

Baker Market Update – Week in Review

May 1, 2026



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Banks

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Markets this week contended with more headlines of increasing inflation, elevated oil prices, and intensifying geopolitical tensions. At the center of the week's news was the latest from the Federal Reserve, which held its benchmark policy rate steady at 3.5%–3.75%, in line with expectations. However, the decision carried a notably hawkish undertone. In what was the final meeting chaired by Jerome Powell, the FOMC delivered its most divided outcome since 1992, with four dissenting votes. Notably, three dissenters pushed back against the Committee's perceived easing bias over their discomfort with the notion of signaling future rate cuts, while one member dissented in favor of an outright cut.

The internal division underscores a growing tension within the Fed as inflation risks remain elevated. Markets responded accordingly. The few expectations for policy easing in 2026 were completely erased, and rate futures briefly priced in the probability of additional tightening. The shift reflects mounting concern that inflationary pressures, particularly those tied to energy, could prove more persistent than previously anticipated. Oil prices, which are the leading upside risk to inflation, hit a new four-year high on Thursday over concerns that the Iran war could worsen with the U.S. reportedly considering military action to break the negotiation deadlock.

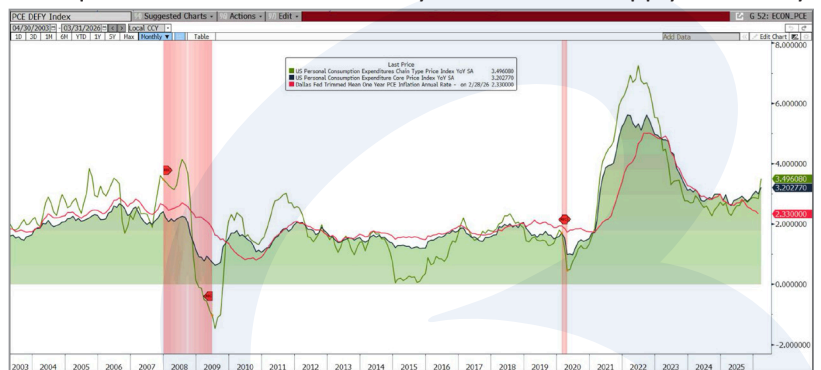
Incoming economic data did little to assuage those inflation fears. The Fed's preferred consumer price gauge, core PCE, rose 0.3% month-over-month in March, pushing the annual rate to 3.2%, its highest level since late 2023. The broader headline measure showed even firmer readings, with headline PCE running at 3.5% year-over-year (+0.7% MoM). While the data came in line with expectations, it reinforced the narrative that inflation remains above target and is no longer on a clearly declining path.

Thursday's GDP data showed the economy continues to expand, but at a moderate pace. First-quarter GDP grew at a 2.0% annualized rate, rebounding from a sluggish 0.5% pace in the prior quarter but falling slightly short of expectations (+2.2%). The composition of growth was somewhat encouraging with consumer spending, the backbone of the U.S. economy, rising 1.6% driven primarily by services demand. However, the overall growth profile suggests an economy that is not accelerating meaningfully, even amid structural tailwinds such as increased investment in AI and the resumption of normal government activity following last quarter's shutdown.

Overlaying the macro and policy developments was a notable escalation in geopolitical and energy market uncertainty. The Organization of the Petroleum Exporting Countries (OPEC) faced a significant disruption as the United Arab Emirates announced its decision to exit the cartel. The move highlights deepening fractures within the group and raises questions about OPEC's ability to coordinate supply effectively.

At a time when global energy markets are already strained by geopolitical conflict, the development adds another layer of uncertainty to the inflation outlook.

Next week is the all-important "jobs week" with a flurry of data due out on the state of labor market. Have a great weekend!

