

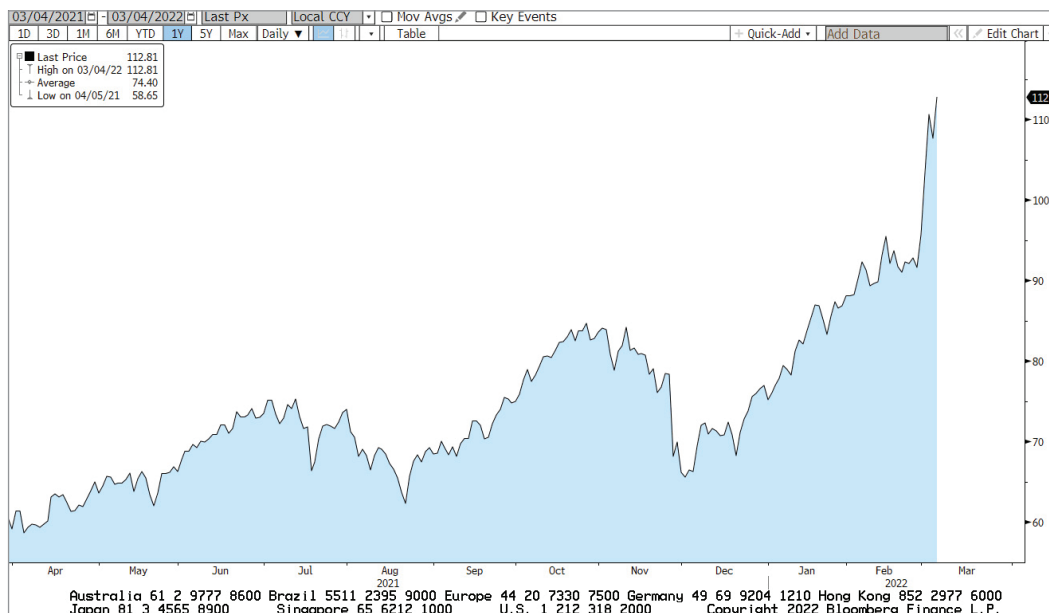


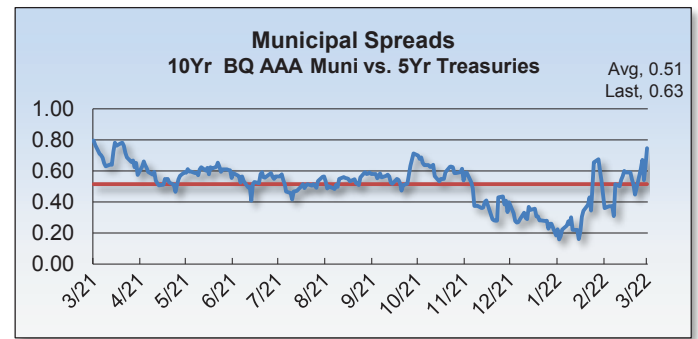
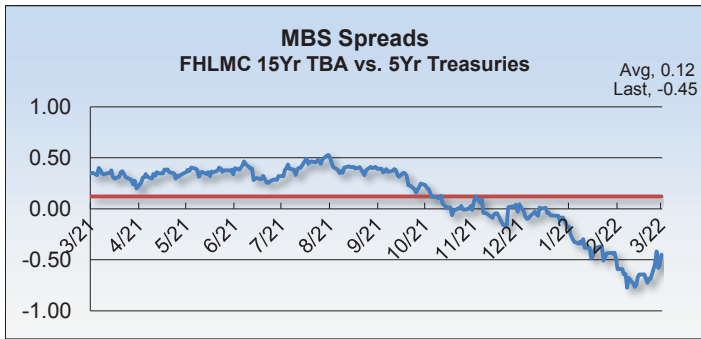
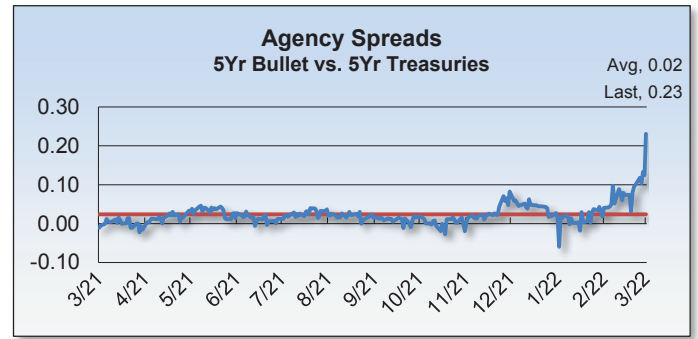
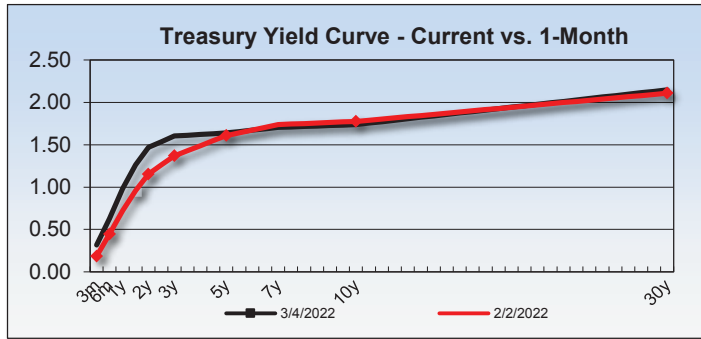
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Markets have a lot to digest this week, but geopolitics is front and center. It's hard to know exactly how the situation in Ukraine will play out, but for now it's extremely dangerous and that fact is being reflected in financial markets behavior. The news last night that Russian invasion forces had attacked and seized Europe's biggest nuclear power plant sent shockwaves throughout the globe, pushed money into safe haven assets like gold and US Treasuries, and triggered a massive surge in commodities prices. Catastrophe was avoided for now, but the event raises fears of what may come next in the conflict. Meanwhile, Fed Chairman Powell testified to both houses of Congress this week, largely reiterating his intention to stay on task and begin removing stimulus with a liftoff at the end of the month. Powell said he's inclined to start with a 25bps hike and make several additional moves as the year progresses. In light of the geopolitical situation, he stressed that they would be "nimble" and base their decisions on data and conditions as they develop. Post-testimony, markets anticipate a total of five 25bps rate hikes this year, then possibly two more in 2023. As the price of crude oil soars well above \$110 a barrel, consumer prices will remain elevated for longer than previously expected, but the Fed also needs to be mindful of the potential negative impact on the real economy. It's a real tough situation for Powell and the FOMC. They cannot ignore inflation, but the steadily flattening yield curve is flashing a clear warning to the Fed that if they move too fast, they'll derail economic growth and potentially risk a recession. Right now, the 10yr T-Note yield sits at 1.74% and the 2yr at 1.45%... a 29bps spread.

This morning the labor department released a stronger than expected jobs report showing a 678K gain in non-farm payrolls, upward revisions to prior months, a larger than expected drop in the unemployment rate to 3.8%, and signs of moderating wage inflation. All of this has to be welcome to the Fed, especially the wage data which showed the annual rate dropping to 5.1% from 5.7%. The composition of payrolls gains was broad based, so most of the deceleration appears to reflect a genuine easing of pay pressures. The labor force participation rate ticked up a bit higher than expected, and survey data suggests that labor shortages may be levelling off. All good news for the Fed. Earlier in the week we got a stream of data including ISM manufacturing, durable goods orders, and capital expenditures, all of which came in largely as expected. Next week we'll see the latest release of consumer price inflation and consumer sentiment data among other things. The NCAA basketball tournament won't start for a couple of weeks. Meanwhile, March Madness simply describes a certain Russian dictator.

