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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

Webinar:

Q2 Strategies Webinar

Apr 12, 2023

Credit Unions

CU Seminar:

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

CU Webinar:

Q2 Strategies Webinar

Apr 13, 2023

Bank & Credit Unions

School:

ALM School

Aug 8-9, 2023

Bond School

May 10-11, 2023

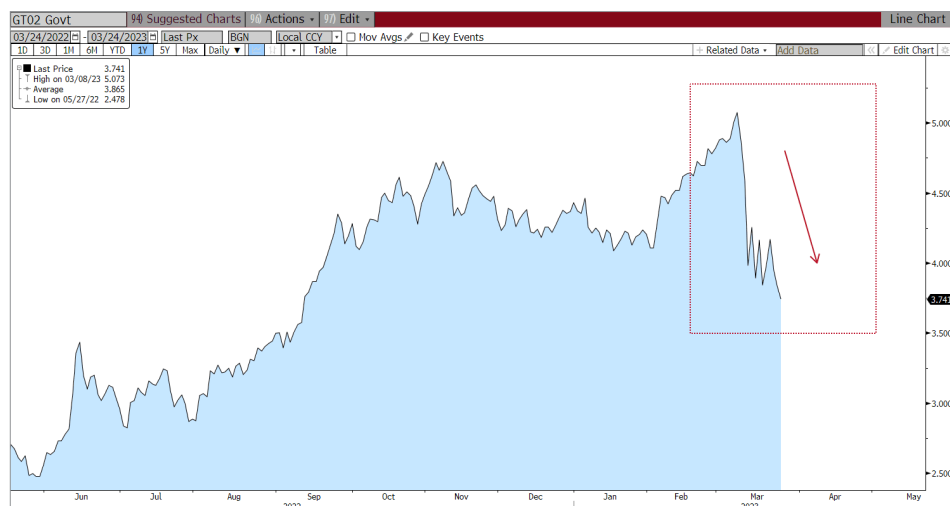
Spring has sprung, the days are getting longer, and everything's starting to green up nicely. So why does the Fed Chairman look so tired? Well, in fairness, Jay Powell has held up pretty well after a full year of rate-hikes and an unprecedented 500bps of tightened credit. He and his cohorts on the FOMC are working overtime to keep the machinery of the US banking system well-oiled and functioning as intended. But as the era of "free money" came to an end and we experienced an abrupt and grinding gear-shift, they shouldn't be surprised that some valves are sticky and things are running rough. The speed and magnitude of the rate-hike campaign has claimed a few victims already, uncovering certain banks' exposure to volatility in the form of flighty deposits from tech-related venture capital firms (imagine that), combined with painfully high levels of unrealized losses in otherwise liquid assets. But now the stress is bleeding overseas, and foreign central banks are tapping the Fed for dollar funding to shore up their own banking networks. Meanwhile, as banking news grabs headlines, red-alert recession signals are flashing, and some analysts like Jeffrey Gundlach see the Fed cutting rates "substantially" soon. Stranger things have happened.

To be sure, markets behave as though Gundlach is right. The 2yr T-Note yield has fallen by 123bps in three weeks. That doesn't happen unless there's a sea-change in sentiment and psychology. Moreover, the futures market (a constantly moving target) currently projects a fed funds rate below 4% by year-end. Most notable, though, is the re-steepening of what was the most deeply inverted yield curve in generations. The yield spread between 2yr- and 10yr T-Notes got as negative as 108bps... historic and unprecedented since the Volker years when nominal yields were much higher generally. Now we've seen a sharp and sudden reversal of that spread back to just -36bps. To Gundlach's point, this market behavior screams "ease is on the way".

