Baker Market Update—*Week in Review*

August 21, 2026

Andrea Pringle
Senior Vice President

Long-dated Treasury yields surged to multi-decade highs this week before a surprise intervention by the Treasury Department offered a brief reprieve on Wednesday. The 30-year yield got as high as 5.34% early in the week and is hovering around 5.27% this morning, still above levels not seen since 2007. The 10-year is currently ~4.73%, its highest level in almost 18 months. Escalating tensions in the Gulf provided some renewed inflation fears this week but the driving force was concern over fiscal sustainability.

The U.S. crossed a sobering milestone this week as total federal debt surpassed $40 trillion for the first time, roughly double the figure from a decade ago. The practical consequence is straightforward. The government must continuously borrow to finance both existing obligations and ongoing deficits, issuing large volumes of Treasury debt into the market. As that debt load grows, so do annual interest payments, which have now exceeded $1 trillion. Interest payments now account for nearly 15% of all federal government spending. Bond investors, who must absorb that supply, are demanding higher compensation for the risk of holding that long-term debt in an environment where the fiscal outlook is uncertain and the federal debt load shows no sign of shrinking.

Treasury Secretary Bessent moved Wednesday to address long-end pressure by doubling buyback operations for 10- to 30-year Treasuries to at least $4 billion per operation, a modern iteration of Operation Twist aimed at shifting financing toward shorter maturities and reducing supply pressure at the long-end. The 30-year yield fell approximately 10bps on the announcement before reversing those gains almost entirely the following day. The market's verdict was unambiguous: at its current scale, the buyback program addresses symptoms rather than causes. Durable relief will require either a meaningful reduction in the deficit, a more coordinated Fed response, or both.

This week also brought the release of July's FOMC minutes, which struck a relatively hawkish tone. Fed Chair Warsh has continued to offer little clarity on how the central bank intends to address the difficulty of an inflation situation that is being driven primarily by energy supply shocks rather than by wage growth or broad demand, which the Fed's tools are better able to combat. That ambiguity alone is also pressuring yields higher as bond investors demand more compensation for the increased level of uncertainty.

Softer data provided some offset to the hawkish minutes this week. Walmart reported its weakest same-store sales growth in more than six years. The August Philadelphia Fed survey showed price pressures receding to six-month lows. And consumer spending patterns reflect a household under visible strain from energy costs and depleted savings rather than one generating inflationary demand.

The Federal Reserve's annual Jackson Hole symposium will begin on August 28th and will understandably draw considerable attention. Chair Warsh's remarks on the inflation outlook and policy framework will serve as the next significant signpost for fixed income markets.

Have a great weekend!

UPCOMING EVENTS

Banks

Webinars:

3Q IRR Management
Sep 9, 2026

Virtual ALM Education Series
Oct 6, 8, 13, & 20 2026

Seminars:

Dallas Seminar
Aug 28, 2026

Ohio Seminar
Sep 30, 2026

OK Seminar
Oct 14-16, 2026

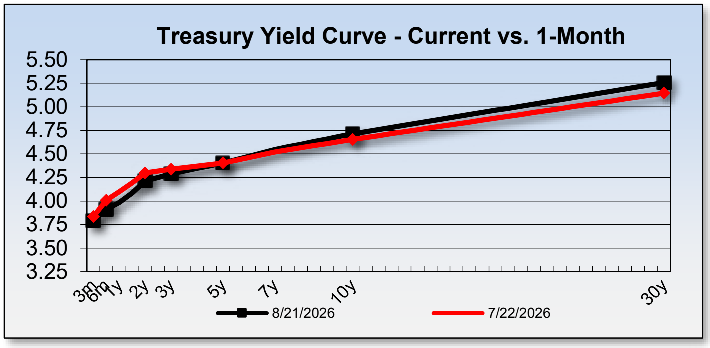
MN Seminar
Dec 3, 2026

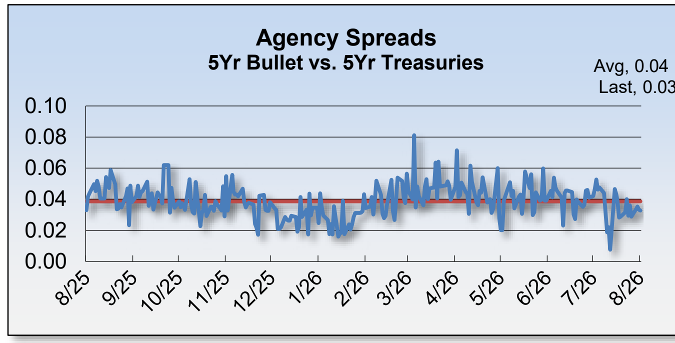
Schools:

