

# Baker Market Update

## Week In Review

March 14, 2025



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### 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

#### CUs

##### Virtual Schools:

Virtual Bond School

Mar 26–27, 2025

##### Webinars:

Q2 Strategies

Apr 10, 2025

#### Banks and CUs

##### Schools:

ALM School

Apr 24–25, 2025

This week, the US bond market experienced notable fluctuations, influenced by escalating trade tensions, recessionary apprehensions, and evolving economic indicators. The yield on 10-year treasury notes exhibited significant volatility. On Monday, yields declined by up to 10 basis points, reaching 4.2%, as investors sought safe-haven assets amid mounting recession fears. However, by midweek, yields rebounded, with the 10-year yield rising to 4.32% on Wednesday. This rebound was partly attributed to a selloff in European government bonds, which exerted upward pressure on U.S. yields. The corporate bond market reflected growing investor caution. Spreads on U.S. corporate bonds widened to their broadest levels in approximately six months, driven by concerns over trade policies, inflation, and potential economic slowdown. Notably, the junk bond spread expanded by 59 basis points since mid-February, indicating heightened risk aversion among investors.

The CPI report for February was released this week. Both the headline CPI and the core, excluding food and energy costs, rose by 0.2% compared with January, undershooting the median estimates of 0.3% for each. Shelter costs rose 0.3%, almost half of the monthly CPI gain – but a notably smaller rise than seen in recent years. Year-on-year inflation came in at 2.8% for the headline, down from 3% in January, and 3.1% for the core – down from 3.3% and the slowest pace since April 2021, when the cost-of-living surge began. Core inflation was propelled by items including medical care, used vehicles, recreation and apparel, while airline fares and new vehicles declined. The drop in airfares added to signs of a downturn in travel demand flagged by carriers in recent days. Stock futures added to the gains after the softer-than-expected inflation print, with S&P 500 contracts up 1.1%.

Headline PPI prints for February were lower than expected, but the Fed's preferred inflation gauge – the core PCE deflator – will likely come in hot, as twice the pace needed to reach the Fed's 2% inflation target. Some of the drivers of the hot print – like financial services or jewelry – likely will be temporary, given the ongoing market correction. The February PCE won't come out until March 28th, but the FOMC can already calculate it from the CPI and PPI prints – and will incorporate the hot number in their forecasts at the March 18-19 meeting. Together with the rapid ramp-up in tariffs that should move the median FOMC participants 2025 inflation outlook meaningfully higher. In the new dot plot, we see an equal chance that the median dot could still anticipate 50 basis points of cuts this year – as in the December version – or that it may now imply just 25 bps of cuts.

Trade policies and economic implications have also been the main forefront of topic discussions recently. The administrations trade stance, particularly the 25% tariffs on steel and aluminum imports from nations including Canada and Mexico, has elicited significant market reactions. These measures, intended to bolster domestic industries, have instead sparked concerns about escalating trade conflicts and potential inflationary pressures. The coming weeks will be crucial in determining how these policies unfold, particularly if diplomatic negotiations fail to ease tensions. On the legislative front, government shutdown fears loom as Congress debated funding measures. While there is bipartisan support for a temporary funding bill, internal divisions within both parties created uncertainty over the outcome.