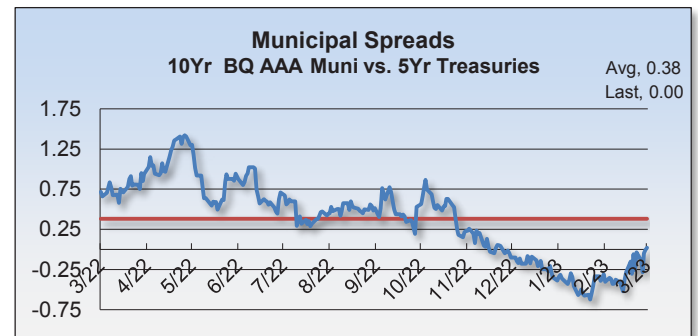
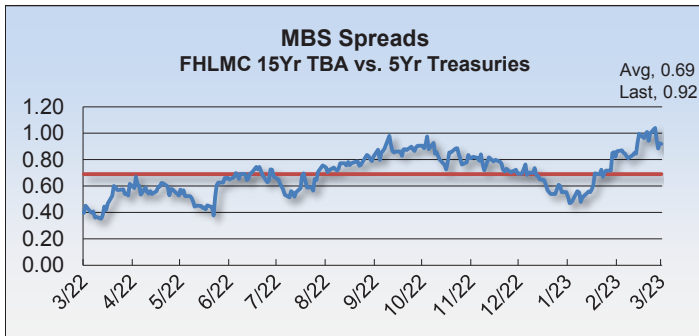
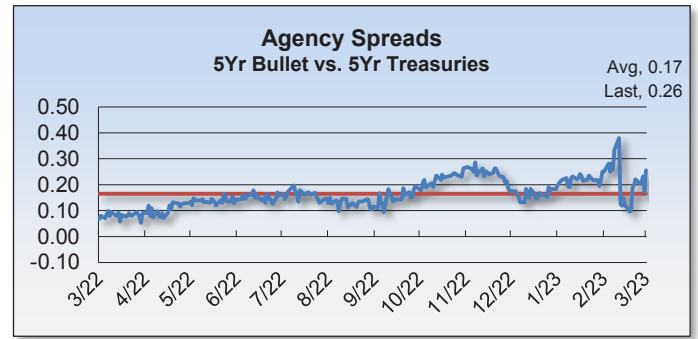
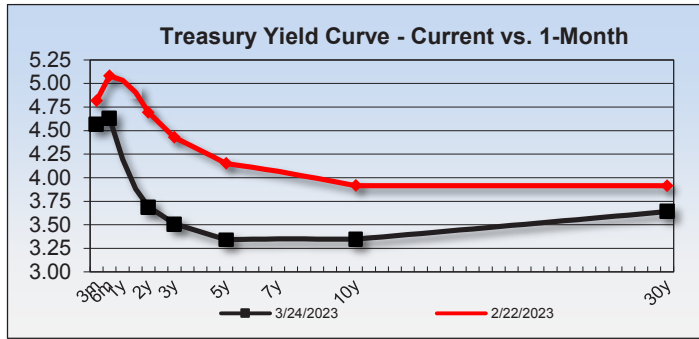
So therein lies the conundrum... is it safe and prudent to pivot away from the war on inflation in order to focus on the health of the banking system? After all, we've seen inflation fall from 9.1% to 6.0% in eight months... if that pace continues, we'll be at 2% by year-end. And the full impact of the most recent rate-hikes has yet to be felt. As for the banking system, Chairman Powell noted that "Recent developments are likely to result in tighter credit conditions for households and businesses and to weigh on economic activity, hiring, and inflation... and the extent of these effects is uncertain." Adding to the confusion is continued strong labor market performance, a head-scratcher for sure. But looking at past cycles, employment is a notorious lagging indicator... often the last thing to turn.

Some policymakers, like St. Louis Fed President James Bullard, insist that monetary policy can and should be conducted based on considerations that are separate and distinct from financial stability issues. That becomes a moot point, though, when a stressed financial system faces a likely recession.

