

Baker Market Update: Week in Preview

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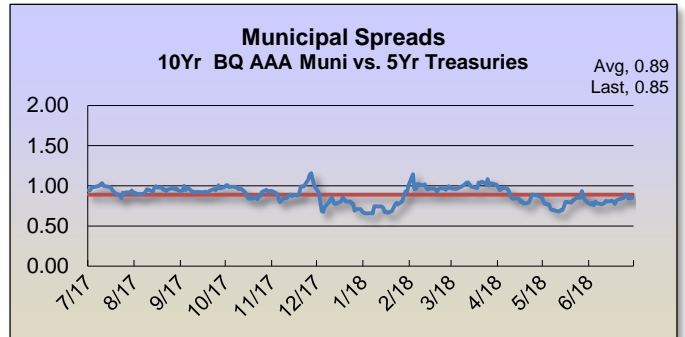
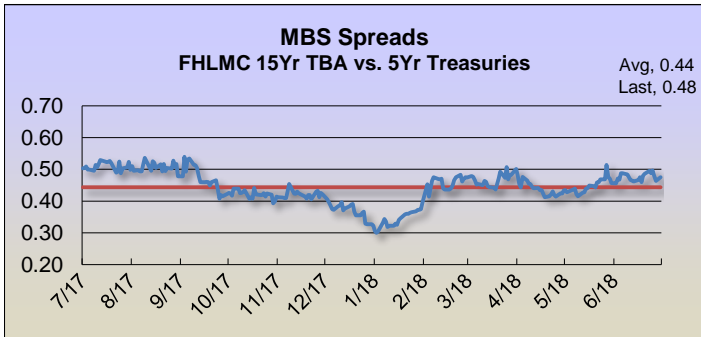
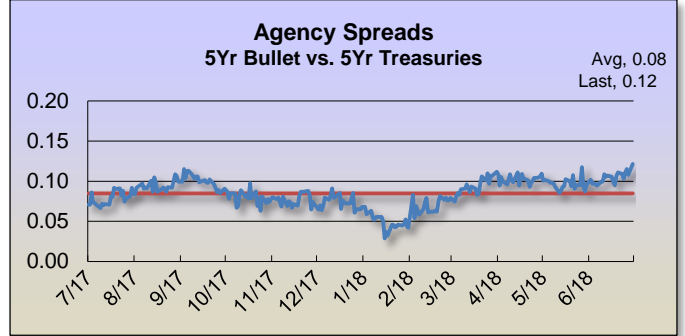
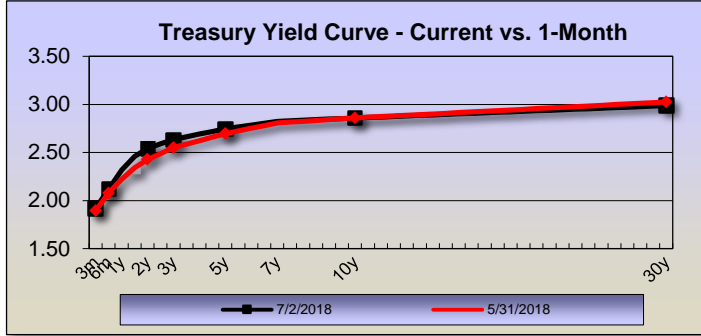
This week may be short on days with markets closing Wednesday for Independence Day, but it's not short on news. Over the weekend, Canada began collecting tariffs on a variety of U.S. products from beef to maple syrup as the trade dispute becomes ever more war-like. Later this week, China and Mexico will be piling on with tariffs of their own for America's pork, among other things. One might reasonably ask why our neighbors are choosing to tax the primary ingredients of hot dogs? Is there anything more American than hot dogs on the 4th of July? For many, an attack on hot dogs is an attack on America, itself! Is it a coincidence that our northern neighbors are conveniently closed today for the observation of Canada Day?

Equity markets worldwide are probably feeling a little picked-on as the negative consequences of protective tariffs come to fruition. The other side of that coin is the benefit to bond prices as jittery investors pile into Treasuries. American Treasuries. With red ink lighting up stock indices across the globe, the Ten-Year Note is trading below 2.85%. We've seen this behavior before as fears and concerns wax and wane.

Questions about capital spending potentially waning might be answered this week with new reports on the Institute of Supply Management's (ISM) closely watched manufacturing index followed by fresh readings on Factory Orders and new orders for Durable Goods. The early read on market expectations indicate a mixed bag of results, but the tone should be more positive than negative, particularly for the ISM index. We'll also be learning more about how positive our policy-makers are feeling when the FOMC releases, on Thursday, the minutes of its last get-together. Also on Thursday, new Trade Balance numbers are expected to reveal a further narrowing of that deficit; one of the desired outcomes of protective tariffs. At least, desired by some.