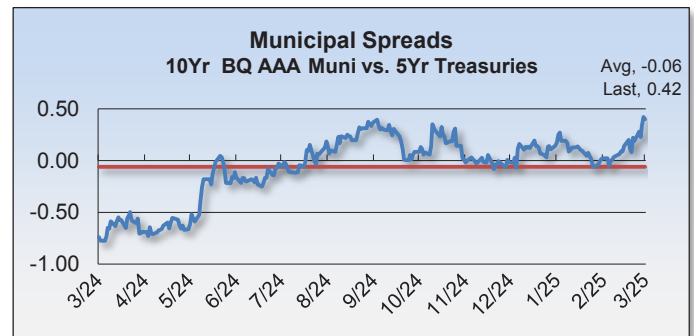
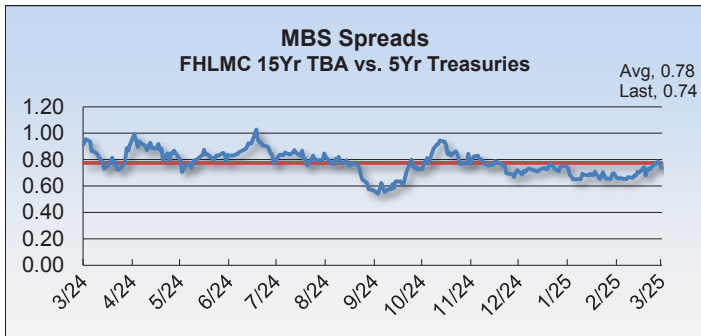
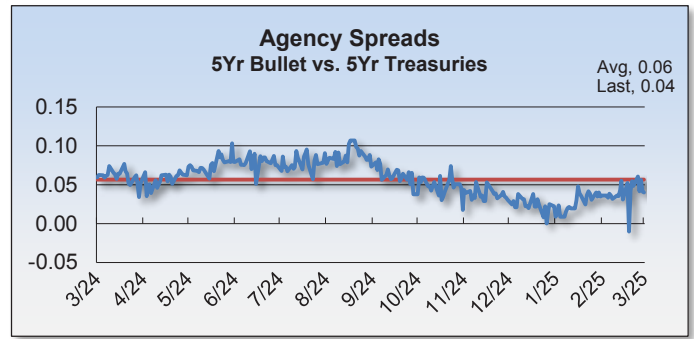
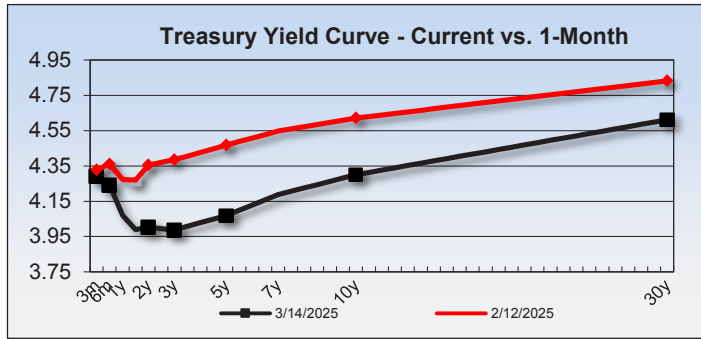
As we look ahead, investors will be watching inflation data, Federal Reserve commentary, and global trade developments for signs of future market direction. The coming weeks will be pivotal in determining the long-term impact of these trade policies and whether economic momentum can be sustained. While markets have shown resilience, the interplay of fiscal policy, interest rates, and global economic conditions will shape the outlook of the months ahead.

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 <sup>2</sup>	S-Corp <sup>3</sup>		Mty	3Mo	6mo	1Yr	2Yr	
3mo	4.29	(0.01)	4.32	4.89	5.40	2yr	4.00	3.82	3.67	3.90	4.08	2Yr					
6mo	4.24	0.00	4.36	4.64	5.33	3yr	3.99	3.77	3.72	3.96	4.08	3Yr					
1yr	4.07	0.02	4.22	4.02	5.07	5yr	4.07	3.78	3.92	4.17	4.18	5Yr					
2yr	4.00	0.00	4.26	3.58	4.69	7yr	4.19	3.83	4.03	4.29	4.42	7Yr					
3yr	3.99	(0.02)	4.27	3.44	4.56	10yr	4.30	3.90	4.37	4.65	4.67	10Yr					
5yr	4.07	(0.02)	4.33	3.43	4.29	15yr	4.40	3.99	4.86	5.17	4.81		April TBA MBS				
7yr	4.19	(0.01)	4.40	3.53	4.30	20yr	4.51	4.01	5.56	5.92	5.22	Cpn	15Yr -Yld/AL		30Yr -Yld/AL		
10yr	4.30	(0.00)	4.48	3.65	4.29	25yr	4.61	3.96	5.73	6.10	5.28	3.50	4.61	4.8y	5.19		
30yr	4.61	0.01	4.70	3.98	4.43	30yr		3.89	5.91	6.29	5.34	4.00	4.68	4.7y			
												4.50	4.70	5.2y	5.29	9.3y	
												5.00	4.84	4.5y	5.40	8.4y	
												5.50			5.56	6.3y	
												6.00			5.52	4.2y	

