

Baker Market Update — Week in Review

October 2, 2026



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UPCOMING EVENTS

Banks

Webinars:

Q4 Investment

Strategies

Oct 7, 2026

Virtual ALM

Education Series

Oct 6, 8, 13, & 20 2026

Seminars:

OK Seminar

Oct 14-16, 2026

MN Seminar

Dec 3, 2026

Schools:

Bond School

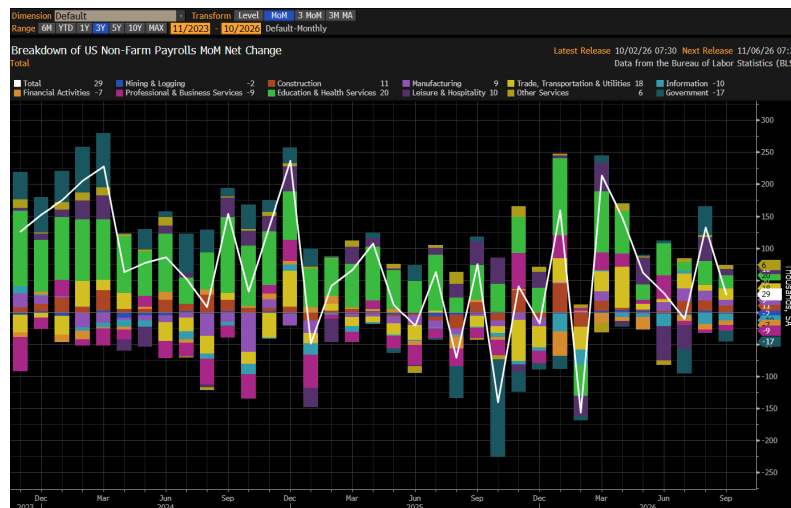
Nov 5-6, 2026

Treasury yields are lower this morning after September hiring fell well short of expectations and the prior two months were revised down. Employers added just 29k jobs in September (est = 90k), and revisions took another 60k off July and August. Health care and social assistance have added 520k jobs over the past twelve months, more than the 496k added by the economy as a whole, which means every other sector combined has shed jobs over the past year. The unemployment rate did move higher, but mostly due to people returning to the labor force. Add the slowest annual wage growth in more than five years, and the case for a second straight rate hike on October 28 looks considerably weaker. In fact, markets are now pricing in only a 20% chance of a rate hike later this month, down from 65% on Monday of this week.

July's originally reported gain is now a 10k loss and August was cut to 133k, which drops the three-month average to 51k from 71k. Private payrolls rose 46k (est = 81k). Health care, construction, and leisure and hospitality led the gains, while government, information, and professional services shed jobs. The household survey was stronger, showing employment up 406k. The unemployment rate rose to 4.2% (est = 4.1%) as the participation rate, the share of working-age adults either working or looking for work, climbed to 61.8% (est = 61.6%). Setting aside the 2020 reopening, the 0.4 point gain over the past two months is the largest since 1993. Wage growth cooled, with average hourly earnings up 0.1% for the month (est = 0.3%) and 3.0% from a year ago (est = 3.1%), the slowest annual pace since May 2021.

The rest of the week painted a mixed picture. Job openings slipped to 7.08mm in August (est = 7.23mm) while layoffs stayed low, which fits a labor market cooling through slower hiring rather than firings. Initial jobless claims held at 197k (est = 200k), but consumer confidence fell sharply to 81.9 (est = 89.0). Growth held up better as second quarter GDP was revised up to 2.2% (est = 1.5%), and August consumer spending rose 0.9%. ISM Manufacturing stayed in expansion at 54.5, but its prices paid index jumped to 77.9 (est = 73.0). The PCE price index, currently the Fed's preferred inflation gauge, rose 0.3% in August (est = 0.3%), and core PCE rose 0.2% (est = 0.3%), slightly better than expected. From a year ago, headline PCE was up 3.4% and core was up 3.0%, both unchanged from July.

Bond yields fell sharply on the release but have since given back much of that move. As of the time



of this writing, the 2yr yield was down about 1bp to 4.78% and the 10yr was down about 3bp to 5.21%. Attention now turns to September CPI on October 14 and PPI on October 15, the last inflation data the Fed will see before its October 28th meeting. With input prices rising sharply, those reports will go a long way toward deciding whether a softening labor market is enough to keep the Fed on hold. Hope everyone has a great weekend!



