

Baker Market Update – Week in Review

May 15, 2026



Luke Mikles
Senior Vice President of FSG

UPCOMING EVENTS

Banks

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Nov 5-6, 2026

Happy Friday everyone! We are getting close to the end of the school year and the beginning of summer. The sun is out and temperatures are rising, but they are not the only thing that came in hot this week. Back-to-back hotter than expected prints on CPI and PPI rattled bond markets and reignited fears that the Fed's next move could be a hike rather than a cut. Bond yields are up this morning as the fog of uncertainty surrounding the conflict in the Strait of Hormuz continues to roll on. The stock market did see some mid-week jumps as optimism surrounding President Trump's summit with Chinese President Xi Jinping sent the S&P 500 above 7,500 and the Dow Jones back above 50,000 for the first time since February, but have slightly backed off those highs this morning.

Tuesday brought April's Consumer Price Index, and it was not the reading markets, or the Fed, were hoping for. Headline CPI rose 0.6% for the month and 3.8% year over year, which was the highest annual reading since May 2023 and above the consensus estimate of 3.7%. Energy prices jumped 3.8% and accounted for over 40% of the monthly gain, with gasoline up 28.4% annually. Energy prices are expected to remain elevated as long as the conflict in the Middle East continue and US Oil Prices (West Texas Intermediate) stay above \$100 a barrel. While energy was a large contributor to inflation, it was not the only factor in the hot CPI print. Core CPI, which strips volatile food and energy prices, came in at 2.8% year over year and slightly edged higher than estimates of 2.7%. To add insult to injury, real average hourly wages slipped 0.5% for the month, meaning workers are once again losing ground to prices and real wage growth is feeling the pressure.

If Tuesday's CPI felt like a punch to the gut, Wednesday's Producer Price Index felt like the People's Elbow from the top rope. April PPI surged 1.4% month over month, close to triple the 0.5% estimate and the largest monthly gain since March 2022. On an annual basis, final demand PPI hit 6.0%, the highest since December 2022. Core PPI rose 1.0% against an estimate of just 0.4%. The services component jumped 1.2% for the month, with two-thirds of that move tied to a surge in trade services. PPI is often called the "pig in the python," and what is moving through the wholesale pipeline today tends to show up in consumer prices tomorrow. Following both prints, the market-implied probability of a Fed rate hike by year-end climbed to roughly 60% according to Bloomberg's World Interest Rate Probability model and a full chance of a rate hike priced in by March of 2027.

Thursday's retail sales report offered a mixed picture. Headline sales rose 0.5% in April, in line with estimates and marking the third consecutive monthly gain. However, gasoline station receipts climbed 2.8% and are up over 20% annually, which accounted for much of the heavy lifting. Excluding gas, discretionary categories struggled. Furniture stores, clothing retailers, department stores, and auto dealers all posted monthly declines, suggesting consumers are increasingly prioritizing necessities over wants. The term 'resilient consumer' has been tossed around for the last few years, but as inflation starts to poke its head back out, cracks have started to emerge.

(Continued)

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Today also marks a significant transition at the Fed, as Chairman Jerome Powell’s term officially ends and Kevin Warsh steps in as the new Chair. Two straight inflation shocks will likely limit any room to ease early in his tenure. Next week brings pending home sales on Tuesday, FOMC minutes on Wednesday, and wraps the week up with the University of Michigan’s Consumer Sentiment report on Friday. Have a great weekend everyone!