Friday will bring us a new report from the Bureau of Labor Statistics (BLS) that is not expected to look much different than it did last month. The domestic economy is still fully employed and wage growth is still creeping up at a glacial pace. A harbinger of the BLS report will come out on Wednesday with the release of the ADP Private Payroll Report. Although the statistical correlation between this report and the BLS reports is not particularly high, many behave as if it was, and markets are often whip-sawed when conflicting interpretations collide.

Happy 4th of July to all as American hot dogs are enjoyed in backyards everywhere. Oh yeah, the new tariffs include mustard, too. 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	1.92	0.03	1.91	1.39	1.01	2yr	2.60	2.79	2.30	2.44	26.00	2Yr	1.94	1.94	1.94	-
6mo	2.12	0.03	2.09	1.56	1.13	3yr	2.67	2.85	2.51	2.67	33.67	3Yr	2.10	2.11	2.11	2.10
1yr	2.32	(0.01)	2.26	1.78	1.23	5yr	2.83	2.88	2.79	2.97	49.00	5Yr	2.19	2.22	2.24	2.24
2yr	2.54	0.01	2.47	1.92	1.38	7yr	2.95	2.89	3.12	3.32	52.00	7Yr	2.42	2.47	2.52	2.53
3yr	2.64	0.01	2.60	2.01	1.55	10yr	3.13	2.92	3.44	3.67	73.00	10Yr	2.57	2.62	2.69	2.72
5yr	2.74	(0.01)	2.75	2.25	1.89	15yr	3.26	2.96	3.74	3.98	94.00	August TBA MBS				
7yr	2.82	(0.02)	2.86	2.38	2.14	20yr	3.40	2.96	3.95	4.20	91.00	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	2.86	(0.02)	2.90	2.46	2.30	25yr	3.54	2.94	4.03	4.29	93.00	2.00	3.15	5.0y		
30yr	2.99	(0.04)	3.05	2.81	2.84	30yr		2.92	4.12	4.38	95.00	2.50	3.08	5.3y		
												3.00	3.10	5.1y	3.39	9.7y
												3.50	3.01	2.9y	3.55	8.9y
												4.00			3.64	7.1y
												4.50			3.63	6.0y

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	2.00	--	1.75	1.50	1.25
Primary Discount	2.50	--	2.25	2.00	1.75
2ndary Discount	3.00	--	2.75	2.50	2.25
Prime Rate	5.00	--	4.75	4.50	4.25
Sec. O.N. Finance	2.12	--			
1 Month LIBOR	2.09	--	1.98	1.56	1.23
3 Month LIBOR	2.34	--	2.31	1.69	1.30
6 Month LIBOR	2.50	--	2.47	1.84	1.45
1 Year LIBOR	2.76	--	2.71	2.11	1.74
6 Month CD	2.50	--	2.44	1.83	1.43
1 Year CMT	2.33	--	2.17	1.76	1.23
REPO O/N	2.13	0.22	1.78	1.60	1.13
REPO 1Wk	1.99	--	1.78	1.48	1.18
CoF Federal	1.877	--	1.811	1.506	1.302
11th D. CoF (May)	0.885	--	0.895	0.746	0.648

FHLB Fixed Advance Rates					Fed Fund Futures	
Maturity	Chicago	Boston	Dallas	Topeka	Maturity	Rate
3mo	2.12	2.29	2.09	2.28	Jul-18	1.918
6mo	2.28	2.39	2.28	2.39	Aug-18	1.925
1yr	2.59	2.56	2.54	2.66	Sep-18	1.950
2yr	2.76	2.93	2.78	2.95	Oct-18	2.100
3yr	2.84	3.03	2.92	3.06	Nov-18	2.105
4yr	2.92	3.11	3.00	3.14	Dec-18	2.165
5yr	2.96	3.16	3.04	3.17	Jan-19	2.245
7yr	3.18	3.42	3.26	3.32	Jan-19	2.245
10yr	3.31	3.57	3.39	3.44	Mar-19	2.310
5yr Am	2.89		2.88	3.12	Apr-19	2.380
10yr Am	3.18		3.22	3.39	May-19	2.410

