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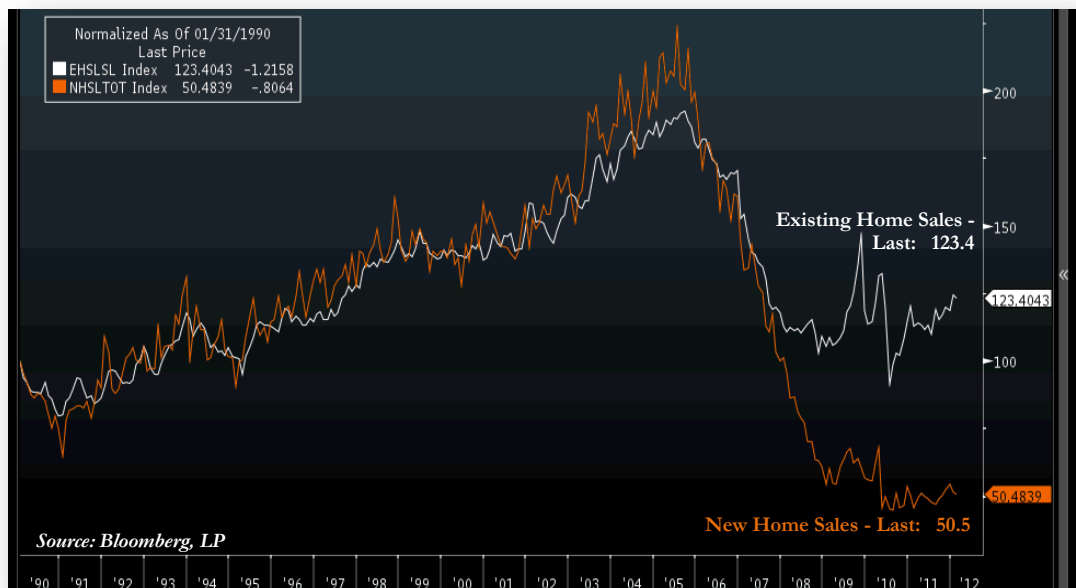
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The week began a bit uncomfortably for the Treasury market as early trading saw the yield on the Ten year Benchmark rise as high as 2.40% in a follow through of last week's sell-off. While the source of those price declines can in large part be blamed on an improving economic picture, no such gilding of the lily, springtime or not, was evident in the most recent round of economic releases. And, while spring may have sprung on the calendar, one couldn't tell it from recently released housing data. Instead of seeing New Home Sales blossom, we saw a 1.6% drop in that number. The picture wasn't much better for Existing Home Sales as they fell by .9%. Mortgage Applications fell by 7.4% as Housing Starts declined 1.1%. New Building Permits was the lonely petunia in this onion patch as they rose by 5.1%. Somewhat lost in the weeds was the gradual bond rally that has now seen the Ten Year yield fall back to 2.23%.

On Thursday, it was reported that Initial Jobless Claims continued their gradual decline and came in at 348m, versus last week's 351m. The issue that may have garnered the most attention this week, though, was probably the price of a gallon of gas. Maybe we can blame this week's price rise (\$3.90 per gallon average) on spring break. Whatever direction that price takes from here, it's bound to have an impact, perhaps down the road, on the economic stats we'll be seeing next week. Some of these new numbers scheduled for release are Pending Home Sales, Consumer Confidence, and, what should be the final revision of Q4 '11 GDP. Next Friday we'll find out about Personal Expenditures that will, hopefully, be toward something besides gasoline.

A long awaited rebound in Home Sales will have to wait a little longer as volumes of both new and existing home sales saw declines last month.

