

Week in Review

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Stocks continued a five week rally as positive earnings reports from the banking sector bolstered market confidence. Goldman Sachs, JPMorgan and Citigroup reported better first quarter earnings than expected, reverting back to positive territory. Treasury yields on the intermediate to long-end portion of the curve rose after last week's close, while T-Bill yields fell slightly. For the week, the S&P 500 traded up 1.5%, whereas the Dow Jones climbed 0.6%, and the 10yr T-Note went out at a 2.94% yield.

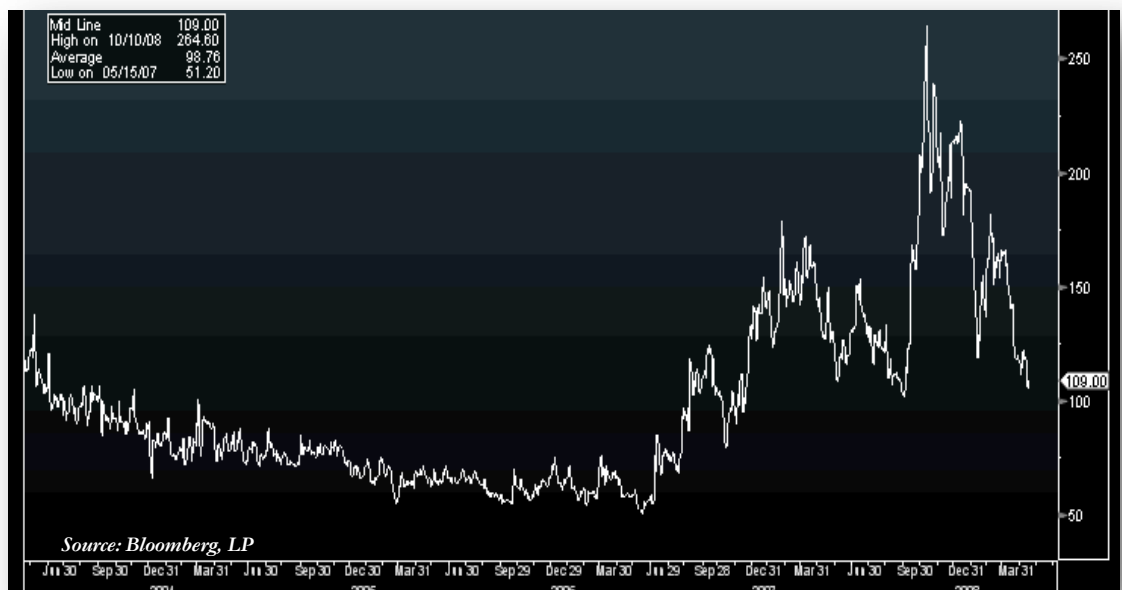
Producer prices for the month of March fell for the first time in three months, down 1.2%, while core prices remained the same. On a year-over-year basis, headline PPI fell more than economists were expecting, whereas core YoY prices slowed from 4.0% to 3.8%. On the retail side, the cost of living unexpectedly fell 0.1% in March and contributed to the first year-over-year decline in consumer prices since 1955. As such, these first indications of actual deflation alleviate concerns that Fed policy actions will cause high rates of inflation, at least in the near-term.

The Fed released their latest report on the current economic conditions by district on Wednesday, better known as the Beige Book, which indicated "overall economic activity contracted further or remained weak." The Fed added that "five of the twelve Districts noted a moderation in the pace of decline, and several saw signs that activity in some sectors was stabilizing at a low level."

People receiving unemployment benefits rose again to a record high for the week ending last Saturday, breaking through the 6,000,000 mark. Alternatively, initial jobless claims fell by 53,000 to 610,000 for the same week, dropping to the lowest level in almost three months.

The Merrill Lynch MOVE index is a measure of bond market volatility. Specifically it is a weighted average of 1-month Treasury volatilities across the maturity spectrum. Typically, market volatility rises during times of uncertainty or risk aversion. Last year was an unprecedented period of high volatility in the wake of extreme fear and flights to quality. Since the peak last fall, the MOVE index has fallen sharply, indicating that markets are normalizing.

