

Baker Market Update — Week in Review

October 16, 2026



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We are only three weeks into the fourth and final quarter of 2026, and exactly one month has passed since the Federal Reserve unanimously voted to raise the target range for the federal funds rate by 25bps to 3.75%-4.00%, in an effort to bring recent inflationary pressures back toward the Fed's 2% target. Against the backdrop of a monetary policy shift from accommodative to restrictive, and with a busy slate of economic and market events this week, the third week of the quarter was anything but uneventful.

On Wednesday the 14th, the Consumer Price Index (CPI) gave us a closer look at how consumer prices changed in September. Both headline and core CPI (which strips out food and energy) came in either in line with or above expectations on a monthly and yearly basis. The biggest surprise was core CPI, which rose 2.6% year over year, 0.1 percentage point above analyst expectations and 0.2 percentage points above the prior reading.

On the same day as the CPI reports, the Federal Reserve System released commentary regarding current economic conditions in each of the 12 Federal Reserve districts. This report is commonly referred to as the Beige Book. Although much of the material in the report is anecdotal, the most recent report gives good insight into how prices and rates have impacted consumer demand and financial welfare. Contacts across several Districts described lower income households trading down, delaying purchases, and leaning on credit to make ends meet. One San Francisco contact noted that these pressures are now starting to spread into middle-income families as well. The report also mentions that rates have yet to cause a broad pullback in borrowing, but they continue to weigh on housing and auto demand and, along with geopolitical and inflation concerns, have left bankers in several Districts noticeably more cautious.

Treasuries rallied this week as markets grew more cautious about the economic outlook. With higher costs and interest rates raising questions about consumer demand and the Fed's next steps, the 10-year yield declined from 5.25% to 5.10% over the holiday-shortened week. Equity markets felt the same pressure, with broad declines across U.S. and global indices.

Despite both rising price levels and interest rates, retail sales managed to tick up in the month of September. Retail sales on a month-over-month basis beat consensus estimates by 0.5 percentage points, increasing by 0.8% during the month of September.

Have a good weekend everyone!



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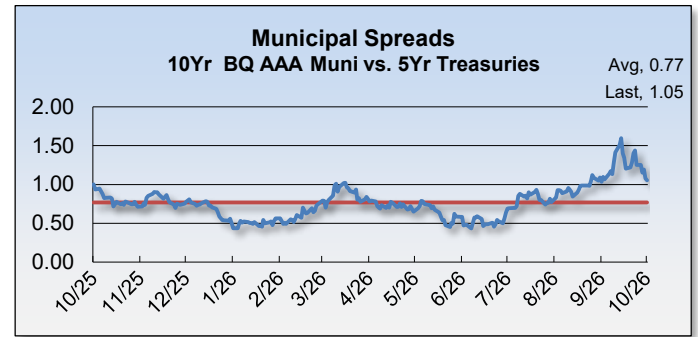
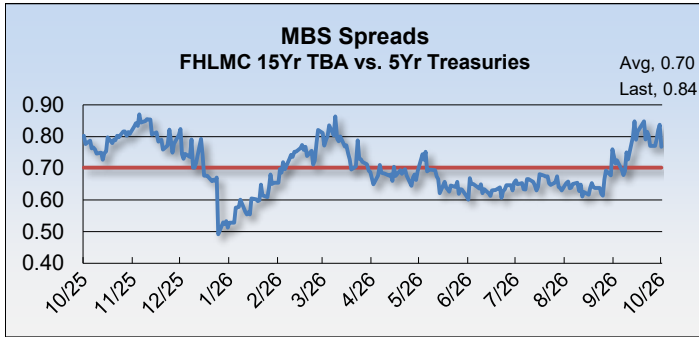
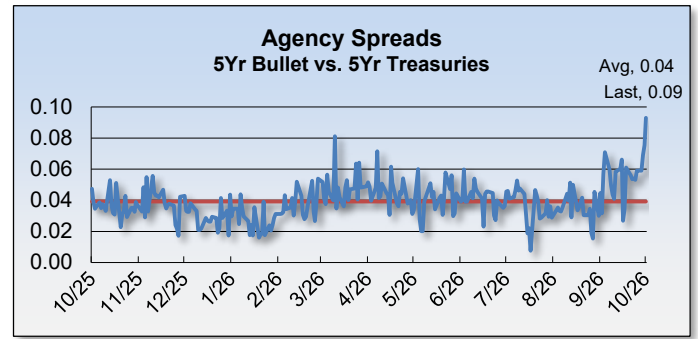
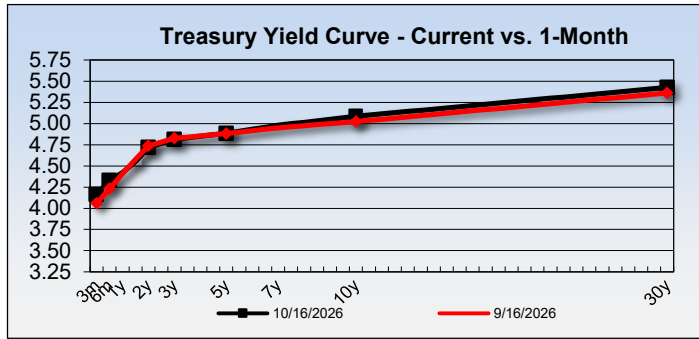
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Treasury Market -- Historical						Fixed Rate Market											
Maty	Current	1Wk Change	Historical			Maty /AL	N-Call Agency	US Swap	AAA BQ Muni		Tax Muni		Agency Calls - Euro				
			1 Mo	6 Mo	1 Yr				C-Corp ²	S-Corp ³		Mty	3Mo	6mo	1Yr	2Yr	
3mo	4.16	0.01	4.07	3.70	3.94	2yr	4.76	4.61	4.30	4.57	4.81	2Yr					
6mo	4.33	0.01	4.24	3.69	3.79	3yr	4.85	4.63	4.37	4.65	4.92	3Yr					
1yr	4.42	(0.02)	4.42	3.69	3.55	5yr	4.95	4.63	4.62	4.92	5.02	5Yr					
2yr	4.72	(0.07)	4.74	3.78	3.43	7yr	5.06	4.66	4.87	5.19	5.17	7Yr					
3yr	4.81	(0.11)	4.83	3.80	3.47	10yr	5.25	4.72	5.25	5.59	5.36	10Yr					
5yr	4.88	(0.13)	4.88	3.92	3.55	15yr	5.45	4.85	6.03	6.42	5.58		November TBA MBS				
7yr	4.98	(0.15)	4.95	4.11	3.74	20yr	5.64	4.89	6.54	6.96	6.00	Cpn	15Yr -Yld/AL		30Yr -Yld/AL		
10yr	5.09	(0.15)	5.02	4.31	3.98	25yr	5.84	4.87	6.73	7.17	6.07	4.00	5.69	5.5y	6.04		
30yr	5.43	(0.17)	5.36	4.93	4.58	30yr		4.82	6.93	7.38	6.13	4.50	5.61	5.3y			
* Interpolated													5.00	5.59	5.2y	6.05	9.4y
													5.50	5.61	4.6y	6.12	8.5y
													6.00			6.16	8.3y
													6.50			6.19	6.7y
Key Market Indices																	
		1Wk	Historical														

