

Baker Market Update

Week In Review

December 5, 2025



Luke Mikles

Senior Vice President of FSG

UPCOMING EVENTS

Banks

Webinars:

Q4 IRR Management

Dec 10, 2025

Seminars:

MN Seminar

Dec 08, 2025

Save the Date

Seminars:

OK Seminar

Oct 14-16, 2026

Schools:

ALM School

Apr 22-23, 2026

Bond School

Nov 4-5, 2026

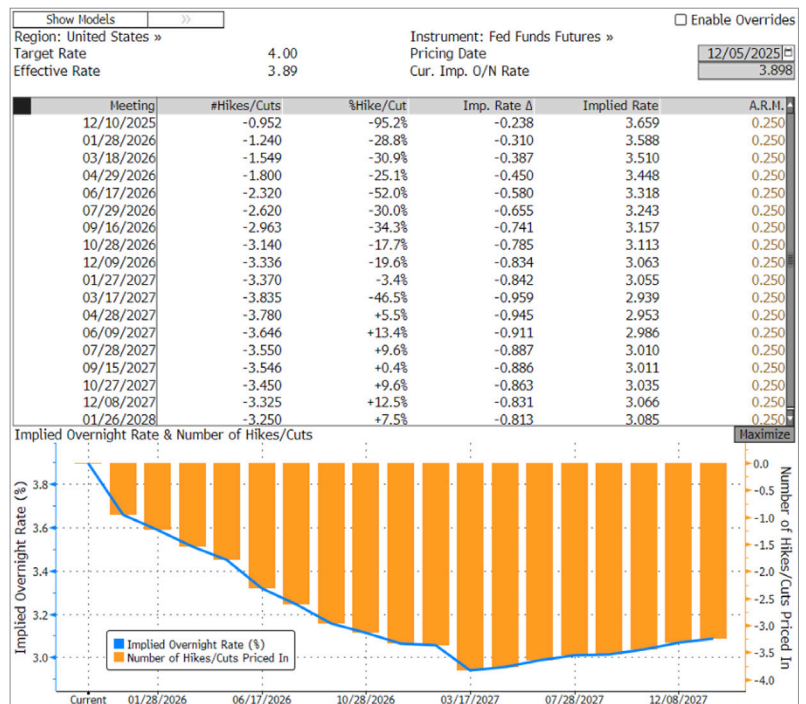
Tis the season! Thanksgiving has come and gone, and now it is time for the real holiday! Conference Championship Weekend in college football is here and a handful of teams are jockeying for the final few playoff spots, and by Sunday the bracket will be clear. In much the same way, the race to be the next chair of the Federal Reserve has seen contenders rise and fall, but the path forward is starting to take shape. President Trump recently signaled that Kevin Hassett, director of the National Economic Council, is the frontrunner, and prediction markets now give him an 80% chance of nomination, which is up sharply from 36% just last week. While the official decision is still months away, markets still have another obstacle to get past, the final FOMC meeting of the year. Chairman Powell and co will meet on the 10th, where traders are pricing in a 95% probability of a 25 basis point rate cut. Another sharp move, as the probability of a December rate cut was sub 40% less than a month ago.

This morning, we received September's PCE reading with both headline and core PCE coming in at 2.8% year over year, in line with expectations. The report was delayed several weeks due to the government shutdown but comes just in time for the FOMC's meeting next week. Septembers' reading is sure to add more fuel to the December rate cut fire. The September PCE reading has helped the stock market extend its weekly gains this morning with the Dow Jones and S&P 500 both up around 1% for the week. Treasury yields are also on the rise. The US 10 Year Treasury has climbed 10 basis points since the end of last week, currently sitting at 4.11%.

On Wednesday we also received the news that ADP's private payrolls showed a decline of 32,000 jobs in November, against an expected increase of 40,000. The ADP report is one of the few data prints we will receive before the December meeting, the JOLTS report is expected December 9th, as the October jobs report has been cancelled and the November report has been delayed until after the FOMC meeting. Just like PCE, this is more fuel to the rate cut fire.

The FOMC is tasked with a dual mandate of price stability and maximum employment, a job I do not envy in the slightest. Many members are currently divided on which threat is the largest. As it stands, it appears that the downside risks to employment are outweighing the risks that inflation rears back as the December rate cut probabilities would imply. A month of delayed data or no data at all has not made this task any easier.

