

## Baker Market Update: Week in Review

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If this week's wild market gyrations are any indication, investors worldwide still don't quite know how to react to the unlikely popularity of an American television show that seems to editorially *support* the Administration. As improbable as it seems, the Roseanne Volatility Index (RVI) has roiled credit and equity markets alike as analysts and pundits grapple with the potential societal and cultural implications. Adding to the week's disquiet is the prospect of trade war escalation as China and the U.S. continue to exchange threats of out-tariffing the other guy.

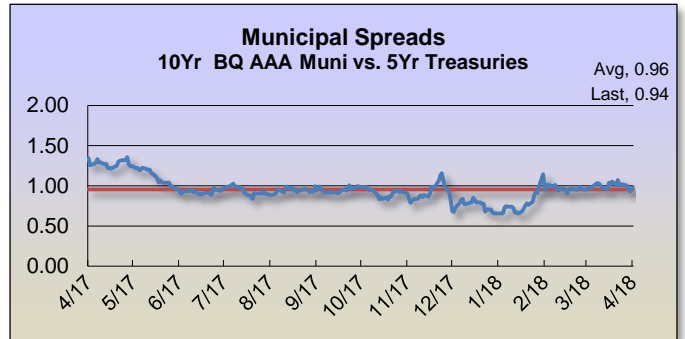
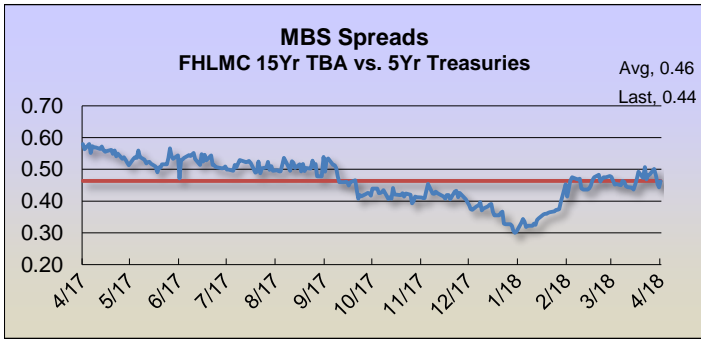
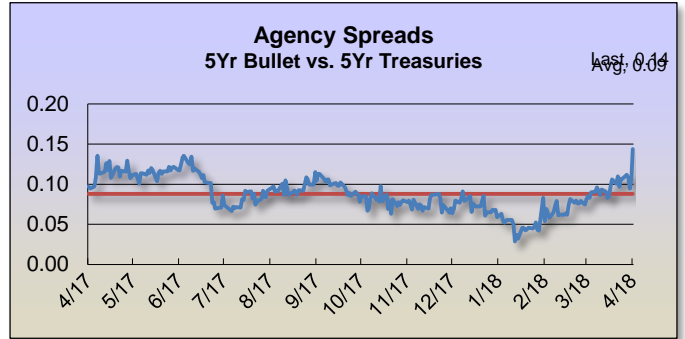
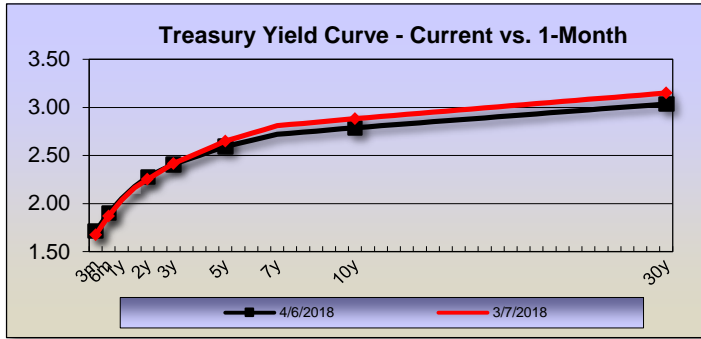
But, today is Non-Farm Friday, and for the moment at least, attention has been diverted to the weaker-than-expected addition of only 103k non-farmers to the ranks of the employed. So, versus the expectation of 185k, that's pretty disappointing. To many observers, even the anticipated 185k would have been disappointing. Where's that hiring binge that tax-cuts were supposed to trigger? Well, we *did* learn that last month's binge of 313k was actually 326k, but that didn't stop the two-month net revision from falling by 50k. Thankfully, wages didn't fall along with it. The 0.3% monthly rise in Average Hourly Earnings pushed the year-over-year growth rate to 2.7%, and that means both measures were right in line with expectations. The decline of 0.1% in the Labor Force Participation Rate was unexpected and unwelcomed as an additional 323k people left the Labor Force. They must have had some *big* tax cuts.

When it comes to the nation's Trade Balance, that did *not* get cut and actually grew by about a billion U.S. dollars to \$57.6 billion. Neither Roseanne nor the President will be happy about that. Last month's tepid growth of just 0.1% in Construction Spending didn't generate much happiness either and may help explain why Construction led all other industries in net job losses with a contraction of 15k. That can't be good.

