

## Baker Market Update: Week in Preview

Lester Murray

Associate Partner

Financial Strategies Group

[lester@gobaker.com](mailto:lester@gobaker.com)

800.937.2257

The Baker Group

[GoBaker.com](http://GoBaker.com)

1601 NW Expressway

20th Floor

Oklahoma City, OK

800.937.2257



Well, it seems the new Turkey Melt isn't just for lunch anymore. As markets open this morning, the latest investor snack first popularized last Friday has now made its way onto breakfast menus, too. Despite the promise by Turkey's central bank to "take all necessary measures" to stem the *lira's* freefall, the currency is still falling freely. So far, a reduction in the Turkish Central Bank's reserve requirements along with an easing of liquidity regulations has failed to stem the currency's slide, and that has triggered a growing perception that a currency-defending rate hike may be in the offing.

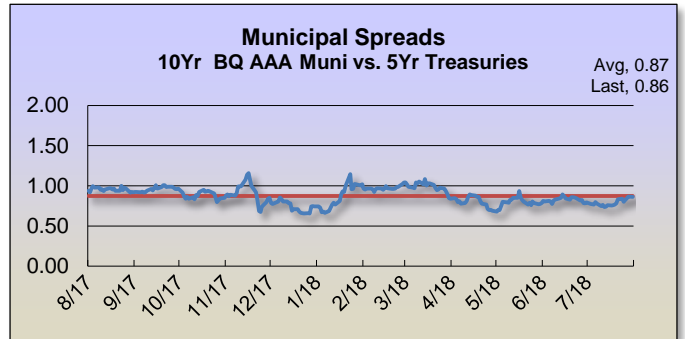
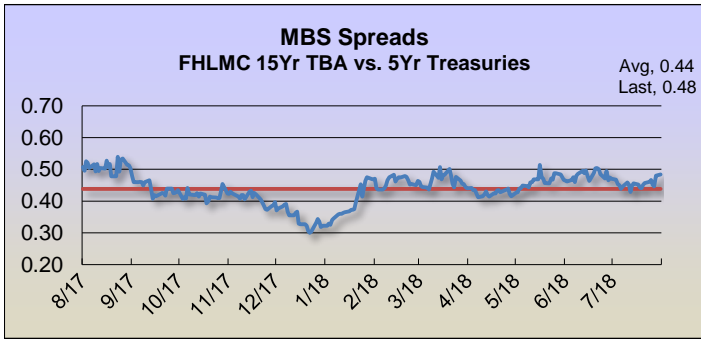
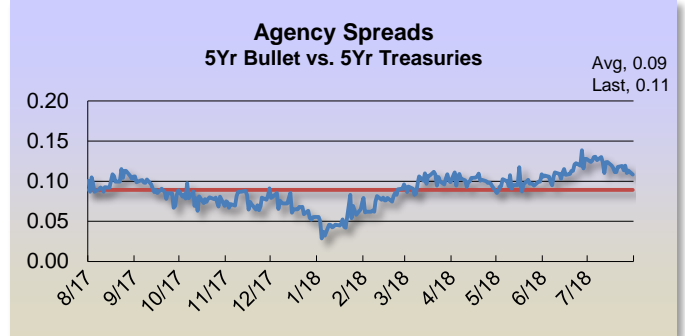
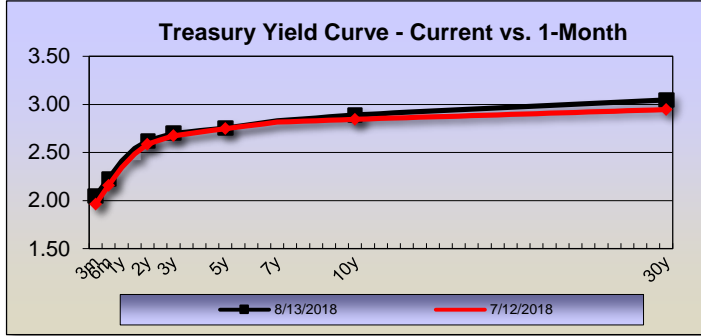
Whether it is or not, America's investors seem a little less concerned about Turkey's fate than do others. Friday saw a fear rally in Treasuries that pushed the Ten-Year below 2.90%, and early trading hasn't moved it much, one way or the other. It very well could be that Friday's report of headline CPI inflation nearing 3% is what has captured investors' attention today. There's nothing in the news, real or fake, that should lead anyone to believe that the Fed will become any less hawkish despite the problems facing Turkey and, potentially, others in the European Union. Even one of the more reliable doves, Chicago Fed President Charles Evans, recently told reporters that further rate hikes to "somewhat restrictive" levels might be needed to combat the effects of recent fiscal stimulus. If it sounds like he's talking about pursuing a monetary policy that undoes what the tax-cuts did, it's because that's what he said.

But, there's a lot of data reports due to be published this week and we'll all see what *they* say. We'll learn tomorrow how businessmen are feeling when the National Federation of Independent Businesses releases its Optimism Report. Early surveys suggest a slight drop in all the good feelings of late, but Consumer Sentiment from the University of Michigan is expected to remain fairly buoyant when a new, preliminary report comes out on Friday. Not to be left out, the Philadelphia Fed will be coming out with its latest Business Conditions Index on Thursday, and experts are looking for a little decline in that measure.

