

Baker Market Update

Week In Review

June 20, 2025

The
BakerGroup



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The Federal Reserve left interest rates unchanged this week and signaled that the central bank is not yet ready to consider adjustments to its policy stance. At the conclusion of the two-day meeting on Wednesday, the FOMC voted unanimously to maintain the federal funds target range at 4.25% to 4.50%, marking the fourth straight meeting without a move. This decision was widely anticipated and the subsequent comments from Fed Chair Jerome Powell's press conference gave few clues about the Fed's next steps.

UPCOMING EVENTS

Banks

Webinars:

Q3 Investment Strategies

Jul 9, 2025

Seminars:

ND Seminar

Jul 15, 2025

WI Seminar

Jul 24, 2025

IL Seminar

Aug 04, 2025

OH Seminar

Oct 01, 2025

MI Seminar

Oct 02, 2025

MN Seminar

Dec 08, 2025

CUs

Seminars:

MI CU Seminar

Sep 30, 2025

Webinars:

Q3 CU Strategies

Jul 10, 2025

Banks and CUs

Schools:

Bond School

Sep 18-19, 2025

The Fed's updated Summary of Economic Projections (SEP) still reflects a median forecast of two rate cuts by the end of 2025. Futures markets are still expecting two rate cuts as well. However, the "dot plot" showed seven of the 19 FOMC participants anticipate no cuts at all this year, exposing a greater divide within the central bank about how soon policy should ease.

Underlying that hesitation was a slightly hotter inflation outlook. The Fed revised its headline PCE inflation forecast for 2025 up to 3.0% and its core PCE forecast to 3.1%, citing potential upward pressure from new tariffs and lingering supply-side friction (the March SEP had forecast headline and core PCE at 2.7% and 2.8%, respectively). Economic growth expectations were downgraded slightly, with GDP now projected to expand just 1.4% this year (vs. 1.7% in March). The unemployment forecast was also revised, now expected to drift up to 4.5% by year end (vs. 4.4% in March).

During his post-meeting press conference, Chairman Powell emphasized the Fed's data-dependent stance, saying that while rate cuts remain possible, the committee needs greater confidence that inflation is moving sustainably toward the 2% target. "Uncertainty remains elevated," Powell said, pointing to trade policy volatility and global tensions as complicating factors but also said, "Despite elevated uncertainty, the economy is in solid position." Powell also addressed the inflationary impact of tariffs more directly than in past briefings. "Someone has to pay for the tariffs," he remarked, noting that such cost increases often feed into prices paid by consumers.

Treasury yields rose modestly after the meeting, and futures markets pushed out expectations for the first rate cut to September or later. Some Fed officials, including Governor Christopher Waller on CNBC this morning, have signaled they'd support a rate cut as soon as July if inflation continues to cool. But others are clearly less convinced. Thus far the Fed has demonstrated a penchant for the wait-and-see approach, so odds are more favorable that the Fed remains on hold through the summer.

The road ahead hinges on key labor market and inflation data, any new developments on the trade and tariff front, as well as the unfolding situation in the Middle East. A continued slowdown in inflation could give dovish members the cover they need to move forward with cuts—but a reacceleration, or any renewed labor market strength or escalation of geopolitical tensions, could easily shift the narrative again.

Have a great weekend!

