

Baker Market Update

Week In Review

March 20, 2026



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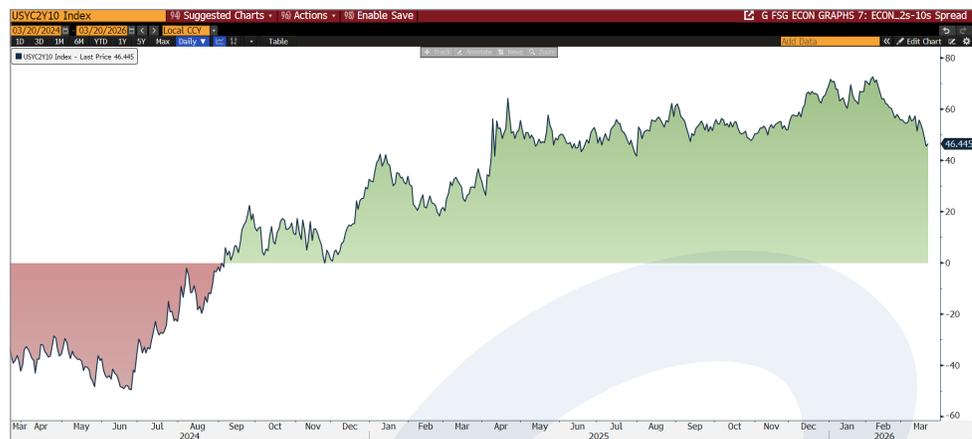
Nov 5-6, 2026

Market movement this week led to a flattening yield curve as the spread between the 2yr Treasury and the 10yr Treasury moved down by around -12bp. Market participants had been pricing in 1-2 rate cuts from the Fed throughout this year, but those expectations are now being priced out of the market following the FOMC meeting on Wednesday. Ironically, the Fed maintained its own expectation of one rate cut this year, but the market has gone from overpricing the Fed by one cut to underpricing the Fed by one cut. This divergence between the market and the Fed is being driven by a change in the inflation picture since the conflict in the Middle East began.

The Fed's dual mandate requires it to maintain maximum employment and long-term price stability. Prior to the engagement with Iran, the employment situation was seen as the greatest risk to that mandate, as the economy had just shed -92k jobs in February. Now that crude oil prices have increased roughly 40% since the end of February, the market has started to shift more attention to the inflation side of the mandate. Unfortunately for the Fed, the tool they use to manage both sides is the same. They raise rates when inflation gets too hot and they cut rates when the employment situation deteriorates. As both sides of the mandate currently appear to be slipping in the wrong direction, the Fed is forced into "wait and see" mode, and that's exactly what we saw as the Fed left rates unchanged in its meeting Wednesday.

Chairman Powell stated in his press conference, "The thing that's really important that we see this year is progress on inflation through a reduction in goods inflation as time effects of tariffs go through the system – go through the economy. That's the main thing we're looking for... the forecast is that we'll make progress on inflation... it should come, as we start to see in the middle of the year progress on tariffs... the rate forecast is conditional on the performance of the economy". Breaking that comment down, the Fed still expects to see progress on inflation this year. The expectation is that tariffs won't be a long-term driver of inflation and oil prices should eventually stabilize as the conflict winds down. In that scenario, you can see why the Fed is still expecting a lone rate cut this year, but clearly that forecast will be dependent on the data that we receive over the coming months.

Next week's economic calendar looks fairly light. We'll get a look at the ADP's weekly employment change, Import Prices, PMI, and the University of Michigan's consumer sentiment report.

