CenterState
CORRESPONDENT DIVISION

Market Update

April 22, 2019

Treasuries

Treasury Curve	Today	Week Change
3 Month	2.42%	UNCH
6 Month	2.46%	+0.01%
1 Year	2.44%	+0.01%
2 Year	2.38%	-0.02%
3 Year	2.35%	-0.02%
5 Year	2.38%	UNCH
10 Year	2.57%	UNCH
30 Year	2.98%	+0.01%

Short-Term Rates

Fed Funds	2.50%
Prime Rate	5.50%
3 Mo LIBOR	2.58%
6 Mo LIBOR	2.63%
12 Mo LIBOR	2.75%

Swap Rates

3 Year	2.417%
5 Year	2.412%
10 Year	2.563%

Economic Calendar

Date	Statistic	For	Briefing Forecast	Market Expects	Prior
Apr 22	Chicago Fed Nat. Activity Idx	Mar	-0.29	-0.15 actual	-0.31
Apr 22	Existing Home Sales	Mar	5.33m	5.30m	5.51m
Apr 22	Existing Home Sales (MoM)	Apr	-3.4%	-3.8%	11.8%
Apr 23	Richmond Fed Manufact. Index	Apr	10	10	10
Apr 23	New Home Sales	Mar	650k	650k	667k
Apr 25	Durable Goods Orders	Mar P	0.9%	0.7%	-1.6%
Apr 25	Durables Ex-Transportation	Mar P	0.3%	0.2%	-0.1%
Apr 25	Cap Goods Ship. Non-Def Ex Air	Mar P	-0.1%	0.1%	-0.1%
Apr 26	First Quarter GDP (QoQ) Annual.	1Q	1.8%	2.2%	2.2%

Top 5 Events for the Week

APR 22 – 26, 2019

1. Fallout From the Mueller Report—All Week
2. First Estimate of 1st Quarter GDP –Tuesday
3. March Durable Goods Orders –Thursday
4. March Existing Home Sales–Monday
5. March New Home Sales —Tuesday

First Quarter GDP Highlights Light Data Week

In the week ahead, the data is pretty light until we get to Friday and the first look at first quarter GDP. While the early forecasts of a 1.4% growth rate have improved given rebounds in many March releases, the Bloomberg consensus ranges from 1.8% to 2.2% versus the fourth quarter's 2.2% rate. Personal consumption and inflation readings from the report will get attention as well, although both are expected to be unexceptional. Personal consumption, however, has the potential to improve in the second quarter after last week's stronger-than-expected retail sales numbers and that has lifted estimates for second quarter GDP to 2.5%. In other data, durable goods orders for March arrive on Thursday, and existing home sales today and new home sales tomorrow. In summary, despite some recent improvement in expectations the market outlook of a decent but slowing growth trend should remain intact and if expectations are realized it will be the third straight quarter of slowing expansion with trends continuing to revert to the long-run potential of 1.8%-2.0%.

1. Fallout From the Mueller Report —All Week

Now that the Mueller Report has been released, in redacted form, the next act of the saga will begin to play out. Namely, the Democratic House is likely to decide the report demands additional questioning and committee hearings. While criminal charges were not recommended in the report (as Mueller subscribed to the doctrine that a sitting president can't be indicted), the political fallout of the findings and details of activities covered in the report will surely arouse partisan passions, and anything that hints of trouble for the president will unnerve risk markets, slow trade negotiations, and provide a flight-to-safety bid in Treasuries.

2. First Estimate of First Quarter GDP —Tuesday

While the worst expectations for first quarter GDP have improved with some positive bounces in March economic releases, a dip from the fourth quarter is still expected. The latest estimate for first quarter GDP is for growth of 1.8% to 2.2% annualized versus 2.2% the prior quarter. Personal consumption is expected to be well off prior quarters with spending growing only at 1.0% versus 2.5% in the fourth quarter. The good news is that the March retail sales numbers point to a rebound in spending after lackluster results in December, January and February. As for inflation, core PCE is expected to have increased 1.8% QoQ (annualized) matching the prior quarter, which will be another inflation-related release that's expected to show little in the way of building price pressure.

