

Baker Market Update: Week in Review

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The doctrine of relativism and the belief that there are no absolute truths seldom make their way into economic discussions, but maybe they should. Absolutely. Otherwise, we might not be able to feel good about this morning's report that GDP grew at 2.3% in the first quarter and, of course, we want to feel good. We can do that by pointing to the pre-release estimate of just 2%, and relative to that, 2.3% looks pretty good. But, after all the tax-cut hubbub and consumer confidence that's downright cocky, the Q1 results may be in need of a little absolution.

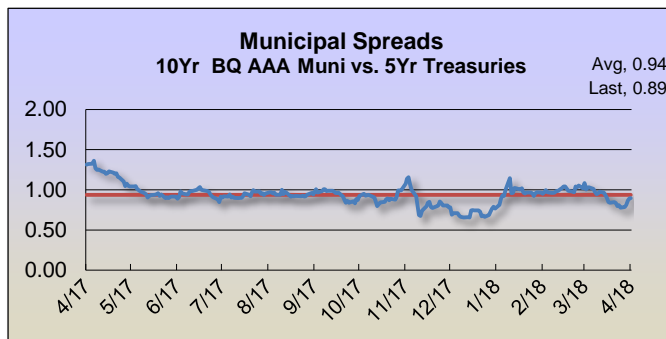
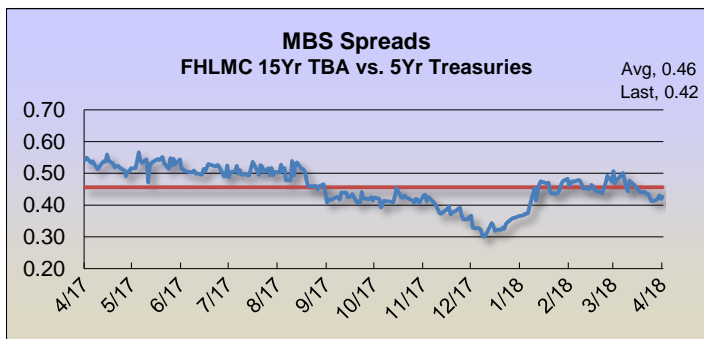
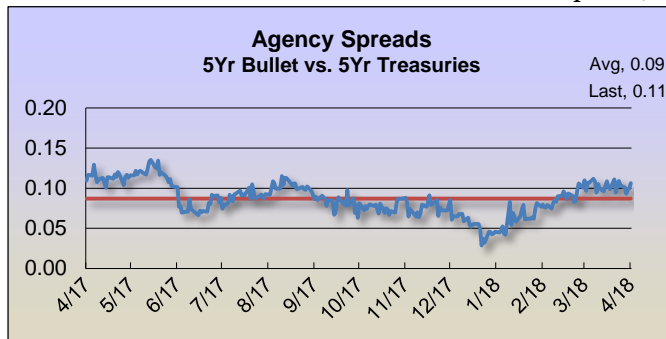
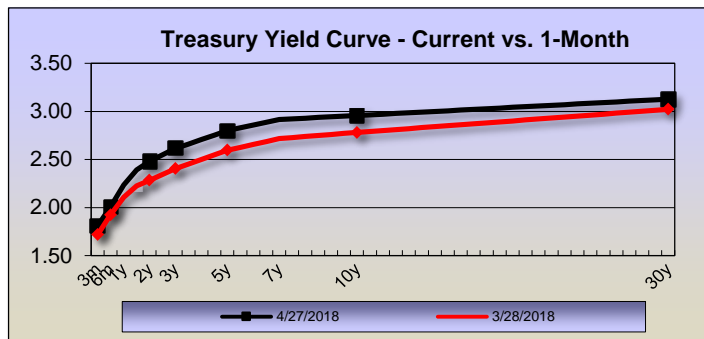
And perhaps, we can also find some forgiveness for those that thought a 3% Ten-Year would signal the world's end. It didn't. In fact, on the very day that the Ten Year punched through 3% and then skyrocketed to 3.03%, the Oklahoma City Thunder(s) came back from a 25-point deficit to beat the Utah Jazz. And now, the Ten-Year's yield is back to down to 2.95%-ish. Looks like the world may hang on for a bit longer; the future of the Thunders is a little less certain. And besides, it's not a 3% Ten-Year that should scare investors anyway; it's the 2 ½% on the Two-Year that's going to cause problems. But, this is America and you can be afraid of whatever you want.

News from the Conference Board tells us that consumers aren't scared of anything. The Board's Index of Consumer Confidence continues to move higher as last month's 127 became this month's 127.7. On top of that, the Expectations sub-index soared to 108.1 from 106.2. The University of Michigan published its own Consumer Sentiment report and it mirrors the findings of the Conference Board; consumers are loving the now and embracing the future. One can understand the Fed embracing the huge jump in quarter-over-quarter inflation. After all, the core Personal Consumption Expenditures Index leaped to a 2.5% rate from Q4's 1.9%, but there's been extensive research performed over many years that concludes that most people would rather pay less for stuff than more. Go figure.