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	4.00	--	4.00	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	3.89	0.02	3.64	3.72	--
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	4.42	0.04	4.31	3.79	3.82
1 Year CMT	4.49	0.05	4.39	3.70	3.61
REPO O/N	3.90	--	3.71	3.67	4.22
REPO 1Wk	3.91	0.02	3.86	3.67	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	4.32	--	4.38	Oct-26	3.885
6mo	4.46	--	4.50	Nov-26	3.915
1yr	4.64	--	4.72	Dec-26	4.070
2yr	4.87	--	4.97	Jan-27	4.140
3yr	4.96	--	5.05	Feb-27	4.230
4yr	5.02	--	5.10	Mar-27	4.305
5yr	5.06	--	5.11	Apr-27	4.400
7yr	5.27	--	5.30	May-27	4.480
10yr	5.40	--	5.42	Jun-27	4.545
5yr Am	5.02	--	5.09	Jul-27	4.575
10yr Am	5.28	--	5.30	Aug-27	4.600



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Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
10/13	NFIB Small Business Optimism	Sep	98.2	97.9	98.7	--
10/13	ADP Weekly Employment Change	9/26	--	24.750k	23.750k	25.250k
10/13	Existing Home Sales MoM	Sep	-0.8%	1.5%	-2.0%	-3.2%
10/14	MBA Mortgage Applications	10/9	--	-2.7%	-4.2%	--
10/14	CPI MoM	Sep	0.6%	0.6%	0.4%	--
10/14	Core CPI MoM	Sep	0.2%	0.3%	0.3%	--
10/14	CPI YoY	Sep	3.6%	3.7%	3.4%	--
10/14	Core CPI YoY	Sep	2.5%	2.6%	2.4%	--
10/14	CPI Index NSA	Sep	336.63	336.94	334.98	--
10/14	Core CPI Index SA	Sep	338.51	338.90	337.77	--
10/14	Real Avg Weekly Earnings YoY	Sep	--	-0.1%	0.3%	0.4%
10/14	Real Avg Hourly Earning YoY	Sep	--	-0.7%	-0.3%	--
10/15	Retail Sales Advance MoM	Sep	0.3%	0.8%	1.2%	1.3%
10/15	Retail Sales Ex Auto MoM	Sep	0.5%	0.9%	1.4%	1.4%
10/15	Retail Sales Ex Auto and Gas	Sep	0.2%	0.2%	1.2%	1.1%
10/15	Retail Sales Control Group	Sep	0.3%	0.1%	1.4%	1.2%
10/15	Empire Manufacturing	Oct	12.0	25.5	7.6	--
10/15	Philadelphia Fed Business Outlook	Oct	28.0	20.9	37.8	--
10/15	Initial Jobless Claims	10/10	200k	199k	197k	198k
10/15	Continuing Claims	10/3	1709k	1710k	1716k	1714k
10/15	PPI Final Demand MoM	Sep	0.6%	1.3%	0.4%	0.5%
10/15	PPI Ex Food and Energy MoM	Sep	0.3%	0.7%	0.2%	--
10/15	PPI Ex Food, Energy, Trade MoM	Sep	0.3%	0.5%	0.3%	--
10/15	PPI Final Demand YoY	Sep	5.4%	6.3%	5.4%	5.6%
10/15	PPI Ex Food and Energy YoY	Sep	4.4%	5.0%	4.6%	4.8%
10/15	PPI Ex Food, Energy, Trade YoY	Sep	4.7%	5.0%	4.7%	4.8%
10/16	New York Fed Services Business Activity	Oct	-4.1	-20.7	-8.7	--
