Baker Market Update—*Week in Review*

July 31, 2026

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Happy Friday everyone, and happy last day of July! College football season is right around the corner, and hopefully so is some cooler weather! This week we had some economic heavy hitters with an FOMC meeting, GDP and PCE all packed into three days. Throw in the FOMC being more divided than expected, Treasury yields pushing to their highest levels in years (with the 10-year treasury sitting at a 4.71 as I write this), and an oil market still on edge over the ongoing conflict with Iran and you have all the makings of a volatile end to summer.

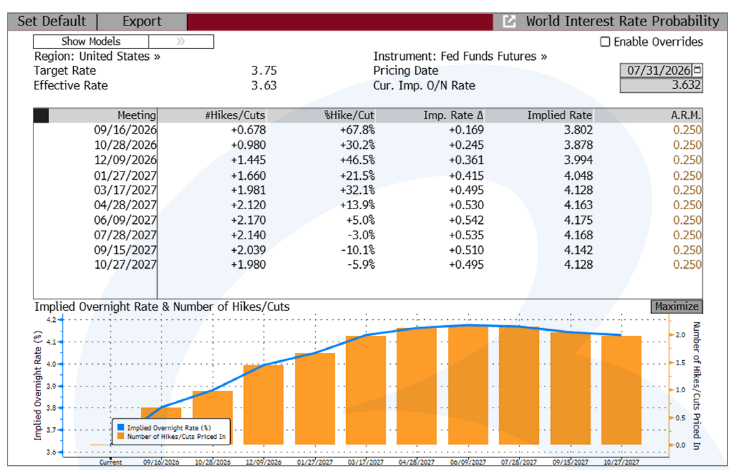
Wednesday's FOMC meeting was the headline event. The committee ultimately voted 9-3 to hold the Fed Funds Rate steady at 3.50%-3.75%, in what was Chairman Kevin Warsh's second meeting at the helm. The more interesting story was the dissent. Three sitting members, Beth Hammack, Neel Kashkari and Lorie Logan, voted against the hold in favor of a 25-basis point hike. This is a notable pivot from a committee that just a handful of meetings ago was still in easing mode. Keeping with his first meeting in June, Chairman Warsh's post-meeting statement was noticeably shorter than what has become the norm, closing simply with, "The Committee will deliver price stability." Markets did not take the "short and sweet" news well. The Dow fell over 800 points on Wednesday afternoon while the S&P 500 and Nasdaq each slid around 0.6%. Treasury yields moved higher across the curve as well after the meeting, particularly on the long end of the curve.

Thursday brought the advanced estimate for Q2 GDP, and it was a little underwhelming. The economy grew at just a 1.5% annualized pace, well below the 2.0% consensus estimate and a step down from Q1's 2.1% reading. Consumer spending, business investment and exports all contributed positively, but a pullback in government spending and a jump in imports, which subtract from the GDP calculation, weighed on the headline figure. Stocks actually rebounded Thursday morning despite the miss, shrugging off the growth scare as investors focused instead on solid earnings in the stock market, meanwhile Treasury yields continued to climb.

June's PCE reading gave the Fed a mixed picture on inflation. Both headline PCE came and core PCE, which strips out volatile food and energy, came in line with expectations this month. Headline PCE came in at 3.7% year over year and core PCE rose 3.3% annually. On a monthly basis, core PCE actually undershot estimates by coming in at 0.1% versus the 0.2% consensus, a small silver lining for a Fed that has been fighting stubbornly elevated inflation all year. The flip side is that oil prices have reversed course from June, which saw WTI (West Texas Intermediate) fall from $90 a barrel down to the mid $60s, and now sits at $85 a barrel this morning.

Underneath all of this week's data sits the ongoing conflict between the U.S. and Iran. This conflict continues to keep a floor under oil prices and a lid on any real optimism for near-term rate cuts or stability on prices. With inflation still running hot and geopolitical risk elevated, markets are now pricing in roughly a 65% chance of a 25-basis point hike at the September meeting and a full cut priced in by December. This is a sharp reversal from where expectations sat just a few months ago in February when multiple rate cuts were the expected outcome for 2026.

Next week kicks back into gear with ISM Manufacturing on Monday, the JOLTs report on Tuesday, ADP Employment on Wednesday, ISM Services on Thursday and of course another edition of Jobs Friday with the July Non-Farm Payrolls report. Have a great weekend everyone!



Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	A.R.M.
09/16/2026	+0.678	+67.8%	+0.169	3.802	0.250
10/28/2026	+0.980	+30.2%	+0.245	3.878	0.250
12/09/2026	+1.445	+46.5%	+0.361	3.994	0.250
01/27/2027	+1.660	+21.5%	+0.415	4.048	0.250
03/17/2027	+1.981	+32.1%	+0.495	4.128	0.250
04/28/2027	+2.120	+13.9%	+0.530	4.163	0.250
06/09/2027	+2.170	+5.0%	+0.542	4.175	0.250
07/28/2027	+2.140	-3.0%	+0.535	4.168	0.250
09/15/2027	+2.039	-10.1%	+0.510	4.142	0.250
10/27/2027	+1.980	-5.9%	+0.495	4.128	0.250

Source: Bloomberg

UPCOMING EVENTS

Banks

Webinars:

Q2 Bank Trends
Aug 12, 2026

Seminars:

IL Seminar
Aug 3, 2026

Dallas Seminar
Aug 28, 2026

Ohio Seminar
Sep 30, 2026

OK Seminar
Oct 14-16, 2026

Schools:

Bond School
Nov 5-6, 2026

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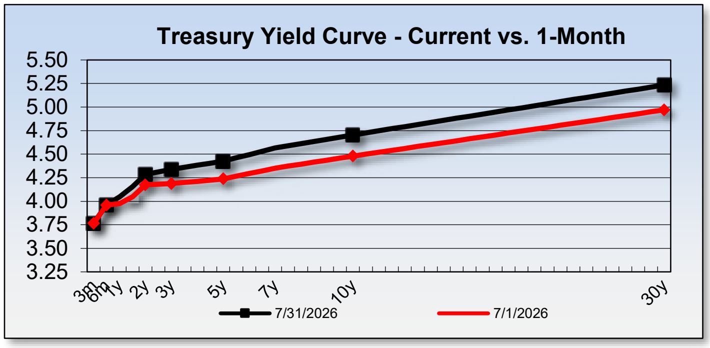

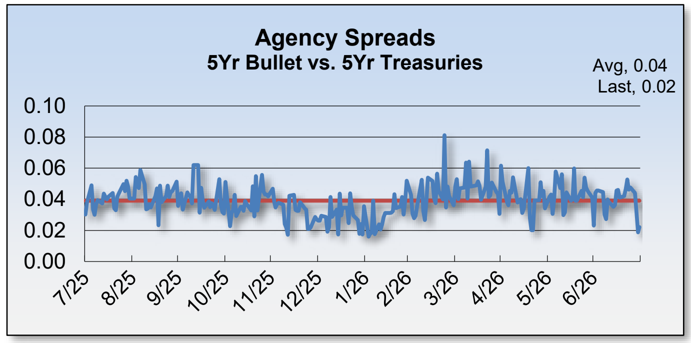

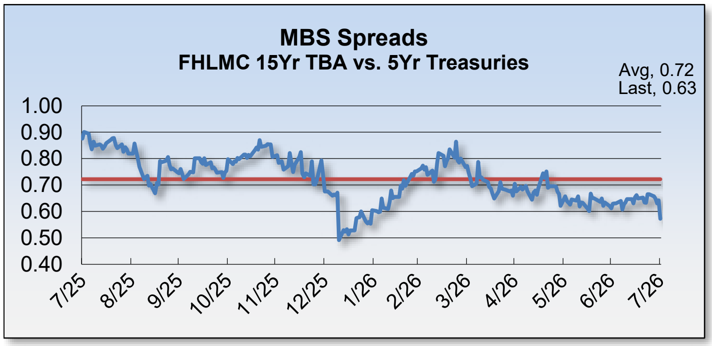

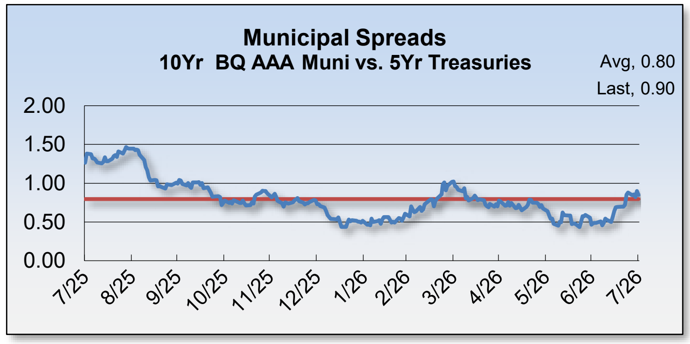

Treasury Market -- Historical

Maty	Current	1Wk Change	Historical 1 Mo	6 Mo	1 Yr
3mo	3.77	(0.14)	3.82	3.66	4.34
6mo	3.96	(0.08)	3.97	3.63	4.27
1yr	4.05	(0.07)	3.98	3.47	4.10
2yr	4.28	(0.05)	4.18	3.52	3.96
3yr	4.34	(0.03)	4.18	3.59	3.96
5yr	4.43	(0.00)	4.23	3.79	3.97
7yr	4.56	0.02	4.34	4.01	4.16
10yr	4.70	0.03	4.47	4.24	4.38
30yr	5.23	0.08	4.95	4.87	4.90

