

Baker Market Update

Week In Review

August 08, 2025

The
BakerGroup



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After last week's barrage of data and market moving releases, this week felt rather tame. This week delivered a mixed bag of economic data that left financial markets searching for direction, with factory orders taking center stage early in the week. Personally, I am focused on college football which starts in a meager 15 days!

UPCOMING EVENTS

► Banks

Webinars:

Q2 Bank Trends

Aug 13, 2025

Seminars:

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

Last week's disappointing jobs report and major downward revisions to prior months' data prompted President Trump to terminate Bureau of Labor Statistics Commissioner Erika McEntarfer on Friday. This made Thursday's Initial Jobless Claims particularly significant for policy makers as well as market watchers. Jobless claims ticked up to 226k, which is 7k more than the prior week's reading and above analyst expectations of 222k. Continuing claims also saw a slight increase in tandem with initial jobless claims suggesting that company layoffs are increasing meanwhile hiring processes across the board are slowing down. The overall employment picture remains in question, and cracks are beginning to show in certain sectors. This drove both the stock market and bond market into a spin at the end of last week, but that has slightly rebounded over the last 5 days. The S&P 500 saw a modest pick up and 1.84% and the 10 Year US Treasury is up a little over 6 basis points to 4.28%.

Monday's factory orders data painted a concerning picture, declining 4.8% against a prior 8.2% gain in May. The weakness wasn't entirely surprising given the manufacturing headwinds that companies have been facing due to global supply chains shifts following the Trump Administration tariffs. Durable goods orders followed suit, falling 9.3% and reinforcing concerns about business investment appetite. This manufacturing weakness suggests companies remain cautious about capital expenditures amid ongoing economic uncertainty.

Wednesday brought the services sector into focus with ISM Services PMI coming in slightly higher than analyst expectations at 55.7 (est. 55.2) remaining in expansionary territory. This stability in services activity provides some reassurance that the broader economy maintains momentum despite manufacturing weakness.

The week's productivity and unit labor cost data released Thursday showed non-farm productivity rising 2.0% while unit labor costs increased 1.5%. This combination is generally favorable for the Fed's inflation outlook, as productivity gains can help absorb wage pressures without necessarily translating to higher prices. However, the sustainability of these productivity improvements remains questionable given the broader economic headwinds.

Turning to our northern neighbor, Canada's labor market showed fresh signs of strain, adding just 6,000 jobs in July, well below expectations of a 20,000 gain. The unemployment rate ticked higher to 6.3%, marking its highest level in over two years and signaling that labor slack is beginning to build north of the border. Wage growth also moderated, with average hourly earnings slowing to 4.5% year-over-year, down from June's 5.1% pace. This weakening trend adds to concerns that the Bank of Canada may have limited runway to maintain its current policy stance, especially as domestic consumption shows early signs of fatigue. While not yet flashing recessionary alarms, the Canadian jobs report does little to reassure markets already on edge about the strength of global labor conditions.

All eyes turn to next week's slurry of data which features Retail Sales, Consumer Sentiment, PPI and the Consumer Price Index release, which will serve as a critical gauge for policymakers assessing progress on their dual mandate.

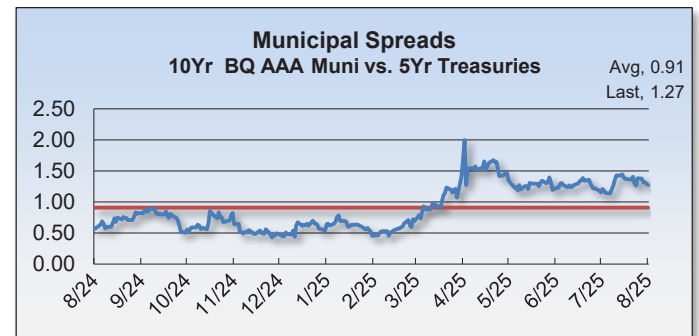
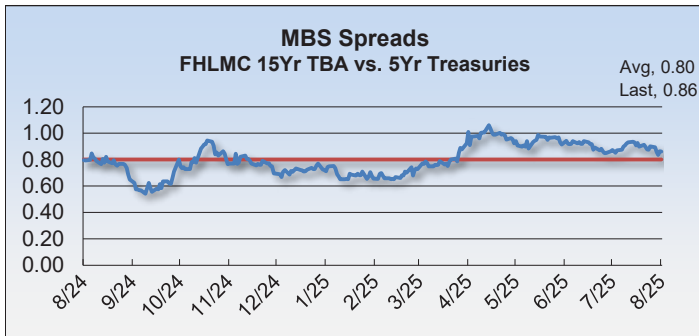
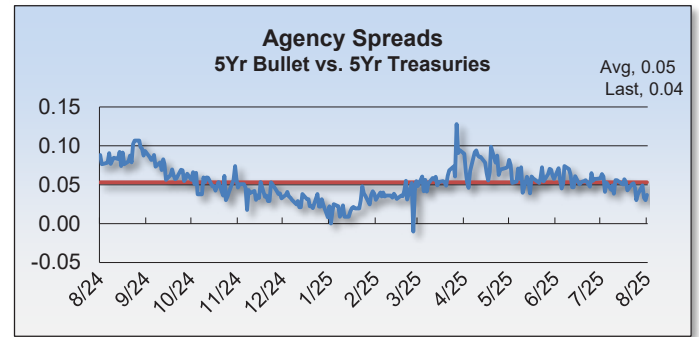
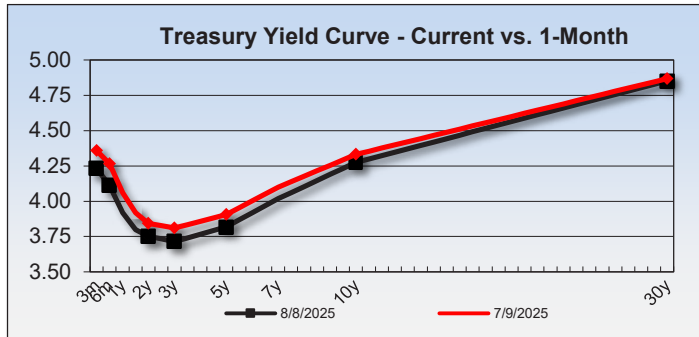
Have a great weekend everyone!

