

# Baker Market Update

## Week In Review

January 2, 2026



**Andrea Pringle**

Senior Vice President

### UPCOMING EVENTS

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Jan 14, 2026

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##### Webinars:

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Jan 8, 2026

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Nov 4-5, 2026

The first trading day of the new year opened quietly, as expected. With holidays and early market closures limiting activity, there was little in the way of new economic data this week. The most notable release was Wednesday's publication of the Federal Open Market Committee (FOMC) meeting minutes from December. The minutes offered few surprises but helped provide clarity on the Fed's current priorities. Overall, committee members appear increasingly confident that policy has become sufficiently restrictive to slow the economy, though not yet confident enough to continue easing their restraint.

Policymakers broadly agreed that economic activity continues to expand at a solid pace, supported by resilient consumer spending and ongoing strength in parts of the labor market. At the same time, the minutes acknowledged clearer signs that tighter financial conditions are weighing on demand, particularly in interest-sensitive sectors such as housing and business investment.

Participants noted encouraging progress on disinflation, especially in goods prices and select services categories, but emphasized that inflation remains above the Committee's long-run objective. Several members highlighted the risk that inflation could prove more persistent than expected, particularly if labor-market tightness delays further cooling in wage growth. As a result, officials stressed that policy must remain sufficiently restrictive for long enough to ensure inflation continues to move sustainably toward the 2% target.

The minutes also reiterated that the Committee does not view rate cuts as imminent. While participants generally agreed that the current policy rate is likely at or near its peak, they emphasized that future decisions will be driven by realized economic data rather than forecasts or market expectations. Several members cautioned against easing policy prematurely, noting that doing so could jeopardize progress on inflation and ultimately require a more restrictive response later.

The discussion also reflected growing awareness of downside risks. Some participants acknowledged that restrictive financial conditions could weigh more heavily on activity than anticipated, raising the possibility of slower growth or a softer labor market in 2026. Still, the prevailing view remained that maintaining a restrictive stance is preferable to risking a resurgence in inflation, even at the cost of below-trend growth.

Treasury yields and rate expectations already reflect a slower path to easing, and the absence of a meaningful dovish shift in the minutes limited market reaction. Instead, the minutes reinforced the idea that the next phase of policy will likely involve patience rather than pivoting. Markets are expecting a prolonged pause that keeps financial conditions tight while the Fed waits for clearer confirmation that inflation is sustainably under control.

Looking ahead, attention turns to next week's all-important jobs data, culminating in the release of nonfarm payrolls and the unemployment rate on Friday. Have a great weekend, and Happy New Year!



