Capital Markets Group

Weekly Review—March 22, 2024

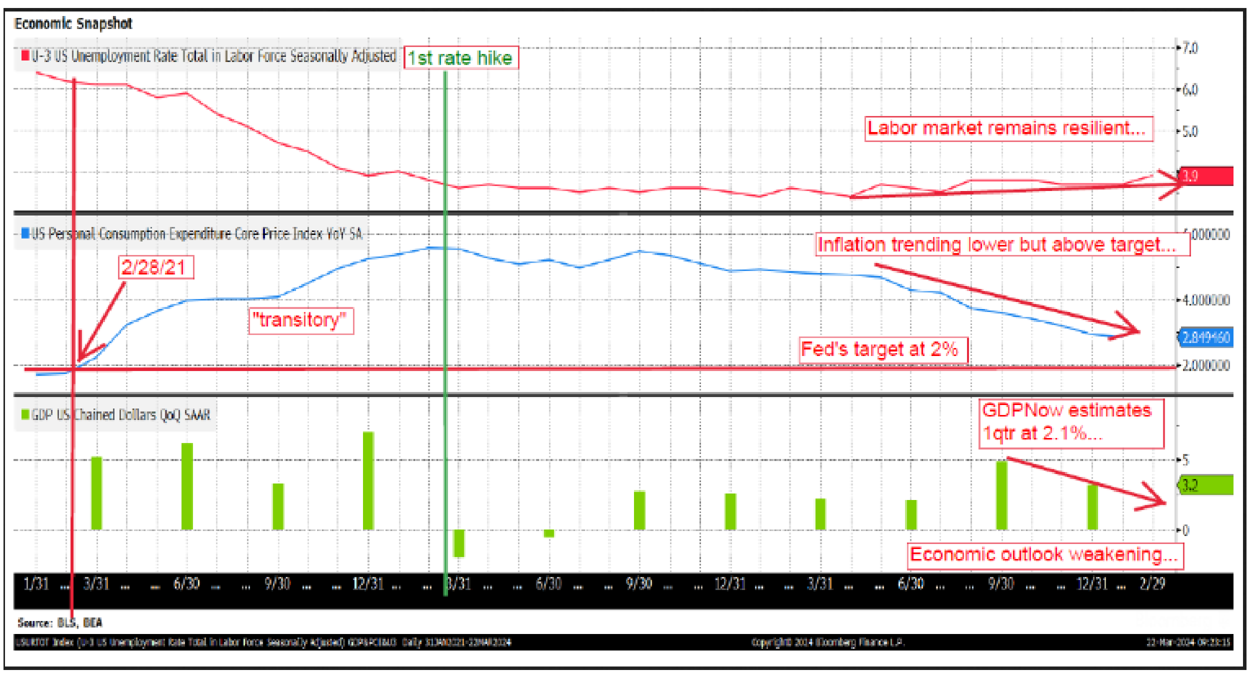
As expected, policy makers this week kept its benchmark overnight rate unchanged at 5.25% to 5.50% while reaffirming recent forward guidance for three rate cuts by year end. Understanding that the amount of data used by the Fed to determine monetary policy is likely comprised of thousands of data points contained on hundreds of pages, their policy actions are likely not based on a single data set found on a summary dashboard. But if it was, the below Economic Snapshot might be worthy of their review. Here's a high-level overview of the data contained in the Snapshot.

The top graph reveals that over the last two years, the headline unemployment rate (U-3) has remained relatively steady and down from it's pandemic-induced recession highs. Over the last year, the rate has started to trend higher. From the Fed's "maximum employment" mandate, the labor market remains mostly stable based on this metric. There is little reason yet to lower benchmark rates.

