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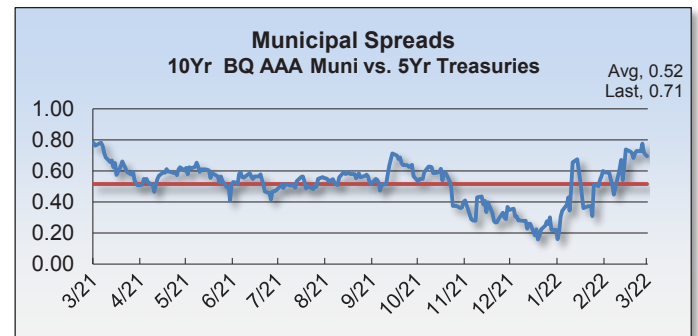
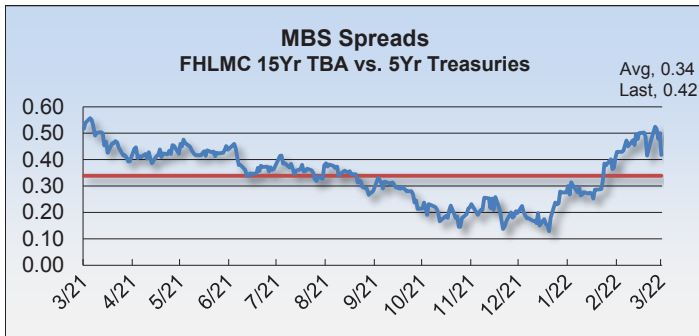
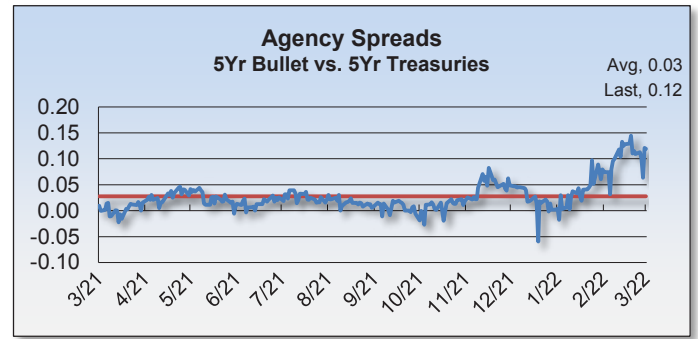
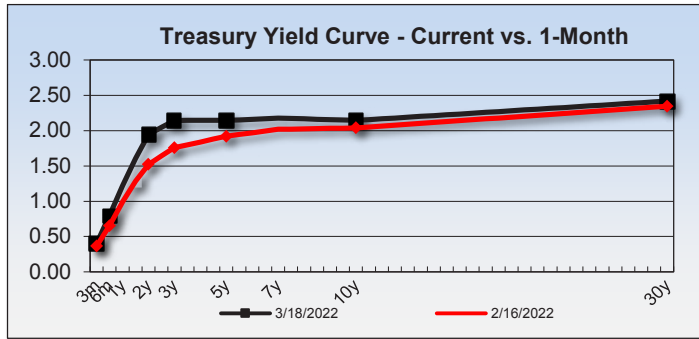
This week March Madness arrived in every sense of the word. The ongoing war in Ukraine continues to send shockwaves through the world, including profound effects on financial, foreign exchange and commodities markets. In the midst of that angst, the Fed began a tightening campaign that's been well telegraphed to markets, and is expected to be the most aggressive in a decade and a half at least. On Wednesday the Fed lifted the Funds rate by 25bps in the first of what is currently expected to be six or seven hikes over the next year, accompanied by a steady reduction of the Fed's balance sheet which may begin as soon as this spring. The bond market, always discounting future events, has very quickly priced-in the anticipated tightening. So much so that the yield curve has flattened dramatically to the point where much of the curve is already flat as a pancake at yield levels undulating in a range of 2 – 2.15% as we approach the weekend. The closely-watched yield spread between 2s and 10s is now inside of 18bps. It seems the move communicated by the Fed's guidance is well baked into the cake already.

