

Baker Market Update – Week in Review

June 18, 2026



Dale Sheller
Managing Director
Director of FSG

Today's Baker Market Update comes to you a full day earlier than usual due to observance of Juneteenth tomorrow. This week wasn't necessarily full of key economic releases; however, all eyes were on the Fed as the Federal Open Market Committee met for its two-day June meeting, which was the first meeting of the newly appointed Fed Chairman, Kevin Warsh. Let's dive in!

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The FOMC's statement was one of the briefest statements I can remember. To no surprise, the committee decided to keep rates unchanged. Since the statement was so brief, I included the last part of it below. "Economic activity is expanding at a solid pace despite elevated uncertainty that owes, in part, to the conflict in the Middle East. Productivity growth and capital investment are strong. Job gains have kept pace with the workforce, and the unemployment rate has changed little." On inflation, the statement added: "Inflation remains elevated relative to the Committee's 2 percent goal, in part reflecting supply shocks that have driven price increases in certain sectors, including energy. The Committee will deliver price stability."

Although the statement didn't provide much insight into the committee's mindset, we must turn to the updated Fed Dot Plot and Chairman Warsh's first press conference. The committee's updated Dot Plot turned more hawkish as the median estimate for the Fed Funds rate at the end of this year rose to 3.8%, up from 3.4% in March. This implies that the median committee member now sees at least one rate hike this year. Another key Dot Plot note is that Chairman Warsh was the missing dot. He confirmed that he refrained from submitting any projection as he is critical of the Summary of Economic Projections as it is currently structured. During his first press conference, Warsh said, "we've dropped forward guidance" and they are establishing various task forces covering five areas central to the broad conduct of monetary policy. He stated that his expectation was that the task forces would begin work in the next couple of weeks.

Bond markets sold off and stocks were down sharply after Chairman Warsh's press conference as investors grew uncertain over the path of monetary policy after a number of Fed officials see at least one rate hike this year.

There were some other economic releases this week, including advance retail and food-services sales which rose 0.9% month-over-month, beating the 0.5% consensus and were up 6.9% from a year earlier. This report points to solid consumer demand. Housing was the week's weak spot. Housing starts fell 15.4% from April to a seasonally adjusted annual rate of 1,177,000, 8.7% below May 2025. Single-family starts slipped 1.9% to 882,000. Building permits fell 0.7% to 1,413,000, while single-family permits rose 0.6% to 886,000. Completions dropped 8.1% to 1,313,000.

Lastly, this morning, initial claims fell 4,000 to 226,000, slightly above the 225,000 estimate. The four-week moving average rose to 223,250. Continuing claims moved up 24,000 to 1.810 million.

(Continued)

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A look at this morning's markets shows that stocks have rebounded slightly as Treasuries are rallying after yesterday's afternoon sell-off. Looking ahead to next week's economic releases, we'll see a handful of releases on Thursday including May's PCE inflation release.

UPCOMING EVENTS

Have a great weekend!

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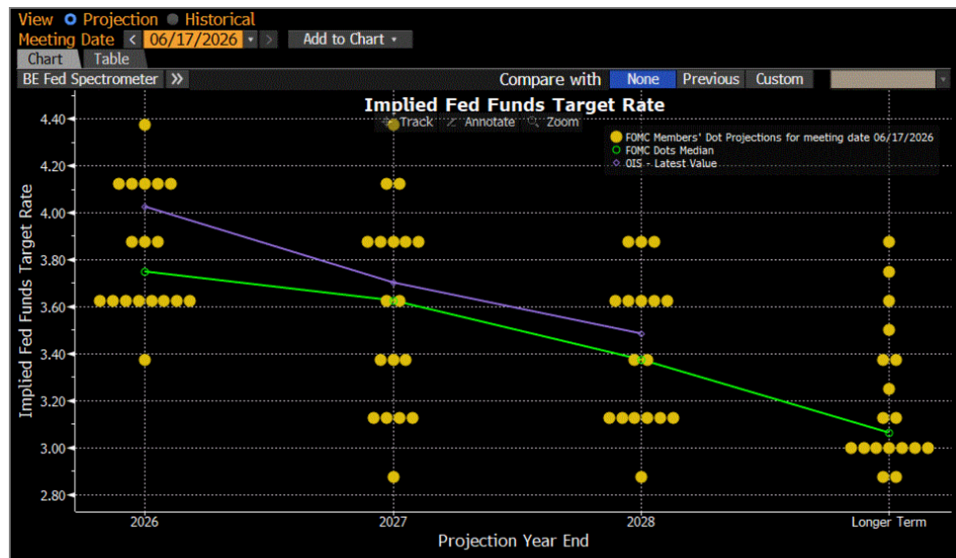
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Federal Open Market Committee – June Dot Plot