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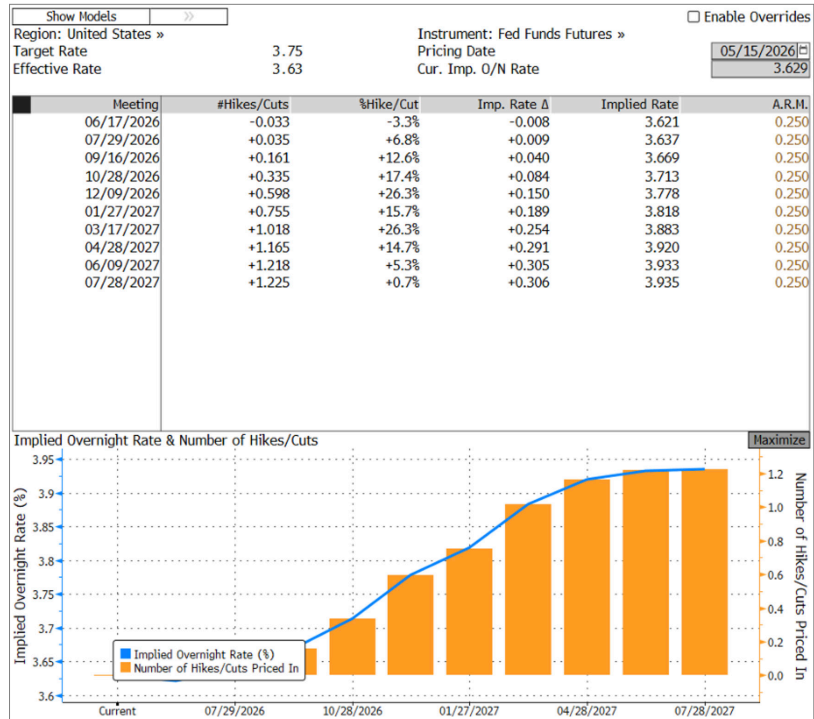
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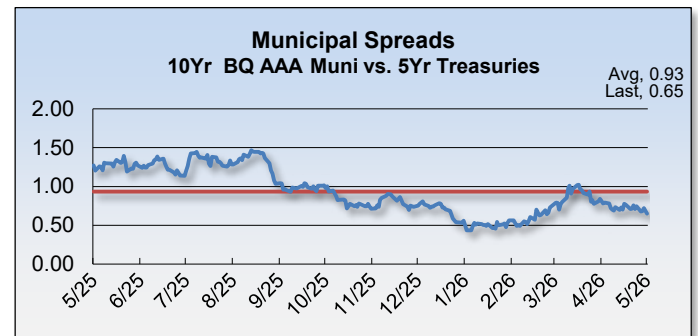
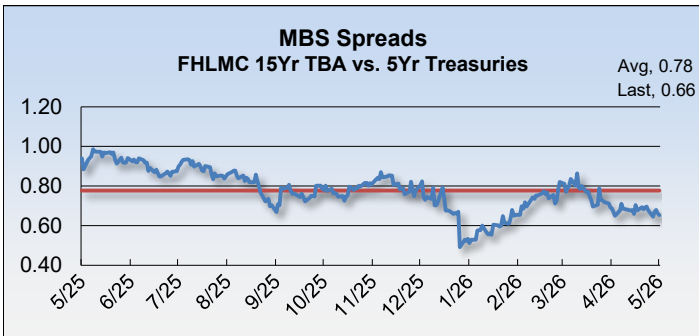
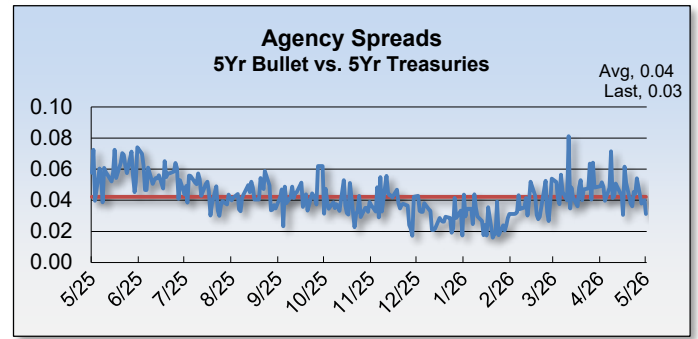
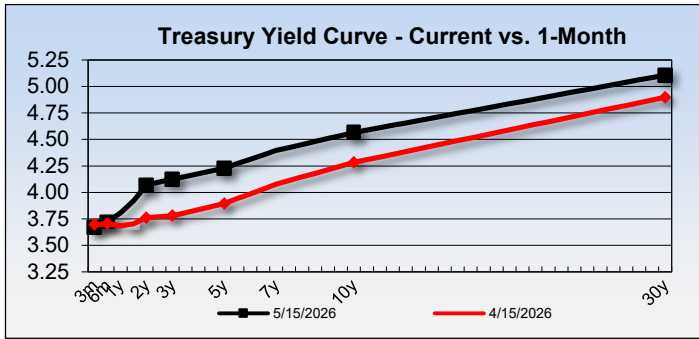
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Source: Bloomberg

