

Week in Review

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

Death and taxes; the only two sure things in life. Right? While any debate over the former is unlikely to engender any changes in outcomes, we're all in store for much wrangling over the fate of the latter. The announcement this week of the Administration's plan for tax-structure reformation has market participants scrambling to gauge, among other things, the likelihood of the proposed framework actually becoming actionable legislation. With more details expected as the process evolves, a reduction in marginal rates for businesses and households are hallmarks of the new plan with changes to allowable deductions garnering much attention. The nine-page outline was a little light on specifics. An environment ripe for wrangling.

Meanwhile, back at the Fed, policy-makers continue to wrangle with the lack of inflation. Despite Janet Yellen's oft-repeated contention that there are transitory and temporary conditions and circumstances that are prohibiting increases in price levels, one is left to wonder when the shot clock runs out on that description. The Fed has undershot its 2% inflation target for 63 consecutive months. How transitory is a condition that has endured for more than five years? We learned this morning from the Bureau of Economic Analysis (BEA) that the year-over-year "core" rate of the Personal Consumption Expenditures Index, the Fed's favorite inflation yardstick, transited *lower* in August to 1.3% from July's 1.4%. That's the data, and according to Mrs. Yellen, monetary policy is data driven. Is it really? Janet?

The FOMC probably preferred this week's Q2 GDP data to this week's inflation data. Thursday's report from the BEA, the third in a series, revealed that the previously estimated 3% economic growth rate was boosted to 3.1%. That was a nugget of good news, and not the only one. A preliminary report for August Durable Goods Orders shows a 1.7% increase; a big turnaround from the previous month's 6.8% decline. Home Prices, according to the Case-Shiller U.S. Home Price Index, rose almost 6% in July, and that's good news for sellers. Less good news was the 9.4% drop, according to the Census Bureau in New Home Sales volume.

In other news, Personal Spending cooled off a bit in August with a 0.1% rise following July's more robust increase of 0.3%. Personal Incomes notched a gain of 0.2% for the month; half of the previous month's growth rate. Adjusted for inflation, Real Personal Spending actually *fell* by 0.1% in August. Another noteworthy data point this week was the monster rise in the Chicago Purchasing Managers' Index. This indicator of manufacturing activity surprised everyone to the upside with its September level of 65.2. Huge! That measure in August was 58.9.

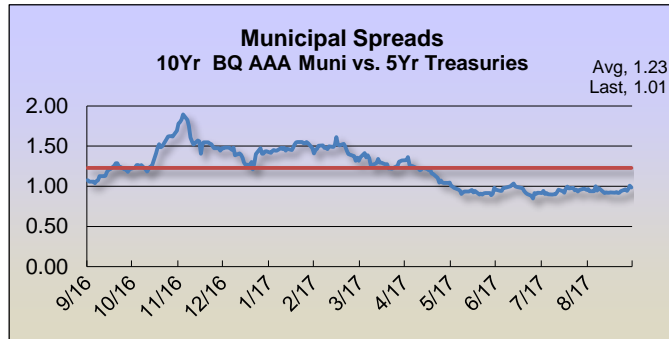
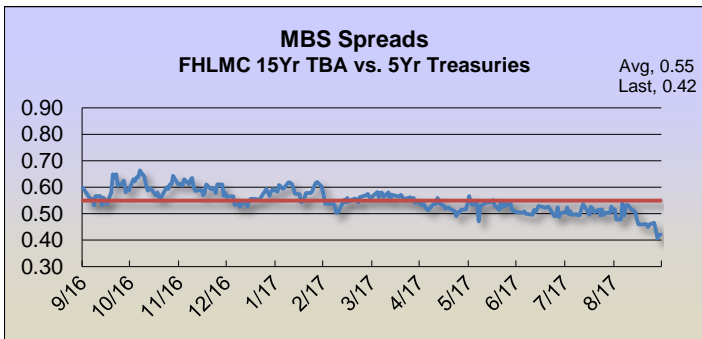
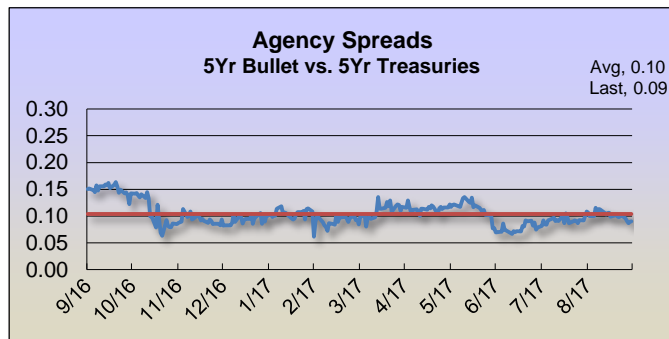
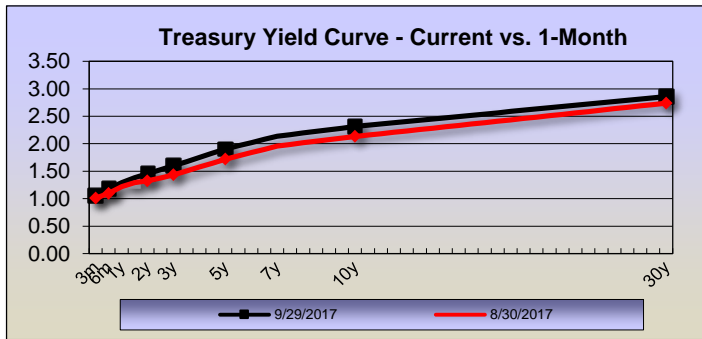
The indomitable spirit of the American consumer was also subjected to measurement this week and this "soft" data remains pretty firm. The University of Michigan's Index of Consumer Sentiment came in at 95.1, little changed from the previous 95.3. The sub-index of Current Conditions came off the boil a bit but the Expectations Sentiment rose to 84.4 from 83.4. Great expectations.