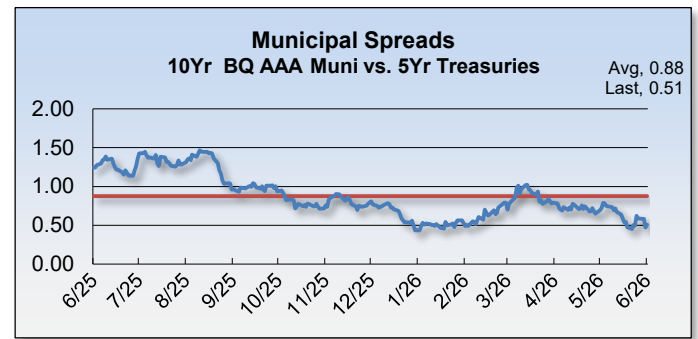
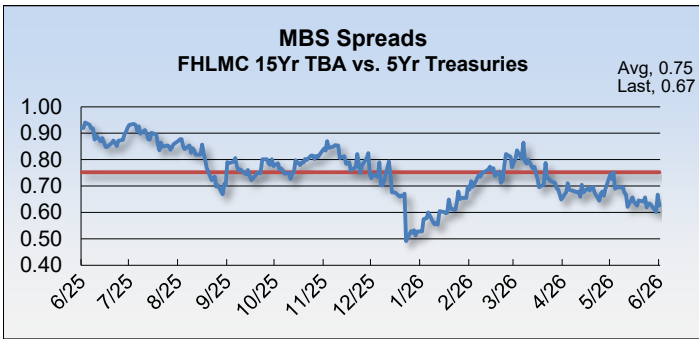
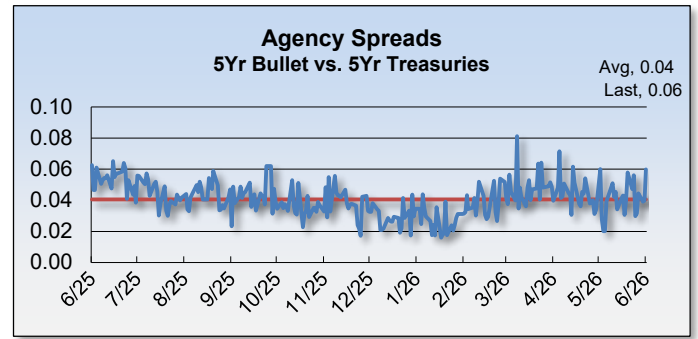
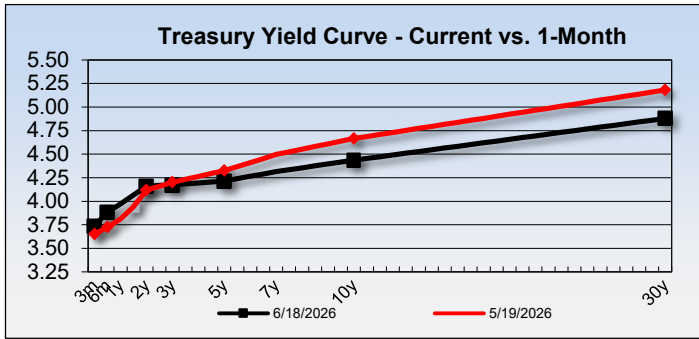
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Treasury Market -- Historical						Fixed Rate Market											
Maty	Current	1Wk Change	Historical			Maty /AL	N-Call Agency	US Swap	AAA BQ Muni		Tax Muni	Agency Calls - Euro					
			1 Mo	6 Mo	1 Yr				C-Corp ²	S-Corp ³		Mty	3Mo	6mo	1Yr	2Yr	
3mo	3.74	0.03	3.65	3.61	4.33	2yr	4.17	4.03	3.32	3.53	4.20	2Yr					
6mo	3.88	0.09	3.72	3.59	4.30	3yr	4.19	3.97	3.44	3.67	4.25	3Yr					
1yr	3.97	0.13	3.78	3.49	4.09	5yr	4.25	3.94	3.65	3.89	4.33	5Yr					
2yr	4.16	0.10	4.05	3.46	3.94	7yr	4.37	3.96	3.84	4.08	4.50	7Yr					
3yr	4.18	0.06	4.12	3.50	3.96	10yr	4.57	4.03	4.14	4.41	4.75	10Yr					
5yr	4.21	0.03	4.24	3.66	3.99	15yr	4.78	4.16	4.70	5.01	4.94		July TBA MBS				
7yr	4.32	0.00	4.41	3.88	4.18	20yr	4.99	4.22	5.39	5.74	5.49	Cpn	15Yr -Yld/AL		30Yr -Yld/AL		
10yr	4.44	(0.03)	4.59	4.12	4.39	25yr	5.21	4.21	5.70	6.06	5.56	3.50	5.02	4.1y	5.08		
30yr	4.88	(0.08)	5.12	4.80	4.89	30yr		4.17	6.01	6.39	5.62	4.00	4.78	4.0y			
												4.50	4.80	4.7y	5.23	8.7y	
												5.00	4.84	4.2y	5.32	7.8y	
												5.50			5.39	6.2y	
												6.00			5.35	4.6y	

