

Baker Market Update

Week In Review

February 21, 2025



UPCOMING EVENTS

► 2025 Destination Seminar

Austin, TX
May 8–9, 2025

► Banks

Webinars:

Q1 IRR Management
Mar 12, 2025

Seminars:

KS Seminar
May 22, 2025

IA Seminar
Jun 17, 2025

NE Seminar
Jun 18, 2025

WI Seminar
Jul 24, 2025

IL Seminar
Aug 04, 2025

► CUs

Virtual Schools:

Virtual Bond School
Mar 26–27, 2025

► Banks and CUs

Schools:

ALM School
Apr 24–25, 2025

Carson Francis

Financial Analyst

Markets wasted no time this week after returning from a long holiday weekend, as safe-haven assets reached all-time highs and growing uncertainty over future economic conditions. Before we get into that, the National Hockey League kicked off a new event called the 4 Nations Face-Off, temporarily replacing their annual NHL All-Star match. The Championship match between teams USA vs. Canada took place last night, with Canada claiming victory with a goal in overtime. Although Team USA fell short against hockey's traditional powerhouse, their performance was yet another reminder that American excellence isn't limited to the things we're known for.

Gold spot prices reached an all-time high this week, driven by escalating geopolitical tensions and rising central bank demand—most notably from China, which is increasing its reserves to diversify assets. Historically, gold has been viewed as a safe-haven asset for investors seeking protection from riskier assets during times of market volatility. This coincides with other recent events that have called into question the modern-day consumer and their resilience during the post-COVID era.

Walmart reported earnings this week, surprising many investors, as John D. Rainey, the major retailer's CFO, raised concerns over "uncertainties related to consumer behavior and global economic and geopolitical conditions". Cracks in consumer confidence appeared in this morning's data, with University of Michigan Sentiment Index reading 64.7, which is below the long-term average of around 85-90.

Business activity in the manufacturing and services sectors, as measured by the U.S. Composite Purchasing Managers' Index (PMI), came in at 50.4 this morning—falling short of survey estimates of 53.2 for February. This downward trend is also evident in the housing market, as Existing Home Sales declined 4.9%, a steeper drop than the -2.6% forecast in surveys taken prior to the reading.

