

Baker Market Update

Week In Review

March 28, 2025



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Bond prices are up this morning after hotter than expected inflation data and lackluster consumer spending numbers hit the news wires. The 10-Year Treasury yield is currently 4.297%, down from the open at 4.361%. Personal Consumption Expenditures (PCE) inflation data showed a 0.3% increase month over month and an annualized increase of 2.5%, both squarely in line with expectations. However, core PCE, which strips volatile food and energy items, was up 0.4% MoM and 2.8% YoY, outpacing market expectations of +0.3% and +2.7%.

UPCOMING EVENTS

2025 Destination Seminar

Austin, TX
May 8–9, 2025

Banks

Webinars:

Q2 Investment Strategies
Apr 9, 2025

Seminars:

KS Seminar
May 22, 2025

IA Seminar
Jun 17, 2025

NE Seminar
Jun 18, 2025

ND Seminar
Jul 15, 2025

WI Seminar
Jul 24, 2025

IL Seminar
Aug 04, 2025

OH Seminar
Oct 01, 2025

CUs

Webinars:

Q2 Strategies
Apr 10, 2025

Banks and CUs

Schools:

ALM School
Apr 24–25, 2025

Today's stubborn inflation data coincides with new tariff talk this week, including a 25% tariff on vehicles and auto parts imported into the US. The Trump administration also announced plans to impose a round of fresh tariffs on April 2, a day President Trump has dubbed "liberation day." The President has referred to the April 2 tariff announcement as "the big one," suggesting that the plans could be more far reaching than the import tariffs already levied.

Business and consumer sentiment have tanked as tariff plans have escalated over the last several weeks as the uncertainty makes it difficult for businesses and consumers to plan and invest. There are also growing signs of household financial stress emerging as well. According to data from the Federal Reserve Bank of New York, a growing share of US consumers say they are not seeking loans as they expected to be turned down. The share of discouraged borrowers, those who say they need credit but didn't apply because they don't expect to be approved, grew to 8.5% in the NY Fed's latest Survey of Consumer Expectations. That is the highest level on record since the survey began in 2013.

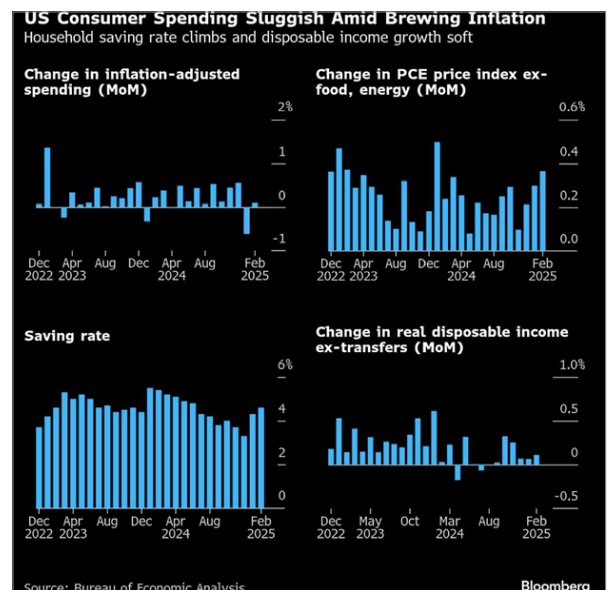
The combination of weak sentiment and growing financial stress among households has elevated concerns that the economy is poised to fall into stagflation if not recession. The FOMC's own forecast seems to echo these fears. Policymakers indicated they expect slower growth and faster inflation in their latest Summary of Economic Projections released at last week's policy meeting.

Perhaps the bigger news from this morning's inflation report was the jump in personal incomes and pullback in personal spending. Incomes grew 0.8% in the month of February, double the +0.4% expected. Spending, on the other hand, was weaker than expected, up 0.4% vs. 0.5% survey. On an inflation-adjusted adjusted basis, consumer spending edged up 0.1% after falling in January by the most in nearly four years.

This morning, another sentiment measure painted yet another dismal picture of how consumers are feeling about the economy. The University of Michigan's final March sentiment index sank to a more than two-year low, with anxiety over tariffs contributing to the decline. The report showed consumers expect prices to rise at an annual rate of 4.1% over the next five to ten years, a 32-year high. They also see costs rising 5% over the next 12 months and labor market conditions weakening along with increasing unemployment. This obviously has implications for economic growth as consumer expectations frame much of the spending and investment decision for US households.