Existing Home Sales vs. New Home Sales - Since 1900



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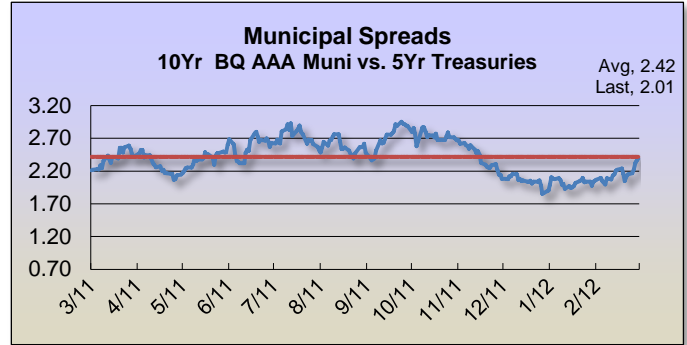
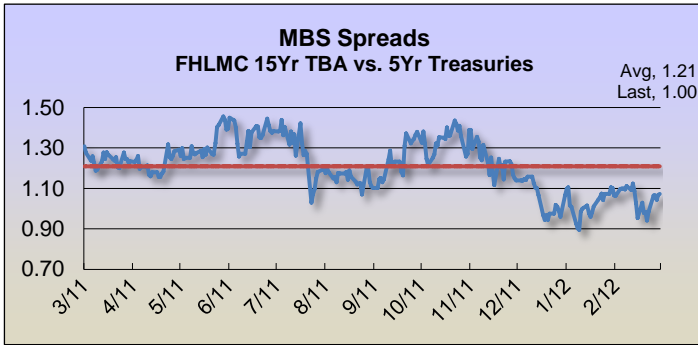
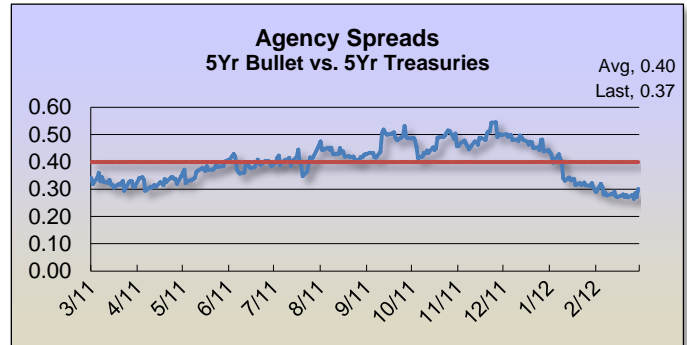
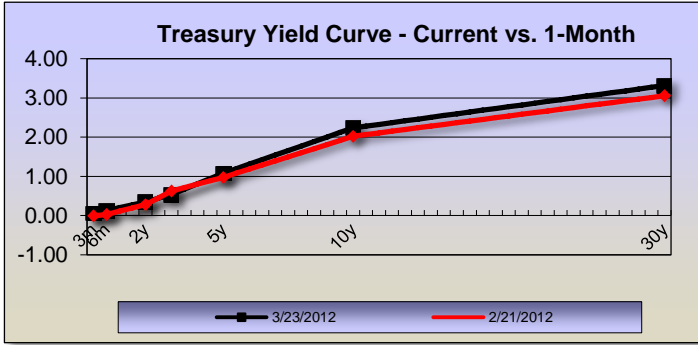
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Baker Market Update



March 23, 2012



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	0.07	(0.02)	0.09	0.00	0.09	3mo	0.14					2Yr	-	-	-	-
6mo	0.14	(0.01)	0.13	0.01	0.15	6mo	0.19					3Yr	-	-	-	0.66
1yr	0.17	(0.02)	0.16	0.09	0.23	1yr	0.22		0.79	0.80	0.55	5Yr	-	-	1.40	1.41
2yr	0.35	(0.01)	0.30	0.22	0.66	2yr	0.42	0.61	1.00	1.01	0.70	7Yr	-	1.98	2.10	2.10
3yr	0.54	(0.02)	0.42	0.44	1.13	3yr	0.63	0.80	1.25	1.29	0.89	10Yr	-	2.69	2.75	2.73
5yr	1.08	(0.03)	0.89	0.87	2.05	5yr	1.27	1.33	2.14	2.17	1.58	April TBA MBS				
7yr	1.64	(0.05)	1.39	1.34	2.74	7yr	1.84	1.83	2.83	2.86	2.28	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	2.24	(0.06)	2.00	1.83	3.35	10yr	2.64	2.31	3.44	3.49	2.72	4.00	1.68	2.73y	2.56	3.66y
30yr	3.32	(0.09)	3.14	2.90	4.45	20yr	3.42		4.98	5.05	4.64	4.50	1.76	2.78y	2.10	2.86y
												5.00	1.62	2.54y	1.70	2.6y
												5.50	1.91	2.69y	2.15	2.94y
												6.00	2.85	2.83y	2.06	2.82y