US 2yr Treasury-Note Yield: 2022 - Today



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 ²	S-Corp ³		Mty	3Mo	6mo	1Yr	2Yr
3mo	4.57	0.17	4.81	3.19	0.50	2yr	3.83	4.02	3.49	3.71	4.17	2Yr	4.68	4.68	4.68	-
6mo	4.63	(0.01)	5.10	3.87	0.94	3yr	3.64	3.71	3.35	3.56	4.12	3Yr	4.54	4.55	4.50	4.54
1yr	4.20	0.00	5.03	4.10	1.55	5yr	3.57	3.45	3.26	3.47	4.02	5Yr	4.37	4.37	4.36	4.30
2yr	3.69	(0.15)	4.82	4.21	2.14	7yr	3.63	3.37	3.25	3.46	4.09	7Yr	4.36	4.38	4.37	4.30
3yr	3.51	(0.21)	4.54	4.23	2.23	10yr	3.80	3.36	3.30	3.52	4.30	10Yr	4.34	4.40	4.39	4.32
5yr	3.34	(0.16)	4.22	3.98	2.40	15yr	3.98	3.41	4.17	4.44	4.43	April TBA MBS				
7yr	3.35	(0.15)	4.11	3.87	2.43	20yr	4.15	3.39	4.51	4.80	4.77	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	3.35	(0.09)	3.95	3.69	2.37	25yr	4.32	3.29	4.65	4.95	4.83	2.50	4.27	5.6y	4.27	
30yr	3.64	0.01	3.93	3.61	2.54	30yr	4.32	3.20	4.79	5.10	4.88	3.00	4.34	5.6y		
												3.50	4.22	5.6y	4.45	10.2y
												4.00	4.21	5.5y	4.56	10.0y
												4.50			4.73	9.7y
												5.00			4.97	8.2y

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	5.00	0.25	4.75	3.25	0.50
Primary Discount	5.00	0.25	4.75	3.25	0.50
2ndary Discount	5.50	0.25	5.25	3.75	1.00
Prime Rate	8.00	0.25	7.75	6.25	3.50
Sec. O.N. Finance	4.80	0.23	4.55	2.99	--
1 Month LIBOR	4.80	0.09	4.60	3.08	0.45
3 Month LIBOR	5.08	0.17	4.93	3.64	0.95
6 Month LIBOR	5.12	0.28	5.27	4.18	1.38
1 Year LIBOR	5.18	0.45	5.62	4.80	2.01
6 Month CD	4.90	(0.12)	5.23	4.40	1.45
1 Year CMT	4.38	(0.11)	5.03	4.15	1.52
REPO O/N	4.85	0.26	4.57	2.30	0.27
REPO 1Wk	4.86	0.09	4.61	3.20	0.40
CoF Federal	3.139	--	2.998	1.762	0.791
11th D. CoF (Dec)	0.223	--	0.218	0.282	0.460

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	4.99	4.98	5.07
6mo	4.87	4.93	5.14
1yr	4.59	4.65	4.99
2yr	3.98	4.09	4.39
3yr	3.85	3.94	4.20
4yr	3.74	3.83	4.07
5yr	3.69	3.80	4.00
7yr	4.01	4.13	4.29
10yr	4.15	4.28	4.39
5yr Am	3.88		4.23
10yr Am	4.03		4.34

Fed Fund Futures	
Maturity	Rate
Mar-23	4.645
Apr-23	4.790
May-23	4.830
Jun-23	4.760
Jul-23	4.665
Aug-23	4.440
Sep-23	4.370
Oct-23	4.225
Nov-23	4.030
Dec-23	3.945
Jan-24	3.870

