

Baker Market Update

Week In Review

June 13, 2025

The
BakerGroup



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Global markets were rattled this morning after Israel conducted a military strike on Iran. Oil prices shot higher and investors scrambled to shift assets into safe havens like gold and the Swiss franc. Investors have grown accustomed to overlooking Middle East unrest in recent years, but this latest escalation could mark a significant shift in the region.

UPCOMING EVENTS

Banks

Webinars:

Q3 Investment Strategies

Jul 9, 2025

Seminars:

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

MI Seminar

Oct 02, 2025

MN Seminar

Dec 08, 2025

CUs

Seminars:

MI CU Seminar

Sep 30, 2025

Webinars:

Q3 CU Strategies

Jul 10, 2025

Banks and CUs

Schools:

Bond School

Sep 18-19, 2025

The strikes have also raised the prospect of global oil prices hitting \$100 a barrel or more. Tehran is widely expected to retaliate but investors are especially concerned about the conflict escalating beyond Israeli borders and Iran seeking to block the Strait of Hormuz, the world's most important passageway for oil shipping. About a fifth of the world's oil consumption passes through the strait and any disruption there would undoubtedly elevate energy prices. The prospect of higher energy prices at a time when investors are already wrangling over tariff-related inflation concerns will, a minimum, keep uncertainty and market volatility heightened.

Earlier in the week, the World Bank cut its global growth forecast for 2025, pointing to the "significant headwind" posed by higher tariffs and related uncertainty. Its twice-yearly Global Economic Prospects report showed the bank lowered its forecasts for nearly 70% of all economies, including the United States, China, and Europe. It stopped short of predicting an outright recession but did say that this year's growth would be the weakest outside of a recession since 2008 and forecasted that the pace of GDP growth over the next two years would be the slowest in any decade since the 1960s.

There was welcome news on inflation this week though as U.S. consumer prices increased less than expected in May. Cheaper gasoline prices partially offset higher rents and helped the Consumer Price Index (CPI) to rise by just 0.1% over the month (vs. 0.2% survey) and 2.4% annually, in line with expectations. Excluding food and energy, Core CPI also rose by 0.1% for the month (vs. 0.3% survey) and 2.8% annually (vs. 2.9% survey). Economists say inflation has been slow to respond to tariffs thus far as most retailers are selling merchandise accumulated before the duties took effect and caution that inflation is likely to accelerate in the coming months. However, to the extent that higher prices choke off demand, tariffs may be disinflationary in the short term. Although U.S. trade negotiations have transitioned from a frenzied beginning into more of a slow grind phase, the uncertainty is still weighing heavily on investors' minds.

The Treasury market breathed a welcome sigh of relief this week after strong 10-year and 30-year bond auctions helped quell fears about U.S. debt losing its safe-haven status. Thursday's 30-year auction had markets angsty for weeks amid worries investors would shun the U.S. government's longest maturity borrowing. Instead, the auction brought in stronger-than-expected demand, which helped bring the yield down to 4.844%. The long bond continued to extend gains following the auction, pushing the benchmark rate below where it was when Moody's revoked the U.S.'s last top tier credit rating in May citing concerns about growing budget deficits that show little sign of abating.

(Continued)

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The Fed is set to meet next week. They will undoubtedly discuss the implications of a potential war in the Middle East, which complicates the inflation picture and will likely compel them to maintain a wait-and-see approach on any adjustment to the policy rate. Their statement and press conference will be especially impactful as the Fed attempts to address the juxtaposition of recent softening in inflation amid escalating tensions in the Middle East. Have a great weekend! Let's go Thunder!

