

Baker Market Update

Week In Review

April 11, 2025



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A truly wild week in the markets with more historic and notable stats than we can possibly cover in one brief recap, but we'll hit a few highlights. The rapidly evolving tariff situation was the chief catalyst for tremendous turmoil this week, spurring some of the most volatile days since the onset of the pandemic. With so much changing so fast, it probably behooves us to start simply at the end of this week's developments as what happened at the beginning of the week is no longer very relevant at this point!

UPCOMING EVENTS

2025 Destination Seminar

Austin, TX
May 8–9, 2025

Banks

Webinars:

Q1 Bank Trends
May 14, 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

MI Seminar
Oct 02, 2025

Banks and CUs

Schools:

ALM School
Apr 24–25, 2025

This morning, Treasury prices are falling again, heading toward their worst weekly loss since the 2019 liquidity crisis in the repo market. The benchmark 10-year yield is now up more than 50bps in just a week. Notably, that 2019 selloff prompted an emergency intervention by the Fed, which appears an unlikely conclusion to the current turmoil. Bonds whipsawed throughout the week, along with other asset classes, as sweeping global tariffs were announced, and then walked back, and then other tariffs escalated. The abrupt changes caused leverage trades to come undone and sent buyers to the sidelines. There is much speculation about whether a blowup in hedge fund basis trades or a serious exodus of foreign investors from Treasuries is to blame for the selloff, or perhaps both. US Treasuries are really the backbone of the global financial system, and that system may be beginning to seize up.

The US dollar also tumbled this week by the most since 2022, as overseas investors reallocated out of US assets and into the relative stability of European assets. Notably, investors flocked to German bunds this week as US Treasuries sank and bunds posted the biggest outperformance relative to Treasuries since at least 1989. The volatility has clearly eroded the appetite for US assets and the market is facing a potential loss in confidence in US policy and US assets. More volatility is likely still a head, which depending on your perspective can be a headache or an opportunity.

A bit of good news this morning came in a report that wholesale prices unexpectedly fell in March for the first time since October 2023. The Producer Price Index (PPI), which tracks inflation at the producer/seller level, unexpectedly fell 0.4% (vs. +0.2% survey) for the month of March and rose 2.7% from a year ago (vs. 3.3%). Core PPI fell 0.1% (vs. +0.3%) and 3.3% from a year ago (vs. 3.3%). Producer inflation does not normally move markets as much as consumer inflation, but it can be an important leading indicator in that it reflects price increases at the wholesale level before they reach consumers.

This report also comes one day after the Bureau of Labor Statistics (BLS) reported that consumer prices fell in March for the first time since 2020, reinforcing a new trend in data showing inflation moving lower. However, markets are clearly more focused on the potential inflationary impact of tariffs in the months ahead to price in lower inflation expectations. The Consumer Price Index (CPI) posted an unexpected decline for the month of March, falling 0.1% (vs. +0.1%). That brought the YoY increase to just 2.4% (vs. 2.5%). Core CPI also significantly undershot expectations, rising 0.1% (vs. 0.3%) for the month and 2.8% from a year ago (vs. 3.0%).

Next week, will likely bring more on the tariff situation and likely more volatility in the market...brace yourself! And enjoy the weekend!