Next week, the calendar will turn to April and bring on the second quarter. As always, markets will be focused on the slew of employment data that is released the first week of every month, culminating with non-farm payrolls and the unemployment rate on Friday.

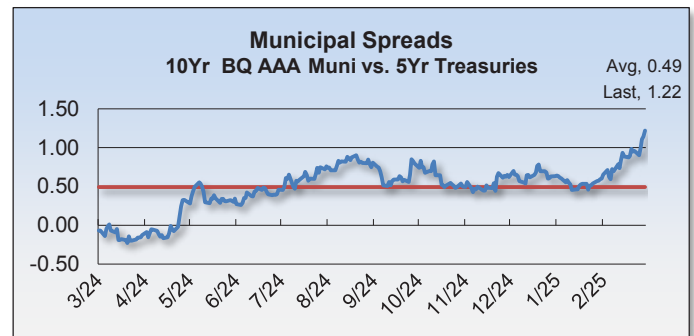
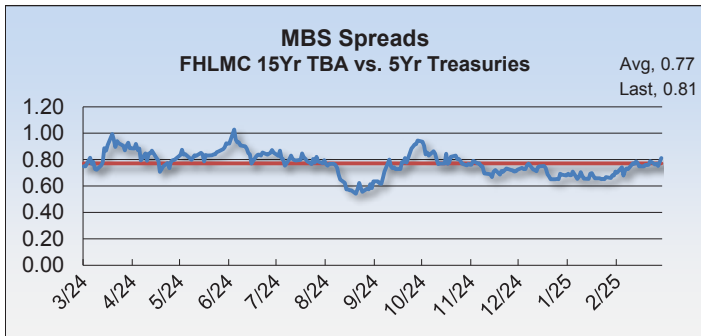
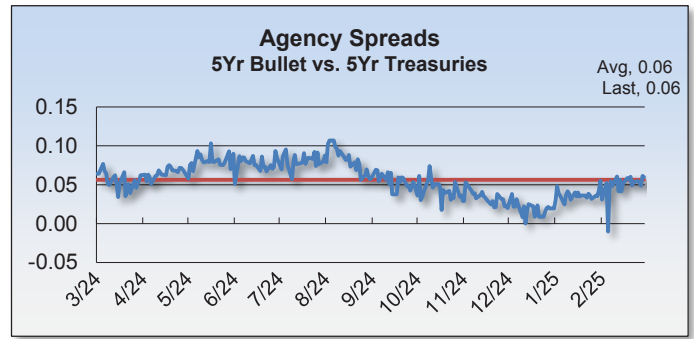
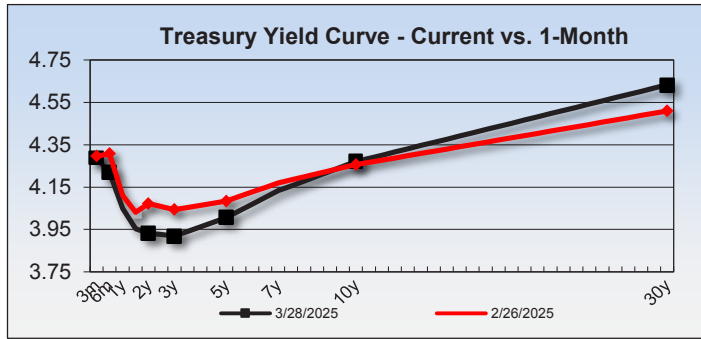
Have a great weekend!