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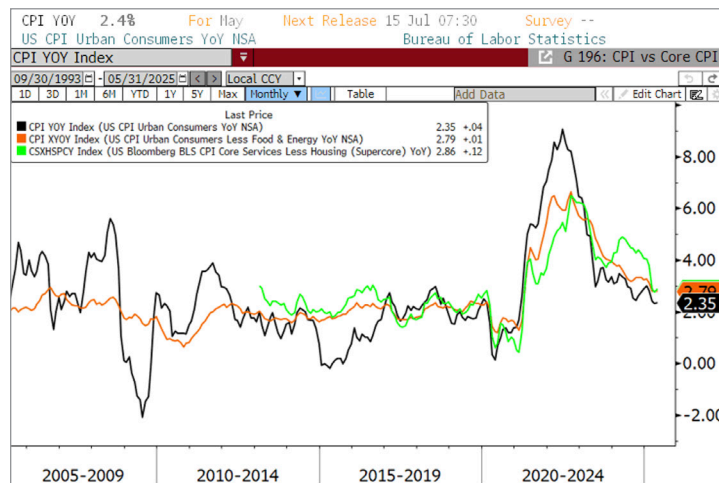


Table A. Percent changes in CPI for All Urban Consumers (CPI-U): U.S. city average

	Seasonally adjusted changes from preceding month							Un-adjusted 12-mos. ended May 2025
	Nov. 2024	Dec. 2024	Jan. 2025	Feb. 2025	Mar. 2025	Apr. 2025	May 2025	
All items.....	0.3	0.4	0.5	0.2	-0.1	0.2	0.1	2.4
Food.....	0.3	0.3	0.4	0.2	0.4	-0.1	0.3	2.9
Food at home.....	0.4	0.3	0.5	0.0	0.5	-0.4	0.3	2.2
Food away from home ¹	0.3	0.3	0.2	0.4	0.4	0.4	0.3	3.8
Energy.....	0.1	2.4	1.1	0.2	-2.4	0.7	-1.0	-3.5
Energy commodities.....	0.2	3.9	1.9	-0.9	-6.1	-0.2	-2.4	-11.6
Gasoline (all types).....	0.3	4.0	1.8	-1.0	-6.3	-0.1	-2.6	-12.0
Fuel oil.....	-1.4	2.1	6.2	0.8	-4.2	-1.3	0.9	-8.6
Energy services.....	-0.1	0.8	0.3	1.4	1.6	1.5	0.4	6.8
Electricity.....	-0.2	0.2	0.0	1.0	0.9	0.8	0.9	4.5
Utility (pipe) gas service.....	0.5	2.8	1.8	2.5	3.6	3.7	-1.0	15.3
All items less food and energy.....	0.3	0.2	0.4	0.2	0.1	0.2	0.1	2.8
Commodities less food and energy.....	0.2	0.0	0.3	0.2	-0.1	0.1	0.0	0.3
New vehicles.....	0.5	0.4	0.0	-0.1	0.1	0.0	-0.3	0.4
Used cars and trucks.....	1.3	0.8	2.2	0.9	-0.7	-0.5	-0.5	1.8
Apparel.....	0.1	0.1	-1.4	0.6	0.4	-0.2	-0.4	-0.9
Medical care commodities ¹	-0.1	0.0	1.2	0.1	-1.1	0.4	0.6	0.3
Services less energy services.....	0.3	0.3	0.5	0.3	0.1	0.3	0.2	3.6
Shelter.....	0.3	0.3	0.4	0.3	0.2	0.3	0.3	3.9
Transportation services.....	0.1	0.5	1.8	-0.8	-1.4	0.1	-0.2	2.8
Medical care services.....	0.3	0.2	0.0	0.3	0.5	0.5	0.2	3.0

¹ Not seasonally adjusted.

