Baker Market Update

Week In Review

August 15, 2025

Andrea Pringle
MBS Analyst/
Financial Strategist

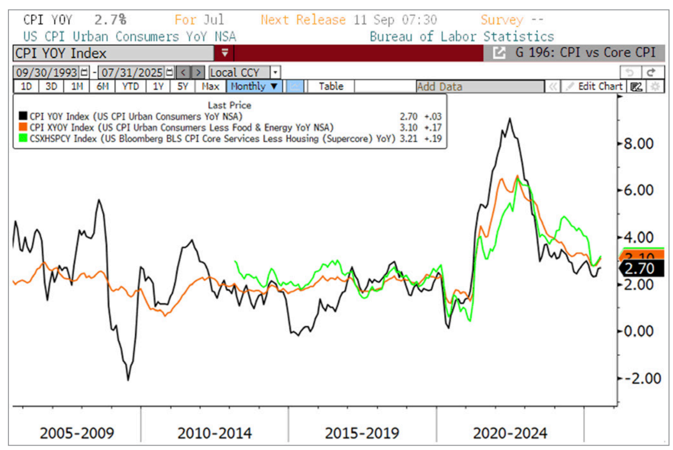
Markets spent much of the week in full-throttle risk-on mode, powered by growing conviction that the Fed is preparing to deliver rate cuts before year-end. A softer inflation narrative, political pressure from the White House, and dovish hints from Treasury Secretary Scott Bessent sent futures pricing to near-certainty for a September cut, with traders even entertaining a half-point move. By mid-week, the S&P 500 and Nasdaq were setting fresh records, bond and equity volatility gauges had collapsed, and two-year yields were nearing three-month lows.

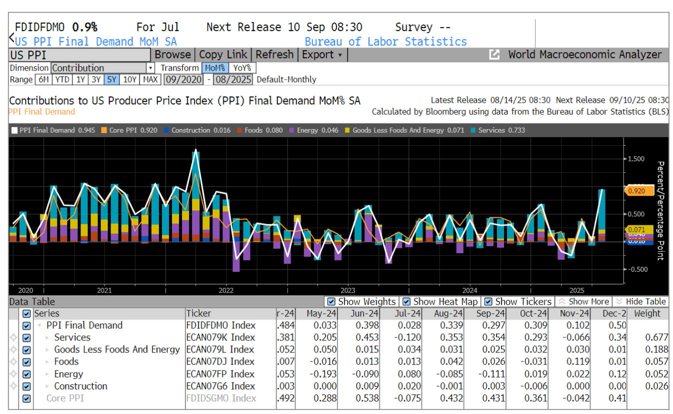
Tuesday's release of inflation data for July showed little tariff impact on consumer prices thus far. The Consumer Price Index (CPI) rose 0.2% over the month, as expected, and rose 2.7% from a year ago (est. = 2.8%). Core CPI also ticked up as expected in July, rising 0.3% and 3.1% from a year ago (est. = 3.0). The lack of upside inflation surprise was enough to fan the rate-cut narrative and Treasury Secretary Bessent even suggested the Fed might need to "make up for the delay" with a 50bp rate cut in September. He also floated the idea of 150–175 bps of easing ahead. The latest Trump appointee to the Fed board could be in place by the September meeting, adding to expectations for a policy pivot. Markets are now pricing in more than two cuts by year-end and Wall Street banks have followed suit, adjusting forecasts to reflect more aggressive easing.

However, by Thursday the inflation narrative had changed. A sharp jump in U.S. producer prices in July, driven by the biggest jump in retail and wholesale margins in two years, shot down some of the rate cut fervor. The Producer Price Index (PPI) rose 1.2% from June, well above expectations, marking the sharpest increase since early 2021. On a year-over-year basis, PPI advanced 2.5%, up from 2.1% in June. This data factors importantly into the Fed's preferred inflation gauge, the PCE price index, as components from PPI feed directly into the PCE calculation. While consumer inflation has shown little signs of increasing thus far, the surge in producer prices complicates the Fed's path toward rate cuts, as changes in producer prices often augur similar changes in consumer prices are ahead.

Next week brings a full docket of fresh economic data as well as minutes from July's FOMC meeting. The Fed's annual central banking conference in Jackson Hole, Wyoming also kicks off next week with Fed Chair Jerome Powell set to speak on Friday about on the country's economic outlook and the Fed's review of its policy framework.

Have a great weekend!





