

Baker Market Update: Week in Preview

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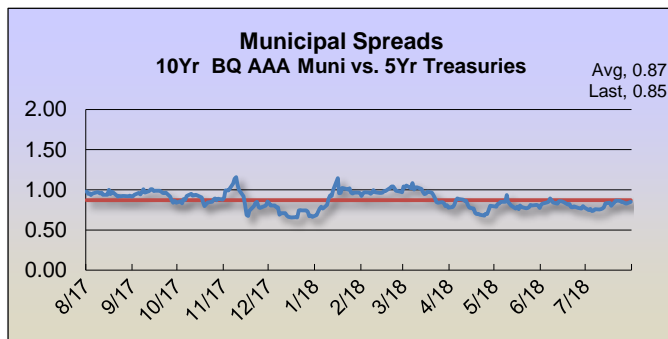
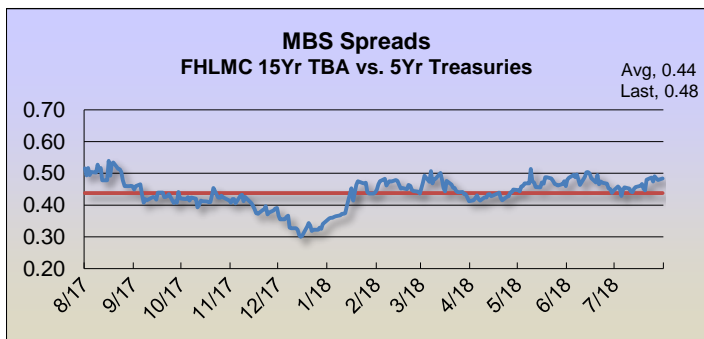
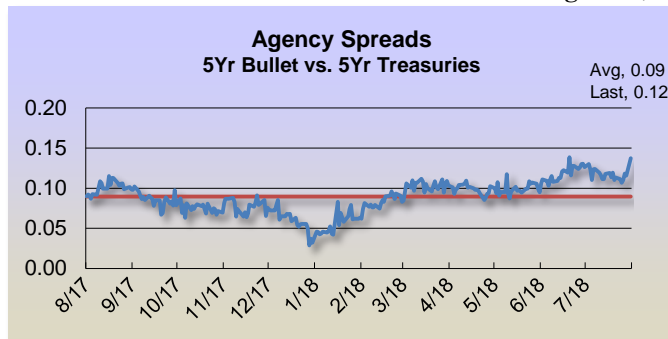
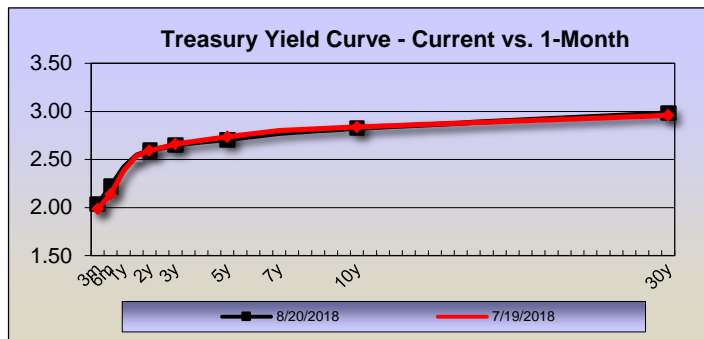
Following a week in which bonds and stocks both performed admirably, one wonders if this week will be a reprise of that paradoxical situation. As markets roll out of bed this morning, it appears that a continuation of that trend may be in the offing. Also in the offing is the official end of the European Union's bailout of Greece and, coincidentally, a seemingly sanguine adjustment in the perception of emerging markets' malaise.

No malaise is expected to be found in Jackson Hole, Wyoming this week as the nation's central bankers head to summer camp as the guests of the Kansas City Fed. "Monetary Policy in a Changing Economy" is the official title of Chairman Powell's speech this Friday and one can't help but wonder how long it took him to come up with *that* catchy theme. Without the appropriate security clearance, we'll probably never know. Fortunately, no such clearance will be necessary in order to get a look at the FOMC's minutes from its last get-together back on August 1st. Observers will likely be picking apart that prose from pillar-to-post in search of clarity over how many more rate hikes might we expect and what degree of inflation-fighting commitment exists in the hearts of other committee members. When Mr. Powell, back in July, employed the prepositional phrase "for now" when explaining his intention to remain on the path of higher rates, many market participants found his vagueness unsettling. It's unlikely that Wednesday's release of the committee's minutes will settle anything.