MOVE Index - Last 5 Years



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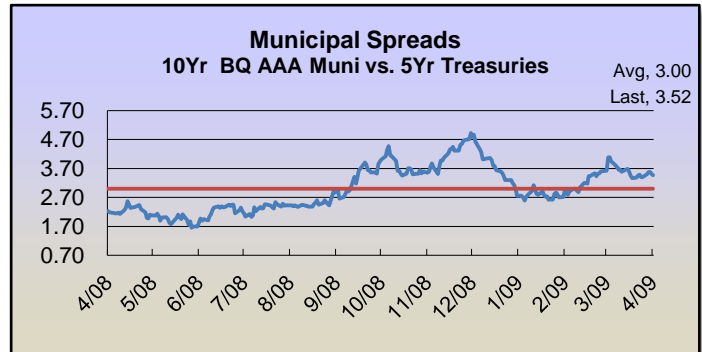
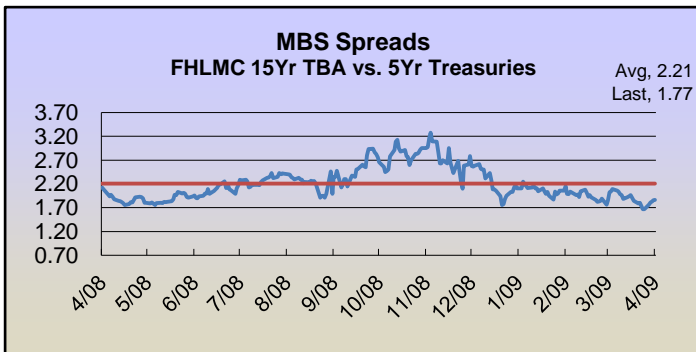
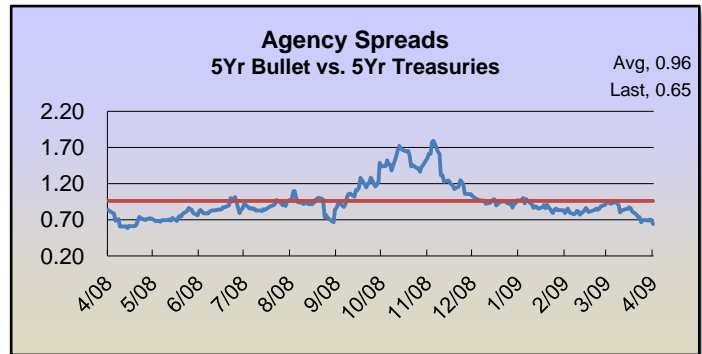
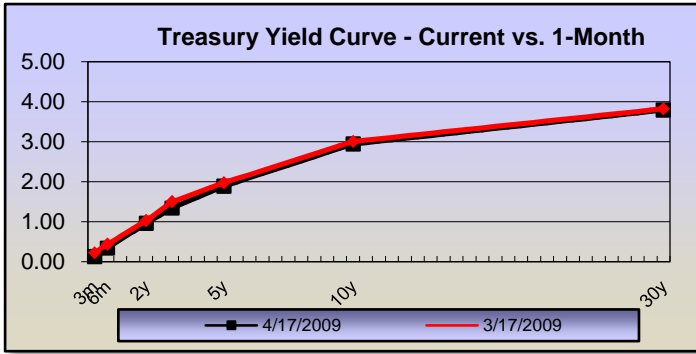
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Baker Market Update



April 17, 2009



Treasury Market -- Historical						Fixed Rate Market									
Maty	Current	1Wk Change	Historical			Maty /AL	Non-Call Agency	US Swap	AAA BQ Muni		Agency Calls - Euro				
			1 Mo	6 Mo	1 Yr				C-Corp ²	S-Corp ³	Maty	3Mo	6mo	1Yr	2Yr
3mo	0.13	-0.05	0.23	0.80	1.28	3mo	-				2Yr	1.51	1.55	1.62	--
6mo	0.34	-0.04	0.44	1.23	1.57	6mo	-				3Yr	1.99	2.05	2.05	2.03
1yr	0.55	-0.05	0.69	1.28	--	1yr	0.70		1.76	1.78	5Yr	2.68	2.77	2.79	2.74
2yr	0.96	0.01	1.03	1.62	2.11	2yr	1.30	1.57	2.22	2.25	7Yr	3.15	3.23	3.32	3.25
3yr	1.34	0.01	1.35	2.02	2.37	3yr	1.85	1.93	3.05	3.09	10Yr	3.56	3.67	3.81	3.72
5yr	1.89	0.00	1.98	2.83	2.89	5yr	2.50	2.49	3.80	3.86	May TBA MBS				
7yr	2.46	-0.02	2.62	--	--	7yr	3.17	2.82	4.11	4.17	Cpn	15Yr -Yld/AL	30Yr -Yld/AL		
10yr	2.94	0.02	3.01	3.93	3.73	10yr	3.60	3.11	5.02	5.10	4.00	3.70	4.93y	4.03	6.1y
30yr	3.79	0.04	3.83	4.32	4.53	20yr	4.47		6.42	6.55	4.50	3.47	3.15y	4.09	5.25y
											5.00	3.16	2.21y	3.46	2.16y
											5.50	2.89	1.82y	2.82	1.56y
											6.00	3.15	1.91y	2.77	1.57y