3. March Durable Goods Orders —Thursday

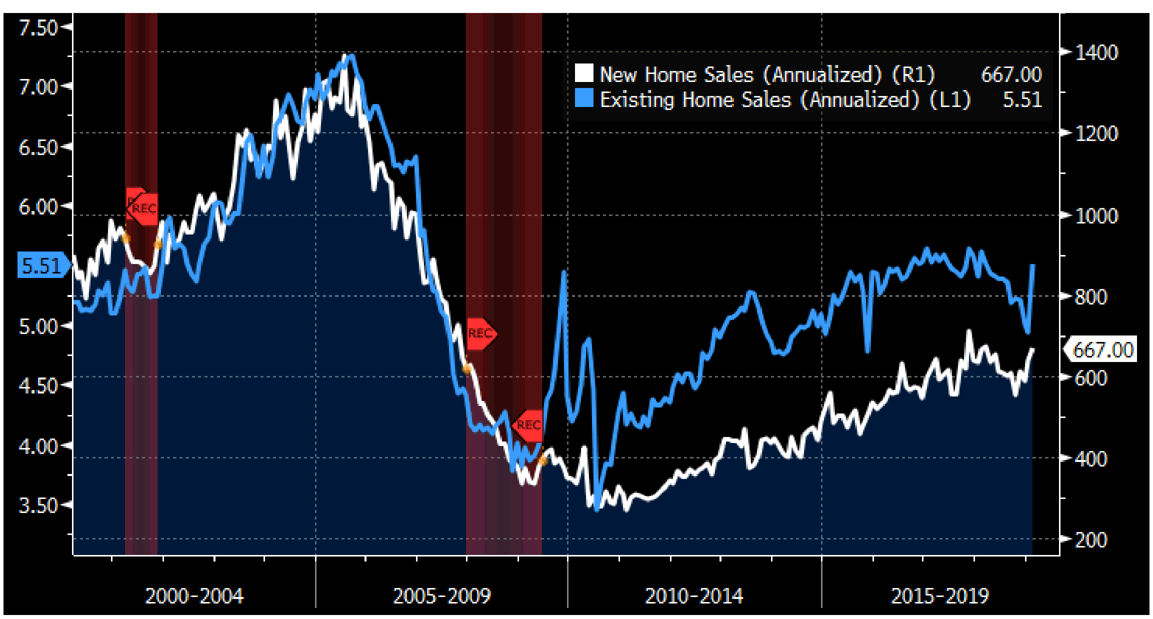
The solid bounce in March retail sales last week was a welcome reprieve from the dark December, January and February reports and it reinforces the expectation that a second quarter rebound in consumer spending will be the foundation for a nice bounce in second quarter GDP. The March Durable Goods Orders report due on Thursday will provide another bit of evidence on whether the manufacturing sector will be participating in that rebound as well. Recall the inventory overhang that has been a headwind to the sector in the fourth quarter last year as well as the early months of 2019. Expectations are for the report to reflect a nice bounce in March orders. The overall orders number is expected to be up 0.7% versus –1.6% in February. Orders less the volatile transportation sector are expected to be up 0.2% versus –0.1% the prior month. Shipments of non-defense ex-air items (a proxy for business investment) are expected to be up 0.1% versus –0.1% in February. In summary, much like the retail sales numbers from last week, durable goods orders are expected to show a rebound in activity versus disappointing February results.

4. March Existing Home Sales –Monday

The housing market was one of the first sectors to stagger last year under the weight of quarterly rate hikes so any improvement will be a key tell on whether the Fed's rate-hiking pause amounts to a soft-landing with the sector aided by moderating home prices and increasing wage gains. Existing home sales account for nearly 90% of the residential market and as such gives us the broadest view of its health. March existing home sales are expected to have decreased to 5.30 million annualized units versus the solid 5.51 million in February. The average over the past year has been 5.29 million annualized so despite the expected sequential sales decline March results are expected to be right on the annual average.

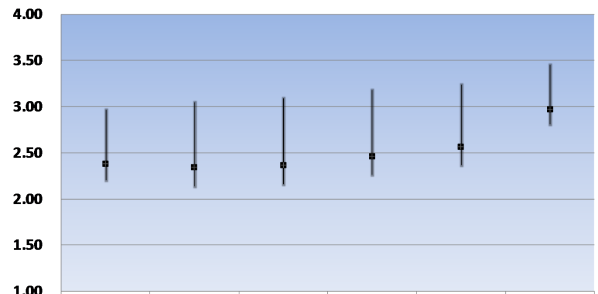
5. March New Home Sales—Tuesday

After the Monday release of existing home sales, we'll get a smaller subset of the housing market with the March New Home Sales report. This series is imputed from the existing homes sales numbers but they are of interest as new homes provide a bigger boost to GDP given the inputs provided in the construction process compared to existing homes. Expectations are for new home sales to fall –2.6% to 650,000 annualized versus 667,000 in February. The February print was the highest since March 2018 when it posted an annualized sales figure of 672,000. The average over the past year for the series has been 620,000.