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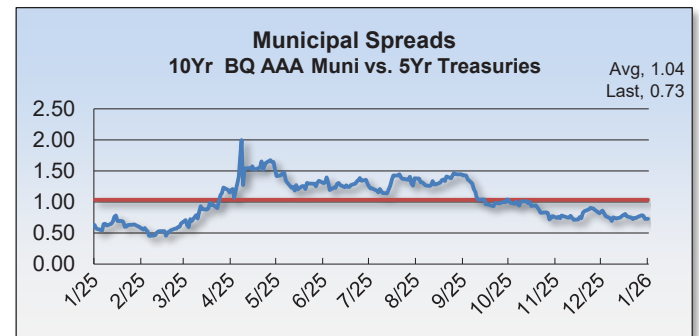
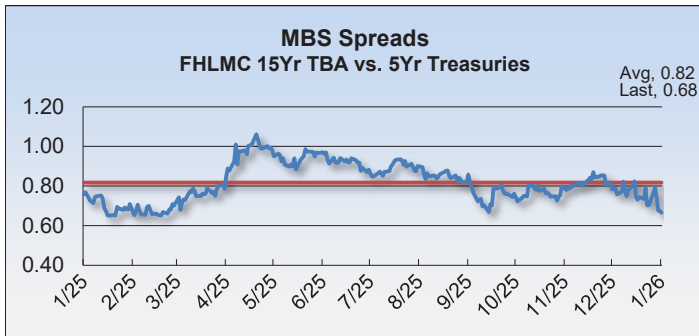
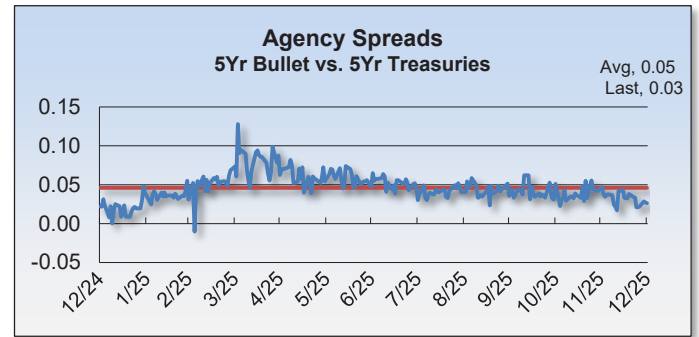
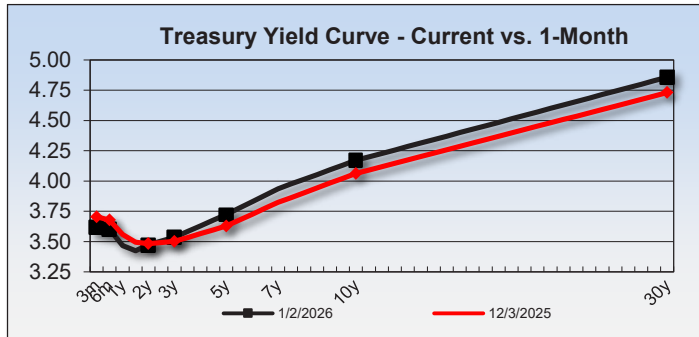
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| Treasury Market -- Historical |         |               |            |      |      | Fixed Rate Market |                  |            |                     |                     |             |      |                     |      |              |      |      |
|-------------------------------|---------|---------------|------------|------|------|-------------------|------------------|------------|---------------------|---------------------|-------------|------|---------------------|------|--------------|------|------|
| Maty                          | Current | 1Wk<br>Change | Historical |      |      | Maty<br>/AL       | N-Call<br>Agency | US<br>Swap | AAA BQ Muni         |                     | Tax<br>Muni |      | Agency Calls - Euro |      |              |      |      |
|                               |         |               | 1 Mo       | 6 Mo | 1 Yr |                   |                  |            | C-Corp <sup>2</sup> | S-Corp <sup>3</sup> |             | Mty  | 3Mo                 | 6mo  | 1Yr          | 2Yr  |      |
| 3mo                           | 3.62    | (0.01)        | 3.75       | 4.33 | 4.31 | 2yr               | 3.54             | 3.31       | 3.35                | 3.56                | 3.53        | 2Yr  |                     |      |              |      |      |
| 6mo                           | 3.60    | 0.02          | 3.72       | 4.24 | 4.28 | 3yr               | 3.57             | 3.33       | 3.35                | 3.56                | 3.58        | 3Yr  |                     |      |              |      |      |
| 1yr                           | 3.47    | (0.02)        | 3.58       | 4.00 | 4.16 | 5yr               | 3.79             | 3.45       | 3.37                | 3.59                | 3.80        | 5Yr  |                     |      |              |      |      |
| 2yr                           | 3.47    | (0.01)        | 3.51       | 3.79 | 4.24 | 7yr               | 4.04             | 3.60       | 3.56                | 3.78                | 4.12        | 7Yr  |                     |      |              |      |      |
| 3yr                           | 3.54    | 0.00          | 3.53       | 3.76 | 4.28 | 10yr              | 4.36             | 3.79       | 3.86                | 4.11                | 4.48        | 10Yr |                     |      |              |      |      |
| 5yr                           | 3.72    | 0.03          | 3.66       | 3.86 | 4.37 | 15yr              | 4.69             | 4.05       | 4.63                | 4.93                | 4.61        |      | February TBA MBS    |      |              |      |      |
| 7yr                           | 3.94    | 0.03          | 3.85       | 4.05 | 4.47 | 20yr              | 5.02             | 4.16       | 5.50                | 5.86                | 5.44        | Cpn  | 15Yr -Yld/AL        |      | 30Yr -Yld/AL |      |      |
| 10yr                          | 4.17    | 0.04          | 4.09       | 4.28 | 4.56 | 25yr              | 5.35             | 4.19       | 5.72                | 6.09                | 5.50        | 3.00 | 4.37                | 4.2y | 4.91         |      |      |
| 30yr                          | 4.86    | 0.04          | 4.75       | 4.80 | 4.78 | 30yr              |                  | 4.16       | 5.94                | 6.32                | 5.56        | 3.50 | 4.36                | 4.1y |              |      |      |
| * Interpolated                |         |               |            |      |      |                   |                  |            |                     |                     |             |      | 4.00                | 4.31 | 4.0y         | 4.93 | 8.9y |
|                               |         |               |            |      |      |                   |                  |            |                     |                     |             |      | 4.50                | 4.39 | 4.2y         | 4.94 | 8.4y |
|                               |         |               |            |      |      |                   |                  |            |                     |                     |             |      | 5.00                |      |              | 5.03 | 6.1y |
|                               |         |               |            |      |      |                   |                  |            |                     |                     |             |      | 5.50                |      |              | 4.87 | 3.6y |
| Key Market Indices            |         |               |            |      |      |                   |                  |            |                     |                     |             |      |                     |      |              |      |      |
|                               |         | 1Wk           | Historical |      |      |                   |                  |            |                     |                     |             |      |                     |      |              |      |      |