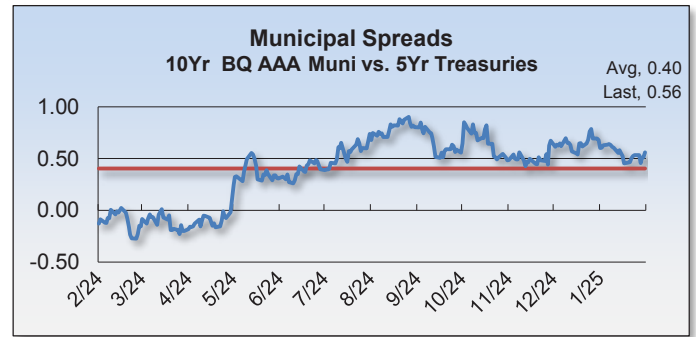
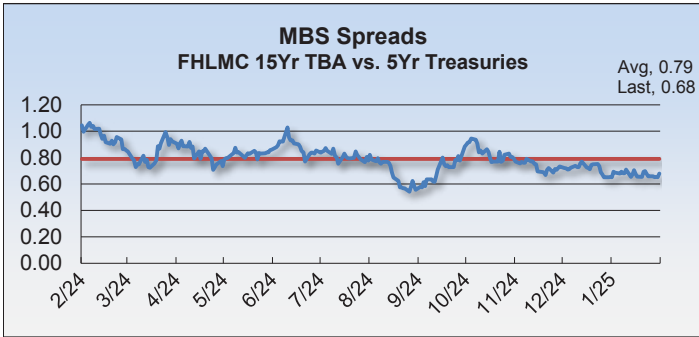
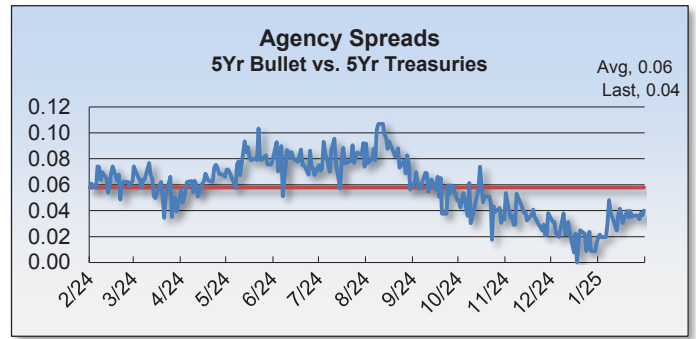
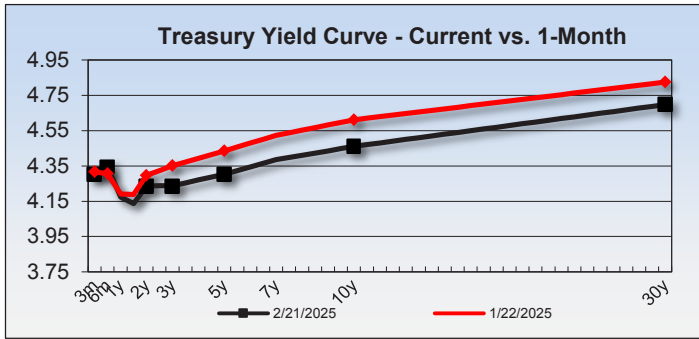
Turning to Treasury yields, the 10-Year US Treasury yield descended from last week's spike influenced by January Consumer Price Index reading. The benchmark rate so far has chalked in a 10-bps drop, the rate topped at 4.55% at the beginning of the week and is now trading at 4.45%. Traders are grappling with inflationary pressures amid a stream of bleak economic data, as the 10-Year yield has whipsawed in recent months, reflecting uncertainty in markets.

Next week will be an important week for future monetary policy, with the Personal Consumer Expenditure (PCE), the Federal Reserve's preferred measure of inflation, set to release on the 27th. Additionally, other important data such as GDP, MBA Mortgage Applications, New Home Sales, and Durable Goods Orders will give investors a clearer outlook on market conditions. Have a great weekend everyone!

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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	4.30	(0.01)	4.30	5.15	5.40	2yr	4.25	4.11	3.72	3.96	4.40	2Yr					
6mo	4.35	(0.01)	4.31	4.89	5.35	3yr	4.25	4.07	3.77	4.01	4.43	3Yr					
1yr	4.17	(0.05)	4.19	4.39	4.99	5yr	4.36	4.05	3.84	4.08	4.52	5Yr					
2yr	4.24	(0.02)	4.28	3.93	4.67	7yr	4.47	4.07	3.93	4.19	4.72	7Yr					
3yr	4.24	(0.03)	4.32	3.74	4.55	10yr	4.64	4.09	4.20	4.47	4.93	10Yr					
5yr	4.30	(0.03)	4.40	3.66	4.31	15yr	4.82	4.15	4.65	4.95	5.07						
7yr	4.39	(0.02)	4.49	3.70	4.33	20yr	4.99	4.15	5.33	5.68	5.36						
10yr	4.46	(0.02)	4.58	3.80	4.32	25yr	5.16	4.09	5.47	5.83	5.42						
30yr	4.70	(0.00)	4.81	4.08	4.48	30yr		4.00	5.61	5.97	5.48						

Cpn	March TBA MBS			
	15Yr -Yld/AL	30Yr -Yld/AL		
3.50	5.00	4.8y	5.27	
4.00	4.90	4.9y		
4.50	4.89	5.3y	5.39	9.6y
5.00	4.97	4.9y	5.49	9.1y
5.50			5.64	7.3y
6.00			5.68	5.3y