Next week we will see the release of PPI, the JOLTs report and of course Wednesday's FOMC meeting and press conference. Have a great weekend everyone!

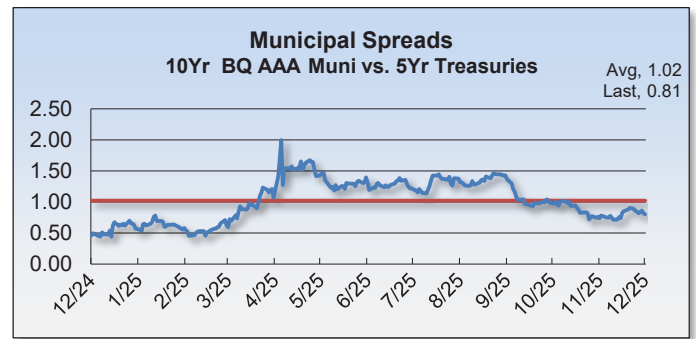
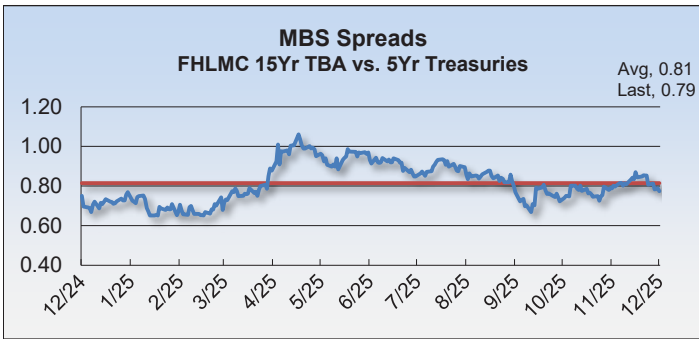
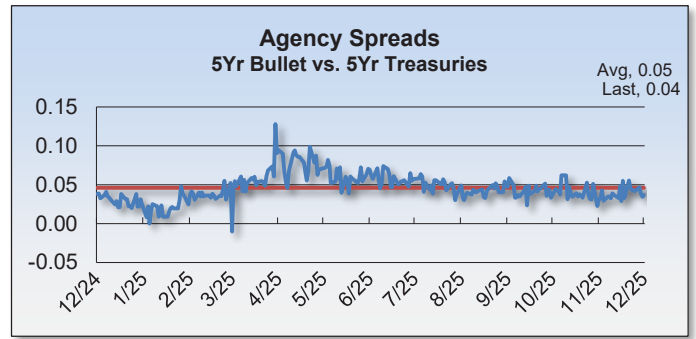
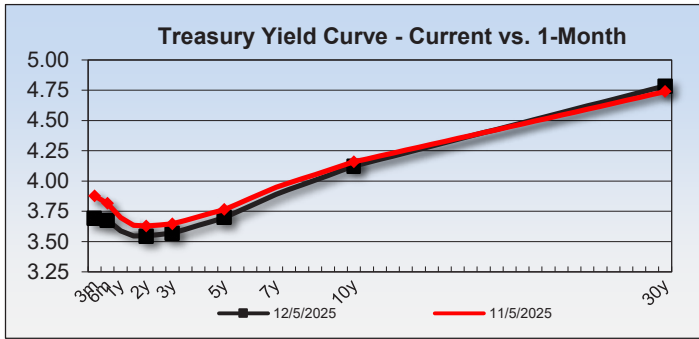


Source: Bloomberg, L.P.