\* Interpolated

| Key Market Indices |         |            |            |       |       |
|--------------------|---------|------------|------------|-------|-------|
| Index              | Current | 1Wk Change | Historical |       |       |
|                    |         |            | 1 Mo       | 6 Mo  | 1 Yr  |
| Fed Funds          | 3.75    | --         | 4.00       | 4.50  | 4.50  |
| Primary Discount   | 3.75    | --         | 4.00       | 4.50  | 4.50  |
| 2ndary Discount    | 4.25    | --         | 4.50       | 5.00  | 5.00  |
| Prime Rate         | 6.75    | --         | 7.00       | 7.50  | 7.50  |
| Sec. O.N. Finance  | 3.87    | 0.21       | 4.12       | 4.45  | --    |
| 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         | 3.64    | (0.12)     | 3.82       | 4.22  | 4.32  |
| 1 Year CMT         | 3.48    | (0.02)     | 3.61       | 3.96  | 4.16  |
| REPO O/N           | 3.83    | 0.11       | 4.10       | 4.32  | 4.80  |
| REPO 1Wk           | 3.69    | (0.11)     | 3.93       | 4.37  | 4.40  |
| CoF Federal        | 3.558   | --         | 3.600      | 3.662 | 3.767 |
| 11th D. CoF (Nov)  | 2.829   | --         | 2.871      | 2.933 | 3.038 |

| FHLB Fixed Advance Rates |         |        |        |
|--------------------------|---------|--------|--------|
| Maturity                 | Chicago | Boston | Topeka |
| 3mo                      | 3.80    | --     | 3.83   |
| 6mo                      | 3.74    | --     | 3.74   |
| 1yr                      | 3.64    | --     | 3.69   |
| 2yr                      | 3.58    | --     | 3.64   |
| 3yr                      | 3.64    | --     | 3.70   |
| 4yr                      | 3.73    | --     | 3.79   |
| 5yr                      | 3.83    | --     | 3.87   |
| 7yr                      | 4.11    | --     | 4.16   |
| 10yr                     | 4.43    | --     | 4.48   |
| 5yr Am                   | 3.76    | --     | 3.82   |
| 10yr Am                  | 4.16    | --     | 4.20   |

| Fed Fund Futures |       |
|------------------|-------|
| Maturity         | Rate  |
| Jan-26           | 3.632 |
| Feb-26           | 3.595 |
| Mar-26           | 3.560 |
| Apr-26           | 3.495 |
| May-26           | 3.445 |
| Jun-26           | 3.385 |
| Jul-26           | 3.300 |
| Aug-26           | 3.225 |
| Sep-26           | 3.190 |
| Oct-26           | 3.135 |
| Nov-26           | 3.100 |