And after another week of mixed data sprinkled amid vague-yet-hawkish speeches by multiple Fed officials, what's expected for monetary policy? The futures market has priced in about a two-in-three chance of another hike in December. And unlike death and taxes, that's still a little short of a sure thing.

[Click Here for Additional Economic & Financial News](#)

Atlanta, GA | Austin, TX | Indianapolis, IN | Oklahoma City, OK | Salt Lake City, UT | Springfield, IL

Member: Financial Industry Regulatory Authority (FINRA) and Securities Investors Protection Corporation (SIPC)



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	1.05	0.02	1.02	0.77	0.26	2yr	1.54	1.73	1.39	1.48	1.65	2Yr	1.58	1.58	1.58	-
6mo	1.18	(0.00)	1.12	0.91	0.42	3yr	1.69	1.84	1.50	1.59	1.89	3Yr	1.75	1.77	1.78	1.74
1yr	1.29	(0.00)	1.22	1.03	0.57	5yr	1.98	2.00	1.88	2.00	2.38	5Yr	2.01	2.05	2.07	2.05
2yr	1.46	0.02	1.32	1.27	0.74	7yr	2.24	2.13	2.27	2.41	2.68	7Yr	2.18	2.24	2.29	2.29
3yr	1.60	0.02	1.42	1.52	0.86	10yr	2.57	2.28	2.80	2.98	3.05	10Yr	2.38	2.45	2.51	2.54
5yr	1.90	0.04	1.70	1.93	1.12	15yr	2.86	2.43	3.33	3.55	3.53	October TBA MBS				
7yr	2.14	0.05	1.95	2.20	1.39	20yr	3.15	2.50	3.71	3.95	3.59	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	2.31	0.06	2.13	2.38	1.56	25yr	3.44	2.53	3.85	4.10	3.63	2.00	2.26	5.6y		
30yr	2.86	0.08	2.74	2.99	2.28	30yr		2.53	3.99	4.25	3.66	2.50	2.32	5.4y		
												3.00	2.32	4.8y	2.94	8.8y
												3.50	2.24	3.7y	2.87	6.0y
												4.00			2.79	5.2y
												4.50			2.67	4.6y

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	1.25	--	1.25	1.00	0.50
Primary Discount	1.75	--	1.75	1.50	1.00
2ndary Discount	2.25	--	2.25	2.00	1.50
Prime Rate	4.25	--	4.25	4.00	3.50
1 Month LIBOR	1.24	--	1.24	0.98	0.52
3 Month LIBOR	1.34	--	1.32	1.15	0.84
6 Month LIBOR	1.51	0.02	1.46	1.42	1.23
1 Year LIBOR	1.79	0.02	1.73	1.80	1.55
6 Month CD	1.47	0.04	1.42	1.43	1.31
1 Year CMT	1.31	--	1.24	1.03	0.60
REPO O/N	1.10	0.02	1.14	0.81	0.90
REPO 1Wk	1.20	--	1.20	0.93	0.23
CoF Federal	1.429	--	1.397	1.183	1.092
11th D. CoF (Jul)	0.707	--	0.657	0.616	0.693

