

Baker Market Update

Week In Review

July 3, 2025

The
BakerGroup



Dale Sheller

Managing Director

Director of FSG

The first Friday of the month jobs report came one day early ahead of tomorrow's Fourth of July Holiday. Today's job report was almost as highly anticipated as tomorrow's Nathan's Hot Dog Eating Contest where Joey Chestnut will make his return after a one-year hiatus. Some are asking if Joey Chestnut is the greatest athlete of our time?! I'll let you decide.

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

This morning's release showed that nonfarm payrolls increased by 147,000 for the month of June, above expectations for 106,000 additional jobs. This month's jobs report saw gains in state government (+47,000) and health care jobs (+39,000), while the federal government (-7,000) continued to shed jobs. The unemployment rate, which comes from a separate "Household Survey", fell from 4.2% to 4.1% (estimated to rise to 4.3%). If you peel back the layers a bit and look at what drove the decline in the unemployment rate, you may think differently about the decline in the unemployment rate. The population grew by 200,000 and the number of employed grew by 93,000, however, 329,000 people left the labor force so the Labor Force Participation Rate fell to 62.3% (down 0.3% in 2 months) and that's what caused the unemployment rate to fall to 4.1%. Three times as many people left the labor force than were getting a job. This jobs report continues to put the Fed into a wait and see approach as they will continue to wait for the potential tariff inflation that may or may not come this summer. Fed Funds Futures markets are now pricing in a 70% change of a rate cut at the mid-September FOMC Meeting.

Additionally, this morning, initial jobless claims came in a bit lower than expected at 233,000 for the prior week (estimated 241,000) and continuing claims came in slightly higher than expected at 1,964K vs. an expected 1,962K.

Earlier in the week, more labor market data points were released in the Jobs Openings Labor and Turnover Survey (JOLTS) and the ADP National Employment Report. The JOLTS report showed that job openings totaled 7.77 million (est. 7.3 million). The ADP report told a different story than today's nonfarm payrolls report as the report revealed that 33,000 nonfarm private jobs were unexpectedly lost in June, much lower than the estimated increase of 98,000. The marked the first drop in ADP Employment change since March 2023.

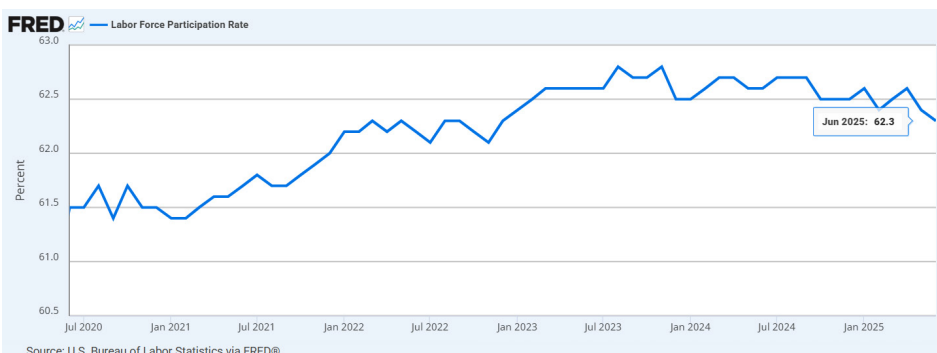
On Tuesday of this week, the S&P Global US Manufacturing Purchasing Manager's Index rose to 52.9 in June up from 52 in May, its highest reading since May 2022. ISM Manufacturing PMI also increased to 49.0 in June, up from 48.5 in May. A reading below 50 is contractionary, but June's number of 49.0 represents a slower rate of contraction when compared to the prior month's figure.

The Treasury Market is currently seeing a fairly strong selloff with the 10-Year Treasury being off almost half a point with a yield at 4.34% and the 2-Year Treasury yield at 3.88%. The Dow Jones Industrial Average is up about 300 points in today's trading session.

Next week's economic calendar is on the lighter side with the highlights coming from the weekly jobless claims and the release of the FOMC Meeting Minutes from their June meeting.

