Baker Market Update

Week In Review

August 29, 2025

Andrea Pringle
MBS Analyst/
Financial Strategist

UPCOMING EVENTS

Banks

Webinars:

Q3 IRR Management
Sep 10, 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

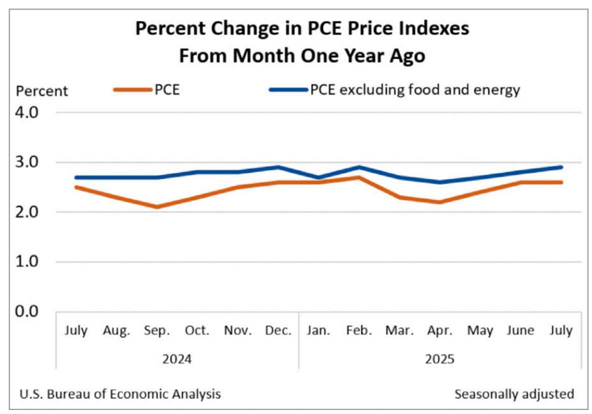
Schools:

Bond School
Sep 18-19, 2025

The final week of August left markets whipsawed between dovish signals from the Federal Reserve and rising political risk around its independence. Fed Governor Christopher Waller, widely reported to be one of President Trump's leading picks to replace Chairman Powell when his term expires next year, all but confirmed that rate cuts are coming in a speech to the Economic Club of Miami this week. Waller said he would back a 25 basis point cut in September, with more easing expected over the next 3–6 months.

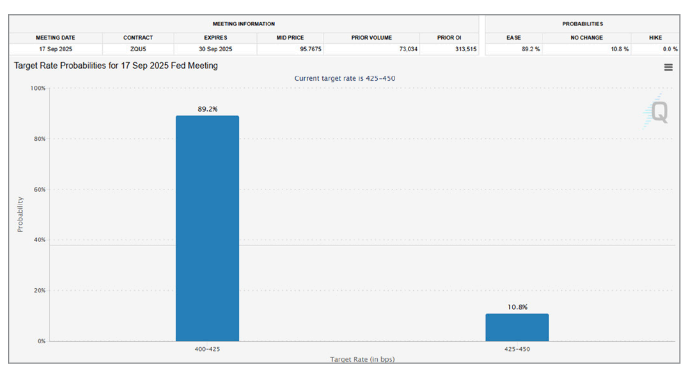
He also argued that inflation is now near target and the bigger risk is a rapid labor-market deterioration, noting job growth has slowed to just 35,000 per month since May. Waller told the audience that the Fed should not "wait until deterioration is under way" before acting. Chairman Powell struck a more cautious tone in his Jackson Hole address last Friday but also acknowledged that downside risks are rising. The futures market has clearly bought into this dovish shift in the Fed's tone and is currently pricing in a near 90% probability of a September rate cut with a gradual easing path continuing into year end.

One of the biggest wildcards in the path to lower rates is the potential for President Trump to reshape the central bank, a possibility that has already resulted in long term yields moving higher this week. The President's move to fire Fed Governor Lisa Cook on Monday over allegations of improper mortgage borrowing could give him a chance to install a majority of his picks on the Board by next year. Cook is currently challenging the legality of this move in court, but this unprecedented square-off between the White House and the Fed has sparked fresh concerns about central bank independence. In response, the 2-to-30-year part of the yield curve moved to its steepest since January 2022 as markets fear a more politically aligned Fed could tilt decisively dovish, weakening the dollar and further steepening the yield curve.



The inflation outlook remains another complicating factor as well. Waller noted in his address this week that while new tariffs risk adding near-term price pressures, these should peak by early 2026. For now, inflation expectations remain well anchored, giving the Fed breathing room to ease next month. The Fed's preferred inflation gauge, the Personal Consumption Expenditures (PCE) index, was also released this morning and showed little sign of resurging inflation. PCE rose 2.6% in July on an annualized basis, in line with market expectations. Core PCE, which strips out food and energy prices, showed an increase to 2.9%, a slight acceleration from June.

