

# Baker Market Update – Week in Review

June 26, 2026



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It has now been one week since Kevin Warsh chaired his first FOMC meeting as Chairman of the Federal Reserve Board. In the days since, the statement, the Summary of Economic Projections (SEP), and this week's economic data have flattened the US Treasury yield curve and driven domestic equity indexes lower. This week's data echoed many of the same things the committee covered in their statement, namely an expanding economy and elevated price levels above their 2% target. The focus has now shifted toward the fight against inflation.

Tuesday the 23rd, S&P released their Global US Manufacturing PMI, which, as to no surprise per the FOMC's statement last week, was in expansionary territory and came in hotter than analyst expectations as well as prior values. Yesterday, another slate of data hit the tape for market participants to digest. Core PCE Price Index on both a QoQ and YoY basis came in line with expectations, but meaningfully higher than prior values. The third estimate of first quarter GDP on an annualized basis was released by the Bureau of Economic Analysis, coming in 0.5% higher than analyst expectations, with an actual value of 2.1% vs expectations of 1.6%. Personal income and personal spending showed the same trend, coming in above expectations as well as prior values. With the FOMC statement and a full slate of data all pointing in the same direction, a healthy economy positioned for continued growth, why did markets respond with a flatter curve and a selloff in domestic equities (growth names in particular)? The phrase "the bond market doesn't lie" is a popular saying among participants and may be the telltale sign regarding this week's movements in the market.

Looking at last week's SEP against the prior two releases (March 2026 and December 2025), a few shifts stand out. As to no surprise, the projected federal funds rate moved 40bps higher across the next three years, but over that same horizon both the median and lower bound of real GDP shifted noticeably lower, with the lower bound dropping below the 2% long-run target for the first time. Not to mention the range widened, with the upper bound seeing no increase. The read here is a more hawkish Fed, and the memory of 2021 is hard to ignore, when inflation was dismissed as "transitory," and the delayed response ultimately forced 500bps of hikes inside a year that dented policymakers' credibility, leaving what some would describe as a scar. Now that inflation risks are creeping up again, the projected rate path mirrors a committee determined not to repeat that mistake, and the market appears to be repricing both short term and long term inflation expectations lower, which can be inferred by the flattening of the yield curve. However, there is a notable difference between the economic backdrop that prompted the aggressive rate hikes of the last cycle and the one we face today. That distinction may be creating uncertainty around how the economy would respond if the Fed were to mirror its prior playbook proactively under current conditions.

Next week we take a deep dive into the state of the job market, with Nonfarm Payrolls, ADP Employment Change, and the Unemployment Rate are set to be released. Have a great weekend everyone!

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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	Mty	Agency Calls - Euro				
			1 Mo	6 Mo	1 Yr				C-Corp <sup>2</sup>	S-Corp <sup>3</sup>			3Mo	6mo	1Yr	2Yr	
3mo	3.74	(0.01)	3.67	3.63	4.32	2yr	4.08	3.93	3.33	3.55	4.18	2Yr					
6mo	3.91	0.01	3.76	3.58	4.24	3yr	4.09	3.87	3.46	3.68	4.21	3Yr					
1yr	3.92	(0.06)	3.81	3.48	3.96	5yr	4.13	3.84	3.68	3.92	4.29	5Yr					
2yr	4.09	(0.09)	4.03	3.48	3.72	7yr	4.24	3.87	3.86	4.11	4.45	7Yr					
3yr	4.09	(0.11)	4.08	3.53	3.75	10yr	4.37	3.96	4.16	4.43	4.70	10Yr					
5yr	4.13	(0.10)	4.17	3.70	3.80	15yr	4.67	4.11	4.69	4.99	4.89		July TBA MBS				
7yr	4.24	(0.10)	4.32	3.90	3.99	20yr	4.88	4.18	5.35	5.69	5.44	Cpn	15Yr -Yld/AL		30Yr -Yld/AL		
10yr	4.37	(0.08)	4.49	4.13	4.24	25yr	5.10	4.18	5.64	6.00	5.51	3.50	4.90	4.2y	4.98		
30yr	4.87	(0.03)	5.02	4.81	4.80	30yr		4.14	5.92	6.30	5.57	4.00	4.64	4.0y			
												4.50	4.71	4.8y	5.14	8.7y	
												5.00	4.78	4.3y	5.23	7.8y	
												5.50			5.31	6.2y	
												6.00			5.25	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	3.64	0.02	3.55	3.66	--
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	0.00	3.85	3.76	4.24
1 Year CMT	3.96	(0.04)	3.86	3.50	3.99
REPO O/N	3.67	--	3.65	3.72	4.32
REPO 1Wk	3.72	0.06	3.68	3.80	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	3.92	--	3.97	Jun-26	3.628
6mo	4.05	--	4.06	Jul-26	3.630
1yr	4.11	--	4.19	Aug-26	3.700
2yr	4.19	--	4.28	Sep-26	3.750
3yr	4.19	--	4.28	Oct-26	3.810
4yr	4.23	--	4.32	Nov-26	3.855
5yr	4.25	--	4.33	Dec-26	3.905
7yr	4.41	--	4.49	Jan-27	3.925
10yr	4.58	--	4.66	Feb-27	3.940
5yr Am	4.27		4.35	Mar-27	3.950
10yr Am	4.47		4.54	Apr-27	3.965