We'll probably be reminded that policy will continue to be data-driven, but with a dearth of any recent ground-breaking data available, many suspect that discussion topics have, and will, include the potential consequences of trade disputes in the context of a slowing global-growth story and domestic, late-cycle fiscal stimulus. We'll see.

In the meantime, we'll get new reports for Existing Home Sales followed by a fresh tally of New Home Sales. Both measures are only expected to reveal slight, monthly gains. New Mortgage Applications, which have been slipping a bit of late, are expected to slip a bit more. A gauge of manufacturing's vitality will be revealed on Thursday in the form of a fresh Purchasing Managers' Index, and like a late-summer weather forecast, not much change is expected. Friday morning will feature a preliminary July report for Durable Goods orders and experts are looking for a little slippage.

For now, the stock market is starting the week with a brave disregard for any of the many and varied geopolitical risks around the world. Equities are continuing a positive run that is seemingly unaffected by events. For the U.S. Treasury market, it's continued rally might bely a slightly different investor perception. With Venezuela teetering, Greece still unsteady, Italy in disarray, and the United Kingdom still looking for the exits, the U.S. Ten-Year is barely above 2.80%. Those investors are more concerned with a security blanket than they are with a security clearance. We'll see y'all Friday; 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 ²	S-Corp ³		Mty	3Mo	6mo	1Yr	2Yr
3mo	2.03	(0.01)	1.97	1.60	1.01	2yr	2.65	2.80	2.28	2.43	22.00	2Yr	1.94	1.94	1.94	-
6mo	2.22	0.01	2.14	1.83	1.11	3yr	2.71	2.85	2.46	2.62	25.33	3Yr	2.10	2.11	2.11	2.10
1yr	2.42	0.01	2.39	1.99	1.23	5yr	2.81	2.87	2.77	2.95	32.00	5Yr	2.19	2.22	2.24	2.24
2yr	2.59	(0.02)	2.59	2.22	1.31	7yr	2.92	2.88	3.08	3.28	51.00	7Yr	2.42	2.47	2.52	2.53
3yr	2.65	(0.04)	2.68	2.41	1.46	10yr	3.12	2.91	3.40	3.62	70.00	10Yr	2.57	2.62	2.69	2.72
5yr	2.71	(0.04)	2.77	2.65	1.76	15yr	3.25	2.95	3.81	4.05	99.00	September TBA MBS				
7yr	2.77	(0.05)	2.85	2.82	2.01	20yr	3.38	2.96	4.06	4.32	98.00	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	2.83	(0.05)	2.89	2.89	2.19	25yr	3.52	2.95	4.14	4.40	100.00	2.00	3.28	5.0y		
30yr	2.98	(0.06)	3.03	3.15	2.78	30yr		2.93	4.21	4.48	102.00	2.50	3.11	5.2y		
												3.00	3.09	5.4y	3.40	9.8y
												3.50	3.22	5.2y	3.55	9.3y
												4.00			3.68	7.8y
												4.50			3.74	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	--	2.08	1.59	1.23
3 Month LIBOR	2.31	--	2.34	1.88	1.32
6 Month LIBOR	2.51	--	2.52	2.11	1.46
1 Year LIBOR	2.81	--	2.80	2.39	1.73
6 Month CD	2.51	--	2.51	2.12	1.41
1 Year CMT	2.44	0.02	2.39	2.00	1.24
REPO O/N	1.99	0.04	1.95	1.45	1.12
REPO 1Wk	1.98	--	1.98	1.51	1.19
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	2.24	2.38	2.17	2.36	Aug-18	1.915
6mo	2.38	2.49	2.34	2.50	Sep-18	1.945
1yr	2.69	2.66	2.58	2.76	Oct-18	2.145
2yr	2.79	2.96	2.88	3.00	Nov-18	2.145
3yr	2.86	3.05	3.02	3.08	Dec-18	2.205
4yr	2.90	3.11	3.09	3.13	Jan-19	2.300
5yr	2.95	3.16	3.11	3.17	Feb-19	2.310
7yr	3.15	3.40	3.32	3.31	Mar-19	2.355
10yr	3.32	3.58	3.45	3.47	Apr-19	2.435
5yr Am	2.89		3.03	3.13	May-19	2.460
10yr Am	3.18		3.30	3.40	Jun-19	2.495

