

Baker Market Update

Week In Review

September 5, 2025

The Baker Group



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

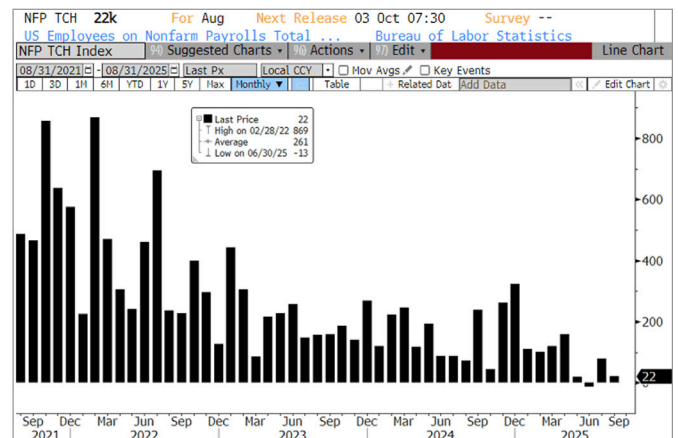
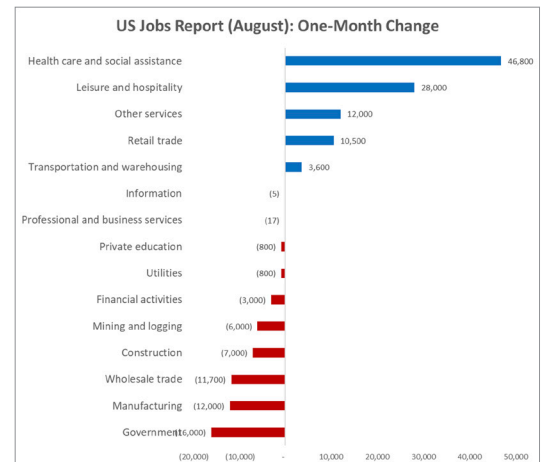
This week's labor market data can be summed up in a single headline, *Rate Cuts Are Coming*. This morning's dismal employment report capped a week of weak data that showed the labor market is cooling materially and cemented the case for a Fed rate cut later this month. The U.S. economy added just 22k jobs in August (sharply lower than the 75k estimate) and the unemployment rate rose to 4.3%, the highest level since October 2021. Importantly, nonfarm payrolls gains for the prior two months were also revised lower by 21k, meaning that the economy actually lost 13k jobs in June, the first monthly loss of jobs since December 2020 when the economy was still reeling from the pandemic. This brings 3-month average job growth in the U.S. to just 29k, far from the "robust" and "resilient" labor market we've grown accustomed to hearing about.

Today's employment report comes on the heels of similarly subdued data earlier in the week. Yesterday, private payrolls firm ADP reported job gains of 54k in August, missing expectations of 68k. Survey data also highlighted another dimension of weakness, workers have become increasingly pessimistic. Confidence surveys show employees perceive a lack of job security and fewer opportunities for wage growth, amplifying the sense of slack in the system. On Wednesday, the Job Openings and Labor Turnover Survey (JOLTS) showed job openings fell in July to the lowest level in nearly a year. Opens fell to 7.18mm, missing estimates by nearly 200k and down 176k from a downwardly revised 7.36mm in June. Layoffs also rose 12k but missed estimates by 169k as June layoffs were revised higher by 192k. This brought the number of job openings per unemployed worker (a metric Fed Chairman Jerome Powell has said the committee closely monitors as an indicator of supply and demand in the labor market) below 1.0 for the first time since 2018, excluding the pandemic.

This cooling in the labor market is precisely what the Federal Reserve has been waiting to see from the data and cements the case for a rate cut later this month. Market pricing now tilts toward just over one cut in September and nearly three cuts priced in by year end. Importantly, December 2026 forecasts now show a drop of more than 150 bps, bringing the implied fed funds rate to ~2.8% by the end of next year.