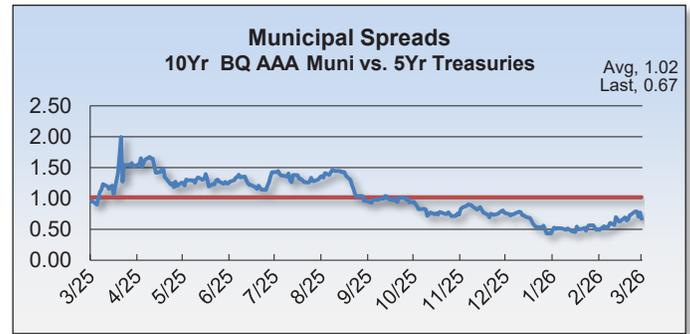
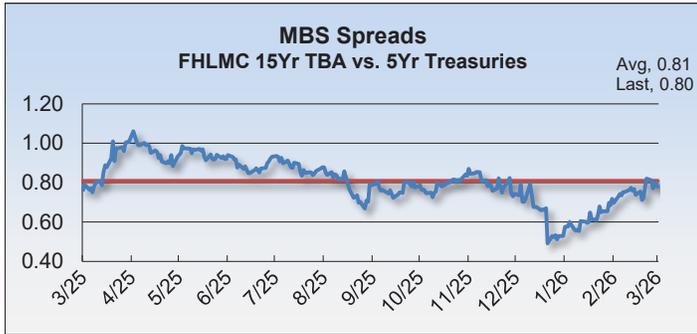
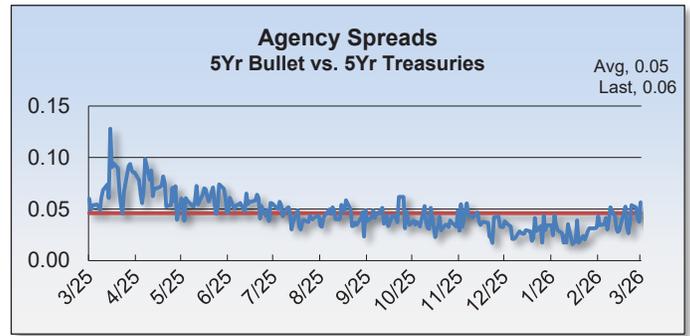
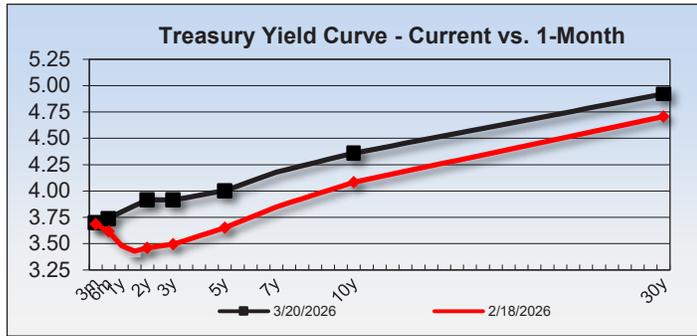


Source: Bloomberg

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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	3.70	0.01	3.68	3.97	4.29	2yr	3.97	3.70	3.07	3.26	3.90	2Yr					
6mo	3.74	0.08	3.63	3.84	4.23	3yr	3.96	3.62	3.16	3.37	3.88	3Yr					
1yr	3.80	0.17	3.51	3.59	4.06	5yr	4.05	3.63	3.37	3.59	4.00	5Yr					
2yr	3.92	0.20	3.48	3.57	3.96	7yr	4.26	3.70	3.64	3.87	4.28	7Yr					
3yr	3.91	0.18	3.50	3.56	3.98	10yr	4.50	3.82	4.06	4.32	4.59	10Yr					
5yr	4.00	0.14	3.65	3.68	4.01	15yr	4.74	4.01	4.80	5.11	4.78		April TBA MBS				
7yr	4.18	0.12	3.85	3.87	4.13	20yr	4.99	4.09	5.60	5.96	5.43	Cpn	15Yr -Yld/AL		30Yr -Yld/AL		
10yr	4.36	0.08	4.08	4.13	4.24	25yr	5.23	4.09	5.85	6.22	5.50	3.00	4.82	4.2y	5.11		
30yr	4.92	0.02	4.72	4.74	4.56	30yr	5.23	4.05	6.09	6.48	5.56	3.50	4.80	4.1y			
												4.00	4.70	4.0y	5.14	8.7y	
												4.50	4.72	4.6y	5.24	8.1y	
												5.00			5.31	7.0y	
												5.50			5.32	4.5y	