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	3.75	--	3.75	3.75	4.50
Primary Discount	3.75	--	3.75	3.75	4.50
2ndary Discount	4.25	--	4.25	4.25	5.00
Prime Rate	6.75	--	6.75	6.75	7.50
Sec. O.N. Finance	3.63	0.04	3.55	3.69	--
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	3.98	0.09	3.83	3.71	4.33
1 Year CMT	3.98	0.08	3.82	3.51	4.10
REPO O/N	3.67	0.02	3.57	3.72	4.33
REPO 1Wk	3.69	0.04	3.68	3.67	4.38
CoF Federal	3.469	--	3.463	3.558	3.662
11th D. CoF (Apr)	2.734	--	2.728	2.871	2.934

FHLB Fixed Advance Rates				Fed Fund Futures	
Maturity	Chicago	Boston	Topeka	Maturity	Rate
3mo	3.89	--	3.94	Jun-26	3.625
6mo	4.04	--	4.04	Jul-26	3.640
1yr	4.17	--	4.22	Aug-26	3.710
2yr	4.27	--	4.37	Sep-26	3.770
3yr	4.28	--	4.38	Oct-26	3.845
4yr	4.31	--	4.40	Nov-26	3.900
5yr	4.32	--	4.41	Dec-26	3.970
7yr	4.48	--	4.56	Jan-27	4.000
10yr	4.63	--	4.70	Feb-27	4.030
5yr Am	4.35	--	4.43	Mar-27	4.050
10yr Am	4.54	--	4.60	Apr-27	4.070