Treasury yields tumbled following the payroll release this morning, with the 2-year note sliding toward 3.48%, its lowest since early 2023. The 10-year yield fell to 4.07%, more than 70bps lower than its high January. Equity markets also whipsawed between hopes of Fed easing and fears of a hard landing. Next week, critical PPI and CPI inflation data are due out, giving the FOMC one last look at inflation ahead of their next meeting.

Have a great weekend!



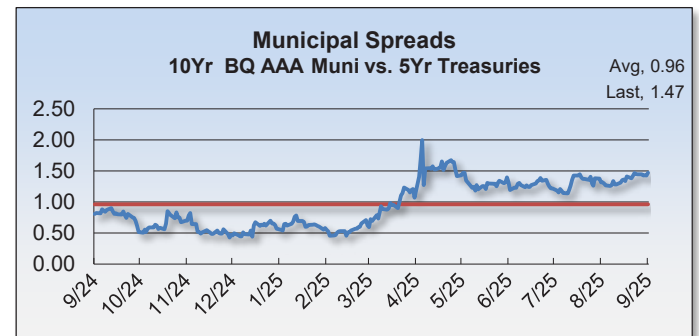
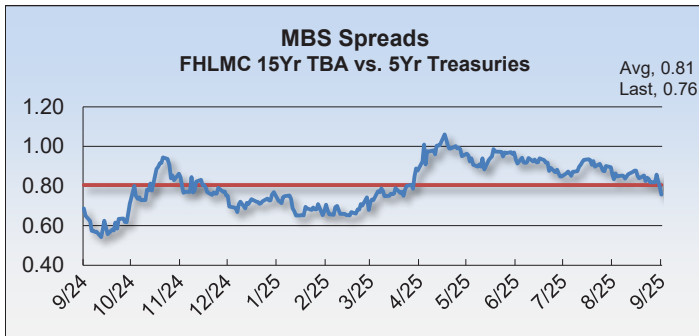
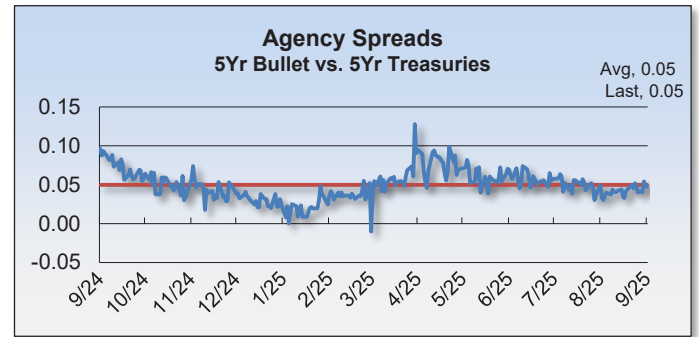
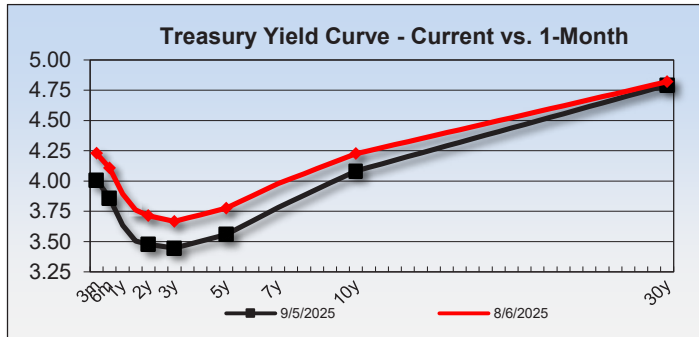
Source: Bloomberg, L.P.