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| Weekly Economic Calendar |                                    |       |       |         |         |         |
|--------------------------|------------------------------------|-------|-------|---------|---------|---------|
| This Week & Next         |                                    |       |       |         |         |         |
| Date                     | Release                            | Per.  | Est.  | Actual  | Prior   | Revised |
| 12/29                    | Pending Home Sales MoM             | Nov   | 0.9%  | 3.3%    | 1.9%    | 2.4%    |
| 12/29                    | Pending Home Sales NSA YoY         | Nov   | 0.1%  | -0.3%   | -0.4%   | 0.1%    |
| 12/30                    | FHFA House Price Index MoM         | Oct   | 0.1%  | 0.4%    | 0.0%    | -0.1%   |
| 12/30                    | S&P Cotality CS 20-City MoM SA     | Oct   | 0.10% | 0.32%   | 0.13%   | 0.17%   |
| 12/30                    | S&P Cotality CS 20-City YoY NSA    | Oct   | 1.10% | 1.31%   | 1.36%   | 1.39%   |
| 12/30                    | S&P Cotality CS US HPI YoY NSA     | Oct   | --    | 1.36%   | 1.29%   | 1.32%   |
| 12/30                    | MNI Chicago PMI                    | Dec   | 40.0  | 43.5    | 36.3    | --      |
| 12/31                    | Initial Jobless Claims             | 12/27 | 218k  | 199k    | 214k    | 215k    |
| 12/31                    | Initial Claims 4-Wk Moving Avg     | 12/27 | --    | 218.75k | 216.75k | 217.00k |
| 12/31                    | Continuing Claims                  | 12/20 | 1902k | 1866k   | 1923k   | 1913k   |
| 1/2                      | S&P Global US Manufacturing PMI    | Dec F | 51.8  | 51.8    | 51.8    | --      |
| 1/5                      | ISM Manufacturing                  | Dec   | 48.4  | --      | 48.2    | --      |
| 1/5                      | ISM Prices Paid                    | Dec   | --    | --      | 58.5    | --      |
| 1/5                      | ISM New Orders                     | Dec   | --    | --      | 47.4    | --      |
| 1/5                      | ISM Employment                     | Dec   | --    | --      | 44.0    | --      |
| 1/6                      | S&P Global US Services PMI         | Dec F | 52.9  | --      | 52.9    | --      |
| 1/6                      | S&P Global US Composite PMI        | Dec F | --    | --      | 53.0    | --      |
| 1/7                      | ADP Employment Change              | Dec   | 45k   | --      | -32k    | --      |
| 1/7                      | ISM Services Index                 | Dec   | 52.2  | --      | 52.6    | --      |
| 1/7                      | ISM Services Prices Paid           | Dec   | --    | --      | 65.4    | --      |
| 1/7                      | ISM Services New Orders            | Dec   | --    | --      | 52.9    | --      |
| 1/7                      | ISM Services Employment            | Dec   | --    | --      | 48.9    | --      |
| 1/7                      | JOLTS Job Openings                 | Nov   | 7700k | --      | 7670k   | --      |
| 1/7                      | JOLTS Job Openings Rate            | Nov   | --    | --      | 4.6%    | --      |
| 1/7                      | JOLTS Quits Level                  | Nov   | --    | --      | 2941k   | --      |
| 1/7                      | JOLTS Quits Rate                   | Nov   | --    | --      | 1.8%    | --      |
| 1/7                      | JOLTS Layoffs Level                | Nov   | --    | --      | 1854k   | --      |
| 1/7                      | JOLTS Layoffs Rate                 | Nov   | --    | --      | 1.2%    | --      |
| 1/8                      | Challenger Job Cuts YoY            | Dec   | --    | --      | 23.5%   | --      |
| 1/8                      | Challenger Job Cuts Total          | Dec   | --    | --      | 71321   | --      |
| 1/8                      | Nonfarm Productivity               | 3Q P  | 3.8%  | --      | 3.3%    | --      |
| 1/8                      | Unit Labor Costs                   | 3Q P  | 0.6%  | --      | 1.0%    | --      |
| 1/9                      | Change in Nonfarm Payrolls         | Dec   | 55k   | --      | 64k     | -105k   |
| 1/9                      | Change in Private Payrolls         | Dec   | 50k   | --      | 69k     | --      |
| 1/9                      | Change in Manufact. Payrolls       | Dec   | -5k   | --      | -5k     | --      |
| 1/9                      | Nonfarm Payrolls 3-Mo Avg Chg      | Dec   | --    | --      | 22k     | --      |
| 1/9                      | Average Hourly Earnings MoM        | Dec   | 0.3%  | --      | 0.1%    | --      |
| 1/9                      | Average Hourly Earnings YoY        | Dec   | 3.6%  | --      | 3.5%    | --      |
| 1/9                      | Average Weekly Hours All Employees | Dec   | 34.3  | --      | 34.3    | --      |
| 1/9                      | Unemployment Rate                  | Dec   | 4.5%  | --      | 4.6%    | --      |
| 1/9                      | Labor Force Participation Rate     | Dec   | 62.4% | --      | 62.5%   | --      |
| 1/9                      | Underemployment Rate               | Dec   | --    | --      | 8.7%    | --      |
| 1/9                      | Housing Starts                     | Oct   | 1325k | --      | --      | --      |
| 1/9                      | Building Permits                   | Oct P | 1347k | --      | 1330k   | --      |
| 1/9                      | U. of Mich. Sentiment              | Jan P | 53.5  | --      | 52.9    | --      |
| 1/9                      | U. of Mich. Current Conditions     | Jan P | --    | --      | 50.4    | --      |
| 1/9                      | U. of Mich. 1 Yr Inflation         | Jan P | --    | --      | 4.2%    | --      |