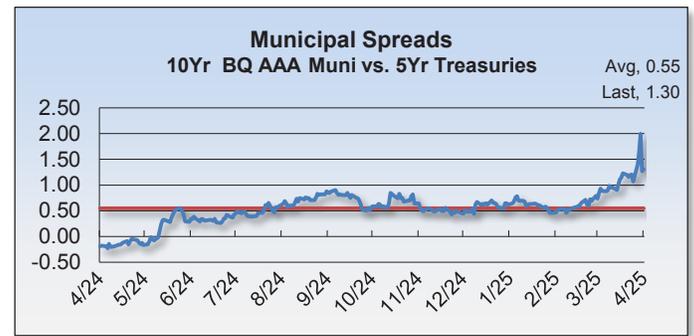
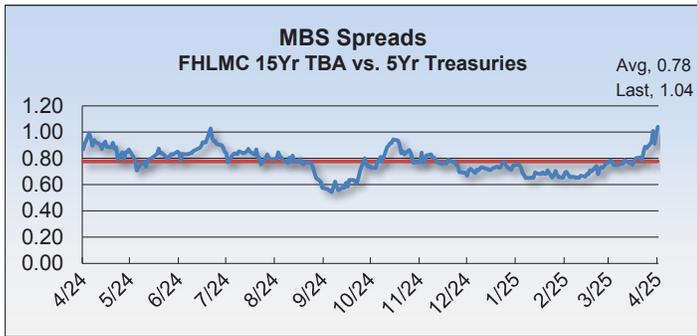
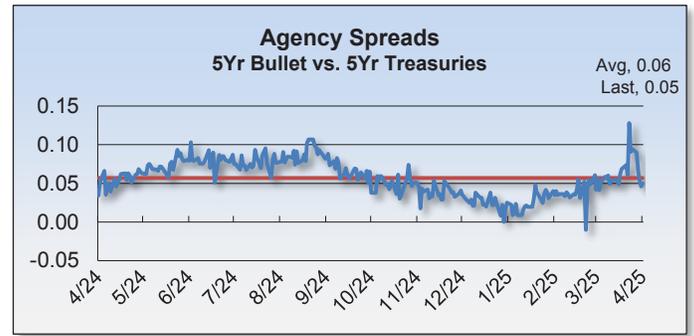
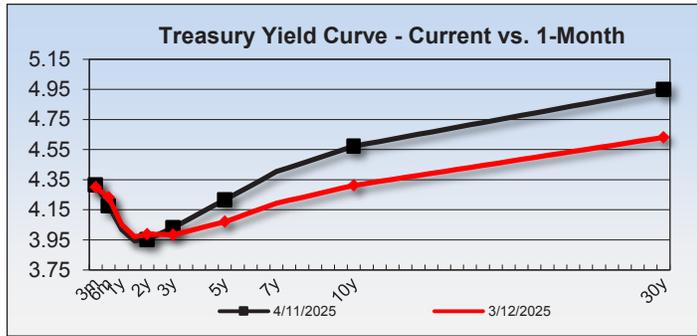


Source: Bloomberg, L.P.

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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	4.31	0.06	4.29	4.63	5.40	2yr	4.01	3.58	4.14	4.41	3.98	2Yr					
6mo	4.18	0.08	4.23	4.45	5.36	3yr	4.03	3.55	4.17	4.44	4.02	3Yr					
1yr	4.02	0.18	4.03	4.19	5.16	5yr	4.03	3.61	4.35	4.63	4.19	5Yr					
2yr	3.95	0.30	3.95	3.96	4.96	7yr	4.48	3.70	4.51	4.80	4.47	7Yr					
3yr	4.03	0.40	3.95	3.88	4.85	10yr	4.76	3.81	4.77	5.08	4.78	10Yr					
5yr	4.22	0.51	4.04	3.90	4.63	15yr	5.05	3.94	5.26	5.60	4.92	May TBA MBS					
7yr	4.40	0.57	4.16	3.99	4.62	20yr	5.33	3.98	5.85	6.23	5.47	Cpn	15Yr -Yld/AL		30Yr -Yld/AL		
10yr	4.57	0.58	4.28	4.10	4.59	25yr	5.62	3.95	6.00	6.38	5.53	3.00	5.45	4.8y	5.61		
30yr	4.95	0.54	4.60	4.41	4.68	30yr		3.88	6.15	6.54	5.59	3.50	5.21	4.8y			
												4.00	5.11	4.7y	5.62	9.2y	
												4.50	5.10	5.0y	5.71	9.3y	
												5.00			5.79	8.1y	
												5.50			5.92	6.8y	

