

Baker Market Update

Week In Review

March 7, 2025



Andrea Pringle

*MBS Analyst/
Financial Strategist*

Uncertainty most certainly took markets for a ride this week. Already-jittery investors were greeted with a full-blown trade war with the US's largest trading partners to start the week, fueling fears of an economic downturn in the first quarter of 2025. Post-election stock gains were largely wiped out and all three major stock indexes are now in the red for the year. The yield curve also further inverted after mostly normalizing last month. The dollar sunk, corporate credit spreads widened, and futures markets have now upped their bets on the number of Fed rate cuts this year to three.

Market participants are clearly spinning their wheels trying to figure out where the administration's economic policies are going to take the economy but perhaps the ambiguity on trade policies and geopolitical alliances is deliberate, designed to keep rival counterparts on their heels in trade negotiations. Nevertheless, it appears to be taking a toll on businesses and consumers who signal that they are delaying important purchase and investment decisions until the dust settles.

That, of course, threatens to restrict economic growth in the short term and has caused the Atlanta Fed GDPNow forecast, which is a running estimate of real GDP growth based on available economic data for the current quarter, to plummet in recent days. The forecast fell to -2.4% yesterday, reflecting expectations of reduced spending and investment on behalf of businesses and consumers as well as reduced government spending resulting from the DOGE initiatives.

Yesterday, some of the tariff turmoil was put on hold as President Trump suspended the 25% tariffs imposed on Canada and Mexico earlier in the week. Those exemptions expire on April at which time President Trump says he will impose global reciprocal tariffs on all US trading partners. In other words, trade uncertainty is likely to continue to weigh on markets in the near term.

This morning, we got the much-anticipated Employment Situation Summary for the month of February with insights on job growth, wages, hours worked, and unemployment. The report showed February job growth was weaker than expected and the unemployment rate rose for the first time since November. The economy added 151k non-farm payroll jobs (vs. 160k survey). Average hourly earnings rose to 4.0% from a downwardly revised 3.9% the prior month in a sign wages seemed to be stabilizing around 4% after two years of declines.

The separate Household Survey showed a massive 588k loss in jobs and a 203k increase in the number of unemployed workers with 546k workers leaving the labor force. This caused the unemployment rate to rise to 4.1% (vs. 4.0% survey) and the labor force participation rate to decline to 62.4% (vs. 62.6% survey), the lowest reading in more than two years. Finally, the U6 "underemployment" rate, which is a broader measure of unemployment that includes those officially unemployed as well as those working part-time for economic reasons and those not actively looking in the last month but who have looked in the last year, jumped to 8%, the highest level since October 2021, signaling the labor market appears to be weakening.

(Continued)

UPCOMING EVENTS

2025 Destination Seminar

Austin, TX
May 8–9, 2025

Banks

Webinars:

Q1 IRR Management
Mar 12, 2025

Seminars:

KS Seminar
May 22, 2025

IA Seminar
Jun 17, 2025

NE Seminar
Jun 18, 2025

ND Seminar
Jul 15, 2025

WI Seminar
Jul 24, 2025

IL Seminar
Aug 04, 2025

CUs

Virtual Schools:

Virtual Bond School
Mar 26–27, 2025

Banks and CUs

Schools:

ALM School
Apr 24–25, 2025

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Next week's economic data focus will be Wednesday's consumer price report (CPI) which investors fear could fan fears about still-warm inflation. The index is expected to have climbed 0.3% on a monthly basis, but hopefully a notch lower than the surprise 0.5% jump last month, which marked the biggest gain since August 2023.

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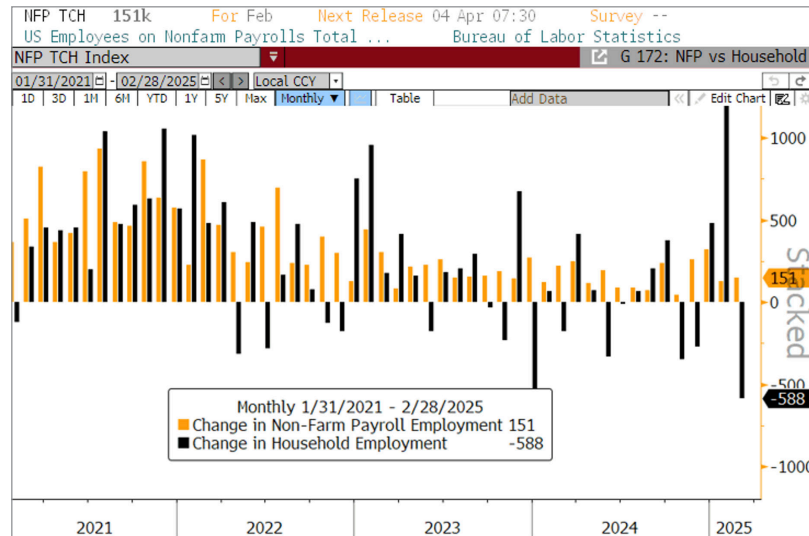
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Banks and CUs

