Baker Market Update—*Week in Review*

August 28, 2026

UPCOMING EVENTS

Banks

Webinars:

3Q IRR Management
Sep 9, 2026

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

Seminars:

Ohio Seminar
Sep 30, 2026

OK Seminar
Oct 14-16, 2026

MN Seminar
Dec 3, 2026

Schools:

Bond School
Nov 5-6, 2026

Dale Sheller
Managing Director
Director of FSG

Is it Friday already? It sure is! And not just any Friday... college football returns tomorrow with Week Zero, and Fed Chair Kevin Warsh steps to the podium in Jackson Hole this morning for his first keynote as Chair. Consider it a season opener of his own. Three weeks ago, payrolls fell 23,000 and the market all but crossed a September rate hike off the list. Let's dive into this week's data.

On Tuesday, The Conference Board's Consumer Confidence Index slipped to 89.4 from July's 90.2, the weakest reading since January and a second consecutive monthly decline. The Present Situation Index jumped 6.8 points to 121.2, while the Expectations Index fell 5.8 points to 68.2. Consumers feel fine about today and considerably worse about the next six months. The labor differential, which measures those saying jobs are plentiful versus hard to get, improved 4.8 points to +7.5%.

Also on Tuesday, July new home sales fell 10.5% to a seasonally adjusted annual rate of 607,000, a six-month low and short of the 620,000 expected. The median new home price dropped 2.3% from June to $393,800, now slightly below where it stood a year ago. Supply is the number worth watching here: 9.6 months at the current sales pace, the highest since January and well above the 4 to 6 months generally considered balanced. Builders are sitting on a record 115,000 homes that have not been started. Mortgage rates are near 6.7% and have risen from the year-to-date lows in late February.

Wednesday brought the week's main event of the week. The July Personal Consumption Expenditures price index rose 0.2% on the month and 3.7% from a year ago, a touch hotter than the 3.6% expected. Core PCE, which strips out food and energy, also rose 0.2% and held at 3.3% annually. Remember that PCE, not CPI, is the Fed's preferred inflation gauge, and core PCE has now been stuck in the low threes for months. That is the number the three dissenters at the July meeting are pointing at.

We also received the second estimate of second quarter GDP on Wednesday, which held at 1.5% annualized. The headlines were unchanged, but the composition improved, with the Bureau of Economic Analysis revising up both consumer spending and business investment. July durable goods orders rose 1.1%, up from June's 0.5%, though the gain was concentrated in transportation. Excluding transportation, orders rose 0.4%, and core capital goods orders, a proxy for business investment, managed just 0.2%.

As we do every Thursday, we received the weekly jobless claims data. Initial claims fell to 203,000, below the 208,000 forecast and down from 207,000 the week prior, with the four-week average at 205,500. Continuing claims declined 18,000 to 1,778,000, also better than expected.

Which brings us to Jackson Hole. Chairman Warsh delivered his first symposium keynote as Chair this morning, and he spent it on inflation. He noted that PCE inflation is running 3.7% over twelve months and 4.1% over the past six, and that progress over the past two years has

(Continued)

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been modest. On the September meeting, he offered a condition rather than an answer, saying the Committee must “be confident that underlying inflation is moving to our objective, clearly and at sufficient speed. Otherwise, we have work to do.” He also made his break from forward guidance official, arguing that “a quieter Fed, more purposeful in its communications, is better able to meet its objectives,” and warning that when markets lean on the Fed’s guidance while the Fed leans on market prices, “we are all more likely to be blinded to new developments.” He closed by saying he is “committed to a discipline, not to a decision.”

Futures were pricing roughly a 35% chance of a September hike heading into this morning, and Warsh did nothing to settle it. Chances of a rate hike at the September meeting jumped up to 53% after his speech concluded. The market perceived his speech to have a “hawkish” tone. Currently, the 2-Year Treasury is sitting at 4.31% and the 10-Year Treasury is sitting at 4.69%. Have a great weekend!

