

# Baker Market Update

## Week In Review

July 18, 2025

The  
**Baker**Group



**Carson Francis**  
Financial Analyst

### UPCOMING EVENTS

#### Banks

##### Webinars:

Q2 Bank Trends

Aug 13, 2025

##### Seminars:

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

Financial markets took in a variety of news this week, balancing domestic policy shifts with global economic updates, as well as repositioning international capital flows. Uncertainty arose from recent developments in trade policy, as the Trump administration announced a 30% tariff on all goods imported from member countries of the European Union and Mexico. Market participants are revising risk expectations and preparing for possible spillover effects into domestic inflation, sentiment, and capital flow shifts along the risk curve in response to the trade war.

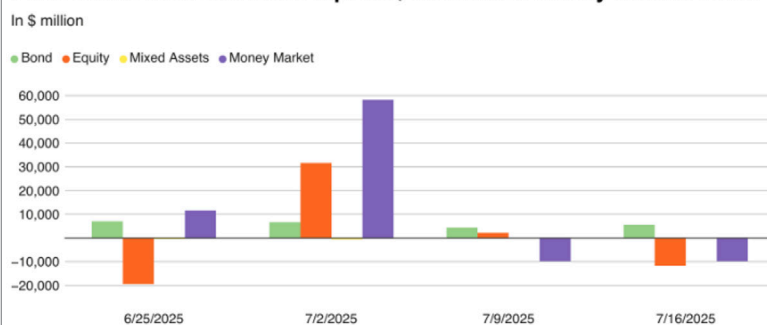
The latest inflation numbers released on Tuesday could be alarming at first glance for those fearing a resurgence of inflationary pressures. Two measures of inflation surprised expectations, headline Consumer Price Index (CPI) measured on a year-over-year basis, and core CPI on a month-over-month basis. Headline inflation came in 0.1% above expectations at 2.7% (YoY), while core CPI came in 0.1% below expectations at 0.2% (MoM). All Consumer Price Index readings came in higher than the prior month but can be attributed to something called the “base effect.” The base effect refers to the impact that a starting value has on changes in economic indicators. This base effect explains why headline CPI increased from 2.4% to 2.7%, as the flat 0.0% from June 2024 was replaced by a 0.3% increase in June 2025.

During the week ending July 16th, global equity funds saw roughly a \$5.3 billion outflow, driven by apprehension over recent tariff threats. Following two consecutive weeks of net inflows, approximately \$11.75 billion flowed out of U.S. equity funds, while other international markets such as Europe and Asia saw influxes of capital into their equity markets. Most notably, U.S. money market funds saw a net outflow of about \$9.79 billion, marking the second consecutive week of net sales. Meanwhile, domestic bonds remained attractive, receiving net inflows of \$5.55 billion, marking the 13th consecutive week of inflows. This shift reflects a rotation of cash out of money markets toward assets higher on the risk curve, motivated by strong real yields in mid- and long-duration bonds and emerging potential in international equity markets.

Despite money managers’ lackluster sentiment toward domestic stocks, highlighted by outflows from U.S. equity funds, retail sales remain strong. On Thursday morning, Retail Sales Advance MoM, which tracks sales of both new and used goods for personal or household consumption, beat expectations of 0.1%, coming in at 0.6%. One possible driver of the sharp rise in retail sales was the strong performance in the automobiles and parts category, which was the largest contributor to the overall increase in June. According to the data, sales at motor vehicle and parts dealers rose 1.6% month-over-month, well above the headline number, and this jump likely reflects tariff-driven price increases as well as residual supply chain pressures. This aligns with broader commentary suggesting that part of the retail sales strength came from higher prices rather than increased purchase volumes, especially in goods sensitive to trade policy impacts, where consumers are front-running purchases in fear of future price increases.

Have a good weekend, everyone!