But, "good" still describes the 59.3 level for the Institute of Supply Management's (ISM) Manufacturing Index, even though it's lower than last month's reading of 60.8. If observers think that this runs counter to the mainstream expectations of accelerating growth, it's because it does. What's wrong with this picture? Well, maybe nothing. After all, Factory Orders jumped up 3.0% last month. But, if one excludes transportation inputs, and that includes airplanes made by Boeing, that number falls to just a 1.0% increase. An undesirable increase, some might say an undesirable leap, of 39.4% in job cuts year-over-year was reported by the Challenger private payroll service. Just over one-third of these employer-initiated separations were due to business closings. Don't these businesses know they just got a big tax cut?

And don't bond investors know that the very same big tax cut is about to set this economy *en fuego*? Apparently not, because if they did, they would be selling bonds instead of buying them. But, buying them they are as the Ten Year Treasury yield continues to fall and has drifted below 2.80% this morning. It didn't really have to drift very far, because the cheapest it ever got this week was 2.83%. With the Two Year yield at around 2 ¼%, that does not look like a yield curve belonging to an economy on fire. But, despite the tumult surrounding tariffs, probabilities for another rate hike in June still remain high at around 80%. If James Bullard, President of the St. Louis Fed got his way, that wouldn't happen. Earlier in the week, Mr. Bullard publicly commented that the rate hikes thus far promulgated have done enough damage and Mr. Powell and his ilk ought to stop where they are. He didn't actually use those exact words, but it was pretty close. Doesn't matter Jimmy, you don't get to vote this year.

Next week's big news will revolve around new measurements for inflation. Fresh readings for the Consumer Price Index will be released next Wednesday. The next episode of "Roseanne" will be aired Tuesday night. Until then, 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	1.71	0.01	1.67	1.07	0.81	2yr	2.40	2.60	2.34	2.49	2.51	2Yr	1.94	1.94	1.94	-
6mo	1.90	(0.02)	1.87	1.22	0.93	3yr	2.52	2.68	2.52	2.68	2.69	3Yr	2.10	2.11	2.11	2.10
1yr	2.05	(0.04)	2.05	1.34	1.03	5yr	2.75	2.74	2.88	3.07	3.06	5Yr	2.19	2.22	2.24	2.24
2yr	2.28	0.01	2.25	1.51	1.24	7yr	2.91	2.78	3.12	3.32	3.23	7Yr	2.42	2.47	2.52	2.53
3yr	2.41	0.02	2.42	1.64	1.45	10yr	3.07	2.83	3.40	3.62	3.49	10Yr	2.57	2.62	2.69	2.72
5yr	2.59	0.03	2.65	1.96	1.86	15yr	3.23	2.88	3.75	3.99	3.67	May TBA MBS				
7yr	2.72	0.03	2.82	2.19	2.15	20yr	3.37	2.91	3.98	4.23	3.75	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	2.79	0.05	2.89	2.36	2.34	25yr	3.53	2.90	4.06	4.32	3.80	2.00	2.89	5.4y		
30yr	3.04	0.06	3.15	2.89	2.99	30yr		2.88	4.14	4.41	3.84	2.50	2.91	5.4y		
												3.00	3.01	5.3y	3.33	9.8y
												3.50	2.98	4.5y	3.47	9.2y
												4.00			3.54	7.1y
												4.50			3.54	6.1y

\* 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	1.75				
1 Month LIBOR	1.90	0.01	1.70	1.24	0.99
3 Month LIBOR	2.33	0.02	2.03	1.35	1.15
6 Month LIBOR	2.47	0.01	2.23	1.51	1.42
1 Year LIBOR	2.70	0.04	2.50	1.80	1.80
6 Month CD	2.46	0.04	2.22	1.49	1.41
1 Year CMT	2.07	--	2.06	1.35	1.03
REPO O/N	1.75	--	1.47	1.10	0.97
REPO 1Wk	1.79	--	1.51	1.24	0.95
CoF Federal	1.664	--	1.606	1.429	1.183
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	1.92	2.04	1.90	2.02	Apr-18	1.683
6mo	2.07	2.19	2.08	2.20	May-18	1.690
1yr	2.35	2.33	2.31	2.43	Jun-18	1.790
2yr	2.55	2.72	2.60	2.74	Jul-18	1.870
3yr	2.69	2.87	2.79	2.90	Aug-18	1.895
4yr	2.79	2.98	2.90	3.02	Sep-18	1.900
5yr	2.85	3.05	2.96	3.06	Oct-18	2.025
7yr	3.04	3.28	3.21	3.19	Nov-18	2.040
10yr	3.20	3.45	3.30	3.37	Dec-18	2.075
5yr Am	2.72		2.82	2.98	Jan-19	2.135
10yr Am	3.04		3.15	3.27	Feb-19	2.150