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Have a great weekend!

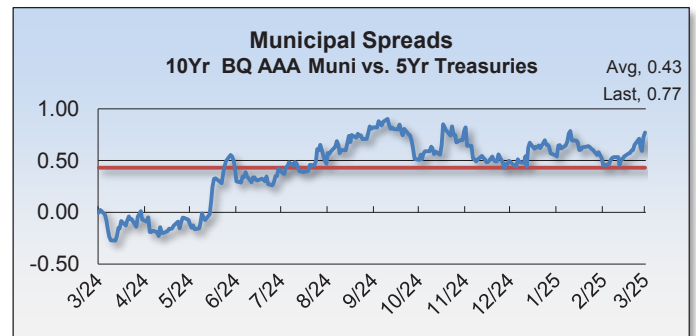
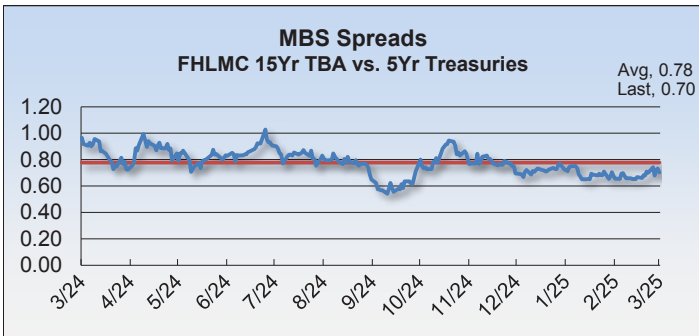
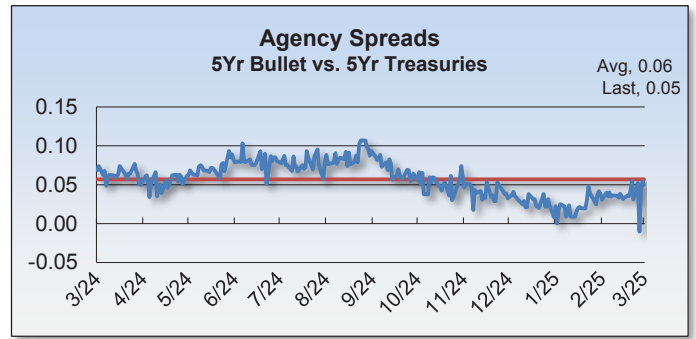
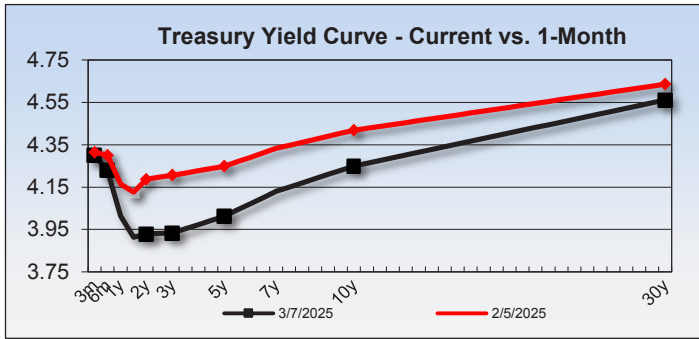