### Crude Oil Futures: 2021 – Today





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 <sup>2</sup>	S-Corp <sup>3</sup>		Mty	3Mo	6mo	1Yr	2Yr
3mo	0.32	(0.00)	0.23	0.04	0.03	2yr	1.52	1.65	1.51	1.61	1.70	2Yr	1.46	1.46	1.46	-
6mo	0.63	(0.07)	0.55	0.05	0.06	3yr	1.67	1.71	1.65	1.76	1.82	3Yr	1.60	1.61	1.60	1.60
1yr	0.98	(0.12)	0.87	0.06	0.08	5yr	1.76	1.73	1.88	2.00	2.06	5Yr	1.71	1.72	1.71	1.65
2yr	1.47	(0.10)	1.31	0.21	0.15	7yr	1.88	1.76	2.07	2.21	2.18	7Yr	1.78	1.80	1.79	1.72
3yr	1.60	(0.16)	1.54	0.41	0.36	10yr	2.08	1.83	2.25	2.40	2.44	10Yr	1.86	1.92	1.91	1.85
5yr	1.64	(0.23)	1.77	0.78	0.79	15yr	2.27	1.92	2.48	2.64	2.73	April TBA MBS				
7yr	1.70	(0.25)	1.88	1.09	1.23	20yr	2.47	1.95	2.62	2.79	2.87	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	1.74	(0.23)	1.91	1.32	1.57	25yr	2.66	1.93	2.73	2.91	2.93	2.00	2.05	5.0y	2.49	
30yr	2.15	(0.13)	2.21	1.94	2.32	30yr		1.90	2.84	3.02	2.98	2.50	2.05	3.7y		
												3.00	2.15	3.4y	2.68	4.9y
												3.50	2.36	3.3y	2.58	3.9y
												4.00			2.56	3.7y
												4.50			2.67	3.7y

\* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	0.25	--	0.25	0.25	0.25
Primary Discount	0.25	--	0.25	0.25	0.25
2ndary Discount	0.75	--	0.75	0.75	0.75
Prime Rate	3.25	--	3.25	3.25	3.25
Sec. O.N. Finance	0.05	--	0.05	0.05	--
1 Month LIBOR	0.24	0.06	0.11	0.08	0.11
3 Month LIBOR	0.52	0.02	0.31	0.12	0.18
6 Month LIBOR	0.80	(0.03)	0.52	0.15	0.21
1 Year LIBOR	1.22	(0.12)	0.93	0.22	0.28
6 Month CD	0.97	0.07	0.59	0.20	0.16
1 Year CMT	1.08	--	0.78	0.08	0.08
REPO O/N	0.07	0.01	0.05	0.06	0.04
REPO 1Wk	0.12	(0.03)	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	0.60	0.65	0.60
6mo	0.83	0.93	0.89
1yr	1.32	1.36	1.33
2yr	1.68	1.87	1.75
3yr	1.80	2.01	1.92
4yr	1.88	2.08	2.00
5yr	1.88	2.09	2.02
7yr	2.04	2.28	2.19
10yr	2.28	2.53	2.41
5yr Am	1.81		1.94
10yr Am	2.08		2.22

Fed Fund Futures	
Maturity	Rate
Mar-22	0.200
Apr-22	0.320
May-22	0.580
Jun-22	0.735
Jul-22	0.860
Aug-22	1.005
Sep-22	1.055
Oct-22	1.170
Nov-22	1.295
Dec-22	1.400
Jan-23	1.465