* 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	4.37	(0.02)	4.33	4.82	--
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	4.22	0.11	4.23	4.55	5.39
1 Year CMT	3.97	0.05	3.98	4.22	5.19
REPO O/N	4.38	--	4.37	4.88	5.37
REPO 1Wk	4.39	0.01	4.38	4.88	5.39
CoF Federal	3.666	--	3.673	3.988	3.889
11th D. CoF (Feb)	2.937	--	2.944	3.259	3.160

FHLB Fixed Advance Rates			
Maturity	Chicago	Boston	Topeka
3mo	4.47	4.49	4.53
6mo	4.30	4.32	4.40
1yr	4.08	4.07	4.18
2yr	4.01	4.03	4.05
3yr	4.07	4.10	4.08
4yr	4.17	4.19	4.15
5yr	4.27	4.29	4.25
7yr	4.59	4.64	4.53
10yr	4.85	4.92	4.78
5yr Am	4.15		4.20
10yr Am	4.21		4.54

Fed Fund Futures		
Maturity	Rate	
Apr-25	4.318	
May-25	4.260	
Jun-25	4.175	
Jul-25	4.060	
Aug-25	3.870	
Sep-25	3.800	
Oct-25	3.690	
Nov-25	3.595	
Dec-25	3.505	
Jan-26	3.460	
Feb-26	3.415	

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Weekly Economic Calendar						
This Week & Next						
Date	Release	Per.	Est.	Actual	Prior	Revised
4/7	Consumer Credit	Feb	\$15.000b	-\$0.810b	\$18.084b	\$8.901b
4/8	NFIB Small Business Optimism	Mar	99.0	97.4	100.7	--
4/9	MBA Mortgage Applications	4/4	--	20.0%	-1.6%	--
4/9	Wholesale Inventories MoM	Feb F	0.4%	0.3%	0.3%	--
4/9	Wholesale Trade Sales MoM	Feb	0.8%	2.4%	-1.3%	-0.9%
4/10	CPI MoM	Mar	0.1%	-0.1%	0.2%	--
4/10	CPI Ex Food and Energy MoM	Mar	0.3%	0.1%	0.2%	--
4/10	CPI YoY	Mar	2.5%	2.4%	2.8%	--
4/10	CPI Ex Food and Energy YoY	Mar	3.0%	2.8%	3.1%	--
4/10	CPI Index NSA	Mar	320.17	319.80	319.08	--
4/10	CPI Core Index SA	Mar	326.43	325.66	325.48	--
4/10	Real Avg Hourly Earning YoY	Mar	--	1.4%	1.2%	1.1%
4/10	Real Avg Weekly Earnings YoY	Mar	--	0.8%	0.6%	0.8%
4/10	Initial Jobless Claims	4/5	223k	223k	219k	--
4/10	Initial Claims 4-Wk Moving Avg	4/5	--	223k	223k	--
4/10	Continuing Claims	3/29	1886k	1850k	1903k	1893k
4/10	Federal Budget Balance	Mar	-\$145.0b	-\$160.5b	-\$236.6b	--
4/11	PPI Final Demand MoM	Mar	0.2%	-0.4%	0.0%	0.1%
4/11	PPI Ex Food and Energy MoM	Mar	0.3%	-0.1%	-0.1%	0.1%
4/11	PPI Ex Food, Energy, Trade MoM	Mar	0.3%	0.1%	0.2%	0.4%
4/11	PPI Final Demand YoY	Mar	3.3%	2.7%	3.2%	--
4/11	PPI Ex Food and Energy YoY	Mar	3.6%	3.3%	3.4%	3.5%
4/11	PPI Ex Food, Energy, Trade YoY	Mar	3.3%	3.4%	3.3%	3.5%
4/11	U. of Mich. Sentiment	Apr P	53.8	50.8	57.0	--
4/11	U. of Mich. Current Conditions	Apr P	60.8	56.5	63.8	--
4/11	U. of Mich. Expectations	Apr P	50.7	47.2	52.6	--
4/11	U. of Mich. 1 Yr Inflation	Apr P	5.2%	6.7%	5.0%	--
4/11	U. of Mich. 5-10 Yr Inflation	Apr P	4.3%	4.4%	4.1%	--
4/14	NY Fed 1-Yr Inflation Expectations	Mar	--	--	3.13%	--
4/15	Empire Manufacturing	Apr	-15	--	-20	--
4/15	Import Price Index MoM	Mar	0.0%	--	0.4%	--
4/15	Import Price Index ex Petroleum MoM	Mar	0.4%	--	0.4%	--
4/15	Import Price Index YoY	Mar	--	--	2.0%	--
4/15	Export Price Index MoM	Mar	0.0%	--	0.1%	--
4/15	Export Price Index YoY	Mar	--	--	2.1%	--
4/16	Retail Sales Advance MoM	Mar	1.4%	--	0.2%	--
4/16	Retail Sales Ex Auto MoM	Mar	0.4%	--	0.3%	--
4/16	Retail Sales Ex Auto and Gas	Mar	0.6%	--	0.5%	--
4/16	Retail Sales Control Group	Mar	0.6%	--	1.0%	--
4/16	New York Fed Services Business Activit	Apr	--	--	-19.3	--
4/16	Industrial Production MoM	Mar	-0.2%	--	0.7%	--
4/16	Capacity Utilization	Mar	77.9%	--	78.2%	--
4/16	Manufacturing (SIC) Production	Mar	0.3%	--	0.9%	--
4/16	NAHB Housing Market Index	Apr	38	--	39	--
4/16	Net Long-term TIC Flows	Feb	--	--	-\$45.2b	--
4/17	Housing Starts MoM	Mar	--	--	11.2%	--
4/17	Building Permits MoM	Mar P	-0.6%	--	-1.0%	--