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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	3.67	(0.01)	3.70	3.88	4.36	2yr	4.11	3.88	3.53	3.75	4.05	2Yr						
6mo	3.72	0.02	3.71	3.82	4.25	3yr	4.16	3.87	3.56	3.78	4.12	3Yr						
1yr	3.81	0.08	3.69	3.69	4.09	5yr	4.28	3.90	3.75	3.99	4.25	5Yr						
2yr	4.07	0.18	3.76	3.61	3.96	7yr	4.47	3.98	3.93	4.19	4.47	7Yr						
3yr	4.12	0.21	3.78	3.61	3.99	10yr	4.70	4.10	4.26	4.53	4.77	10Yr						
5yr	4.23	0.23	3.89	3.73	4.06	15yr	4.94	4.29	4.80	5.11	4.96		June TBA MBS					
7yr	4.40	0.22	4.08	3.92	4.24	20yr	5.18	4.37	5.56	5.92	5.59	Cpn	15Yr -Yld/AL		30Yr -Yld/AL			
10yr	4.57	0.21	4.29	4.15	4.43	25yr	5.42	4.37	5.87	6.24	5.66	3.50	5.08	4.1y	5.25			
30yr	5.11	0.17	4.90	4.75	4.89	30yr	5.42	4.34	6.17	6.57	5.72	4.00	4.88	4.1y	5.41 8.7y			
												4.50	4.86	4.7y	5.47 7.8y			
												5.00	4.88	4.2y	5.52 6.1y			
												5.50			5.44 4.5y			
												6.00						

* 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	3.56	(0.04)	3.66	3.95	--
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	3.84	0.03	3.79	3.91	4.44
1 Year CMT	3.79	0.03	3.71	3.70	4.14
REPO O/N	3.68	--	3.67	4.02	4.34
REPO 1Wk	3.66	(0.01)	3.68	3.92	4.37
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	--	3.87	May-26	3.628
6mo	3.86	--	3.85	Jun-26	3.625
1yr	3.99	--	3.93	Jul-26	3.625
2yr	4.15	--	4.10	Aug-26	3.640
3yr	4.20	--	4.13	Sep-26	3.655
4yr	4.27	--	4.19	Oct-26	3.680
5yr	4.31	--	4.22	Nov-26	3.715
7yr	4.53	--	4.44	Dec-26	3.770
10yr	4.73	--	4.65	Jan-27	3.790
5yr Am	4.27	--	4.21	Feb-27	3.830
10yr Am	4.56	--	4.47	Mar-27	3.855