Enjoy your Fourth of July Holiday Weekend!

Labor Force Participation Rate (July 2020 to Present)

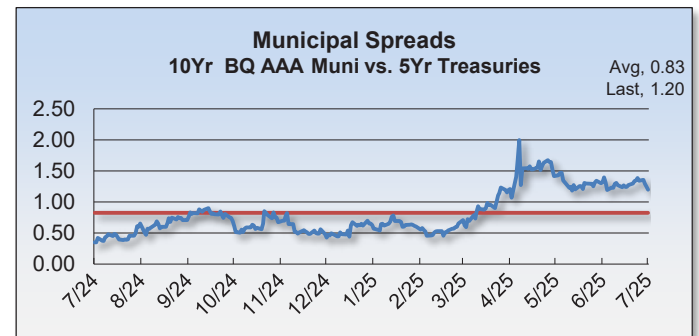
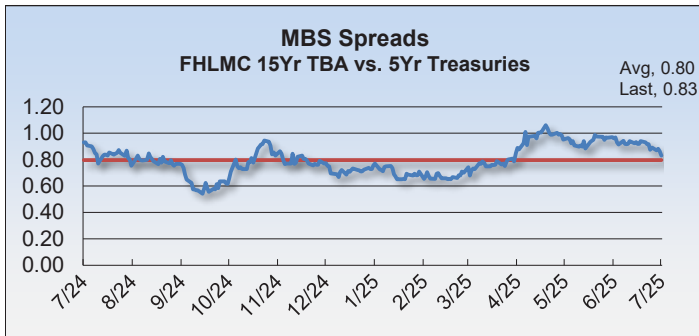
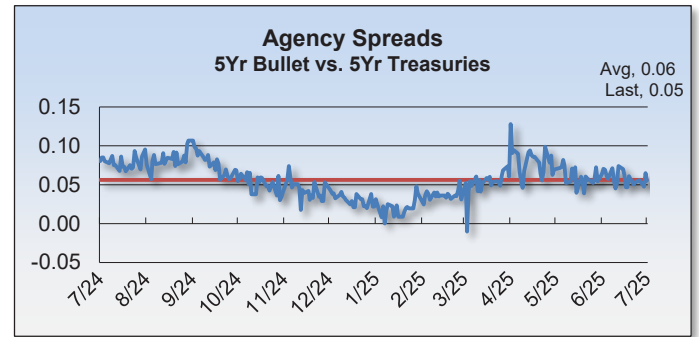
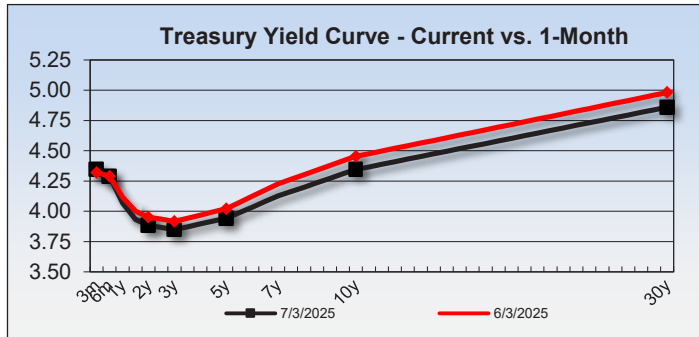


