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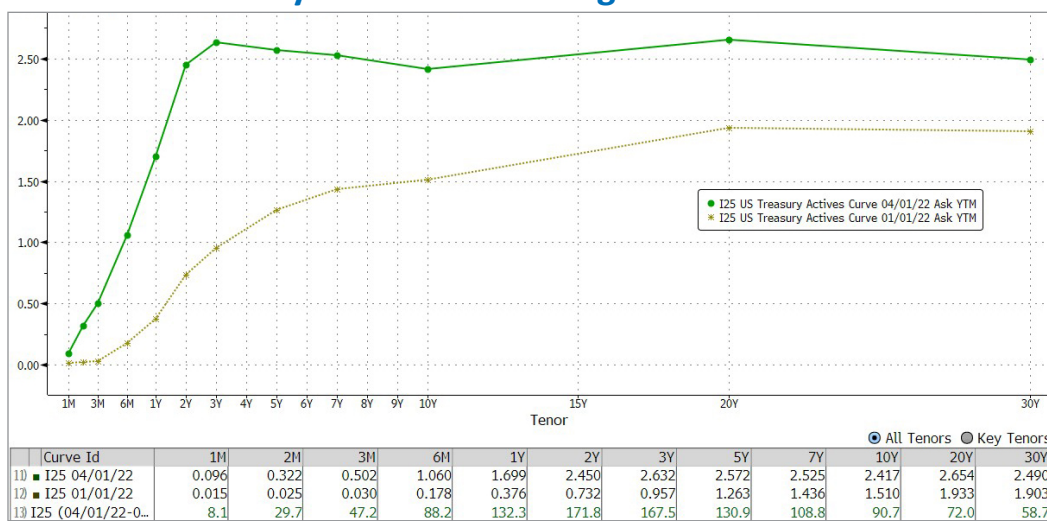
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Today's Employment Report all but ensures the Federal Reserve will hike rates by 50bp in May for the first time in 22 years. No, that's not an April Fool's joke, just my opinion based on a few factors:

1. Job growth is strong. The economy added 431,000 jobs in March and although that was less than expected, it continued a streak of 11 months in a row the economy has added at least 400K jobs, something we haven't seen since the 1930's.
2. The labor market is tight. The Unemployment Rate fell to 3.6%, 0.1% more than expected and just 0.1% above the 50-year pre-pandemic low of 3.5%. If the Fed has a dual mandate of price stability and maximum employment, it's hard to argue they haven't achieved the latter (yes, I know what you might be thinking, there are a lot of people that have left the labor force... read on...)
3. People are reentering the labor force at a rapid pace. The Labor Force Participation rate has jumped 0.7% in the last 5 months to 62.4% and is now just 1% below the pre-pandemic peak of 63.4%. By comparison, the participation rate was 61.7% in August of 2020 and was still at 61.7% in October of 2021 so the recent 5-month surge in participation is impressive compared to the prior 14 months that showed no growth.
4. Wages are strong. Average hourly earnings rose 0.4% in March and are up 5.6% year-over-year, the fastest pace since May 2020 when the wage data were skewed by covid shutdowns that removed lower paid workers from the averages.
5. This is the last Employment Report the Federal Reserve will see before the FOMC meets again on May 4th so the strength in jobs, tight labor market, rising participation and surging wages will heavily influence their decision for how much to raise rates.
6. The next CPI report (April 12) will be the hottest in decades, most likely showing an annual CPI of 8-9%.

The final reason I believe the Fed will raise rates 50bp on May 4th is simply because the market has already priced in an aggressive tightening so why not? The 2-year Treasury yield is up an astonishing 173bp since January 1, more than tripling its yield to 2.46%. Mortgage rates have surged more than 150bp this year to 4.9% which is actually higher than the 4.82% peak in 2018 when the Fed Funds rate hit 2.5%. The damage to the economy and consumer spending from higher rates is already being felt so the Federal Reserve has nothing to lose by raising rates 50bp in May. Does that mean bond yields will continue to rise higher if they do? Not necessarily. The market has already priced in an aggressive tightening cycle so yields should only rise further if the market begins to believe the Fed will take the funds rate to 3% or higher... and that is not yet priced in.

