

Baker Market Update

Week In Review

January 9, 2026



Dale Sheller

Managing Director
Director of FSG

Good morning and Happy Jobs Report Friday! This morning, the Bureau of Labor Statistics released the December jobs report which showed that nonfarm payrolls rose 50,000 (est = 73,000) for the month. Employment in leisure and hospitality increased by 47,000 from November to December, and employment in healthcare increased by 21,000. Employment fell by 25,000 in retail trade and by 11,000 in construction. Revisions were made to the payroll numbers for the prior two months, with October's report revised down by 68,000 from a loss of 105,000 to a loss of 173,000 jobs, while November's report was revised down by 8,000 from a gain of 64,000 to 56,000. At the same time, the unemployment rate fell to 4.4%, which was estimated to come in at 4.5%. The decline in the unemployment rate comes after the unemployment rate rose to 4.6% in November, which is the highest it's been since September 2021. This morning's jobs report is being seen by some as a "Goldilocks print". Soft enough to keep rate-cut hopes alive but strong enough to avoid some recession fears.

UPCOMING EVENTS

Banks

Webinars:

Investment Strategies

Jan 14, 2026

Banks and CUs

Schools:

ALM School

Apr 23-24, 2026

Save the Date

Seminars:

OK Seminar

Oct 14-16, 2026

Bond School

Nov 5-6, 2026

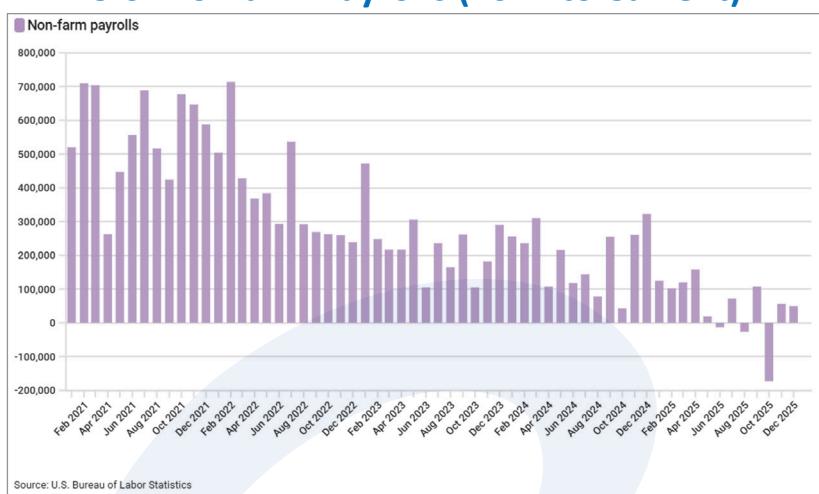
Earlier this week, the Job Openings and Labor Turnover Survey was released for the month of November. The economy had 7.15 million open jobs in November, down from 7.45 million in October. Hiring activity trended in a similar direction. There were an estimated 5.12 million new hires in November, a decline from 5.37 million the month before. Job openings are at their lowest level since September 2024, while hires are at their lowest since June of the same year. The longstanding trend of the labor market remains clear, we are in a low-hire, low-fire labor market.

Alongside this morning's jobs report was a release of the University of Michigan's Consumer Sentiment Index. The reading came in at 54, surpassing the forecasted number of 53.5 and up from 5.29 from the previous month. This increase suggests that consumers are more optimistic about the economic conditions than initially anticipated. Consumers' inflation expectations for the year ahead held steady at 4.2%, the lowest reading since January 2025. Longer-run inflation expectations ticked up to 3.4% from 3.2% in December.

Bond markets are relatively flat this morning with the 10-Year Treasury Bond yielding 4.17%. Stocks are up this morning with the Dow Jones Industrial Average sitting approximately 500 points below 50,000.

The Consumer Price Index (CPI) for the month of December will be released next Tuesday. Headline CPI is expected to increase 2.7% from the previous year and 0.3% from the previous month. Core CPI is expected to increase by the same. The Producer Price Index and retail sales data will be released next Wednesday. Until then, have a great weekend!

U.S. Nonfarm Payrolls (2021 to Current)



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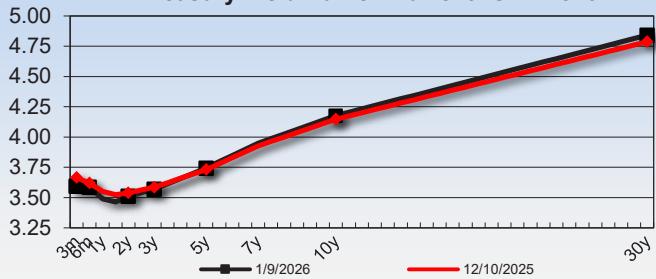
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Treasury Yield Curve - Current vs. 1-Month