** Interpolated*

Fixed Rate Market

Maty /AL	N-Call Agency	US Swap	AAA BQ Muni C-Corp[2]	S-Corp[3]	Tax Muni
2yr	4.35	4.14	3.63	3.86	4.34
3yr	4.41	4.14	3.75	3.99	4.39
5yr	4.47	4.15	4.02	4.28	4.49
7yr	4.60	4.21	4.26	4.53	4.66
10yr	4.78	4.31	4.63	4.93	4.91
15yr	4.96	4.47	5.15	5.48	5.10
20yr	5.14	4.54	5.67	6.03	5.68
25yr	5.32	4.54	5.95	6.33	5.75
30yr		4.50	6.23	6.63	5.81

Agency Calls - Euro

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

August TBA MBS

Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
3.50	5.36	4.2y	5.47	
4.00	5.03	5.3y		
4.50	4.98	5.1y	5.55	9.2y
5.00	5.03	4.7y	5.62	8.3y
5.50			5.67	7.2y
6.00			5.60	5.3y

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	**3.65**	0.01	3.68	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	**4.03**	(0.09)	4.00	3.72	4.35
1 Year CMT	**4.04**	(0.11)	3.98	3.48	4.12
REPO O/N					
REPO 1Wk	**3.64**	(0.02)	3.68	3.66	4.37
CoF Federal	**3.495**	--	3.469	3.509	3.677
11th D. CoF (Jun)	**2.766**	--	2.740	2.780	2.948

FHLB Fixed Advance Rates

Maturity	Chicago	Boston	Topeka
3mo	3.93	- -	4.01
6mo	4.09	- -	4.10
1yr	4.27	- -	4.30
2yr	4.38	- -	4.47
3yr	4.43	- -	4.53
4yr	4.48	- -	4.57
5yr	4.53	- -	4.62
7yr	4.72	- -	4.80
10yr	4.91	- -	4.98
5yr Am	4.49		4.60
10yr Am	4.75		4.83

Fed Fund Futures

Maturity	Rate
Jul-26	3.628
Aug-26	3.635
Sep-26	3.710
Oct-26	3.805
Nov-26	3.875
Dec-26	3.960
Jan-27	4.000
Mar-27	4.090
Apr-27	4.130
May-27	4.165
Jun-27	4.175

