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### UPCOMING EVENTS

#### Banks

##### Seminar:

West Des Moines, IA

Jun 12, 2023

Bismarck, ND

Jul 25, 2023

Springfield, IL

Aug 7, 2023

Stevens Point, WI

Aug 29, 2023

Oklahoma City, OK

Oct 18-20, 2023

#### Credit Unions

##### CU Seminar:

Minneapolis, MN

Mar 21, 2023

Philadelphia, PA

Sep 27, 2023

Dallas, TX

Nov 9, 2023

##### CU School:

CU Bond School

Apr 26-27, 2023

CU ALM School

Aug 23-24, 2023

#### Bank and Credit Unions Schools:

ALM School

Aug 8-9, 2023

Bond School

May 10-11, 2023

Today is the first anniversary of the Fed's initial rate hike in its campaign to crush inflation, and it's Saint Patrick's Day as well. Perfect timing. Let the drinking begin!

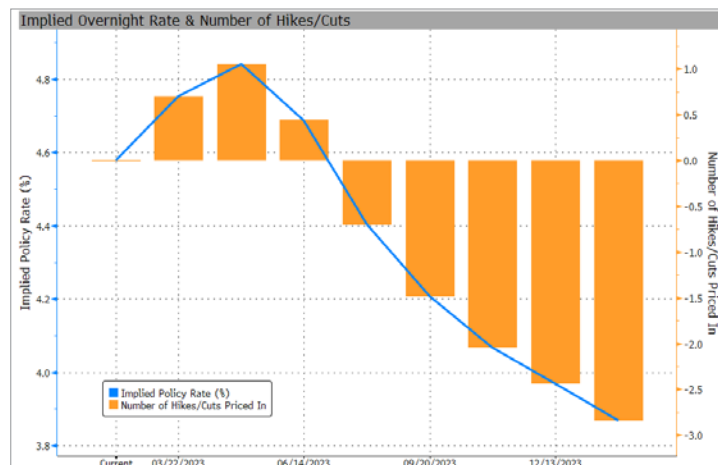
Let's remember that the Fed's rate hikes began after two years of pumping enormous amounts of liquidity into the system, causing massive growth in deposits, and forcing banks to deploy said liquidity (buy bonds) at historically low yields. The speed and magnitude of rate hikes has been unprecedented and the most painful effects are now starting to be felt, specifically in the banking system. With respect to the percentage change in borrowing costs, we've never seen a more aggressive tightening... not even in the Volker years. In my opinion this cannot be overstated. Moreover, much of the tightening is still in the pipeline due to the proverbial "long- and variable-time lags" of monetary policy. It's no wonder the banking sector is creaking. Recession risk has risen notably... many would say it's already baked in the cake.

All of this helps to explain why markets remained focused this week on continuing turmoil in some corners of the banking system, particularly those funded largely by uninsured deposits. Initially, it was two or three West Coast banks with extreme dependency on volatile liabilities related to the tech sector. Silicon Valley Bank was over 90% funded by hot money from venture capital firms related to crypto/tech startups. Unlike traditional community banks, they had very little funding from sticky "core deposits" or solid legacy retail accounts. Silvergate, Signature Bank, and First Republic had similar profiles to SVB. Now, however, it's becoming clear that the sea-change in the Fed's monetary policy is putting stress on the entire system.