Incoming data remains pivotal and next week's August jobs report looms especially large. A weak print could cement the case for not just one cut, but a string of them into year-end. Hope everyone has a very happy long weekend!



Source: CME Group

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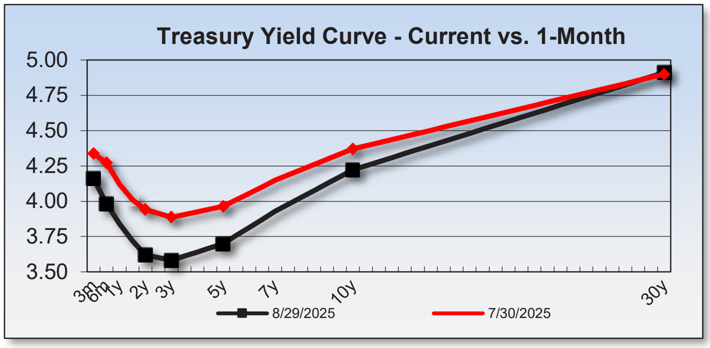

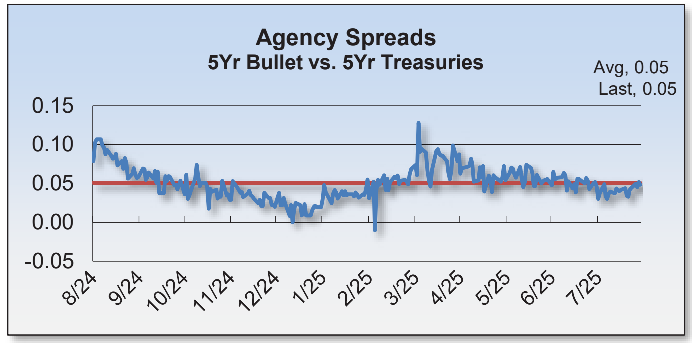

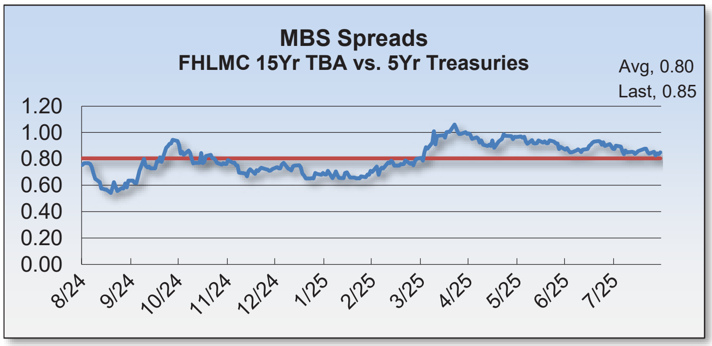

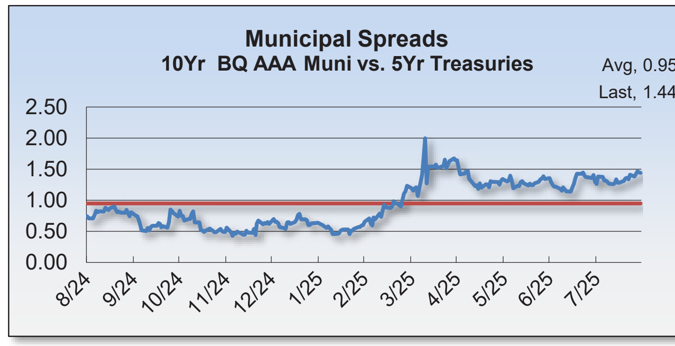

Treasury Market -- Historical

Maty	Current	1Wk Change	Historical 1 Mo	6 Mo	1 Yr
3mo	4.16	(0.03)	4.34	4.30	5.12
6mo	3.98	(0.06)	4.24	4.28	4.86
1yr	3.84	(0.04)	4.07	4.09	4.41
2yr	3.62	(0.08)	3.87	3.99	3.90
3yr	3.58	(0.06)	3.82	3.97	3.82
5yr	3.70	(0.06)	3.90	4.02	3.67
7yr	3.93	(0.05)	4.09	4.12	3.76
10yr	4.22	(0.03)	4.32	4.21	3.86
30yr	4.91	0.03	4.86	4.49	4.15

