

Baker Market Update

Week In Review

December 12, 2025

The
BakerGroup



Andrea Pringle

MBS Analyst/
Financial Strategist

UPCOMING EVENTS

Save the Date

Seminars:

[OK Seminar](#)

Oct 14-16, 2026

Schools:

[ALM School](#)

Apr 22-23, 2026

[Bond School](#)

Nov 4-5, 2026

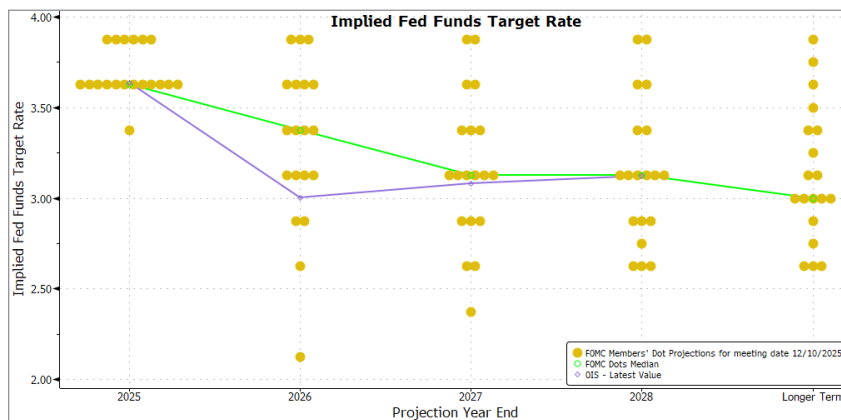
The Federal Reserve delivered a much anticipated 25bp rate cut on Wednesday, its third consecutive cut this year, but paired the move with a cautionary message: don't expect a straight-line easing cycle from here. In the press conference that followed the FOMC's December meeting, Chairman Powell acknowledged that inflation "remains somewhat elevated." He also noted that policymakers still lack sufficient visibility into a softening labor market, where data gaps and measurement issues complicate the outlook. In fact, Powell noted that the Fed believes monthly payroll gains are overstated by as much as 60,000, implying job growth may have been negative since April!

The Committee's rate decision was unusually divided with two regional presidents dissenting in favor of no cut and a third pushing for a more impactful 50bp cut. Clearly FOMC members have differing views about whether persistent inflation or a weakening labor-market poses a greater risk to the economy. Powell acknowledged this tension in his comments, explaining that there is "no risk-free path for policy" for the Fed as it navigates its dual mandate.

Despite the internal divergence, the Committee does appear to agree on two key facts, 1. inflation is still too high and 2. the labor market has softened with further downside risk. Where the members differ is in how those risks are weighted and what individual forecasts imply going forward. Powell suggested that the Fed is now "well positioned to wait and see" how the economy evolves, a comment that is be widely interpreted to signal a pause in the cutting cycle. The Fed's updated "dot plot" shows only one 25 bp cut in 2026 with another single cut in 2027, which is unchanged from the Fed's September projections and notably more hawkish than market pricing. Futures markets are currently pricing in the next rate cut to come in June 2026 with just over two full cuts priced in by the end of 2026.

Markets also focused on the Fed's announcement that it would begin purchasing \$40 billion per month in Treasury bills. Powell stressed that this is not quantitative easing, but a reserve-management operation designed to maintain "ample" liquidity in the banking system. Even so, the Fed acknowledged that purchases may need to remain "elevated" for a few months before moderating, an implicit acknowledgment of short-term liquidity concerns.

Next week's focus will be on November's delayed Employment Situation Report, which is due out Tuesday, and CPI for November, which will be released Thursday. Have a great weekend!