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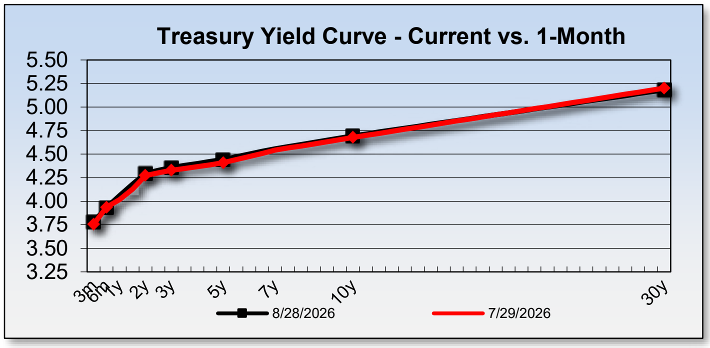

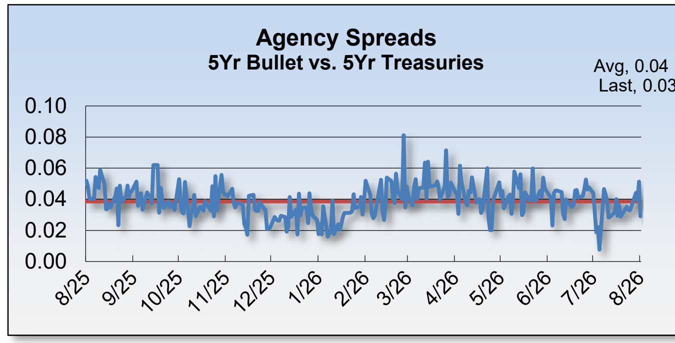

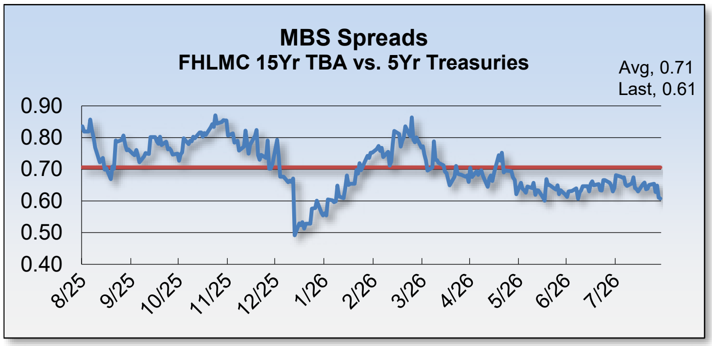

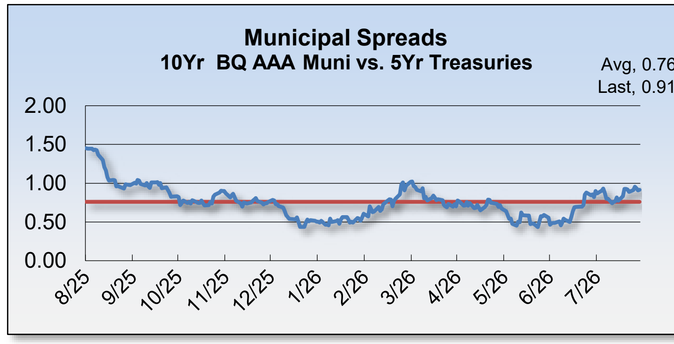

Treasury Market -- Historical

Maty	Current	1Wk Change	Historical 1 Mo	6 Mo	1 Yr
3mo	3.78	(0.02)	3.85	3.66	4.18
6mo	3.93	0.02	4.03	3.62	4.01
1yr	4.06	0.04	4.08	3.48	3.86
2yr	4.30	0.06	4.29	3.38	3.63
3yr	4.36	0.04	4.32	3.38	3.65
5yr	4.44	0.02	4.37	3.50	3.69
7yr	4.56	(0.01)	4.48	3.70	3.91
10yr	4.69	(0.04)	4.61	3.94	4.21
30yr	5.18	(0.09)	5.09	4.61	4.88

