

# Baker Market Update

## Week In Review

September 12, 2025



**Dale Sheller**

*Managing Director*

*Director of FSG*

This week, all eyes were on the other half of the Fed's dual mandate, inflation or price stability, after last week's labor market data releases. Last week's lackluster labor market reports all but guaranteed an impending Fed rate cut coming next week. Did this week's Producer Price Index (PPI) and the Consumer Price Index (CPI) release do anything to derail next week's rate cut? Let's look at this week in review!

### 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

##### Webinars:

Q4 CU Strategies

Oct 9, 2025

#### Banks and CUs

##### Schools:

Bond School

Sep 18-19, 2025

The PPI for the month of August was released on Tuesday with the month-over-month change declining 0.1% (expected +0.3%). The year-over-year change came in at 2.6% (expected 3.3%). Additionally, Core PPI fell 0.1% (expected +0.3%) and rose 2.8% from a year ago (expected 3.5%). Wholesale inflation tends to lead to consumer inflation, so this was seen as a positive report for the Fed as they continue to look for signs of tariff-induced inflation.

On Thursday, the CPI was released showing that headline CPI rose 0.4% in August (expected 0.3%) and 2.9% from a year prior (expected at 2.9%) while Core CPI rose 0.3% (expected 0.3%) and 3.1% from a year ago (expected at 3.1%). Shelter costs were the largest contributor to the headline index increase, rising 0.5%, while food rose 0.5%, transportation services rose 1.0%, and used cars were up 1.0%. The headline increase in the CPI was a bit hotter than expected, the overall CPI report was in-line with expectations and should not be enough to change the Fed's recent pivot to focus more on the labor market risks.

With many eyes focused on yesterday's CPI release, the weekly initial jobless claims came in much higher than expected at 263,000 new claims (expected 235,000). The increase marks the highest level of new weekly jobless claims in four years. This weekly number can be volatile; however, it is one more data point in the weakening labor market.

Tuesday morning, the Bureau of Labor Statistics reported that job growth for the year through March was significantly lower than the government had reported. The BLS reduced net payroll gains by 911,000 in the 12 months through March. That means instead of adding 1.8 million jobs as originally reported, the U.S. economy created only 847,000. Markets were anticipating a big downward revision to job growth, but the size of the revision is concerning and puts further pressure on the Fed to cut rates next week.

This morning, the University of Michigan Consumer Sentiment Index fell to 55.4 (expected 58). The index fell for the second straight month, hitting its lowest level since May. Consumers continue to note multiple vulnerabilities in the economy, with rising risks to business conditions, labor markets, and inflation.

A quick mid-morning check-in on the markets shows stocks are off a bit with the Dow Jones Industrial Average down 150 points in today's trading session. Treasury markets are selling off after multiple rallies this week, the 2-year note is currently yielding 3.56%, and the 10-year bond is yielding 4.06%.

*(Continued)*

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The Baker Group



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All eyes are on the Fed next week as they will conclude their regularly scheduled two-day policy setting meeting on Wednesday. The Fed Funds Futures market is currently pricing in a 95% chance of a 25-basis point rate cut and a 5% chance of a 50-basis point rate cut. It is all but a foregone conclusion that the Fed will cut rates 25 basis points next week. Additionally, the markets are pricing in an additional one to two 25 basis points rate cuts at the two remaining Fed meetings of 2025 (October and December).

Have a great weekend!

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### CME FedWatch Tool – Conditional Meeting Probabilities

MEETING DATE	175-200	200-225	225-250	250-275	275-300	300-325	325-350	350-375	375-400	400-425
9/17/2025						0.0%	0.0%	0.0%	5.3%	94.7%
10/29/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.7%	83.6%	11.7%
12/10/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.4%	78.3%	16.5%	0.8%
1/28/2026	0.0%	0.0%	0.0%	0.0%	0.0%	2.1%	40.4%	48.2%	8.9%	0.4%
3/18/2026	0.0%	0.0%	0.0%	0.0%	1.1%	21.7%	44.4%	28.1%	4.5%	0.2%
4/29/2026	0.0%	0.0%	0.0%	0.3%	7.0%	28.2%	39.7%	21.3%	3.3%	0.1%
6/17/2026	0.0%	0.0%	0.2%	4.1%	19.0%	34.7%	29.3%	11.2%	1.5%	0.1%
7/29/2026	0.0%	0.0%	1.3%	8.2%	23.3%	33.2%	24.3%	8.5%	1.1%	0.0%
9/16/2026	0.0%	0.5%	3.8%	13.8%	26.9%	29.9%	18.5%	5.8%	0.7%	0.0%
10/28/2026	0.1%	1.0%	5.2%	15.7%	27.4%	28.3%	16.7%	5.1%	0.6%	0.0%
12/9/2026	0.2%	1.5%	6.6%	17.1%	27.5%	26.8%	15.2%	4.5%	0.5%	0.0%

