Baker Market Update—*Week in Review*

September 18, 2026

UPCOMING EVENTS

Banks

Webinars:

Q4 Investment Strategies
Oct 7, 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 this one closes the books on a week we have not seen in over three years. On Wednesday the FOMC raised the target range for fed funds a quarter point to 3.75%–4.00%. It is the first increase since July 2023, and the vote was unanimous, 12–0. Every community financial institution's budgeting and planning assumption was that rates were headed lower in 2026. Instead, we get a 25 basis point hike with headline CPI at 3.4%, crude near triple digits, and a Chairman who doesn't want to tell you what comes next.

The quarter point hike was priced in and expected. The Summary of Economic Projections and the Dot Plot was a big question mark. The median fed funds projection jumped to 4.1% for both 2026 and 2027, from 3.8% and 3.6% in June, with 2028 at 3.9% and the longer run at 3.2%. The Committee marked GDP growth up to 2.3% and the unemployment rate down to 4.1%, and nudged 2026 PCE inflation to 3.7% with core at 3.4%.

The press conference was the shortest on record, and the Chairman spent most of his time explaining what he would not do. He framed the move as having "removed a dose of accommodation" rather than as the start of a campaign, and stated that "the plain fact is that inflation is too high and has been too high for too long." On where policy stands today, he offered that he "would be hard-pressed to describe broad financial conditions as restrictive." On what comes next: "I'm not in the forward guidance business."

On Wednesday morning, August retail sales rose 1.2% month-over-month, well above the 0.7% expected and a solid rebound from July's revised 0.5% decline. Before we credit the consumer too generously, gasoline stations did some of the lifting as pump prices climbed, though excluding gas stations sales still rose 1.1%. The average gallon of regular is now near $4.37.

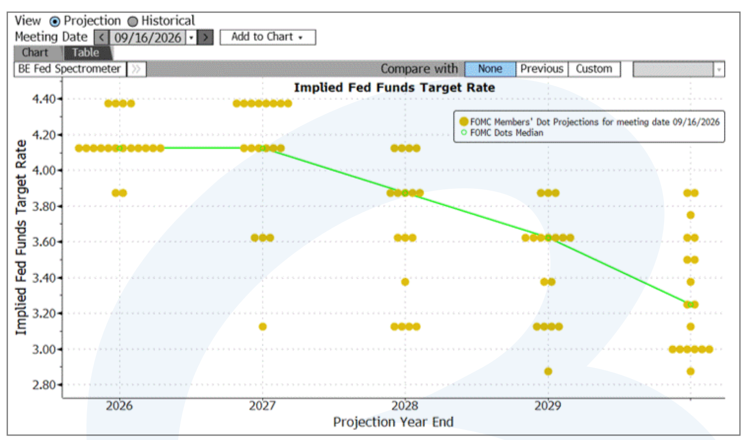
Yesterday, the number of people applying for unemployment benefits dropped sharply, another sign that layoffs remain rare and we continue to be in a "low hire, low fire" labor market. The Labor Department reported Thursday that jobless claims slid to 196,000, the fewest since mid-July and down from 206,000 the week before. Expectations were for 207,500. The four-week average of claims, which smooths out week-to-week volatility, dropped to 203,250.

Stocks are down in early morning trading, with the 10-year Treasury near 5% and crude oil remaining over $100 per barrel.

Next week is a light week of economic data releases. On Thursday, we will get New Home Sales as well as the weekly jobless claims data. On Friday, we will receive the University of Michigan Consumer Survey.

Have a great weekend everyone!

September 2026 FOMC Dot Plot



Source: Bloomberg

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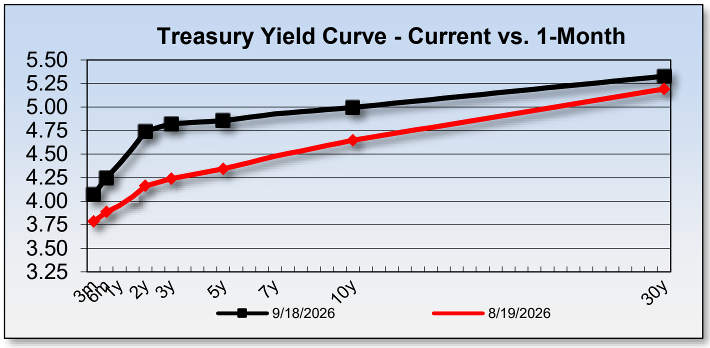