* *Interpolated*

Fixed Rate Market

Maty /AL	N-Call Agency	US Swap	AAA BQ Muni C-Corp[2]	S-Corp[3]	Tax Muni
2yr	4.26	4.09	3.49	3.71	4.29
3yr	4.38	4.11	3.61	3.84	4.38
5yr	4.48	4.14	3.89	4.14	4.52
7yr	4.61	4.20	4.17	4.44	4.71
10yr	4.82	4.31	4.63	4.93	4.98
15yr	5.02	4.47	5.39	5.74	5.17
20yr	5.23	4.56	5.85	6.23	5.77
25yr	5.43	4.56	6.11	6.50	5.84
30yr		4.52	6.37	6.78	5.90

Agency Calls - Euro

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

September TBA MBS

Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
3.50	5.33	4.2y	5.37	
4.00	5.02	5.3y		
4.50	4.97	5.0y	5.48	9.1y
5.00	4.98	4.6y	5.53	8.2y
5.50			5.59	7.2y
6.00			5.57	5.7y

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**	0.01	3.64	3.68	--
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	**3.99**	(0.03)	4.14	3.70	4.11
1 Year CMT	**4.04**	0.05	4.14	3.48	3.83
REPO O/N	**3.70**	--	3.70	3.73	4.38
REPO 1Wk	**3.64**	(0.01)	3.74	3.67	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	4.04	- -	4.05
1yr	4.20	- -	4.25
2yr	4.33	- -	4.42
3yr	4.39	- -	4.48
4yr	4.48	- -	4.56
5yr	4.51	- -	4.58
7yr	4.69	- -	4.75
10yr	4.89	- -	4.95
5yr Am	4.48		4.55
10yr Am	4.74		4.79

Fed Fund Futures

Maturity	Rate
Aug-26	3.630
Sep-26	3.670
Oct-26	3.730
Nov-26	3.790
Dec-26	3.880
Jan-27	3.920
Feb-27	3.960
Mar-27	3.995
Apr-27	4.035
May-27	4.055
Jun-27	4.075