Using the Fed's preferred measure of inflation (Core Personal Consumption Expenditures – PCE YOY), the middle graph shows that year-over-year inflation continues trending lower. *Fun fact: It took a year after inflation first breached their 2% threshold before policy makers took action to battle high prices by increasing benchmark rates. Their year on the sidelines was their "transitory" period.* From the Fed's "stable price" mandate, inflation remains above target. Consistent with prior guidance, the Fed still wants to see more evidence that inflation is coming down towards their 2% goal before starting to cut rates.

And finally, understanding that monetary policy is the Fed's tool to control the money supply and the supply of money impacts overall economic growth. The bottom chart measures the change in economic growth – captured by Gross Domestic Product (GDP) - a broad-based measure of the overall health of the U.S. economy. While quarterly growth has been strong, the concern is its recent downward trajectory. Policy makers will be challenged in continuing their battle to drive inflation lower if/when it comes at the cost of economic growth.

Dennis Zimmerman Jr.
Senior Vice President
Senior Manager –
Asset/Liability Services
Commerce Bank –
Capital Markets Group



NEW ISSUE MUNICIPAL CALENDAR			
Date	Amount ($)	Description	Maturity
03/25/24 – 03/28/24		No Local Issues this week	

Economic Release	Data Period	Date	Survey	Actual	Prior
Housing Starts	Feb	03/19/2024	1,440k	1,521k	1,374k (rev up)
Building Permits	Feb	03/19/2024	1,496k	1,518k	1,489k (rev up)
MBA Mortgage Applications	Mar 15	03/20/2024	NA	-1.6%	7.1%
FOMC Rate Decision	Mar 20	03/20/2024	5.50%	5.50%	5.50%
Interest on Reserve Balances	Mar 21	03/20/2024	5.40%	5.40%	5.40%
Initial Jobless Claims	Mar 16	03/21/2024	213k	210k	212k (rev up)
Continuing Claims	Mar 9	03/21/2024	1,820k	1,807	1,803k (rev down)
S&P Global US Manufact. PMI	Mar (P)	03/21/2024	51.8	52.5	52.2
Leading Index	Feb	03/21/2024	-0.1%	0.1%	-0.4%
Existing Home Sales	Feb	03/21/2024	3.95m	4.38m	4.00m

KEY INDICES

	Current	Last Month	One Year Ago
Prime Rate	8.50	8.50	7.75
Discount Rate	5.50	5.50	4.75
Fed Funds Rate	5.33	5.33	4.58
Interest on Reserve Bal.	5.40	5.40	4.65
SOFR	5.31	5.30	4.55
11th Dist COFI (ECOFC)	3.15	3.13	2.27
1-Yr. CMT	4.98	4.98	4.68
Dow	39,475.90	39,069.11	32,030.11
NASDAQ	16,428.82	16,041.62	11,669.96
S&P 500	5,234.18	5,087.03	3,936.97
Bond Buyer	3.55	3.54	3.57

MUNI AA—BQ

3 Mo.	3.22
6 Mo.	3.38
1-Year	3.08
2-Year	2.85
3-Year	2.69
5-Year	2.49
7-Year	2.50
10-Year	2.54
30-Year	3.83

Treasuries & New Issue Agencies *(Spread to Treasuries)*

	Treasuries	Bullets	NC-6 Mo.	NC-1 Year	NC- 2 Year
3 Mo. Bill	5.37				
6 Mo. Bill	5.29				
1-Year Bill	4.96				
2-Year Note	4.58	3	81	80	
3-Year Note	4.36	4	83	81	80
5-Year Note	4.19	4	98	94	86
7-Year Note	4.21	15	105	98	88
10-Year Note	4.21	26	120	111	99
20-Year Bond	4.47				
30-Year Bond	4.38				

CMO Spreads to Treasuries

	PAC	Vanilla
1-Year	N/A	+50
2-Year	60	70
3-Year	85	105
5-Year	108	118

MBS Current Coupon Yields

GNMA 30 Yr.	5.48%
FNMA 30 Yr.	5.56%
FNMA 15 Yr.	4.98%

The Weekly Review is a publication of the Capital Markets Group of Commerce Bank.