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Treasury Market -- Historical						Fixed Rate Market											
Maty	Current	1Wk Change	Historical			Maty /AL	N-Call Agency	US Swap	AAA BQ Muni		Tax Muni		Agency Calls - Euro				
			1 Mo	6 Mo	1 Yr				C-Corp ²	S-Corp ³		Mty	3Mo	6mo	1Yr	2Yr	
3mo	4.35	0.03	4.33	4.30	5.39	2yr	3.98	3.62	3.54	3.77	3.92	2Yr					
6mo	4.29	0.05	4.29	4.28	5.30	3yr	3.91	3.53	3.54	3.77	3.90	3Yr					
1yr	4.07	0.10	4.12	4.17	5.05	5yr	4.00	3.55	3.65	3.89	4.07	5Yr					
2yr	3.88	0.16	3.95	4.28	4.71	7yr	4.21	3.64	3.99	4.25	4.37	7Yr					
3yr	3.85	0.16	3.92	4.32	4.58	10yr	4.52	3.79	4.52	4.81	4.73	10Yr					
5yr	3.94	0.15	4.02	4.41	4.33	15yr	4.84	3.98	5.39	5.74	4.87						August TBA MBS
7yr	4.13	0.14	4.23	4.51	4.32	20yr	5.16	4.05	6.02	6.41	5.49	Cpn	15Yr -Yld/AL		30Yr -Yld/AL		
10yr	4.35	0.10	4.46	4.60	4.36	25yr	5.48	4.03	6.19	6.59	5.55	3.50	4.68	4.6y	5.21		
30yr	4.86	0.06	4.98	4.81	4.53	30yr		3.98	6.36	6.76	5.61	4.00	4.64	4.6y			
* Interpolated													4.50	4.69	4.7y	5.33	9.0y
													5.00	4.79	4.4y	5.44	8.3y
													5.50			5.54	6.3y
													6.00			5.41	4.0y

* 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	4.40	0.04	4.35	4.40	--
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	4.22	(0.02)	4.37	4.33	5.37
1 Year CMT	3.99	--	4.12	4.17	5.07
REPO O/N	4.32	--	4.34	4.80	5.40
REPO 1Wk	4.39	0.01	4.37	4.40	5.37
CoF Federal	3.662	--	3.663	3.767	3.956
11th D. CoF (May)	2.933	--	2.934	3.038	3.227

FHLB Fixed Advance Rates				Fed Fund Futures	
Maturity	Chicago	Boston	Topeka	Maturity	Rate
3mo	4.47	4.50	4.49	Jul-25	4.328
6mo	4.40	4.42	4.46	Aug-25	4.315
1yr	4.18	4.19	4.29	Sep-25	4.235
2yr	3.99	4.03	4.07	Oct-25	4.125
3yr	3.95	4.00	4.04	Nov-25	3.990
4yr	4.01	4.06	4.09	Dec-25	3.870
5yr	4.06	4.12	4.14	Jan-26	3.805
7yr	4.35	4.42	4.43	Feb-26	3.710
10yr	4.66	4.75	4.74	Mar-26	3.655
5yr Am	4.15		4.15	Apr-26	3.570
10yr Am	4.21		4.48	May-26	3.495