FHLB Fixed Advance Rates					Fed Fund Futures	
Maturity	Chicago	Boston	Dallas	Topeka	Maturity	Rate
3mo	1.24	1.38	1.25	1.39	Sep-17	1.153
6mo	1.33	1.43	1.35	1.47	Oct-17	1.150
1yr	1.54	1.56	1.48	1.60	Nov-17	1.160
2yr	1.66	1.85	1.69	1.86	Dec-17	1.250
3yr	1.82	2.00	1.88	2.01	Jan-18	1.325
4yr	1.98	2.17	2.04	2.18	Feb-18	1.330
5yr	2.11	2.31	2.18	2.29	Mar-18	1.355
7yr	2.41	2.64	2.48	2.53	Apr-18	1.405
10yr	2.78	3.03	2.85	2.90	May-18	1.415
5yr Am	1.90		1.98	2.15	Jun-18	1.455
10yr Am	2.40		2.90	2.63	Jul-18	1.495

[Click Here for Additional Economic & Financial News](#)

Atlanta, GA | Austin, TX | Indianapolis, IN | Oklahoma City, OK | Salt Lake City, UT | Springfield, IL

Member: Financial Industry Regulatory Authority (FINRA) and Securities Investors Protection Corporation (SIPC)

September 29, 2017

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
09/26	S&P CoreLogic CS 20-City YoY NSA	Jul	5.70%	5.81%	5.65%	--
09/26	S&P CoreLogic CS US HPI YoY NSA	Jul	--	5.94%	5.77%	5.82%
09/26	New Home Sales	Aug	585k	560k	574k	580k
09/26	Conf. Board Present Situation	Sep	--	146.10	151.20	148.40
09/27	Durables Ex Transportation	Aug P	0.20%	0.20%	0.60%	0.80%
09/27	Cap Goods Ship Nondef Ex Air	Aug P	0.10%	0.70%	1.20%	1.10%
09/27	Pending Home Sales NSA YoY	Aug	-0.50%	-3.10%	-0.50%	--
09/28	GDP Annualized QoQ	2Q T	3.00%	3.10%	3.00%	--
09/28	Personal Consumption	2Q T	3.30%	3.30%	3.30%	--
09/28	GDP Price Index	2Q T	1.00%	1.00%	1.00%	--
09/28	Core PCE QoQ	2Q T	0.90%	0.90%	0.90%	--
09/28	Initial Jobless Claims	9/23	270k	272k	259k	260k
09/28	Continuing Claims	9/16	1993k	1934k	1980k	1979k
09/28	Advance Goods Trade Balance	Aug	-\$65.1b	-\$62.9b	-\$65.1b	-\$63.9b
09/29	Personal Income	Aug	0.20%	0.20%	0.40%	0.30%
09/29	Real Personal Spending	Aug	-0.10%	-0.10%	0.20%	--
09/29	PCE Deflator YoY	Aug	1.50%	1.40%	1.40%	--
09/29	PCE Core YoY	Aug	1.40%	1.30%	1.40%	--
09/29	Chicago Purchasing Manager	Sep	58.70	65.20	58.90	--
09/29	U. of Mich. Current Conditions	Sep F	--	111.70	113.90	--
09/29	U. of Mich. 1 Yr Inflation	Sep F	--	2.70%	2.70%	--
10/02	Markit US Manufacturing PMI	Sep F	53.00	--	53.00	--
10/02	ISM Manufacturing	Sep	58.00	--	58.80	--
10/02	ISM Prices Paid	Sep	64.00	--	62.00	--
10/02	ISM New Orders	Sep	--	--	60.30	--
10/02	ISM Employment	Sep	--	--	59.90	--
10/03	Wards Domestic Vehicle Sales	Sep	12.65m	--	12.48m	--
10/04	ADP Employment Change	Sep	140k	--	237k	--
10/04	Markit US Composite PMI	Sep F	--	--	54.60	--
10/04	ISM Non-Manf. Composite	Sep	55.50	--	55.30	--
10/05	Challenger Job Cuts YoY	Sep	--	--	5.10%	--
10/05	Initial Jobless Claims	9/30	265k	--	272k	--
10/05	Continuing Claims	9/23	--	--	1934k	--
10/05	Trade Balance	Aug	-\$42.8b	--	-\$43.7b	--
10/05	Factory Orders Ex Trans	Aug	--	--	0.50%	--
10/05	Durables Ex Transportation	Aug F	--	--	0.20%	--
10/05	Cap Goods Ship Nondef Ex Air	Aug F	--	--	0.70%	--
10/06	Change in Nonfarm Payrolls	Sep	80k	--	156k	--
10/06	Two-Month Payroll Net Revision	Sep	--	--	--	--
10/06	Change in Private Payrolls	Sep	63k	--	165k	--
10/06	Change in Manufact. Payrolls	Sep	8k	--	36k	--
10/06	Unemployment Rate	Sep	4.40%	--	4.40%	--
10/06	Average Hourly Earnings YoY	Sep	2.60%	--	2.50%	--
10/06	Average Weekly Hours All Employees	Sep	34.40	--	34.40	--
10/06	Labor Force Participation Rate	Sep	--	--	62.90%	--
10/06	Underemployment Rate	Sep	--	--	8.60%	--
10/06	Consumer Credit	Aug	\$15.500b	--	\$18.499b	--