MBS Prepayments ⁴						
3-Month CPR						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	14.4	16.1	14.6	13.9	18.2	21.1
FH/FN 15y	7.8	9.3	12.7	16.2	12.9	12.6
GN 15y	23.4	27.1	36.8	55.8	59.8	-1.0
FH/FN 20y	6.3	7.1	7.9	10.4	10.3	17.4
FH/FN 30y	5.0	5.6	5.4	5.1	6.0	--
GN 30y	5.6	5.4	5.2	5.8	6.5	7.3

CPR Projections						
Type	3.0	3.5	4.0	4.5	5.0	5.5
FN 10y	10.9	12.1	12.7	14.8	17.3	19.3
FH/FN 15y	7.7	8.6	10.0	16.3	15.7	20.2
GN 15y	9.2	11.2	11.0	13.3	12.2	16.0
FH/FN 20y	6.6	7.2	8.2	9.4	12.2	14.5
FH/FN 30y	5.9	6.3	6.8	7.7	9.1	11.4
GN 30y	6.7	6.8	8.3	7.9	9.2	10.0

Other Markets					
Index	Current	1Wk Chng	Historical		
			1 Mo	6 Mo	1 Yr
Currencies					
Japanese Yen	142.98	(3.95)	147.56	149.13	153.07
Euro	1.14	0.04	1.09	1.09	1.07
Dollar Index	99.81	(3.21)	103.42	102.89	105.28
Major Stock Indices					
Dow Jones	39,707	1,392	41,433	42,864	38,459
S&P 500	5,303.6	229.5	5,572.1	5,815.0	5,199.1
NASDAQ	16,485.5	898	17,436.1	18,342.9	16,442.2
Commodities					
Gold	3,222.8	210.8	2,920.9	2,657.6	2,354.8
Crude Oil	60.16	(1.83)	66.25	75.56	85.02
Natural Gas	3.54	(0.30)	4.45	2.63	1.76
Wheat	552.5	23.5	541.0	599.0	551.8
Corn	487.8	27.5	456.5	415.8	428.8

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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