

Baker Market Update: Week in Preview

Lester Murray

Associate Partner

Financial Strategies Group

lester@gobaker.com

800.937.2257

The Baker Group

GoBaker.com

1601 NW Expressway

20th Floor

Oklahoma City, OK

800.937.2257



So, will markets and investors return their focus to the things they're supposed to be focused on, like economic policies and financial performance data, or will they continue to be driven by geopolitical intrigue, unfiltered emotional drama, and duplicitous Machiavellianism? It's a little early to tell, but the latter is certainly more interesting than the former.

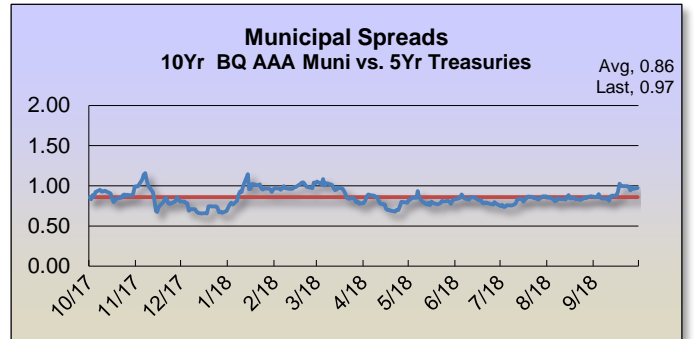
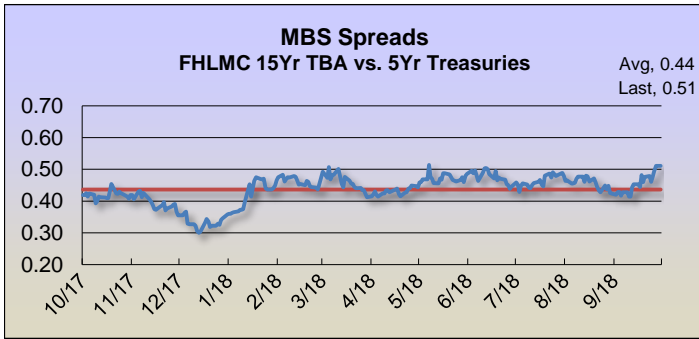
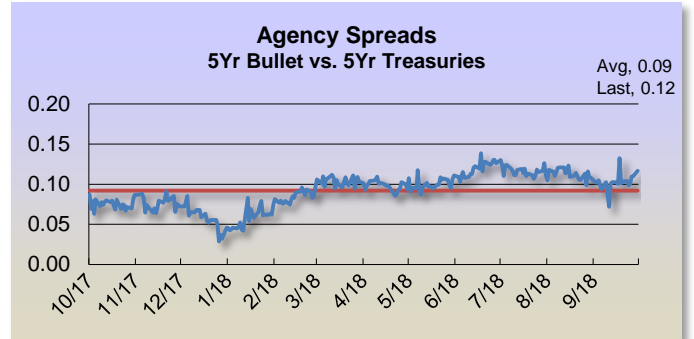
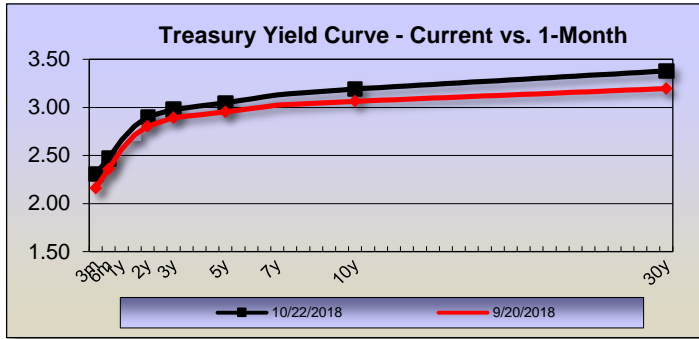
Comparisons to the former quarter's economic output will be no doubt be common fare this week when the Bureau of Economic Analysis (BEA) publishes its initial "flash" estimate of Q3 GDP. A lowering of expectations following Q2's 4.2% growth rate has been nearly universal, but the Atlanta Fed's GDP Now model was still projecting 3.9% when it last updated on the 17th. The New York Fed has its own model called the GDPNowcast and their fancy ciphering can only come up with a 2.1% estimate. Reliance on any pre-announcement guess can be a little dodgy since even the number of future revisions isn't always a sure thing.