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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	4.23	(0.05)	4.35	4.33	5.22	2yr	3.83	3.50	3.18	3.38	3.82	2Yr					
6mo	4.11	(0.00)	4.30	4.33	4.98	3yr	3.77	3.41	3.19	3.40	3.78	3Yr					
1yr	3.92	0.06	4.11	4.23	4.47	5yr	3.88	3.44	3.37	3.59	3.93	5Yr					
2yr	3.75	0.07	3.89	4.29	4.04	7yr	4.08	3.55	3.85	4.10	4.24	7Yr					
3yr	3.71	0.06	3.86	4.31	3.97	10yr	4.44	3.72	4.49	4.78	4.62	10Yr					
5yr	3.82	0.06	3.97	4.35	3.83	15yr	4.79	3.94	5.42	5.77	4.76						September TBA MBS
7yr	4.02	0.05	4.17	4.42	3.88	20yr	5.14	4.03	6.10	6.50	5.49	Cpn	15Yr -Yld/AL		30Yr -Yld/AL		
10yr	4.28	0.06	4.40	4.50	3.99	25yr	5.48	4.03	6.26	6.66	5.55	3.50	4.61	4.5y	5.16		
30yr	4.85	0.03	4.93	4.69	4.28	30yr		3.99	6.41	6.82	5.61	4.00	4.60	4.5y			
* Interpolated													4.50	4.63	4.6y	5.27	8.7y
													5.00	4.72	4.2y	5.33	8.0y
													5.50			5.42	5.9y
													6.00			5.22	3.8y
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	4.35	(0.04)	4.33	4.35	--
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	4.16	(0.18)	4.32	4.32	4.89
1 Year CMT	3.92	(0.18)	4.08	4.25	4.45
REPO O/N	4.40	--	4.32	4.37	5.38
REPO 1Wk	4.36	(0.01)	4.35	4.39	5.38
CoF Federal	3.677	--	3.662	3.719	3.969
11th D. CoF (Jun)	2.948	--	2.933	2.990	3.240

FHLB Fixed Advance Rates				Fed Fund Futures	
Maturity	Chicago	Boston	Topeka	Maturity	Rate
3mo	4.40	4.42	4.42	Aug-25	4.328
6mo	4.27	4.28	4.32	Sep-25	4.225
1yr	4.05	4.05	4.10	Oct-25	4.090
2yr	3.86	3.89	3.94	Nov-25	3.940
3yr	3.82	3.87	3.90	Dec-25	3.810
4yr	3.88	3.94	3.95	Jan-26	3.730
5yr	3.93	3.99	4.00	Feb-26	3.635
7yr	4.25	4.33	4.32	Mar-26	3.585
10yr	4.57	4.67	4.65	Apr-26	3.510
5yr Am	4.15		4.01	May-26	3.445
10yr Am	4.21		4.38	Jun-26	3.385