Market prices on any given day are a reflection of the discounting future events, but it's notable how quickly the bond market has adjusted to Fed policy expectations. The math of current yields tells us what the market expects at different points in the future... the so called "forward yield curve." It's a moving target to be sure, but today it projects that one year from now the 2yr yield will be 10-20 basis points *higher* than the 10yr... the sort of inversion that almost always precedes recession.

So, it seems that the market has already made a 1994-type of move... a massive jump in yields in anticipation of a process that the Fed has just barely begun. It leads some to question whether the Fed will actually be able to achieve what they propose. It may well be the case that they will get halfway through the process and find that economic weakness is coming on faster and more intensely than they had expected. Remember too that the gigantic multi-tiered fiscal stimulus that was pumped into household and corporate balance sheets for two-year has also ended. The one-two punch of aggressive and simultaneous monetary and fiscal policy tightening could choke the growth out of the economy and send it into recession, putting an end to rate hikes earlier than expected. All of this is worth considering, but markets cannot and will not ignore the ongoing threat of sustained inflation, particularly concern about the psychology of inflation becoming embedded into economic decision-making. This is why the Fed's aggressive stance remains the right message and the right plan of action. From that standpoint Paul Volker would be proud. Still, if the inflationary psychology can be kept at bay, and the supply-side bottlenecks and transport issues resolved, the Fed may find that the demand destruction of six or seven rate hikes is more than the economy can stomach. Time will tell.

The economic data released this week was nothing so exciting as to sway the Fed from their task. Jobless claims continued to show improvement in the labor market, core producer prices were lower than expected on a year-over-year basis, the key measure of retail sales was unexpectedly weak, and existing home sales faded more than estimates. But all-told, no great shakes from the data. Next week we'll see how new home sales, durable goods and capital expenditures are trending, along with news on consumer sentiment.

FOMC Forecasts	2022	2023	2024
Real GDP (yoy%)	2.80	2.20	2.00
Core PCE (yoy%)	4.10	2.60	2.30
Unemployment (%)	3.50	3.50	3.60



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	0.40	0.02	0.34	0.04	0.01	2yr	2.00	2.22	1.95	2.07	2.12	2Yr	1.46	1.46	1.46	-
6mo	0.80	0.06	0.64	0.05	0.03	3yr	2.21	2.30	2.09	2.22	2.27	3Yr	1.60	1.61	1.60	1.60
1yr	1.22	0.09	0.98	0.07	0.07	5yr	2.26	2.25	2.31	2.46	2.57	5Yr	1.71	1.72	1.71	1.65
2yr	1.94	0.19	1.47	0.22	0.16	7yr	2.35	2.24	2.49	2.65	2.66	7Yr	1.78	1.80	1.79	1.72
3yr	2.14	0.22	1.68	0.47	0.39	10yr	2.48	2.26	2.70	2.88	2.84	10Yr	1.86	1.92	1.91	1.85
5yr	2.14	0.20	1.82	0.86	0.86	15yr	2.62	2.33	2.94	3.13	3.13	April TBA MBS				
7yr	2.18	0.18	1.92	1.16	1.34	20yr	2.76	2.34	3.08	3.28	3.18	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	2.14	0.15	1.93	1.36	1.71	25yr	2.89	2.30	3.17	3.37	3.24	2.00	2.38	5.3y	2.73	
30yr	2.42	0.06	2.24	1.90	2.45	30yr		2.25	3.26	3.47	3.29	2.50	2.54	4.1y		
												3.00	2.58	3.6y	3.13	8.4y
												3.50	2.72	3.5y	3.22	5.4y
												4.00			3.18	4.5y
												4.50			3.18	3.9y