Series	Ticker	r-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-2	Weight
PPI Final Demand	FDIDFDMO Index	.484	0.033	0.398	0.028	0.339	0.297	0.309	0.102	0.50	
Services	ECAN079K Index	.381	0.205	0.453	-0.120	0.353	0.354	0.293	-0.066	0.34	0.677
Goods Less Foods And Energy	ECAN079L Index	.052	0.050	0.015	0.034	0.031	0.025	0.032	0.030	0.01	0.188
Foods	ECAN07DJ Index	.007	-0.016	0.013	0.013	0.042	0.026	-0.031	0.119	0.01	0.057
Energy	ECAN07FP Index	.053	-0.193	-0.090	0.080	-0.085	-0.111	0.019	0.022	0.12	0.052
Construction	ECAN07G6 Index	.003	0.000	0.009	0.020	-0.001	0.003	-0.006	0.000	0.00	0.026
Core PPI	FDIDSGMO Index	.492	0.288	0.538	-0.075	0.432	0.431	0.361	-0.042	0.41	

Source: Bloomberg, L.P.

UPCOMING EVENTS

Banks

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:

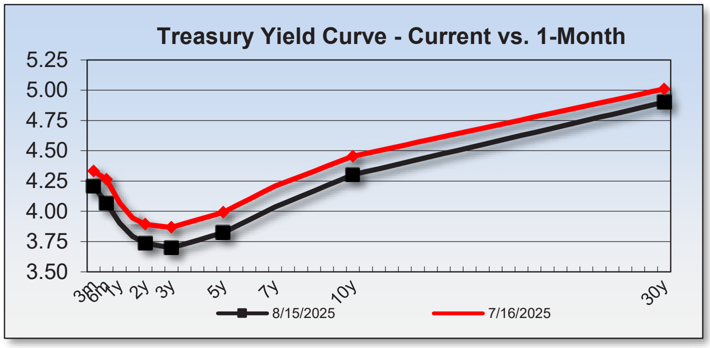
Bond School
Sep 18-19, 2025

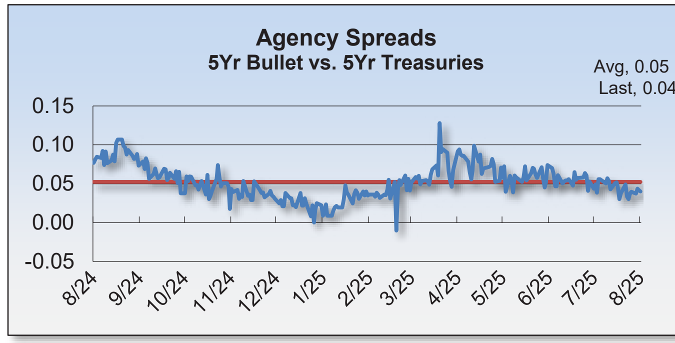
Baker Market Update

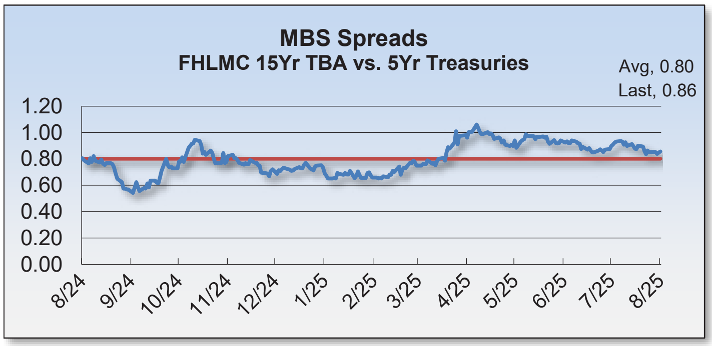
Week In Review

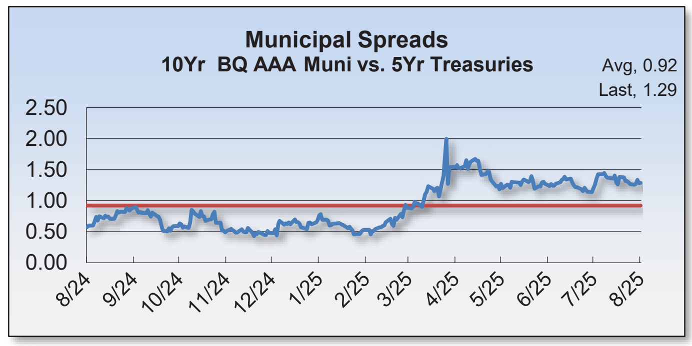
August 15, 2025

The Baker Group









Treasury Market -- Historical

Maty	Current	1Wk Change	Historical 1 Mo	6 Mo	1 Yr
3mo	4.21	(0.04)	4.34	4.32	5.22
6mo	4.07	(0.05)	4.29	4.36	5.00
1yr	3.90	(0.03)	4.11	4.22	4.54
2yr	3.74	(0.03)	3.94	4.26	4.10
3yr	3.70	(0.03)	3.92	4.27	3.99
5yr	3.82	(0.01)	4.04	4.33	3.79
7yr	4.04	0.01	4.25	4.40	3.83
10yr	4.30	0.02	4.48	4.48	3.91
30yr	4.90	0.05	5.02	4.70	4.17