The Bureau of Labor Statistics has been doing a little figuring of its own, and it figured out that the Employment Cost Index- wages *and* benefits-rose by 0.8% in Q1, slightly outpacing the 0.6% increase of last year's fourth quarter. Mr. Powell should be pleased. Less pleasing might be the Census Bureau's report that Durable Goods Orders without Transportation were unchanged against the expectation of a half per-cent rise. There's the other side of that relativism thing. And, it gets relatively worse as we look at the 0.1% decline in orders for Capital Goods that aren't for defense or airplane parts. The tidal wave of capital expenditures that tax reform was supposed to unleash is still on the leash.

But, 694k New Homes are no longer for sale because confident consumers unleashed some expenditures of their own and bought them. They were only expected to buy about 630k; giving us another relative positive. And, according to the Federal Housing Finance Agency (FHFA) they paid about 0.6% more than they would have a month ago.

Equity markets, for those that prefer the absolute absence of truth, experienced a relatively calm week with only one day recording a 500 point move in the Dow. Literally languid. Next week may prove to be different, with much news that could swing things one way or the other. The Fed's love/hate relationship with inflation *and* relativism will be tested with new PCE reports as well as new data on Personal Income and Spending. If the truth one seeks is not revealed within this new information, it should be relatively easy to find it somewhere else. 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	1.81	(0.00)	1.74	1.10	0.81	2yr	2.52	2.75	2.62	2.79	25.00	2Yr	1.94	1.94	1.94	-
6mo	2.01	0.01	1.91	1.27	0.97	3yr	2.66	2.85	2.79	2.97	32.33	3Yr	2.10	2.11	2.11	2.10
1yr	2.23	0.05	2.03	1.42	1.07	5yr	2.89	2.93	3.07	3.26	47.00	5Yr	2.19	2.22	2.24	2.24
2yr	2.48	0.05	2.27	1.62	1.27	7yr	3.05	2.97	3.29	3.50	52.00	7Yr	2.42	2.47	2.52	2.53
3yr	2.61	0.03	2.44	1.75	1.46	10yr	3.25	3.02	3.54	3.77	71.00	10Yr	2.57	2.62	2.69	2.72
5yr	2.80	0.04	2.64	2.08	1.83	15yr	3.36	3.07	3.95	4.20	87.00	May TBA MBS				
7yr	2.92	0.05	2.78	2.30	2.11	20yr	3.46	3.09	4.21	4.48	70.00	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	2.96	0.05	2.85	2.46	2.30	25yr	3.56	3.08	4.31	4.58	75.00	2.00	3.14	5.1y		
30yr	3.13	0.03	3.09	2.97	2.96	30yr		3.06	4.40	4.68	80.00	2.50	3.09	5.3y		
												3.00	3.18	5.1y	3.50	9.9y
												3.50	3.04	3.0y	3.64	9.1y
												4.00			3.72	7.5y
												4.50			3.73	6.4y

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	1.75	--	1.75	1.25	1.00
Primary Discount	2.25	--	2.25	1.75	1.50
2ndary Discount	2.75	--	2.75	2.25	2.00
Prime Rate	4.75	--	4.75	4.25	4.00
Sec. O.N. Finance	1.71				
1 Month LIBOR	1.90	--	1.88	1.24	0.99
3 Month LIBOR	2.37	--	2.29	1.37	1.17
6 Month LIBOR	2.52	0.02	2.45	1.56	1.42
1 Year LIBOR	2.77	0.02	2.67	1.84	1.77
6 Month CD	2.50	--	2.43	1.55	1.40
1 Year CMT	2.26	0.09	2.04	1.43	1.09
REPO O/N	1.79	--	1.72	1.10	0.91
REPO 1Wk	1.78	0.02	1.88	1.22	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	2.04	2.17	2.02	2.11	Apr-18	1.690
6mo	2.19	2.29	2.19	2.31	May-18	1.705
1yr	2.49	2.46	2.49	2.60	Jun-18	1.830
2yr	2.74	2.90	2.75	2.91	Jul-18	1.935
3yr	2.88	3.06	2.96	3.07	Aug-18	1.945
4yr	2.97	3.16	3.05	3.17	Sep-18	1.965
5yr	3.05	3.24	3.13	3.24	Oct-18	2.125
7yr	3.28	3.50	3.36	3.40	Nov-18	2.150
10yr	3.42	3.67	3.50	3.55	Dec-18	2.190
5yr Am	2.91		2.98	3.14	Jan-19	2.260
10yr Am	3.26		3.33	3.46	Feb-19	2.285