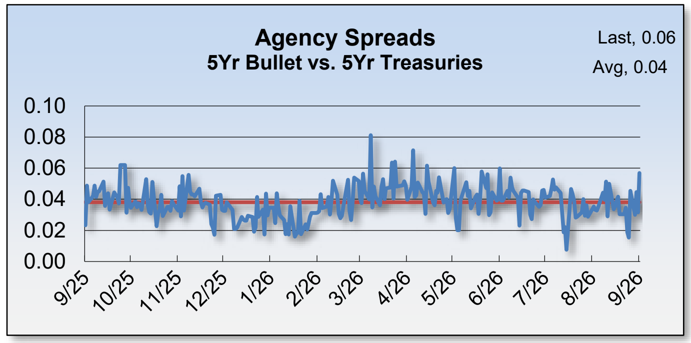

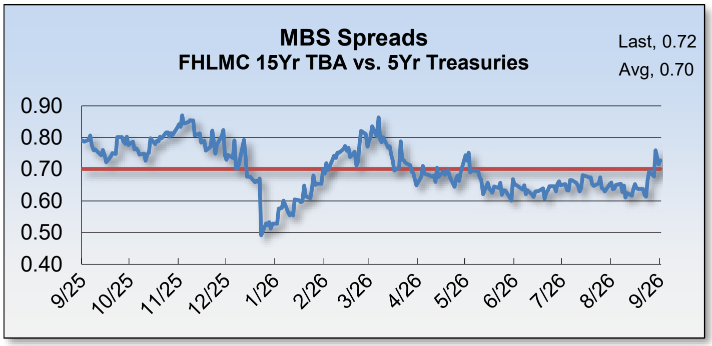

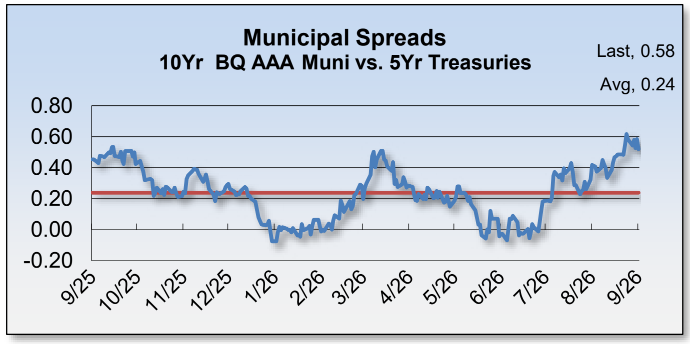

Treasury Market -- Historical

Maty	Current	1Wk Change	Historical 1 Mo	6 Mo	1 Yr
3mo	4.07	0.06	3.78	3.70	3.98
6mo	4.25	0.10	3.88	3.71	3.84
1yr	4.40	0.07	3.98	3.69	3.60
2yr	4.74	0.12	4.17	3.78	3.56
3yr	4.82	0.11	4.25	3.78	3.60
5yr	4.86	0.07	4.37	3.88	3.66
7yr	4.93	0.06	4.52	4.06	3.85
10yr	5.00	0.03	4.71	4.27	4.11
30yr	5.33	(0.03)	5.28	4.88	4.73

** Interpolated*

Fixed Rate Market

Maty /AL	N-Call Agency	US Swap	AAA BQ Muni C-Corp[2]	S-Corp[3]	Tax Muni
2yr	4.74	4.63	4.12	4.38	4.75
3yr	4.82	4.63	4.24	4.51	4.85
5yr	4.86	4.59	4.48	4.77	4.93
7yr	4.93	4.59	4.72	5.02	5.06
10yr	5.00	4.62	5.21	5.54	5.23
15yr	5.07	4.70	5.95	6.33	5.45
20yr	5.14	4.74	6.37	6.78	5.88
25yr	5.21	4.71	6.59	7.02	5.95
30yr		4.66	6.82	7.26	6.01

Agency Calls - Euro

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

October TBA MBS

Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
3.50	6.14	4.2y	5.81	
4.00	5.61	5.5y		
4.50	5.52	5.3y	5.88	9.8y
5.00	5.52	5.2y	5.96	9.1y
5.50			6.04	8.2y
6.00			6.08	7.8y