** Interpolated*

Fixed Rate Market

Maty /AL	N-Call Agency	US Swap	AAA BQ Muni C-Corp[2]	S-Corp[3]	Tax Muni
2yr	3.73	3.41	3.07	3.26	3.72
3yr	3.65	3.31	3.08	3.28	3.69
5yr	3.76	3.34	3.32	3.53	3.84
7yr	4.01	3.48	3.81	4.05	4.17
10yr	4.39	3.69	4.52	4.81	4.59
15yr	4.77	3.95	5.46	5.81	4.73
20yr	5.15	4.07	6.15	6.54	5.54
25yr	5.52	4.09	6.30	6.71	5.60
30yr		4.07	6.45	6.87	5.66

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	4.49	4.5y	5.12	
4.00	4.46	4.5y		
4.50	4.52	4.5y	5.18	8.7y
5.00	4.59	3.9y	5.27	7.8y
5.50			5.33	5.7y
6.00			5.18	4.0y

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**	0.02	4.36	4.39	--
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	**4.10**	(0.10)	4.30	4.30	4.84
1 Year CMT	**3.85**	(0.10)	4.09	4.08	4.36
REPO O/N	**4.38**	--	4.32	4.37	5.44
REPO 1Wk	**4.38**	(0.01)	4.38	4.37	5.35
CoF Federal	**3.694**	--	3.677	3.673	4.003
11th D. CoF (Jul)	**2.965**	--	2.948	2.944	3.274

FHLB Fixed Advance Rates

Maturity	Chicago	Boston	Topeka
3mo	4.32	4.35	4.36
6mo	4.16	4.17	4.22
1yr	3.95	3.97	4.06
2yr	3.74	3.79	3.83
3yr	3.71	3.77	3.79
4yr	3.77	3.84	3.86
5yr	3.82	3.89	3.90
7yr	4.14	4.22	4.22
10yr	4.53	4.63	4.62
5yr Am	4.15		3.91
10yr Am	4.21		4.30

Fed Fund Futures

Maturity	Rate
Aug-25	4.330
Sep-25	4.230
Oct-25	4.100
Nov-25	3.975
Dec-25	3.840
Jan-26	3.755
Feb-26	3.650
Mar-26	3.590
Apr-26	3.510
May-26	3.410
Jun-26	3.340