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Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
5/11	Existing Home Sales	Apr	4.05m	4.02m	3.98m	4.01m
5/11	Existing Home Sales MoM	Apr	2.0%	0.2%	-3.6%	-2.9%
5/12	NFIB Small Business Optimism	Apr	96.1	95.9	95.8	--
5/12	ADP Weekly Employment Change	4/25	--	33.000k	30.250k	--
5/12	Real Avg Weekly Earnings YoY	Apr	--	-0.2%	0.2%	0.1%
5/12	Real Avg Hourly Earning YoY	Apr	--	-0.3%	0.3%	0.2%
5/12	CPI MoM	Apr	0.6%	0.6%	0.9%	--
5/12	Core CPI MoM	Apr	0.3%	0.4%	0.2%	--
5/12	CPI YoY	Apr	3.7%	3.8%	3.3%	--
5/12	Core CPI YoY	Apr	2.7%	2.8%	2.6%	--
5/12	CPI Index NSA	Apr	332.69	333.02	330.21	--
5/12	Core CPI Index SA	Apr	335.36	335.42	334.17	--
5/12	Federal Budget Balance	Apr	\$220.0b	\$215.0b	\$258.4b	--
5/13	MBA Mortgage Applications	5/8	--	1.7%	-4.4%	--
5/13	PPI Final Demand MoM	Apr	0.5%	1.4%	0.5%	0.7%
5/13	PPI Ex Food and Energy MoM	Apr	0.3%	1.0%	0.1%	0.2%
5/13	PPI Ex Food, Energy, Trade MoM	Apr	0.3%	0.6%	0.2%	--
5/13	PPI Final Demand YoY	Apr	4.8%	6.0%	4.0%	4.3%
5/13	PPI Ex Food and Energy YoY	Apr	4.3%	5.2%	3.8%	4.0%
5/13	PPI Ex Food, Energy, Trade YoY	Apr	4.1%	4.4%	3.6%	3.7%
5/14	Import Price Index MoM	Apr	1.0%	1.9%	0.8%	0.9%
5/14	Import Price Index ex Petroleum MoM	Apr	0.5%	0.7%	0.1%	0.0%
5/14	Import Price Index YoY	Apr	3.1%	4.2%	2.1%	2.3%
5/14	Export Price Index MoM	Apr	1.2%	3.3%	1.6%	1.5%
5/14	Export Price Index YoY	Apr	7.0%	8.8%	5.6%	5.4%
5/14	Initial Jobless Claims	5/9	205k	211k	200k	199k
5/14	Initial Claims 4-Wk Moving Avg	5/9	--	203.75k	203.25k	203.00k
5/14	Continuing Claims	5/2	1780k	1782k	1766k	1758k
5/14	Retail Sales Advance MoM	Apr	0.5%	0.5%	1.7%	1.6%
5/14	Retail Sales Ex Auto MoM	Apr	0.7%	0.7%	1.9%	--
5/14	Retail Sales Ex Auto and Gas	Apr	0.3%	0.5%	0.6%	0.7%
5/14	Retail Sales Control Group	Apr	0.4%	0.5%	0.7%	0.8%
5/14	Business Inventories	Mar	0.9%	0.9%	0.4%	--
5/15	Empire Manufacturing	May	7.20	19.60	11.00	--
5/15	Industrial Production MoM	Apr	0.3%	0.7%	-0.5%	-0.3%
5/15	Manufacturing (SIC) Production	Apr	0.2%	0.6%	-0.1%	0.1%
5/15	Capacity Utilization	Apr	75.8%	76.1%	75.7%	--
5/18	New York Fed Services Business Activit	May	--	--	-14	--
5/18	NAHB Housing Market Index	May	34	--	34	--
5/18	Total Net TIC Flows	Mar	--	--	\$184.5b	--
5/18	Net Long-term TIC Flows	Mar	--	--	\$58.6b	--
5/19	Pending Home Sales MoM	Apr	1.4%	--	1.5%	--
5/19	Pending Home Sales NSA YoY	Apr	--	--	1.8%	--
5/21	Housing Starts MoM	Apr	-5.5%	--	10.8%	--
5/21	Building Permits MoM	Apr P	2.7%	--	-11.4%	--
5/21	S&P Global US Manufacturing PMI	May P	--	--	54.5	--
5/21	S&P Global US Services PMI	May P	51.0	--	51.0	--

MBS Prepayments ⁴						
3-Month CPR						
Type	3.5	4.0	4.5	5.0	5.5	6.0
FN 10y	15.3	13.4	18.0	22.4	30.6	30.6
FH/FN 15y	10.5	12.6	16.4	28.3	16.6	21.6
G2 15y	12.3	11.3	12.0	17.8	25.6	35.0
FH/FN 20y	7.9	9.0	9.5	13.6	23.2	29.4
FH/FN 30y	6.4	4.6	4.7	5.5	7.2	22.6
G2 30y	0.8	0.9	6.5	8.8	20.5	43.1
CPR Projections						
Type	3.5	4.0	4.5	5.0	5.5	6.0
FN 10y	12.1	13.1	15.8	17.2	19.2	20.6
FH/FN 15y	9.8	11.5	16.2	19.4		28.4
G2 15y	9.4	11.6	12.9	14.8	15.7	18.1
FH/FN 20y	8.2	9.6	11.5	14.4	18.4	18.8
FH/FN 30y	6.6	7.7	8.7	10.1	13.3	16.0
G2 30y	7.7	8.7	10.3	12.5	21.6	29.2

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	158.63	1.95	158.98	154.84	145.98
Euro	1.16	(0.02)	1.18	1.16	1.12
Dollar Index	99.25	1.35	98.06	99.30	100.88
Major Stock Indices					
Dow Jones	49,692	82	48,464	47,147	42,323
S&P 500	7,417.9	19.0	7,023.0	6,734.1	5,916.9
NASDAQ	26,313.9	67	24,016.0	22,900.6	19,112.3
Commodities					
Gold	4,539.5	(191.2)	4,800.0	4,094.2	3,226.6
Crude Oil	104.11	8.69	91.29	60.09	61.62
Natural Gas	2.92	0.16	2.61	4.57	3.36
Wheat	640.5	33.0	593.8	527.3	532.8
Corn	459.0	2.8	451.3	430.3	448.5

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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