Table 1. Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, June 2025

| Variable | Median ¹ | | | | Central Tendency ² | | | | Range ³ | | |
|---|---------------------|------|------|------------|-------------------------------|---------|---------|------------|--------------------|---------|---------|
| | 2025 | 2026 | 2027 | Longer run | 2025 | 2026 | 2027 | Longer run | 2025 | 2026 | 2027 |
| Change in real GDP | 1.4 | 1.6 | 1.8 | 1.8 | 1.2–1.5 | 1.5–1.8 | 1.7–2.0 | 1.7–2.0 | 1.1–2.1 | 0.6–2.5 | 0.6–2.5 |
| March projection | 1.7 | 1.8 | 1.8 | 1.8 | 1.5–1.9 | 1.6–1.9 | 1.6–2.0 | 1.7–2.0 | 1.0–2.4 | 0.6–2.5 | 0.6–2.5 |
| Unemployment rate | 4.5 | 4.5 | 4.4 | 4.2 | 4.4–4.5 | 4.3–4.6 | 4.2–4.6 | 4.0–4.3 | 4.3–4.6 | 4.3–4.7 | 4.0–4.7 |
| March projection | 4.4 | 4.3 | 4.3 | 4.2 | 4.3–4.4 | 4.2–4.5 | 4.1–4.4 | 3.9–4.3 | 4.1–4.6 | 4.1–4.7 | 3.9–4.7 |
| PCE inflation | 3.0 | 2.4 | 2.1 | 2.0 | 2.8–3.2 | 2.3–2.6 | 2.0–2.2 | 2.0 | 2.5–3.3 | 2.1–3.1 | 2.0–2.8 |
| March projection | 2.7 | 2.2 | 2.0 | 2.0 | 2.6–2.9 | 2.1–2.3 | 2.0–2.1 | 2.0 | 2.5–3.4 | 2.0–3.1 | 1.9–2.8 |
| Core PCE inflation ⁴ | 3.1 | 2.4 | 2.1 | | 2.9–3.4 | 2.3–2.7 | 2.0–2.2 | | 2.5–3.5 | 2.1–3.2 | 2.0–2.9 |
| March projection | 2.8 | 2.2 | 2.0 | | 2.7–3.0 | 2.1–2.4 | 2.0–2.1 | | 2.5–3.5 | 2.1–3.2 | 2.0–2.9 |
| Memo: Projected appropriate policy path | | | | | | | | | | | |
| Federal funds rate | 3.9 | 3.6 | 3.4 | 3.0 | 3.9–4.4 | 3.1–3.9 | 2.9–3.6 | 2.6–3.6 | 3.6–4.4 | 2.6–4.1 | 2.6–3.9 |
| March projection | 3.9 | 3.4 | 3.1 | 3.0 | 3.9–4.4 | 3.1–3.9 | 2.9–3.6 | 2.6–3.6 | 3.6–4.4 | 2.9–4.1 | 2.6–3.9 |

Source: Federal Reserve

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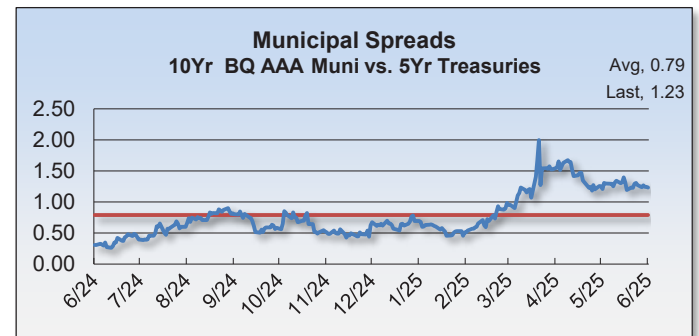
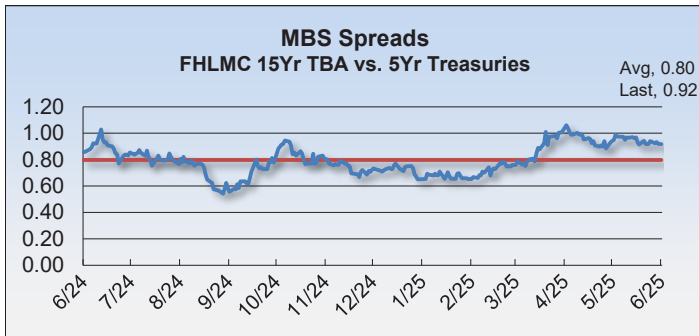
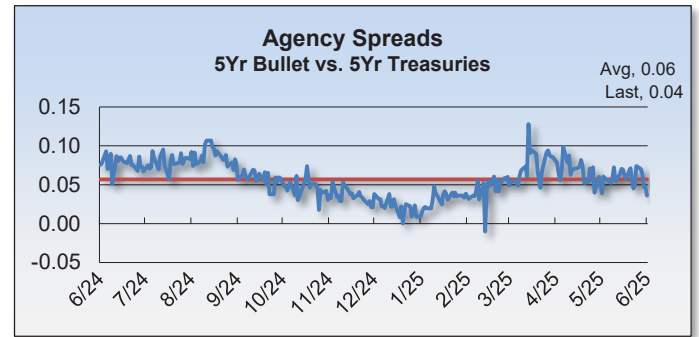
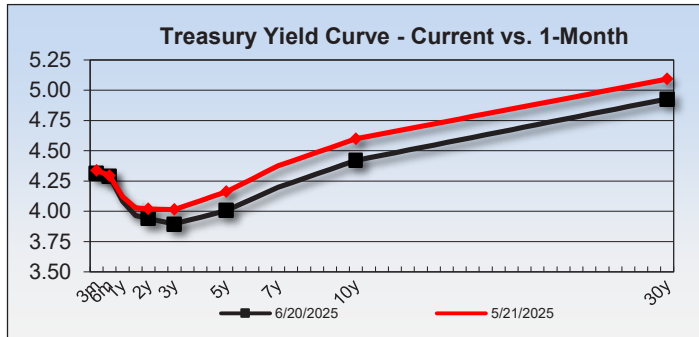
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Baker Market Update