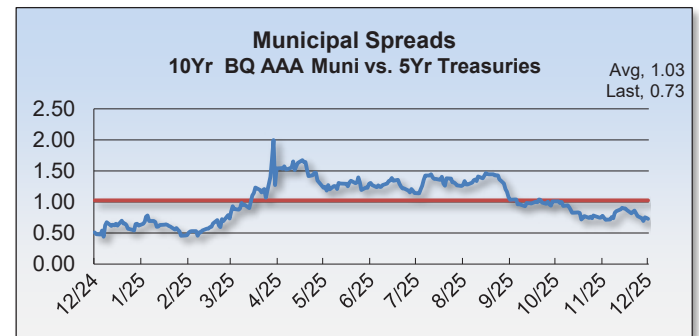
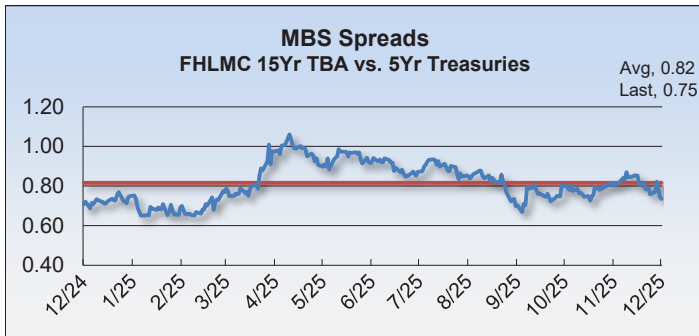
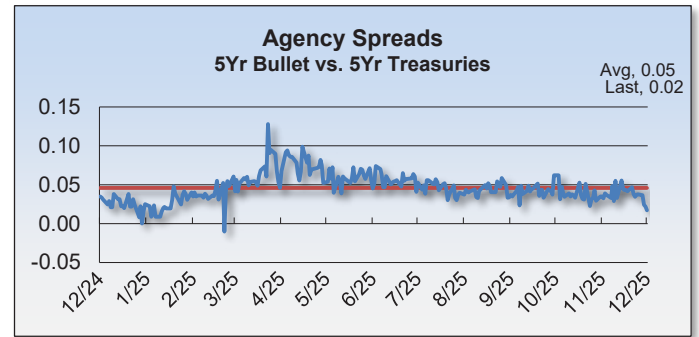
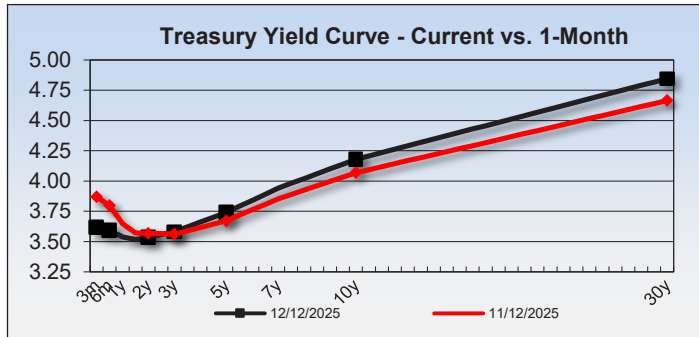
Source: Bloomberg, L.P.

Baker Market Update

Week In Review

December 12, 2025

The BakerGroup



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	3.62	(0.08)	3.87	4.37	4.33	2yr	3.61	3.36	3.40	3.62	3.60	2Yr					
6mo	3.59	(0.09)	3.80	4.27	4.31	3yr	3.62	3.36	3.40	3.62	3.64	3Yr					
1yr	3.54	(0.06)	3.65	4.06	4.22	5yr	3.81	3.45	3.40	3.62	3.82	5Yr					
2yr	3.53	(0.03)	3.57	3.91	4.19	7yr	4.05	3.58	3.58	3.81	4.13	7Yr					
3yr	3.58	(0.00)	3.56	3.87	4.19	10yr	4.37	3.76	3.86	4.11	4.48	10Yr					
5yr	3.74	0.03	3.67	3.97	4.18	15yr	4.70	4.00	4.63	4.93	4.61						January TBA MBS
7yr	3.94	0.04	3.85	4.15	4.25	20yr	5.04	4.11	5.47	5.83	5.41	Cpn	15Yr -Yld/AL		30Yr -Yld/AL		
10yr	4.18	0.04	4.07	4.36	4.33	25yr	5.37	4.13	5.69	6.06	5.47	3.00	4.50	4.4y	4.98		
30yr	4.85	0.05	4.67	4.84	4.55	30yr		4.10	5.91	6.29	5.53	3.50	4.49	4.4y			
* Interpolated													4.00	4.42	4.3y	5.00	9.1y
													4.50	4.47	4.6y	5.02	8.7y
													5.00			5.14	7.1y
													5.50			5.06	3.8y
Key Market Indices																	
		1Wk	Historical														