\* 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	4.30	(0.05)	4.33	5.33	--
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	4.26	0.03	4.39	4.63	5.39
1 Year CMT	4.03	0.01	4.27	4.00	5.01
REPO O/N	4.37	--	4.37	5.42	5.37
REPO 1Wk	4.39	0.03	4.36	5.11	5.34
CoF Federal	3.673	--	3.719	4.003	3.876
11th D. CoF (Jan)	2.944	--	2.990	3.274	3.147

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	4.46	4.47	4.48
6mo	4.35	4.36	4.41
1yr	4.17	4.17	4.30
2yr	4.07	4.12	4.18
3yr	4.08	4.14	4.19
4yr	4.13	4.19	4.25
5yr	4.18	4.24	4.29
7yr	4.42	4.51	4.53
10yr	4.62	4.73	4.71
5yr Am	4.15		4.29
10yr Am	4.21		4.55

Fed Fund Futures	
Maturity	Rate
Mar-25	4.328
Apr-25	4.325
May-25	4.260
Jun-25	4.175
Jul-25	4.070
Aug-25	3.980
Sep-25	3.910
Oct-25	3.810
Nov-25	3.730
Dec-25	3.665
Jan-26	3.625

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Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
3/10	NY Fed 1-Yr Inflation Expectations	Feb	3.1%	3.1%	3.0%	--
3/11	NFIB Small Business Optimism	Feb	101.0	100.7	402.8	--
3/11	JOLTS Job Openings	Jan	7600k	7740k	7600k	7508k
3/11	JOLTS Job Openings Rate	Jan	4.5%	4.6%	4.5%	--
3/11	JOLTS Quits Level	Jan	3176k	3266k	3197k	3095k
3/11	JOLTS Quits Rate	Jan	--	2.1%	2.0%	1.9%
3/11	JOLTS Layoffs Level	Jan	1806k	1635k	1771k	1669k
3/11	JOLTS Layoffs Rate	Jan	--	1.0%	1.1%	--
3/11	3Y Bid/Cover Ratio	3/11	--	2.7	2.8	--
3/12	MBA Mortgage Applications	3/7	--	11.2%	20.4%	--
3/12	CPI YoY	Feb	2.9%	2.8%	3.0%	--
3/12	CPI Ex Food and Energy YoY	Feb	3.2%	3.1%	3.3%	--
3/12	CPI Core Index SA	Feb	325.7	325.5	324.7	--
3/12	Real Avg Hourly Earning YoY	Feb	--	1.2%	1.0%	0.9%
3/12	Real Avg Weekly Earnings YoY	Feb	--	0.6%	0.7%	0.6%
3/12	4M High Yield Rate	3/12	--	4.2%	4.2%	--
3/12	4M Bid/Cover Ratio	3/12	--	3.3	3.4	--
3/12	4M Indirect Accepted %	3/12	--	69.2%	71.1%	--
3/12	4M Direct Accepted %	3/12	--	3.3%	2.8%	--
3/12	10Y Bid/Cover Ratio	3/12	--	2.6	2.5	--
3/12	Federal Budget Balance	Feb	-\$308.0b	-\$307.0b	-\$296.3b	--
3/13	PPI Final Demand YoY	Feb	3.3%	3.2%	3.5%	3.7%
3/13	PPI Ex Food and Energy YoY	Feb	3.5%	3.4%	3.6%	3.8%
3/13	PPI Ex Food, Energy, Trade YoY	Feb	3.4%	3.3%	3.4%	--
3/13	Initial Jobless Claims	3/8	225k	220k	221k	222k
3/13	Continuing Claims	3/1	1888k	1870k	1897k	--
3/13	Household Change in Net Worth	4Q	--	\$164b	\$4766b	\$4823b
3/14	U. of Mich. Sentiment	Mar P	63.0	57.9	64.7	--
3/14	U. of Mich. Current Conditions	Mar P	64.4	63.5	65.7	--
3/14	U. of Mich. Expectations	Mar P	63.0	54.2	64.0	--
3/14	U. of Mich. 1 Yr Inflation	Mar P	4.3%	4.9%	4.3%	--
3/14	U. of Mich. 5-10 Yr Inflation	Mar P	3.4%	3.9%	3.5%	--
3/17	Empire Manufacturing	Mar	-2.0	--	5.7	--
3/17	Retail Sales Ex Auto and Gas	Feb	0.5%	--	-0.5%	--
3/17	Retail Sales Control Group	Feb	0.3%	--	-0.8%	--
3/17	Business Inventories	Jan	0.3%	--	-0.2%	--
3/18	Housing Starts	Feb	1375k	--	1366k	--
3/18	Building Permits	Feb P	1450k	--	1473k	--
3/18	Import Price Index YoY	Feb	--	--	1.9%	--
3/18	Export Price Index YoY	Feb	--	--	2.7%	--
3/18	Capacity Utilization	Feb	77.8%	--	77.8%	--
3/18	Manufacturing (SIC) Production	Feb	0.2%	--	-0.1%	--
3/19	FOMC Rate Decision (Upper Bound)	3/19	4.5%	--	4.5%	--
3/19	FOMC Rate Decision (Lower Bound)	3/19	4.3%	--	4.3%	--
3/20	Current Account Balance	4Q	-\$334.0b	--	-\$310.9b	--
3/20	Leading Index	Feb	--	--	-0.30%	--
3/20	Existing Home Sales	Feb	3.94m	--	4.08m	--

