



Matt Harris, CFA
Senior Vice President
The Baker Group LP
MHarris@GoBaker.com

It was a week of steepening for the yield curve. Two- and five-year Treasury yields drifted lower approximately ten basis points (2.40% and 2.69%) while the 10-year dropped four basis points (2.74%) and the long bond (30yr 2.85%) drifted higher five basis points as of Thursday morning. With the recent drop in shorter term yields it could suggest that investors are beginning to doubt that the Fed will follow through on its Hawkish comments. The often talked about 10s vs 2s spread has increased to 34 basis points from previously reaching a low of negative eight basis points in early April. The recent movement in yields came after Vice-Chairwoman Lael Brainard's comments last week about inflation being the most important risk to the US Economy. Bond market participants are busy analyzing the market impact of the Federal Reserve's Balance sheet unwind which is underway decreasing the balance sheet no more than \$95 billion per month going forward. There has also been discussion of selling securities to further help reduce the balance sheet. In the equity markets it was a bouncy week with the S&P 500 index looking to finish down about 1.3% from a week ago but still up more than 6.5% from the lows hit in early March this year.

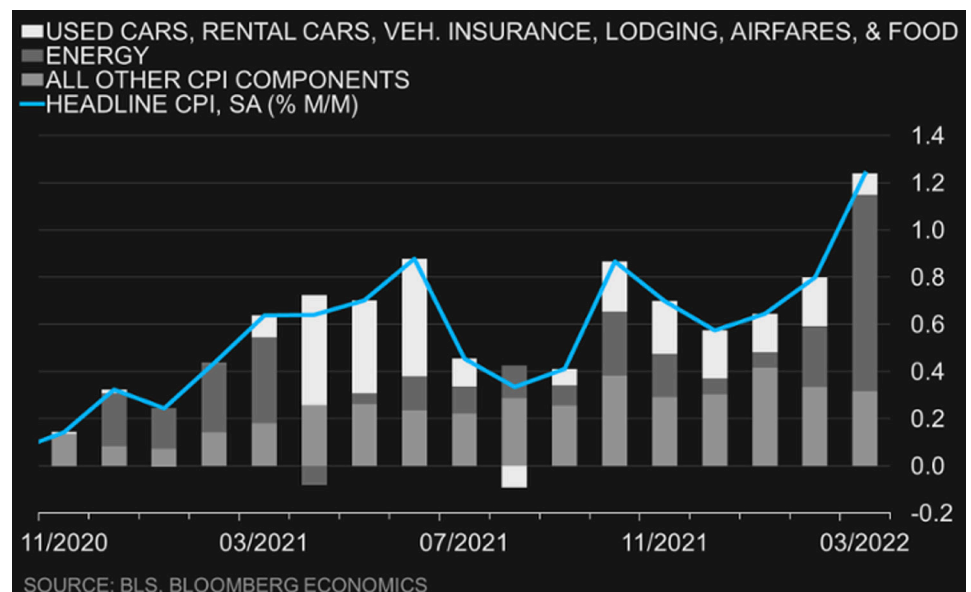
Inflation continued to rise at the fastest pace in 40 years as we saw the March CPI and PPI reports this week. Headline CPI came in at 8.5% year over year and core (which strips out food and energy) was 6.5%. The headline figure was lead in large part by the 18.3% month over month jump in gasoline prices. The good news in the March report was that core price pressures finally appear to be moderating. After a series of half a percent increase over the last few months, it increased only 0.3%. There was a pop in the core services price readings but this was largely attributed the post-Omicron activities. As Fed officials continue to remain very hawkish, the March data won't likely alter their plans to increase rates 50bps in their meeting next month. Most economist are expecting inflation to peak now and fall later this year.