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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	4.29	(0.00)	4.30	4.61	5.37	2yr	4.00	3.82	3.85	4.10	4.13	2Yr					
6mo	4.22	(0.01)	4.28	4.39	5.32	3yr	3.97	3.75	3.91	4.16	4.14	3Yr					
1yr	4.05	0.02	4.09	3.93	5.03	5yr	4.09	3.76	4.10	4.37	4.25	5Yr					
2yr	3.93	(0.02)	3.99	3.56	4.62	7yr	4.22	3.81	4.27	4.54	4.49	7Yr					
3yr	3.92	(0.00)	3.97	3.48	4.49	10yr	4.46	3.88	4.65	4.95	4.76	10Yr					
5yr	4.01	0.00	4.02	3.51	4.21	15yr	4.69	3.98	5.14	5.47	4.90		April TBA MBS				
7yr	4.13	0.01	4.12	3.61	4.21	20yr	4.92	4.00	5.77	6.14	5.35	Cpn	15Yr -Yld/AL		30Yr -Yld/AL		
10yr	4.27	0.02	4.21	3.75	4.20	25yr	5.14	3.96	5.90	6.28	5.41	3.00	4.92	4.8y	5.15		
30yr	4.63	0.04	4.49	4.10	4.34	30yr		3.89	6.03	6.42	5.47	3.50	4.71	4.8y			
												4.00	4.72	4.7y	5.17	9.1y	
												4.50	4.73	5.2y	5.28	9.4y	
												5.00			5.41	8.5y	
												5.50			5.57	6.6y	

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	4.50	--	4.50	5.00	5.50
Primary Discount	4.50	--	4.50	5.00	5.50
2ndary Discount	5.00	--	5.00	5.50	6.00
Prime Rate	7.50	--	7.50	8.00	8.50
Sec. O.N. Finance	4.36	0.07	4.36	4.84	--
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	4.30	0.01	4.30	4.40	5.35
1 Year CMT	4.10	0.04	4.13	3.90	4.99
REPO O/N	4.37	--	4.37	4.86	5.37
REPO 1Wk	4.36	(0.01)	4.37	4.90	5.36
CoF Federal	3.666	--	3.673	3.988	3.889
11th D. CoF (Jan)	2.944	--	2.990	3.274	3.147

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	4.45	4.47	4.47
6mo	4.35	4.37	4.42
1yr	4.18	4.19	4.29
2yr	4.08	4.13	4.19
3yr	4.09	4.15	4.21
4yr	4.14	4.20	4.27
5yr	4.19	4.24	4.31
7yr	4.43	4.50	4.55
10yr	4.64	4.74	4.76
5yr Am	4.15		4.31
10yr Am	4.21		4.58

Fed Fund Futures	
Maturity	Rate
Mar-25	4.330
Apr-25	4.330
May-25	4.295
Jun-25	4.225
Jul-25	4.125
Aug-25	4.005
Sep-25	3.945
Oct-25	3.850
Nov-25	3.775
Dec-25	3.690
Jan-26	3.645