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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	Mty	Agency Calls - Euro			
			1 Mo	6 Mo	1 Yr				C-Corp ²	S-Corp ³			3Mo	6mo	1Yr	2Yr
3mo	3.69	(0.11)	3.88	4.34	4.45	2yr	3.60	3.32	3.40	3.62	3.60	2Yr				
6mo	3.68	(0.09)	3.82	4.26	4.39	3yr	3.59	3.30	3.40	3.62	3.62	3Yr				
1yr	3.59	(0.01)	3.70	4.07	4.23	5yr	3.75	3.38	3.40	3.62	3.79	5Yr				
2yr	3.55	0.06	3.63	3.92	4.15	7yr	3.98	3.51	3.58	3.81	4.10	7Yr				
3yr	3.57	0.08	3.65	3.90	4.12	10yr	4.30	3.70	3.88	4.13	4.45	10Yr				
5yr	3.70	0.10	3.76	3.99	4.08	15yr	4.63	3.95	4.65	4.95	4.58		January TBA MBS			
7yr	3.89	0.11	3.95	4.18	4.13	20yr	4.96	4.06	5.47	5.83	5.39	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	4.12	0.11	4.16	4.39	4.18	25yr	5.29	4.08	5.68	6.05	5.45	3.00	4.37	4.4y	4.91	
30yr	4.79	0.12	4.74	4.88	4.33	30yr		4.05	5.89	6.27	5.51	3.50	4.38	4.3y		
												4.00	4.36	4.3y	4.90	9.4y
												4.50	4.47	4.4y	4.94	8.6y
												5.00			5.07	6.7y
												5.50			5.00	3.8y

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	4.00	--	4.00	4.50	4.75
Primary Discount	4.00	--	4.00	4.50	4.75
2ndary Discount	4.50	--	4.50	5.00	5.25
Prime Rate	7.00	--	7.00	7.50	7.75
Sec. O.N. Finance	3.92	(0.13)	4.00	4.28	--
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	3.78	(0.03)	3.90	4.38	4.40
1 Year CMT	3.60	(0.01)	3.67	4.06	4.23
REPO O/N	3.97	(0.13)	3.96	4.34	4.65
REPO 1Wk	3.79	(0.16)	3.92	4.38	4.61
CoF Federal	3.600	--	3.650	3.663	3.834
11th D. CoF (Oct)	2.871	--	2.921	2.934	3.105

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	3.86	3.90	3.89
6mo	3.82	3.84	3.82
1yr	3.72	3.73	3.79
2yr	3.64	3.68	3.71
3yr	3.65	3.70	3.73
4yr	3.72	3.78	3.80
5yr	3.78	3.84	3.86
7yr	4.06	4.14	4.15
10yr	4.37	4.47	4.46
5yr Am	3.77		3.84
10yr Am	4.14		4.20

Fed Fund Futures	
Maturity	Rate
Dec-25	3.735
Jan-26	3.650
Feb-26	3.585
Mar-26	3.560
Apr-26	3.500
May-26	3.445
Jun-26	3.385
Jul-26	3.305
Aug-26	3.235
Sep-26	3.195
Oct-26	3.145