Agency Spreads

5Yr Bullet vs. 5Yr Treasuries



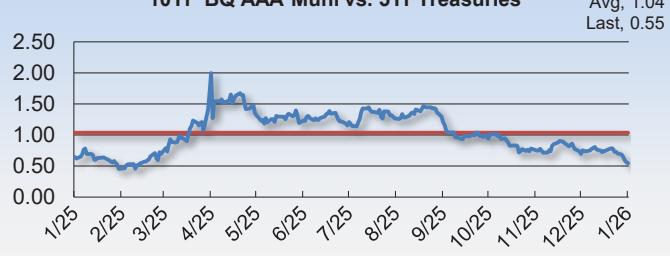
MBS Spreads

FHLMC 15Yr TBA vs. 5Yr Treasuries



Municipal Spreads

10Yr BQ AAA Muni vs. 5Yr Treasuries



Treasury Market -- Historical

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
3mo	3.59	(0.02)	3.71	4.36	4.31	2yr	3.57	3.34	3.18	3.38	3.55	2Yr				
6mo	3.58	(0.02)	3.67	4.27	4.27	3yr	3.59	3.37	3.11	3.31	3.60	3Yr				
1yr	3.49	0.02	3.63	4.06	4.16	5yr	3.80	3.49	3.18	3.38	3.82	5Yr				
2yr	3.51	0.04	3.62	3.84	4.27	7yr	4.04	3.63	3.42	3.64	4.14	7Yr				
3yr	3.57	0.02	3.65	3.81	4.33	10yr	4.36	3.82	3.74	3.98	4.49	10Yr				
5yr	3.74	0.00	3.79	3.91	4.46	15yr	4.68	4.06	4.62	4.92	4.68					
7yr	3.95	(0.01)	3.97	4.10	4.58	20yr	5.00	4.18	5.50	5.86	5.44					
10yr	4.18	(0.01)	4.19	4.33	4.69	25yr	5.32	4.20	5.70	6.06	5.51					
30yr	4.84	(0.03)	4.81	4.87	4.93	30yr	4.18	5.89	6.27	5.57						

* 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	3.64	(0.23)	3.95	4.34	--						
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	3.68	0.04	3.78	4.32	4.33						
1 Year CMT	3.48	--	3.61	4.11	4.19						
REPO O/N	3.70	(0.13)	3.97	4.32	4.80						
REPO 1Wk	3.70	0.03	3.73	4.38	4.36						
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	3.77	--	3.80
6mo	3.73	--	3.73
1yr	3.67	--	3.72
2yr	3.63	--	3.69
3yr	3.68	--	3.75
4yr	3.77	--	3.84
5yr	3.87	--	3.93
7yr	4.15	--	4.21
10yr	4.46	--	4.51
5yr Am	3.79	--	3.87
10yr Am	4.18	--	4.25

Maturity	Rate
Jan-26	3.638
Feb-26	3.630
Mar-26	3.605
Apr-26	3.565
May-26	3.515
Jun-26	3.450
Jul-26	3.370
Aug-26	3.290
Sep-26	3.250
Oct-26	3.190
Nov-26	3.150