The "sure thing" that Brexit is not, will be fleshed out more this week as British Prime Minister Theresa May goes to Parliament in an attempt to sell her plan to lawmakers while simultaneously trying not to lose her job. Chinese President Xi has also been reassuring anyone who will listen, that his administration, and the Peoples' Bank of China, will do all it can to turn the Chinese economy around. Apparently, that nation's third quarter growth rate "miss" of 6.5% instead of 6.8% has caused the Sino leader to channel his inner Mario Draghi. The real Mario, in the meantime, will let the world know this Thursday whether or not the European Central Bank's version of quantitative easing will continue into next year. Whatever happened to that global growth story that was all the rage just a few months ago?

The European Union will also be dealing with the Italian Job as officials from that nation try to work out a budget plan that will try to bring Italy's deficit spending under control in light of the coalition government's plans to cut taxes, increase spending, and lower the retirement age. For those keeping score, Italy is promising to keep its "out-of-control" deficit from exceeding 2.4% of GDP; meanwhile in America, our budgetary shortfall is sneaking up on 4% of GDP. Oh, and this just in from the IMF; its growth estimate for 2019 growth in the United States has been downgraded to 2.5% from 2.7%.

But why worry about next year? The President announced over the weekend that he's planning a new round of tax cuts for the middle class. More high-fructose corn syrup for the economy? We may risk becoming insulin resistant. We'll find out if homebuyers are becoming resistant to higher prices when New Home Sales for September come out on Wednesday along with the FHFA House Price Index. The Richmond Fed's Manufacturing Index comes out tomorrow, a similar report from the Kansas City Fed is scheduled for Thursday, and we'll see if the positives from last week's Empire Manufacturing Index and the Philly Fed's Activity Index continue to flash green for the manufacturing sector. In a related series of statistics, the Census Bureau will be providing preliminary reports showing an expected decline in orders for Durable Goods.

How durable is Consumer Confidence these days? The University of Michigan will shed some light on that come this Friday with a fresh look at its Consumer Sentiment Index and a whole lot of related and marginally relevant subjectivity. But don't forget about Machiavellian duplicity; Wednesday is United Nations Day. Have a great week; 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	2.31	0.03	2.17	1.80	1.10	2yr	2.95	3.11	2.87	3.05	21.00	2Yr	1.94	1.94	1.94	-	
6mo	2.47	0.02	2.37	2.00	1.26	3yr	3.03	3.17	2.97	3.16	27.33	3Yr	2.10	2.11	2.11	2.10	
1yr	2.66	0.01	2.57	2.20	1.42	5yr	3.14	3.19	3.22	3.43	40.00	5Yr	2.19	2.22	2.24	2.24	
2yr	2.90	0.05	2.80	2.46	1.58	7yr	3.25	3.21	3.47	3.70	56.00	7Yr	2.42	2.47	2.52	2.53	
3yr	2.98	0.04	2.89	2.62	1.73	10yr	3.43	3.25	3.82	4.07	74.00	10Yr	2.57	2.62	2.69	2.72	
5yr	3.05	0.04	2.95	2.80	2.02	15yr	3.55	3.30	4.24	4.51	100.00	November TBA MBS					
7yr	3.13	0.03	3.03	2.91	2.23	20yr	3.68	3.31	4.56	4.86	90.00	Cpn	15Yr -Yld/AL		30Yr -Yld/AL		
10yr	3.19	0.04	3.06	2.96	2.39	25yr	3.81	3.30	4.66	4.96	92.00		2.00	3.61	5.0y		
30yr	3.38	0.04	3.20	3.15	2.90	30yr	3.81	3.28	4.76	5.07	94.00		2.50	3.45	5.2y		
													3.00	3.39	5.6y	3.72	9.8y
													3.50	3.51	5.2y	3.86	9.7y
												4.00			4.00	8.7y	
												4.50			4.07	7.0y	