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Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
12/1	S&P Global US Manufacturing PMI	Nov F	51.9	52.2	51.9	--
12/1	ISM Manufacturing	Nov	49.0	48.2	48.7	--
12/1	ISM Prices Paid	Nov	57.5	58.5	58.0	--
12/1	ISM New Orders	Nov	--	47.4	49.4	--
12/1	ISM Employment	Nov	--	44.0	46.0	--
12/3	MBA Mortgage Applications	11/28	--	-1.4%	0.2%	--
12/3	ADP Employment Change	Nov	10k	-32k	42k	47k
12/3	Import Price Index YoY	Sep	0.4%	0.3%	0.0%	-0.1%
12/3	Export Price Index YoY	Sep	--	3.8%	3.4%	3.2%
12/3	Manufacturing (SIC) Production	Sep	0.0%	0.0%	0.2%	0.1%
12/3	Capacity Utilization	Sep	77.2%	75.9%	77.4%	75.9%
12/3	S&P Global US Services PMI	Nov F	55.0	54.1	55.0	--
12/3	S&P Global US Composite PMI	Nov F	--	54.2	54.8	--
12/3	ISM Services Index	Nov	52.0	52.6	52.4	--
12/3	ISM Services Prices Paid	Nov	68.0	65.4	70.0	--
12/3	ISM Services New Orders	Nov	--	52.9	56.2	--
12/3	ISM Services Employment	Nov	--	48.9	48.2	--
12/4	Challenger Job Cuts YoY	Nov	48.0%	23.5%	175.3%	--
12/4	Initial Jobless Claims	11/29	220k	191k	216k	218k
12/4	Continuing Claims	11/22	1963k	1939k	1960k	1943k
12/4	Factory Orders Ex Trans	Sep	--	0.2%	0.1%	-0.1%
12/4	Durables Ex Transportation	Sep F	--	0.6%	0.6%	--
12/4	Cap Goods Ship Nondef Ex Air	Sep F	--	0.9%	0.9%	--
12/5	Real Personal Spending	Sep	0.1%	0.0%	0.4%	0.2%
12/5	PCE Price Index MoM	Sep	0.3%	0.3%	0.3%	--
12/5	PCE Price Index YoY	Sep	2.8%	2.8%	2.7%	--
12/5	Core PCE Price Index MoM	Sep	0.2%	0.2%	0.2%	--
12/5	Core PCE Price Index YoY	Sep	2.8%	2.8%	2.9%	--
12/5	U. of Mich. Sentiment	Dec P	52.0	53.3	51.0	--
12/5	U. of Mich. Current Conditions	Dec P	52.1	50.7	51.1	--
12/5	U. of Mich. 1 Yr Inflation	Dec P	4.5%	4.1%	4.5%	--
12/08/2	Housing Starts	Sep	1329k	--	1307k	--
12/08/2	Leading Index	Sep	-0.3%	--	--	--
12/08/2	Building Permits	Sep P	1350k	--	1330k	--
12/08/2	PPI Final Demand YoY	Oct	--	--	2.7%	--
12/08/2	PPI Ex Food and Energy YoY	Oct	--	--	2.6%	--
12/08/2	PPI Ex Food, Energy, Trade YoY	Oct	--	--	2.9%	--
12/9	JOLTS Job Openings	Oct	--	--	--	--
12/9	JOLTS Job Openings Rate	Oct	--	--	--	--
12/9	JOLTS Quits Level	Oct	--	--	--	--
12/9	JOLTS Quits Rate	Oct	--	--	--	--
12/9	JOLTS Layoffs Level	Oct	--	--	--	--
12/9	JOLTS Layoffs Rate	Oct	--	--	--	--
12/10	Employment Cost Index	3Q	0.9%	--	0.9%	--
12/10	FOMC Rate Decision (Upper Bound)	12/10	3.75%	--	4.00%	--
12/10	FOMC Rate Decision (Lower Bound)	12/10	--	--	3.75%	--
12/10	Fed Interest on Reserve Balances Rate	12/11	--	--	3.90%	--

MBS Prepayments ⁴						
3-Month CPR						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	15.1	15.3	12.1	18.6	23.7	24.9
FH/FN 15y	8.6	9.5	12.3	17.8	15.9	15.0
GN 15y	22.4	27.1	21.5	19.3	0.0	-2.3
FH/FN 20y	7.0	7.9	8.7	10.9	14.5	25.0
FH/FN 30y	5.8	5.7	4.3	6.1	5.2	9.8
GN 30y	3.3	6.2	6.4	6.3	6.9	7.2

CPR Projections						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	11.6	12.6	13.4	16.7	20.2	21.5
FH/FN 15y	8.3	9.5	10.8	18.9		26.5
GN 15y	7.8	7.9	14.8	14.5	13.7	27.4
FH/FN 20y	8.0	8.6	9.9	11.0	14.4	18.9
FH/FN 30y	6.5	6.8	7.6	8.7	11.3	18.2
GN 30y	6.8	7.0	9.2	9.6	10.9	14.7

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	155.21	(0.97)	153.63	143.14	150.12
Euro	1.17	0.01	1.15	1.14	1.05
Dollar Index	99.01	(0.45)	100.20	98.74	105.71
Major Stock Indices					
Dow Jones	48,083	366	47,311	42,320	44,766
S&P 500	6,883.0	33.9	6,796.3	5,939.3	6,075.1
NASDAQ	23,665.9	300	23,499.8	19,298.5	19,700.7
Commodities					
Gold	4,204.1	(14.2)	3,992.9	3,350.7	2,626.6
Crude Oil	60.05	1.50	59.60	63.37	68.30
Natural Gas	5.36	0.51	4.23	3.68	3.08
Wheat	538.5	7.5	554.8	545.5	546.8
Corn	438.8	3.3	435.3	439.5	426.5

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

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