* Interpolated

Key Market Indices					
Index	Current	1Wk Change	Historical		
			1 Mo	6 Mo	1 Yr
Fed Funds	4.50	--	4.50	5.50	5.50
Primary Discount	4.50	--	4.50	5.50	5.50
2ndary Discount	5.00	--	5.00	6.00	6.00
Prime Rate	7.50	--	7.50	8.50	8.50
Sec. O.N. Finance	4.33	--	4.29	5.32	--
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	4.38	(0.01)	4.36	4.91	5.36
1 Year CMT	4.20	(0.07)	4.21	4.43	4.97
REPO O/N	4.37	--	4.33	5.38	5.32
REPO 1Wk	4.36	0.01	4.37	5.36	5.39
CoF Federal	3.673	--	3.719	4.003	3.876
11th D. CoF (Dec)	2.990	--	3.038	3.240	3.126

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	4.46	4.50	4.50
6mo	4.47	4.49	4.53
1yr	4.35	4.36	4.47
2yr	4.37	4.40	4.45
3yr	4.36	4.41	4.46
4yr	4.42	4.47	4.52
5yr	4.43	4.49	4.54
7yr	4.64	4.71	4.74
10yr	4.77	4.87	4.90
5yr Am	4.15		4.54
10yr Am	4.21		4.77

Fed Fund Futures		
Maturity	Rate	
Feb-25	4.330	
Mar-25	4.330	
Apr-25	4.325	
May-25	4.280	
Jun-25	4.225	
Jul-25	4.160	
Aug-25	4.100	
Sep-25	4.060	
Oct-25	4.010	
Nov-25	3.965	
Dec-25	3.920	

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Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
2/18	Empire Manufacturing	Feb	0.0	5.7	-12.6	--
2/18	NAHB Housing Market Index	Feb	46	42	47	--
2/18	Net Long-term TIC Flows	Dec	--	\$72.0b	\$79.0b	\$53.2b
2/18	Total Net TIC Flows	Dec	--	\$87.1b	\$159.9b	\$134.1b
2/19	MBA Mortgage Applications	2/14	--	-6.6%	2.3%	--
2/19	Housing Starts	Jan	1390k	1366k	1499k	1515k
2/19	Building Permits	Jan P	1460k	1483k	1482k	--
2/19	New York Fed Services Business Activit	Feb	--	-10.5	-5.6	--
2/20	Philadelphia Fed Business Outlook	Feb	14.3	18.1	44.3	--
2/20	Initial Jobless Claims	2/15	215k	219k	213k	214k
2/20	Continuing Claims	2/8	1868k	1869k	1850k	1845k
2/20	Leading Index	Jan	-0.1%	-0.3%	-0.1%	0.1%
2/21	S&P Global US Manufacturing PMI	Feb P	51.4	51.6	51.2	--
2/21	S&P Global US Services PMI	Feb P	53.0	49.7	52.9	--
2/21	S&P Global US Composite PMI	Feb P	53.2	50.4	52.7	--
2/21	U. of Mich. Sentiment	Feb F	67.8	64.7	67.8	--
2/21	U. of Mich. Current Conditions	Feb F	68.5	65.7	68.7	--
2/21	U. of Mich. Expectations	Feb F	67.4	64.0	67.3	--
2/21	U. of Mich. 1 Yr Inflation	Feb F	4.3%	4.3%	4.3%	--
2/21	U. of Mich. 5-10 Yr Inflation	Feb F	3.3%	3.5%	3.3%	--
2/21	Existing Home Sales	Jan	4.13m	4.08m	4.24m	4.29m
2/21	Existing Home Sales MoM	Jan	-2.6%	-4.9%	2.2%	2.9%
2/24	Chicago Fed Nat Activity Index	Jan	--	--	15.0%	--
2/25	FHFA House Price Index MoM	Dec	--	--	0.3%	--
2/25	House Price Purchase Index QoQ	4Q	--	--	0.7%	--
2/25	S&P CoreLogic CS 20-City MoM SA	Dec	--	--	0.41%	--
2/25	S&P CoreLogic CS 20-City YoY NSA	Dec	--	--	4.33%	--
2/25	S&P CoreLogic CS US HPI YoY NSA	Dec	--	--	3.75%	--
2/25	Conf. Board Consumer Confidence	Feb	103.2	--	104.1	--
2/25	Conf. Board Present Situation	Feb	--	--	134.3	--
2/25	Conf. Board Expectations	Feb	--	--	83.9	--
2/26	New Home Sales	Jan	678k	--	698k	--
2/26	New Home Sales MoM	Jan	-2.9%	--	3.6%	--
2/27	GDP Annualized QoQ	4Q S	2.3%	--	2.3%	--
2/27	Personal Consumption	4Q S	4.1%	--	4.2%	--
2/27	GDP Price Index	4Q S	2.2%	--	2.2%	--
2/27	Core PCE Price Index QoQ	4Q S	--	--	2.5%	--
2/27	Durables Ex Transportation	Jan P	0.4%	--	0.3%	--
2/27	Cap Goods Ship Nondef Ex Air	Jan P	--	--	0.5%	--
2/27	Pending Home Sales MoM	Jan	-1.2%	--	-5.5%	--
2/27	Pending Home Sales NSA YoY	Jan	--	--	-2.9%	--
2/28	Personal Income	Jan	0.3%	--	0.4%	--
2/28	Real Personal Spending	Jan	-0.1%	--	0.4%	--
2/28	PCE Price Index YoY	Jan	2.5%	--	2.6%	--
2/28	Core PCE Price Index MoM	Jan	0.3%	--	0.2%	--
2/28	Core PCE Price Index YoY	Jan	--	--	2.8%	--
2/28	MNI Chicago PMI	Feb	--	--	39.5	--