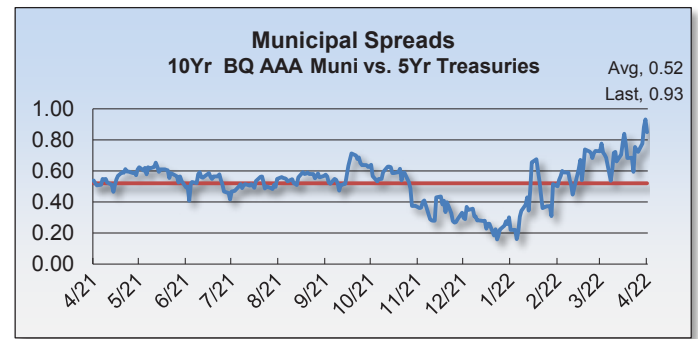
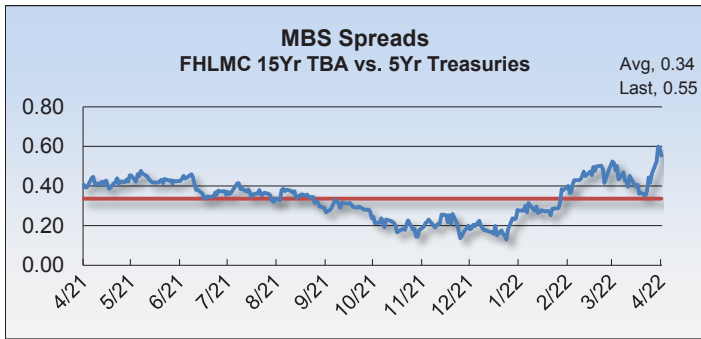
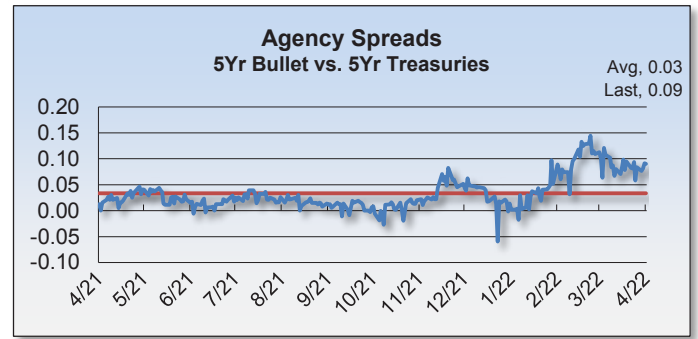
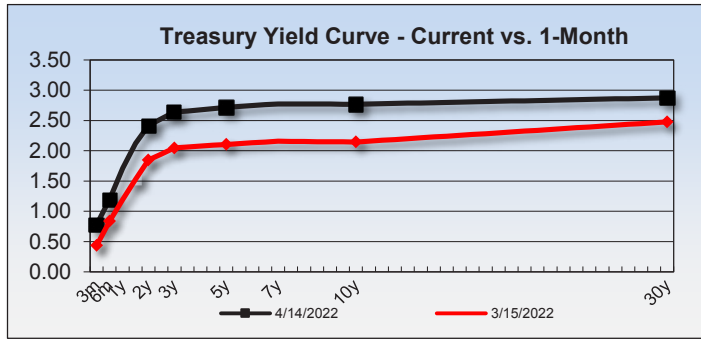
On Thursday, retails sales increased 0.5% month over month. Similar to the inflation prints for March, retail sales were also influenced by the surge in gasoline prices. As workers continue to return to offices and travel there should be further boosts in the restaurant and bar sectors. However as real incomes continue to fall with higher inflation and higher interest rates consumption growth will be subdued. Also released today was the University of Michigan Consumer sentiment survey which saw a small rebound as the recent drop in gasoline prices provided some reprieve for consumers.

Next week's economic calendar is rather light. We will see a slew of housing data including NAHB building permits, mortgage applications and existing home sales. There will also be a handful of Fed Speakers on the circuit before their blackout period which begins Saturday. Happy Easter to All!

Contributions to March CPI (Month over Month)

Breaking down headline CPI for March – energy prices contributed the majority of the increase for headline prices (1.2% month over month). While the Fed was slow to realize inflation the initial surge in inflation was not transitory they might also be too pessimistic about how quickly inflation could drop back.