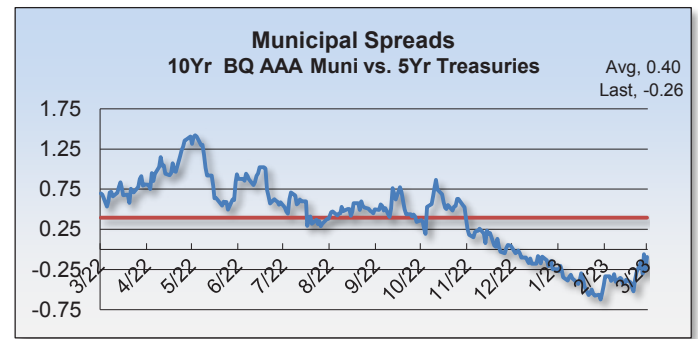
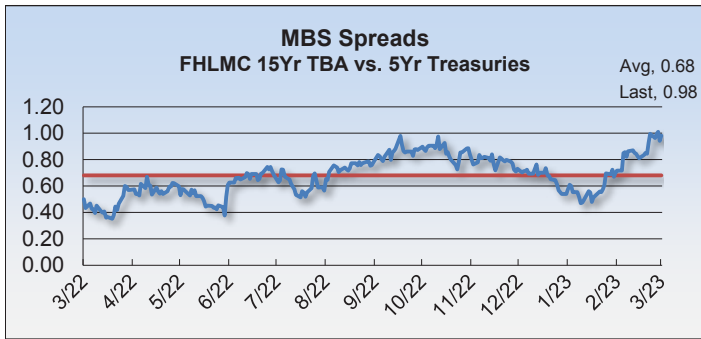
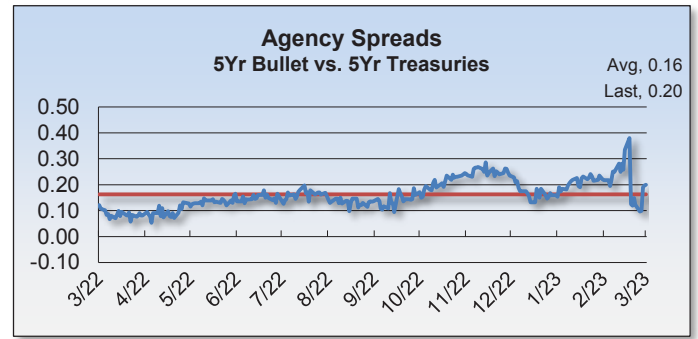
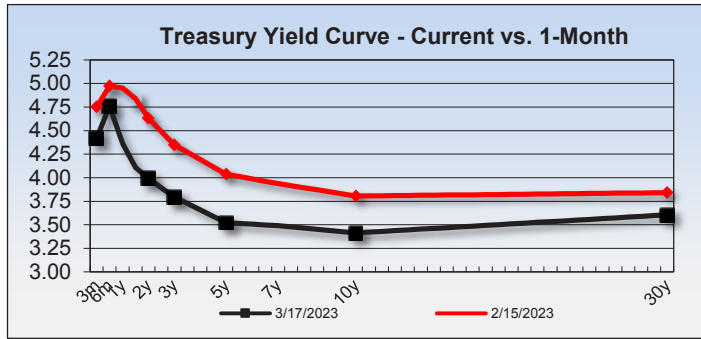
As for the Fed's war on inflation, we learned this week that the consumer price index continued its downtrend as core CPI fell to 5.5% from 5.6%. It was the eighth consecutive month of declines for headline CPI. Producer prices fell even faster as the core PPI dropped a full percentage point to 4.4%. It seems the war on inflation is steadily being won. Maybe not as fast as we'd hope, but it's moving in the right direction. Other economic releases this week included retail sales which declined from the prior month, and leading economic indicators which remains negative for the eighth consecutive month.

So where does this leave the Fed? There is an argument to be made that they must maintain their credibility and do one more rate hike to show their continued seriousness about bringing down inflation. However, it seems to make little sense when inflation is clearly trending lower to crank up borrowing costs even further on an already stressed banking system, while the yield curve remains deeply inverted and much economic data is flashing red. To be sure, markets are projecting the likelihood of no change from the Fed next week, and at least 50bps of cuts later in the year. Next week will be a tough call for the Fed, but it seems the coal mine canaries are dying and the frog is pretty much boiled. Maybe if they stop tightening now they'll avoid a mistake and enjoy some luck o' the Irish.

### Fed Funds Futures Probabilities: March 17, 2023



Source: Bloomberg, L.P.



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	4.42	(0.49)	4.80	3.13	0.39	2yr	4.16	4.33	3.58	3.81	4.29	2Yr	4.68	4.68	4.68	-
6mo	4.76	(0.32)	5.01	3.80	0.78	3yr	3.95	4.02	3.43	3.65	4.24	3Yr	4.54	4.55	4.50	4.54
1yr	4.36	(0.49)	4.99	3.96	1.21	5yr	3.76	3.69	3.29	3.50	4.14	5Yr	4.37	4.37	4.36	4.30
2yr	3.99	(0.60)	4.62	3.87	1.92	7yr	3.79	3.55	3.28	3.49	4.16	7Yr	4.36	4.38	4.37	4.30
3yr	3.79	(0.53)	4.32	3.83	1.99	10yr	3.88	3.49	3.33	3.55	4.28	10Yr	4.34	4.40	4.39	4.32
5yr	3.52	(0.44)	4.03	3.63	2.14	15yr	3.98	3.49	4.20	4.47	4.41	April TBA MBS				
7yr	3.49	(0.37)	3.94	3.57	2.19	20yr	4.08	3.42	4.54	4.83	4.60	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	3.41	(0.29)	3.82	3.45	2.17	25yr	4.18	3.30	4.66	4.96	4.66	2.50	4.46	5.6y	4.28	
30yr	3.61	(0.10)	3.87	3.52	2.47	30yr	4.18	3.20	4.79	5.10	4.71	3.00	4.50	5.7y		
												3.50	4.35	5.7y	4.48	10.4y
												4.00	4.31	5.6y	4.60	10.3y
												4.50			4.79	9.7y
												5.00			5.04	8.2y

\* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	4.75	--	4.75	2.50	0.50
Primary Discount	4.75	--	4.75	2.50	0.25
2ndary Discount	5.25	--	5.25	3.00	0.75
Prime Rate	7.75	--	7.75	5.50	3.50
Sec. O.N. Finance	4.57	0.02	4.55	2.27	--
1 Month LIBOR	4.71	(0.05)	4.60	2.99	0.44
3 Month LIBOR	4.91	(0.22)	4.88	3.53	0.92
6 Month LIBOR	4.83	(0.64)	5.18	4.06	1.24
1 Year LIBOR	4.73	(1.15)	5.58	4.62	1.69
6 Month CD	5.02	(0.44)	5.16	4.24	1.37
1 Year CMT	4.49	(0.69)	4.99	3.96	1.35
REPO O/N	4.59	0.02	4.58	2.30	0.30
REPO 1Wk	4.79	0.04	4.64	2.97	0.43
CoF Federal	2.998	--	2.794	1.508	0.750
11th D. CoF (Dec)	0.223	--	0.218	0.282	0.460

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	5.18	5.24	5.20
6mo	5.19	5.29	5.34
1yr	5.04	5.28	5.21
2yr	4.40	4.75	4.38
3yr	4.23	4.63	4.23
4yr	4.08	4.47	4.08
5yr	4.00	4.41	4.00
7yr	4.14	4.53	4.16
10yr	4.28	4.67	4.30
5yr Am	4.28		4.20
10yr Am	4.29		4.23

Fed Fund Futures	
Maturity	Rate
Mar-23	4.630
Apr-23	4.750
May-23	4.865
Jun-23	4.815
Jul-23	4.700
Aug-23	4.505
Sep-23	4.440
Oct-23	4.325
Nov-23	4.185
Dec-23	4.135
Jan-24	4.080