** Interpolated*

Fixed Rate Market

Maty /AL	N-Call Agency	US Swap	AAA BQ Muni C-Corp[2]	S-Corp[3]	Tax Muni
2yr	3.81	3.48	3.15	3.35	3.82
3yr	3.75	3.40	3.15	3.35	3.79
5yr	3.89	3.46	3.37	3.59	3.96
7yr	4.11	3.58	3.85	4.10	4.28
10yr	4.46	3.77	4.51	4.80	4.67
15yr	4.81	4.00	5.43	5.78	4.81
20yr	5.16	4.10	6.12	6.51	5.55
25yr	5.52	4.11	6.27	6.67	5.61
30yr		4.07	6.41	6.82	5.67

Agency Calls - Euro

Mty	3Mo	6mo	1Yr	2Yr
2Yr				
3Yr				
5Yr				
7Yr				
10Yr				

September TBA MBS

Cpn	15Yr -Yld	/AL	30Yr -Yld	/AL
3.50	4.67	4.5y	5.22	
4.00	4.61	4.5y		
4.50	4.63	4.6y	5.26	8.8y
5.00	4.75	3.9y	5.34	8.1y
5.50			5.46	5.1y
6.00			5.43	3.3y

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**	(0.01)	4.33	4.33	--
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	**4.13**	(0.03)	4.32	4.39	4.90
1 Year CMT	**3.91**	(0.01)	4.08	4.23	4.42
REPO O/N	**4.38**	(0.02)	4.32	4.37	5.38
REPO 1Wk	**4.36**	0.02	4.38	4.36	5.35
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

Maturity	Chicago	Boston	Topeka
3mo	4.37	4.41	4.40
6mo	4.21	4.22	4.26
1yr	4.02	4.02	4.09
2yr	3.83	3.87	3.91
3yr	3.80	3.85	3.88
4yr	3.87	3.92	3.94
5yr	3.93	3.99	4.00
7yr	4.24	4.32	4.32
10yr	4.59	4.69	4.67
5yr Am	4.15		4.00
10yr Am	4.21		4.38

Fed Fund Futures

Maturity	Rate
Aug-25	4.328
Sep-25	4.230
Oct-25	4.090
Nov-25	3.950
Dec-25	3.825
Jan-26	3.745
Feb-26	3.645
Mar-26	3.590
Apr-26	3.510
May-26	3.440
Jun-26	3.380