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Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
6/23	ADP Weekly Employment Change	6/6	--	30.750k	25.500k	26.500k
6/23	Philadelphia Fed Non-Manufacturing Act	Jun	-16.0	-25.8	-23.6	--
6/23	S&P Global US Manufacturing PMI	Jun P	54.6	55.7	55.1	--
6/23	S&P Global US Services PMI	Jun P	51.1	51.3	50.7	--
6/23	S&P Global US Composite PMI	Jun P	52.1	52.2	51.5	--
6/23	Richmond Fed Manufact. Index	Jun	8.0	4.0	13.0	--
6/23	Richmond Fed Business Conditions	Jun	2.0	-9.0	0.0	--
6/24	MBA Mortgage Applications	6/19	--	1.0%	-3.8%	--
6/24	Building Permits	May F	1418k	1410k	1413k	--
6/24	Current Account Balance	1Q	-\$208.9b	-\$226.8b	-\$190.7b	-\$221.1b
6/24	New Home Sales	May	640k	580k	622k	626k
6/25	Personal Income	May	0.4%	0.7%	0.0%	--
6/25	Personal Spending	May	0.6%	0.7%	0.5%	0.4%
6/25	Real Personal Spending	May	0.2%	0.3%	0.1%	0.0%
6/25	PCE Price Index YoY	May	4.1%	4.1%	3.8%	--
6/25	Core PCE Price Index YoY	May	3.4%	3.4%	3.3%	--
6/25	GDP Annualized QoQ	1Q T	1.6%	2.1%	1.6%	--
6/25	Personal Consumption	1Q T	1.4%	0.5%	1.4%	--
6/25	GDP Price Index	1Q T	3.5%	3.6%	3.5%	--
6/25	Core PCE Price Index QoQ	1Q T	4.4%	4.4%	4.4%	--
6/25	Initial Jobless Claims	6/20	225k	215k	226k	227k
6/25	Initial Claims 4-Wk Moving Avg	6/20	--	224.25k	223.25k	223.50k
6/25	Continuing Claims	6/13	1802k	1821k	1810k	1800k
6/25	Durable Goods Orders	May P	-5.0%	-4.5%	8.0%	8.5%
6/25	Durables Ex Transportation	May P	0.6%	1.3%	1.1%	1.4%
6/25	Cap Goods Orders Nondef Ex Air	May P	0.6%	1.6%	1.0%	-0.7%
6/25	Cap Goods Ship Nondef Ex Air	May P	0.5%	0.3%	0.4%	0.5%
6/25	Chicago Fed Nat Activity Index	May	0.2	-0.1	0.1	0.2
6/25	Kansas City Fed Manf. Activity	Jun	6.0	11.0	8.0	--
6/26	Advance Goods Trade Balance	May	-\$85.0b	-\$105.8b	-\$82.4b	-\$83.0b
6/26	U. of Mich. Sentiment	Jun F	50.0	49.5	48.9	--
6/26	U. of Mich. Current Conditions	Jun F	49.0	47.7	48.4	--
6/26	U. of Mich. Expectations	Jun F	49.6	50.7	49.3	--
6/26	U. of Mich. 1 Yr Inflation	Jun F	4.6%	4.6%	4.6%	--
6/26	U. of Mich. 5-10 Yr Inflation	Jun F	3.3%	3.3%	3.4%	--
6/26	Kansas City Fed Services Activity	Jun	8.0	5.0	10.0	--
6/29	Dallas Fed Manf. Activity	Jun	--	--	0.4	--
6/30	S&P Cotality CS 20-City YoY NSA	Apr	--	--	0.8%	--
6/30	S&P Cotality CS US HPI YoY NSA	Apr	--	--	0.7%	--
6/30	MNI Chicago PMI	Jun	--	--	62.7	--
6/30	Conf. Board Consumer Confidence	Jun	94.3	--	93.1	--
6/30	Conf. Board Present Situation	Jun	--	--	121.2	--
6/30	Conf. Board Expectations	Jun	--	--	74.4	--
6/30	JOLTS Job Openings	May	7275k	--	7618k	--
6/30	JOLTS Job Openings Rate	May	--	--	4.6%	--
6/30	JOLTS Quits Level	May	--	--	2977k	--
6/30	JOLTS Quits Rate	May	--	--	1.9%	--

MBS Prepayments <sup>4</sup>						
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	11.9	13.1	15.6	17.1	19.2	20.5
FH/FN 15y	9.6	11.4	15.8	18.7	--	27.8
G2 15y	9.2	11.1	13.0	14.4	15.3	17.6
FH/FN 20y	8.1	9.5	11.4	14.2	18.2	18.7
FH/FN 30y	6.6	7.7	8.7	10.2	13.0	15.4
G2 30y	7.7	8.6	10.3	10.9	14.4	19.8

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
<b>Currencies</b>					
Japanese Yen	161.65	0.35	159.30	156.57	144.42
Euro	1.14	(0.01)	1.16	1.18	1.17
Dollar Index	101.23	0.38	99.17	98.02	97.15
<b>Major Stock Indices</b>					
Dow Jones	52,107	542	50,462	48,711	43,387
S&P 500	7,369.4	(131.1)	7,519.1	6,929.9	6,141.0
NASDAQ	25,482.1	(1,036)	26,656.2	23,593.1	20,167.9
<b>Commodities</b>					
Gold	4,030.5	(328.4)	4,523.2	4,480.6	3,327.1
Crude Oil	68.73	(7.87)	93.89	56.74	65.24
Natural Gas	3.37	0.13	2.89	4.37	3.26
Wheat	580.8	-25.0	635.5	519.0	521.0
Corn	416.5	-1.0	457.5	450.0	409.5

### 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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