

Baker Market Update

Week In Review

September 19, 2025

The
BakerGroup



Dillon Wiedemann

Senior Vice President of FSG

UPCOMING EVENTS

Banks

Seminars:

[OH Seminar](#)

Oct 01, 2025

[MI Seminar](#)

Oct 02, 2025

[MN Seminar](#)

Dec 08, 2025

Webinars:

[Q4 Bank Investment](#)

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Oct 8, 2025

CUs

Seminars:

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Sep 18-19, 2025

We had a Fed meeting this week if you haven't already heard. The Fed decided to move its benchmark rate down 25bp in a move that was widely expected by market participants. Although the rate change was expected, markets were much more focused on the Summary of Economic Projections (SEP) that the Fed releases at every other meeting. The SEP provides guidance to what the Fed is thinking internally about the future direction of interest rates, inflation and the economy overall. The last time the Fed released its SEP in June, members of the Fed were expecting 2 rate cuts through the remainder of 2025 which would put the upper bound rate at 4%. In this iteration of the SEP, Fed officials priced in one extra cut between now and year-end which would put the upper bound rate at 3.75%. This is a significant adjustment because it indicates that the Fed is expecting to cut at each of the 3 final meetings throughout the remainder of the year. What ultimately caused this adjustment in policy? It comes down to where the Fed sees risk in regard to its dual mandate of maximum employment and long-term price stability. In the June meeting, the Fed saw inflation as the bigger risk due to tariffs, but shortly after that meeting, cracks in the job market started to appear causing the Fed to reassess its outlook. We're currently sitting at an unemployment rate of 4.3%, which is still considered full employment for the economy, but further deterioration in the labor market would be unwelcome news for the Fed. The labor market tends to be an asymmetric risk as a smaller increase in unemployment (or concerns about future employment) can have a larger downside impact on inflation. If workers become concerned about future layoffs or prospects of new jobs, they tend to save more and spend less which ultimately brings down aggregate price levels. Chairman Powell called the rate cut a "risk management cut" and highlighted that there is "no risk-free path" for the Fed in the current environment. This highlights that risks are increasing in the labor market, but Fed officials are still concerned about doing too much too soon.

In addition to the Fed meeting this week, we also received retail sales for the month of August which came in higher than expected at 0.6% (exp = 0.2%) with much of the increase coming from online purchases. Even though Consumer Spending makes up roughly 70% of the economy, the market gave very little reaction to this positive number as the focus was clearly on the rate decision this week. Another potential reason for the muted reaction is that the retail sales number is not adjusted for inflation, so it is likely that some of this increase is being driven by higher prices in addition to the amount of goods purchased.

Wrapping up the week, the Conference Board released its Leading Economic Indicators Index which came in at -0.5 (exp = -0.2). This number is a leading index that points to future economic growth or contraction and has been negative for 42 of the last 46 months.

Looking ahead to next week, we've got the 3rd revision to Q2 GDP coming out, as well as Durable Goods Orders, Personal Income & Spending, and the Fed's preferred measure of inflation, PCE.

Hope you have a great weekend!



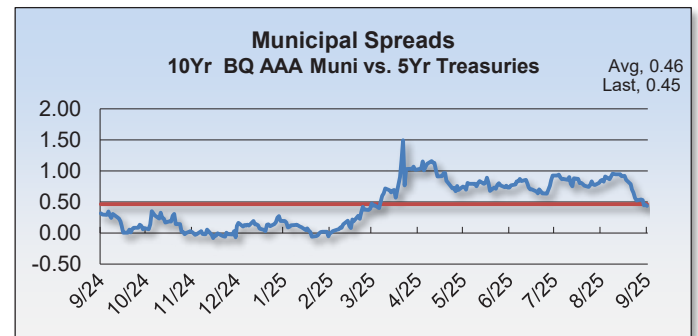
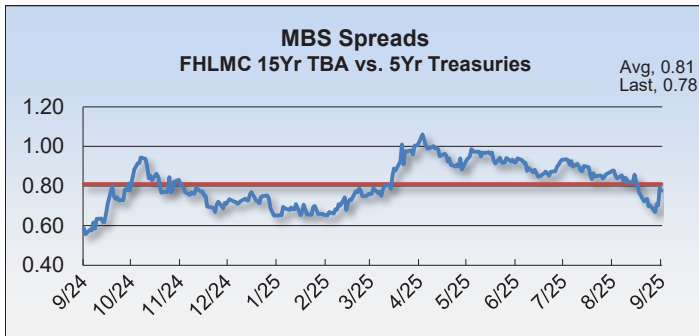
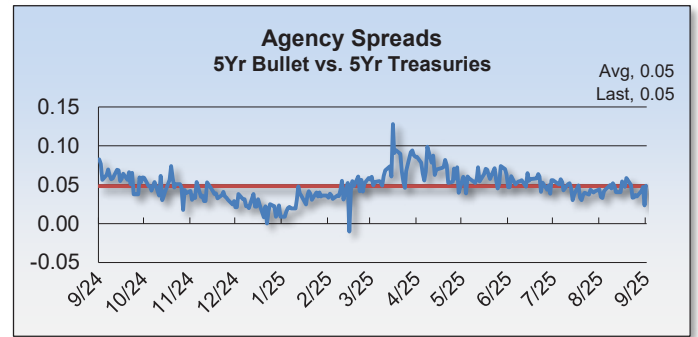
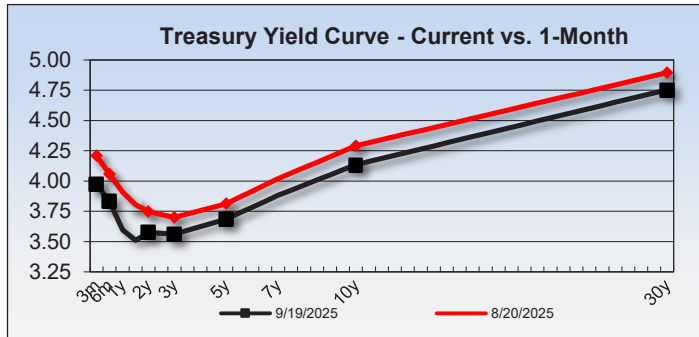
Source: Bloomberg, L.P.