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Weekly Economic Calendar

This Week & Next

Date	Release	Per.	Est.	Actual	Prior	Revised
8/25	ADP Weekly Employment Change	8/8	--	11.750k	9.500k	--
8/25	FHFA House Price Index QoQ	2Q	--	0.4%	~~0.5%~~	0.6%
8/25	S&P Cotality CS 20-City YoY NSA	Jun	1.80%	2.10%	~~1.63%~~	1.65%
8/25	S&P Cotality CS US HPI YoY NSA	Jun	1.30%	1.52%	~~1.11%~~	1.21%
8/25	Conf. Board Consumer Confidence	Aug	90.2	89.4	~~90.8~~	90.2
8/25	Conf. Board Present Situation	Aug	114.7	121.2	~~114.9~~	114.4
8/26	MBA Mortgage Applications	8/21	--	-1.0%	-0.4%	--
8/26	Personal Income	Jul	0.2%	0.4%	0.2%	--
8/26	Real Personal Spending	Jul	0.0%	0.0%	0.4%	--
8/26	PCE Price Index MoM	Jul	0.1%	0.2%	-0.1%	--
8/26	PCE Price Index YoY	Jul	3.6%	3.7%	3.7%	--
8/26	Core PCE Price Index MoM	Jul	0.2%	0.2%	0.1%	--
8/26	Core PCE Price Index YoY	Jul	3.3%	3.3%	3.3%	--
8/26	GDP Annualized QoQ	2Q S	1.5%	1.5%	1.5%	--
8/26	Personal Consumption	2Q S	3.2%	3.4%	3.2%	--
8/26	GDP Price Index	2Q S	6.2%	6.4%	6.2%	--
8/26	Core PCE Price Index QoQ	2Q S	3.4%	3.6%	3.4%	--
8/27	Advance Goods Imports MoM SA	Jul	-0.3%	3.7%	~~-2.6%~~	-2.4%
8/27	Advance Goods Exports MoM SA	Jul	-1.0%	-2.9%	-1.8%	--
8/27	Initial Jobless Claims	8/22	208k	203k	~~206k~~	207k
8/27	Continuing Claims	8/15	1792k	1778k	~~1799k~~	1796k
8/28	MNI Chicago PMI	Aug	57.9	47.1	57.6	--
8/28	Prelim. Benchmark Payrolls Revision	2026	183k	-79k	-911k	--
9/1	ISM Employment	Aug	52.5	--	52.8	--
9/1	JOLTS Job Openings	Jul	7380k	--	7359k	--
9/1	JOLTS Job Openings Rate	Jul	--	--	4.4%	--
9/1	JOLTS Quits Level	Jul	--	--	3232k	--
9/1	JOLTS Quits Rate	Jul	--	--	2.0%	--
9/1	JOLTS Layoffs Level	Jul	1785k	--	1766k	--
9/1	JOLTS Layoffs Rate	Jul	--	--	1.1%	--
9/2	ADP Employment Change	Aug	48k	--	44k	--
9/3	Challenger Job Cuts YoY	Aug	--	--	-46.1%	--
9/3	Unit Labor Costs	2Q F	1.3%	--	1.3%	--
9/3	S&P Global US Services PMI	Aug F	--	--	56.8	--
9/3	S&P Global US Composite PMI	Aug F	--	--	56.0	--
9/3	ISM Services Index	Aug	54.3	--	54.1	--
9/3	ISM Services Prices Paid	Aug	70.0	--	70.3	--
9/3	ISM Services New Orders	Aug	57.0	--	57.2	--
9/3	ISM Services Employment	Aug	49.0	--	47.4	--
9/4	Change in Nonfarm Payrolls	Aug	55k	--	-23k	--
9/4	Two-Month Payroll Net Revision	Aug	--	--	-103k	--
9/4	Change in Private Payrolls	Aug	50k	--	30k	--
9/4	Change in Manufact. Payrolls	Aug	5k	--	5k	--
9/4	Average Hourly Earnings YoY	Aug	3.0%	--	3.2%	--
9/4	Unemployment Rate	Aug	4.1%	--	4.1%	--
9/4	Labor Force Participation Rate	Aug		--	61.4%	--
9/4	Underemployment Rate	Aug	--	--	7.9%	--

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	11.5	12.4	14.5	16.5	17.8	19.2
FH/FN 15y	9.2	11.1	15.9	18.4		27.1
G2 15y	8.9	10.7	12.1	13.3	14.8	16.3
FH/FN 20y	7.9	9.1	10.8	13.1	17.6	18.1
FH/FN 30y	6.5	7.4	8.1	9.4	11.5	14.0
G2 30y	7.4	8.2	9.5	10.2	12.4	16.6

Other Markets

Index	Current	1Wk Chng	Historical 1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	159.64	0.69	163.94	156.92	146.93
Euro	1.16	(0.00)	1.14	1.17	1.17
Dollar Index	99.23	0.43	101.42	97.61	97.81
Major Stock Indices					
Dow Jones	53,687	410	52,747	48,978	45,637
S&P 500	7,744.1	69.8	7,428.8	6,878.9	6,501.9
NASDAQ	26,547.1	367	24,876.9	22,668.2	21,705.2
Commodities					
Gold	4,626.2	2.1	4,038.7	5,247.9	3,445.8
Crude Oil	82.65	(4.41)	79.26	67.02	64.60
Natural Gas	2.89	0.12	2.66	2.86	2.94
Wheat	758.0	76.5	662.5	591.3	510.3
Corn	514.0	30.3	458.5	438.8	385.5

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

Source for the aforementioned indices, rates, descriptions, & economic indicators: Bloomberg, LP. This report was printed as of: 08/28/2026 9:14AM

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