Week In Review

June 20, 2025

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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 | 4.32 | (0.04) | 4.33 | 4.33 | 5.37 | 2yr | 4.02 | 3.72 | 3.68 | 3.92 | 4.07 | 2Yr | | | | | |
| 6mo | 4.29 | 0.01 | 4.28 | 4.29 | 5.36 | 3yr | 3.97 | 3.63 | 3.68 | 3.92 | 4.03 | 3Yr | | | | | |
| 1yr | 4.08 | 0.01 | 4.11 | 4.25 | 5.11 | 5yr | 4.08 | 3.64 | 3.82 | 4.07 | 4.18 | 5Yr | | | | | |
| 2yr | 3.94 | (0.01) | 3.97 | 4.31 | 4.74 | 7yr | 4.31 | 3.74 | 4.10 | 4.37 | 4.48 | 7Yr | | | | | |
| 3yr | 3.90 | (0.01) | 3.95 | 4.31 | 4.58 | 10yr | 4.61 | 3.88 | 4.62 | 4.92 | 4.83 | 10Yr | | | | | |
| 5yr | 4.00 | 0.00 | 4.07 | 4.38 | 4.28 | 15yr | 4.91 | 4.05 | 5.39 | 5.74 | 4.97 | | July TBA MBS | | | | |
| 7yr | 4.20 | 0.01 | 4.28 | 4.45 | 4.26 | 20yr | 5.21 | 4.11 | 6.02 | 6.41 | 5.56 | Cpn | 15Yr -Yld/AL | | 30Yr -Yld/AL | | |
| 10yr | 4.42 | 0.02 | 4.49 | 4.52 | 4.26 | 25yr | 5.51 | 4.09 | 6.19 | 6.59 | 5.62 | 3.50 | 4.86 | 4.7y | 5.38 | | |
| 30yr | 4.93 | 0.03 | 4.97 | 4.72 | 4.40 | 30yr | | 4.04 | 6.36 | 6.76 | 5.68 | 4.00 | 4.79 | 4.7y | | | |
| * Interpolated | | | | | | | | | | | | | 4.50 | 4.84 | 4.9y | 5.46 | 9.3y |
| | | | | | | | | | | | | | 5.00 | 4.93 | 4.9y | 5.56 | 8.8y |
| | | | | | | | | | | | | | 5.50 | | | 5.70 | 7.0y |
| | | | | | | | | | | | | | 6.00 | | | 5.68 | 5.4y |

* Interpolated

| Key Market Indices | | | | | |
|--------------------|---------|------------|------------|-------|-------|
| Index | Current | 1Wk Change | Historical | | |
| | | | 1 Mo | 6 Mo | 1 Yr |
| Fed Funds | 4.50 | -- | 4.50 | 4.50 | 5.50 |
| Primary Discount | 4.50 | -- | 4.50 | 4.50 | 5.50 |
| 2ndary Discount | 5.00 | -- | 5.00 | 5.00 | 6.00 |
| Prime Rate | 7.50 | -- | 7.50 | 7.50 | 8.50 |
| Sec. O.N. Finance | 4.28 | -- | 4.30 | 4.57 | -- |
| 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 | 4.38 | 0.02 | 4.43 | 4.36 | 5.36 |
| 1 Year CMT | 4.10 | 0.02 | 4.13 | 4.30 | 5.09 |
| REPO O/N | 4.33 | -- | 4.34 | 4.69 | 5.39 |
| REPO 1Wk | 4.39 | 0.01 | 4.37 | 4.38 | 5.41 |
| CoF Federal | 3.662 | -- | 3.663 | 3.767 | 3.956 |
| 11th D. CoF (Apr) | 2.934 | -- | 2.932 | 3.105 | 3.198 |

| FHLB Fixed Advance Rates | | | |
|--------------------------|---------|--------|--------|
| Maturity | Chicago | Boston | Topeka |
| 3mo | 4.46 | 4.50 | 4.50 |
| 6mo | 4.42 | 4.43 | 4.47 |
| 1yr | 4.22 | 4.22 | 4.31 |
| 2yr | 4.04 | 4.08 | 4.13 |
| 3yr | 4.01 | 4.05 | 4.08 |
| 4yr | 4.07 | 4.13 | 4.13 |
| 5yr | 4.13 | 4.18 | 4.18 |
| 7yr | 4.43 | 4.50 | 4.47 |
| 10yr | 4.74 | 4.83 | 4.78 |
| 5yr Am | 4.15 | | 4.19 |
| 10yr Am | 4.21 | | 4.53 |

| Fed Fund Futures | | |
|------------------|-------|--|
| Maturity | Rate | |
| Jun-25 | 4.330 | |
| Jul-25 | 4.330 | |
| Aug-25 | 4.290 | |
| Sep-25 | 4.225 | |
| Oct-25 | 4.130 | |
| Nov-25 | 4.010 | |
| Dec-25 | 3.900 | |
| Jan-26 | 3.835 | |
| Feb-26 | 3.760 | |
| Mar-26 | 3.710 | |
| Apr-26 | 3.635 | |