Source: Bureau of Labor Statistics

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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	4.30	0.00	4.33	5.06	5.39	2yr	3.98	3.79	3.58	3.81	4.12	2Yr						
6mo	4.23	(0.05)	4.33	4.72	5.31	3yr	3.96	3.74	3.64	3.87	4.13	3Yr						
1yr	4.01	(0.07)	4.23	4.10	4.94	5yr	4.09	3.75	3.79	4.04	4.21	5Yr						
2yr	3.93	(0.06)	4.29	3.65	4.50	7yr	4.21	3.79	3.89	4.14	4.43	7Yr						
3yr	3.93	(0.04)	4.31	3.53	4.36	10yr	4.42	3.84	4.14	4.41	4.66	10Yr						
5yr	4.01	(0.01)	4.35	3.49	4.07	15yr	4.64	3.92	4.61	4.90	4.80		April TBA MBS					
7yr	4.13	0.01	4.42	3.59	4.09	20yr	4.85	3.93	5.32	5.66	5.19	Cpn	15Yr -Yld/AL		30Yr -Yld/AL			
10yr	4.25	0.04	4.50	3.71	4.08	25yr	5.07	3.87	5.50	5.85	5.25	3.00	4.85	4.8y	5.07			
30yr	4.56	0.07	4.69	4.02	4.24	30yr		3.80	5.67	6.03	5.31	3.50	4.68	4.8y				
												4.00	4.64	4.7y	5.10	9.0y		
												4.50	4.66	5.1y	5.17	9.2y		
												5.00			5.33	8.3y		
												5.50			5.48	6.2y		

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	4.50	--	4.50	5.50	5.50
Primary Discount	4.50	--	4.50	5.50	5.50
2ndary Discount	5.00	--	5.00	6.00	6.00
Prime Rate	7.50	--	7.50	8.50	8.50
Sec. O.N. Finance	4.35	(0.01)	4.36	5.34	--
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	4.24	(0.06)	4.32	4.73	5.35
1 Year CMT	4.02	(0.11)	4.19	4.10	4.95
REPO O/N	4.37	--	4.37	5.42	5.37
REPO 1Wk	4.35	(0.01)	4.38	5.37	5.36
CoF Federal	3.673	--	3.719	4.003	3.876
11th D. CoF (Jan)	2.944	--	2.990	3.274	3.147

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	4.46	4.47	4.50
6mo	4.34	4.36	4.41
1yr	4.12	4.12	4.27
2yr	4.01	4.05	4.15
3yr	4.01	4.07	4.16
4yr	4.09	4.14	4.23
5yr	4.12	4.17	4.26
7yr	4.34	4.42	4.49
10yr	4.53	4.63	4.67
5yr Am	4.15		4.26
10yr Am	4.21		4.52

Fed Fund Futures		
Maturity	Rate	
Mar-25	4.328	
Apr-25	4.320	
May-25	4.240	
Jun-25	4.145	
Jul-25	4.030	
Aug-25	3.925	
Sep-25	3.850	
Oct-25	3.755	
Nov-25	3.680	
Dec-25	3.615	
Jan-26	3.580	