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Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
8/4	Factory Orders Ex Trans	Jun	0.3%	0.4%	0.2%	0.3%
8/4	Durables Ex Transportation	Jun F	0.2%	0.2%	0.2%	--
8/4	Cap Goods Ship Nondef Ex Air	Jun F	--	0.3%	0.4%	--
8/5	S&P Global US Services PMI	Jul F	55.2	55.7	55.2	--
8/5	S&P Global US Composite PMI	Jul F	54.6	55.1	54.6	--
8/5	ISM Services Index	Jul	51.5	50.1	50.8	--
8/5	ISM Services Prices Paid	Jul	66.5	69.9	67.5	--
8/5	ISM Services New Orders	Jul	--	50.3	51.3	--
8/5	ISM Services Employment	Jul	--	46.4	47.2	--
8/6	MBA Mortgage Applications	8/1	--	3.1%	-3.8%	--
8/7	Nonfarm Productivity	2Q P	2.0%	2.4%	-1.5%	-1.8%
8/7	Unit Labor Costs	2Q P	1.5%	1.6%	6.6%	6.9%
8/7	Initial Jobless Claims	8/2	222k	226k	248k	219k
8/7	Continuing Claims	7/26	1950k	1974k	1946k	1936k
8/7	Wholesale Trade Sales MoM	Jun	0.1%	0.3%	-0.3%	-0.4%
8/7	Wholesale Inventories MoM	Jun F	0.2%	0.1%	0.2%	--
8/7	NY Fed 1-Yr Inflation Expectations	Jul	--	3.1%	3.0%	--
8/12	NFIB Small Business Optimism	Jul	98.6	--	98.6	--
8/12	Real Avg Hourly Earning YoY	Jul	--	--	1.0%	1.1%
8/12	Real Avg Weekly Earnings YoY	Jul	--	--	0.7%	0.8%
8/12	CPI MoM	Jul	0.2%	--	0.3%	--
8/12	CPI Ex Food and Energy MoM	Jul	0.3%	--	0.2%	--
8/12	CPI YoY	Jul	2.8%	--	2.7%	--
8/12	CPI Ex Food and Energy YoY	Jul	3.0%	--	2.9%	--
8/12	CPI Index NSA	Jul	323.29	--	322.56	--
8/12	CPI Core Index SA	Jul	--	--	327.60	--
8/14	PPI Final Demand MoM	Jul	0.2%	--	0.0%	--
8/14	PPI Ex Food and Energy MoM	Jul	0.2%	--	0.0%	--
8/14	PPI Ex Food, Energy, Trade MoM	Jul	0.2%	--	0.0%	--
8/14	PPI Final Demand YoY	Jul	2.5%	--	2.3%	--
8/14	PPI Ex Food and Energy YoY	Jul	3.0%	--	2.6%	--
8/14	PPI Ex Food, Energy, Trade YoY	Jul	--	--	2.5%	--
8/15	Retail Sales Advance MoM	Jul	0.5%	--	0.6%	--
8/15	Empire Manufacturing	Aug	-1.0	--	5.5	--
8/15	Retail Sales Ex Auto and Gas	Jul	0.3%	--	0.6%	--
8/15	Retail Sales Control Group	Jul	0.3%	--	0.5%	--
8/15	Import Price Index YoY	Jul	--	--	-0.2%	--
8/15	Export Price Index YoY	Jul	--	--	2.8%	--
8/15	Industrial Production MoM	Jul	0.0%	--	0.3%	--
8/15	Manufacturing (SIC) Production	Jul	0.0%	--	0.1%	--
8/15	Capacity Utilization	Jul	77.6%	--	77.6%	--
8/15	Business Inventories	Jun	0.2%	--	0.0%	--
8/15	U. of Mich. Sentiment	Aug P	62.1	--	61.7	--
8/15	U. of Mich. Current Conditions	Aug P	--	--	68.0	--
8/15	U. of Mich. 1 Yr Inflation	Aug P	--	--	4.5%	--
8/15	Net Long-term TIC Flows	Jun	--	--	\$259.4b	--
8/15	Total Net TIC Flows	Jun	--	--	\$311.1b	--

MBS Prepayments ⁴						
3-Month CPR						
Type	3.5	4.0	4.5	5.0	5.5	6.0
FN 10y	17.1	14.7	13.8	21.3	23.0	26.8
FH/FN 15y	9.7	11.8	15.3	8.9	12.5	17.6
GN 15y	26.0	28.0	39.1	74.4	-2.3	76.3
FH/FN 20y	8.4	9.3	11.2	11.0	18.9	22.1
FH/FN 30y	7.3	7.3	7.1	5.4	7.8	9.2
GN 30y	6.4	8.4	6.6	7.6	7.7	7.9
CPR Projections						
Type	3.5	4.0	4.5	5.0	5.5	6.0
FN 10y	12.4	13.2	15.9	18.8	20.5	22.2
FH/FN 15y	9.2	10.4	16.8	17.8		29.1
GN 15y	8.0	14.2	14.7	13.9	23.8	30.7
FH/FN 20y	7.6	8.6	9.8	12.7	14.3	17.4
FH/FN 30y	6.4	7.1	8.1	9.4	12.8	18.9
GN 30y	6.6	8.3	8.3	9.5	10.3	11.8

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	147.75	0.35	146.40	152.09	146.11
Euro	1.17	0.01	1.17	1.03	1.09
Dollar Index	98.26	(0.88)	97.52	108.04	103.21
Major Stock Indices					
Dow Jones	44,266	678	44,241	44,303	39,446
S&P 500	6,373.2	135.2	6,225.5	6,026.0	5,319.3
NASDAQ	21,400.3	750	20,418.5	19,523.4	16,660.0
Commodities					
Gold	3,445.0	97.3	3,316.9	2,867.3	2,422.2
Crude Oil	64.44	(2.89)	68.33	71.00	76.19
Natural Gas	3.06	(0.03)	3.34	3.31	2.13
Wheat	521.3	4.5	543.0	582.8	537.5
Corn	387.0	-2.5	411.0	487.5	379.3

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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