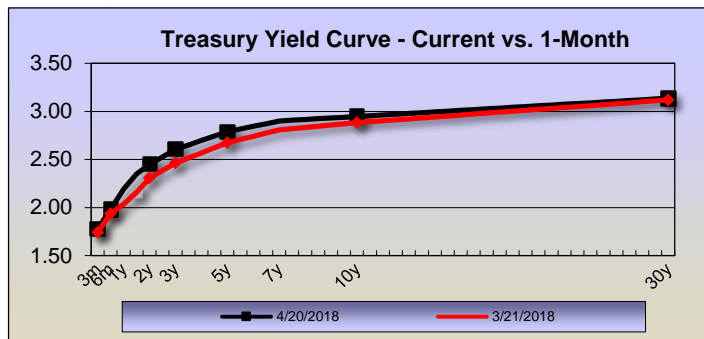
The Federal Reserve released the latest edition of its *Beige Book* this week and the good news is, it still goes with everything. Beige is the new black. The near-universal sentiment from all twelve Fed districts was that import tariffs do not go well with much of anything, and never will. Concerns about input prices and skilled labor shortages are becoming an oft-repeated refrain from all corners of the nation. Good news if you're rooting for inflation, like the Fed. Not so good if yours is a business that lacks pricing power, like almost everybody's. And if your business is a Starbucks, well, you've got other problems.

As did the Internal Revenue Service, that *other* iconic American symbol of cheerfulness and geniality. The good news about that is, if the IRS can get away with a lame "computer glitch" excuse for not being ready on tax day, then, "the dog ate my homework" is looking pretty solid. Much more solid than the Empire Manufacturing Index. That measure of General Business Conditions in New York fell unexpectedly to 15.8 from 22.5 and is often seen as a proxy for conditions across the country.

And, elsewhere across the country, Retail Sales surprised to the upside with an increase of 0.6%. Initial giddiness over that unexpected jump becomes muted to a degree when one sees that most of the rise was driven by auto sales that can't be counted on to be repeated. What about new Housing Starts? Thankfully, the 7% decline of February was not repeated and was instead replaced by a 1.9% increase. The broader Housing Market Index published by the National Association of Homebuilders (NAHB) edged down to 69 from 70 as the housing market wrestles with higher mortgage rates and regional variabilities in supply and demand forces. Along the way, new Building Permits notched a 2.5% gain with Industrial Production rising by half of one per-cent. That contribution helped move Capacity Utilization up by three-tenths to 78%. That measurement of the nation's mining, manufacturing, and utility output has been rising steadily since falling to a cyclical nadir of 75 around the time of the last Presidential election. It had previously peaked near 80 in the latter part of 2014. With all the talk of no more slack in labor markets, despite 95 million working-age Americans who are idle, there still appears to be some slack in the nation's industrial endeavors. There may even be some spare seating at the local coffee shop.

Today's big news comes from the Philadelphia Fed and its Business Outlook Survey Index. From a galloping horse, the report looks pretty good as the value of the overall index rose to 23.2 from 22.3. So far, so good. But, new orders fell to a three-month low, shipments declined significantly, and inventories plunged by over 40%. And, with a rise in the employment sub-index, the implied negative for productivity is inescapable and has inspired local *baristas* to create a new and frothy concoction; the Late Cycle Latte.

And even if you don't need to leave room for cream, interest rates are still on the rise. A steady, week-long sell-off in Treasuries has pushed the Ten-Year yield close to 2.95% as bond bears take another run at the elusive 3% level. Rhetoric from the FOMC does not leave much ambiguity about the intent of that august body to continue with its plan for more rate hikes. But, when it comes to political intrigue both domestically and internationally, there's more than enough ambiguity to go around. Now might be a good time for the redoubtable Mr. Powell to make the switch to decaf.