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Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
6/15	Empire Manufacturing	Jun	13.7	5.7	19.6	--
6/15	Industrial Production MoM	May	0.3%	0.1%	0.7%	0.9%
6/15	Manufacturing Production MoM	May	0.3%	0.0%	0.6%	0.7%
6/15	Capacity Utilization	May	76.2%	76.2%	76.1%	--
6/15	NAHB Housing Market Index	Jun	37	35	37	--
6/16	ADP Weekly Employment Change	5/30	--	25,500k	29,000k	--
6/16	Import Price Index ex Petroleum MoM	May	0.5%	0.8%	0.7%	0.5%
6/16	Import Price Index YoY	May	5.7%	6.7%	4.2%	--
6/16	Export Price Index YoY	May	10.2%	11.2%	8.8%	9.1%
6/16	Housing Starts MoM	May	-2.0%	-15.4%	-2.8%	-8.5%
6/16	Building Permits MoM	May P	-0.9%	-0.7%	4.4%	--
6/17	Retail Sales Ex Auto MoM	May	0.6%	0.8%	0.7%	--
6/17	Retail Sales Ex Auto and Gas	May	0.3%	0.5%	0.5%	--
6/17	Retail Sales Control Group	May	0.4%	0.7%	0.5%	--
6/17	Business Inventories	Apr	0.5%	0.5%	0.9%	1.0%
6/17	Pending Home Sales NSA YoY	May	2.0%	2.1%	3.3%	2.2%
6/17	FOMC Rate Decision (Upper Bound)	6/17	3.75%	3.75%	3.75%	--
6/17	FOMC Rate Decision (Lower Bound)	6/17	3.50%	3.50%	3.50%	--
6/17	Fed Interest on Reserve Balances Rate	6/18	3.65%	3.65%	3.65%	--
6/17	Fed Reverse Repo Rate	6/18	3.50%	3.50%	3.50%	--
6/17	FOMC Median Rate Forecast: Current Yr	6/17	3.63%	3.75%	3.38%	--
6/17	FOMC Median Rate Forecast: Next Yr	6/17	3.38%	3.63%	3.13%	--
6/17	FOMC Median Rate Forecast: +2 Yrs	6/17	3.13%	3.38%	3.13%	--
6/17	FOMC Median Rate Forecast: Long-Run	6/17	3.13%	3.06%	3.13%	--
6/18	Initial Jobless Claims	6/13	225k	226k	229k	--
6/18	Initial Claims 4-Wk Moving Avg	6/13	--	223.25k	219.00k	--
6/18	Continuing Claims	6/6	1789k	1810k	1795k	--
6/18	Leading Index	May	0.1%	0.1%	0.1%	--
6/18	Total Net TIC Flows	Apr	--	--	\$150.7b	--
6/18	Net Long-term TIC Flows	Apr	--	--	\$81.3b	--
6/23	Philadelphia Fed Non-Manufacturing Ac	Jun	--	--	-23.6	--
6/23	S&P Global US Manufacturing PMI	Jun P	--	--	55.1	--
6/23	S&P Global US Services PMI	Jun P	--	--	50.7	--
6/23	S&P Global US Composite PMI	Jun P	--	--	51.5	--
6/24	New Home Sales MoM	May	--	--	-6.2%	--
6/25	Personal Income	May	--	--	0.0%	--
6/25	Real Personal Spending	May	--	--	0.1%	--
6/25	PCE Price Index MoM	May	0.5%	--	0.4%	--
6/25	PCE Price Index YoY	May	4.1%	--	3.8%	--
6/25	Core PCE Price Index MoM	May	0.3%	--	0.2%	--
6/25	Core PCE Price Index YoY	May	3.4%	--	3.3%	--
6/25	Durables Ex Transportation	May P	--	--	1.1%	--
6/25	Cap Goods Ship Nondef Ex Air	May P	--	--	0.4%	--
6/25	GDP Annualized QoQ	1Q T	--	--	1.6%	--
6/25	Personal Consumption	1Q T	--	--	1.4%	--
6/25	GDP Price Index	1Q T	--	--	3.5%	--
6/25	Core PCE Price Index QoQ	1Q T	--	--	4.4%	--

MBS Prepayments ⁴						
3-Month CPR						
Type	3.5	4.0	4.5	5.0	5.5	6.0
FN 10y	15.0	12.7	18.7	21.7	30.2	30.6
FH/FN 15y	11.5	13.0	12.3	37.2	16.3	21.0
G2 15y	13.2	11.2	12.1	18.4	26.1	34.5
FH/FN 20y	8.4	9.4	9.4	13.0	22.0	29.3
FH/FN 30y	7.1	5.2	5.5	6.1	8.2	19.6
G2 30y	0.8	1.1	7.0	8.7	19.3	48.2

CPR Projections						
Type	3.5	4.0	4.5	5.0	5.5	6.0
FN 10y	12.0	13.2	15.8	17.4	19.4	20.6
FH/FN 15y	9.7	11.5	16.2	19.1		27.9
G2 15y	9.4	11.3	13.0	14.7	15.5	18.0
FH/FN 20y	8.1	9.5	11.5	14.4	18.5	19.0
FH/FN 30y	6.6	7.8	8.8	10.2	13.0	15.4
G2 30y	7.7	8.6	10.3	11.4	15.9	25.6

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	160.88	0.64	159.09	157.75	145.71
Euro	1.15	(0.01)	1.16	1.17	1.15
Dollar Index	100.62	0.77	99.19	98.43	98.91
Major Stock Indices					
Dow Jones	51,750	902	49,686	47,952	42,172
S&P 500	7,475.9	81.6	7,403.1	6,774.8	5,980.9
NASDAQ	26,259.6	450	26,090.7	23,006.4	19,546.3
Commodities					
Gold	4,268.7	178.4	4,558.0	4,339.5	3,389.8
Crude Oil	73.69	(14.02)	108.66	56.15	75.14
Natural Gas	3.15	0.06	3.02	3.91	3.99
Wheat	606.0	19.3	664.5	507.8	574.3
Corn	416.8	5.0	477.0	444.5	433.5

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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