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
04/02	Markit US Manufacturing PMI	Mar F	55.70	55.60	55.70	--
04/02	Construction Spending MoM	Feb	0.00	0.00	0.00	--
04/02	ISM Manufacturing	Mar	59.60	59.30	60.80	--
04/02	ISM Employment	Mar	--	57.30	59.70	--
04/02	ISM Prices Paid	Mar	72.50	78.10	74.20	--
04/02	ISM New Orders	Mar	--	61.90	64.20	--
04/03	Wards Domestic Vehicle Sales	Mar	13.10m	13.42m	12.94m	--
04/03	Wards Total Vehicle Sales	Mar	16.90m	17.40m	16.96m	--
04/04	MBA Mortgage Applications	3/30	--	-0.03	0.05	--
04/04	ADP Employment Change	Mar	210k	241k	235k	246k
04/04	Markit US Services PMI	Mar F	54.20	54.00	54.10	--
04/04	Markit US Composite PMI	Mar F	--	54.20	54.30	--
04/04	ISM Non-Manf. Composite	Mar	59.00	58.80	59.50	--
04/04	Factory Orders	Feb	1.70%	1.20%	<del>1.40%</del>	-1.30%
04/04	Factory Orders Ex Trans	Feb	--	0.00	0.00	--
04/04	Durable Goods Orders	Feb F	--	3.00%	3.10%	--
04/04	Durables Ex Transportation	Feb F	--	1.00%	1.20%	--
04/04	Cap Goods Orders Nondef Ex Air	Feb F	--	1.40%	1.80%	--
04/04	Cap Goods Ship Nondef Ex Air	Feb F	--	1.40%	1.40%	--
04/05	Challenger Job Cuts YoY	Mar	--	0.39	-0.04	--
04/05	Initial Jobless Claims	3/31	225k	242k	245k	218k
04/05	Continuing Claims	3/24	1843k	1808k	1874k	1872k
04/05	Trade Balance	Feb	-\$56.8b	-\$57.6b	<del>-\$56.6b</del>	-\$56.7b
04/05	Bloomberg Consumer Comfort	4/1	--	5720.00%	#####	--
04/06	Change in Nonfarm Payrolls	Mar	185k	103k	343k	326k
04/06	Two-Month Payroll Net Revision	Mar	--	-50k	--	--
04/06	Change in Private Payrolls	Mar	188k	102k	287k	320k
04/06	Change in Manuf. Payrolls	Mar	22k	22k	34k	32k
04/06	Unemployment Rate	Mar	4.00%	4.10%	4.10%	--
04/06	Underemployment Rate	Mar	--	0.08	0.08	--
04/06	Average Hourly Earnings MoM	Mar	0.30%	0.30%	0.10%	--
04/06	Average Hourly Earnings YoY	Mar	0.03	0.03	0.03	--
04/06	Average Weekly Hours All Employees	Mar	34.50	34.50	34.50	--
04/06	Labor Force Participation Rate	Mar	--	0.63	0.63	--
04/06	Consumer Credit	Feb	\$15.500b	--	\$13.906b	--
04/10	NFIB Small Business Optimism	Mar	107.00	--	107.60	--
04/10	PPI Final Demand MoM	Mar	0.10%	--	0.20%	--
04/10	PPI Ex Food and Energy MoM	Mar	0.20%	--	0.20%	--
04/10	PPI Ex Food, Energy, Trade MoM	Mar	0.00	--	0.00	--
04/10	PPI Final Demand YoY	Mar	0.03	--	0.03	--
04/10	PPI Ex Food and Energy YoY	Mar	2.60%	--	2.50%	--
04/10	PPI Ex Food, Energy, Trade YoY	Mar	--	--	2.70%	--
04/10	Wholesale Trade Sales MoM	Feb	--	--	-1.10%	--
04/10	Wholesale Inventories MoM	Feb F	0.60%	--	1.10%	--
04/11	MBA Mortgage Applications	4/6	--	--	-0.03	--
04/11	CPI MoM	Mar	0.00	--	0.00	--
04/11	CPI Ex Food and Energy MoM	Mar	0.20%	--	0.20%	--

MBS Prepayments <sup>4</sup>						
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	11.5	12.1	17.2	19.4	21.5
FH/FN 15y	6.9	7.6	8.5	11.3	18.1	25.0
GN 15y	6.1	8.1	11.3	14.1	13.1	13.0
FH/FN 20y	3.1	6.3	7.1	9.4	11.5	14.7
FH/FN 30y	5.0	5.2	6.0	7.0	10.3	13.2
GN 30y	5.5	7.8	8.9	11.6	15.5	19.5

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
<b>Currencies</b>					
Japanese Yen	107.08	0.80	106.13	112.65	110.81
Euro	1.23	(0.01)	1.24	1.17	1.06
Dollar Index	90.19	0.04	89.62	93.80	100.67
<b>Major Stock Indices</b>					
Dow Jones	24,121	17	24,884	22,774	20,663
S&P 500	2,629.8	(11.0)	2,728.1	2,549.3	2,357.5
NASDAQ	6,994.1	(69)	7,372.0	6,590.2	5,879.0
<b>Commodities</b>					
Gold	1,331.3	8.5	1,335.2	1,271.6	1,250.3
Crude Oil	62.38	(2.56)	62.60	49.29	51.70
Natural Gas	2.70	(0.03)	2.75	2.86	3.33
Wheat	471.8	20.8	502.0	443.5	423.3
Corn	389.3	1.5	379.8	350.0	360.8

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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