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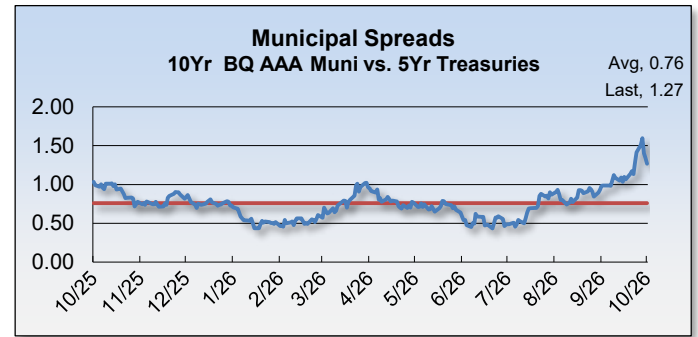
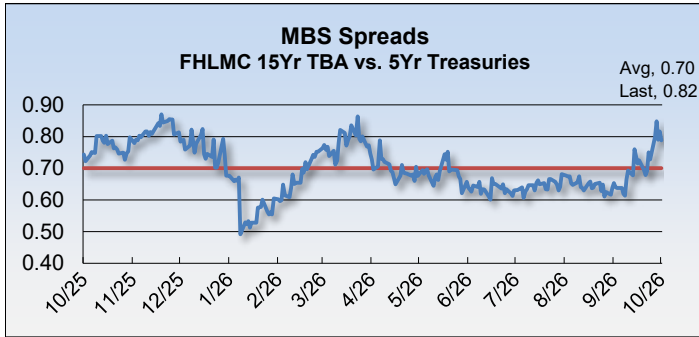
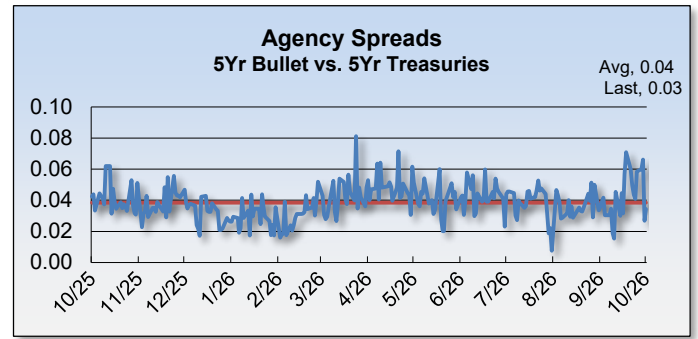
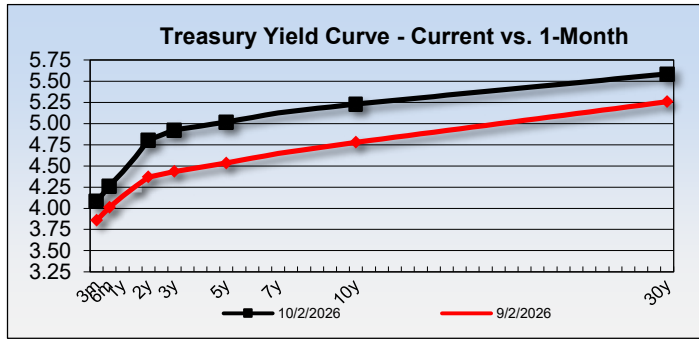
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Treasury Market -- Historical						Fixed Rate Market											
Maty	Current	1Wk Change	Historical			Maty /AL	N-Call Agency	US Swap	AAA BQ Muni		Tax Muni		Agency Calls - Euro				
			1 Mo	6 Mo	1 Yr				C-Corp ²	S-Corp ³			Mty	3Mo	6mo	1Yr	2Yr
3mo	4.08	(0.09)	3.86	3.70	3.95	2yr	4.83	4.64	4.82	5.13	4.84	2Yr					
6mo	4.27	(0.09)	4.02	3.70	3.81	3yr	4.95	4.68	4.89	5.20	4.99	3Yr					
1yr	4.43	(0.03)	4.15	3.66	3.62	5yr	5.18	4.70	5.07	5.39	5.14	5Yr					
2yr	4.81	(0.05)	4.37	3.80	3.54	7yr	5.38	4.74	5.28	5.62	5.31	7Yr					
3yr	4.92	(0.01)	4.44	3.83	3.58	10yr	5.41	4.81	5.66	6.02	5.51	10Yr					
5yr	5.02	0.03	4.53	3.95	3.67	15yr	5.44	4.93	6.34	6.75	5.73		November TBA MBS				
7yr	5.13	0.05	4.65	4.13	3.86	20yr	5.47	4.98	6.75	7.18	6.18	Cpn	15Yr -Yld/AL		30Yr -Yld/AL		
10yr	5.23	0.07	4.78	4.31	4.08	25yr	5.50	4.96	6.97	7.41	6.25	4.00	5.82	5.6y	6.18		
30yr	5.59	0.09	5.26	4.88	4.69	30yr		4.91	7.18	7.64	6.31	4.50	5.72	5.3y			
* Interpolated													5.00	5.69	5.2y	6.18	9.5y
													5.50	5.71	4.6y	6.28	8.6y
													6.00			6.30	8.2y
													6.50			6.30	6.9y
Key Market Indices																	
		1Wk	Historical														