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Weekly Economic Calendar						
This Week & Next						
Date	**Release**	**Per.**	**Est.**	**Actual**	**Prior**	**Revised**
7/27	Durables Ex Transportation	Jun P	0.8%	0.6%	~~1.4%~~	1.8%
7/27	Cap Goods Ship Nondef Ex Air	Jun P	0.6%	1.9%	~~0.1%~~	0.2%
7/28	Advance Goods Trade Balance	Jun	-$100.0b	-$101.5b	~~-$105.8b~~	-$105.9b
7/28	FHFA House Price Index MoM	May	0.1%	0.3%	-0.1%	--
7/28	S&P Cotality CS 20-City YoY NSA	May	1.30%	1.63%	~~1.14%~~	1.18%
7/28	S&P Cotality CS US HPI YoY NSA	May	1.00%	1.11%	~~0.85%~~	0.94%
7/28	Conf. Board Consumer Confidence	Jul	92.4	90.8	~~91.2~~	92.2
7/28	Conf. Board Present Situation	Jul	117.5	114.9	~~116.4~~	118.5
7/28	Conf. Board Expectations	Jul	74.4	74.7	~~74.4~~	74.7
7/29	MBA Mortgage Applications	7/24	--	-6.40%	1.90%	--
7/29	FOMC Rate Decision (Upper Bound)	7/29	3.75%	3.75%	3.75%	--
7/29	FOMC Rate Decision (Lower Bound)	7/29	3.50%	3.50%	3.50%	--
7/29	Fed Interest on Reserve Balances Rate	7/30	3.65%	3.65%	3.65%	--
7/29	Fed Reverse Repo Rate	7/30	3.50%	3.50%	3.50%	--
7/30	Personal Income	Jun	0.3%	0.2%	0.7%	--
7/30	Real Personal Spending	Jun	0.4%	0.4%	~~0.3%~~	0.4%
7/30	PCE Price Index MoM	Jun	-0.1%	-0.1%	~~0.4%~~	0.5%
7/30	PCE Price Index YoY	Jun	3.7%	3.7%	4.1%	--
7/30	Core PCE Price Index MoM	Jun	0.2%	0.1%	0.3%	--
7/30	Core PCE Price Index YoY	Jun	3.3%	3.3%	3.4%	--
7/30	Initial Jobless Claims	7/25	200k	197k	~~187k~~	188k
7/30	Continuing Claims	7/18	1795k	1782k	~~1796k~~	1789k
7/30	GDP Annualized QoQ	2Q A	2.0%	1.5%	2.1%	--
7/30	Personal Consumption	2Q A	2.3%	3.2%	0.5%	--
7/30	GDP Price Index	2Q A	4.0%	6.2%	3.6%	--
7/30	Core PCE Price Index QoQ	2Q A	3.5%	3.4%	4.4%	--
7/31	Employment Cost Index	2Q	0.8%	0.9%	0.9%	--
7/31	MNI Chicago PMI	Jul	56.0	57.6	56.7	--
8/3	S&P Global US Manufacturing PMI	Jul F	--	--	53.8	--
8/3	ISM Manufacturing	Jul	54.0	--	53.3	--
8/3	ISM Prices Paid	Jul	70.0	--	73.0	--
8/3	ISM New Orders	Jul	57.0	--	56.0	--
8/3	ISM Employment	Jul	--	--	49.7	--
8/4	JOLTS Job Openings	Jun	7250k	--	7594k	--
8/4	JOLTS Job Openings Rate	Jun	--	--	4.6%	--
8/4	JOLTS Quits Level	Jun	--	--	3065k	--
8/4	JOLTS Quits Rate	Jun	--	--	1.9%	--
8/4	JOLTS Layoffs Level	Jun	--	--	1708k	--
8/4	JOLTS Layoffs Rate	Jun	--	--	1.1%	--
8/5	ADP Employment Change	Jul	75k	--	98k	--
8/5	S&P Global US Services PMI	Jul F	--	--	53.6	--
8/5	S&P Global US Composite PMI	Jul F	--	--	53.6	--
8/5	ISM Services Index	Jul	54.3	--	54.0	--
8/5	ISM Services Prices Paid	Jul	65.0	--	67.7	--
8/5	ISM Services New Orders	Jul	--	--	55.1	--
8/5	ISM Services Employment	Jul		--	51.2	--
8/6	Challenger Job Cuts YoY	Jul	--	--	-4.5%	--

MBS Prepayments[4]						
	3-Month CPR					
Type	**3.5**	**4.0**	**4.5**	**5.0**	**5.5**	**6.0**
FN 10y	15.1	12.3	18.2	21.4	28.0	30.2
FH/FN 15y	11.3	9.5	11.3	31.7	14.0	18.9
G2 15y	13.1	11.8	11.4	17.5	23.5	32.6
FH/FN 20y	8.8	9.8	9.4	11.3	19.2	28.0
FH/FN 30y	7.5	5.4	6.0	8.0	8.3	9.9
G2 30y	0.8	1.4	7.3	7.8	15.1	2.3
	CPR Projections					
Type	**3.5**	**4.0**	**4.5**	**5.0**	**5.5**	**6.0**
FN 10y	11.8	12.7	14.9	16.7	18.4	19.9
FH/FN 15y	9.4	11.3	16.0	18.6		27.0
G2 15y	8.9	10.6	12.1	13.3	14.8	16.3
FH/FN 20y	8.1	9.3	10.9	13.1	17.3	18.0
FH/FN 30y	6.6	7.6	8.1	9.3	11.5	14.7
G2 30y	7.3	8.2	9.6	10.1	12.4	16.8

Other Markets					
		1Wk	**Historical**		
Index	**Current**	**Chng**	**1 Mo**	**6 Mo**	**1 Yr**
Currencies					
Japanese Yen	159.30	(4.53)	162.55	155.63	150.75
Euro	1.15	0.01	1.14	1.18	1.14
Dollar Index	100.43	(1.04)	101.19	96.99	99.97
Major Stock Indices					
Dow Jones	52,028	81	52,319	48,892	44,131
S&P 500	7,445.3	33.3	7,499.4	6,939.0	6,339.4
NASDAQ	25,047.3	71	26,213.7	23,461.8	21,122.5
Commodities					
Gold	4,022.4	(48.4)	4,038.5	4,713.9	3,293.2
Crude Oil	85.30	(4.01)	69.50	65.21	69.26
Natural Gas	2.73	(0.14)	3.28	4.35	3.11
Wheat	641.8	-36.3	580.8	538.0	523.3
Corn	441.5	-22.8	412.8	428.3	394.0

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: 07/31/2026 9:34AM

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