| MBS Prepayments <sup>4</sup> |      |      |      |      |      |      |
|------------------------------|------|------|------|------|------|------|
| 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                       | 11.7 | 12.7 | 13.6 | 16.9 | 20.5 | 21.6 |
| FH/FN 15y                    | 9.5  | 10.3 | 12.1 | 20.0 | --   | 28.1 |
| GN 15y                       | 7.9  | 8.0  | 14.7 | 14.0 | 13.8 | 27.7 |
| FH/FN 20y                    | 8.3  | 8.7  | 10.2 | 11.8 | 16.2 | 19.7 |
| FH/FN 30y                    | 6.5  | 6.9  | 8.0  | 9.0  | 12.3 | 18.8 |
| GN 30y                       | 6.8  | 7.0  | 8.0  | 8.5  | 9.4  | 10.2 |

| Other Markets       |          |             |            |          |          |
|---------------------|----------|-------------|------------|----------|----------|
| Index               | Current  | 1Wk<br>Chng | Historical |          |          |
|                     |          |             | 1 Mo       | 6 Mo     | 1 Yr     |
| Currencies          |          |             |            |          |          |
| Japanese Yen        | 156.68   | 0.11        | 156.04     | 143.93   | 157.14   |
| Euro                | 1.17     | (0.00)      | 1.16       | 1.18     | 1.03     |
| Dollar Index        | 98.40    | 0.42        | 99.36      | 96.78    | 109.39   |
| Major Stock Indices |          |             |            |          |          |
| Dow Jones           | 48,143   | (588)       | 47,474     | 44,484   | 42,392   |
| S&P 500             | 6,891.1  | (41.0)      | 6,829.4    | 6,227.4  | 5,868.6  |
| NASDAQ              | 23,503.7 | (110)       | 23,413.7   | 20,393.1 | 19,280.8 |
| Commodities         |          |             |            |          |          |
| Gold                | 4,368.9  | (111.7)     | 4,186.6    | 3,359.7  | 2,669.0  |
| Crude Oil           | 56.68    | (1.67)      | 58.64      | 67.45    | 73.13    |
| Natural Gas         | 3.57     | (0.67)      | 4.84       | 3.49     | 3.66     |
| Wheat               | 503.5    | -18.3       | 537.8      | 556.0    | 545.8    |
| Corn                | 438.0    | -13.0       | 438.0      | 429.3    | 459.5    |

| 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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