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	0.50	0.25	0.25	0.25	0.25
Primary Discount	0.50	0.25	0.25	0.25	0.25
2ndary Discount	1.00	0.25	0.75	0.75	0.75
Prime Rate	3.50	0.25	3.25	3.25	3.25
Sec. O.N. Finance	0.30	0.25	0.05	0.05	--
1 Month LIBOR	0.47	0.12	0.14	0.09	0.11
3 Month LIBOR	0.95	0.20	0.49	0.12	0.19
6 Month LIBOR	1.26	0.21	0.79	0.15	0.20
1 Year LIBOR	1.72	0.23	1.33	0.22	0.28
6 Month CD	1.35	0.33	0.78	0.13	0.21
1 Year CMT	1.30	0.11	1.05	0.07	0.07
REPO O/N	0.28	0.22	0.05	0.06	-0.08
REPO 1Wk	0.33	0.07	0.09	0.13	0.07
CoF Federal	0.750	--	0.736	0.780	0.911
11th D. CoF (Dec)	0.223	--	0.218	0.282	0.460

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	0.68	0.69	0.70
6mo	0.97	1.07	1.07
1yr	1.60	1.63	1.54
2yr	2.19	2.37	2.22
3yr	2.36	2.55	2.40
4yr	2.43	2.63	2.48
5yr	2.42	2.63	2.47
7yr	2.53	2.77	2.61
10yr	2.75	3.00	2.81
5yr Am	2.31		2.39
10yr Am	2.57		2.64

Fed Fund Futures	
Maturity	Rate
Mar-22	0.203
Apr-22	0.340
May-22	0.665
Jun-22	0.885
Jul-22	1.100
Aug-22	1.340
Sep-22	1.415
Oct-22	1.590
Nov-22	1.775
Dec-22	1.900
Jan-23	2.000

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
3/15	Empire Manufacturing	Mar	6.4	-11.8	3.1	--
3/15	PPI Final Demand YoY	Feb	10.0%	10.0%	9.7%	10.0%
3/15	PPI Ex Food and Energy YoY	Feb	8.7%	8.4%	8.3%	8.5%
3/15	PPI Ex Food, Energy, Trade YoY	Feb	7.3%	6.6%	6.9%	6.8%
3/15	Net Long-term TIC Flows	Jan	--	\$58.8b	\$114.5b	--
3/15	Total Net TIC Flows	Jan	--	\$294.2b	-\$52.4b	-\$53.8b
3/16	MBA Mortgage Applications	3/11	--	-1.2%	8.5%	--
3/16	Retail Sales Advance MoM	Feb	0.4%	0.3%	3.8%	4.9%
3/16	Retail Sales Ex Auto MoM	Feb	0.9%	0.2%	3.3%	4.4%
3/16	Retail Sales Ex Auto and Gas	Feb	0.4%	-0.4%	3.8%	5.2%
3/16	Retail Sales Control Group	Feb	0.3%	-1.2%	4.8%	6.7%
3/16	Import Price Index YoY	Feb	11.3%	10.9%	10.8%	10.7%
3/16	Export Price Index YoY	Feb	14.4%	16.6%	15.4%	15.0%
3/16	Business Inventories	Jan	1.1%	1.1%	2.1%	2.4%
3/16	NAHB Housing Market Index	Mar	81	79	82	81
3/16	FOMC Rate Decision (Upper Bound)	3/16	0.50%	0.50%	0.25%	--
3/16	FOMC Rate Decision (Lower Bound)	3/16	0.25%	0.25%	0.00%	--
3/16	Interest on Reserve Balances Rate	3/17	0.40%	0.40%	0.15%	--
3/17	Housing Starts	Feb	1700k	1769k	1638k	1657k
3/17	Building Permits	Feb	1850k	1859k	1899k	1895k
3/17	Housing Starts MoM	Feb	3.8%	6.8%	4.1%	-5.5%
3/17	Building Permits MoM	Feb	-2.4%	-1.9%	0.7%	0.5%
3/17	Philadelphia Fed Business Outlook	Mar	14.5	27.4	16.0	--
3/17	Initial Jobless Claims	3/12	220k	214k	227k	229k
3/17	Continuing Claims	3/5	1480k	1419k	1494k	1490k
3/17	Industrial Production MoM	Feb	0.5%	0.5%	1.4%	--
3/17	Capacity Utilization	Feb	77.9%	77.6%	77.6%	77.3%
3/17	Manufacturing (SIC) Production	Feb	1.0%	1.2%	0.2%	0.1%
3/18	Existing Home Sales	Feb	6.10m	6.02m	6.50m	6.49m
3/18	Existing Home Sales MoM	Feb	-6.2%	-7.2%	6.7%	6.6%
3/18	Leading Index	Feb	0.3%	0.3%	-0.3%	-0.5%
3/21	Chicago Fed Nat Activity Index	Feb	--	--	69.0%	--
3/22	Richmond Fed Manuf. Index	Mar	2	--	1	--
3/23	New Home Sales	Feb	815k	--	801k	--
3/24	Current Account Balance	4Q	-\$218.0b	--	-\$214.8b	--
3/24	Initial Jobless Claims	3/19	211k	--	214k	--
3/24	Continuing Claims	3/12	--	--	1419k	--
3/24	Durables Ex Transportation	Feb P	0.5%	--	0.7%	--
3/24	Cap Goods Ship Nondef Ex Air	Feb P	0.5%	--	1.9%	--
3/24	S&P Global US Manufacturing PMI	Mar P	56.5	--	57.3	--
3/24	S&P Global US Services PMI	Mar P	56.0	--	56.5	--
3/24	S&P Global US Composite PMI	Mar P	54.0	--	55.9	--
3/24	Kansas City Fed Manf. Activity	Mar	--	--	29.0	--
3/25	Pending Home Sales NSA YoY	Feb	--	--	-9.1%	--
3/25	U. of Mich. Sentiment	Mar F	59.7	--	59.7	--
3/25	U. of Mich. Current Conditions	Mar F	--	--	67.8	--
3/25	U. of Mich. 1 Yr Inflation	Mar F	--	--	5.4%	--