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Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
3/3	S&P Global US Manufacturing PMI	Feb F	51.6	52.7	51.6	--
3/3	ISM Manufacturing	Feb	50.7	50.3	50.9	--
3/3	ISM Prices Paid	Feb	56.0	62.4	54.9	--
3/3	ISM New Orders	Feb	54.6	48.6	55.1	--
3/3	ISM Employment	Feb	50.1	47.6	50.3	--
3/5	ADP Employment Change	Feb	140k	77k	483k	186k
3/5	S&P Global US Services PMI	Feb F	49.7	51.0	49.7	--
3/5	S&P Global US Composite PMI	Feb F	50.4	51.6	50.4	--
3/5	ISM Services Index	Feb	52.5	53.5	52.8	--
3/5	ISM Services Prices Paid	Feb	60.4	62.6	60.4	--
3/5	ISM Services New Orders	Feb	51.5	52.2	51.3	--
3/5	ISM Services Employment	Feb	51.6	53.9	52.3	--
3/6	Challenger Job Cuts YoY	Feb	--	103.2%	-39.5%	--
3/6	Nonfarm Productivity	4Q F	1.2%	1.5%	1.2%	--
3/6	Unit Labor Costs	4Q F	3.0%	2.2%	3.0%	--
3/6	Initial Jobless Claims	3/1	233k	221k	242k	--
3/6	Continuing Claims	2/22	1874k	1897k	4862k	1855k
3/7	Two-Month Payroll Net Revision	Feb	--	-2k	100k	--
3/7	Change in Nonfarm Payrolls	Feb	160k	151k	443k	125k
3/7	Change in Private Payrolls	Feb	145k	140k	444k	81k
3/7	Change in Manufact. Payrolls	Feb	3k	10k	3k	-5k
3/7	Unemployment Rate	Feb	4.0%	4.1%	4.0%	--
3/7	Average Hourly Earnings MoM	Feb	0.3%	0.3%	0.5%	0.4%
3/7	Average Hourly Earnings YoY	Feb	4.1%	4.0%	4.4%	3.9%
3/7	Average Weekly Hours All Employees	Feb	34.2	34.1	34.1	--
3/7	Labor Force Participation Rate	Feb	62.6%	62.4%	62.6%	--
3/7	Underemployment Rate	Feb	--	8.0%	7.5%	--
3/11	JOLTS Job Openings	Jan	--	--	7600k	--
3/11	JOLTS Job Openings Rate	Jan	--	--	4.5%	--
3/11	JOLTS Quits Level	Jan	--	--	3197k	--
3/11	JOLTS Quits Rate	Jan	--	--	2.0%	--
3/11	JOLTS Layoffs Level	Jan	--	--	1771k	--
3/11	JOLTS Layoffs Rate	Jan	--	--	1.1%	--
3/12	CPI MoM	Feb	0.3%	--	0.5%	--
3/12	CPI Ex Food and Energy MoM	Feb	0.3%	--	0.4%	--
3/12	CPI YoY	Feb	2.9%	--	3.0%	--
3/12	CPI Ex Food and Energy YoY	Feb	3.2%	--	3.3%	--
3/12	CPI Index NSA	Feb	319.19	--	317.67	--
3/12	CPI Core Index SA	Feb	--	--	324.74	--
3/12	Real Avg Hourly Earning YoY	Feb	--	--	4.0%	0.9%
3/12	Real Avg Weekly Earnings YoY	Feb	--	--	0.7%	0.6%
3/13	PPI Final Demand MoM	Feb	0.3%	--	0.4%	--
3/13	PPI Ex Food and Energy MoM	Feb	0.3%	--	0.3%	--
3/13	PPI Ex Food, Energy, Trade MoM	Feb	--	--	0.3%	--
3/13	PPI Final Demand YoY	Feb	3.3%	--	3.5%	--
3/13	PPI Ex Food and Energy YoY	Feb	--	--	3.6%	--
3/13	PPI Ex Food, Energy, Trade YoY	Feb	--	--	3.4%	--

MBS Prepayments ⁴						
3-Month CPR						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	14.2	14.9	14.0	13.2	17.6	19.7
FH/FN 15y	7.3	8.8	11.8	18.1	13.3	12.0
GN 15y	22.1	26.1	33.8	51.9	49.4	94.6
FH/FN 20y	6.2	7.0	7.9	10.0	10.2	16.5
FH/FN 30y	4.6	5.2	5.0	5.3	6.8	6.6
GN 30y	5.4	5.5	5.7	5.5	6.5	7.0
CPR Projections						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	11.0	12.2	12.9	15.2	17.7	20.0
FH/FN 15y	7.6	8.7	10.0	16.1	16.2	19.7
GN 15y	9.0	11.8	11.9	12.7	11.7	15.0
FH/FN 20y	6.6	7.5	8.5	9.7	12.4	14.3
FH/FN 30y	5.9	6.3	7.0	8.0	8.9	11.9
GN 30y	6.5	6.7	8.2	8.3	9.4	10.2

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	147.46	(3.17)	151.41	143.67	147.87
Euro	1.09	0.05	1.03	1.10	1.09
Dollar Index	103.76	(3.86)	108.04	101.18	102.82
Major Stock Indices					
Dow Jones	42,510	(1,331)	44,303	40,345	38,791
S&P 500	5,754.0	(200.5)	6,026.0	5,408.4	5,157.4
NASDAQ	18,093.1	(754)	19,523.4	16,690.8	16,273.4
Commodities					
Gold	2,937.4	88.9	2,867.3	2,501.5	2,165.2
Crude Oil	68.06	(1.70)	71.00	67.67	78.93
Natural Gas	4.22	0.39	3.31	2.28	1.82
Wheat	537.0	-9.8	587.8	553.3	521.3
Corn	451.3	-2.3	487.5	383.8	426.0

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

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