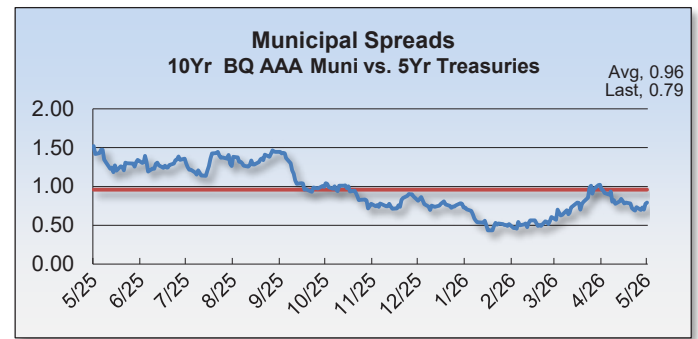
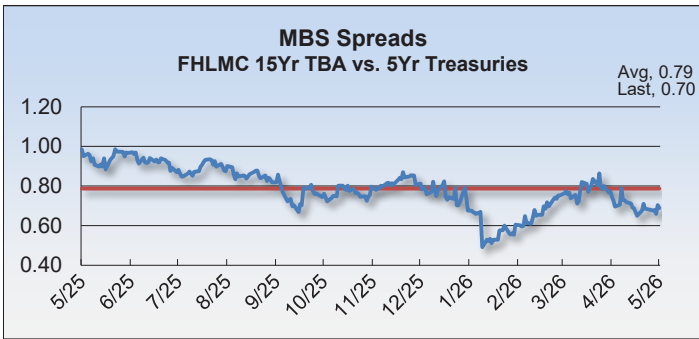
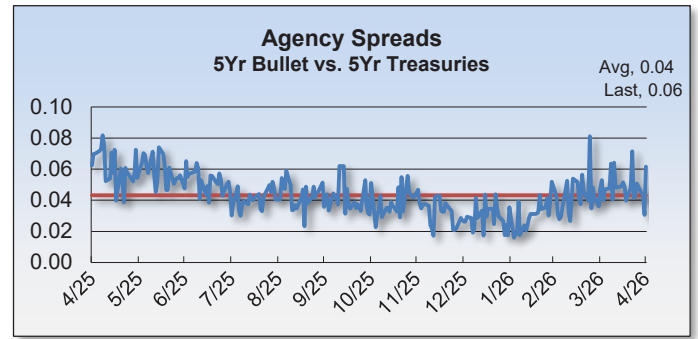
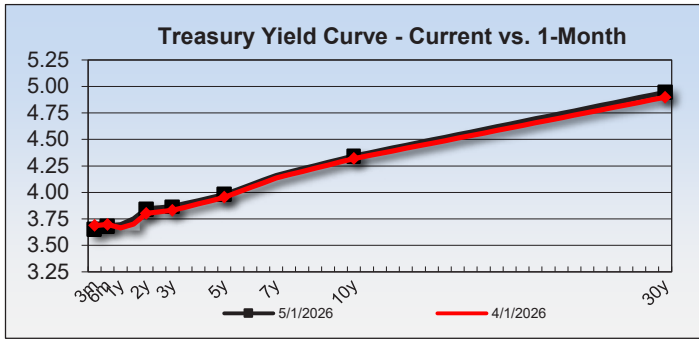


Source: Bloomberg



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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	3.65	(0.03)	3.69	3.82	4.30	2yr	3.88	3.72	3.46	3.68	3.94	2Yr					
6mo	3.68	(0.02)	3.70	3.81	4.19	3yr	3.92	3.69	3.46	3.68	4.00	3Yr					
1yr	3.70	0.03	3.67	3.69	3.92	5yr	4.06	3.71	3.63	3.86	4.15	5Yr					
2yr	3.84	0.06	3.81	3.57	3.70	7yr	4.25	3.80	3.82	4.07	4.40	7Yr					
3yr	3.87	0.07	3.83	3.58	3.74	10yr	4.50	3.94	4.14	4.41	4.70	10Yr					
5yr	3.98	0.06	3.95	3.69	3.80	15yr	4.74	4.13	4.73	5.04	4.89	June TBA MBS					
7yr	4.16	0.06	4.14	3.87	4.01	20yr	4.99	4.22	5.53	5.89	5.57	Cpn	15Yr -Yld/AL		30Yr -Yld/AL		
10yr	4.34	0.04	4.32	4.08	4.22	25yr	5.23	4.23	5.80	6.17	5.64	3.50	4.74	4.1y	5.00		
30yr	4.94	0.04	4.90	4.65	4.72	30yr	5.23	4.19	6.06	6.45	5.70	4.00	4.65	4.0y			
												4.50	4.63	4.6y	5.15	8.6y	
												5.00	4.68	4.0y	5.23	7.7y	
												5.50			5.29	5.8y	
												6.00			5.14	3.7y	