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	3.75	(0.25)	4.00	4.50	4.75
Primary Discount	3.75	(0.25)	4.00	4.50	4.75
2ndary Discount	4.25	(0.25)	4.50	5.00	5.25
Prime Rate	7.00	--	7.00	7.50	7.75
Sec. O.N. Finance	3.66	(0.26)	3.95	4.28	--
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	3.74	(0.05)	3.87	4.36	4.35
1 Year CMT	3.56	(0.04)	3.66	4.08	4.21
REPO O/N	3.97	--	3.96	4.33	4.65
REPO 1Wk	3.69	(0.09)	3.93	4.37	4.49
CoF Federal	3.600	--	3.650	3.663	3.834
11th D. CoF (Oct)	2.871	--	2.921	2.934	3.105

FHLB Fixed Advance Rates				Fed Fund Futures	
Maturity	Chicago	Boston	Topeka	Maturity	Rate
3mo	3.80	3.85	3.85	Dec-25	3.723
6mo	3.77	3.79	3.75	Jan-26	3.635
1yr	3.68	3.69	3.74	Feb-26	3.585
2yr	3.65	3.69	3.69	Mar-26	3.555
3yr	3.69	3.74	3.72	Apr-26	3.495
4yr	3.77	3.84	3.80	May-26	3.450
5yr	3.85	3.91	3.87	Jun-26	3.390
7yr	4.15	4.22	4.16	Jul-26	3.315
10yr	4.46	4.55	4.46	Aug-26	3.250
5yr Am	3.79		3.83	Sep-26	3.215
10yr Am	4.16		4.20	Oct-26	3.170

www.GoBaker.com

800.937.2257

Oklahoma City, OK | Austin, TX | Long Island, NY | Salt Lake City, UT | Springfield, IL | Member: FINRA and SIPC

The Baker Group LP is the sole authorized distributor for the products and services developed and provided by The Baker Group Software Solutions, Inc.

Baker Market Update

Week In Review

December 12, 2025



Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
12/9	Leading Index	Sep	-0.30%	-0.30%	-0.50%	-0.30%
12/9	JOLTS Job Openings	Oct	7117k	7670k	7658k	--
12/9	JOLTS Job Openings Rate	Oct	--	4.60%	4.60%	--
12/9	JOLTS Quits Level	Oct	3150k	2941k	3128k	--
12/9	JOLTS Quits Rate	Oct	--	1.80%	2.00%	--
12/9	JOLTS Layoffs Level	Oct	--	1854k	1781k	--
12/9	JOLTS Layoffs Rate	Oct	--	1.2%	1.1%	--
12/10	MBA Mortgage Applications	12/5	--	4.8%	-1.4%	--
12/10	Employment Cost Index	3Q	0.9%	0.8%	0.9%	--
12/10	FOMC Rate Decision (Upper Bound)	12/10	3.75%	3.75%	4.00%	--
12/10	FOMC Rate Decision (Lower Bound)	12/10	3.50%	3.50%	3.75%	--
12/10	Fed Interest on Reserve Balances Rate	12/11	3.65%	3.65%	3.90%	--
12/10	Fed Reverse Repo Rate	12/11	--	3.50%	3.75%	--
12/10	FOMC Median Rate Forecast: Current Yr	12/10	3.63%	3.63%	3.63%	--
12/10	FOMC Median Rate Forecast: Next Yr	12/10	3.38%	3.38%	3.38%	--
12/10	FOMC Median Rate Forecast: +2 Yrs	12/10	3.13%	3.13%	3.13%	--
12/10	FOMC Median Rate Forecast: +3 Yrs	12/10	3.13%	3.13%	3.13%	--
12/10	FOMC Median Rate Forecast: Long-Run	12/10	3.13%	3.00%	3.00%	--
12/11	Initial Jobless Claims	12/6	220k	236k	494k	192k
12/11	Continuing Claims	11/29	1938k	1838k	4939k	1937k
12/11	Exports MoM	Sep	--	3.0%	0.4%	-0.2%
12/11	Imports MoM	Sep	--	0.6%	-5.4%	-5.2%
12/15	Empire Manufacturing	Dec	9.7	--	18.7	--
12/15	NAHB Housing Market Index	Dec	38	--	38	--
12/16	Change in Nonfarm Payrolls	Nov	50k	--	--	--
12/16	Two-Month Payroll Net Revision	Nov	--	--	--	--
12/16	Change in Private Payrolls	Nov	60k	--	--	--
12/16	Change in Manufact. Payrolls	Nov	-5k	--	--	--
12/16	Average Hourly Earnings MoM	Nov	0.3%	--	--	--
12/16	Average Hourly Earnings YoY	Nov	3.6%	--	--	--
12/16	Average Weekly Hours All Employees	Nov	34.2	--	--	--
12/16	Unemployment Rate	Nov	4.4%	--	--	--
12/16	Underemployment Rate	Nov	--	--	--	--
12/16	Labor Force Participation Rate	Nov	--	--	--	--
12/16	Retail Sales Ex Auto and Gas	Oct	0.4%	--	0.1%	--
12/16	Retail Sales Control Group	Oct	0.4%	--	-0.1%	--
12/16	S&P Global US Manufacturing PMI	Dec P	--	--	52.2	--
12/16	S&P Global US Services PMI	Dec P	--	--	54.1	--
12/16	S&P Global US Composite PMI	Dec P	--	--	54.2	--
12/18	CPI YoY	Nov	3.1%	--	--	--
12/18	Core CPI YoY	Nov	3.0%	--	--	--
12/18	CPI Index NSA	Nov	--	--	--	--
12/18	Core CPI Index SA	Nov	--	--	--	--
12/18	Real Avg Hourly Earning YoY	Nov	--	--	0.8%	--
12/18	Real Avg Weekly Earnings YoY	Nov	--	--	0.7%	--
12/18	Total Net TIC Flows	Oct	--	--	\$190.1b	--
12/18	Net Long-term TIC Flows	Oct	--	--	\$179.8b	--