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	0.78	0.10	0.40	0.04	0.02	2yr	2.47	2.70	2.84	3.02	2.60	2Yr	2.43	2.43	2.43	-
6mo	1.19	0.06	0.80	0.06	0.04	3yr	2.70	2.80	2.98	3.17	2.76	3Yr	2.65	2.66	2.60	2.65
1yr	1.71	(0.00)	1.23	0.10	0.06	5yr	2.83	2.79	3.11	3.31	3.09	5Yr	2.81	2.81	2.80	2.74
2yr	2.42	(0.05)	1.86	0.36	0.16	7yr	2.94	2.81	3.23	3.44	3.24	7Yr	2.87	2.89	2.88	2.81
3yr	2.64	(0.02)	2.05	0.64	0.39	10yr	3.10	2.83	3.44	3.67	3.40	10Yr	2.91	2.97	2.96	2.89
5yr	2.72	0.01	2.09	1.05	0.86	15yr	3.27	2.86	3.64	3.87	3.65	May TBA MBS				
7yr	2.78	0.04	2.15	1.34	1.30	20yr	3.45	2.84	3.75	3.99	3.56	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	2.77	0.11	2.13	1.51	1.63	25yr	3.63	2.77	3.84	4.09	3.62	2.00	3.01	5.8y	3.29	
30yr	2.87	0.19	2.47	2.02	2.31	30yr	3.63	2.70	3.93	4.19	3.67	2.50	3.16	5.5y		
												3.00	3.33	3.8y	3.59	9.5y
												3.50	3.25	3.7y	3.78	8.1y
												4.00			3.86	5.3y
												4.50			3.87	4.7y

* 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	(0.01)	0.05	0.05	--
1 Month LIBOR	0.55	0.11	0.40	0.09	0.11
3 Month LIBOR	1.04	0.07	0.83	0.13	0.19
6 Month LIBOR	1.56	0.09	1.13	0.16	0.21
1 Year LIBOR	2.31	0.08	1.60	0.26	0.28
6 Month CD	1.55	0.03	1.06	0.15	0.20
1 Year CMT	1.78	(0.01)	1.22	0.11	0.06
REPO O/N	0.31	--	0.05	0.04	-0.03
REPO 1Wk	0.35	(0.02)	0.29	0.14	0.07
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	0.95	1.01	0.99
6mo	1.39	1.49	1.43
1yr	2.04	2.09	2.05
2yr	2.60	2.69	2.64
3yr	2.80	2.88	2.86
4yr	2.86	2.96	2.92
5yr	2.91	3.00	2.98
7yr	3.07	3.16	3.14
10yr	3.28	3.38	3.34
5yr Am	2.76		2.86
10yr Am	3.06		3.14

Fed Fund Futures		
Maturity	Rate	
Apr-22	0.332	
May-22	0.760	
Jun-22	1.055	
Jul-22	1.325	
Aug-22	1.650	
Sep-22	1.750	
Oct-22	1.970	
Nov-22	2.200	
Dec-22	2.345	
Jan-23	2.455	
Feb-23	2.620	