#### Fund flows: U.S. domiciled equities, bonds and money market funds

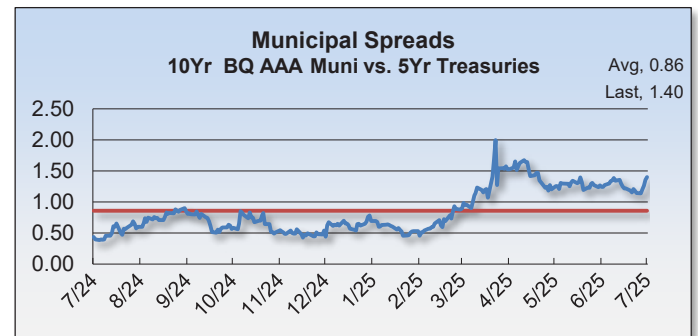
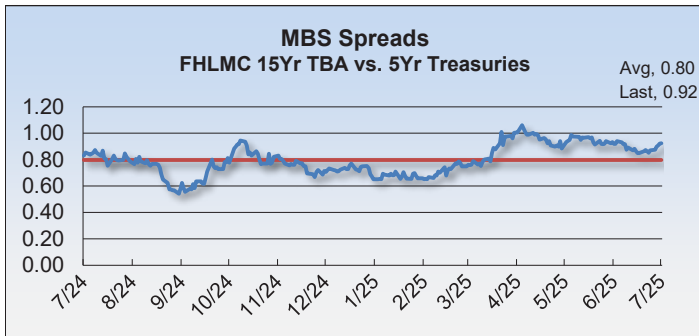
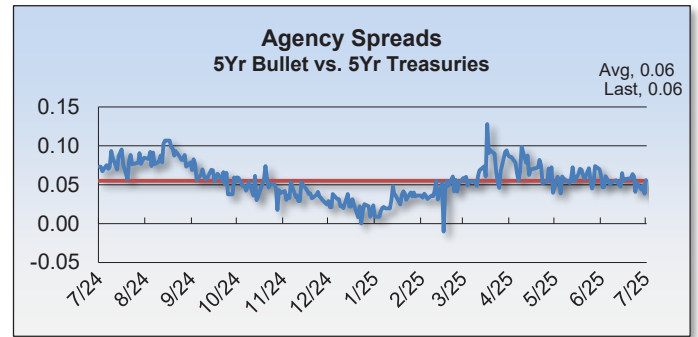
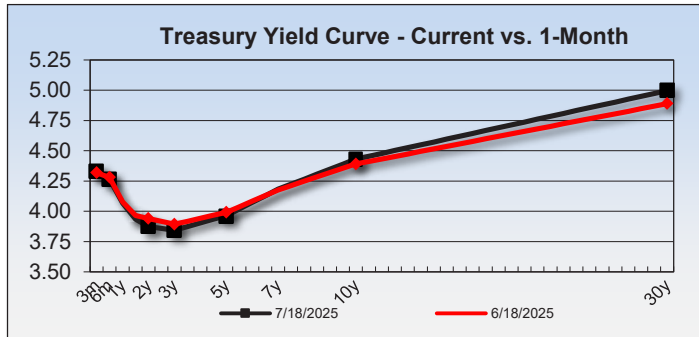