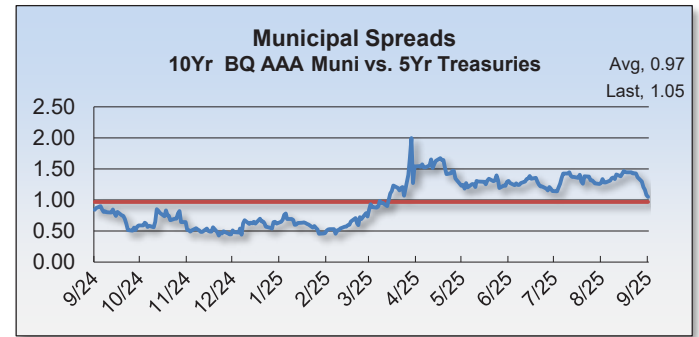
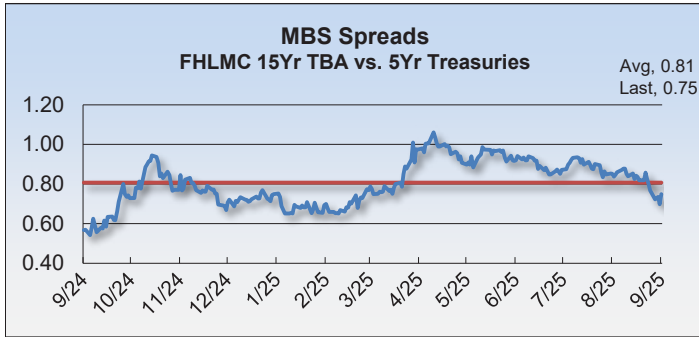
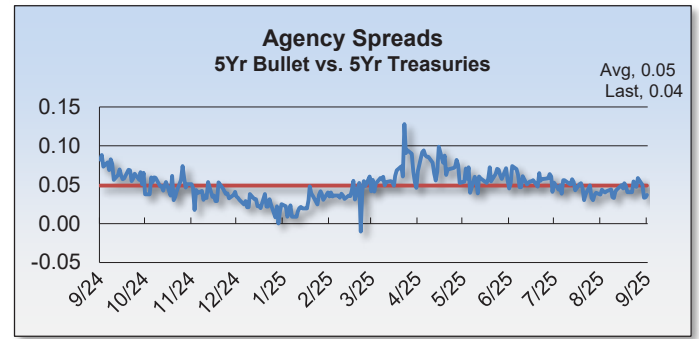
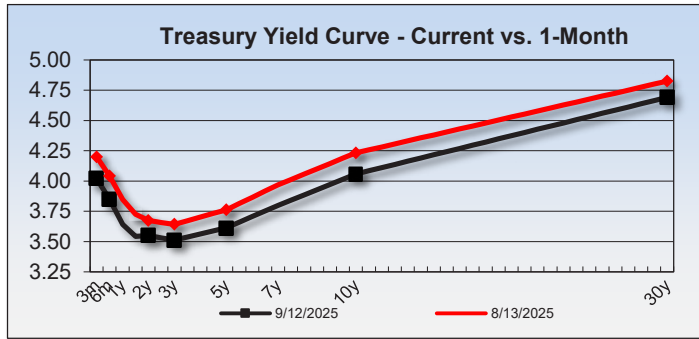
Source: CME Group