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Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
6/30	MNI Chicago PMI	Jun	43.0	40.4	40.5	--
7/1	S&P Global US Manufacturing PMI	Jun F	52.0	52.9	52.0	--
7/1	ISM Manufacturing	Jun	48.8	49.0	48.5	--
7/1	ISM Prices Paid	Jun	69.5	69.7	69.4	--
7/1	ISM New Orders	Jun	48.1	46.4	47.6	--
7/1	ISM Employment	Jun	47.1	45.0	46.8	--
7/1	JOLTS Job Openings	May	7300k	7769k	7391k	7395k
7/1	JOLTS Job Openings Rate	May	4.4%	4.6%	4.4%	--
7/1	JOLTS Quits Level	May	3188k	3293k	3194k	3215k
7/1	JOLTS Quits Rate	May	--	2.1%	2.0%	--
7/1	JOLTS Layoffs Level	May	1831k	1601k	1786k	1789k
7/1	JOLTS Layoffs Rate	May	--	1.0%	1.1%	--
7/2	MBA Mortgage Applications	6/27	--	2.7%	1.1%	--
7/2	Challenger Job Cuts YoY	Jun	--	-1.6%	47.0%	--
7/2	ADP Employment Change	Jun	98k	-33k	37k	29k
7/3	Change in Nonfarm Payrolls	Jun	106k	147k	139k	144k
7/3	Change in Private Payrolls	Jun	100k	74k	140k	137k
7/3	Change in Manufact. Payrolls	Jun	-2k	-7k	-8k	-7k
7/3	Two-Month Payroll Net Revision	Jun	--	16k	-95k	--
7/3	Unemployment Rate	Jun	4.3%	4.1%	4.2%	--
7/3	Labor Force Participation Rate	Jun	62.4%	62.3%	62.4%	--
7/3	Underemployment Rate	Jun	--	7.7%	7.8%	--
7/3	Average Hourly Earnings MoM	Jun	0.3%	0.2%	0.4%	--
7/3	Average Hourly Earnings YoY	Jun	3.8%	3.7%	3.9%	3.8%
7/3	Average Weekly Hours All Employees	Jun	34.3	34.2	34.3	--
7/3	Initial Jobless Claims	6/28	241k	233k	236k	237k
7/3	Continuing Claims	6/21	1962k	1964k	1974k	1964k
7/3	Trade Balance	May	-\$71.0b	-\$71.5b	-\$61.6b	-\$60.3b
7/3	Exports MoM	May	--	-4.0%	3.0%	3.4%
7/3	Imports MoM	May	--	-0.1%	-16.3%	--
7/3	S&P Global US Services PMI	Jun F	53.1	52.9	53.1	--
7/3	S&P Global US Composite PMI	Jun F	52.8	52.9	52.8	--
7/3	ISM Services Index	Jun	50.6	50.8	49.9	--
7/3	ISM Services Prices Paid	Jun	68.9	67.5	68.7	--
7/3	ISM Services New Orders	Jun	48.2	51.3	46.4	--
7/3	ISM Services Employment	Jun	49.5	47.2	50.7	--
7/3	Factory Orders	May	8.2%	8.2%	-3.7%	-3.9%
7/3	Factory Orders Ex Trans	May	0.2%	0.2%	-0.5%	-0.6%
7/3	Durable Goods Orders	May F	16.4%	16.4%	16.4%	--
7/3	Durables Ex Transportation	May F	0.5%	0.5%	0.5%	--
7/3	Cap Goods Orders Nondef Ex Air	May F	1.7%	1.7%	1.7%	--
7/3	Cap Goods Ship Nondef Ex Air	May F	0.5%	0.4%	0.5%	--
7/8	NFIB Small Business Optimism	Jun	97.9	--	98.8	--
7/8	NY Fed 1-Yr Inflation Expectations	Jun	--	--	3.2%	--
7/9	Wholesale Trade Sales MoM	May	0.2%	--	0.1%	--
7/9	Wholesale Inventories MoM	May F	--	--	-0.3%	--
7/11	Federal Budget Balance	Jun	--	--	-\$316.0b	--

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	12.4	13.0	15.6	18.0	20.2	22.1
FH/FN 15y	9.0	10.3	16.8	16.8		28.3
GN 15y	8.0	14.3	14.8	15.3	20.4	30.9
FH/FN 20y	7.5	8.5	9.6	12.5	14.2	16.6
FH/FN 30y	6.2	7.0	8.0	9.1	12.2	17.9
GN 30y	6.5	8.2	8.2	9.4	10.2	11.4

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	144.74	0.09	144.25	157.90	161.06
Euro	1.18	0.01	1.14	1.03	1.08
Dollar Index	97.00	(0.15)	99.23	108.95	105.40
Major Stock Indices					
Dow Jones	44,778	1,392	42,520	42,732	39,308
S&P 500	6,259.7	118.7	5,970.4	5,942.5	5,537.0
NASDAQ	20,564.1	396	19,399.0	19,621.7	18,188.3
Commodities					
Gold	3,345.2	11.7	3,350.2	2,654.7	2,369.4
Crude Oil	67.07	1.83	63.41	73.96	83.88
Natural Gas	3.55	0.29	3.72	3.35	2.42
Wheat	558.0	37.0	536.0	529.3	554.5
Corn	432.5	23.0	438.5	450.8	403.5

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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