Treasury Yield Curve Change – Year-To-Date



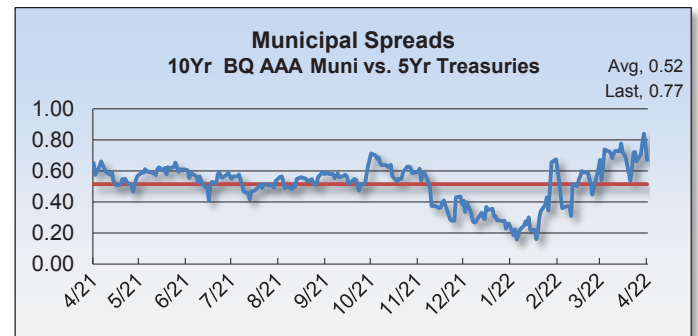
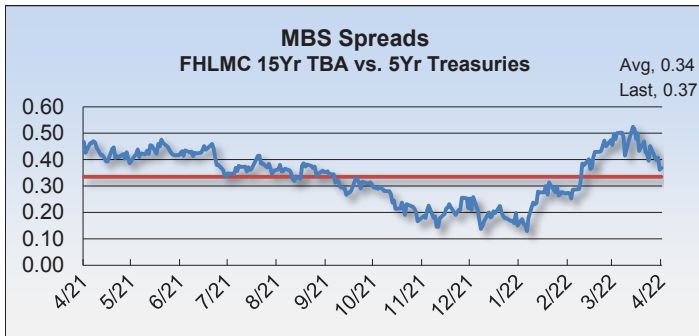
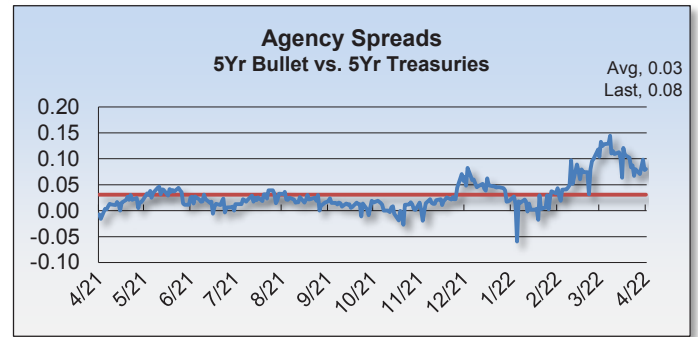
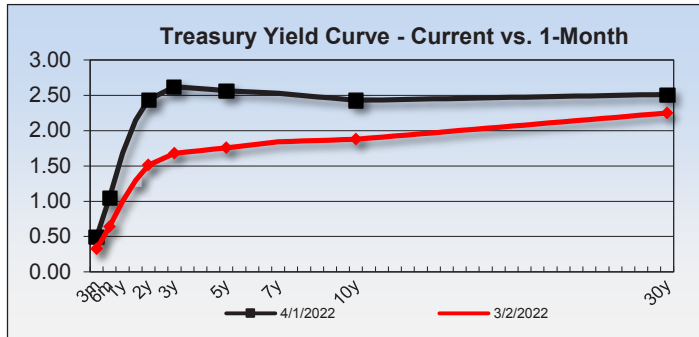
Source: Bloomberg, L.P.