* 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	0.75	--	0.75	0.75	0.75
2ndary Discount	1.25	--	1.25	1.25	1.25
Prime Rate	3.25	--	3.25	3.25	3.25
1 Month LIBOR	0.24	--	0.24	0.24	0.25
3 Month LIBOR	0.47	--	0.49	0.36	0.31
6 Month LIBOR	0.74	--	0.75	0.54	0.46
1 Year LIBOR	1.05	--	1.07	0.85	0.77
6 Month CD	0.72	--	0.73	0.52	0.44
1 Year CMT	0.19	--	0.17	0.10	0.25
REPO O/N	0.13	--	0.06	0.09	0.04
REPO 1Wk	0.13	--	0.07	0.07	0.06
CoF National Med	1.16	--	1.20	1.34	1.53
11th District CoF	1.22	--	1.22	1.35	1.48

FHLB Fixed Advance Rates				
Maturity	Chicago	Boston	Dallas	Topeka
3mo	0.23	0.29	0.16	0.36
6mo	0.28	0.33	0.21	0.44
1yr	0.35	0.45	0.28	0.51
2yr	0.54	0.79	0.75	0.76
3yr	0.86	1.07	0.99	0.99
4yr	1.17	1.38	1.27	1.31
5yr	1.47	1.69	1.57	1.62
7yr	2.07	2.37	2.31	--
10yr	2.81	3.09	2.99	2.87
5yr Am	1.09		1.20	1.28
10yr Am	2.21		2.28	2.22

Fed Fund Futures	
Maturity	Rate
Mar-12	0.127
Apr-12	0.125
May-12	0.130
Jun-12	0.140
Jul-12	0.150
Aug-12	0.160
Sep-12	0.165
Oct-12	0.170
Nov-12	0.170
Dec-12	0.175
Jan-13	0.185