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	0.25	--	0.25	1.50	2.25
Primary Discount	0.50	--	0.50	1.75	
2ndary Discount	1.00	--	1.00	2.25	
Prime Rate	3.25	--	3.25	4.50	5.25
1 Month LIBOR	0.45	-0.01	0.56	4.18	2.80
3 Month LIBOR	1.10	-0.04	1.30	4.42	2.82
6 Month LIBOR	1.64	-0.05	1.88	4.13	2.88
6 Month CD	1.40	-0.10	1.90	4.30	2.98
1 Year CMT	0.54	-0.05	0.69	1.29	1.65
REPO O/N	0.10	--	0.20	0.10	2.00
REPO 1Wk	0.10	--	0.20	0.35	2.10
CoF National Med	2.68	--	2.78	3.02	3.59
11th District CoF	2.00	--	2.46	2.69	3.56

FHLB Fixed Advance Rates				
Maturity	NY	Boston	Dallas	Topeka
3mo	0.98	0.46	0.45	0.96
6mo	1.46	0.66	0.45	1.03
1yr	1.50	1.31	1.00	1.09
2yr	4.46	1.94	2.33	1.94
3yr	4.94	2.39	2.67	2.38
4yr	5.40	2.89	2.98	2.81
5yr	5.56	3.13	3.24	3.14
7yr	6.11	4.01	3.65	--
10yr	6.32	4.63	4.05	4.59
5yr Am			2.87	2.67
10yr Am			3.61	3.87

Fed Fund Futures	
Maturity	Rate
Apr-09	0.160
May-09	0.185
Jun-09	0.190
Jul-09	0.225
Aug-09	0.260
Sep-09	0.285
Oct-09	0.330
Nov-09	0.375
Dec-09	0.400
Jan-10	0.480
Feb-10	0.600