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
04/23	Markit US Manufacturing PMI	Apr P	55.20	56.50	55.60	--
04/23	Markit US Composite PMI	Apr P	--	54.80	54.20	--
04/23	Existing Home Sales	Mar	5.55m	5.60m	5.54m	--
04/24	FHFA House Price Index MoM	Feb	0.60%	0.60%	0.80%	0.90%
04/24	S&P CoreLogic CS 20-City YoY NSA	Feb	6.35%	6.80%	6.40%	6.43%
04/24	S&P CoreLogic CS US HPI YoY NSA	Feb	--	6.34%	6.18%	6.11%
04/24	New Home Sales	Mar	630k	694k	618k	667k
04/24	Conf. Board Present Situation	Apr	--	159.60	159.90	158.10
04/25	MBA Mortgage Applications	4/20	--	-0.20%	4.90%	--
04/26	Initial Jobless Claims	4/21	230k	209k	232k	233k
04/26	Continuing Claims	4/14	1850k	1837k	1863k	1866k
04/26	Durables Ex Transportation	Mar P	0.50%	0.00%	1.00%	0.90%
04/26	Cap Goods Ship Nondef Ex Air	Mar P	0.30%	-0.70%	1.40%	1.00%
04/26	Advance Goods Trade Balance	Mar	-\$75.0b	-\$68.0b	-\$75.4b	-\$75.9b
04/27	Employment Cost Index	1Q	0.70%	0.80%	0.60%	--
04/27	GDP Annualized QoQ	1Q A	2.00%	2.30%	2.90%	--
04/27	Personal Consumption	1Q A	1.10%	1.10%	4.00%	--
04/27	GDP Price Index	1Q A	2.20%	2.00%	2.30%	--
04/27	Core PCE QoQ	1Q A	2.50%	2.50%	1.90%	--
04/27	U. of Mich. Current Conditions	Apr F	106.20	114.90	115.00	--
04/27	U. of Mich. 1 Yr Inflation	Apr F	--	2.70%	2.70%	--
04/30	Personal Income	Mar	0.40%	--	0.40%	--
04/30	Real Personal Spending	Mar	0.50%	--	0.00%	--
04/30	PCE Deflator YoY	Mar	2.10%	--	1.80%	--
04/30	PCE Core YoY	Mar	2.00%	--	1.60%	--
04/30	Chicago Purchasing Manager	Apr	58.00	--	57.40	--
04/30	Pending Home Sales NSA YoY	Mar	--	--	-4.40%	--
05/01	Markit US Manufacturing PMI	Apr F	--	--	56.50	--
05/01	ISM Manufacturing	Apr	58.50	--	59.30	--
05/01	ISM Employment	Apr	--	--	57.30	--
05/01	ISM Prices Paid	Apr	78.50	--	78.10	--
05/01	ISM New Orders	Apr	--	--	61.90	--
05/01	Wards Domestic Vehicle Sales	Apr	13.40m	--	13.42m	--
05/02	MBA Mortgage Applications	4/27	--	--	-0.20%	--
05/02	ADP Employment Change	Apr	193k	--	241k	--
05/02	FOMC Rate Decision (Upper Bound)	5/2	1.75%	--	1.75%	--
05/02	FOMC Rate Decision (Lower Bound)	5/2	1.50%	--	1.50%	--
05/03	Challenger Job Cuts YoY	Apr	--	--	39.40%	--
05/03	Nonfarm Productivity	1Q P	0.90%	--	0.00%	--
05/03	Initial Jobless Claims	4/28	--	--	209k	--
05/03	Continuing Claims	4/21	--	--	1837k	--
05/03	Trade Balance	Mar	-\$55.6b	--	-\$57.6b	--
05/03	Markit US Composite PMI	Apr F	--	--	54.80	--
05/03	ISM Non-Manf. Composite	Apr	58.00	--	58.80	--
05/03	Durables Ex Transportation	Mar F	--	--	0.00%	--
05/03	Cap Goods Ship Nondef Ex Air	Mar F	--	--	-0.70%	--
05/03	Factory Orders Ex Trans	Mar	--	--	0.10%	--

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	4.8	5.3	6.2	13.0	15.1	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	4.0	2.9	4.8	8.5	14.1
GN 30y	5.4	8.5	11.2	15.1	14.3	16.3
CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	11.5	11.4	12.1	17.2	19.4	21.5
FH/FN 15y	7.5	8.0	8.8	11.1	15.8	25.0
GN 15y	6.1	10.1	11.9	13.9	12.9	12.8
FH/FN 20y	3.1	6.7	7.7	9.4	11.4	13.7
FH/FN 30y	4.9	5.7	5.9	7.0	9.7	12.2
GN 30y	5.5	7.8	8.9	11.0	16.0	19.5

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	109.38	2.01	105.41	113.98	111.06
Euro	1.21	(0.02)	1.24	1.17	1.09
Dollar Index	91.63	1.69	89.03	94.61	99.05
Major Stock Indices					
Dow Jones	24,327	(338)	24,203	23,401	20,975
S&P 500	2,672.8	(20.3)	2,658.6	2,560.4	2,387.5
NASDAQ	7,128.2	(110)	7,220.5	6,556.8	6,025.2
Commodities					
Gold	1,316.3	(30.5)	1,355.0	1,266.3	1,262.1
Crude Oil	68.17	(0.12)	65.55	52.64	49.62
Natural Gas	2.82	0.16	2.62	2.89	3.14
Wheat	480.8	4.0	454.3	431.8	407.8
Corn	386.0	4.0	374.0	350.5	359.0

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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