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| Weekly Economic Calendar | | | | | | |
|--------------------------|---------------------------------------|-------|-------|----------|----------|----------|
| This Week & Next | | | | | | |
| Date | Release | Per. | Est. | Actual | Prior | Revised |
| 6/16 | Empire Manufacturing | Jun | -6.0 | -16.0 | -9.2 | -- |
| 6/17 | Retail Sales Ex Auto and Gas | May | 0.3% | -0.1% | 0.2% | 0.1% |
| 6/17 | Retail Sales Control Group | May | 0.3% | 0.4% | -0.2% | -0.1% |
| 6/17 | Import Price Index MoM | May | -0.2% | 0.0% | 0.1% | -- |
| 6/17 | Import Price Index ex Petroleum MoM | May | 0.1% | 0.2% | 0.4% | -- |
| 6/17 | Import Price Index YoY | May | 0.0% | 0.2% | 0.1% | -- |
| 6/17 | Export Price Index MoM | May | -0.2% | -0.9% | 0.1% | -- |
| 6/17 | Export Price Index YoY | May | 2.5% | 1.7% | 2.0% | 1.9% |
| 6/17 | Industrial Production MoM | May | 0.0% | -0.2% | 0.0% | 0.1% |
| 6/17 | Manufacturing (SIC) Production | May | 0.1% | 0.1% | -0.4% | -0.5% |
| 6/17 | NAHB Housing Market Index | Jun | 36 | 32 | 34 | -- |
| 6/18 | MBA Mortgage Applications | 6/13 | -- | -2.6% | 12.5% | -- |
| 6/18 | Housing Starts | May | 1350k | 1256k | 1361k | 1392k |
| 6/18 | Building Permits | May P | 1422k | 1393k | 1422k | -- |
| 6/18 | Housing Starts MoM | May | -0.8% | -9.8% | 1.6% | 2.7% |
| 6/18 | Building Permits MoM | May P | 0.0% | -2.0% | -4.0% | -- |
| 6/18 | Initial Jobless Claims | 6/14 | 245k | 245k | 248k | 250k |
| 6/18 | Continuing Claims | 6/7 | 1941k | 1945k | 1956k | 1951k |
| 6/18 | FOMC Rate Decision (Upper Bound) | 6/18 | 4.50% | 4.50% | 4.50% | -- |
| 6/18 | FOMC Rate Decision (Lower Bound) | 6/18 | 4.25% | 4.25% | 4.25% | -- |
| 6/18 | Fed Interest on Reserve Balances Rate | 6/19 | 4.40% | 4.40% | 4.40% | -- |
| 6/18 | Net Long-term TIC Flows | Apr | -- | -\$7.8b | \$161.8b | \$162.4b |
| 6/18 | Total Net TIC Flows | Apr | -- | -\$14.2b | \$254.3b | \$253.1b |
| 6/20 | Leading Index | May | -0.1% | -0.1% | -1.0% | -1.4% |
| 6/23 | S&P Global US Manufacturing PMI | Jun P | 51.0 | -- | 52.0 | -- |
| 6/23 | S&P Global US Services PMI | Jun P | 52.9 | -- | 53.7 | -- |
| 6/23 | S&P Global US Composite PMI | Jun P | -- | -- | 53.0 | -- |
| 6/23 | Existing Home Sales MoM | May | -1.3% | -- | -0.5% | -- |
| 6/24 | Philadelphia Fed Non-Manufacturing Ac | Jun | -- | -- | -41.9 | -- |
| 6/24 | S&P CoreLogic CS 20-City YoY NSA | Apr | -- | -- | 4.07% | -- |
| 6/24 | S&P CoreLogic CS US HPI YoY NSA | Apr | -- | -- | 3.37% | -- |
| 6/24 | Conf. Board Consumer Confidence | Jun | 99 | -- | 98 | -- |
| 6/24 | Conf. Board Present Situation | Jun | -- | -- | 135.9 | -- |
| 6/24 | Conf. Board Expectations | Jun | -- | -- | 72.8 | -- |
| 6/25 | New Home Sales MoM | May | -6.7% | -- | 10.9% | -- |
| 6/26 | Advance Goods Exports MoM SA | May | -- | -- | 3.4% | 3.5% |
| 6/26 | Advance Goods Imports MoM SA | May | -- | -- | -19.8% | -19.9% |
| 6/26 | GDP Annualized QoQ | 1Q T | -0.2% | -- | -0.2% | -- |
| 6/26 | GDP Price Index | 1Q T | 3.7% | -- | 3.7% | -- |
| 6/26 | Core PCE Price Index QoQ | 1Q T | -- | -- | 3.4% | -- |
| 6/26 | Durables Ex Transportation | May P | 0.0% | -- | 0.2% | -- |
| 6/26 | Cap Goods Ship Nondef Ex Air | May P | -- | -- | -0.1% | -- |
| 6/26 | Pending Home Sales NSA YoY | May | -- | -- | -3.5% | -- |
| 6/27 | Personal Income | May | 0.2% | -- | 0.8% | -- |
| 6/27 | Real Personal Spending | May | -- | -- | 0.1% | -- |
| 6/27 | PCE Price Index YoY | May | -- | -- | 2.1% | -- |
| 6/27 | Core PCE Price Index YoY | May | 2.6% | -- | 2.5% | -- |