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Baker Market Update



April 17, 2009

Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
04/10	Monthly Budget Statement	MAR	-\$165.0B	-\$192.3B	-\$48.2B	--
04/13	U.S. Buys Back USD7.37 Bln Notes/Bonds					
04/13	U.S. Sells USD28 Bln 3-Month Bills; High Yld 0.18%					
04/13	U.S. Sells USD27 Bln 6-Month Bills; High Yld 0.37%					
04/14	Producer Price Index (MoM)	MAR	0.0%	-1.2%	0.1%	--
04/14	PPI Ex Food & Energy (MoM)	MAR	0.1%	0.0%	0.2%	--
04/14	Producer Price Index (YoY)	MAR	-2.2%	-3.5%	-1.3%	--
04/14	PPI Ex Food & Energy (YoY)	MAR	4.0%	3.8%	4.0%	--
04/14	Advance Retail Sales	MAR	0.3%	-1.1%	-0.1%	0.3%
04/14	Retail Sales Less Autos	MAR	0.0%	-0.9%	0.7%	1.0%
04/14	Business Inventories	FEB	-1.2%	-1.3%	-1.1%	-1.3%
04/14	U.S. Buys Back USD7.3 Bln Notes/Bonds					
04/14	U.S. Sells USD22 Bln 4-Week Bills; High Yld 0.08%					
04/15	MBA Mortgage Applications	4/10	--	-11.0%	4.7%	--
04/15	Consumer Price Index (MoM)	MAR	0.1%	-0.1%	0.4%	--
04/15	CPI Ex Food & Energy (MoM)	MAR	0.1%	0.2%	0.2%	--
04/15	Consumer Price Index (YoY)	MAR	-0.1%	-0.4%	0.2%	--
04/15	CPI Ex Food & Energy (YoY)	MAR	1.7%	1.8%	1.8%	--
04/15	CPI Core Index SA	MAR	--	218.0	217.7	--
04/15	Consumer Price Index NSA	MAR	212.9	212.7	212.2	--
04/15	Empire Manufacturing	APR	(35.0)	(14.7)	(38.2)	--
04/15	Net Long-term TIC Flows	FEB	\$14.0B	\$22.0B	-\$43.0B	-\$36.8B
04/15	Total Net TIC Flows	FEB	--	-\$97.0B	-\$148.9B	-\$146.8B
04/15	Industrial Production	MAR	-0.9%	-1.5%	-1.4%	-1.5%
04/15	Capacity Utilization	MAR	69.6%	69.3%	70.9%	70.3%
04/15	Fed's Beige Book					
04/16	Housing Starts	MAR	540K	510K	583K	572K
04/16	Building Permits	MAR	549K	513K	547K	564K
04/16	Initial Jobless Claims	4/11	660K	610K	654K	663K
04/16	Continuing Claims	4/4	5893K	6022K	5840K	5850K
04/16	Philadelphia Fed.	APR	(32.0)	(24.4)	(35.0)	--
04/16	U.S. Buys Back USD1.503 Bln TIPS		-	-	-	-
04/17	U. of Michigan Confidence	APR P	58.5	61.9	57.3	--
04/20	Leading Indicators	MAR	-0.2%	--	-0.4%	--
04/20	U.S. to Sell USD28 Bln 3-Month Bills					
04/20	U.S. to Sell USD27 Bln 6-Month Bills					
04/21	U.S. to Sell 4-Week Bills					
04/22	House Price Index MoM	FEB	-0.6%	--	1.7%	--
04/23	Initial Jobless Claims	4/18	630K	--	610K	--
04/23	Continuing Claims	4/11	6135K	--	6022K	--
04/23	Existing Home Sales	MAR	4.65M	--	4.72M	--
04/23	Existing Home Sales MoM	MAR	-1.5%	--	5.1%	--
04/23	U.S. to Sell 5-Year TIPS					
04/24	Durable Goods Orders	MAR	-1.5%	--	3.4%	--
04/24	Durables Ex Transportation	MAR	-1.2%	--	3.9%	--
04/24	New Home Sales	MAR	340K	--	337K	--
04/24	New Home Sales MoM	MAR	0.9%	--	4.7%	--

MBS Prepayments ⁴					
Type	3-Month CPR				
	4.5	5.0	5.5	6.0	6.5
FH 5y Balloon	58.2	45.5	42.5	31.5	
FH/FN 7y Balloon	39.9	42.1	65.5	81.5	75.2
FN 10y	15.6	17.8	22.4	20.9	22.3
FH/FN 15y	12.7	17.3	23.9	22.2	15.4
GN 15y	8.8	8.8	16.1	22.9	20.9
FH/FN 20y	12.8	18.4	24.4	26.7	19.9
FH/FN 30y	9.7	17.5	25.3	26.1	19.1
GN 30y	5.8	9.5	22.6	34.1	34.2

PSA Projections					
Type	4.5	5.0	5.5	6.0	6.5
FH 5y Balloon	133	118	--	--	--
FH/FN 7y Balloon	938	904	499	835	--
FN 10y	430	663	705	667	489
FH/FN 15y	445	679	705	647	482
GN 15y	290	417	494	485	357
FH/FN 20y	299	490	733	490	462
FH/FN 30y	312	764	973	535	896
GN 30y	286	480	688	904	769

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	99.20	-1.04	98.60	101.69	102.48
Euro	1.30	-0.01	1.30	1.34	1.59
Dollar Index	85.98	0.20	86.93	82.41	71.68
Major Stock Indices					
Dow Jones	8,131.3	47.9	7,395.7	8,852.2	12,620.5
S&P 500	869.6	13.04	778.1	940.6	1,365.6
NASDAQ	1,673.1	20.53	1,462.1	1,711.3	2,341.8
Commodities					
Gold	868.80	-14.50	919.10	795.80	969.60
Crude Oil	50.38	-1.86	50.04	74.34	108.58
Natural Gas	3.74	0.13	3.88	7.12	9.33
Wheat	534.75	1.25	564.75	613.75	952.00
Corn	376.25	-14.00	390.50	431.75	639.00

Notes: ¹ Call Agy = 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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