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	3.75	--	3.75	4.25	4.50
Primary Discount	3.75	--	3.75	4.25	4.50
2ndary Discount	4.25	--	4.25	4.75	5.00
Prime Rate	6.75	--	6.75	7.25	7.50
Sec. O.N. Finance	3.62	(0.03)	3.67	4.14	--
1 Month LIBOR	4.96	(0.01)	5.31	5.44	5.43
3 Month LIBOR	4.85	(0.08)	5.28	5.56	5.66
6 Month LIBOR	4.68	(0.08)	5.14	5.65	5.90
1 Year LIBOR	6.04	0.12	5.73	5.48	3.62
6 Month CD	3.90	0.11	3.69	3.93	4.29
1 Year CMT	3.73	0.07	3.50	3.60	4.10
REPO O/N	3.67	(0.08)	3.73	4.18	4.37
REPO 1Wk	3.68	0.01	3.66	4.17	4.35
CoF Federal	3.455	--	3.465	3.685	3.666
11th D. CoF (Jan)	2.736	--	2.780	2.965	2.944

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	3.84	--	3.90
6mo	3.86	--	3.87
1yr	3.93	--	3.95
2yr	3.98	--	3.92
3yr	3.97	--	3.93
4yr	4.01	--	3.99
5yr	4.05	--	4.03
7yr	4.29	--	4.34
10yr	4.51	--	4.58
5yr Am	4.04		4.02
10yr Am	4.33		4.36

Fed Fund Futures	
Maturity	Rate
Mar-26	3.640
Apr-26	3.650
May-26	3.675
Jun-26	3.685
Jul-26	3.690
Aug-26	3.705
Sep-26	3.710
Oct-26	3.730
Nov-26	3.745
Dec-26	3.730
Jan-27	3.725

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Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
3/16	Industrial Production MoM	Feb	0.1%	0.2%	0.7%	--
3/16	Manufacturing (SIC) Production	Feb	0.1%	0.2%	0.6%	0.8%
3/16	Capacity Utilization	Feb	76.2%	76.3%	76.2%	76.3%
3/16	NAHB Housing Market Index	Mar	37	38	36	37
3/17	ADP Weekly Employment Change	2/28	--	9.000k	15.500k	14.750k
3/17	Pending Home Sales MoM	Feb	-0.6%	1.8%	-0.8%	-1.0%
3/17	Pending Home Sales NSA YoY	Feb	-4.5%	-0.6%	-1.2%	-1.4%
3/18	MBA Mortgage Applications	3/13	--	-10.9%	3.2%	--
3/18	PPI Final Demand MoM	Feb	0.3%	0.7%	0.5%	--
3/18	PPI Ex Food and Energy MoM	Feb	0.3%	0.5%	0.8%	--
3/18	PPI Ex Food, Energy, Trade MoM	Feb	0.3%	0.5%	0.3%	0.4%
3/18	PPI Final Demand YoY	Feb	3.0%	3.4%	2.9%	--
3/18	PPI Ex Food and Energy YoY	Feb	3.7%	3.9%	3.6%	3.5%
3/18	PPI Ex Food, Energy, Trade YoY	Feb	3.4%	3.5%	3.4%	--
3/18	Factory Orders Ex Trans	Jan	0.3%	0.4%	0.4%	0.6%
3/18	Durables Ex Transportation	Jan F	0.4%	0.4%	0.4%	--
3/18	Cap Goods Ship Nondef Ex Air	Jan F	-0.1%	-0.1%	-0.1%	--
3/18	FOMC Rate Decision (Upper Bound)	3/18	3.75%	3.75%	3.75%	--
3/18	FOMC Rate Decision (Lower Bound)	3/18	3.50%	3.50%	3.50%	--
3/18	Fed Interest on Reserve Balances Rate	3/19	3.65%	3.65%	3.65%	--
3/18	Fed Reverse Repo Rate	3/19	--	3.50%	3.50%	--
3/18	FOMC Median Rate Forecast: Current Yr	3/18	3.38%	3.38%	3.38%	--
3/18	FOMC Median Rate Forecast: Next Yr	3/18	3.13%	3.13%	3.13%	--
3/18	FOMC Median Rate Forecast: +2 Yrs	3/18	3.13%	3.13%	3.13%	--
3/18	FOMC Median Rate Forecast: Long-Run	3/18	3.13%	3.13%	3.00%	--
3/18	Total Net TIC Flows	Jan	--	-\$25.0b	\$44.9b	\$113.9b
3/18	Net Long-term TIC Flows	Jan	--	\$15.5b	\$28.0b	\$96.5b
3/19	Building Permits MoM	Jan F	--	-4.7%	-5.4%	--
3/19	Initial Jobless Claims	3/14	215k	205k	213k	--
3/19	Initial Claims 4-Wk Moving Avg	3/14	--	210.75k	212.00k	211.50k
3/19	Continuing Claims	3/7	1852k	1857k	1850k	1847k
3/19	Leading Index	Jan	-0.1%	-0.1%	-0.2%	--
3/19	New Home Sales MoM	Jan	-2.7%	-17.6%	-1.7%	-6.8%
3/19	Wholesale Inventories MoM	Jan F	0.2%	-0.5%	0.2%	-0.1%
3/19	Wholesale Trade Sales MoM	Jan	0.5%	0.5%	1.0%	1.3%
3/19	Household Change in Net Worth	4Q	--	\$2173b	\$6064b	\$6235b
3/23	Chicago Fed Nat Activity Index	Feb	--	--	0.18	--
3/23	Construction Spending MoM	Jan	0.1%	--	0.3%	--
3/24	Philadelphia Fed Non-Manufacturing Ad	Mar	--	--	-17.3	--
3/24	Nonfarm Productivity	4Q F	2.4%	--	2.8%	--
3/24	Unit Labor Costs	4Q F	3.4%	--	2.8%	--
3/24	S&P Global US Manufacturing PMI	Mar P	--	--	51.6	--
3/24	S&P Global US Services PMI	Mar P	--	--	51.7	--
3/24	S&P Global US Composite PMI	Mar P	--	--	51.9	--
3/25	Import Price Index ex Petroleum MoM	Feb	--	--	0.4%	--
3/25	Import Price Index YoY	Feb	--	--	-0.1%	--
3/25	Export Price Index YoY	Feb	--	--	2.6%	--