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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	4.02	0.01	4.23	4.30	4.97	2yr	3.63	3.29	2.80	2.98	3.61	2Yr					
6mo	3.85	(0.03)	4.08	4.24	4.71	3yr	3.58	3.21	2.81	2.99	3.58	3Yr					
1yr	3.64	(0.01)	3.90	4.06	4.08	5yr	3.69	3.23	3.04	3.23	3.72	5Yr					
2yr	3.55	0.04	3.73	3.99	3.64	7yr	3.89	3.33	3.49	3.71	4.01	7Yr					
3yr	3.51	0.03	3.70	3.99	3.58	10yr	4.24	3.50	4.06	4.32	4.39	10Yr					
5yr	3.61	0.03	3.82	4.07	3.47	15yr	4.59	3.73	4.94	5.26	4.53						October TBA MBS
7yr	3.80	0.01	4.03	4.19	3.56	20yr	4.94	3.84	5.63	5.99	5.32	Cpn	15Yr -Yld/AL		30Yr -Yld/AL		
10yr	4.06	(0.02)	4.29	4.31	3.67	25yr	5.29	3.85	5.78	6.15	5.38	3.50	4.32	4.4y	4.87		
30yr	4.69	(0.07)	4.88	4.63	3.99	30yr		3.82	5.92	6.30	5.44	4.00	4.31	4.4y			
* Interpolated													4.50	4.39	4.5y	4.95	8.2y
													5.00	4.43	3.3y	5.06	7.2y
													5.50			5.05	4.1y
													6.00			4.54	2.7y

\* 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	--	4.34	4.32	--
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	3.96	(0.15)	4.18	4.27	4.72
1 Year CMT	3.63	(0.13)	3.93	4.03	4.12
REPO O/N	4.38	--	4.40	4.37	5.42
REPO 1Wk	4.23	(0.15)	4.38	4.36	5.23
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	4.15	4.20	4.21	Sep-25	4.218
6mo	3.98	4.01	4.04	Oct-25	4.050
1yr	3.80	3.80	3.83	Nov-25	3.855
2yr	3.66	3.70	3.69	Dec-25	3.700
3yr	3.63	3.68	3.65	Jan-26	3.610
4yr	3.69	3.75	3.71	Feb-26	3.495
5yr	3.73	3.80	3.75	Mar-26	3.440
7yr	4.01	4.09	4.04	Apr-26	3.360
10yr	4.36	4.46	4.40	May-26	3.295
5yr Am	4.15		3.76	Jun-26	3.230
10yr Am	4.21		4.12	Jul-26	3.145