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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	4.01	(0.14)	4.24	4.31	5.07	2yr	3.56	3.36	3.05	3.25	3.67	2Yr								
6mo	3.86	(0.11)	4.12	4.25	4.75	3yr	3.51	3.25	3.07	3.26	3.64	3Yr								
1yr	3.63	(0.21)	3.91	4.07	4.20	5yr	3.63	3.28	3.29	3.50	3.79	5Yr								
2yr	3.48	(0.14)	3.73	4.01	3.74	7yr	3.87	3.41	3.75	3.99	4.13	7Yr								
3yr	3.45	(0.13)	3.69	4.01	3.68	10yr	4.25	3.62	4.42	4.71	4.56	10Yr								
5yr	3.56	(0.14)	3.78	4.08	3.54	15yr	4.63	3.89	5.36	5.71	4.70						October TBA MBS			
7yr	3.78	(0.15)	3.97	4.18	3.63	20yr	5.02	4.01	6.06	6.45	5.54	Cpn					15Yr -Yld/AL		30Yr -Yld/AL	
10yr	4.08	(0.15)	4.21	4.28	3.73	25yr	5.40	4.04	6.22	6.62	5.60	3.50	4.27	4.5y	4.93					
30yr	4.79	(0.14)	4.78	4.57	4.02	30yr		4.02	6.37	6.78	5.66	4.00	4.25	4.4y						
* Interpolated													4.50	4.34	4.4y	4.98	8.6y			
													5.00	4.44	3.7y	5.09	7.7y			
													5.50			5.17	5.5y			
													6.00			5.02	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	4.41	0.07	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	4.11	0.01	4.18	4.26	4.72
1 Year CMT	3.76	(0.09)	3.82	4.04	4.23
REPO O/N	4.38	--	4.40	4.37	5.44
REPO 1Wk	4.38	(0.01)	4.37	4.36	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				Fed Fund Futures	
Maturity	Chicago	Boston	Topeka	Maturity	Rate
3mo	4.25	4.27	4.31	Sep-25	4.212
6mo	4.08	4.08	4.17	Oct-25	4.035
1yr	3.79	3.81	3.98	Nov-25	3.860
2yr	3.60	3.64	3.79	Dec-25	3.705
3yr	3.57	3.62	3.75	Jan-26	3.615
4yr	3.63	3.70	3.81	Feb-26	3.485
5yr	3.68	3.75	3.86	Mar-26	3.425
7yr	3.99	4.07	4.17	Apr-26	3.330
10yr	4.39	4.48	4.56	May-26	3.240
5yr Am	4.15		3.87	Jun-26	3.170
10yr Am	4.21		4.25	Jul-26	3.070