Key Market Indices

Index	Current	1Wk Change	Historical 1 Mo	6 Mo	1 Yr
Fed Funds	**4.00**	**0.25**	3.75	3.75	4.25
Primary Discount	**4.00**	**0.25**	3.75	3.75	4.50
2ndary Discount	**4.50**	**0.25**	4.25	4.25	5.00
Prime Rate	**7.00**	0.25	6.75	6.75	7.25
Sec. O.N. Finance	**3.85**	0.23	3.66	3.65	--
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	**4.39**	0.16	3.99	3.76	3.97
1 Year CMT	**4.40**	0.12	4.00	3.63	3.60
REPO O/N	**3.71**	--	3.70	3.70	4.44
REPO 1Wk	**3.90**	0.20	3.67	3.67	4.16
CoF Federal	**3.567**	--	3.534	3.455	3.685
11th D. CoF (Jul)	**2.805**	--	2.766	2.736	2.965

FHLB Fixed Advance Rates

Maturity	Chicago	Boston	Topeka
3mo	4.21	- -	4.26
6mo	4.38	- -	4.40
1yr	4.61	- -	4.67
2yr	4.82	- -	4.93
3yr	4.89	- -	5.00
4yr	4.94	- -	5.05
5yr	4.94	- -	5.04
7yr	5.08	- -	5.18
10yr	5.20	- -	5.29
5yr Am	4.95		5.04
10yr Am	5.13		5.20

Fed Fund Futures

Maturity	Rate
Sep-26	3.748
Oct-26	3.900
Nov-26	4.030
Dec-26	4.165
Jan-27	4.230
Feb-27	4.315
Mar-27	4.395
Apr-27	4.485
May-27	4.560
Jun-27	4.615
Jul-27	4.640

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Weekly Economic Calendar

This Week & Next

Date	Release	Per.	Est.	Actual	Prior	Revised
9/15	ADP Weekly Employment Change	8/29	--	16.250k	~~12.000k~~	12.250k
9/15	Empire Manufacturing	Sep	15.0	7.6	20.6	--
9/15	6W High Yield Rate	9/15	--	3.9%	3.7%	--
9/15	6W Bid/Cover Ratio	9/15	--	3.2	2.9	--
9/15	6W Direct Accepted %	9/15	--	3.1%	3.8%	--
9/15	6W Indirect Accepted %	9/15	--	68.8%	63.0%	--
9/15	20Y High Yield Rate	9/15	--	5.4%	5.2%	--
9/15	20Y Bid/Cover Ratio	9/15	--	2.6	2.5	--
9/15	20Y Direct Accepted %	9/15	--	30.7%	24.6%	--
9/15	20Y Indirect Accepted %	9/15	--	52.5%	62.9%	--
9/16	MBA Mortgage Applications	9/11	--	-4.1%	-2.7%	--
9/16	New York Fed Services Business Activit	Sep	-2.2	-8.7	0.5	--
9/16	Retail Sales Ex Auto and Gas	Aug	0.4%	1.2%	~~-0.2%~~	-0.3%
9/16	Retail Sales Control Group	Aug	0.5%	1.4%	-0.4%	--
9/16	Import Price Index YoY	Aug	6.6%	7.0%	~~5.9%~~	6.1%
9/16	Export Price Index YoY	Aug	8.9%	8.6%	~~8.2%~~	8.1%
9/16	Business Inventories	Jul	0.8%	0.8%	~~0.0%~~	0.1%
9/16	4M High Yield Rate	9/16	--	4.0%	3.9%	--
9/16	4M Bid/Cover Ratio	9/16	--	2.7	2.7	--
9/16	4M Indirect Accepted %	9/16	--	52.4%	43.7%	--
9/16	4M Direct Accepted %	9/16	--	5.3%	8.2%	--
9/16	FOMC Rate Decision (Upper Bound)	9/16	4.00%	4.00%	3.75%	--
9/16	FOMC Rate Decision (Lower Bound)	9/16	3.75%	3.75%	3.50%	--
9/16	Fed Interest on Reserve Balances Rate	9/17	3.90%	3.90%	3.65%	--
9/16	Fed Reverse Repo Rate	9/17	3.75%	3.75%	3.50%	--
9/16	FOMC Median Rate Forecast: Current Y	9/16	4.13%	4.13%	3.75%	--
9/16	FOMC Median Rate Forecast: Next Yr	9/16	3.88%	4.13%	3.63%	--
9/16	FOMC Median Rate Forecast: +2 Yrs	9/16	3.63%	3.88%	3.38%	--
9/16	FOMC Median Rate Forecast: +3 Yrs	9/16	3.38%	3.63%	--	--
9/16	FOMC Median Rate Forecast: Long-Rur	9/16	3.13%	3.25%	3.06%	--
9/16	Total Net TIC Flows	Jul	--	$83.7b	~~$133.5b~~	$135.5b
9/16	Net Long-term TIC Flows	Jul	--	-$27.9b	~~$172.7b~~	$174.4b
9/17	Philadelphia Fed Business Outlook	Sep	32.1	37.8	47.4	--
9/17	Initial Jobless Claims	9/12	207k	196k	206k	--
9/17	Initial Claims 4-Wk Moving Avg	9/12	--	203.25k	206.00k	--
9/17	Continuing Claims	9/5	1779k	1730k	~~1774k~~	1769k
9/17	Housing Starts	Aug	1320k	1275k	~~1239k~~	1309k
9/17	Building Permits	Aug P	1408k	1394k	1433k	--
9/17	Pending Home Sales NSA YoY	Aug	-3.9%	-4.9%	~~-2.5%~~	-2.9%
9/17	8W Indirect Accepted %	9/17	--	62.4%	66.3%	--
9/17	8W Direct Accepted %	9/17	--	4.8%	6.0%	--
9/17	8W Bid/Cover Ratio	9/17	--	2.94	2.82	--
9/17	8W High Yield Rate	9/17	--	3.9%	3.8%	--
9/17	10Y Tips Bid/Cover Ratio	9/17	--	2.2	2.3	--
9/18	Capacity Utilization	Aug	76.4%	76.3%	76.3%	--
9/18	Leading Index	Aug		-0.1%	0.2%	--
9/21	Chicago Fed Nat Activity Index	Aug	-0.1	--	-0.1	--