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Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
3/24	S&P Global US Manufacturing PMI	Mar P	51.7	49.8	52.7	--
3/24	S&P Global US Services PMI	Mar P	51.0	54.3	51.0	--
3/24	S&P Global US Composite PMI	Mar P	50.9	53.5	51.6	--
3/25	Building Permits MoM	Feb F	-0.10%	-1.00%	-1.20%	--
3/25	Philadelphia Fed Non-Manufacturing Ac	Mar	--	-32.5	-13.1	--
3/25	FHFA House Price Index MoM	Jan	0.3%	0.2%	0.4%	0.5%
3/25	S&P CoreLogic CS 20-City YoY NSA	Jan	4.80%	4.67%	4.48%	4.52%
3/25	S&P CoreLogic CS US HPI YoY NSA	Jan	--	4.08%	3.92%	3.96%
3/25	New Home Sales MoM	Feb	3.5%	1.8%	10.5%	-6.9%
3/25	Conf. Board Consumer Confidence	Mar	94.0	92.9	98.3	100.1
3/25	Conf. Board Present Situation	Mar	--	134.5	136.5	138.1
3/25	Conf. Board Expectations	Mar	--	65.2	72.9	74.8
3/25	Richmond Fed Business Conditions	Mar	--	-14	1	--
3/26	MBA Mortgage Applications	3/21	--	-2.0%	-6.2%	--
3/27	Personal Consumption	4Q T	4.2%	4.0%	4.2%	--
3/27	GDP Price Index	4Q T	2.4%	2.3%	2.4%	--
3/27	Core PCE Price Index QoQ	4Q T	2.7%	2.6%	2.7%	--
3/27	Initial Jobless Claims	3/22	225k	224k	223k	225k
3/27	Continuing Claims	3/15	1886k	1856k	1892k	1881k
3/27	Pending Home Sales NSA YoY	Feb	-3.5%	-7.2%	-5.2%	--
3/28	Personal Income	Feb	0.4%	0.8%	0.9%	0.7%
3/28	Real Personal Spending	Feb	0.3%	0.1%	0.5%	-0.6%
3/28	PCE Price Index YoY	Feb	2.5%	2.5%	2.5%	--
3/28	Core PCE Price Index YoY	Feb	2.7%	2.8%	2.6%	2.7%
3/28	U. of Mich. Sentiment	Mar F	57.9	57.0	57.9	--
3/28	U. of Mich. Current Conditions	Mar F	63.5	63.8	63.5	--
3/28	U. of Mich. 1 Yr Inflation	Mar F	4.9%	5.0%	4.9%	--
4/1	JOLTS Job Openings	Feb	7690k	--	7740k	--
4/1	JOLTS Job Openings Rate	Feb	--	--	4.6%	--
4/1	JOLTS Quits Level	Feb	--	--	3266k	--
4/1	JOLTS Quits Rate	Feb	--	--	2.1%	--
4/1	JOLTS Layoffs Level	Feb	--	--	1635k	--
4/1	JOLTS Layoffs Rate	Feb	--	--	1.0%	--
4/1	ISM Manufacturing	Mar	49.8	--	50.3	--
4/1	ISM Prices Paid	Mar	--	--	62.4	--
4/1	ISM New Orders	Mar	--	--	48.6	--
4/1	ISM Employment	Mar	--	--	47.6	--
4/2	ADP Employment Change	Mar	119k	--	77k	--
4/3	Challenger Job Cuts YoY	Mar	--	--	103.2%	--
4/4	Change in Private Payrolls	Mar	125k	--	140k	--
4/4	Change in Manufact. Payrolls	Mar	--	--	10k	--
4/4	Two-Month Payroll Net Revision	Mar	--	--	-2k	--
4/4	Unemployment Rate	Mar	4.1%	--	4.1%	--
4/4	Labor Force Participation Rate	Mar	--	--	62.4%	--
4/4	Underemployment Rate	Mar	--	--	8.0%	--
4/4	Average Hourly Earnings YoY	Mar	--	--	4.0%	--
4/4	Average Weekly Hours All Employees	Mar	34.2	--	34.1	--

MBS Prepayments ⁴						
3-Month CPR						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	14.2	14.9	14.0	13.2	17.6	19.7
FH/FN 15y	7.3	8.8	11.8	18.1	13.3	12.0
GN 15y	22.1	26.1	33.8	51.9	49.4	94.6
FH/FN 20y	6.2	7.0	7.9	10.0	10.2	16.5
FH/FN 30y	4.6	5.2	5.0	5.3	6.8	6.6
GN 30y	5.4	5.5	5.7	5.5	6.5	7.0

CPR Projections						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	11.0	12.1	12.8	15.1	17.5	19.7
FH/FN 15y	7.6	8.6	10.0	15.9	16.1	21.0
GN 15y	9.1	11.0	10.8	13.3	12.2	15.7
FH/FN 20y	6.7	7.4	8.3	9.5	12.4	14.2
FH/FN 30y	5.7	6.2	6.9	7.7	8.6	11.3
GN 30y	6.5	6.7	8.1	8.0	9.3	10.1

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	150.08	0.76	150.63	142.60	151.40
Euro	1.08	(0.00)	1.04	1.12	1.08
Dollar Index	104.09	(0.00)	107.61	100.38	104.55
Major Stock Indices					
Dow Jones	41,917	(68)	43,841	42,313	39,807
S&P 500	5,659.4	(8.1)	5,954.5	5,738.2	5,254.4
NASDAQ	17,547.7	(236)	18,847.3	18,119.6	16,379.5
Commodities					
Gold	3,092.2	70.8	2,848.5	2,644.3	2,217.4
Crude Oil	69.66	1.38	69.76	68.18	83.17
Natural Gas	3.88	(0.10)	3.83	2.90	1.76
Wheat	519.5	-38.8	537.0	580.0	560.3
Corn	443.5	-20.8	453.5	418.0	442.0

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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