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	2.25	--	2.00	1.75	1.25
Primary Discount	2.75	--	2.50	2.25	1.75
2ndary Discount	3.25	--	3.00	2.75	2.25
Prime Rate	5.25	--	5.00	4.75	4.25
Sec. O.N. Finance	2.19				
1 Month LIBOR	2.28	--	2.18	1.90	1.24
3 Month LIBOR	2.48	0.04	2.35	2.36	1.36
6 Month LIBOR	2.72	0.07	2.57	2.51	1.55
1 Year LIBOR	3.02	0.06	2.89	2.76	1.83
6 Month CD	2.81	0.16	2.57	2.49	1.53
1 Year CMT	2.67	--	2.58	2.21	1.41
REPO O/N	2.24	--	2.02	1.64	1.00
REPO 1Wk	2.24	--	2.19	1.79	1.22
CoF Federal	2.024	--	1.979	1.664	1.429
11th D. CoF (Aug)	1.015	--	1.018	0.816	0.732

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	2.49	2.63	2.60
6mo	2.63	2.73	2.75
1yr	2.97	2.93	3.00
2yr	3.12	3.29	3.32
3yr	3.17	3.35	3.39
4yr	3.21	3.39	3.43
5yr	3.28	3.47	3.49
7yr	3.48	3.70	3.62
10yr	3.64	3.89	3.78
5yr Am	3.20		3.44
10yr Am	3.50		3.71

Fed Fund Futures	
Maturity	Rate
Oct-18	2.188
Nov-18	2.200
Dec-18	2.280
Jan-19	2.400
Feb-19	2.410
Mar-19	2.475
Apr-19	2.585
May-19	2.605
Jun-19	2.650
Jul-19	2.730
Aug-19	2.750