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Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
9/2	ISM Manufacturing	Aug	49.0	48.7	48.0	--
9/2	ISM Prices Paid	Aug	65.0	63.7	64.8	--
9/2	ISM New Orders	Aug	48.0	51.4	47.1	--
9/2	ISM Employment	Aug	45.0	43.8	43.4	--
9/3	JOLTS Job Openings	Jul	7380k	7181k	7437k	7357k
9/3	JOLTS Job Openings Rate	Jul	--	4.3%	4.4%	--
9/3	JOLTS Quits Level	Jul	3166k	3208k	3142k	3209k
9/3	JOLTS Quits Rate	Jul	--	2.0%	2.0%	--
9/3	JOLTS Layoffs Level	Jul	1639k	1808k	1604k	1796k
9/3	JOLTS Layoffs Rate	Jul	--	1.1%	1.0%	1.1%
9/3	Factory Orders Ex Trans	Jul	0.6%	0.6%	0.4%	--
9/3	Durables Ex Transportation	Jul F	1.1%	1.0%	1.1%	--
9/3	Cap Goods Ship Nondef Ex Air	Jul F	--	0.7%	0.7%	--
9/4	Challenger Job Cuts YoY	Aug	--	13.3%	139.8%	--
9/4	ADP Employment Change	Aug	68k	54k	404k	106k
9/4	Nonfarm Productivity	2Q F	2.7%	3.3%	2.4%	--
9/4	Unit Labor Costs	2Q F	1.2%	1.0%	1.6%	--
9/4	Initial Jobless Claims	8/30	230k	237k	229k	--
9/4	Initial Claims 4-Wk Moving Avg	8/30	--	231.00k	228.50k	--
9/4	Continuing Claims	8/23	1959k	1940k	1954k	1944k
9/4	S&P Global US Services PMI	Aug F	55.4	54.5	55.4	--
9/4	S&P Global US Composite PMI	Aug F	55.3	54.6	55.4	--
9/4	ISM Services Index	Aug	51.0	52.0	50.1	--
9/4	ISM Services Prices Paid	Aug	69.5	69.2	69.9	--
9/4	ISM Services New Orders	Aug	51.1	56.0	50.3	--
9/4	ISM Services Employment	Aug	46.7	46.5	46.4	--
9/5	Change in Nonfarm Payrolls	Aug	75k	22k	73k	79k
9/5	Change in Private Payrolls	Aug	75k	38k	83k	77k
9/5	Change in Manufact. Payrolls	Aug	-5k	-12k	-44k	-2k
9/5	Nonfarm Payrolls 3-Mo Avg Chg	Aug	--	29k	35k	28k
9/5	Two-Month Payroll Net Revision	Aug	--	-21k	-258k	--
9/5	Average Hourly Earnings MoM	Aug	0.3%	0.3%	0.3%	--
9/5	Average Hourly Earnings YoY	Aug	3.8%	3.7%	3.9%	--
9/5	Average Weekly Hours All Employees	Aug	34.3	34.2	34.3	34.2
9/5	Unemployment Rate	Aug	4.3%	4.3%	4.2%	--
9/5	Labor Force Participation Rate	Aug	62.2%	62.3%	62.2%	--
9/5	Underemployment Rate	Aug	--	8.1%	7.9%	--
9/10	PPI Final Demand MoM	Aug	0.3%	--	0.9%	--
9/10	PPI Final Demand YoY	Aug	--	--	3.3%	--
9/10	PPI Ex Food and Energy YoY	Aug	--	--	3.7%	--
9/10	PPI Ex Food, Energy, Trade YoY	Aug	--	--	2.8%	--
9/11	CPI YoY	Aug	2.9%	--	2.7%	--
9/11	CPI Ex Food and Energy YoY	Aug	3.1%	--	3.1%	--
9/11	CPI Index NSA	Aug	--	--	323.05	--
9/11	CPI Core Index SA	Aug	--	--	328.66	--
9/11	Real Avg Hourly Earning YoY	Aug	--	--	1.2%	--
9/11	Real Avg Weekly Earnings YoY	Aug	--	--	1.4%	1.1%

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	12.6	13.3	16.1	19.5	21.1	22.6
FH/FN 15y	9.3	10.6	17.3	19.9		31.5
GN 15y	8.2	14.5	14.5	13.9	27.1	30.7
FH/FN 20y	7.8	8.9	10.0	13.0	15.4	17.8
FH/FN 30y	6.4	7.2	8.3	9.8	13.4	18.5
GN 30y	6.7	8.5	8.6	9.7	10.6	12.1

Other Markets					
Index	Current	1Wk	Historical		
		Chng	1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	147.14	0.09	147.62	149.35	143.49
Euro	1.17	0.01	1.15	1.07	1.11
Dollar Index	97.49	(0.32)	98.78	104.28	101.11
Major Stock Indices					
Dow Jones	45,668	31	44,112	43,007	40,756
S&P 500	6,520.3	18.5	6,299.2	5,842.6	5,503.4
NASDAQ	21,773.7	69	20,916.6	18,552.7	17,127.7
Commodities					
Gold	3,621.4	175.6	3,381.9	2,926.0	2,519.7
Crude Oil	62.14	(2.46)	65.16	66.31	69.15
Natural Gas	3.11	0.16	3.01	4.45	2.25
Wheat	506.5	-3.8	508.3	530.8	561.0
Corn	403.0	17.5	381.5	440.3	390.0

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

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