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Weekly Economic Calendar

This Week & Next

Date	Release	Per.	Est.	Actual	Prior	Revised
8/25	Chicago Fed Nat Activity Index	Jul	-0.11	-0.19	~~-0.10~~	-0.18
8/25	New Home Sales MoM	Jul	0.5%	-0.6%	~~0.6%~~	4.1%
8/26	Philadelphia Fed Non-Manufacturing Ac	Aug	--	-17.5	-10.3	--
8/26	Durables Ex Transportation	Jul P	0.2%	1.1%	~~0.2%~~	0.3%
8/26	Cap Goods Ship Nondef Ex Air	Jul P	0.2%	0.7%	~~0.3%~~	0.4%
8/26	House Price Purchase Index QoQ	2Q	--	0.0%	~~0.7%~~	0.8%
8/26	S&P Cotality CS 20-City YoY NSA	Jun	2.09%	2.14%	~~2.79%~~	2.81%
8/26	S&P Cotality CS US HPI YoY NSA	Jun	--	1.89%	~~2.25%~~	2.32%
8/26	Conf. Board Consumer Confidence	Aug	96.5	97.4	~~97.2~~	98.7
8/26	Conf. Board Present Situation	Aug	--	131.2	~~131.5~~	132.8
8/26	Conf. Board Expectations	Aug	--	74.8	~~74.4~~	76.0
8/27	MBA Mortgage Applications	8/22	--	-0.5%	-1.4%	--
8/28	GDP Annualized QoQ	2Q S	3.1%	3.3%	3.0%	--
8/28	GDP Price Index	2Q S	2.0%	2.0%	2.0%	--
8/28	Core PCE Price Index QoQ	2Q S	2.5%	2.5%	2.5%	--
8/28	Initial Jobless Claims	8/23	230k	229k	~~235k~~	234k
8/28	Continuing Claims	8/16	1966k	1954k	~~1972k~~	1961k
8/29	Personal Income	Jul	0.4%	0.4%	0.3%	--
8/29	Real Personal Spending	Jul	0.3%	0.3%	0.1%	--
8/29	PCE Price Index YoY	Jul	2.6%	2.6%	2.6%	--
8/29	Core PCE Price Index YoY	Jul	2.9%	2.9%	2.8%	--
8/29	MNI Chicago PMI	Aug	46.0	41.5	47.1	--
9/2	ISM Manufacturing	Aug	48.9	--	48.0	--
9/2	ISM Employment	Aug	--	--	43.4	--
9/3	JOLTS Job Openings	Jul	--	--	7437k	--
9/3	JOLTS Job Openings Rate	Jul	--	--	4.40%	--
9/3	JOLTS Quits Level	Jul	--	--	3142k	--
9/3	JOLTS Quits Rate	Jul	--	--	2.0%	--
9/3	JOLTS Layoffs Level	Jul	--	--	1604k	--
9/3	JOLTS Layoffs Rate	Jul	--	--	1.0%	--
9/4	Challenger Job Cuts YoY	Aug	--	--	139.8%	--
9/4	ADP Employment Change	Aug	70k	--	104k	--
9/4	S&P Global US Services PMI	Aug F	--	--	55.4	--
9/4	S&P Global US Composite PMI	Aug F	--	--	55.4	--
9/4	ISM Services Index	Aug	50.8	--	50.1	--
9/4	ISM Services Prices Paid	Aug	--	--	69.9	--
9/4	ISM Services New Orders	Aug	--	--	50.3	--
9/4	ISM Services Employment	Aug	--	--	46.4	--
9/5	Change in Nonfarm Payrolls	Aug	75k	--	73k	--
9/5	Change in Private Payrolls	Aug	75k	--	83k	--
9/5	Change in Manufact. Payrolls	Aug	--	--	-11k	--
9/5	Average Hourly Earnings MoM	Aug	0.3%	--	0.3%	--
9/5	Average Hourly Earnings YoY	Aug	3.8%	--	3.9%	--
9/5	Average Weekly Hours All Employees	Aug	34.3	--	34.3	--
9/5	Unemployment Rate	Aug	4.3%	--	4.2%	--
9/5	Labor Force Participation Rate	Aug		--	62.2%	--
9/5	Underemployment Rate	Aug	--	--	7.9%	--

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	12.6	13.3	16.0	19.3	21.0	22.5
FH/FN 15y	9.3	10.6	17.1	18.8		30.1
GN 15y	8.2	14.2	14.7	13.9	27.0	30.7
FH/FN 20y	7.8	8.8	9.9	12.9	15.0	17.7
FH/FN 30y	6.4	7.2	8.3	9.7	13.3	18.1
GN 30y	6.7	8.5	8.5	9.6	10.6	12.1

Other Markets

Index	Current	1Wk Chng	Historical 1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	147.01	0.07	148.54	150.63	144.49
Euro	1.17	(0.00)	1.16	1.04	1.11
Dollar Index	97.95	0.23	98.89	107.61	101.34
Major Stock Indices					
Dow Jones	45,417	(215)	44,633	43,841	41,335
S&P 500	6,466.9	0.0	6,370.9	5,954.5	5,592.0
NASDAQ	21,437.9	(59)	21,098.3	18,847.3	17,516.4
Commodities					
Gold	3,464.2	89.8	3,324.0	2,848.5	2,536.7
Crude Oil	64.45	0.79	69.21	69.76	75.91
Natural Gas	2.93	0.23	3.08	3.83	2.14
Wheat	511.3	6.5	529.8	537.0	525.0
Corn	389.8	1.5	389.3	453.5	371.8

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

Source for the aforementioned indices, rates, descriptions, & economic indicators: Bloomberg, LP. This report was printed as of: 08/29/2025 9:32AM

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