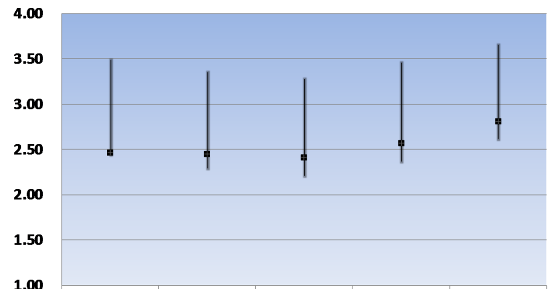
Investment Yield Ranges Over Last Year

US Treasuries



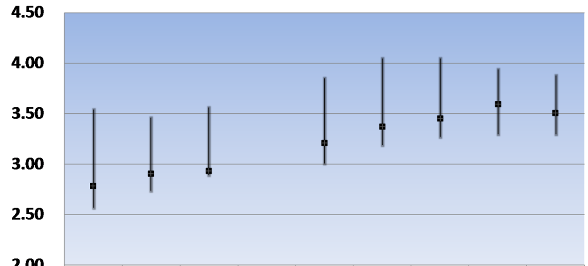
	2 year	3 year	5 year	7 year	10 year	30 year
▪ CURRENT	2.38	2.34	2.37	2.46	2.56	2.97
52 WEEK HIGH	2.97	3.04	3.09	3.17	3.24	3.45
52 WEEK LOW	2.20	2.14	2.16	2.26	2.37	2.81

FHLB (TAPs) Agency Bullets



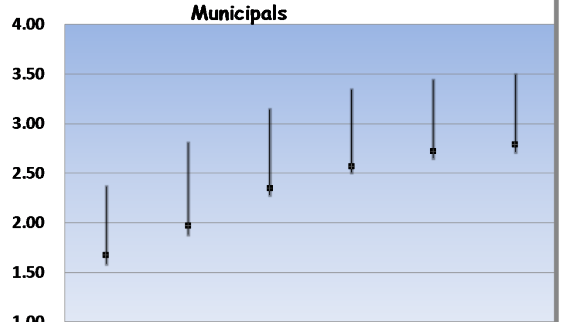
	2yr TAP	3yr TAP	5yr TAP	7yr TAP	10yr TAP
▪ CURRENT	2.46	2.45	2.41	2.57	2.81
52 WEEK HIGH	3.48	3.36	3.28	3.46	3.66
52 WEEK LOW	2.44	2.30	2.21	2.37	2.62

Mortgage Backed Securities (FNMA)



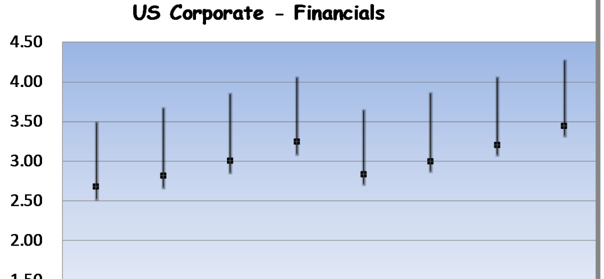
	15 yr 2.5%	15 yr 3.0%	15 yr 3.5%		30yr 3.0%	30yr 3.5%	30yr 4.0%	30yr 4.5%	30yr 5.0%
▪ CURRENT	2.78	2.91	2.94		3.21	3.37	3.45	3.59	3.50
52 WEEK HIGH	3.54	3.46	3.56		3.85	4.05	4.05	3.94	3.88
52 WEEK LOW	2.57	2.74	2.89		3.01	3.19	3.27	3.30	3.30

Municipals



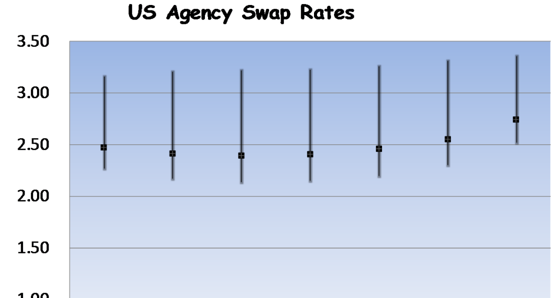
	5yr AAA	10yr AAA	15yr AAA	20yr AAA	25yr AAA	30yr AAA
▪ CURRENT	1.68	1.97	2.35	2.57	2.72	2.79
52 WEEK HIGH	2.36	2.81	3.15	3.35	3.44	3.50
52 WEEK LOW	1.59	1.89	2.28	2.51	2.66	2.72

US Corporate - Financials



	3yr AA	5yr AA	7yr AA	10yr AA	3yr A	5yr A	7yr A	10yr A
▪ CURRENT	2.68	2.82	3.01	3.25	2.84	3.00	3.21	3.45
52 WEEK HIGH	3.48	3.66	3.84	4.05	3.64	3.85	4.05	4.27
52 WEEK LOW	2.53	2.68	2.86	3.10	2.72	2.88	3.08	3.33

US Agency Swap Rates



	2yr	3yr	4yr	5yr	7yr	10yr	30yr
▪ CURRENT	2.47	2.41	2.40	2.41	2.46	2.55	2.75
52 WEEK HIGH	3.16	3.20	3.21	3.22	3.25	3.31	3.36
52 WEEK LOW	2.27	2.17	2.14	2.15	2.20	2.30	2.52

*Source: Bloomberg

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