MBS Prepayments ⁴						
3-Month CPR						
Type	3.5	4.0	4.5	5.0	5.5	6.0
FN 10y	14.6	14.8	14.0	18.3	21.3	24.0
FH/FN 15y	8.9	11.7	17.8	14.8	12.5	18.8
GN 15y	26.5	32.6	48.7	35.1	95.2	76.3
FH/FN 20y	7.1	8.1	10.0	12.2	16.0	17.5
FH/FN 30y	5.2	5.6	5.1	7.9	7.1	8.9
GN 30y	5.6	4.4	5.7	6.3	7.0	7.0
CPR Projections						
Type	3.5	4.0	4.5	5.0	5.5	6.0
FN 10y	11.8	12.4	14.5	17.2	18.7	20.9
FH/FN 15y	8.3	9.6	15.5	14.1	17.8	23.8
GN 15y	11.6	11.5	12.4	11.5	14.9	20.7
FH/FN 20y	7.0	7.9	9.2	11.7	13.6	14.9
FH/FN 30y	6.1	6.7	7.5	8.2	10.4	13.4
GN 30y	6.4	7.8	7.7	9.1	9.8	10.8

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	149.69	(2.62)	155.98	146.18	150.00
Euro	1.05	(0.00)	1.04	1.11	1.08
Dollar Index	106.50	(0.81)	108.06	101.04	104.01
Major Stock Indices					
Dow Jones	43,787	(924)	44,026	40,890	38,612
S&P 500	6,108.3	(6.8)	6,049.2	5,620.9	4,981.8
NASDAQ	19,914.6	(31)	19,756.8	17,919.0	15,580.9
Commodities					
Gold	2,930.1	4.2	2,759.2	2,508.4	2,022.3
Crude Oil	71.41	0.12	75.89	71.93	77.91
Natural Gas	4.33	0.71	3.76	2.18	1.77
Wheat	586.5	8.8	558.8	519.8	583.3
Corn	494.3	0.8	490.0	375.5	411.0

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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