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Treasury Market -- Historical						Fixed Rate Market										
Maty	Current	1Wk Change	Historical			Maty /AL	N-Call Agency	US Swap	AAA BQ Muni		Tax Muni		Agency Calls - Euro			
			1 Mo	6 Mo	1 Yr				C-Corp <sup>2</sup>	S-Corp <sup>3</sup>		Mty	3Mo	6mo	1Yr	2Yr
3mo	4.33	(0.01)	4.33	4.30	5.34	2yr	3.96	3.64	3.44	3.67	4.03	2Yr				
6mo	4.26	(0.00)	4.30	4.31	5.19	3yr	3.89	3.55	3.46	3.68	4.01	3Yr				
1yr	4.07	(0.01)	4.09	4.21	4.87	5yr	4.02	3.60	3.61	3.84	4.17	5Yr				
2yr	3.87	(0.01)	3.94	4.28	4.47	7yr	4.25	3.71	4.03	4.29	4.50	7Yr				
3yr	3.84	(0.02)	3.90	4.35	4.36	10yr	4.59	3.89	4.66	4.96	4.87	10Yr				
5yr	3.96	(0.01)	3.99	4.43	4.12	15yr	4.93	4.10	5.59	5.95	5.01		August TBA MBS			
7yr	4.18	0.01	4.18	4.53	4.14	20yr	5.26	4.18	6.27	6.68	5.68	Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
10yr	4.43	0.02	4.39	4.63	4.20	25yr	5.60	4.18	6.46	6.88	5.74	3.50	4.85	4.6y	5.31	
30yr	5.00	0.05	4.89	4.86	4.42	30yr		4.13	6.65	7.08	5.80	4.00	4.77	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	4.34	0.03	4.31	4.29	--
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	4.34	0.03	4.33	4.34	5.26
1 Year CMT	4.10	0.03	4.10	4.21	4.85
REPO O/N	4.32	--	4.33	4.33	5.40
REPO 1Wk	4.38	0.01	4.38	4.37	5.35
CoF Federal	3.677	--	3.662	3.719	3.969
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	4.56	4.53	Jul-25	4.330
6mo	4.42	4.46	4.47	Aug-25	4.320
1yr	4.17	4.23	4.27	Sep-25	4.255
2yr	3.96	4.09	4.06	Oct-25	4.165
3yr	3.94	4.07	4.03	Nov-25	4.045
4yr	4.01	4.13	4.09	Dec-25	3.930
5yr	4.09	4.19	4.16	Jan-26	3.865
7yr	4.41	4.53	4.49	Feb-26	3.770
10yr	4.74	4.88	4.82	Mar-26	3.710
5yr Am	4.15		4.15	Apr-26	3.620
10yr Am	4.21		4.53	May-26	3.540