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	4.00	--	3.75	3.75	4.25
Primary Discount	4.00	--	3.75	3.75	4.25
2ndary Discount	4.50	--	4.25	4.25	4.75
Prime Rate	7.00	--	6.75	6.75	7.25
Sec. O.N. Finance	3.87	(0.01)	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	4.43	(0.01)	4.13	3.82	3.89
1 Year CMT	4.44	(0.07)	4.18	3.68	3.62
REPO O/N	3.90	(0.04)	3.71	3.75	4.24
REPO 1Wk	3.94	(0.01)	3.66	3.70	4.15
CoF Federal	3.567	--	3.534	3.455	3.685
11th D. CoF (Aug)	2.838	--	2.805	2.726	2.956

FHLB Fixed Advance Rates				Fed Fund Futures	
Maturity	Chicago	Boston	Topeka	Maturity	Rate
3mo	4.25	--	4.27	Oct-26	3.880
6mo	4.37	--	4.39	Nov-26	3.925
1yr	4.59	--	4.62	Dec-26	4.065
2yr	4.87	--	4.95	Jan-27	4.130
3yr	4.99	--	5.06	Feb-27	4.210
4yr	5.06	--	5.14	Mar-27	4.290
5yr	5.10	--	5.17	Apr-27	4.380
7yr	5.32	--	5.39	May-27	4.470
10yr	5.47	--	5.53	Jun-27	4.545
5yr Am	5.06	--	5.12	Jul-27	4.585
10yr Am	5.34	--	5.37	Aug-27	4.625