10/16	Import Price Index MoM	Sep	1.0%	1.1%	0.7%	0.5%
10/16	Import Price Index ex Petroleum MoM	Sep	0.6%	0.8%	0.8%	0.5%
10/16	Import Price Index YoY	Sep	8.2%	8.1%	7.0%	6.7%
10/16	Export Price Index MoM	Sep	0.9%	2.2%	0.6%	1.2%
10/16	Export Price Index YoY	Sep	9.6%	11.6%	8.6%	9.3%
10/16	Industrial Production MoM	Sep	0.4%	0.7%	0.0%	0.1%
10/16	Manufacturing Production MoM	Sep	0.3%	0.3%	-0.3%	-0.2%
10/16	Capacity Utilization	Sep	76.5%	76.9%	76.3%	76.4%
10/16	Net Long-term TIC Flows	Aug	--	--	-\$27.9b	--
10/19	NAHB Housing Market Index	Oct	31	--	32	--
10/20	Housing Starts MoM	Sep	2.3%	--	-2.6%	--
10/20	Building Permits MoM	Sep P	-1.7%	--	-2.1%	--
10/20	Pending Home Sales MoM	Sep	0.0%	--	0.3%	--
10/20	Pending Home Sales NSA YoY	Sep	--	--	-4.9%	--
10/23	S&P Global US Manufacturing PMI	Oct P	55.5	--	55.9	--
10/23	S&P Global US Services PMI	Oct P	57.9	--	58.8	--
10/23	S&P Global US Composite PMI	Oct P	--	--	58.4	--
10/23	U. of Mich. Sentiment	Oct F	46.3	--	46.3	--
10/23	U. of Mich. Current Conditions	Oct F	--	--	44.7	--
10/23	U. of Mich. 1 Yr Inflation	Oct F	--	--	4.7%	--

MBS Prepayments ⁴						
3-Month CPR						
Type	4.0	4.5	5.0	5.5	6.0	6.5
FN 10y	12.5	14.0	19.8	22.1	27.8	19.5
FH/FN 15y	8.6	15.7	12.2	11.2	17.6	53.4
G2 15y	11.0	11.0	13.1	19.3	22.4	0.9
FH/FN 20y	9.7	10.0	13.8	21.7	23.8	24.8
FH/FN 30y	5.4	6.0	8.0	9.2	10.6	15.9
G2 30y	1.2	6.8	6.9	8.6	2.7	4.6
CPR Projections						
Type	4.0	4.5	5.0	5.5	6.0	6.5
FN 10y	10.6	12.3	14.4	15.9	16.7	17.3
FH/FN 15y	10.1	14.3	15.6	16.6		16.9
G2 15y	9.1	10.7	11.5	12.2	14.1	16.8
FH/FN 20y	8.0	9.2	11.2	15.8	16.5	17.1
FH/FN 30y	6.4	7.0	7.7	9.8	10.2	11.7
G2 30y	7.2	7.8	8.9	9.6	11.2	13.4

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	157.85	(0.46)	155.11	159.02	151.18
Euro	1.13	0.01	1.15	1.18	1.17
Dollar Index	101.64	(0.57)	100.25	98.22	98.34
Major Stock Indices					
Dow Jones	52,460	805	51,462	48,579	45,952
S&P 500	7,737.9	(73.6)	7,551.8	7,041.3	6,629.1
NASDAQ	26,513.6	(853)	25,978.4	24,102.7	22,562.5
Commodities					
Gold	4,147.7	15.9	4,299.0	4,800.0	4,176.9
Crude Oil	97.89	6.04	102.43	94.69	57.46
Natural Gas	3.07	(0.15)	2.89	2.65	2.94
Wheat	662.0	-9.0	730.8	598.5	502.5
Corn	475.3	-4.5	534.3	448.5	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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