

Baker Market Update

Week In Review

January 30, 2026



Andrea Pringle
Senior Vice President

UPCOMING EVENTS

► Banks

Webinars:

4Q 2025 Bank Trends

Feb 11, 2026

► Banks and CUs

Schools:

ALM School

Apr 23-24, 2026

Seminars:

TX Seminar

May 7, 2026

OK Seminar

Oct 14-16, 2026

► Save the Date

Bond School

Nov 5-6, 2026

The Federal Reserve left interest rates unchanged this week, signaling patience as officials assess an economy that continues to show resilience. Chair Jerome Powell said growth has remained stronger than expected and that risks tied to inflation and the labor market have eased, leaving monetary policy appropriately positioned for now. While further rate cuts remain possible, Powell emphasized they would depend on future economic developments rather than a preset timeline.

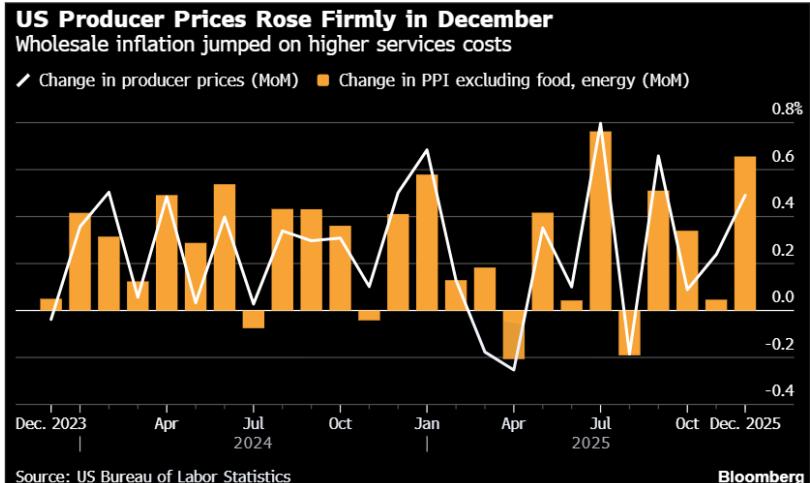
The decision was not unanimous, with two governors favoring a modest rate cut. Still, most policymakers appear comfortable maintaining current rates as inflation remains above target but stable and the job market shows signs of balance rather than deterioration. Recent data suggest slower job growth is being offset by reduced labor supply, keeping unemployment relatively low.

The meeting was partly overshadowed by questions surrounding political pressure on the Fed and Powell's future as his term nears its end. Powell declined to engage on those issues, instead underscoring the importance of central bank independence. Looking ahead, economists broadly expect the Fed to remain on hold for several months, with markets anticipating the next potential rate cut around midyear, likely under new leadership.

This morning, President Trump announced in a post on his Truth Social platform that he intends to nominate Kevin Warsh to be the next chair of the Federal Reserve. Warsh, 55, served as a Fed governor from 2006 to 2011 and has previously advised President Trump on economic policy. The president passed over Warsh for the top job in 2017 when he selected Powell. This time around the president made support for lower rates one of his explicit criteria for a Fed chair candidate. Warsh, like the three other finalists for the job, has said the Fed should be lowering rates more aggressively than it has. However, many see him as someone who could also be concerned about rising price pressures given how much he worried about rising inflation during his first stint at the Fed.

Also this morning, we got the latest reading of the Producer Price Index (PPI) for December, which showed wholesale prices far exceeded consensus estimates. Headline PPI rose 0.5% month-over-month (vs. 0.2% survey), the most in three months, and core prices (ex-food and energy) jumped 0.7% (vs. 0.2% survey), which was one of the highest rates of the year. The upside surprise suggests companies are increasingly passing on tariff costs, which risks keeping inflationary pressures elevated.

The calendar flips to February on Sunday, bringing the all-important "jobs week" to the forefront next week. We will get several readings on the state of the labor market culminating with Friday's Employment Situation Report with non-farm payrolls, unemployment, and wage stats. Have a great weekend!