MBS Prepayments[4]

	3-Month CPR					
Type	3.5	4.0	4.5	5.0	5.5	6.0
FN 10y	15.7	12.9	15.4	20.8	24.8	26.9
FH/FN 15y	10.2	9.4	13.2	12.0	11.6	17.9
G2 15y	12.8	12.2	10.9	14.5	20.4	26.0
FH/FN 20y	9.2	10.0	10.3	14.0	19.5	26.4
FH/FN 30y	7.6	5.7	5.9	9.3	9.1	10.8
G2 30y	1.1	1.4	7.3	7.3	10.2	2.5

	CPR Projections					
Type	3.5	4.0	4.5	5.0	5.5	6.0
FN 10y	10.5	11.2	12.9	14.9	16.3	17.1
FH/FN 15y	8.7	10.4	14.9	16.1		21.9
G2 15y	8.2	9.4	11.2	11.8	13.0	14.5
FH/FN 20y	7.4	8.4	9.8	11.7	16.0	17.1
FH/FN 30y	6.2	6.7	7.2	8.1	10.2	10.8
G2 30y	6.8	7.6	8.5	9.2	10.5	12.2

Other Markets

		1Wk	Historical		
Index	Current	Chng	1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	157.16	3.55	159.61	159.86	148.00
Euro	1.15	(0.01)	1.16	1.15	1.18
Dollar Index	100.42	1.30	99.66	100.09	97.35
Major Stock Indices					
Dow Jones	51,555	(1,019)	53,343	46,225	46,142
S&P 500	7,628.0	(29.0)	7,691.8	6,624.7	6,632.0
NASDAQ	26,431.8	99	26,289.7	22,152.4	22,470.7
Commodities					
Gold	4,363.9	(10.9)	4,366.0	4,896.2	3,648.7
Crude Oil	102.18	2.13	84.94	96.32	63.57
Natural Gas	2.94	0.11	2.78	3.07	2.94
Wheat	713.0	6.0	664.5	604.3	524.3
Corn	526.3	16.0	463.3	463.3	423.8

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: 09/18/2026 10:50AM

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