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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	0.49	(0.03)	0.32	0.04	0.02	2yr	2.47	2.64	2.46	2.62	2.51	2Yr	2.25	2.25	2.25	-	
6mo	1.05	0.07	0.60	0.05	0.03	3yr	2.68	2.75	2.60	2.77	2.63	3Yr	2.48	2.49	2.40	2.48	
1yr	1.69	0.04	0.90	0.07	0.06	5yr	2.66	2.62	2.76	2.94	2.87	5Yr	2.58	2.58	2.57	2.51	
2yr	2.44	0.16	1.34	0.26	0.16	7yr	2.70	2.55	2.86	3.04	2.89	7Yr	2.60	2.62	2.61	2.55	
3yr	2.62	0.11	1.51	0.49	0.41	10yr	2.74	2.50	3.05	3.25	2.98	10Yr	2.59	2.64	2.64	2.57	
5yr	2.57	0.02	1.59	0.93	0.90	15yr	2.78	2.48	3.25	3.46	3.29		May TBA MBS				
7yr	2.53	(0.03)	1.69	1.25	1.36	20yr	2.82	2.45	3.36	3.58	3.21	Cpn	15Yr -Yld/AL		30Yr -Yld/AL		
10yr	2.43	(0.05)	1.73	1.46	1.67	25yr	2.87	2.39	3.45	3.67	3.27	2.00	2.66	5.4y	2.95		
30yr	2.51	(0.07)	2.11	2.03	2.33	30yr		2.32	3.54	3.77	3.32	2.50	2.89	4.1y			
* Interpolated												3.00	2.88	3.7y	3.39	8.6y	
												3.50	2.92	3.6y	3.55	6.0y	
												4.00			3.59	4.9y	
												4.50			3.54	4.4y	

* 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
Primary Discount	0.50	--	0.25	0.25	0.25
2ndary Discount	1.00	--	0.75	0.75	0.75
Prime Rate	3.50	--	3.25	3.25	3.25
Sec. O.N. Finance	0.29	0.02	0.05	0.05	--
1 Month LIBOR	0.46	(0.00)	0.24	0.08	0.12
3 Month LIBOR	0.97	0.00	0.50	0.13	0.20
6 Month LIBOR	1.47	0.08	0.80	0.16	0.21
1 Year LIBOR	2.13	0.12	1.29	0.24	0.29
6 Month CD	1.46	(0.02)	0.78	0.18	0.12
1 Year CMT	1.63	0.08	1.01	0.09	0.07
REPO O/N	0.31	0.03	0.07	0.05	0.04
REPO 1Wk	0.43	(0.02)	0.14	0.15	0.09
CoF Federal	0.791	--	0.750	0.761	0.876
11th D. CoF (Dec)	0.223	--	0.218	0.282	0.460

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	0.82	0.86	0.82
6mo	1.24	1.34	1.26
1yr	1.91	2.05	1.86
2yr	2.57	2.80	2.55
3yr	2.75	3.00	2.73
4yr	2.77	3.02	2.75
5yr	2.76	3.01	2.73
7yr	2.83	3.11	2.79
10yr	2.96	3.23	2.93
5yr Am	2.68		2.68
10yr Am	2.86		2.83

Fed Fund Futures	
Maturity	Rate
Apr-22	0.343
May-22	0.735
Jun-22	1.015
Jul-22	1.280
Aug-22	1.630
Aug-22	1.630
Oct-22	1.990
Oct-22	1.990
Dec-22	2.385
Dec-22	2.385
Jan-23	2.495