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
3/14	NFIB Small Business Optimism	Feb	90.3	90.9	90.3	--
3/14	CPI YoY	Feb	6.0%	6.0%	6.4%	--
3/14	CPI Ex Food and Energy YoY	Feb	5.5%	5.5%	5.6%	--
3/14	CPI Core Index SA	Feb	303.74	304.07	302.70	--
3/14	Real Avg Hourly Earning YoY	Feb	--	-1.3%	-1.8%	--
3/14	Real Avg Weekly Earnings YoY	Feb	--	-1.9%	-1.5%	--
3/15	MBA Mortgage Applications	3/10	--	6.5%	7.4%	--
3/15	PPI Final Demand YoY	Feb	5.4%	4.6%	6.0%	5.7%
3/15	PPI Ex Food and Energy YoY	Feb	5.2%	4.4%	5.4%	5.0%
3/15	PPI Ex Food, Energy, Trade YoY	Feb	4.8%	4.4%	4.5%	4.4%
3/15	Empire Manufacturing	Mar	-7.9	-24.6	-5.8	--
3/15	Retail Sales Ex Auto and Gas	Feb	-0.2%	0.0%	2.6%	2.8%
3/15	Retail Sales Control Group	Feb	-0.3%	0.5%	1.7%	2.3%
3/15	Business Inventories	Jan	0.0%	-0.1%	0.3%	--
3/15	Net Long-term TIC Flows	Jan	--	\$31.9b	\$152.8b	--
3/15	Total Net TIC Flows	Jan	--	\$183.1b	\$28.6b	\$26.7b
3/16	Initial Jobless Claims	3/11	205k	192k	211k	212k
3/16	Continuing Claims	3/4	1723k	1684k	1718k	1713k
3/16	Import Price Index YoY	Feb	-1.1%	-1.1%	0.8%	0.9%
3/16	Export Price Index MoM	Feb	-0.3%	0.2%	0.8%	0.5%
3/16	Export Price Index YoY	Feb	--	-0.8%	2.3%	2.2%
3/16	Housing Starts	Feb	1310k	1450k	1309k	1321k
3/16	Building Permits	Feb	1343k	1524k	1339k	--
3/16	Philadelphia Fed Business Outlook	Mar	-15.0	-23.2	-24.3	--
3/16	New York Fed Services Business Activ	Mar	--	-10.1	-12.8	--
3/17	Industrial Production MoM	Feb	0.2%	0.0%	0.0%	0.3%
3/17	Capacity Utilization	Feb	78.4%	78.0%	78.3%	78.0%
3/17	Manufacturing (SIC) Production	Feb	-0.3%	0.1%	1.0%	1.3%
3/17	Leading Index	Feb	-0.3%	-0.3%	-0.3%	--
3/17	U. of Mich. Sentiment	Mar P	67.0	63.4	67.0	--
3/17	U. of Mich. Current Conditions	Mar P	70.5	66.4	70.7	--
3/17	U. of Mich. Expectations	Mar P	64.8	61.5	64.7	--
3/17	U. of Mich. 1 Yr Inflation	Mar P	4.1%	3.8%	4.1%	--
3/17	U. of Mich. 5-10 Yr Inflation	Mar P	2.9%	2.8%	2.9%	--
3/21	Existing Home Sales	Feb	4.19m	--	4.00m	--
3/22	FOMC Rate Decision (Upper Bound)	3/22	5.00%	--	4.75%	--
3/22	FOMC Rate Decision (Lower Bound)	3/22	4.75%	--	4.50%	--
3/22	Interest on Reserve Balances Rate	3/23	4.95%	--	4.65%	--
3/23	Current Account Balance	4Q	-\$213.6b	--	-\$217.1b	--
3/23	Chicago Fed Nat Activity Index	Feb	--	--	23.0%	--
3/23	New Home Sales	Feb	650k	--	670k	--
3/24	Durables Ex Transportation	Feb P	0.3%	--	0.8%	--
3/24	Cap Goods Ship Nondef Ex Air	Feb P	--	--	1.1%	--
3/24	S&P Global US Manufacturing PMI	Mar P	47.0	--	47.3	--
3/24	S&P Global US Services PMI	Mar P	50.2	--	50.6	--
3/24	S&P Global US Composite PMI	Mar P	--	--	50.1	--
3/24	Revisions: Wholesale Inventories	1/0				

MBS Prepayments <sup>4</sup>						
3-Month CPR						
Type	2.5	3.0	3.5	4.0	4.5	5.0
FN 10y	11.2	11.7	12.5	12.5	11.5	17.3
FH/FN 15y	5.2	6.2	8.0	13.2	16.7	25.1
GN 15y	11.7	12.8	13.9	18.2	18.6	22.4
FH/FN 20y	4.6	5.7	6.4	7.4	8.8	12.6
FH/FN 30y	3.2	3.9	4.3	5.1	6.5	8.1
GN 30y	4.0	7.4	5.4	5.2	6.2	6.5
CPR Projections						
Type	2.5	3.0	3.5	4.0	4.5	5.0
FN 10y	14.6	14.9	14.9	13.7	10.8	11.0
FH/FN 15y	7.0	7.3	7.5	13.9	15.3	15.1
GN 15y	9.3	9.6	11.0	11.6	13.6	13.4
FH/FN 20y	6.1	6.7	7.2	7.8	8.8	9.8
FH/FN 30y	5.5	5.8	6.0	6.6	7.5	9.1
GN 30y	6.2	7.0	7.1	8.6	8.9	7.8

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
<b>Currencies</b>					
Japanese Yen	132.25	(2.78)	134.15	143.21	118.60
Euro	1.06	(0.00)	1.07	1.00	1.11
Dollar Index	104.14	(0.44)	103.86	109.76	97.97
<b>Major Stock Indices</b>					
Dow Jones	32,000	90	33,827	30,822	34,481
S&P 500	3,953.6	92.0	4,079.1	3,873.3	4,411.7
NASDAQ	11,726.4	588	11,787.3	11,448.4	13,614.8
<b>Commodities</b>					
Gold	1,954.8	87.6	1,840.4	1,672.8	1,943.2
Crude Oil	67.01	(9.67)	76.34	85.11	102.98
Natural Gas	2.38	(0.05)	2.28	7.76	4.99
Wheat	711.8	45.0	765.5	859.8	1,098.0
Corn	635.3	11.0	677.8	677.3	754.5

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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