# Baker Market Update

## Week in Review

March 4, 2022

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
2/28	Advance Goods Trade Balance	Jan	-\$99.5b	-\$107.6b	-\$101.0b	-\$100.5b
2/28	MNI Chicago PMI	Feb	62.3	56.3	65.2	--
3/1	Markit US Manufacturing PMI	Feb F	57.5	57.3	57.5	--
3/1	ISM Manufacturing	Feb	58.0	58.6	57.6	--
3/1	ISM Prices Paid	Feb	77.5	75.6	76.1	--
3/1	ISM New Orders	Feb	56.3	61.7	57.9	--
3/1	ISM Employment	Feb	54.2	52.9	54.5	--
3/2	MBA Mortgage Applications	2/25	--	-0.7%	-13.1%	--
3/2	ADP Employment Change	Feb	375k	475k	304k	509k
3/3	Challenger Job Cuts YoY	Feb	--	-55.9%	-76.0%	--
3/3	Nonfarm Productivity	4Q F	6.7%	6.6%	6.6%	--
3/3	Unit Labor Costs	4Q F	0.3%	0.9%	0.3%	--
3/3	Initial Jobless Claims	2/26	225k	215k	232k	233k
3/3	Continuing Claims	2/19	1420k	1476k	1476k	1474k
3/3	Markit US Services PMI	Feb F	56.7	56.5	56.7	--
3/3	Markit US Composite PMI	Feb F	56.0	55.9	56.0	--
3/3	ISM Services Index	Feb	61.1	56.5	59.9	--
3/3	Factory Orders	Jan	0.7%	1.4%	-0.4%	0.7%
3/3	Factory Orders Ex Trans	Jan	--	1.0%	0.1%	0.5%
3/3	Durable Goods Orders	Jan F	1.6%	1.6%	1.6%	--
3/3	Durables Ex Transportation	Jan F	0.7%	0.7%	0.7%	--
3/3	Cap Goods Orders Nondef Ex Air	Jan F	--	1.0%	0.9%	--
3/3	Cap Goods Ship Nondef Ex Air	Jan F	--	1.9%	1.9%	--
3/4	Two-Month Payroll Net Revision	Feb	--	92k	--	--
3/4	Change in Nonfarm Payrolls	Feb	423k	678k	467k	481k
3/4	Change in Private Payrolls	Feb	413k	654k	444k	448k
3/4	Change in Manufact. Payrolls	Feb	24k	36k	43k	16k
3/4	Unemployment Rate	Feb	3.9%	3.8%	4.0%	--
3/4	Average Hourly Earnings MoM	Feb	0.5%	0.0%	0.7%	0.6%
3/4	Average Hourly Earnings YoY	Feb	5.8%	5.1%	5.7%	5.5%
3/4	Average Weekly Hours All Employees	Feb	34.6	34.7	34.5	34.6
3/4	Labor Force Participation Rate	Feb	62.2%	62.3%	62.2%	--
3/4	Underemployment Rate	Feb	--	7.2%	7.1%	--
3/7	Consumer Credit	Jan	\$24.000b	--	\$18.898b	--
3/8	NFIB Small Business Optimism	Feb	97.4	--	97.1	--
3/8	Trade Balance	Jan	-\$87.1b	--	-\$80.7b	--
3/9	JOLTS Job Openings	Jan	10968k	--	10925k	--
3/10	CPI YoY	Feb	7.9%	--	7.5%	--
3/10	CPI Ex Food and Energy YoY	Feb	6.4%	--	6.0%	--
3/10	CPI Index NSA	Feb	283.75	--	281.15	--
3/10	CPI Core Index SA	Feb	--	--	286.43	--
3/10	Real Avg Hourly Earning YoY	Feb	--	--	-1.7%	-1.8%
3/10	Real Avg Weekly Earnings YoY	Feb	--	--	-3.1%	-3.0%
3/10	Household Change in Net Worth	4Q	--	--	\$2362b	--
3/11	U. of Mich. Sentiment	Mar P	62.5	--	62.8	--
3/11	U. of Mich. Current Conditions	Mar P	--	--	68.2	--
3/11	U. of Mich. 1 Yr Inflation	Mar P	--	--	4.9%	--

MBS Prepayments <sup>4</sup>						
3-Month CPR						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	14.0	22.5	24.0	24.3	23.3	16.0
FH/FN 15y	10.2	23.9	26.4	32.0	29.8	23.0
GN 15y	25.4	17.1	18.9	19.4	20.2	19.7
FH/FN 20y	54.4	19.8	22.6	22.8	24.6	20.6
FH/FN 30y	1.3	11.7	33.1	39.2	43.6	44.4
GN 30y	4.8	16.3	33.6	36.6	39.4	24.8
CPR Projections						
Type	2.0	2.5	3.0	3.5	4.0	4.5
FN 10y	15.4	17.5	18.2	18.6	19.8	19.6
FH/FN 15y	12.0	14.1	15.2	16.8	19.6	21.1
GN 15y	13.6	12.8	12.9	12.9	12.6	12.3
FH/FN 20y	54.9	11.9	11.7	12.0	12.9	13.6
FH/FN 30y	9.2	10.2	17.3	20.3	22.8	23.2
GN 30y	8.8	9.8	14.2	14.4	14.6	13.1

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
<b>Currencies</b>					
Japanese Yen	115.27	(0.28)	115.26	109.86	107.98
Euro	1.09	(0.04)	1.14	1.19	1.20
Dollar Index	98.74	2.13	95.49	92.04	91.63
<b>Major Stock Indices</b>					
Dow Jones	33,380	(679)	35,090	35,369	30,924
S&P 500	4,328.3	(56.3)	4,500.5	4,535.4	3,768.5
NASDAQ	13,358.5	(336)	14,098.0	15,363.5	12,723.5
<b>Commodities</b>					
Gold	1,960.7	73.1	1,807.8	1,831.5	1,700.7
Crude Oil	113.42	21.83	92.31	69.29	63.83
Natural Gas	4.84	0.37	4.57	4.71	2.75
Wheat	1,209.0	366.0	763.3	726.3	651.0
Corn	777.5	118.0	620.5	524.0	532.5

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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