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Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
9/29	S&P Cotality CS 20-City YoY NSA	Jul	2.20%	2.47%	2.40%	2.15%
9/29	S&P Cotality CS US HPI YoY NSA	Jul	1.65%	1.93%	1.52%	1.61%
9/29	Conf. Board Expectations	Sep	68.5	63.6	68.2	69.5
9/29	JOLTS Job Openings	Aug	7228k	7079k	7271k	7335k
9/29	JOLTS Job Openings Rate	Aug	4.4%	4.3%	4.4%	--
9/29	JOLTS Quits Level	Aug	3109k	3066k	3056k	3089k
9/29	JOLTS Quits Rate	Aug	1.9%	1.9%	1.9%	--
9/29	JOLTS Layoffs Level	Aug	1650k	1641k	1666k	1702k
9/29	JOLTS Layoffs Rate	Aug	1.0%	1.0%	1.0%	1.1%
9/30	MBA Mortgage Applications	9/25	--	-6.0%	-1.5%	--
9/30	ADP Employment Change	Sep	75k	90k	38k	36k
9/30	Real Personal Spending	Aug	0.5%	0.6%	0.0%	0.1%
9/30	PCE Price Index MoM	Aug	0.3%	0.3%	0.2%	0.1%
9/30	PCE Price Index YoY	Aug	3.7%	3.4%	3.7%	3.4%
9/30	Core PCE Price Index MoM	Aug	0.3%	0.2%	0.2%	0.1%
9/30	Core PCE Price Index YoY	Aug	3.3%	3.0%	3.3%	3.0%
9/30	GDP Annualized QoQ	2Q T	1.5%	2.2%	1.5%	--
9/30	GDP Price Index	2Q T	6.4%	6.1%	6.4%	--
9/30	Core PCE Price Index QoQ	2Q T	3.6%	3.3%	3.6%	--
9/30	MNI Chicago PMI	Sep	51.0	58.8	47.1	--
10/1	Challenger Job Cuts YoY	Sep	-20.0%	-19.9%	-38.5%	--
10/1	Challenger Job Cuts Total	Sep	--	43281	52881	--
10/1	Initial Jobless Claims	9/26	200k	197k	497k	198k
10/1	Initial Claims 4-Wk Moving Avg	9/26	--	200.00k	202.25k	202.50k
10/1	Continuing Claims	9/19	1725k	1701k	1719k	1712k
10/1	S&P Global US Manufacturing PMI	Sep F	57.0	55.9	57.0	--
10/1	ISM Manufacturing	Sep	55.0	54.5	54.6	--
10/1	ISM Prices Paid	Sep	73.0	77.9	71.1	--
10/1	ISM New Orders	Sep	54.7	55.3	53.7	--
10/1	ISM Employment	Sep	52.0	52.7	51.2	--
10/2	Change in Nonfarm Payrolls	Sep	90k	29k	462k	133k
10/2	Two-Month Payroll Net Revision	Sep	--	-60k	55k	--
10/2	Change in Private Payrolls	Sep	81k	46k	427k	89k
10/2	Change in Manufact. Payrolls	Sep	10k	9k	46k	15k
10/2	Nonfarm Payrolls 3-Mo Avg Chg	Sep	--	51k	74k	51k
10/2	Average Hourly Earnings MoM	Sep	0.3%	0.1%	0.3%	--
10/2	Average Hourly Earnings YoY	Sep	3.1%	3.0%	3.1%	--
10/2	Average Weekly Hours All Employees	Sep	34.3	34.4	34.4	--
10/2	Unemployment Rate	Sep	4.1%	4.2%	4.1%	--
10/2	Labor Force Participation Rate	Sep	61.6%	61.8%	61.6%	--
10/2	Underemployment Rate	Sep	7.7%	7.6%	7.7%	--
10/2	Factory Orders Ex Trans	Aug	0.6%	0.3%	0.6%	0.7%
10/2	Durables Ex Transportation	Aug F	0.3%	0.2%	0.3%	--
10/2	Cap Goods Ship Nondef Ex Air	Aug F	--	0.5%	0.6%	--
10/5	S&P Global US Services PMI	Sep F	58.7	--	58.7	--
10/5	S&P Global US Composite PMI	Sep F	--	--	58.4	--
10/5	ISM Services Index	Sep	55.2	--	55.4	--

MBS Prepayments ⁴						
3-Month CPR						
Type	4.0	4.5	5.0	5.5	6.0	6.5
FN 10y	12.9	15.4	20.8	24.8	26.9	22.1
FH/FN 15y	9.4	13.2	12.0	11.6	17.9	54.5
G2 15y	12.2	10.9	14.5	20.4	26.0	0.9
FH/FN 20y	10.0	10.3	14.0	19.5	26.4	23.5
FH/FN 30y	5.7	5.9	9.3	9.1	10.8	17.2
G2 30y	1.4	7.3	7.3	10.2	2.5	3.9
CPR Projections						
Type	4.0	4.5	5.0	5.5	6.0	6.5
FN 10y	10.5	12.2	14.3	15.9	16.6	17.1
FH/FN 15y	10.0	14.2	15.5	16.5		16.5
G2 15y	9.0	10.7	11.2	12.3	14.1	16.2
FH/FN 20y	8.0	9.2	11.2	15.5	16.2	17.3
FH/FN 30y	6.4	6.8	7.6	9.7	10.2	11.4
G2 30y	7.1	7.8	8.8	9.5	11.1	13.2

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	157.46	0.18	159.89	159.68	146.64
Euro	1.13	(0.01)	1.16	1.15	1.18
Dollar Index	101.69	0.72	99.60	100.03	97.85
Major Stock Indices					
Dow Jones	51,243	(586)	53,062	46,505	46,520
S&P 500	7,750.4	7.0	7,666.6	6,582.7	6,715.4
NASDAQ	27,333.9	265	26,217.8	21,879.2	22,844.1
Commodities					
Gold	4,182.4	(105.4)	4,380.7	4,651.5	3,839.7
Crude Oil	88.74	(3.67)	91.01	111.54	60.48
Natural Gas	3.01	(0.18)	2.96	2.80	3.44
Wheat	686.5	-16.8	754.8	598.3	514.8
Corn	500.8	-27.5	518.8	452.3	421.8

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

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