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Baker Market Update



March 23, 2012

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
03/19	NAHB Housing Market Index	MAR	30.0	28.0	29.0	28.0
03/20	Housing Starts	FEB	700K	698K	699K	706K
03/20	Housing Starts MOM%	FEB	0.1%	-1.1%	1.5%	3.7%
03/20	Building Permits	FEB	686K	717K	676K	682K
03/20	Building Permits MOM%	FEB	0.60%	5.1%	0.7%	1.6%
03/21	MBA Mortgage Applications	3/16	--	-7.4%	-2.4%	--
03/21	Existing Home Sales	FEB	4.61M	4.59M	4.57M	4.63M
03/21	U.S. Fed Purchases USD4.025 Bln Notes					
03/22	Initial Jobless Claims	3/17	350K	348K	354K	353K
03/22	Continuing Claims	3/10	3380K	3352K	3343K	3361K
03/22	House Price Index MoM	JAN	0.3%	0.0%	0.7%	0.1%
03/22	Leading Indicators	FEB	0.60%	0.70%	0.40%	0.20%
03/22	U.S. Sells USD13 Bln 10-Year TIPS Reopening; Avg Yld -0.089%					
03/23	New Home Sales	FEB	325K	313K	324K	318K
03/23	New Home Sales MoM	FEB	1.3%	-1.6%	-0.9%	-5.4%
03/26	Chicago Fed Nat Activity Index	FEB	--	--	22.0%	--
03/26	Pending Home Sales MoM	FEB	1.0%	--	2.0%	--
03/26	Dallas Fed Manf. Activity	MAR	16.0	--	17.8	--
03/27	S&P/CS 20 City MoM% SA	JAN	-0.3%	--	-0.5%	--
03/27	S&P/CS Composite-20 YoY	JAN	-3.8%	--	-4.0%	--
03/27	S&P/CaseShiller Home Price Ind	JAN	135.8	--	136.7	--
03/27	Consumer Confidence	MAR	70.0	--	70.8	--
03/27	Richmond Fed Manufact. Index	MAR	18.0	--	20.0	--
03/27	U.S. to Sell USD35 Bln 2-Year Notes					
03/28	MBA Mortgage Applications	3/23	--	--	-7.4%	--
03/28	Durable Goods Orders	FEB	2.9%	--	4.0%	-3.7%
03/28	Durables Ex Transportation	FEB	2.0%	--	3.2%	-3.0%
03/28	Cap Goods Orders Nondef Ex Air	FEB	1.3%	--	-4.5%	--
03/28	Cap Goods Ship Nondef Ex Air	FEB	--	--	-3.1%	--
03/28	U.S. to Sell USD35 Bln 5-Year Notes					
03/29	GDP QoQ (Annualized)	4Q T	3.0%	--	3.0%	--
03/29	Personal Consumption	4Q T	2.1%	--	2.1%	--
03/29	GDP Price Index	4Q T	0.9%	--	0.9%	--
03/29	Core PCE QoQ	4Q T	1.3%	--	1.3%	--
03/29	Initial Jobless Claims	3/24	350K	--	348K	--
03/29	Continuing Claims	3/17	3365K	--	3352K	--
03/29	Kansas City Fed Manf. Activity	MAR	--	--	13.0	--
03/29	U.S. to Sell USD29 Bln 7-Year Notes					
03/30	Personal Income	FEB	0.4%	--	0.3%	--
03/30	Personal Spending	FEB	0.6%	--	0.2%	--
03/30	PCE Deflator (MoM)	FEB	--	--	--	--
03/30	PCE Deflator (YoY)	FEB	2.3%	--	2.4%	--
03/30	PCE Core (MoM)	FEB	0.1%	--	0.2%	--
03/30	PCE Core (YoY)	FEB	1.9%	--	1.9%	--
03/30	Chicago Purchasing Manager	MAR	63.0	--	64.0	--
03/30	U. of Michigan Confidence	MAR F	74.8	--	74.3	--
03/30	NAPM-Milwaukee	MAR	58.0	--	58.6	--

MBS Prepayments ⁴					
3-Month CPR					
Type	4.5	5.0	5.5	6.0	6.5
FN 10y	25.9	26.0	23.2	19.6	17.1
FH/FN 15y	25.6	23.4	22.0	19.6	16.6
GN 15y	18.6	18.6	16.0	15.0	14.8
FH/FN 20y	25.8	26.7	26.0	22.3	17.8
FH/FN 30y	26.9	26.5	27.0	24.2	20.8
GN 30y	18.7	20.3	22.8	20.6	17.4
PSA Projections					
Type	4.5	5.0	5.5	6.0	6.5
FN 10y	412	440	406	368	359
FH/FN 15y	412	437	410	368	359
GN 15y	290	339	327	328	268
FH/FN 20y	397	443	428	393	393
FH/FN 30y	479	522	477	483	456
GN 30y	331	391	440	465	438

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	82.26	(1.17)	80.00	76.61	80.92
Euro	1.33	0.01	1.34	1.35	1.41
Dollar Index	79.26	(0.53)	78.82	78.50	75.79
Major Stock Indices					
Dow Jones	13,079.1	(153.5)	12,984.7	10,771.5	12,086.0
S&P 500	1,396.0	(8.2)	1,363.5	1,136.4	1,297.5
NASDAQ	3,061.5	6.2	2,957.0	2,483.2	2,698.3
Commodities					
Gold	1,663.60	7.80	1,786.30	1,643.00	1,447.50
Crude Oil	107.05	(0.53)	108.25	81.65	105.42
Natural Gas	2.32	(0.01)	2.76	4.14	4.89
Wheat	649.5	(22.5)	641.0	692.8	841.5
Corn	648.75	(24.25)	642.50	659.50	624.00

Notes: ¹ Call Ggy = Maturity at left w/ a 1-Year Call at Par; ² Muni TEY (34% Fed, 2.0% COF); ³ S-Corp TEY Muni (35%, no TEFERA); ⁴ MBS Prepayments are provided by Bloomberg
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