Baker Market Update

Week In Review

September 26, 2025

The Baker Group

Andrea Pringle
MBS Analyst/
Financial Strategist

The Federal Reserve's job just got a bit tougher this week. First, news came yesterday that second-quarter GDP was revised up to 3.8%, the strongest pace since the third quarter of 2023. President Donald Trump also unveiled a new round of tariffs yesterday, including a 100% duty on branded pharmaceuticals, a 50% tariff on imported kitchen cabinets and bathroom vanities, 30% on upholstered furniture, and a 25% levy on heavy-duty trucks. Details remain thin, and exemptions are almost certain, but the combination of stronger growth and potential new price pressures challenges market expectations for aggressive easing from the Fed.

Markets had been assigning better than an 80% probability of a half-point reduction by December but that has slipped closer to 60% as the market recalibrates the Fed's room to maneuver. A flurry of Fedspeak this week also underscored the need for a cautious path forward. "Heavy front-loading of cuts before you know whether this is all there's going to be on inflation and before you know whether this inflation is going to be persistent runs a risk of a mistake," Chicago Fed President Austan Goolsbee told reporters in Michigan this week.

San Francisco Fed President Mary Daly, speaking in Utah, pointed to "yellow flags" in the labor market, citing challenges for new college graduates and longer job searches for many workers. Still, she cautioned that policy easing should proceed gradually with inflation running above the Fed's 2% goal even before factoring in tariffs. "If you adjust the path all at once, you risk one of the goals... If you adjust the path gradually, assess the information before deciding, then you can actually get to a good achievement."

Kansas City Fed President Jeffrey Schmid went even further, appearing to lay out his case for holding rates steady. At an event in Dallas, he told the audience "I view the current stance of policy as only slightly restrictive, which I think is the right place to be." Still, President Trump's newest appointee, Stephen Miran, continued to press for sharp rate cuts to prevent labor market decline on Thursday, saying his fellow central bankers are overly fearful that tariffs will drive inflation up.

This morning, inflation and spending data showed consumers are continuing to spend despite stubborn inflation. The personal consumption expenditures (PCE) price index rose 0.3% in July and held steady at 2.7% annually. Real personal spending though continued at a steady clip for the third straight month, rising 0.4% in August. The consecutive strong gains in spending add evidence to the case that the economy is still solid. However, the ability of consumers to maintain their spending momentum will, of course, depend on how well the labor market holds up.

Next week will bring critical insight into that topic. Several key indicators are due on the state of the labor market throughout the week including Job openings, ADP employment, Initial jobless claims and the latest Nonfarm Payrolls and Unemployment stats. Have a great weekend!

(Continued)

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UPCOMING EVENTS

Banks

Seminars:

OH Seminar
Oct 01, 2025

MI Seminar
Oct 02, 2025

MN Seminar
Dec 08, 2025

Webinars:

Q4 Bank Investment Strategies
Oct 8, 2025

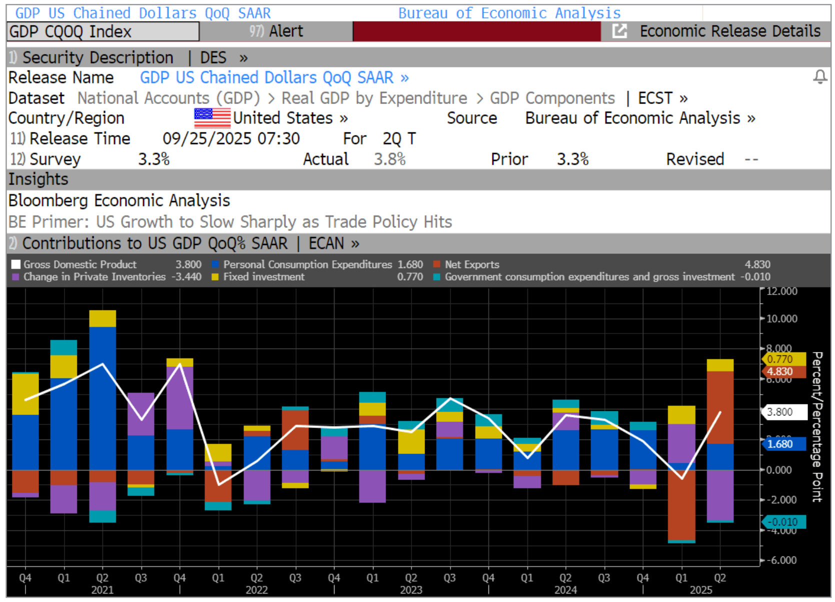
CUs

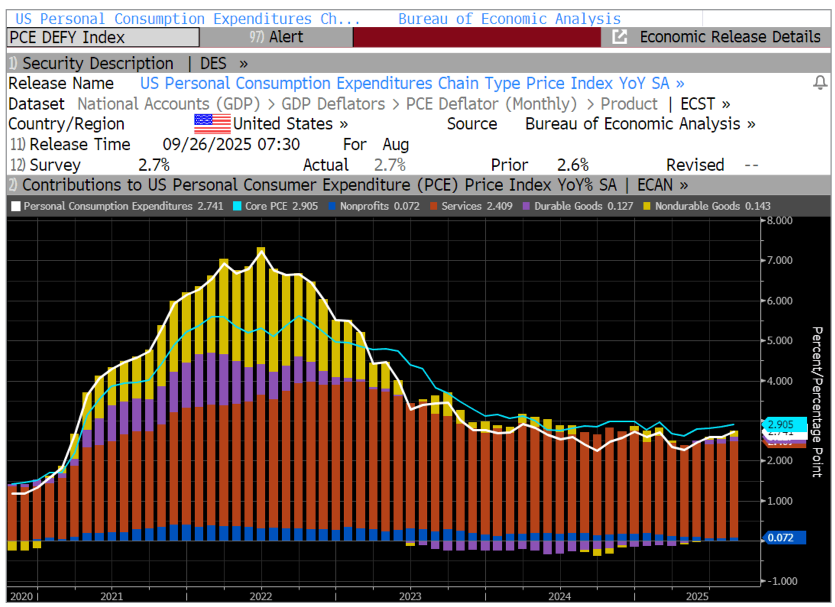
Seminars:

MI CU Seminar
Sep 30, 2025

Webinars:

Q4 CU Strategies
Oct 9, 2025





Source: Bloomberg, L.P.

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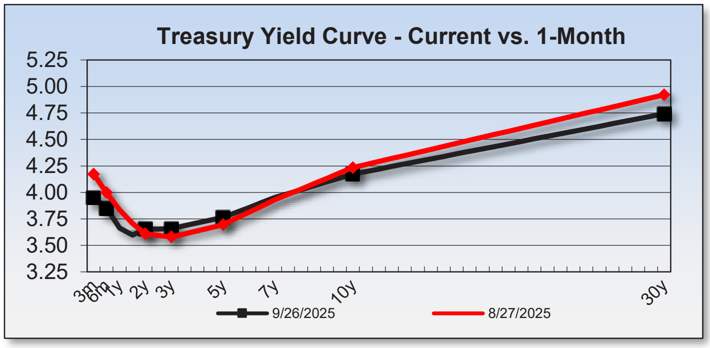