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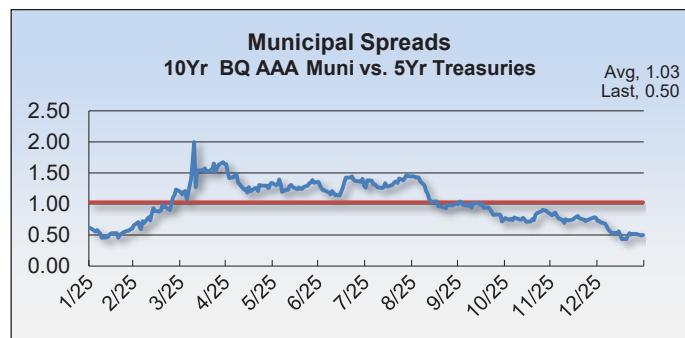
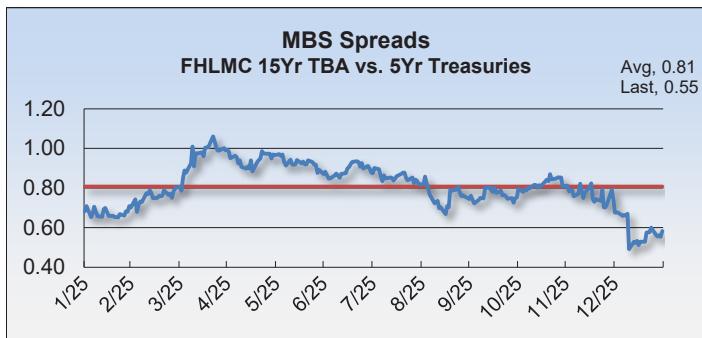
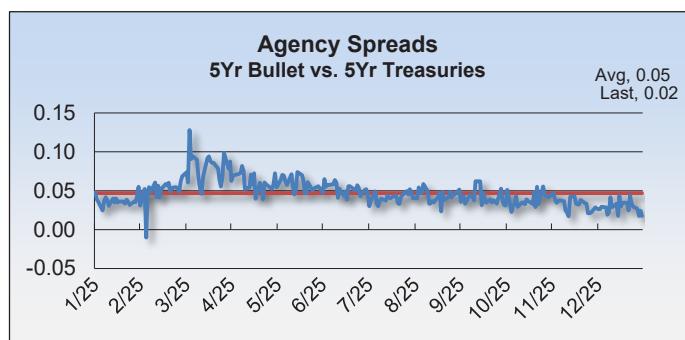
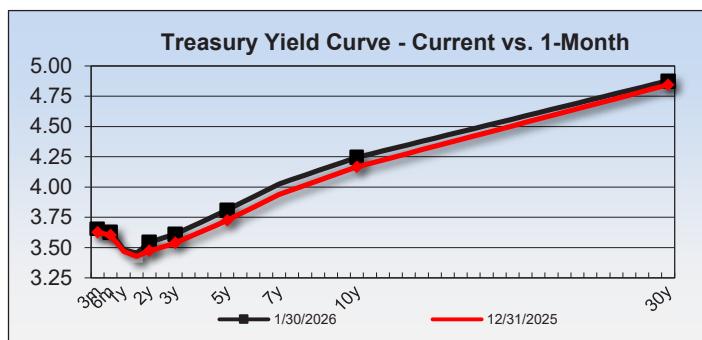
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The Baker Group