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
3/21	Philadelphia Fed Non-Manufacturing Ad	Mar	--	-12.8	3.2	--
3/21	Existing Home Sales	Feb	4.20m	4.58m	4.00m	--
3/22	MBA Mortgage Applications	3/17	--	3.0%	6.5%	--
3/22	FOMC Rate Decision (Upper Bound)	3/22	5.00%	5.00%	4.75%	--
3/22	FOMC Rate Decision (Lower Bound)	3/22	4.75%	4.75%	4.50%	--
3/22	Interest on Reserve Balances Rate	3/23	4.90%	4.90%	4.65%	--
3/23	Initial Jobless Claims	3/18	197k	191k	192k	--
3/23	Continuing Claims	3/11	1690k	1694k	1684k	1680k
3/23	Current Account Balance	4Q	-\$213.7b	-\$206.8b	-\$217.1b	-\$219.0b
3/23	Chicago Fed Nat Activity Index	Feb	0.10	-0.19	0.23	--
3/23	New Home Sales	Feb	650k	640k	670k	633k
3/23	Kansas City Fed Manf. Activity	Mar	-2	0	0	--
3/24	Durable Goods Orders	Feb P	0.2%	-1.0%	-4.5%	-5.0%
3/24	Durables Ex Transportation	Feb P	0.2%	0.0%	0.8%	0.4%
3/24	Cap Goods Orders Nondef Ex Air	Feb P	-0.2%	0.2%	0.8%	0.3%
3/24	Cap Goods Ship Nondef Ex Air	Feb P	0.2%	0.0%	1.1%	0.9%
3/24	S&P Global US Manufacturing PMI	Mar P	47.0	49.3	47.3	--
3/24	S&P Global US Services PMI	Mar P	50.3	53.8	50.6	--
3/24	S&P Global US Composite PMI	Mar P	49.5	53.3	50.1	--
3/24	Kansas City Fed Services Activity	Mar	--	--	1	--
3/27	Dallas Fed Manf. Activity	Mar	-10.0	--	-13.5	--
3/28	Wholesale Inventories MoM	Feb P	--	--	-0.4%	--
3/28	Advance Goods Trade Balance	Feb	-\$89.9b	--	-\$91.5b	--
3/28	Retail Inventories MoM	Feb	--	--	0.3%	--
3/28	FHFA House Price Index MoM	Jan	--	--	-0.1%	--
3/28	S&P CoreLogic CS 20-City MoM SA	Jan	-0.50%	--	-0.51%	--
3/28	S&P CoreLogic CS 20-City YoY NSA	Jan	--	--	4.65%	--
3/28	S&P CoreLogic CS US HPI YoY NSA	Jan	--	--	5.76%	--
3/28	Conf. Board Consumer Confidence	Mar	101.3	--	102.9	--
3/28	Conf. Board Present Situation	Mar	--	--	152.8	--
3/28	Conf. Board Expectations	Mar	--	--	69.7	--
3/28	Richmond Fed Manufact. Index	Mar	-8	--	-16	--
3/28	Richmond Fed Business Conditions	Mar	--	--	-6	--
3/28	Dallas Fed Services Activity	Mar	--	--	-9.3	--
3/29	Pending Home Sales NSA YoY	Feb	--	--	-22.4%	--
3/30	GDP Annualized QoQ	4Q T	2.7%	--	2.7%	--
3/30	Personal Consumption	4Q T	1.5%	--	1.4%	--
3/30	GDP Price Index	4Q T	3.9%	--	3.9%	--
3/30	Core PCE QoQ	4Q T	--	--	4.3%	--
3/31	Personal Income	Feb	0.3%	--	0.6%	--
3/31	Real Personal Spending	Feb	-0.2%	--	1.1%	--
3/31	PCE Deflator YoY	Feb	5.1%	--	5.4%	--
3/31	PCE Core Deflator YoY	Feb	4.7%	--	4.7%	--
3/31	MNI Chicago PMI	Mar	43.9	--	43.6	--
3/31	U. of Mich. Sentiment	Mar F	63.4	--	63.4	--
3/31	U. of Mich. Current Conditions	Mar F	--	--	66.4	--
3/31	U. of Mich. 1 Yr Inflation	Mar F	--	--	3.8%	--

MBS Prepayments ⁴						
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	14.7	15.2	15.2	13.9	11.1	12.0
FH/FN 15y	7.1	7.6	8.0	14.5	15.9	16.6
GN 15y	9.7	10.1	11.4	12.0	14.0	13.5
FH/FN 20y	6.2	6.8	7.5	8.2	9.2	10.3
FH/FN 30y	5.7	6.0	6.3	7.0	7.7	9.4
GN 30y	6.4	7.3	7.4	8.6	9.1	7.9

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	130.44	(1.41)	136.48	144.75	122.35
Euro	1.08	0.01	1.05	0.96	1.10
Dollar Index	103.15	(0.55)	105.21	113.19	98.79
Major Stock Indices					
Dow Jones	31,907	45	32,817	29,590	34,708
S&P 500	3,930.7	14.1	3,970.0	3,693.2	4,520.2
NASDAQ	11,725.8	95	11,394.9	10,867.9	14,191.8
Commodities					
Gold	1,991.6	18.1	1,808.8	1,645.3	1,962.2
Crude Oil	68.46	1.72	76.32	78.74	112.34
Natural Gas	2.21	(0.13)	2.45	6.83	5.40
Wheat	697.3	-13.3	708.3	880.5	1,085.8
Corn	644.3	10.0	650.0	676.8	748.3

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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