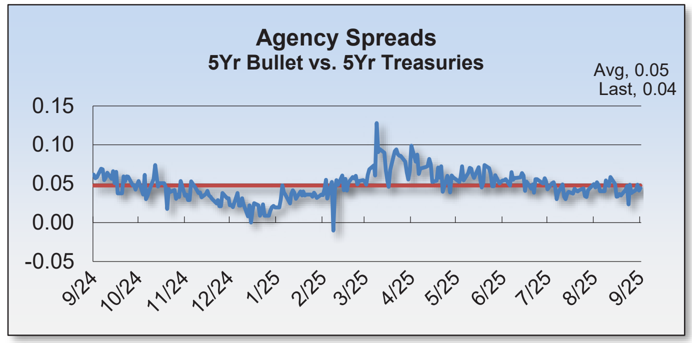

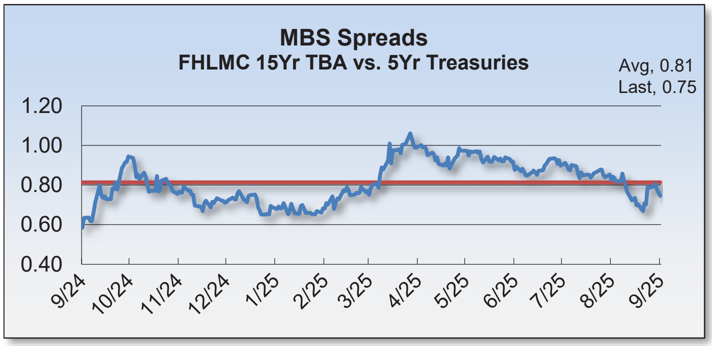

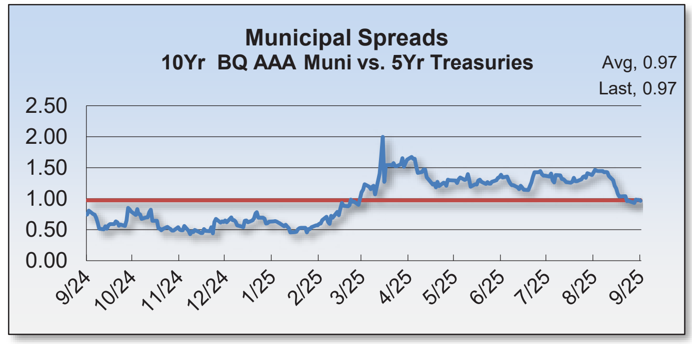

Treasury Market -- Historical

Maty	Current	1Wk Change	Historical 1 Mo	6 Mo	1 Yr
3mo	3.95	(0.02)	4.18	4.30	4.62
6mo	3.85	0.01	4.02	4.23	4.40
1yr	3.66	0.07	3.86	4.10	3.99
2yr	3.65	0.08	3.68	4.02	3.63
3yr	3.66	0.10	3.62	4.01	3.61
5yr	3.77	0.09	3.74	4.10	3.57
7yr	3.95	0.08	3.97	4.23	3.67
10yr	4.17	0.05	4.26	4.35	3.80
30yr	4.74	(0.00)	4.92	4.70	4.13

** 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	3.44	3.09	3.29	3.75
3yr	3.70	3.38	3.05	3.25	3.75
5yr	3.83	3.41	3.16	3.37	3.91
7yr	4.03	3.51	3.56	3.78	4.20
10yr	4.36	3.67	4.09	4.35	4.55
15yr	4.69	3.89	4.98	5.30	4.69
20yr	5.01	3.98	5.63	5.99	5.42
25yr	5.33	3.98	5.80	6.17	5.48
30yr		3.94	5.96	6.35	5.54

Agency Calls - Euro

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

October TBA MBS

Cpn	15Yr -Yld/AL		30Yr -Yld/AL	
3.50	4.49	4.4y	4.94	
4.00	4.43	4.4y		
4.50	4.50	4.8y	5.03	8.4y
5.00	4.56	3.6y	5.17	7.4y
5.50			5.22	4.8y
6.00			4.96	3.2y

Key Market Indices

Index	Current	1Wk Change	Historical 1 Mo	6 Mo	1 Yr
Fed Funds	**4.25**	--	4.50	4.50	5.00
Primary Discount	**4.25**	--	4.50	4.50	5.00
2ndary Discount	**4.75**	--	5.00	5.00	5.50
Prime Rate	**7.25**	--	7.50	7.50	8.00
Sec. O.N. Finance	**4.18**	0.04	4.37	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	**4.01**	0.09	4.18	4.31	4.37
1 Year CMT	**3.68**	0.07	3.88	4.09	3.89
REPO O/N	**4.23**	(0.21)	4.38	4.37	4.86
REPO 1Wk	**4.24**	0.08	4.38	4.38	4.88
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

Maturity	Chicago	Boston	Topeka
3mo	4.12	4.18	4.17
6mo	3.98	4.01	4.04
1yr	3.84	3.84	3.90
2yr	3.77	3.81	3.83
3yr	3.77	3.82	3.83
4yr	3.84	3.89	3.89
5yr	3.89	3.94	3.94
7yr	4.17	4.24	4.22
10yr	4.48	4.56	4.53
5yr Am	4.15		3.93
10yr Am	4.21		4.28

Fed Fund Futures

Maturity	Rate
Sep-25	4.225
Oct-25	4.080
Nov-25	3.885
Dec-25	3.765
Jan-26	3.695
Feb-26	3.620
Mar-26	3.580
Apr-26	3.525
May-26	3.470
Jun-26	3.415
Jul-26	3.335