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
3mo	3.66	(0.01)	3.55	4.34	4.29	2yr	3.60	3.39	3.05	3.25	3.61	2Yr				
6mo	3.63	(0.01)	3.60	4.28	4.31	3yr	3.64	3.42	3.07	3.26	3.66	3Yr				
1yr	3.48	(0.03)	3.47	4.13	4.16	5yr	3.86	3.55	3.15	3.35	3.88	5Yr				
2yr	3.54	(0.05)	3.45	3.94	4.21	7yr	4.10	3.69	3.36	3.58	4.20	7Yr				
3yr	3.61	(0.05)	3.50	3.89	4.25	10yr	4.42	3.87	3.70	3.93	4.54	10Yr				
5yr	3.81	(0.01)	3.68	3.96	4.32	15yr	4.74	4.10	4.62	4.92	4.73					
7yr	4.03	0.00	3.89	4.15	4.42	20yr	5.05	4.21	5.56	5.92	5.43					
10yr	4.25	0.02	4.12	4.37	4.52	25yr	5.36	4.23	5.78	6.15	5.50					
30yr	4.88	0.05	4.81	4.90	4.76	30yr	4.21	6.01	6.39	5.56						

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	3.75	--	3.75	4.50	4.50
Primary Discount	3.75	--	3.75	4.50	4.50
2ndary Discount	4.25	--	4.25	5.00	5.00
Prime Rate	6.75	--	6.75	7.50	7.50
Sec. O.N. Finance	3.65	0.01	3.77	4.36	--
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	3.72	0.03	3.65	4.27	4.32
1 Year CMT	3.50	(0.03)	3.48	4.07	4.17
REPO O/N	3.70	--	3.72	4.32	4.37
REPO 1Wk	3.65	(0.04)	3.66	4.38	4.37
CoF Federal	3.509	--	3.558	3.677	3.719
11th D. CoF (Dec)	2.780	--	2.829	2.948	2.990

FHLB Fixed Advance Rates				Fed Fund Futures	
Maturity	Chicago	Boston	Topeka	Maturity	Rate
3mo	3.82	--	3.87	Jan-26	3.640
6mo	3.78	--	3.78	Mar-26	3.620
1yr	3.65	--	3.72	Apr-26	3.600
2yr	3.66	--	3.73	May-26	3.555
3yr	3.73	--	3.80	Jun-26	3.495
4yr	3.83	--	3.90	Jul-26	3.420
5yr	3.93	--	4.00	Aug-26	3.340
7yr	4.21	--	4.29	Aug-26	3.340
10yr	4.50	--	4.58	Oct-26	3.230
5yr Am	3.85	--	3.93	Oct-26	3.230
10yr Am	4.24	--	4.31	Dec-26	3.135