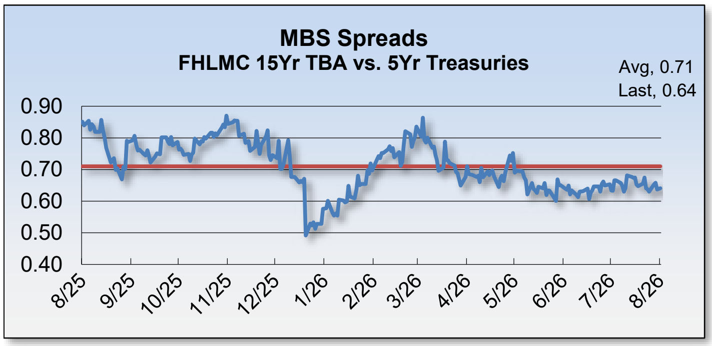
Bond School
Nov 5-6, 2026

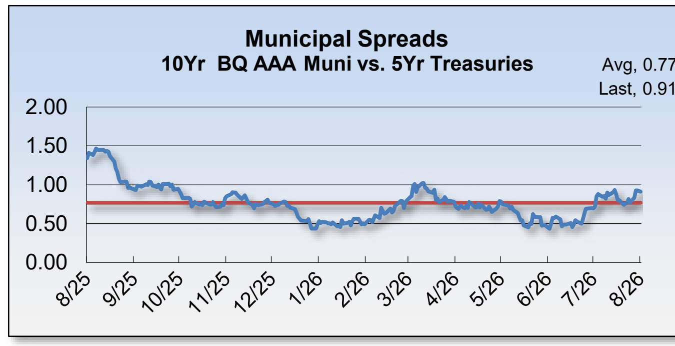
Baker Market Update—*Week in Review*

August 21, 2026









Treasury Market -- Historical

Maty	Current	1Wk Change	Historical 1 Mo	6 Mo	1 Yr
3mo	3.79	0.00	3.81	3.68	4.23
6mo	3.91	0.00	3.96	3.63	4.10
1yr	3.98	0.02	4.07	3.51	3.96
2yr	4.21	0.04	4.26	3.48	3.79
3yr	4.29	0.04	4.30	3.50	3.81
5yr	4.40	0.04	4.37	3.65	3.86
7yr	4.55	0.03	4.49	3.85	4.07
10yr	4.71	0.02	4.63	4.08	4.33
30yr	5.26	(0.00)	5.13	4.72	4.92

** Interpolated*

Fixed Rate Market

Maty /AL	N-Call Agency	US Swap	AAA BQ Muni C-Corp[2]	AAA BQ Muni S-Corp[3]	Tax Muni
2yr	4.24	4.05	3.51	3.74	4.25
3yr	4.32	4.07	3.64	3.87	4.36
5yr	4.45	4.11	3.92	4.17	4.52
7yr	4.60	4.18	4.17	4.44	4.72
10yr	4.85	4.30	4.63	4.93	5.01
15yr	5.09	4.48	5.32	5.66	5.20
20yr	5.34	4.56	5.80	6.17	5.82
25yr	5.58	4.57	6.06	6.45	5.89
30yr		4.53	6.33	6.73	5.95

Agency Calls - Euro

Mty	3Mo	6mo	1Yr	2Yr
2Yr				
3Yr				
5Yr				
7Yr				
10Yr				

September TBA MBS

Cpn	15Yr -Yld	15Yr -AL	30Yr -Yld	30Yr -AL
3.50	5.37	4.2y	5.45	
4.00	5.07	5.3y		
4.50	5.03	5.0y	5.54	9.1y
5.00	5.03	4.6y	5.60	8.1y
5.50			5.66	6.8y
6.00			5.56	5.0y