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Weekly Economic Calendar

This Week & Next

Date	Release	Per.	Est.	Actual	Prior	Revised
9/23	S&P Global US Manufacturing PMI	Sep P	52.2	52.0	53.0	--
9/23	S&P Global US Services PMI	Sep P	54.0	53.9	54.5	--
9/23	S&P Global US Composite PMI	Sep P	54.0	53.6	54.6	--
9/24	MBA Mortgage Applications	9/19	--	0.6%	29.7%	--
9/24	Building Permits MoM	Aug F	0.0%	-2.3%	-3.7%	--
9/24	New Home Sales MoM	Aug	-0.3%	20.5%	~~-0.6%~~	-1.8%
9/25	GDP Annualized QoQ	2Q T	3.3%	3.8%	3.3%	--
9/25	Personal Consumption	2Q T	1.7%	2.5%	1.6%	--
9/25	GDP Price Index	2Q T	2.0%	2.1%	2.0%	--
9/25	Core PCE Price Index QoQ	2Q T	2.5%	2.6%	2.5%	--
9/25	Advance Goods Trade Balance	Aug	-$95.4b	-$85.5b	~~-$103.6b~~	-$102.8b
9/25	Durables Ex Transportation	Aug P	0.0%	0.4%	1.0%	--
9/25	Cap Goods Ship Nondef Ex Air	Aug P	0.3%	-0.3%	~~0.7%~~	0.6%
9/25	Initial Jobless Claims	9/20	233k	218k	~~231k~~	232k
9/25	Continuing Claims	9/13	1932k	1926k	~~1920k~~	1928k
9/25	Existing Home Sales MoM	Aug	-1.5%	-0.2%	2.0%	--
9/26	Personal Income	Aug	0.3%	0.4%	0.4%	--
9/26	Real Personal Spending	Aug	0.2%	0.4%	~~0.3%~~	0.4%
9/26	PCE Price Index MoM	Aug	0.3%	0.3%	0.2%	--
9/26	PCE Price Index YoY	Aug	2.7%	2.7%	2.6%	--
9/26	Core PCE Price Index MoM	Aug	0.2%	0.2%	~~0.3%~~	0.2%
9/26	Core PCE Price Index YoY	Aug	2.9%	2.9%	2.9%	--
9/29	Pending Home Sales NSA YoY	Aug	--	--	0.3%	--
9/30	JOLTS Job Openings	Aug	7100k	--	7181k	--
9/30	JOLTS Job Openings Rate	Aug	--	--	4.3%	--
9/30	JOLTS Quits Level	Aug	--	--	3208k	--
9/30	JOLTS Quits Rate	Aug	--	--	2.0%	--
9/30	JOLTS Layoffs Level	Aug	--	--	1808k	--
9/30	JOLTS Layoffs Rate	Aug	--	--	1.1%	--
9/30	Conf. Board Consumer Confidence	Sep	95.8	--	97.4	--
9/30	Conf. Board Present Situation	Sep	--	--	131.2	--
9/30	Conf. Board Expectations	Sep	--	--	74.8	--
10/1	ADP Employment Change	Sep	50k	--	54k	--
10/1	ISM Manufacturing	Sep	49.2	--	48.7	--
10/1	ISM Prices Paid	Sep	--	--	63.7	--
10/1	ISM New Orders	Sep	--	--	51.4	--
10/1	ISM Employment	Sep	--	--	43.8	--
10/2	Challenger Job Cuts YoY	Sep	--	--	13.30%	--
10/3	Change in Nonfarm Payrolls	Sep	50k	--	22k	--
10/3	Two-Month Payroll Net Revision	Sep	--	--	-21k	--
10/3	Change in Private Payrolls	Sep	50k	--	38k	--
10/3	Change in Manufact. Payrolls	Sep	-10k	--	-12k	--
10/3	Unemployment Rate	Sep	4.3%	--	4.3%	--
10/3	Labor Force Participation Rate	Sep	--	--	62.3%	--
10/3	Underemployment Rate	Sep	--	--	8.1%	--
10/3	Average Hourly Earnings YoY	Sep		--	3.7%	--
10/3	Average Weekly Hours All Employees	Sep	34.2	--	34.2	--

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	12.7	13.3	16.2	19.8	21.3	22.7
FH/FN 15y	9.4	10.7	17.7	20.4		31.7
GN 15y	8.0	14.5	14.5	13.9	27.1	30.7
FH/FN 20y	8.3	9.5	10.8	14.0	17.2	18.8
FH/FN 30y	6.5	7.4	8.5	10.1	15.2	22.3
GN 30y	6.8	8.8	9.2	10.4	13.5	16.3

Other Markets

Index	Current	1Wk Chng	Historical 1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	149.65	1.70	147.59	150.19	144.36
Euro	1.17	(0.01)	1.16	1.08	1.12
Dollar Index	98.32	0.67	98.23	104.55	100.56
Major Stock Indices					
Dow Jones	46,196	(119)	45,418	42,455	42,175
S&P 500	6,639.9	(24.5)	6,465.9	5,712.2	5,745.4
NASDAQ	22,391.8	(240)	21,544.3	17,899.0	18,190.3
Commodities					
Gold	3,758.7	82.7	3,388.6	3,022.5	2,670.4
Crude Oil	65.56	2.88	63.25	69.65	67.67
Natural Gas	2.80	(0.09)	2.72	3.86	2.59
Wheat	520.8	-1.8	509.5	535.3	584.3
Corn	423.3	-0.8	387.5	451.3	413.3

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

Source for the aforementioned indices, rates, descriptions, & economic indicators: Bloomberg, LP. This report was printed as of: 09/26/2025 9:26AM

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