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Weekly Economic Calendar

This Week & Next

Date	Release	Per.	Est.	Actual	Prior	Revised
1/27	ADP Weekly Employment Change	1/2	--	7.750k	8.000k	--
1/27	FHFA House Price Index MoM	Nov	0.3%	0.6%	0.4%	--
1/27	S&P Cotality CS 20-City MoM SA	Nov	0.22%	0.47%	0.32%	0.36%
1/27	S&P Cotality CS 20-City YoY NSA	Nov	1.20%	1.39%	1.31%	1.32%
1/27	S&P Cotality CS US HPI YoY NSA	Nov	1.30%	1.36%	1.36%	1.39%
1/27	Conf. Board Consumer Confidence	Jan	91.0	84.5	89.4	94.2
1/27	Conf. Board Present Situation	Jan	--	113.7	116.8	123.6
1/27	Conf. Board Expectations	Jan	--	65.1	70.7	74.6
1/28	FOMC Rate Decision (Upper Bound)	1/28	3.75%	3.75%	3.75%	--
1/28	FOMC Rate Decision (Lower Bound)	1/28	3.50%	3.50%	3.50%	--
1/28	Fed Interest on Reserve Balances Rate	1/29	3.65%	3.65%	3.65%	--
1/28	Fed Reverse Repo Rate	1/29	--	3.50%	3.50%	--
1/29	Nonfarm Productivity	3Q F	4.9%	4.9%	4.9%	--
1/29	Unit Labor Costs	3Q F	-1.9%	-1.9%	-1.9%	--
1/29	Factory Orders	Nov	1.6%	2.7%	-1.3%	-1.2%
1/29	Factory Orders Ex Trans	Nov	--	0.2%	-0.2%	-0.1%
1/29	Durables Ex Transportation	Nov F	--	0.4%	0.5%	--
1/29	Cap Goods Ship Nondef Ex Air	Nov F	--	0.2%	0.4%	--
1/30	PPI Final Demand YoY	Dec	2.8%	3.0%	3.0%	--
1/30	PPI Ex Food and Energy YoY	Dec	2.9%	3.3%	3.0%	3.1%
1/30	PPI Ex Food, Energy, Trade YoY	Dec	3.4%	3.5%	3.5%	--
1/30	MNI Chicago PMI	Jan	43.7	54.0	43.5	42.7
2/2	S&P Global US Manufacturing PMI	Jan F	--	--	51.9	--
2/2	ISM New Orders	Jan	--	--	47.7	47.4
2/2	ISM Employment	Jan	--	--	44.9	44.8
2/2	ISM Manufacturing	Jan	48.5	--	47.9	--
2/2	ISM Prices Paid	Jan	59.0	--	58.5	--
2/3	JOLTS Job Openings	Dec	7250k	--	7146k	--
2/3	JOLTS Job Openings Rate	Dec	--	--	4.3%	--
2/3	JOLTS Quits Level	Dec	--	--	3161k	--
2/3	JOLTS Quits Rate	Dec	--	--	2.0%	--
2/3	JOLTS Layoffs Level	Dec	--	--	1687k	--
2/3	JOLTS Layoffs Rate	Dec	--	--	1.1%	--
2/4	ADP Employment Change	Jan	45k	--	41k	--
2/4	S&P Global US Services PMI	Jan F	--	--	52.5	--
2/4	S&P Global US Composite PMI	Jan F	--	--	52.8	--
2/4	ISM Services Index	Jan	53.5	--	54.4	53.8
2/4	ISM Services Employment	Jan	--	--	52.0	51.7
2/4	ISM Services Prices Paid	Jan	--	--	64.3	65.1
2/4	ISM Services New Orders	Jan	--	--	57.9	56.5
2/5	Challenger Job Cuts YoY	Jan	--	--	-8.3%	--
2/5	Initial Jobless Claims	1/31	213k	--	209k	--
2/5	Continuing Claims	1/24	1850k	--	1827k	--
2/6	Change in Nonfarm Payrolls	Jan	65k	--	50k	--
2/6	Change in Private Payrolls	Jan	75k	--	37k	--
2/6	Change in Manufact. Payrolls	Jan	--	--	-8k	--
2/6	Average Hourly Earnings YoY	Jan	3.6%	--	3.8%	--

MBS Prepayments⁴

	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	17.1	20.5	21.5	22.7
FH/FN 15y	10.3	12.1	20.2	24.1		35.4
GN 15y	8.0	14.8	14.1	13.9	28.2	30.9
FH/FN 20y	8.9	10.2	11.9	16.7	20.1	20.0
FH/FN 30y	7.0	8.0	9.1	12.9	20.6	26.2
GN 30y	7.1	8.1	8.7	9.7	10.7	15.8

Other Markets

Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	154.58	(1.12)	155.85	148.17	154.50
Euro	1.19	0.01	1.18	1.15	1.04
Dollar Index	96.72	(0.88)	98.24	99.82	107.80
Major Stock Indices					
Dow Jones	48,964	(135)	48,367	44,461	44,882
S&P 500	6,951.0	35.4	6,896.2	6,362.9	6,071.2
NASDAQ	23,633.4	132	23,419.1	21,129.7	19,681.8
Commodities					
Gold	5,019.4	39.7	4,386.3	3,295.8	2,823.0
Crude Oil	65.63	4.56	57.95	70.00	72.73
Natural Gas	4.07	(1.20)	3.97	3.05	3.05
Wheat	539.0	9.5	510.8	523.8	566.5
Corn	428.0	-2.5	440.5	391.8	490.3

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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