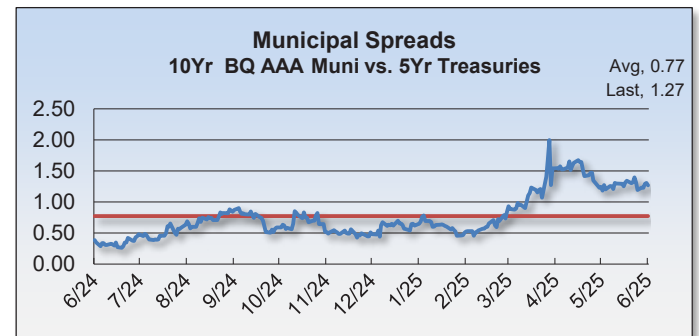
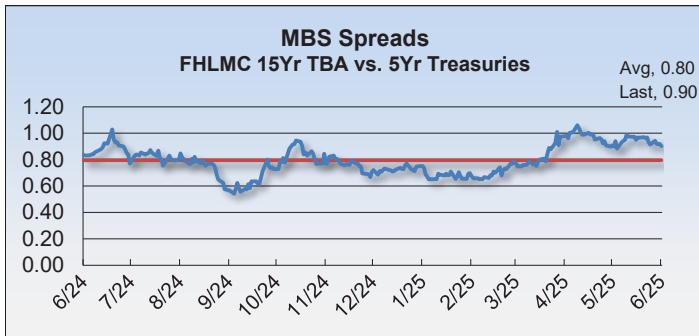
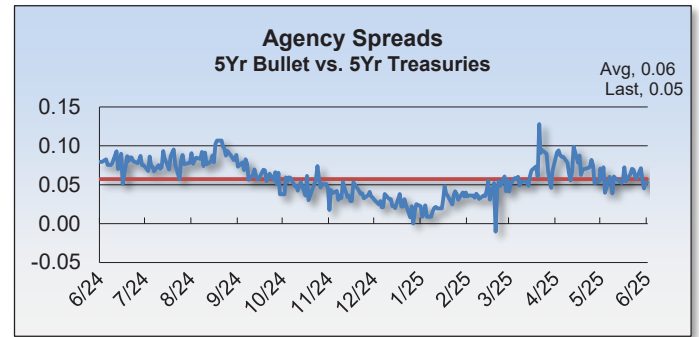
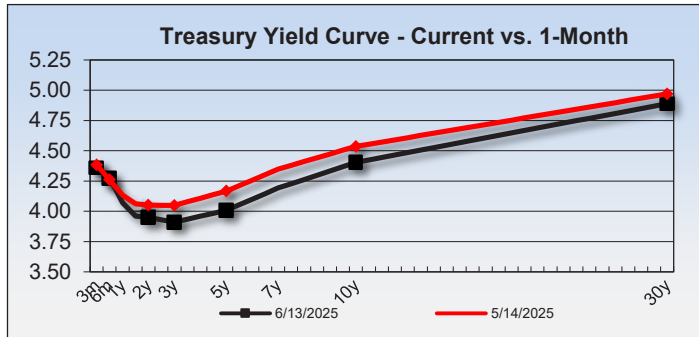
Source: Bloomberg, L.P.

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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	4.36	0.02	4.38	4.33	5.39	2yr	4.03	3.71	3.75	3.99	4.04	2Yr					
6mo	4.27	(0.02)	4.25	4.32	5.35	3yr	3.98	3.62	3.75	3.99	4.01	3Yr					
1yr	4.07	(0.08)	4.12	4.24	5.08	5yr	4.07	3.64	3.88	4.13	4.17	5Yr					
2yr	3.95	(0.09)	4.00	4.25	4.70	7yr	4.29	3.72	4.13	4.40	4.46	7Yr					
3yr	3.91	(0.11)	3.99	4.22	4.55	10yr	4.59	3.85	4.65	4.95	4.80	10Yr					
5yr	4.01	(0.11)	4.10	4.25	4.24	15yr	4.89	4.02	5.39	5.74	4.94						July TBA MBS
7yr	4.19	(0.12)	4.28	4.33	4.24	20yr	5.18	4.08	6.02	6.41	5.52	Cpn	15Yr -Yld/AL		30Yr -Yld/AL		
10yr	4.40	(0.10)	4.47	4.40	4.25	25yr	5.47	4.06	6.18	6.58	5.58	3.50	4.80	4.7y	5.32		
30yr	4.89	(0.08)	4.91	4.60	4.40	30yr		4.00	6.34	6.75	5.64	4.00	4.75	4.7y			
* Interpolated													4.50	4.80	4.9y	5.41	9.3y
													5.00	4.91	5.0y	5.53	8.8y
													5.50			5.67	7.0y
													6.00			5.67	5.4y