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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	3.97	(0.06)	4.20	4.30	4.72	2yr	3.57	3.33	2.83	3.01	3.65	2Yr					
6mo	3.83	(0.03)	4.05	4.24	4.48	3yr	3.54	3.27	2.81	2.99	3.63	3Yr					
1yr	3.60	(0.06)	3.91	4.09	3.95	5yr	3.68	3.31	3.01	3.20	3.80	5Yr					
2yr	3.57	0.02	3.75	3.97	3.58	7yr	3.88	3.43	3.46	3.68	4.10	7Yr					
3yr	3.56	0.03	3.71	3.95	3.55	10yr	3.94	3.61	4.03	4.29	4.48	10Yr					
5yr	3.69	0.05	3.82	4.02	3.48	15yr	3.99	3.84	4.91	5.23	4.62						October TBA MBS
7yr	3.88	0.06	4.04	4.14	3.59	20yr	4.05	3.95	5.57	5.93	5.39	Cpn	15Yr -Yld/AL		30Yr -Yld/AL		
10yr	4.14	0.07	4.31	4.24	3.72	25yr	4.11	3.96	#N/A	#N/A	5.45	3.50	4.42	4.4y	4.89		
30yr	4.75	0.07	4.91	4.55	4.05	30yr		3.93	#N/A	#N/A	5.51	4.00	4.38	4.4y			
* Interpolated													4.50	4.45	4.4y	4.97	8.1y
													5.00	4.48	3.3y	5.09	7.1y
													5.50			5.06	4.0y
													6.00			4.56	2.6y
Key Market Indices																	
		1Wk	Historical														

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	4.25	(0.25)	4.50	4.50	5.00
Primary Discount	4.25	(0.25)	4.50	4.50	5.50
2ndary Discount	4.75	(0.25)	5.00	5.00	6.00
Prime Rate	7.25	(0.25)	7.50	7.50	8.00
Sec. O.N. Finance	4.14	(0.27)	4.34	4.31	--
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	3.93	(0.04)	4.15	4.32	4.48
1 Year CMT	3.61	(0.02)	3.93	4.13	3.95
REPO O/N	4.44	0.06	4.38	4.37	4.86
REPO 1Wk	4.16	(0.07)	4.37	4.35	4.90
CoF Federal	3.685	--	3.694	3.666	3.988
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	4.12	4.17	4.16	Sep-25	4.223
6mo	3.97	3.99	4.02	Oct-25	4.065
1yr	3.80	3.81	3.84	Nov-25	3.850
2yr	3.67	3.72	3.76	Dec-25	3.705
3yr	3.67	3.72	3.75	Jan-26	3.620
4yr	3.74	3.80	3.82	Feb-26	3.515
5yr	3.80	3.85	3.87	Mar-26	3.465
7yr	4.09	4.16	4.16	Apr-26	3.380
10yr	4.43	4.52	4.51	May-26	3.315
5yr Am	4.15		3.87	Jun-26	3.250
10yr Am	4.21		4.23	Jul-26	3.160