For a housing market that seems to be in retrenchment mode of late, markets are expecting a significant rise in Housing Starts along with at least a modest rise in new Building Permits. We'll find out more on Thursday. But, the day before that, the National Association of Homebuilders will report its Housing Market Index and it's expected to show a little more slippage.

Wednesday will be a big news day with Retail Sales looking for a very slight gain in July after some pretty robust growth in June. Likewise, Industrial Production is expecting a 0.3% boost with a similar July report for Capacity Utilization. Keep in mind, too, that when the Baker-Hughes Rig Count comes out on Friday, that doesn't have anything to do with elections.

I'll be out the rest of this week, so somebody else will have to fix lunch on Friday. In the meantime, have a great week and 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	2.05	0.04	1.97	1.59	1.03	2yr	2.66	2.80	2.28	2.43	22.00	2Yr	1.94	1.94	1.94	-
6mo	2.23	0.02	2.16	1.79	1.14	3yr	2.75	2.86	2.46	2.62	25.33	3Yr	2.10	2.11	2.11	2.10
1yr	2.41	(0.00)	2.35	1.93	1.20	5yr	2.86	2.88	2.77	2.95	32.00	5Yr	2.19	2.22	2.24	2.24
2yr	2.62	(0.03)	2.58	2.11	1.30	7yr	2.98	2.90	3.09	3.29	51.00	7Yr	2.42	2.47	2.52	2.53
3yr	2.70	(0.03)	2.65	2.31	1.45	10yr	3.17	2.94	3.43	3.65	70.00	10Yr	2.57	2.62	2.69	2.72
5yr	2.75	(0.05)	2.73	2.54	1.74	15yr	3.31	2.98	3.82	4.07	99.00	September TBA MBS				
7yr	2.83	(0.06)	2.80	2.74	2.00	20yr	3.45	2.99	4.10	4.37	98.00	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	2.89	(0.05)	2.83	2.83	2.19	25yr	3.58	2.98	4.18	4.45	100.00	2.00	3.29	5.0y		
30yr	3.05	(0.04)	2.93	3.11	2.79	30yr		2.97	4.26	4.53	102.00	2.50	3.10	5.2y		
												3.00	3.09	5.4y	3.43	9.7y
												3.50	3.23	5.2y	3.58	9.3y
												4.00			3.70	7.8y
												4.50			3.76	6.5y

\* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	2.00	--	2.00	1.50	1.25
Primary Discount	2.50	--	2.50	2.00	1.75
2ndary Discount	3.00	--	3.00	2.50	2.25
Prime Rate	5.00	--	5.00	4.50	4.25
Sec. O.N. Finance	1.90	--			
1 Month LIBOR	2.07	--	2.07	1.58	1.23
3 Month LIBOR	2.32	--	2.34	1.82	1.31
6 Month LIBOR	2.51	--	2.51	2.04	1.45
1 Year LIBOR	2.82	--	2.78	2.31	1.73
6 Month CD	2.50	--	2.51	2.04	1.41
1 Year CMT	2.42	--	2.36	1.89	1.22
REPO O/N	2.02	0.04	1.94	0.95	1.16
REPO 1Wk	1.98	--	1.98	1.47	1.24
CoF Federal	1.924	--	1.877	1.551	1.354
11th D. CoF (Jun)	0.934	--	0.885	0.753	0.657

FHLB Fixed Advance Rates					Fed Fund Futures	
Maturity	Chicago	Boston	Dallas	Topeka	Maturity	Rate
3mo	2.23	2.37	2.17	2.35	Aug-18	1.910
6mo	2.41	2.51	2.34	2.53	Sep-18	1.940
1yr	2.68	2.67	2.58	2.75	Oct-18	2.140
2yr	2.80	2.97	2.88	3.00	Nov-18	2.145
3yr	2.87	3.07	3.02	3.09	Dec-18	2.210
4yr	2.93	3.13	3.09	3.15	Jan-19	2.305
5yr	2.97	3.18	3.11	3.17	Feb-19	2.320
7yr	3.18	3.43	3.32	3.32	Mar-19	2.365
10yr	3.35	3.62	3.45	3.49	Apr-19	2.450
5yr Am	2.91		3.03	3.14	May-19	2.470
10yr Am	3.21		3.30	3.41	Jun-19	2.505