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	1.78	0.03	1.79	1.10	0.79	2yr	2.51	2.72	2.51	2.67	2.69	2Yr	1.94	1.94	1.94	-
6mo	1.98	0.02	1.96	1.26	0.92	3yr	2.65	2.82	2.67	2.85	2.87	3Yr	2.10	2.11	2.11	2.10
1yr	2.19	0.10	2.06	1.42	0.99	5yr	2.86	2.89	2.95	3.14	3.23	5Yr	2.19	2.22	2.24	2.24
2yr	2.45	0.09	2.35	1.58	1.19	7yr	3.02	2.92	3.16	3.37	3.42	7Yr	2.42	2.47	2.52	2.53
3yr	2.61	0.10	2.49	1.72	1.38	10yr	3.19	2.96	3.42	3.64	3.62	10Yr	2.57	2.62	2.69	2.72
5yr	2.79	0.11	2.70	2.02	1.76	15yr	3.32	3.01	3.78	4.02	3.78	May TBA MBS				
7yr	2.90	0.12	2.83	2.23	2.05	20yr	3.45	3.02	4.03	4.29	3.81	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	2.95	0.12	2.90	2.39	2.23	25yr	3.58	3.01	4.12	4.38	3.86	2.00	3.05	5.5y		
30yr	3.14	0.11	3.13	2.90	2.88	30yr		2.99	4.20	4.47	3.91	2.50	3.04	5.6y		
												3.00	3.14	5.3y	3.44	10.1y
												3.50	3.16	4.6y	3.58	9.3y
												4.00			3.67	7.3y
												4.50			3.67	6.2y

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	1.75	--	1.50	1.25	1.00
Primary Discount	2.25	--	2.00	1.75	1.50
2ndary Discount	2.75	--	2.50	2.25	2.00
Prime Rate	4.75	--	4.50	4.25	4.00
Sec. O.N. Finance	1.73				
1 Month LIBOR	1.90	--	1.84	1.24	0.99
3 Month LIBOR	2.36	0.01	2.22	1.36	1.16
6 Month LIBOR	2.51	0.03	2.39	1.55	1.39
1 Year LIBOR	2.76	0.04	2.63	1.83	1.74
6 Month CD	2.49	0.01	2.39	1.53	1.50
1 Year CMT	2.21	0.10	2.08	1.41	1.02
REPO O/N	1.78	--	1.43	1.18	0.83
REPO 1Wk	1.78	--	1.72	1.20	0.91
CoF Federal	1.749	--	1.664	1.452	1.233
11th D. CoF (Feb)	0.816	--	0.777	0.732	0.591

FHLB Fixed Advance Rates					Fed Fund Futures	
Maturity	Chicago	Boston	Dallas	Topeka	Maturity	Rate
3mo	2.00	2.13	1.99	2.07	Apr-18	1.688
6mo	2.16	2.27	2.17	2.29	May-18	1.695
1yr	2.46	2.45	2.39	2.50	Jun-18	1.820
2yr	2.71	2.87	2.72	2.88	Jul-18	1.920
3yr	2.85	3.03	2.93	3.04	Aug-18	1.930
4yr	2.94	3.14	3.03	3.15	Sep-18	1.945
5yr	3.01	3.20	3.09	3.19	Oct-18	2.105
7yr	3.20	3.43	3.28	3.32	Nov-18	2.125
10yr	3.33	3.59	3.41	3.45	Dec-18	2.170
5yr Am	2.88		2.95	3.11	Jan-19	2.235
10yr Am	3.19		3.26	3.39	Feb-19	2.255