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
08/22	MBA Mortgage Applications	8/17	--	--	-2.00%	--
08/22	Existing Home Sales	Jul	5.40m	--	5.38m	--
08/22	Existing Home Sales MoM	Jul	0.40%	--	-0.60%	--
08/22	FOMC Meeting Minutes	8/1	--	--	--	--
08/23	Initial Jobless Claims	8/18	215k	--	212k	--
08/23	Continuing Claims	8/11	1735k	--	1721k	--
08/23	FHFA House Price Index MoM	Jun	0.30%	--	0.20%	--
08/23	House Price Purchase Index QoQ	2Q	--	--	1.70%	--
08/23	Bloomberg Consumer Comfort	8/19	--	--	58.90	--
08/23	Markit US Manufacturing PMI	Aug P	55.00	--	55.30	--
08/23	Markit US Services PMI	Aug P	55.80	--	56.00	--
08/23	Markit US Composite PMI	Aug P	--	--	55.70	--
08/23	New Home Sales	Jul	648k	--	631k	--
08/23	New Home Sales MoM	Jul	2.60%	--	-5.30%	--
08/23	Kansas City Fed Manf. Activity	Aug	23.00	--	23.00	--
08/24	Durable Goods Orders	Jul P	-0.50%	--	0.80%	--
08/24	Durables Ex Transportation	Jul P	0.50%	--	0.20%	--
08/24	Cap Goods Orders Nondef Ex Air	Jul P	0.50%	--	0.20%	--
08/24	Cap Goods Ship Nondef Ex Air	Jul P	0.30%	--	0.70%	--
08/27	Chicago Fed Nat Activity Index	Jul	--	--	43.00%	--
08/27	Dallas Fed Manf. Activity	Aug	30.00	--	32.30	--
08/28	Advance Goods Trade Balance	Jul	-\$68.0b	--	-\$68.3b	-\$67.9b
08/28	Wholesale Inventories MoM	Jul P	--	--	0.10%	--
08/28	Retail Inventories MoM	Jul	--	--	0.00%	0.10%
08/28	S&P CoreLogic CS 20-City YoY NSA	Jun	--	--	6.51%	--
08/28	S&P CoreLogic CS US HPI YoY NSA	Jun	--	--	6.38%	--
08/28	Richmond Fed Manufact. Index	Aug	18.00	--	20.00	--
08/28	Conf. Board Consumer Confidence	Aug	126.70	--	127.40	--
08/28	Conf. Board Present Situation	Aug	--	--	165.90	--
08/28	Conf. Board Expectations	Aug	--	--	101.70	--
08/29	MBA Mortgage Applications	8/24	--	--	--	--
08/29	GDP Annualized QoQ	2Q S	4.00%	--	4.10%	--
08/29	Personal Consumption	2Q S	--	--	4.00%	--
08/29	GDP Price Index	2Q S	3.00%	--	3.00%	--
08/29	Core PCE QoQ	2Q S	--	--	2.00%	--
08/29	Pending Home Sales NSA YoY	Jul	--	--	-4.00%	--
08/30	PCE Core YoY	Jul	--	--	1.90%	--
08/30	Personal Income	Jul	0.40%	--	0.40%	--
08/30	Initial Jobless Claims	8/25	--	--	--	--
08/30	Personal Spending	Jul	0.40%	--	0.40%	--
08/30	Continuing Claims	8/18	--	--	--	--
08/30	Real Personal Spending	Jul	--	--	0.30%	--
08/30	PCE Deflator YoY	Jul	--	--	2.20%	--
08/30	Bloomberg Consumer Comfort	8/26	--	--	--	--
08/31	Chicago Purchasing Manager	Aug	63.50	--	65.50	--
08/31	U. of Mich. Current Conditions	Aug F	--	--	107.80	--
08/31	U. of Mich. 1 Yr Inflation	Aug F	--	--	2.90%	--

MBS Prepayments ⁴						
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	11.6	12.2	17.7	15.2	22.7
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	6.0	6.7	9.2	11.9
GN 30y	9.7	7.9	8.9	11.0	16.0	19.5

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	110.44	(0.26)	111.41	107.33	108.98
Euro	1.14	0.00	1.17	1.23	1.18
Dollar Index	96.11	(0.28)	94.48	89.72	93.43
Major Stock Indices					
Dow Jones	25,760	573	25,058	24,965	21,675
S&P 500	2,855.2	33.2	2,801.8	2,716.3	2,425.6
NASDAQ	7,813.8	(6)	7,820.2	7,234.3	6,216.5
Commodities					
Gold	1,185.8	(5.5)	1,231.1	1,328.8	1,285.7
Crude Oil	65.95	(1.25)	70.46	61.90	48.51
Natural Gas	2.94	0.01	2.76	2.62	2.89
Wheat	548.8	15.3	516.0	449.3	416.0
Corn	363.5	7.0	355.3	365.5	352.0

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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