MBS Prepayments <sup>4</sup>						
3-Month CPR						
Type	3.5	4.0	4.5	5.0	5.5	6.0
FN 10y	14.9	14.0	13.2	17.6	19.7	24.0
FH/FN 15y	8.8	11.8	18.1	13.3	12.0	17.2
GN 15y	26.1	33.8	51.9	49.4	94.6	76.3
FH/FN 20y	7.0	7.9	10.0	10.2	16.5	16.7
FH/FN 30y	5.2	5.0	5.3	6.8	6.6	7.8
GN 30y	5.5	5.7	5.5	6.5	7.0	7.1
CPR Projections						
Type	3.5	4.0	4.5	5.0	5.5	6.0
FN 10y	12.1	12.9	15.2	17.5	19.8	21.8
FH/FN 15y	8.6	10.0	16.0	15.8	19.3	26.8
GN 15y	11.1	10.9	13.3	12.2	15.7	21.0
FH/FN 20y	7.5	8.4	9.6	12.3	14.3	16.3
FH/FN 30y	6.2	6.9	7.9	8.8	11.6	16.3
GN 30y	6.5	8.0	8.2	9.4	10.1	11.3

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
<b>Currencies</b>					
Japanese Yen	148.75	0.71	152.31	140.62	148.33
Euro	1.09	0.00	1.05	1.11	1.09
Dollar Index	103.73	(0.10)	106.71	101.11	103.36
<b>Major Stock Indices</b>					
Dow Jones	41,236	(1,565)	44,546	41,394	38,906
S&P 500	5,586.4	(183.8)	6,114.6	5,626.0	5,150.5
NASDAQ	17,618.6	(578)	20,026.8	17,684.0	16,128.5
<b>Commodities</b>					
Gold	3,000.9	86.8	2,883.6	2,586.8	2,167.5
Crude Oil	66.84	(0.20)	70.74	68.65	81.26
Natural Gas	3.98	(0.42)	3.73	2.31	1.74
Wheat	547.3	10.3	577.8	571.3	532.3
Corn	443.3	-12.0	496.3	390.8	422.5

### 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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