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Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
9/8	Consumer Credit	Jul	\$10.350b	\$16.010b	\$7.374b	\$9.613b
9/9	NFIB Small Business Optimism	Aug	100.5	100.8	100.3	--
9/9	Prelim. Benchmark Payrolls Revision	7/17	-682k	-911k	-818k	--
9/10	PPI Final Demand MoM	Aug	0.3%	-0.1%	0.9%	0.7%
9/10	PPI Ex Food and Energy MoM	Aug	0.3%	-0.1%	0.9%	0.7%
9/10	PPI Ex Food, Energy, Trade MoM	Aug	0.3%	0.3%	0.6%	--
9/10	PPI Final Demand YoY	Aug	3.3%	2.6%	3.3%	3.1%
9/10	PPI Ex Food and Energy YoY	Aug	3.5%	2.8%	3.7%	3.4%
9/10	PPI Ex Food, Energy, Trade YoY	Aug	--	2.8%	2.8%	2.7%
9/11	CPI MoM	Aug	0.3%	0.4%	0.2%	--
9/11	CPI Ex Food and Energy MoM	Aug	0.3%	0.3%	0.3%	--
9/11	CPI YoY	Aug	2.9%	2.9%	2.7%	--
9/11	CPI Ex Food and Energy YoY	Aug	3.1%	3.1%	3.1%	--
9/11	CPI Index NSA	Aug	323.94	323.98	323.05	--
9/11	CPI Core Index SA	Aug	329.62	329.79	328.66	--
9/11	Real Avg Hourly Earning YoY	Aug	--	0.7%	1.2%	--
9/11	Real Avg Weekly Earnings YoY	Aug	--	0.4%	1.4%	1.1%
9/11	Initial Jobless Claims	9/6	235k	263k	237k	236k
9/11	Continuing Claims	8/30	1950k	1939k	1940k	1939k
9/11	Household Change in Net Worth	2Q	--	\$7086b	-\$1595b	-\$1726b
9/12	U. of Mich. Sentiment	Sep P	58.0	55.4	58.2	--
9/12	U. of Mich. Current Conditions	Sep P	62.0	61.2	61.7	--
9/12	U. of Mich. Expectations	Sep P	56.2	51.8	55.9	--
9/12	U. of Mich. 1 Yr Inflation	Sep P	4.8%	4.8%	4.8%	--
9/12	U. of Mich. 5-10 Yr Inflation	Sep P	3.4%	3.9%	3.5%	--
9/15	Empire Manufacturing	Sep	450.0%	--	1190.0%	--
9/16	Retail Sales Advance MoM	Aug	0.2%	--	0.5%	--
9/16	Retail Sales Ex Auto MoM	Aug	0.4%	--	0.3%	--
9/16	Retail Sales Ex Auto and Gas	Aug	0.5%	--	0.2%	--
9/16	Retail Sales Control Group	Aug	0.3%	--	0.5%	--
9/16	Import Price Index MoM	Aug	-0.3%	--	0.4%	--
9/16	Import Price Index ex Petroleum MoM	Aug	--	--	0.3%	--
9/16	Import Price Index YoY	Aug	--	--	-0.2%	--
9/16	Export Price Index MoM	Aug	-0.1%	--	0.1%	--
9/16	Export Price Index YoY	Aug	--	--	2.2%	--
9/16	Industrial Production MoM	Aug	-0.1%	--	-0.1%	--
9/16	Manufacturing (SIC) Production	Aug	-0.4%	--	0.0%	--
9/16	Capacity Utilization	Aug	77.4%	--	77.5%	--
9/16	NAHB Housing Market Index	Sep	33	--	32	--
9/17	Housing Starts	Aug	1368k	--	1428k	--
9/17	Building Permits	Aug P	1373k	--	1362k	--
9/17	FOMC Rate Decision (Upper Bound)	9/17	4.25%	--	4.50%	--
9/17	FOMC Rate Decision (Lower Bound)	9/17	4.00%	--	4.25%	--
9/17	Fed Interest on Reserve Balances Rate	9/18	--	--	4.40%	--
9/17	Fed Reverse Repo Rate	9/18	--	--	4.25%	--
9/18	Philadelphia Fed Business Outlook	Sep	--	--	-30.0%	--
9/18	Leading Index	Aug	-0.1%	--	-0.1%	--

MBS Prepayments <sup>4</sup>						
3-Month CPR						
Type	3.5	4.0	4.5	5.0	5.5	6.0
FN 10y	16.3	14.5	12.9	20.2	23.2	25.3
FH/FN 15y	9.8	12.5	11.9	27.8	12.9	17.4
GN 15y	24.3	27.1	18.4	0.0	-2.3	76.3
FH/FN 20y	8.5	9.0	11.1	10.8	18.9	22.3
FH/FN 30y	7.4	6.9	7.6	6.1	7.7	9.3
GN 30y	7.1	4.7	6.6	7.2	7.7	7.5
CPR Projections						
Type	3.5	4.0	4.5	5.0	5.5	6.0
FN 10y	12.9	13.6	16.7	21.1	22.3	23.3
FH/FN 15y	9.7	11.0	18.6	21.9		33.6
GN 15y	8.2	14.5	14.6	13.9	27.4	30.9
FH/FN 20y	8.6	9.9	11.0	14.3	17.5	19.8
FH/FN 30y	6.6	7.6	8.8	10.6	17.2	26.1
GN 30y	6.8	8.8	9.5	10.3	13.3	16.2

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	147.68	0.25	148.47	148.68	142.62
Euro	1.17	0.00	1.16	1.09	1.10
Dollar Index	97.76	(0.01)	98.10	103.61	101.37
Major Stock Indices					
Dow Jones	46,032	631	44,459	41,351	41,097
S&P 500	6,585.0	103.5	6,445.8	5,599.3	5,595.8
NASDAQ	22,078.9	379	21,681.9	17,648.5	17,569.7
Commodities					
Gold	3,660.0	36.0	3,348.9	2,946.8	2,557.1
Crude Oil	63.38	1.51	63.17	67.68	68.97
Natural Gas	2.99	(0.06)	2.81	4.08	2.36
Wheat	503.0	0.8	515.0	541.0	563.8
Corn	402.5	3.5	371.5	448.8	386.3

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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