MBS Prepayments ⁴						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	12.4	12.8	14.8	16.6	21.0	24.2
FH/FN 15y	8.4	9.5	11.3	12.8	15.3	18.2
GN 15y	10.2	13.2	14.8	14.5	14.9	15.5
FH/FN 20y	7.9	6.3	9.0	11.6	12.8	15.6
FH/FN 30y	7.9	6.3	8.3	11.6	14.2	16.4
GN 30y	7.6	11.1	15.0	16.9	18.6	20.6
CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	11.6	11.9	12.5	16.7	19.0	20.8
FH/FN 15y	6.3	8.0	11.2	12.8	18.2	24.1
GN 15y	9.5	8.7	12.2	14.2	13.4	15.9
FH/FN 20y	3.1	7.3	11.3	15.2	16.1	16.7
FH/FN 30y	5.3	6.1	7.7	12.8	15.8	17.6
GN 30y	8.2	8.7	10.5	13.7	18.0	17.6

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	112.61	0.62	109.71	111.04	101.03
Euro	1.18	(0.01)	1.20	1.08	1.12
Dollar Index	93.11	0.94	92.25	100.00	95.54
Major Stock Indices					
Dow Jones	22,362	13	21,865	20,659	18,143
S&P 500	2,514.5	12.3	2,446.3	2,361.1	2,151.1
NASDAQ	6,485.9	59	6,301.9	5,897.5	5,269.2
Commodities					
Gold	1,284.3	(9.0)	1,313.1	1,253.7	1,321.7
Crude Oil	51.42	0.76	46.44	49.51	47.83
Natural Gas	3.01	0.06	2.96	3.17	2.96
Wheat	453.3	3.8	402.8	425.5	399.0
Corn	351.0	-2.5	333.5	358.5	329.3

Notes

- 1 Call Agy = Maturity at left w/ a 1-Year Call at Par
- 2 Muni TEY (34% Fed, 0.5% CoF)
- 3 S-Corp TEY Muni (39.6%, no TEFERA)
- 4 MBS Prepayments are provided by Bloomberg

INTENDED FOR INSTITUTIONAL INVESTORS ONLY. The data provided in these reports is for informational purposes only and is intended solely for your private use. Information herein is believed to be reliable but The Baker Group LP does not guarantee its completeness or accuracy. Opinions constitute our judgment and are subject to change without notice. Past performance is not indicative of future results. The investments and strategies discussed here may not be suitable for all investors; if you have

Source for the aforementioned indices, rates, descriptions, & economic indicators: Bloomberg, LP. This report was printed as of: 09/29/2017 10:55AM

[Click Here for Additional Economic & Financial News](#)

Atlanta, GA | Austin, TX | Indianapolis, IN | Oklahoma City, OK | Salt Lake City, UT | Springfield, IL

Member: Financial Industry Regulatory Authority (FINRA) and Securities Investors Protection Corporation (SIPC)