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**	0.01	3.57	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	**4.02**	0.02	4.02	3.69	4.18
1 Year CMT	**3.99**	0.02	4.03	3.51	3.90
REPO O/N	**3.70**	--	3.67	3.73	4.38
REPO 1Wk	**3.69**	0.05	3.65	3.66	4.38
CoF Federal	**3.534**	--	3.495	3.465	3.694
11th D. CoF (Jun)	**2.766**	--	2.740	2.780	2.948

FHLB Fixed Advance Rates

Maturity	Chicago	Boston	Topeka
3mo	3.93	- -	3.98
6mo	4.03	- -	4.04
1yr	4.17	- -	4.21
2yr	4.29	- -	4.38
3yr	4.36	- -	4.45
4yr	4.45	- -	4.54
5yr	4.50	- -	4.58
7yr	4.69	- -	4.77
10yr	4.91	- -	4.98
5yr Am	4.43		4.53
10yr Am	4.71		4.79

Fed Fund Futures

Maturity	Rate
Aug-26	3.630
Sep-26	3.675
Oct-26	3.730
Nov-26	3.780
Dec-26	3.850
Jan-27	3.880
Feb-27	3.925
Mar-27	3.960
Apr-27	3.995
May-27	4.015
Jun-27	4.040

Baker Market Update—*Week in Review*

August 21, 2026

Weekly Economic Calendar

This Week & Next

Date	Release	Per.	Est.	Actual	Prior	Revised
8/17	Empire Manufacturing	Aug	10.0	20.6	15.6	--
8/17	NAHB Housing Market Index	Aug	33	35	34	--
8/17	Total Net TIC Flows	Jun	--	$133.5b	~~$132.2b~~	$131.5b
8/17	Net Long-term TIC Flows	Jun	--	$172.7b	~~$232.7b~~	$231.2b
8/18	New York Fed Services Business Activit	Aug	4.6	0.5	8.7	--
8/18	Import Price Index MoM	Jul	0.1%	-0.4%	~~0.3%~~	-0.3%
8/18	Import Price Index ex Petroleum MoM	Jul	0.1%	0.3%	~~0.5%~~	0.2%
8/18	Import Price Index YoY	Jul	6.7%	5.9%	~~7.1%~~	6.7%
8/18	Export Price Index MoM	Jul	0.0%	-1.3%	~~-0.6%~~	-0.7%
8/18	Export Price Index YoY	Jul	9.7%	8.2%	~~10.2%~~	10.0%
8/18	Housing Starts MoM	Jul	-5.9%	-12.4%	~~19.0%~~	19.7%
8/18	Industrial Production MoM	Jul	0.3%	0.2%	~~0.1%~~	0.3%
8/18	Manufacturing Production MoM	Jul	0.2%	0.2%	~~0.0%~~	0.3%
8/18	Capacity Utilization	Jul	76.3%	76.3%	~~76.1%~~	76.2%
8/18	Pending Home Sales MoM	Jul	0.0%	-2.3%	~~-5.4%~~	-4.8%
8/18	Pending Home Sales NSA YoY	Jul	1.1%	-2.5%	~~2.3%~~	2.7%
8/19	MBA Mortgage Applications	8/14	--	-0.4%	3.6%	--
8/20	Initial Jobless Claims	8/15	210k	206k	~~209k~~	212k
8/20	Initial Claims 4-Wk Moving Avg	8/15	--	204.00k	~~199.00k~~	199.75k
8/20	Continuing Claims	8/8	1788k	1799k	~~1777k~~	1781k
8/20	Leading Index	Jul	0.1%	0.2%	~~-0.2%~~	-0.1%
8/21	S&P Global US Manufacturing PMI	Aug P	53.9	53.2	53.9	--
8/21	S&P Global US Services PMI	Aug P	54.0	56.8	54.6	--
8/21	S&P Global US Composite PMI	Aug P	54.0	56.0	54.5	--
8/25	ADP Weekly Employment Change	8/8	--	--	9.500k	--
8/25	FHFA House Price Index QoQ	2Q	--	--	0.5%	--
8/25	S&P Cotality CS 20-City YoY NSA	Jun	1.70%	--	1.63%	--
8/25	S&P Cotality CS US HPI YoY NSA	Jun	--	--	1.11%	--
8/25	Richmond Fed Manufact. Index	Aug	7	--	5	--
8/25	New Home Sales	Jul	620k	--	628k	--
8/25	Conf. Board Consumer Confidence	Aug	90.2	--	90.8	--
8/25	Conf. Board Present Situation	Aug	115.0	--	114.9	--
8/25	Conf. Board Expectations	Aug	74.9	--	74.7	--
8/26	Personal Income	Jul	0.2%	--	0.2%	--
8/26	Real Personal Spending	Jul	0.0%	--	0.4%	--
8/26	PCE Price Index YoY	Jul	3.6%	--	3.7%	--
8/26	Core PCE Price Index YoY	Jul	3.3%	--	3.3%	--
8/26	Durables Ex Transportation	Jul P	0.5%	--	0.7%	--
8/26	GDP Annualized QoQ	2Q S	1.5%	--	1.5%	--
8/26	Personal Consumption	2Q S	3.2%	--	3.2%	--
8/26	Cap Goods Ship Nondef Ex Air	Jul P	--	--	2.0%	--
8/26	GDP Price Index	2Q S	6.2%	--	6.2%	--
8/26	Core PCE Price Index QoQ	2Q S	3.4%	--	3.4%	--
8/27	Advance Goods Exports MoM SA	Jul	--	--	-1.8%	--
8/27	Wholesale Inventories MoM	Jul P	--	--	0.2%	--
8/28	MNI Chicago PMI	Aug		--	57.6	--
8/28	Prelim. Benchmark Payrolls Revision	2026	--	--	-911k	--

