

Baker Market Update

Week In Review

July 11, 2025



Andrea Pringle

*MBS Analyst/
Financial Strategist*

With little in the way of economic data this week, markets focused on the evolving trade landscape and federal funding woes. President Trump opened a new phase in the trade war on Monday by notifying 14 nations that they will face sharply higher tariffs beginning on August 1st. He signaled opportunities for additional negotiations but warned that reprisals would draw an equivalent response from the U.S.

UPCOMING EVENTS

► Banks

Webinars:

Q2 Bank Trends

Aug 13, 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

► Banks and CUs

Schools:

Bond School

Sep 18-19, 2025

In letters released on his Truth Social platform, President Trump told Japan and South Korea “If, for any reason, you decide to raise your tariffs, then, whatever the number you choose to raise them by, will be added on to the 25% that we charge.” Stocks fell in response on Monday and Treasury yields edged higher but largely settled back by the end of the week as traders continued to price in very little tariff risk.

There was also a fair amount of news this week on the fiscal deficit dilemma after the One Big Beautiful Bill Act was signed into law over the fourth of July holiday. It has been widely reported that OBBA tax and spending package is expected to add \$3 trillion to the deficit over the next decade and strategists warn this could eventually pressure the Fed’s independence as it has to balance its dual mandate objectives with the cost (i.e. interest rates) of paying for the U.S.’s escalating debt burden.

Also this week, the Fed released minutes from its June meeting highlighting a prevailing theme of uncertainty among the committee members. Most participants warned that proposed tariffs could have “persistent effects” on inflation, rather than being just a one-time disturbance but also noted that there’s still significant uncertainty around how long and how much prices could be pressured. Policymakers are also still split on the timing of the next rate cuts with the majority (10) anticipating at least two quarter-point rate cuts by year-end and 7 expecting none. Fed Governors Bowman and Waller explicitly said they would consider a rate cut at the July meeting, if incoming data aligned but others preferred to wait until September.

Fed funds futures suggest a ~65% chance of a September cut, with two full cuts priced in by the end of 2025. This despite headline risks and rising effective tariff rates, now at their highest in 90 years. A strong 10-year Treasury auction midweek signaled that demand for U.S. debt remains firm, even as fiscal concerns mount. The bond market’s own “fear gauge,” the MOVE index, hovered near year-to-date lows, reflecting a surprising degree of calm amid all the uncertainty.

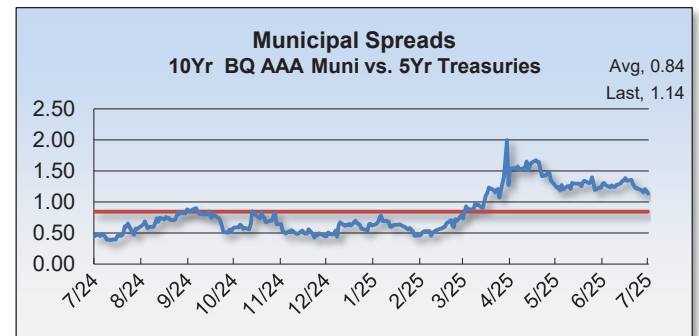
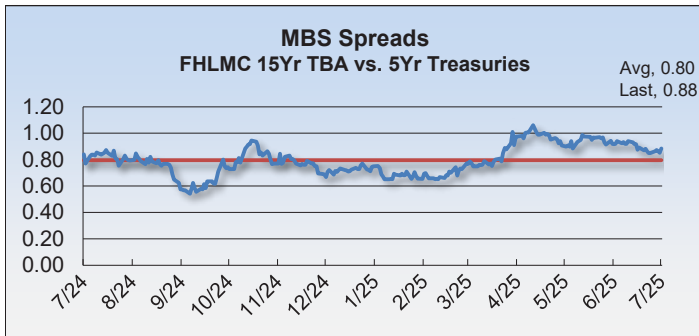
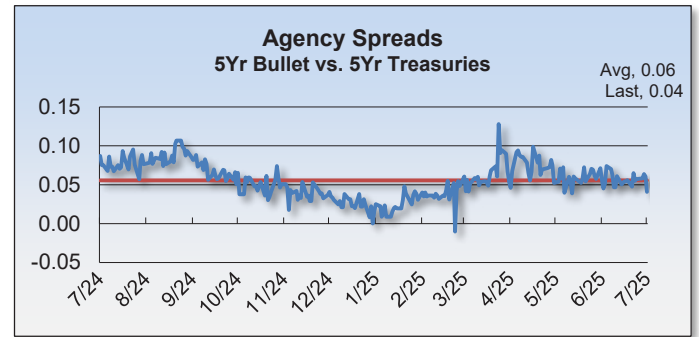
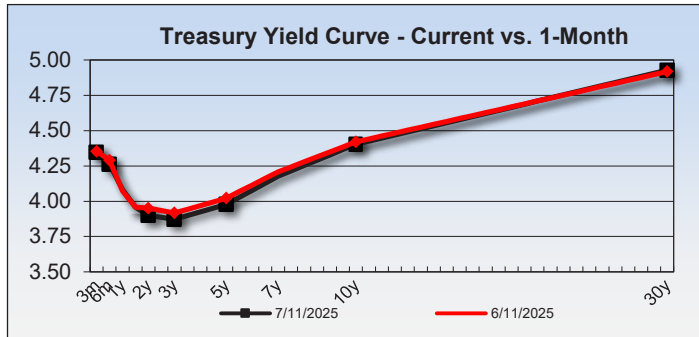
Next week, the data docket picks back up with CPI, PPI, retail sales and housing data. Have a great weekend!