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	4.50	--	4.50	4.75	5.50
Primary Discount	4.50	--	4.50	4.75	5.50
2ndary Discount	5.00	--	5.00	5.25	6.00
Prime Rate	7.50	--	7.50	7.75	8.50
Sec. O.N. Finance	4.28	(0.01)	4.28	4.62	--
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	4.36	(0.03)	4.42	4.37	5.37
1 Year CMT	4.06	(0.02)	4.11	4.22	5.13
REPO O/N	4.33	(0.01)	4.34	4.69	5.39
REPO 1Wk	4.40	0.02	4.38	4.48	5.34
CoF Federal	3.663	--	3.661	3.834	3.927
11th D. CoF (Apr)	2.934	--	2.932	3.105	3.198

FHLB Fixed Advance Rates				Fed Fund Futures	
Maturity	Chicago	Boston	Topeka	Maturity	Rate
3mo	4.46	4.50	4.50	Jun-25	4.330
6mo	4.40	4.42	4.46	Jul-25	4.325
1yr	4.21	4.23	4.25	Aug-25	4.270
2yr	4.03	4.08	4.06	Sep-25	4.205
3yr	4.00	4.05	4.03	Oct-25	4.100
4yr	4.06	4.12	4.10	Nov-25	3.985
5yr	4.11	4.17	4.15	Dec-25	3.875
7yr	4.40	4.47	4.44	Jan-26	3.820
10yr	4.70	4.79	4.75	Feb-26	3.735
5yr Am	4.15		4.15	Mar-26	3.685
10yr Am	4.21		4.49	Apr-26	3.610

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Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
6/9	Wholesale Inventories MoM	Apr F	0.0%	0.2%	0.0%	--
6/9	Wholesale Trade Sales MoM	Apr	0.3%	0.1%	0.6%	0.8%
6/10	NFIB Small Business Optimism	May	96.0	98.8	95.8	--
6/11	MBA Mortgage Applications	6/6	--	12.5%	-3.9%	--
6/11	CPI MoM	May	0.2%	0.1%	0.2%	--
6/11	CPI Ex Food and Energy MoM	May	0.3%	0.1%	0.2%	--
6/11	CPI YoY	May	2.4%	2.4%	2.3%	--
6/11	CPI Ex Food and Energy YoY	May	2.9%	2.8%	2.8%	--
6/11	CPI Index NSA	May	321.73	321.47	320.80	--
6/11	CPI Core Index SA	May	327.32	326.85	326.43	--
6/11	Real Avg Hourly Earning YoY	May	--	1.4%	1.4%	1.5%
6/11	Real Avg Weekly Earnings YoY	May	--	1.5%	1.7%	1.8%
6/12	PPI Final Demand MoM	May	0.2%	0.1%	-0.5%	-0.2%
6/12	PPI Ex Food and Energy MoM	May	0.3%	0.1%	-0.4%	-0.2%
6/12	PPI Ex Food, Energy, Trade MoM	May	0.3%	0.1%	-0.1%	--
6/12	PPI Final Demand YoY	May	2.6%	2.6%	2.4%	2.5%
6/12	PPI Ex Food and Energy YoY	May	3.1%	3.0%	3.1%	3.2%
6/12	PPI Ex Food, Energy, Trade YoY	May	3.0%	2.7%	2.9%	--
6/12	Initial Jobless Claims	6/7	242k	248k	247k	248k
6/12	Continuing Claims	5/31	1910k	1956k	1904k	1902k
6/13	U. of Mich. Sentiment	Jun P	53.6	60.5	52.2	--
6/13	U. of Mich. Current Conditions	Jun P	59.3	63.7	58.9	--
6/13	U. of Mich. Expectations	Jun P	49.7	58.4	47.9	--
6/13	U. of Mich. 1 Yr Inflation	Jun P	6.4%	5.1%	6.6%	--
6/13	U. of Mich. 5-10 Yr Inflation	Jun P	4.1%	4.1%	4.2%	--
6/16	Empire Manufacturing	Jun	-6.5	--	-9.2	--
6/17	Retail Sales Advance MoM	May	-0.7%	--	0.1%	--
6/17	Retail Sales Ex Auto and Gas	May	0.4%	--	0.2%	--
6/17	Retail Sales Ex Auto MoM	May	0.2%	--	0.1%	--
6/17	Retail Sales Control Group	May	0.3%	--	-0.2%	--
6/17	Import Price Index MoM	May	-0.3%	--	0.1%	--
6/17	Import Price Index ex Petroleum MoM	May	--	--	0.4%	--
6/17	Import Price Index YoY	May	--	--	0.1%	--
6/17	Export Price Index MoM	May	-0.2%	--	0.1%	--
6/17	Export Price Index YoY	May	--	--	2.0%	--
6/17	New York Fed Services Business Activity	Jun	--	--	-16.2	--
6/17	Industrial Production MoM	May	0.1%	--	0.0%	--
6/17	Capacity Utilization	May	77.7%	--	77.7%	--
6/17	Manufacturing (SIC) Production	May	0.0%	--	-0.4%	--
6/17	NAHB Housing Market Index	Jun	36	--	34	--
6/18	Housing Starts MoM	May	-0.1%	--	1.6%	--
6/18	Building Permits MoM	May P	0.6%	--	-4.0%	--
6/18	FOMC Rate Decision (Upper Bound)	6/18	4.50%	--	4.50%	--
6/18	FOMC Rate Decision (Lower Bound)	6/18	4.25%	--	4.25%	--
6/18	Fed Interest on Reserve Balances Rate	6/19	--	--	4.40%	--
6/18	Net Long-term TIC Flows	Apr	--	--	\$161.8b	--
6/18	Total Net TIC Flows	Apr	--	--	\$254.3b	--