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Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
7/15	Empire Manufacturing	Jul	-9.2	5.5	-16.0	--
7/15	CPI MoM	Jun	0.3%	0.3%	0.1%	--
7/15	CPI Ex Food and Energy MoM	Jun	0.3%	0.2%	0.1%	--
7/15	CPI YoY	Jun	2.6%	2.7%	2.4%	--
7/15	CPI Ex Food and Energy YoY	Jun	2.9%	2.9%	2.8%	--
7/15	CPI Index NSA	Jun	322.51	322.56	321.47	--
7/15	CPI Core Index SA	Jun	327.82	327.60	326.85	--
7/15	Real Avg Hourly Earning YoY	Jun	--	1.0%	1.4%	--
7/15	Real Avg Weekly Earnings YoY	Jun	--	0.7%	1.5%	1.4%
7/16	PPI Final Demand MoM	Jun	0.2%	0.0%	0.1%	0.3%
7/16	PPI Ex Food and Energy MoM	Jun	0.2%	0.0%	0.1%	0.4%
7/16	PPI Ex Food, Energy, Trade MoM	Jun	0.2%	0.0%	0.1%	--
7/16	PPI Final Demand YoY	Jun	2.5%	2.3%	2.6%	2.7%
7/16	PPI Ex Food and Energy YoY	Jun	2.7%	2.6%	3.0%	3.2%
7/16	PPI Ex Food, Energy, Trade YoY	Jun	--	2.5%	2.7%	2.8%
7/16	Industrial Production MoM	Jun	0.1%	0.3%	-0.2%	0.0%
7/16	Manufacturing (SIC) Production	Jun	0.0%	0.1%	0.1%	0.3%
7/17	Retail Sales Advance MoM	Jun	0.1%	0.6%	-0.9%	--
7/17	Retail Sales Ex Auto MoM	Jun	0.3%	0.5%	-0.3%	-0.2%
7/17	Retail Sales Ex Auto and Gas	Jun	0.3%	0.6%	-0.1%	0.0%
7/17	Retail Sales Control Group	Jun	0.3%	0.5%	0.4%	0.2%
7/17	Import Price Index MoM	Jun	0.3%	0.1%	0.0%	-0.4%
7/17	Import Price Index ex Petroleum MoM	Jun	0.2%	0.0%	0.2%	0.0%
7/17	Import Price Index YoY	Jun	0.4%	-0.2%	0.2%	-0.2%
7/17	Export Price Index MoM	Jun	0.0%	0.5%	-0.9%	-0.6%
7/17	Export Price Index YoY	Jun	1.9%	2.8%	1.7%	1.9%
7/17	Initial Jobless Claims	7/12	233k	221k	227k	228k
7/17	Continuing Claims	7/5	1965k	1956k	1965k	1954k
7/17	NAHB Housing Market Index	Jul	33	33	32	--
7/17	Net Long-term TIC Flows	May	--	\$259.4b	-\$7.8b	-\$8.2b
7/17	Total Net TIC Flows	May	--	\$311.1b	-\$14.2b	-\$14.6b
7/18	Housing Starts	Jun	1300k	1321k	1256k	1263k
7/18	Building Permits	Jun P	1387k	1397k	1394k	--
7/18	Housing Starts MoM	Jun	3.5%	4.6%	-9.8%	-9.7%
7/18	Building Permits MoM	Jun P	-0.5%	0.2%	-2.0%	--
7/18	U. of Mich. Sentiment	Jul P	61.5	61.8	60.7	--
7/18	U. of Mich. Current Conditions	Jul P	63.9	66.8	64.8	--
7/18	U. of Mich. 1 Yr Inflation	Jul P	5.0%	4.4%	5.0%	--
7/21	Leading Index	Jun	-0.2%	--	-0.1%	--
7/23	Existing Home Sales MoM	Jun	-0.7%	--	0.8%	--
7/24	Chicago Fed Nat Activity Index	Jun	--	--	-0.28	--
7/24	S&P Global US Manufacturing PMI	Jul P	52.4	--	52.9	--
7/24	S&P Global US Services PMI	Jul P	52.9	--	52.9	--
7/24	S&P Global US Composite PMI	Jul P	--	--	52.9	--
7/24	New Home Sales MoM	Jun	4.3%	--	-13.7%	--
7/25	Durables Ex Transportation	Jun P	--	--	0.5%	--
7/25	Cap Goods Ship Nondef Ex Air	Jun P	0.2%	--	0.4%	--

MBS Prepayments <sup>4</sup>						
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	12.0	12.7	15.0	17.2	19.2	20.8
FH/FN 15y	8.7	9.9	16.0	15.9		26.0
GN 15y	7.8	14.3	14.8	14.1	20.4	30.6
FH/FN 20y	7.1	8.0	9.2	12.2	13.9	15.5
FH/FN 30y	6.2	6.8	7.6	8.6	11.3	14.4
GN 30y	6.5	8.2	7.8	9.1	9.9	10.9

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	148.28	0.85	144.82	156.37	156.40
Euro	1.17	(0.00)	1.15	1.03	1.09
Dollar Index	98.20	0.35	98.91	109.35	104.17
Major Stock Indices					
Dow Jones	44,439	68	42,172	43,488	40,665
S&P 500	6,308.3	48.6	5,980.9	5,996.7	5,544.6
NASDAQ	20,938.5	353	19,546.3	19,630.2	17,871.2
Commodities					
Gold	3,361.4	(2.6)	3,389.8	2,748.7	2,456.4
Crude Oil	68.21	(0.24)	75.14	77.88	82.82
Natural Gas	3.59	0.28	3.99	3.95	2.13
Wheat	547.8	7.0	574.3	538.8	535.3
Corn	410.3	7.3	433.5	484.3	391.3

### 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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