MBS Prepayments ⁴						
3-Month CPR						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	15.1	15.3	12.1	18.6	23.7	24.9
FH/FN 15y	8.6	9.5	12.3	17.8	15.9	15.0
GN 15y	22.4	27.1	21.5	19.3	0.0	-2.3
FH/FN 20y	7.0	7.9	8.7	10.9	14.5	25.0
FH/FN 30y	5.8	5.7	4.3	6.1	5.2	9.8
GN 30y	3.3	6.2	6.4	6.3	6.9	7.2
CPR Projections						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	11.6	12.6	13.3	16.6	19.8	21.1
FH/FN 15y	8.3	9.5	10.7	18.2		25.0
GN 15y	7.8	7.9	14.7	14.4	13.6	27.4
FH/FN 20y	8.0	8.6	9.9	10.9	14.4	18.1
FH/FN 30y	6.4	6.7	7.8	8.6	10.6	18.2
GN 30y	6.7	6.8	9.1	9.6	10.6	13.9

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	155.91	0.58	154.87	143.55	152.32
Euro	1.17	0.01	1.16	1.16	1.05
Dollar Index	98.39	(0.60)	99.50	97.92	106.96
Major Stock Indices					
Dow Jones	48,757	802	48,255	42,968	43,914
S&P 500	6,880.7	10.3	6,850.9	6,045.3	6,051.3
NASDAQ	23,392.9	(185)	23,406.5	19,662.5	19,902.8
Commodities					
Gold	4,354.7	141.8	4,213.6	3,380.9	2,687.5
Crude Oil	57.32	(2.76)	58.49	68.04	70.02
Natural Gas	4.11	(1.18)	4.53	3.49	3.46
Wheat	534.5	-6.5	536.0	534.3	543.5
Corn	437.0	0.3	435.3	438.5	431.8

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

INTENDED FOR INSTITUTIONAL INVESTORS ONLY. The data provided in these reports is for informational purposes only and is intended solely for your private use. Information herein is believed to be reliable but The Baker Group LP does not guarantee its completeness or accuracy. Opinions constitute our judgment and are subject to change without notice. Past performance is not indicative of future results. The investments and strategies discussed here may not be suitable for all investors; if you have

Source for the aforementioned indices, rates, descriptions, & economic indicators: Bloomberg, LP. This report was printed as of: 12/12/2025 9:33AM

www.GoBaker.com

800.937.2257

Oklahoma City, OK | Austin, TX | Long Island, NY | Salt Lake City, UT | Springfield, IL | Member: FINRA and SIPC

The Baker Group LP is the sole authorized distributor for the products and services developed and provided by The Baker Group Software Solutions, Inc.