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Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
9/15	Empire Manufacturing	Sep	5.0	-8.7	11.9	--
9/16	Retail Sales Ex Auto and Gas	Aug	0.4%	0.7%	0.2%	0.3%
9/16	Retail Sales Control Group	Aug	0.4%	0.7%	0.5%	--
9/16	New York Fed Services Business Activity	Sep	-5.8	-19.4	-11.7	--
9/16	Import Price Index YoY	Aug	0.0%	0.0%	-0.2%	-0.6%
9/16	Export Price Index YoY	Aug	2.5%	3.4%	2.2%	2.4%
9/16	Manufacturing (SIC) Production	Aug	-0.2%	0.2%	0.0%	-0.1%
9/16	Capacity Utilization	Aug	77.4%	77.4%	77.5%	77.4%
9/16	Business Inventories	Jul	0.2%	0.2%	0.2%	--
9/17	MBA Mortgage Applications	9/12	--	29.7%	9.2%	--
9/17	Housing Starts	Aug	1365k	1307k	1428k	1429k
9/17	Building Permits	Aug P	1370k	1312k	1362k	--
9/17	FOMC Rate Decision (Upper Bound)	9/17	4.3%	4.3%	4.5%	--
9/17	FOMC Rate Decision (Lower Bound)	9/17	4.0%	4.0%	4.3%	--
9/17	Fed Interest on Reserve Balances Rate	9/18	4.2%	4.2%	4.4%	--
9/17	Fed Reverse Repo Rate	9/18	--	4.0%	4.3%	--
9/17	FOMC Median Rate Forecast: Current Yr	9/17	3.9%	3.6%	3.9%	--
9/17	FOMC Median Rate Forecast: Next Yr	9/17	3.4%	3.4%	3.6%	--
9/17	FOMC Median Rate Forecast: +2 Yrs	9/17	3.1%	3.1%	3.4%	--
9/17	FOMC Median Rate Forecast: +3 Yrs	9/17	3.1%	3.1%	--	--
9/17	FOMC Median Rate Forecast: Long-Run	9/17	3.0%	3.0%	3.0%	--
9/18	Initial Jobless Claims	9/13	240k	231k	263k	264k
9/18	Continuing Claims	9/6	1950k	1920k	1939k	1927k
9/18	Leading Index	Aug	-0.2%	-0.5%	-0.4%	0.1%
9/18	Net Long-term TIC Flows	Jul	--	\$49.2b	\$150.8b	\$151.0b
9/18	Total Net TIC Flows	Jul	--	\$2.1b	\$77.8b	\$92.1b
9/23	Current Account Balance	2Q	-\$268.2b	--	-\$450.2b	--
9/23	S&P Global US Manufacturing PMI	Sep P	51.8	--	53.0	--
9/23	S&P Global US Services PMI	Sep P	53.8	--	54.5	--
9/23	S&P Global US Composite PMI	Sep P	--	--	54.6	--
9/24	New Home Sales	Aug	650k	--	652k	--
9/24	2Y FRN Bid/Cover Ratio	9/24	--	--	3.2	--
9/24	5Y Bid/Cover Ratio	9/24	--	--	2.4	--
9/25	Advance Goods Trade Balance	Aug	-\$95.6b	--	-\$103.6b	--
9/25	GDP Annualized QoQ	2Q T	3.3%	--	3.3%	--
9/25	Personal Consumption	2Q T	1.9%	--	1.6%	--
9/25	GDP Price Index	2Q T	2.0%	--	2.0%	--
9/25	Core PCE Price Index QoQ	2Q T	2.5%	--	2.5%	--
9/25	Durable Goods Orders	Aug P	-0.5%	--	-2.8%	--
9/25	Durables Ex Transportation	Aug P	-0.2%	--	1.0%	--
9/25	Cap Goods Orders Nondef Ex Air	Aug P	-0.2%	--	1.1%	--
9/25	Cap Goods Ship Nondef Ex Air	Aug P	0.1%	--	0.7%	--
9/25	Existing Home Sales	Aug	3.95m	--	4.01m	--
9/26	Personal Income	Aug	0.30%	--	0.40%	--
9/26	Personal Spending	Aug	0.50%	--	0.50%	--
9/26	Real Personal Spending	Aug	--	--	0.30%	--
9/26	PCE Price Index YoY	Aug	2.70%	--	2.60%	--

MBS Prepayments ⁴						
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	16.6	20.8	22.0	23.2
FH/FN 15y	9.6	11.0	19.1	22.3	--	33.7
GN 15y	8.1	15.0	14.7	13.9	27.3	30.9
FH/FN 20y	8.6	9.9	11.0	14.3	18.5	19.8
FH/FN 30y	6.6	7.6	8.9	10.7	17.8	26.8
GN 30y	6.9	8.9	9.5	10.6	13.9	16.8

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	147.87	0.19	147.67	148.69	142.63
Euro	1.18	0.00	1.16	1.09	1.12
Dollar Index	97.52	(0.03)	98.27	103.43	100.61
Major Stock Indices					
Dow Jones	46,150	316	44,922	41,965	42,025
S&P 500	6,647.3	63.0	6,411.4	5,675.3	5,713.6
NASDAQ	22,535.4	394	21,315.0	17,750.8	18,014.0
Commodities					
Gold	3,668.1	10.8	3,313.4	3,041.2	2,590.9
Crude Oil	63.16	0.47	62.35	67.16	71.95
Natural Gas	2.91	(0.03)	2.77	4.25	2.35
Wheat	523.8	20.8	498.5	563.5	565.5
Corn	427.5	28.5	379.5	462.0	405.8

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

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