Baker Market Update

Week In Review

August 15, 2025

The Baker Group

Weekly Economic Calendar						
This Week & Next						
Date	**Release**	**Per.**	**Est.**	**Actual**	**Prior**	**Revised**
8/12	NFIB Small Business Optimism	Jul	98.9	100.3	98.6	--
8/12	CPI MoM	Jul	0.2%	0.2%	0.3%	--
8/12	CPI Ex Food and Energy MoM	Jul	0.3%	0.3%	0.2%	--
8/12	CPI YoY	Jul	2.8%	2.7%	2.7%	--
8/12	CPI Ex Food and Energy YoY	Jul	3.0%	3.1%	2.9%	--
8/12	CPI Index NSA	Jul	323.29	323.05	322.56	--
8/12	CPI Core Index SA	Jul	328.56	328.66	327.60	--
8/12	Real Avg Hourly Earning YoY	Jul	--	1.2%	~~1.0%~~	1.1%
8/12	Real Avg Weekly Earnings YoY	Jul	--	1.4%	~~0.7%~~	0.8%
8/13	MBA Mortgage Applications	8/8	--	10.9%	3.1%	--
8/14	PPI Final Demand MoM	Jul	0.2%	0.9%	0.0%	--
8/14	PPI Ex Food and Energy MoM	Jul	0.2%	0.9%	0.0%	--
8/14	PPI Ex Food, Energy, Trade MoM	Jul	0.2%	0.6%	0.0%	--
8/14	PPI Final Demand YoY	Jul	2.5%	3.3%	~~2.3%~~	2.4%
8/14	PPI Ex Food and Energy YoY	Jul	3.0%	3.7%	2.6%	--
8/14	PPI Ex Food, Energy, Trade YoY	Jul	2.5%	2.8%	2.5%	--
8/14	Initial Jobless Claims	8/9	225k	224k	~~226k~~	227k
8/14	Continuing Claims	8/2	1967k	1953k	~~1974k~~	1968k
8/15	Empire Manufacturing	Aug	0.0	11.9	5.5	--
8/15	Retail Sales Advance MoM	Jul	0.6%	0.5%	~~0.6%~~	0.9%
8/15	Retail Sales Ex Auto MoM	Jul	0.3%	0.3%	~~0.5%~~	0.8%
8/15	Retail Sales Ex Auto and Gas	Jul	0.3%	0.2%	~~0.6%~~	0.8%
8/15	Retail Sales Control Group	Jul	0.4%	0.5%	~~0.5%~~	0.8%
8/15	Import Price Index MoM	Jul	0.1%	0.4%	~~0.1%~~	-0.1%
8/15	Import Price Index ex Petroleum MoM	Jul	0.1%	0.3%	~~0.0%~~	-0.2%
8/15	Import Price Index YoY	Jul	-0.2%	-0.2%	~~-0.2%~~	-0.5%
8/15	Export Price Index MoM	Jul	0.1%	0.1%	0.5%	--
8/15	Export Price Index YoY	Jul	2.5%	2.2%	~~2.8%~~	2.6%
8/15	Industrial Production MoM	Jul	0.0%	-0.1%	~~0.3%~~	0.4%
8/15	Manufacturing (SIC) Production	Jul	0.0%	0.0%	~~0.1%~~	0.3%
8/15	Capacity Utilization	Jul	77.6%	77.5%	~~77.6%~~	77.7%
8/15	Business Inventories	Jun	0.2%	0.2%	0.0%	--
8/15	U. of Mich. Sentiment	Aug P	62.0	58.6	61.7	--
8/15	U. of Mich. Current Conditions	Aug P	67.5	60.9	68.0	--
8/15	U. of Mich. Expectations	Aug P	58.4	57.2	57.7	--
8/15	U. of Mich. 1 Yr Inflation	Aug P	4.4%	4.9%	4.5%	--
8/15	U. of Mich. 5-10 Yr Inflation	Aug P	3.4%	3.9%	3.4%	--
8/15	Net Long-term TIC Flows	Jun	--	--	$259.4b	--
8/15	Total Net TIC Flows	Jun	--	--	$311.1b	--
8/18	New York Fed Services Business Activit	Aug	--	--	-9.3	--
8/18	NAHB Housing Market Index	Aug	34	--	33	--
8/19	Housing Starts	Jul	1290k	--	1321k	--
8/19	Building Permits	Jul P	1390k	--	1393k	--
8/21	Philadelphia Fed Business Outlook	Aug	8.0	--	15.9	--
8/21	S&P Global US Manufacturing PMI	Aug P	--	--	49.8	--
8/21	S&P Global US Services PMI	Aug P		--	55.7	--
8/21	S&P Global US Composite PMI	Aug P	--	--	55.1	--

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	12.9	12.3	13.0	15.3	17.2	18.1
FH/FN 15y	9.1	10.3	11.7	14.4		
GN 15y	8.0	8.3	8.0	5.9		
FH/FN 20y	8.8	9.7	11.1	13.2	17.8	18.8
FH/FN 30y	6.2	7.1	7.8	8.6	12.8	17.3
GN 30y	4.8	5.1	6.3	6.2	7.1	7.2

Other Markets					
		1Wk	**Historical**		
Index	**Current**	**Chng**	**1 Mo**	**6 Mo**	**1 Yr**
Currencies					
Japanese Yen	146.92	(0.82)	148.88	151.51	149.28
Euro	1.17	0.01	1.16	1.05	1.10
Dollar Index	97.79	(0.39)	98.62	106.71	102.98
Major Stock Indices					
Dow Jones	44,988	812	44,023	44,546	40,563
S&P 500	6,457.2	67.7	6,243.8	6,114.6	5,543.2
NASDAQ	21,679.4	229	20,677.8	20,026.8	17,594.5
Commodities					
Gold	3,356.3	(106.7)	3,336.7	2,900.7	2,469.4
Crude Oil	63.24	(0.64)	66.52	70.74	78.16
Natural Gas	2.94	(0.05)	3.52	3.73	2.20
Wheat	507.5	-7.0	538.0	600.0	528.3
Corn	377.8	-5.0	401.3	496.3	375.0

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