MBS Prepayments ⁴						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	12.5	20.8	22.4	23.2	23.1	21.1
FH/FN 15y	9.8	20.6	23.9	29.5	27.9	22.8
GN 15y	19.7	16.6	18.4	19.0	20.3	19.0
FH/FN 20y	53.7	15.8	19.9	20.7	22.3	19.5
FH/FN 30y	3.9	10.9	--	36.0	41.5	44.0
GN 30y	4.2	13.1	25.7	29.4	32.6	23.0

CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	9.6	11.3	12.0	13.6	14.7	15.2
FH/FN 15y	9.5	12.0	12.9	16.3	18.1	22.8
GN 15y	12.8	12.3	12.4	12.3	12.4	12.4
FH/FN 20y	6.9	8.9	10.0	11.0	12.5	13.8
FH/FN 30y	6.1	7.5	9.6	14.4	17.8	20.4
GN 30y	8.0	8.5	10.6	12.1	18.4	16.6

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	119.20	1.91	115.01	109.44	108.89
Euro	1.10	0.01	1.13	1.17	1.19
Dollar Index	98.37	(0.76)	96.04	93.20	91.86
Major Stock Indices					
Dow Jones	34,377	1,433	34,079	34,585	32,862
S&P 500	4,412.9	208.6	4,348.9	4,433.0	3,915.5
NASDAQ	13,724.8	881	13,548.1	15,044.0	13,116.2
Commodities					
Gold	1,933.0	(52.0)	1,898.6	1,749.4	1,732.5
Crude Oil	103.75	(5.58)	91.07	71.97	60.00
Natural Gas	4.85	0.13	4.43	5.11	2.48
Wheat	1,074.0	-16.0	797.0	708.8	630.5
Corn	745.0	-19.5	654.3	527.3	546.5

Notes	
1 Call Agy = Maturity at left w/ a 1-Year Call at Par	
2 Muni TEY (21% Fed, 0.75% CoF)	
3 S-Corp TEY Muni (29.6%, no TEFERA)	
4 MBS Prepayments are provided by Bloomberg	

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