MBS Prepayments ⁴						
3-Month CPR						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	16.0	14.7	12.7	18.0	24.2	26.0
FH/FN 15y	8.7	9.8	12.6	17.4	13.5	14.9
GN 15y	24.0	22.1	30.3	11.4	0.1	-2.3
FH/FN 20y	7.0	7.6	8.8	9.5	12.9	23.6
FH/FN 30y	6.8	5.5	5.3	4.5	6.8	11.4
GN 30y	6.7	3.4	5.1	5.8	6.9	7.2

CPR Projections						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	11.5	12.4	13.4	16.5	18.1	20.2
FH/FN 15y	9.3	10.1	11.8	18.3		23.2
GN 15y	8.1	8.0	15.0	14.2	14.3	28.0
FH/FN 20y	8.3	8.5	9.9	11.8	15.6	19.1
FH/FN 30y	6.6	7.1	8.2	9.3	11.1	16.1
GN 30y	6.6	6.7	7.4	9.1	8.9	9.3

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	159.01	(0.72)	155.05	147.86	148.60
Euro	1.15	0.01	1.18	1.18	1.08
Dollar Index	99.51	(0.85)	97.80	97.64	103.85
Major Stock Indices					
Dow Jones	45,889	(669)	49,626	46,315	41,953
S&P 500	6,588.7	(43.5)	6,909.5	6,664.4	5,662.9
NASDAQ	21,830.2	(275)	22,886.1	22,631.5	17,691.6
Commodities					
Gold	4,653.1	(408.6)	5,059.3	3,676.0	3,043.8
Crude Oil	96.00	(2.71)	66.39	62.68	68.26
Natural Gas	3.05	(0.08)	3.05	2.89	3.98
Wheat	602.8	-15.8	573.5	522.5	557.3
Corn	466.8	14.3	427.5	424.0	469.0

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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