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	3.75	--	3.75	4.00	4.50
Primary Discount	3.75	--	3.75	4.00	4.50
2ndary Discount	4.25	--	4.25	4.50	5.00
Prime Rate	6.75	--	6.75	7.00	7.50
Sec. O.N. Finance	3.66	0.01	3.63	4.04	--
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	3.81	0.02	3.79	3.90	4.23
1 Year CMT	3.72	0.02	3.71	3.70	3.85
REPO O/N	3.71	0.04	3.75	4.21	4.40
REPO 1Wk	3.70	0.02	3.68	3.93	4.39
CoF Federal	3.457	--	3.455	3.650	3.661
11th D. CoF (Mar)	2.728	--	2.726	2.921	2.932

FHLB Fixed Advance Rates				Fed Fund Futures	
Maturity	Chicago	Boston	Topeka	Maturity	Rate
3mo	3.82	--	3.88	May-26	3.640
6mo	3.84	--	3.84	May-26	3.640
1yr	3.89	--	3.91	Jul-26	3.615
2yr	3.98	--	4.07	Jul-26	3.615
3yr	4.02	--	4.10	Aug-26	3.605
4yr	4.09	--	4.17	Sep-26	3.600
5yr	4.14	--	4.21	Oct-26	3.600
7yr	4.37	--	4.44	Nov-26	3.600
10yr	4.59	--	4.67	Dec-26	3.615
5yr Am	4.09	--	4.19	Jan-27	3.620
10yr Am	4.39	--	4.48	Mar-27	3.660