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The BakerGroup



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	(0.01)	4.36	4.32	5.34	2yr	3.99	3.63	3.44	3.67	4.00	2Yr				
6mo	4.26	(0.03)	4.29	4.30	5.21	3yr	3.93	3.54	3.46	3.68	3.98	3Yr				
1yr	4.08	0.00	4.07	4.22	4.90	5yr	4.04	3.57	3.57	3.80	4.13	5Yr				
2yr	3.90	0.02	3.95	4.38	4.52	7yr	4.26	3.67	3.95	4.20	4.43	7Yr				
3yr	3.87	0.03	3.92	4.47	4.39	10yr	4.58	3.83	4.51	4.80	4.79	10Yr				
5yr	3.98	0.04	4.02	4.57	4.14	15yr	4.90	4.03	5.38	5.72	4.93		August TBA MBS			
7yr	4.18	0.05	4.21	4.68	4.16	20yr	5.23	4.10	6.03	6.42	5.53	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	4.40	0.06	4.42	4.76	4.21	25yr	5.56	4.10	6.20	6.60	5.59	3.50	4.75	4.6y	5.31	
30yr	4.93	0.06	4.92	4.95	4.42	30yr		4.05	6.37	6.78	5.65	4.00	4.75	4.6y		
* Interpolated																
Key Market Indices																
		1Wk	Historical													

* 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	4.31	(0.04)	4.28	4.30	--
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	4.31	0.09	4.41	4.35	5.31
1 Year CMT	4.07	--	4.12	4.25	5.01
REPO O/N	4.32	--	4.33	4.80	5.40
REPO 1Wk	4.38	--	4.37	4.36	5.38
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	4.49	4.53	4.53	Jul-25	4.328
6mo	4.40	4.42	4.46	Aug-25	4.315
1yr	4.18	4.19	4.26	Sep-25	4.245
2yr	4.00	4.05	4.08	Oct-25	4.145
3yr	3.97	4.02	4.05	Nov-25	4.010
4yr	4.04	4.09	4.10	Dec-25	3.885
5yr	4.10	4.14	4.16	Jan-26	3.820
7yr	4.41	4.47	4.47	Feb-26	3.730
10yr	4.73	4.80	4.79	Mar-26	3.675
5yr Am	4.15		4.16	Apr-26	3.590
10yr Am	4.21		4.51	May-26	3.520