Baker Market Update

Week in Review

April 1, 2022

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
3/28	Advance Goods Trade Balance	Feb	-\$106.5b	-\$106.6b	-\$107.6b	--
3/29	S&P CoreLogic CS 20-City YoY NSA	Jan	18.60%	19.10%	18.56%	18.58%
3/29	S&P CoreLogic CS US HPI YoY NSA	Jan	--	19.17%	18.84%	18.88%
3/29	Conf. Board Consumer Confidence	Mar	107.0	107.2	110.5	105.7
3/29	Conf. Board Present Situation	Mar	--	153.0	145.1	143.0
3/29	Conf. Board Expectations	Mar	--	76.6	87.5	80.8
3/29	JOLTS Job Openings	Feb	11000k	11266k	11263k	11283k
3/30	MBA Mortgage Applications	3/25	--	-6.8%	-8.1%	--
3/30	ADP Employment Change	Mar	450k	455k	475k	486k
3/30	GDP Annualized QoQ	4Q T	7.0%	6.9%	7.0%	--
3/30	Personal Consumption	4Q T	3.1%	2.5%	3.1%	--
3/30	GDP Price Index	4Q T	7.1%	7.1%	7.1%	--
3/30	Core PCE QoQ	4Q T	5.0%	5.0%	5.0%	--
3/31	Challenger Job Cuts YoY	Mar	--	-30.1%	-55.9%	--
3/31	Personal Income	Feb	0.5%	0.5%	0.0%	0.1%
3/31	Personal Spending	Feb	0.5%	0.2%	2.1%	2.7%
3/31	Real Personal Spending	Feb	-0.2%	-0.4%	1.5%	2.1%
3/31	PCE Deflator MoM	Feb	0.6%	0.6%	0.6%	0.5%
3/31	PCE Deflator YoY	Feb	6.4%	6.4%	6.1%	6.0%
3/31	PCE Core Deflator MoM	Feb	0.4%	0.4%	0.5%	--
3/31	PCE Core Deflator YoY	Feb	5.5%	5.4%	5.2%	--
3/31	Initial Jobless Claims	3/26	196k	202k	187k	188k
3/31	Continuing Claims	3/19	1340k	1307k	1350k	1342k
3/31	MNI Chicago PMI	Mar	57.0	62.9	56.3	--
4/1	Two-Month Payroll Net Revision	Mar	--	95k	--	--
4/1	Change in Nonfarm Payrolls	Mar	490k	431k	678k	750k
4/1	Change in Private Payrolls	Mar	496k	426k	654k	739k
4/1	Change in Manufact. Payrolls	Mar	32k	38k	36k	38k
4/1	Unemployment Rate	Mar	3.7%	3.6%	3.8%	--
4/1	Average Hourly Earnings MoM	Mar	0.4%	0.4%	0.0%	0.1%
4/1	Average Hourly Earnings YoY	Mar	5.5%	5.6%	5.1%	5.2%
4/1	Average Weekly Hours All Employees	Mar	34.7	34.6	34.7	--
4/1	Labor Force Participation Rate	Mar	62.4%	62.4%	62.3%	--
4/1	Underemployment Rate	Mar	--	6.9%	7.2%	--
4/1	S&P Global US Manufacturing PMI	Mar F	58.5	58.8	58.5	--
4/1	ISM Manufacturing	Mar	59.0	57.1	58.6	--
4/1	ISM Prices Paid	Mar	80.0	87.1	75.6	--
4/1	ISM New Orders	Mar	58.5	53.8	61.7	--
4/1	ISM Employment	Mar	53.1	56.3	52.9	--
4/1	Wards Total Vehicle Sales	Mar	13.40m	--	14.07m	--
4/4	Factory Orders Ex Trans	Feb	0.3%	--	1.0%	--
4/4	Durables Ex Transportation	Feb F	--	--	-0.6%	--
4/4	Cap Goods Ship Nondef Ex Air	Feb F	--	--	0.5%	--
4/5	Trade Balance	Feb	-\$88.5b	--	-\$89.7b	--
4/5	S&P Global US Services PMI	Mar F	58.9	--	58.9	--
4/5	S&P Global US Composite PMI	Mar F	--	--	58.5	--
4/5	ISM Services Index	Mar	58.6	--	56.5	--

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	9.5	11.1	12.0	13.5	14.6	15.0
FH/FN 15y	8.9	11.2	12.7	16.1	17.9	22.7
GN 15y	11.8	12.0	12.3	12.2	12.3	12.3
FH/FN 20y	6.2	7.7	9.3	11.0	12.5	13.8
FH/FN 30y	5.9	6.7	8.6	12.8	16.7	19.0
GN 30y	7.7	8.1	10.6	11.7	16.0	16.6

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	122.96	0.91	114.92	111.05	110.62
Euro	1.10	0.01	1.11	1.16	1.18
Dollar Index	98.67	(0.12)	97.41	94.04	92.93
Major Stock Indices					
Dow Jones	34,721	(140)	33,295	34,326	33,153
S&P 500	4,544.0	0.9	4,306.3	4,357.0	4,019.9
NASDAQ	14,219.5	50	13,532.5	14,566.7	13,480.1
Commodities					
Gold	1,932.8	(21.4)	1,943.8	1,757.0	1,726.5
Crude Oil	100.19	(13.71)	103.41	75.88	61.45
Natural Gas	5.62	0.05	4.57	5.62	2.64
Wheat	1,012.8	-89.5	1,001.8	755.3	611.0
Corn	737.5	-16.5	739.8	541.5	559.8

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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