| MBS Prepayments ⁴ | | | | | | |
|------------------------------|------|------|------|------|------|------|
| 3-Month CPR | | | | | | |
| Type | 3.5 | 4.0 | 4.5 | 5.0 | 5.5 | 6.0 |
| FN 10y | 17.2 | 18.5 | 16.2 | 21.1 | 23.0 | 29.5 |
| FH/FN 15y | 10.0 | 12.1 | 16.4 | 8.1 | 14.5 | 20.1 |
| GN 15y | 25.2 | 31.5 | 43.4 | 62.6 | -2.3 | 76.3 |
| FH/FN 20y | 7.9 | 8.8 | 10.8 | 12.6 | 19.9 | 22.3 |
| FH/FN 30y | 6.6 | 7.2 | 6.0 | 5.5 | 7.3 | 9.1 |
| GN 30y | 5.9 | 7.2 | 6.6 | 7.1 | 7.9 | 7.5 |
| CPR Projections | | | | | | |
| Type | 3.5 | 4.0 | 4.5 | 5.0 | 5.5 | 6.0 |
| FN 10y | 12.0 | 12.7 | 15.0 | 17.3 | 19.2 | 21.1 |
| FH/FN 15y | 8.7 | 9.9 | 16.1 | 15.1 | 19.8 | 26.0 |
| GN 15y | 7.9 | 14.4 | 14.9 | 14.8 | 20.5 | 30.9 |
| FH/FN 20y | 7.1 | 8.0 | 9.2 | 12.1 | 13.9 | 15.0 |
| FH/FN 30y | 6.1 | 6.8 | 7.6 | 8.6 | 11.2 | 14.0 |
| GN 30y | 6.5 | 8.0 | 7.7 | 9.1 | 9.9 | 10.9 |

| Other Markets | | | | | |
|---------------------|----------|-------------|------------|----------|----------|
| Index | Current | 1Wk Chng | Historical | | |
| | | | 1 Mo | 6 Mo | 1 Yr |
| Currencies | | | | | |
| Japanese Yen | 145.79 | 1.72 | 144.60 | 156.31 | 158.42 |
| Euro | 1.15 | (0.00) | 1.12 | 1.04 | 1.07 |
| Dollar Index | 98.71 | 0.79 | 100.12 | 107.62 | 105.59 |
| Major Stock Indices | | | | | |
| Dow Jones | 42,297 | (671) | 42,677 | 42,840 | 39,135 |
| S&P 500 | 6,000.9 | (44.4) | 5,940.5 | 5,930.9 | 5,473.2 |
| NASDAQ | 19,578.8 | (84) | 19,142.7 | 19,572.6 | 17,721.6 |
| Commodities | | | | | |
| Gold | 3,369.6 | (11.3) | 3,284.6 | 2,628.7 | 2,353.8 |
| Crude Oil | 74.95 | 6.91 | 62.56 | 69.46 | 82.17 |
| Natural Gas | 3.97 | 0.47 | 3.43 | 3.75 | 2.74 |
| Wheat | 573.5 | 47.0 | 546.0 | 533.0 | 572.8 |
| Corn | 432.5 | -6.0 | 454.5 | 446.3 | 439.8 |

| 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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