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
08/13	Mortgage Delinquencies	2Q	--	--	4.63%	--
08/13	MBA Mortgage Foreclosures	2Q	--	--	1.16%	--
08/14	NFIB Small Business Optimism	Jul	106.80	--	107.20	--
08/14	Import Price Index YoY	Jul	4.50%	--	4.30%	--
08/14	Export Price Index YoY	Jul	--	--	5.30%	--
08/15	MBA Mortgage Applications	8/10	--	--	-3.00%	--
08/15	Empire Manufacturing	Aug	20.00	--	22.60	--
08/15	Nonfarm Productivity	2Q P	2.40%	--	0.40%	--
08/15	Unit Labor Costs	2Q P	0.00%	--	2.90%	--
08/15	Retail Sales Advance MoM	Jul	0.10%	--	0.50%	--
08/15	Retail Sales Ex Auto MoM	Jul	0.30%	--	0.40%	--
08/15	Retail Sales Ex Auto and Gas	Jul	0.40%	--	0.30%	--
08/15	Retail Sales Control Group	Jul	0.40%	--	0.00%	--
08/15	Industrial Production MoM	Jul	0.30%	--	0.60%	--
08/15	Capacity Utilization	Jul	78.20%	--	78.00%	--
08/15	Manufacturing (SIC) Production	Jul	0.30%	--	0.80%	--
08/15	Business Inventories	Jun	0.10%	--	0.40%	--
08/15	NAHB Housing Market Index	Aug	67.00	--	68.00	--
08/15	Total Net TIC Flows	Jun	--	--	\$69.9b	--
08/15	Net Long-term TIC Flows	Jun	--	--	\$45.6b	--
08/16	Initial Jobless Claims	8/11	215k	--	213k	--
08/16	Continuing Claims	8/4	1740k	--	1755k	--
08/16	Philadelphia Fed Business Outlook	Aug	22.00	--	25.70	--
08/16	Housing Starts	Jul	1260k	--	1173k	--
08/16	Building Permits	Jul	1310k	--	1273k	1292k
08/16	Bloomberg Economic Expectations	Aug	--	--	53.50	--
08/16	Bloomberg Consumer Comfort	8/12	--	--	59.30	--
08/17	Leading Index	Jul	0.40%	--	0.50%	--
08/17	U. of Mich. Sentiment	Aug P	98.00	--	97.90	--
08/17	U. of Mich. Current Conditions	Aug P	--	--	114.40	--
08/17	U. of Mich. Expectations	Aug P	--	--	87.30	--
08/17	U. of Mich. 1 Yr Inflation	Aug P	--	--	2.90%	--
08/17	U. of Mich. 5-10 Yr Inflation	Aug P	--	--	2.40%	--
08/22	Existing Home Sales	Jul	5.45m	--	5.38m	--
08/22	FOMC Meeting Minutes	8/1	--	--	--	--
08/23	Initial Jobless Claims	8/18	--	--	--	--
08/23	Continuing Claims	8/11	--	--	--	--
08/23	FHFA House Price Index MoM	Jun	--	--	0.20%	--
08/23	House Price Purchase Index QoQ	2Q	--	--	1.70%	--
08/23	Bloomberg Consumer Comfort	8/19	--	--	--	--
08/23	Markit US Manufacturing PMI	Aug P	--	--	55.30	--
08/23	Markit US Services PMI	Aug P	--	--	56.00	--
08/23	Markit US Composite PMI	Aug P	--	--	55.70	--
08/23	New Home Sales	Jul	653k	--	631k	--
08/23	Kansas City Fed Manf. Activity	Aug	--	--	23.00	--
08/24	Durables Ex Transportation	Jul P	0.50%	--	0.20%	--
08/24	Cap Goods Ship Nondef Ex Air	Jul P	--	--	0.70%	--

MBS Prepayments <sup>4</sup>						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	13.0	13.9	14.9	15.9	22.3	33.3
FH/FN 15y	7.5	6.6	6.1	7.5	14.9	18.1
GN 15y	15.3	12.9	12.7	13.5	13.5	14.9
FH/FN 20y		6.5	8.7	9.5	10.1	12.6
FH/FN 30y	2.1	6.1	4.0	4.1	4.5	7.0
GN 30y	12.9	10.9	13.6	15.2	15.8	16.5
CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	12.3	11.5	12.1	17.5	15.0	21.9
FH/FN 15y	7.4	8.0	7.9	9.1	14.0	22.8
GN 15y	11.4	10.1	12.4	14.4	13.9	13.4
FH/FN 20y	0.1	6.7	7.8	9.5	12.2	14.3
FH/FN 30y	4.9	5.6	6.1	6.7	9.2	11.9
GN 30y	9.7	8.0	8.9	11.0	16.0	19.5

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
<b>Currencies</b>					
Japanese Yen	110.89	(0.51)	112.38	107.82	109.63
Euro	1.14	(0.01)	1.17	1.24	1.18
Dollar Index	96.21	0.85	94.68	89.70	93.07
<b>Major Stock Indices</b>					
Dow Jones	25,360	(142)	25,019	24,640	21,858
S&P 500	2,840.2	(10.2)	2,801.3	2,662.9	2,441.3
NASDAQ	7,884.7	25	7,826.0	7,013.5	6,256.6
<b>Commodities</b>					
Gold	1,199.2	(9.4)	1,241.2	1,328.1	1,287.7
Crude Oil	67.07	(1.94)	71.01	59.19	48.82
Natural Gas	2.93	0.07	2.75	2.59	2.98
Wheat	538.0	-36.5	481.5	460.8	439.3
Corn	355.8	-15.3	330.3	366.8	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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