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
4/12	NFIB Small Business Optimism	Mar	95.0	93.2	95.7	--
4/12	CPI MoM	Mar	1.2%	1.2%	0.8%	--
4/12	CPI Ex Food and Energy MoM	Mar	0.5%	0.3%	0.5%	--
4/12	CPI YoY	Mar	8.4%	8.5%	7.9%	--
4/12	CPI Ex Food and Energy YoY	Mar	6.6%	6.5%	6.4%	--
4/12	CPI Index NSA	Mar	287.41	287.50	283.72	--
4/12	CPI Core Index SA	Mar	289.20	288.81	287.88	--
4/12	Real Avg Hourly Earning YoY	Mar	--	-2.7%	-2.6%	-2.5%
4/12	Real Avg Weekly Earnings YoY	Mar	--	-3.6%	-2.3%	-2.2%
4/12	Monthly Budget Statement	Mar	-\$190.0b	-\$192.7b	-\$659.6b	--
4/13	MBA Mortgage Applications	4/8	--	-1.3%	-6.3%	--
4/13	PPI Ex Food, Energy, Trade MoM	Mar	0.5%	0.9%	0.2%	--
4/13	PPI Final Demand MoM	Mar	1.1%	1.4%	0.8%	0.9%
4/13	PPI Ex Food and Energy MoM	Mar	0.5%	1.0%	0.2%	0.4%
4/13	PPI Final Demand YoY	Mar	10.6%	11.2%	10.0%	10.3%
4/13	PPI Ex Food and Energy YoY	Mar	8.4%	9.2%	8.4%	8.7%
4/13	PPI Ex Food, Energy, Trade YoY	Mar	6.6%	7.0%	6.6%	6.7%
4/14	Retail Sales Advance MoM	Mar	0.6%	0.5%	0.3%	0.8%
4/14	Retail Sales Ex Auto MoM	Mar	1.0%	1.1%	0.2%	0.6%
4/14	Retail Sales Ex Auto and Gas	Mar	0.2%	0.2%	-0.4%	-0.1%
4/14	Retail Sales Control Group	Mar	0.1%	-0.1%	-1.2%	-0.9%
4/14	Import Price Index MoM	Mar	2.3%	2.6%	1.4%	1.6%
4/14	Import Price Index ex Petroleum MoM	Mar	1.0%	1.1%	0.7%	--
4/14	Import Price Index YoY	Mar	11.9%	12.5%	10.9%	11.3%
4/14	Export Price Index MoM	Mar	2.2%	4.5%	3.0%	--
4/14	Export Price Index YoY	Mar	16.20%	18.80%	16.60%	16.50%
4/14	Initial Jobless Claims	4/9	170k	185k	166k	167k
4/14	Continuing Claims	4/2	1500k	1475k	1523k	--
4/14	Business Inventories	Feb	1.3%	1.5%	1.4%	1.3%
4/14	U. of Mich. Sentiment	Apr P	59.0	65.7	59.4	--
4/14	U. of Mich. Current Conditions	Apr P	67.0	68.1	67.2	--
4/14	U. of Mich. Expectations	Apr P	53.6	64.1	54.3	--
4/14	U. of Mich. 1 Yr Inflation	Apr P	5.6%	5.4%	5.4%	--
4/14	U. of Mich. 5-10 Yr Inflation	Apr P	--	3.0%	3.0%	--
4/15	Empire Manufacturing	Apr	1.0	--	-11.8	--
4/15	Industrial Production MoM	Mar	0.4%	--	0.5%	--
4/15	Capacity Utilization	Mar	77.8%	--	77.6%	--
4/15	Manufacturing (SIC) Production	Mar	0.6%	--	1.2%	--
4/15	Net Long-term TIC Flows	Feb	--	--	\$58.8b	--
4/15	Total Net TIC Flows	Feb	--	--	\$294.2b	--
4/18	NAHB Housing Market Index	Apr	77	--	79	--
4/19	Building Permits	Mar	1839k	--	1859k	1865k
4/19	Housing Starts	Mar	1748k	--	1769k	--
4/20	Existing Home Sales	Mar	5.80m	--	6.02m	--
4/21	Philadelphia Fed Business Outlook	Apr	21.4	--	27.4	--
4/21	Leading Index	Mar	0.3%	--	0.3%	--
4/22	S&P Global US Manufacturing PMI	Apr P	57.8	--	58.8	--

MBS Prepayments ⁴						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	11.7	19.8	22.5	22.9	20.1	28.9
FH/FN 15y	14.8	16.4	22.4	28.4	27.3	23.5
GN 15y	18.6	16.5	18.7	19.3	20.9	20.6
FH/FN 20y	53.3	13.0	17.7	19.8	21.4	19.7
FH/FN 30y	8.0	8.7	16.3	15.8	40.8	44.8
GN 30y	5.4	10.4	21.6	22.0	26.9	22.2
CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	9.3	10.9	11.9	13.4	14.5	14.8
FH/FN 15y	8.2	8.9	11.9	14.6	17.4	22.6
GN 15y	11.4	11.0	11.7	11.8	11.9	12.2
FH/FN 20y	6.2	7.5	8.7	10.5	12.5	13.8
FH/FN 30y	5.9	6.5	7.8	9.9	15.3	17.7
GN 30y	7.2	7.7	10.6	11.1	13.9	16.6

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	125.92	1.97	118.19	113.68	108.93
Euro	1.08	(0.01)	1.09	1.16	1.20
Dollar Index	100.74	0.99	99.00	93.96	91.69
Major Stock Indices					
Dow Jones	34,774	190	32,945	34,913	33,731
S&P 500	4,436.9	(63.3)	4,173.1	4,438.3	4,124.7
NASDAQ	13,568.6	(329)	12,581.2	14,823.4	13,857.8
Commodities					
Gold	1,973.8	40.0	1,960.8	1,796.7	1,734.9
Crude Oil	102.85	6.82	103.01	81.31	63.15
Natural Gas	7.04	0.68	4.66	5.69	2.62
Wheat	1,107.0	87.0	1,090.0	724.8	648.0
Corn	785.5	27.8	728.3	516.8	594.0

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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