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Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
4/28	ADP Weekly Employment Change	4/11	--	39.250k	54.750k	40.250k
4/28	S&P Cotality CS 20-City YoY NSA	Feb	1.12%	0.90%	1.18%	1.19%
4/28	S&P Cotality CS US HPI YoY NSA	Feb	0.90%	0.67%	0.94%	0.83%
4/28	Conf. Board Consumer Confidence	Apr	89.0	92.8	94.8	92.2
4/28	Conf. Board Present Situation	Apr	120.1	123.8	123.3	124.1
4/28	Conf. Board Expectations	Apr	69.2	72.2	70.9	71.0
4/29	MBA Mortgage Applications	4/24	--	-1.6%	7.9%	--
4/29	FOMC Rate Decision (Upper Bound)	4/29	3.75%	3.75%	3.75%	--
4/29	FOMC Rate Decision (Lower Bound)	4/29	3.50%	3.50%	3.50%	--
4/29	Fed Interest on Reserve Balances Rate	4/30	3.65%	3.65%	3.65%	--
4/29	Fed Reverse Repo Rate	4/30	3.50%	3.50%	3.50%	--
4/30	Personal Income	Mar	0.3%	0.6%	0.4%	0.0%
4/30	Real Personal Spending	Mar	0.3%	0.2%	0.4%	0.3%
4/30	PCE Price Index YoY	Mar	3.5%	3.5%	2.8%	--
4/30	Core PCE Price Index YoY	Mar	3.2%	3.2%	3.0%	--
4/30	Initial Jobless Claims	4/25	212k	189k	214k	215k
4/30	Continuing Claims	4/18	1815k	1785k	1824k	1808k
4/30	Employment Cost Index	1Q	0.8%	0.9%	0.7%	--
4/30	GDP Annualized QoQ	1Q A	2.3%	2.0%	0.5%	--
4/30	GDP Price Index	1Q A	3.9%	3.6%	3.7%	--
4/30	Core PCE Price Index QoQ	1Q A	4.1%	4.3%	2.7%	--
5/1	S&P Global US Manufacturing PMI	Apr F	54.0	54.5	54.0	--
5/1	ISM Prices Paid	Apr	80.3	84.6	78.3	--
5/1	ISM New Orders	Apr	54.5	54.1	53.5	--
5/1	ISM Employment	Apr	48.8	46.4	48.7	--
5/5	S&P Global US Services PMI	Apr F	--	--	51.3	--
5/5	S&P Global US Composite PMI	Apr F	--	--	52.0	--
5/5	ISM Services Index	Apr	53.7	--	54.0	--
5/5	ISM Services Prices Paid	Apr	73.5	--	70.7	--
5/5	JOLTS Job Openings	Mar	6867k	--	6882k	--
5/5	JOLTS Job Openings Rate	Mar	--	--	4.2%	--
5/5	JOLTS Quits Level	Mar	--	--	2974k	--
5/5	JOLTS Quits Rate	Mar	--	--	1.9%	--
5/5	JOLTS Layoffs Level	Mar	--	--	1721k	--
5/5	JOLTS Layoffs Rate	Mar	--	--	1.1%	--
5/6	ADP Employment Change	Apr	79k	--	62k	--
5/7	Challenger Job Cuts YoY	Apr	--	--	-78.0%	--
5/7	Nonfarm Productivity	1Q P	--	--	1.8%	--
5/7	Unit Labor Costs	1Q P	--	--	4.4%	--
5/8	Change in Nonfarm Payrolls	Apr	60k	--	178k	--
5/8	Two-Month Payroll Net Revision	Apr	--	--	-7k	--
5/8	Change in Private Payrolls	Apr	80k	--	186k	--
5/8	Change in Manufact. Payrolls	Apr	5k	--	15k	--
5/8	Average Hourly Earnings YoY	Apr	3.8%	--	3.5%	--
5/8	Unemployment Rate	Apr	4.3%	--	4.3%	--
5/8	Labor Force Participation Rate	Apr	--	--	61.9%	--
5/8	Underemployment Rate	Apr	--	--	8.0%	--

MBS Prepayments ⁴						
3-Month CPR						
Type	3.5	4.0	4.5	5.0	5.5	6.0
FN 10y	15.8	12.4	18.6	21.8	29.6	29.8
FH/FN 15y	9.9	12.4	15.9	15.0	16.4	22.3
G2 15y	12.5	11.0	10.9	16.9	25.3	32.0
FH/FN 20y	7.6	8.7	9.4	13.4	24.4	27.0
FH/FN 30y	5.7	4.4	3.7	4.3	5.4	22.7
G2 30y	0.8	0.7	5.8	8.2	19.8	36.0
CPR Projections						
Type	3.5	4.0	4.5	5.0	5.5	6.0
FN 10y	12.2	13.3	16.1	17.6	19.6	21.1
FH/FN 15y	9.9	11.6	17.7	20.0		29.6
G2 15y	9.5	11.0	13.2	15.3	15.7	18.7
FH/FN 20y	8.3	9.7	11.6	14.9	18.6	18.9
FH/FN 30y	6.8	7.9	8.9	10.3	14.0	18.4
G2 30y	7.8	8.8	10.4	15.3	23.7	37.1

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	156.41	(2.97)	158.52	154.17	144.28
Euro	1.18	0.01	1.16	1.15	1.13
Dollar Index	97.86	(0.67)	99.65	99.80	100.25
Major Stock Indices					
Dow Jones	49,925	694	46,566	47,563	40,753
S&P 500	7,258.8	93.7	6,575.3	6,840.2	5,604.1
NASDAQ	25,174.4	338	21,841.0	23,725.0	17,710.7
Commodities					
Gold	4,645.1	(77.2)	4,783.2	3,996.5	3,222.2
Crude Oil	100.70	6.30	100.12	60.98	59.24
Natural Gas	2.77	0.25	2.82	4.12	3.48
Wheat	622.8	14.5	597.5	534.0	515.3
Corn	465.0	10.0	454.3	431.5	464.3

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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