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
04/16	Empire Manufacturing	Apr	18.40	15.80	22.50	--
04/16	Retail Sales Ex Auto and Gas	Mar	0.40%	0.30%	0.30%	--
04/16	Retail Sales Control Group	Mar	0.40%	0.40%	0.40%	0.00%
04/16	Business Inventories	Feb	0.60%	0.60%	0.60%	--
04/16	NAHB Housing Market Index	Apr	70.00	69.00	70.00	--
04/16	Total Net TIC Flows	Feb	--	\$44.7b	\$49.7b	\$122.6b
04/16	Net Long-term TIC Flows	Feb	--	\$49.0b	\$62.1b	\$61.4b
04/17	Housing Starts MoM	Mar	2.50%	1.90%	7.00%	-3.30%
04/17	Building Permits MoM	Mar	0.00%	2.50%	5.70%	-4.10%
04/17	Industrial Production MoM	Mar	0.30%	0.50%	4.40%	1.00%
04/17	Manufacturing (SIC) Production	Mar	0.10%	0.10%	4.20%	1.50%
04/17	Capacity Utilization	Mar	77.90%	78.00%	78.40%	77.70%
04/18	MBA Mortgage Applications	4/13	--	4.90%	-1.90%	--
04/19	Initial Jobless Claims	4/14	230k	232k	233k	--
04/19	Continuing Claims	4/7	1845k	1863k	4874k	1878k
04/19	Philadelphia Fed Business Outlook	Apr	21.00	23.20	22.30	--
04/19	Bloomberg Consumer Comfort	4/15	--	58.10	58.00	--
04/19	Leading Index	Mar	0.30%	0.30%	0.60%	0.70%
04/23	Chicago Fed Nat Activity Index	Mar	25.00%	--	88.00%	--
04/23	Markit US Manufacturing PMI	Apr P	55.10	--	55.60	--
04/23	Markit US Services PMI	Apr P	54.10	--	54.00	--
04/23	Markit US Composite PMI	Apr P	--	--	54.20	--
04/23	Existing Home Sales	Mar	5.55m	--	5.54m	--
04/24	FHFA House Price Index MoM	Feb	0.60%	--	0.80%	--
04/24	S&P CoreLogic CS 20-City YoY NSA	Feb	6.40%	--	6.40%	--
04/24	S&P CoreLogic CS US HPI YoY NSA	Feb	--	--	6.18%	--
04/24	New Home Sales	Mar	630k	--	618k	--
04/24	Richmond Fed Manuf. Index	Apr	16.00	--	15.00	--
04/24	Conf. Board Consumer Confidence	Apr	126.00	--	127.70	--
04/24	Conf. Board Present Situation	Apr	--	--	159.90	--
04/24	Conf. Board Expectations	Apr	--	--	106.20	--
04/25	MBA Mortgage Applications	4/20	--	--	4.90%	--
04/26	Initial Jobless Claims	4/21	231k	--	232k	--
04/26	Continuing Claims	4/14	1854k	--	1863k	--
04/26	Advance Goods Trade Balance	Mar	-\$74.8b	--	-\$75.4b	-\$75.9b
04/26	Durables Ex Transportation	Mar P	0.40%	--	1.00%	--
04/26	Cap Goods Ship Nondef Ex Air	Mar P	0.20%	--	1.40%	--
04/26	Bloomberg Consumer Comfort	4/22	--	--	58.10	--
04/26	Kansas City Fed Manf. Activity	Apr	--	--	17.00	--
04/27	Employment Cost Index	1Q	0.70%	--	0.60%	--
04/27	GDP Annualized QoQ	1Q Δ	2.00%	--	2.90%	--
04/27	Personal Consumption	1Q Δ	1.20%	--	4.00%	--
04/27	GDP Price Index	1Q Δ	2.20%	--	2.30%	--
04/27	Core PCE QoQ	1Q Δ	2.60%	--	1.90%	--
04/27	U. of Mich. Sentiment	Apr F	98.00	--	97.80	--
04/27	U. of Mich. Current Conditions	Apr F	--	--	115.00	--
04/27	U. of Mich. 1 Yr Inflation	Apr F	--	--	2.70%	--

MBS Prepayments ⁴						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	11.8	12.4	14.3	16.3	24.5	31.4
FH/FN 15y	7.0	8.0	9.2	11.1	14.2	18.8
GN 15y	6.4	9.6	12.1	11.9	12.7	13.1
FH/FN 20y		4.9	6.9	8.3	10.2	12.9
FH/FN 30y	1.6	4.8	6.5	8.3	10.7	13.0
GN 30y	5.4	8.5	11.4	11.7	13.1	15.7
CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	11.5	11.4	12.1	17.3	19.4	21.5
FH/FN 15y	6.9	7.4	8.4	10.9	15.9	25.0
GN 15y	6.1	8.1	11.4	14.0	13.0	13.1
FH/FN 20y	3.1	6.4	7.1	9.0	11.0	14.1
FH/FN 30y	4.9	5.2	5.8	6.9	10.1	13.0
GN 30y	5.5	7.7	8.9	11.3	15.0	19.5

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	107.60	0.25	106.53	113.52	109.32
Euro	1.23	(0.01)	1.22	1.18	1.07
Dollar Index	90.31	0.51	90.37	93.70	99.78
Major Stock Indices					
Dow Jones	24,458	97	24,727	23,329	20,579
S&P 500	2,669.5	13.1	2,716.9	2,575.2	2,355.8
NASDAQ	7,151.3	45	7,364.3	6,629.1	5,916.8
Commodities					
Gold	1,338.7	(6.1)	1,311.9	1,277.4	1,281.9
Crude Oil	67.83	0.44	63.40	51.47	50.27
Natural Gas	2.71	(0.03)	2.68	2.92	3.16
Wheat	468.0	-4.5	453.0	426.0	406.3
Corn	378.5	-7.8	374.5	344.5	357.8

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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