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Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
7/8	NFIB Small Business Optimism	Jun	98.6	98.6	98.8	--
7/8	NY Fed 1-Yr Inflation Expectations	Jun	3.13%	3.02%	3.20%	--
7/8	Consumer Credit	May	\$10.500b	\$5.102b	\$17.873b	\$16.871b
7/9	MBA Mortgage Applications	7/4	--	9.4%	2.7%	--
7/9	Wholesale Inventories MoM	May F	-0.3%	-0.3%	-0.3%	--
7/9	Wholesale Trade Sales MoM	May	0.2%	-0.3%	0.4%	0.0%
7/9	FOMC Meeting Minutes	6/18	--	--	--	--
7/10	Initial Jobless Claims	7/5	235k	227k	233k	232k
7/10	Initial Claims 4-Wk Moving Avg	7/5	--	235.50k	241.50k	241.25k
7/10	Continuing Claims	6/28	1965k	1965k	1964k	1955k
7/11	Federal Budget Balance	Jun	-\$30.0b	--	-\$316.0b	--
7/15	Empire Manufacturing	Jul	-8	--	-16	--
7/15	CPI MoM	Jun	0.3%	--	0.1%	--
7/15	CPI Ex Food and Energy MoM	Jun	0.3%	--	0.1%	--
7/15	CPI YoY	Jun	2.6%	--	2.4%	--
7/15	CPI Ex Food and Energy YoY	Jun	2.9%	--	2.8%	--
7/15	CPI Index NSA	Jun	322.50	--	321.47	--
7/15	CPI Core Index SA	Jun	327.71	--	326.85	--
7/15	Real Avg Hourly Earning YoY	Jun	--	--	1.4%	--
7/15	Real Avg Weekly Earnings YoY	Jun	--	--	1.5%	1.4%
7/16	PPI Final Demand MoM	Jun	0.3%	--	0.1%	--
7/16	PPI Ex Food and Energy MoM	Jun	0.2%	--	0.1%	--
7/16	PPI Ex Food, Energy, Trade MoM	Jun	--	--	0.1%	--
7/16	PPI Final Demand YoY	Jun	2.5%	--	2.6%	--
7/16	PPI Ex Food and Energy YoY	Jun	2.7%	--	3.0%	--
7/16	PPI Ex Food, Energy, Trade YoY	Jun	--	--	2.7%	--
7/16	Industrial Production MoM	Jun	0.1%	--	-0.2%	--
7/16	Manufacturing (SIC) Production	Jun	0.0%	--	0.1%	--
7/17	Retail Sales Advance MoM	Jun	0.1%	--	-0.9%	--
7/17	Retail Sales Ex Auto and Gas	Jun	0.3%	--	-0.1%	--
7/17	Retail Sales Ex Auto MoM	Jun	0.3%	--	-0.3%	--
7/17	Retail Sales Control Group	Jun	0.3%	--	0.4%	--
7/17	Import Price Index MoM	Jun	0.2%	--	0.0%	--
7/17	Import Price Index ex Petroleum MoM	Jun	--	--	0.2%	--
7/17	Import Price Index YoY	Jun	--	--	0.2%	--
7/17	Export Price Index MoM	Jun	0.1%	--	-0.9%	--
7/17	Export Price Index YoY	Jun	--	--	1.7%	--
7/17	Philadelphia Fed Business Outlook	Jul	0.5	--	-4.0	--
7/17	Business Inventories	May	0.0%	--	0.0%	--
7/17	NAHB Housing Market Index	Jul	33	--	32	--
7/17	Net Long-term TIC Flows	May	--	--	-\$7.8b	--
7/17	Total Net TIC Flows	May	--	--	-\$14.2b	--
7/18	Housing Starts	Jun	1300k	--	1256k	--
7/18	Building Permits	Jun P	1390k	--	1394k	--
7/18	U. of Mich. Sentiment	Jul P	61.5	--	60.7	--
7/18	U. of Mich. Current Conditions	Jul P	--	--	64.8	--
7/18	U. of Mich. 1 Yr Inflation	Jul P	--	--	5.0%	--

MBS Prepayments ⁴						
3-Month CPR						
Type	3.5	4.0	4.5	5.0	5.5	6.0
FN 10y	16.6	17.9	15.0	21.2	21.7	25.7
FH/FN 15y	9.3	11.5	15.9	8.5	13.5	19.0
GN 15y	26.8	29.4	35.6	71.5	-2.3	76.3
FH/FN 20y	8.0	9.1	10.8	11.8	20.4	22.0
FH/FN 30y	7.1	7.3	6.9	5.6	7.6	9.0
GN 30y	6.7	8.3	6.5	7.3	7.8	7.7
CPR Projections						
Type	3.5	4.0	4.5	5.0	5.5	6.0
FN 10y	12.2	12.9	15.4	17.7	19.9	21.6
FH/FN 15y	8.9	10.2	16.5	16.3	--	27.3
GN 15y	7.9	14.2	14.8	14.5	20.4	30.7
FH/FN 20y	7.4	8.3	9.5	12.4	14.1	16.1
FH/FN 30y	6.2	6.9	7.9	8.9	11.9	16.7
GN 30y	6.5	8.2	8.0	9.3	10.1	11.2

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	147.33	2.86	145.14	157.43	161.55
Euro	1.17	(0.01)	1.14	1.02	1.08
Dollar Index	97.80	0.62	98.63	109.65	104.44
Major Stock Indices					
Dow Jones	44,385	(443)	42,866	41,938	39,754
S&P 500	6,239.9	(39.5)	6,022.2	5,827.0	5,584.5
NASDAQ	20,593.6	(8)	19,615.9	19,161.6	18,283.4
Commodities					
Gold	3,364.3	21.4	3,321.3	2,715.0	2,421.9
Crude Oil	67.75	0.75	68.15	76.57	82.62
Natural Gas	3.37	(0.04)	3.51	3.99	2.27
Wheat	550.3	-5.8	534.5	530.8	543.5
Corn	400.0	-31.5	437.0	470.5	406.8

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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