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
10/24	MBA Mortgage Applications	10/19	--	--	-7.10%	--
10/24	FHFA House Price Index MoM	Aug	0.30%	--	0.20%	--
10/24	Markit US Composite PMI	Oct P	--	--	53.90	--
10/24	New Home Sales	Sep	625k	--	629k	--
10/25	Advance Goods Trade Balance	Sep	-\$75.1b	--	-\$75.8b	-\$75.5b
10/25	Wholesale Inventories MoM	Sep P	0.50%	--	1.00%	--
10/25	Retail Inventories MoM	Sep	--	--	0.70%	0.70%
10/25	Durables Ex Transportation	Sep P	0.40%	--	0.00%	--
10/25	Cap Goods Ship Nondef Ex Air	Sep P	0.40%	--	-0.20%	--
10/25	Initial Jobless Claims	10/20	213k	--	210k	--
10/25	Continuing Claims	10/13	1652k	--	1640k	--
10/25	Bloomberg Consumer Comfort	10/21	--	--	60.80	--
10/25	Pending Home Sales NSA YoY	Sep	-1.90%	--	-2.50%	--
10/26	Personal Consumption	3Q A	3.30%	--	3.80%	--
10/26	GDP Price Index	3Q A	2.10%	--	3.00%	--
10/26	Core PCE QoQ	3Q A	1.70%	--	2.10%	--
10/26	U. of Mich. Current Conditions	Oct F	--	--	114.40	--
10/26	U. of Mich. 1 Yr Inflation	Oct F	--	--	2.80%	--
10/29	Personal Income	Sep	0.40%	--	0.30%	--
10/29	Real Personal Spending	Sep	--	--	0.20%	--
10/29	PCE Deflator YoY	Sep	--	--	2.20%	--
10/29	PCE Core YoY	Sep	2.00%	--	2.00%	--
10/30	S&P CoreLogic CS 20-City YoY NSA	Aug	--	--	5.92%	--
10/30	S&P CoreLogic CS US HPI YoY NSA	Aug	--	--	6.00%	--
10/30	Conf. Board Consumer Confidence	Oct	136.80	--	138.40	--
10/30	Conf. Board Present Situation	Oct	--	--	173.10	--
10/31	ADP Employment Change	Oct	204k	--	230k	--
10/31	Employment Cost Index	3Q	0.70%	--	0.60%	--
10/31	Chicago Purchasing Manager	Oct	61.20	--	60.40	--
11/01	Challenger Job Cuts YoY	Oct	--	--	70.90%	--
11/01	Nonfarm Productivity	3Q P	1.80%	--	2.90%	--
11/01	Unit Labor Costs	3Q P	1.40%	--	-1.00%	--
11/01	ISM Manufacturing	Oct	59.50	--	59.80	--
11/01	ISM Employment	Oct	--	--	58.80	--
11/01	ISM Prices Paid	Oct	--	--	66.90	--
11/01	ISM New Orders	Oct	--	--	61.80	--
11/02	Trade Balance	Sep	-\$52.0b	--	-\$53.2b	--
11/02	Change in Nonfarm Payrolls	Oct	190k	--	134k	--
11/02	Two-Month Payroll Net Revision	Oct	--	--	87k	--
11/02	Change in Private Payrolls	Oct	192k	--	121k	--
11/02	Change in Manufact. Payrolls	Oct	20k	--	18k	--
11/02	Unemployment Rate	Oct	3.70%	--	3.70%	--
11/02	Underemployment Rate	Oct	--	--	7.50%	--
11/02	Average Hourly Earnings YoY	Oct	--	--	2.80%	--
11/02	Average Weekly Hours All Employees	Oct	34.50	--	34.50	--
11/02	Labor Force Participation Rate	Oct	--	--	62.70%	--
11/02	Factory Orders Ex Trans	Sep	--	--	0.10%	--

MBS Prepayments ⁴						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	12.5	12.9	14.9	15.4	21.0	31.6
FH/FN 15y	6.6	6.5	6.9	8.5	14.0	16.8
GN 15y	6.0	12.5	12.5	13.4	12.7	14.1
FH/FN 20y		6.2	7.8	9.0	9.7	11.3
FH/FN 30y	2.9	5.5	4.0	4.0	4.9	7.6
GN 30y	8.9	10.5	14.0	14.7	14.6	15.3
CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	12.6	11.1	12.1	17.7	13.4	23.3
FH/FN 15y	7.3	7.8	6.9	9.3	11.8	21.6
GN 15y	11.3	9.9	12.8	14.7	14.4	13.8
FH/FN 20y	0.1	6.5	7.1	9.1	11.6	12.7
FH/FN 30y	4.7	5.6	6.0	6.3	7.8	11.1
GN 30y	10.0	7.6	8.8	10.5	16.0	19.2

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	112.71	0.94	112.80	108.71	113.43
Euro	1.15	(0.01)	1.17	1.22	1.17
Dollar Index	95.95	0.89	94.22	90.32	93.70
Major Stock Indices					
Dow Jones	25,342	91	26,744	24,463	23,329
S&P 500	2,761.5	10.7	2,929.7	2,670.1	2,575.2
NASDAQ	7,435.1	4	7,987.0	7,146.1	6,629.1
Commodities					
Gold	1,224.5	(1.9)	1,196.6	1,336.7	1,277.4
Crude Oil	68.32	(3.46)	70.78	68.38	51.47
Natural Gas	3.16	(0.08)	2.98	2.74	2.92
Wheat	512.5	-12.5	521.8	463.3	426.0
Corn	370.3	-8.0	357.3	376.5	344.5

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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