MBS Prepayments[4]

	3-Month CPR					
Type	3.5	4.0	4.5	5.0	5.5	6.0
FN 10y	15.6	13.1	16.5	21.2	26.9	26.7
FH/FN 15y	11.2	9.5	10.6	24.3	13.0	18.8
G2 15y	13.4	12.1	11.0	15.4	23.1	27.1
FH/FN 20y	9.1	9.9	9.9	12.2	18.4	26.6
FH/FN 30y	7.7	5.8	6.0	9.0	8.7	9.9
G2 30y	0.9	1.4	7.4	7.5	12.4	2.3

	CPR Projections					
Type	3.5	4.0	4.5	5.0	5.5	6.0
FN 10y	11.8	12.8	14.9	16.8	18.5	19.9
FH/FN 15y	9.3	11.2	16.0	18.9		26.1
G2 15y	8.9	10.7	12.1	13.4	14.8	16.5
FH/FN 20y	8.1	9.3	10.9	13.2	17.7	17.8
FH/FN 30y	6.6	7.6	8.2	9.5	11.9	15.5
G2 30y	7.4	8.3	9.6	10.3	11.9	16.5

Other Markets

		1Wk	Historical		
Index	Current	Chng	1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	158.76	(0.56)	162.67	154.79	147.85
Euro	1.17	0.01	1.14	1.18	1.16
Dollar Index	98.78	(0.89)	101.17	97.80	98.62
Major Stock Indices					
Dow Jones	53,075	(657)	52,225	49,626	44,786
S&P 500	7,671.0	(114.7)	7,509.2	6,909.5	6,370.2
NASDAQ	26,091.7	(637)	25,837.2	22,886.1	21,100.3
Commodities					
Gold	4,591.0	210.6	4,076.4	5,059.3	3,336.9
Crude Oil	86.69	4.29	84.91	66.39	63.52
Natural Gas	2.78	0.05	2.87	3.05	2.83
Wheat	680.3	5.5	678.0	573.5	507.0
Corn	479.8	20.8	452.8	427.5	387.3

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

Source for the aforementioned indices, rates, descriptions, & economic indicators: Bloomberg, LP. This report was printed as of: 08/21/2026 9:09AM