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Weekly Economic Calendar

This Week & Next

Date	Release	Per.	Est.	Actual	Prior	Revised
1/5	ISM Manufacturing	Dec	48.4	47.9	48.2	--
1/5	ISM Prices Paid	Dec	58.7	58.5	58.5	--
1/5	ISM New Orders	Dec	--	47.7	47.4	--
1/5	ISM Employment	Dec	--	44.9	44.0	--
1/6	S&P Global US Services PMI	Dec F	52.9	52.5	52.9	--
1/6	S&P Global US Composite PMI	Dec F	--	52.7	53.0	--
1/7	MBA Mortgage Applications	1/2	--	0.3%	-10.0%	--
1/7	ADP Employment Change	Dec	50k	41k	-32k	-29k
1/7	ISM Services Index	Dec	52.2	54.4	52.6	--
1/7	ISM Services Prices Paid	Dec	64.9	64.3	65.4	--
1/7	ISM Services New Orders	Dec	52.6	57.9	52.9	--
1/7	ISM Services Employment	Dec	49.0	52.0	48.9	--
1/7	JOLTS Job Openings	Nov	7648k	7146k	7670k	7449k
1/7	JOLTS Job Openings Rate	Nov	--	4.3%	4.6%	4.5%
1/7	JOLTS Quits Level	Nov	2995k	3161k	2944k	2973k
1/7	JOLTS Quits Rate	Nov	--	2.0%	4.8%	1.9%
1/7	JOLTS Layoffs Level	Nov	1816k	1687k	4854k	1850k
1/7	JOLTS Layoffs Rate	Nov	--	1.1%	1.2%	--
1/7	Factory Orders Ex Trans	Oct	--	-0.2%	0.2%	0.1%
1/7	Durables Ex Transportation	Oct F	0.2%	0.1%	0.2%	--
1/7	Cap Goods Ship Nondef Ex Air	Oct F	--	0.8%	0.7%	--
1/8	Challenger Job Cuts YoY	Dec	--	-8.3%	23.5%	--
1/8	Challenger Job Cuts Total	Dec	--	35553	71321	--
1/8	Nonfarm Productivity	3Q P	5.0%	4.9%	3.3%	4.1%
1/8	Unit Labor Costs	3Q P	-0.1%	-1.9%	4.0%	-2.9%
1/8	Initial Jobless Claims	1/3	212k	208k	499k	200k
1/8	Initial Claims 4-Wk Moving Avg	1/3	--	211.75k	218.75k	219.00k
1/8	Continuing Claims	12/27	1900k	1914k	4866k	1858k
1/8	Exports MoM	Oct	--	2.6%	3.0%	3.6%
1/8	Imports MoM	Oct	--	-3.2%	0.6%	0.8%
1/8	NY Fed 1-Yr Inflation Expectations	Dec	--	3.4%	3.2%	--
1/9	Change in Nonfarm Payrolls	Dec	70k	50k	64k	56k
1/9	Two-Month Payroll Net Revision	Dec	--	-76k	--	--
1/9	Change in Private Payrolls	Dec	75k	37k	69k	50k
1/9	Change in Manufact. Payrolls	Dec	-5k	-8k	-5k	-2k
1/9	Nonfarm Payrolls 3-Mo Avg Chg	Dec	--	-22k	22k	-3k
1/9	Average Hourly Earnings MoM	Dec	0.3%	0.3%	0.1%	0.2%
1/9	Average Hourly Earnings YoY	Dec	3.6%	3.8%	3.5%	3.6%
1/9	Average Weekly Hours All Employees	Dec	34.3	34.2	34.3	--
1/9	Unemployment Rate	Dec	4.5%	4.4%	4.6%	4.5%
1/9	Labor Force Participation Rate	Dec	62.4%	62.4%	62.5%	--
1/9	Underemployment Rate	Dec	--	8.4%	8.7%	--
1/9	Housing Starts	Oct	1330k	1246k	1306k	--
1/9	Building Permits	Oct P	1350k	1412k	1415k	--
1/9	U. of Mich. Sentiment	Jan P	53.5	54.0	52.9	--
1/9	U. of Mich. Current Conditions	Jan P	--	52.40	50.40	--
1/9	U. of Mich. 1 Yr Inflation	Jan P	4.1%	4.2%	4.2%	--

MBS Prepayments ⁴						
	3-Month CPR					
Type	3.5	4.0	4.5	5.0	5.5	6.0
FN 10y	13.9	12.6	18.5	24.7	22.5	26.6
FH/FN 15y	9.8	12.7	12.5	14.7	14.7	22.6
GN 15y	24.8	26.1	21.2	0.1	-2.3	76.3
FH/FN 20y	8.0	9.0	10.3	14.7	24.1	26.1
FH/FN 30y	6.0	5.4	5.7	5.4	10.8	16.0
GN 30y	5.9	5.2	6.2	7.0	7.2	7.4
CPR Projections						
Type	3.5	4.0	4.5	5.0	5.5	6.0
FN 10y	12.7	13.8	17.2	20.5	21.5	22.7
FH/FN 15y	10.2	12.1	20.2	23.3	35.5	35.5
GN 15y	8.1	14.7	13.9	13.8	27.7	30.5
FH/FN 20y	8.7	10.2	11.9	16.0	19.8	19.7
FH/FN 30y	6.8	8.0	9.0	12.1	18.4	23.7
GN 30y	7.0	7.9	8.5	9.2	10.0	14.2

Other Markets						
Index	Current	1Wk Chng	Historical			1 Yr
			1 Mo	6 Mo	1 Yr	
Currencies						
Japanese Yen	158.08	1.24	156.08	146.66	158.00	
Euro	1.16	(0.01)	1.16	1.17	1.03	
Dollar Index	99.12	0.70	99.22	97.56	109.18	
Major Stock Indices						
Dow Jones	49,217	834	47,560	44,458	42,635	
S&P 500	6,934.1	75.6	6,840.5	6,263.3	5,918.3	
NASDAQ	23,468.0	232	23,576.5	20,611.3	19,478.9	
Commodities						
Gold	4,503.6	174.0	4,206.7	3,321.0	2,690.8	
Crude Oil	59.27	1.95	58.25	68.38	73.92	
Natural Gas	3.33	(0.29)	4.57	3.21	3.70	
Wheat	516.3	9.8	536.3	542.8	534.0	
Corn	444.0	6.5	440.8	412.5	456.0	

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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