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
07/02	Markit US Manufacturing PMI	Jun F	54.60	--	54.60	--
07/02	Construction Spending MoM	May	0.50%	--	1.80%	--
07/02	ISM Manufacturing	Jun	58.50	--	58.70	--
07/02	ISM Employment	Jun	--	--	56.30	--
07/02	ISM Prices Paid	Jun	75.00	--	79.50	--
07/02	ISM New Orders	Jun	--	--	63.70	--
07/03	Factory Orders Ex Trans	May	--	--	0.40%	--
07/03	Durables Ex Transportation	May F	--	--	-0.30%	--
07/03	Cap Goods Orders Nondef Ex Air	May F	--	--	-0.20%	--
07/03	Cap Goods Ship Nondef Ex Air	May F	--	--	-0.10%	--
07/03	Wards Total Vehicle Sales	Jun	17.00m	--	16.81m	--
07/04	MBA Mortgage Applications	6/29	--	--	-4.90%	--
07/05	Challenger Job Cuts YoY	Jun	--	--	-4.80%	--
07/05	ADP Employment Change	Jun	190k	--	178k	--
07/05	Initial Jobless Claims	6/30	225k	--	227k	--
07/05	Continuing Claims	6/23	1718k	--	1705k	--
07/05	Bloomberg Consumer Comfort	7/1	--	--	57.30	--
07/05	Markit US Services PMI	Jun F	56.50	--	56.50	--
07/05	Markit US Composite PMI	Jun F	--	--	56.00	--
07/05	ISM Non-Manf. Composite	Jun	58.30	--	58.60	--
07/05	FOMC Meeting Minutes	6/13	--	--	--	--
07/06	Trade Balance	May	-\$43.6b	--	-\$46.2b	--
07/06	Change in Nonfarm Payrolls	Jun	195k	--	223k	--
07/06	Two-Month Payroll Net Revision	Jun	--	--	15k	--
07/06	Change in Private Payrolls	Jun	190k	--	218k	--
07/06	Change in Manufact. Payrolls	Jun	15k	--	18k	--
07/06	Unemployment Rate	Jun	3.80%	--	3.80%	--
07/06	Underemployment Rate	Jun	--	--	7.60%	--
07/06	Average Hourly Earnings YoY	Jun	2.80%	--	2.70%	--
07/06	Average Weekly Hours All Employees	Jun	34.50	--	34.50	--
07/06	Labor Force Participation Rate	Jun	62.70%	--	62.70%	--
07/09	Consumer Credit	May	\$12.000b	--	\$9.262b	--
07/10	NFIB Small Business Optimism	Jun	--	--	107.80	--
07/10	JOLTS Job Openings	May	--	--	6698.00	--
07/11	PPI Final Demand YoY	Jun	3.00%	--	3.10%	--
07/11	PPI Ex Food and Energy YoY	Jun	2.60%	--	2.40%	--
07/11	PPI Ex Food, Energy, Trade YoY	Jun	--	--	2.60%	--
07/12	CPI YoY	Jun	2.90%	--	2.80%	--
07/12	CPI Ex Food and Energy YoY	Jun	2.30%	--	2.20%	--
07/12	CPI Index NSA	Jun	--	--	251.59	--
07/12	CPI Core Index SA	Jun	--	--	256.89	--
07/12	Real Avg Weekly Earnings YoY	Jun	--	--	0.30%	--
07/12	Real Avg Hourly Earning YoY	Jun	--	--	0.00%	--
07/13	Import Price Index YoY	Jun	--	--	4.30%	--
07/13	Export Price Index YoY	Jun	--	--	4.90%	--
07/13	U. of Mich. Current Conditions	Jul P	--	--	116.50	--
07/13	U. of Mich. 1 Yr Inflation	Jul P	--	--	3.00%	--

MBS Prepayments ⁴						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	12.9	13.4	14.5	16.5	25.0	29.9
FH/FN 15y	6.2	6.0	7.3	13.5	15.3	18.7
GN 15y	9.1	12.2	12.8	12.9	13.3	14.0
FH/FN 20y	--	6.3	7.9	9.0	10.3	12.8
FH/FN 30y	3.2	5.3	3.6	5.3	8.7	14.3
GN 30y	9.2	9.7	12.2	15.0	15.1	16.4
CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	12.4	11.5	12.1	17.5	17.8	21.9
FH/FN 15y	7.5	8.1	8.9	11.2	14.9	24.9
GN 15y	9.1	10.1	12.5	14.6	14.0	13.6
FH/FN 20y	3.1	6.8	7.8	9.9	12.8	14.5
FH/FN 30y	4.9	5.7	6.1	7.2	10.3	13.3
GN 30y	7.5	8.0	9.1	11.3	16.0	19.5

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	110.89	1.12	109.82	112.29	113.38
Euro	1.16	(0.01)	1.17	1.21	1.14
Dollar Index	95.09	0.80	94.16	91.87	95.63
Major Stock Indices					
Dow Jones	24,089	(164)	24,635	24,824	21,350
S&P 500	2,699.7	(17.4)	2,734.6	2,695.8	2,423.4
NASDAQ	7,465.4	(67)	7,554.3	7,006.9	6,140.4
Commodities					
Gold	1,248.3	(17.3)	1,294.8	1,316.1	1,242.3
Crude Oil	73.84	5.76	65.81	60.37	46.04
Natural Gas	2.86	(0.06)	2.96	3.06	3.04
Wheat	498.3	21.5	523.3	433.5	511.0
Corn	343.8	-6.8	391.5	353.3	370.5

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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