MBS Prepayments ⁴						
3-Month CPR						
Type	3.5	4.0	4.5	5.0	5.5	6.0
FN 10y	17.2	18.5	16.2	21.1	23.0	29.5
FH/FN 15y	10.0	12.1	16.4	8.1	14.5	20.1
GN 15y	25.2	31.5	43.4	62.6	-2.3	76.3
FH/FN 20y	7.9	8.8	10.8	12.6	19.9	22.3
FH/FN 30y	6.6	7.2	6.0	5.5	7.3	9.1
GN 30y	5.9	7.2	6.6	7.1	7.9	7.5
CPR Projections						
Type	3.5	4.0	4.5	5.0	5.5	6.0
FN 10y	12.0	12.7	14.9	17.2	19.1	21.0
FH/FN 15y	8.6	9.9	16.0	14.7	19.7	25.8
GN 15y	7.9	14.1	14.8	14.8	20.5	30.9
FH/FN 20y	7.1	8.0	9.2	12.1	13.8	14.9
FH/FN 30y	6.1	6.8	7.6	8.5	11.2	14.0
GN 30y	6.4	7.9	7.7	9.0	9.9	10.9

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	144.05	(0.80)	148.06	153.65	157.18
Euro	1.15	0.01	1.11	1.05	1.08
Dollar Index	98.33	(0.86)	101.00	107.00	105.20
Major Stock Indices					
Dow Jones	42,331	(432)	42,140	43,828	38,647
S&P 500	5,993.3	(7.0)	5,886.6	6,051.1	5,433.7
NASDAQ	19,449.0	(81)	19,010.1	19,926.7	17,667.6
Commodities					
Gold	3,444.0	121.3	3,247.8	2,656.0	2,300.2
Crude Oil	72.40	7.82	63.67	71.29	78.62
Natural Gas	3.55	(0.23)	3.65	3.28	2.96
Wheat	537.5	-17.3	501.5	526.5	620.0
Corn	443.0	0.5	436.0	430.0	458.5

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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