Capital Markets Group

Weekly Review—February 7, 2025

Monetary Policy

At last week's policy meeting, the Fed left its benchmark rate unchanged due in part to the uncertainty associated with the new Administration's policies and their potential impact on the economy. The Fed's policy statement as well as the Fed Chair's post-meeting comments signaled their shifting concern from a weakening jobs market back to inflation; thus, further supporting their no change policy stance. According to Chairman Powell, the strong economy combined with labor market stability allows the Fed to maintain rates "meaningfully" above neutral – in hopes of keeping downward pressure on prices. Powell told reporters several times during the press conference that policy makers "are in no hurry to move into the next phase of rate cuts."

The Labor Market

January's employment report showed that although the increase in non-farm payrolls missed street estimates, the unexpected decline in the headline rate combined with stronger than expected average hourly earnings will likely keep policy makers on the sidelines over the near term.

Looking back, the stability in the labor market over the last year has largely by driven by the strength in the education & health care and government sectors – those industries that are generally sheltered from changes in economic conditions. *(Case in point: January's employment data showed that last month's job growth was largely a function of increases in health care and government jobs.)* The growth in the above-mentioned non-cyclical sectors runs counter to the weakness in more cyclical industries such as construction, manufacturing and professional services. While the U.S. jobs engine doesn't necessary hit on all cylinders/sectors equally, the concern is that if the current non-cyclical drivers begin to slow, what sectors are going to pick up the slack? If none do, the labor market will materially weaken.

Feel free to reach out to us if you wish to discuss any of this fun stuff!

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NEW ISSUE MUNICIPAL CALENDAR			
Date	Amount ($)	Description	Maturity
02/10/2025	$8,500,000	Barton County KS USD #355 (Ellinwood) BQ	2027-2040
02/12/2025	$2,515,000	Wellsville KS GO BQ	2026-2044
02/12/2025	$6,000,000	Basehor KS GO BQ	2025-2044

Economic Release	Data Period	Date	Survey	Actual	Prior
S&P Global US Manufact. PMI	Jan (F)	02/03/2025	50.1	51.2	50.1
ISM Manufacturing	Jan	02/03/2025	50.0	50.9	49.2 (rev down)
Durable Goods Orders	Dec (F)	02/04/2025	-2.2%	-2.2%	-2.2%
MBA Mortgage Applications	Jan 31	02/05/2025	NA	2.2%	-2.0%
ADP Employment Change	Jan	02/05/2025	150k	183k	176k (rev up)
ISM Services Index	Jan	02/05/2025	54.0	52.8	54.0 (rev down)
Trade Balance	Dec	02/05/2025	-$96.8b	-$98.4b	-$78.9b (rev down)
Initial Jobless Claims	Feb 1	02/06/2025	213k	219k	208k (rev up)
Change In Nonfarm Payrolls	Jan	02/07/2025	175k	143k	307k (rev up)
Unemployment Rate	Jan	02/07/2025	4.1%	4.0%	4.1%

KEY INDICES

	Current	Last Month	One Year Ago
Prime Rate	7.50	7.50	8.50
Discount Rate	4.50	4.50	5.50
Fed Funds Rate	4.33	4.33	5.33
Interest on Reserve Bal.	4.40	4.40	5.40
SOFR	4.36	4.27	5.31
11th Dist COFI (ECOFC)	2.99	3.04	3.13
1-Yr. CMT	4.25	4.17	4.82
Dow	44,303.40	42,528.36	38,677.36
NASDAQ	19,523.40	19,489.68	15,756.64
S&P 500	6,025.99	5,909.03	4,995.06
Bond Buyer	4.06	4.06	3.49

MUNI AA—BQ

3 Mo.	2.10
6 Mo.	2.17
1-Year	2.61
2-Year	2.63
3-Year	2.67
5-Year	2.73
7-Year	2.79
10-Year	3.00
30-Year	4.12

CMO Spreads to Treasuries

	PAC	Vanilla
1-Year	N/A	+45
2-Year	55	65
3-Year	75	85
5-Year	95	105

MBS Current Coupon Yields

GNMA 30 Yr.	5.65%
FNMA 30 Yr.	5.72%
FNMA 15 Yr.	4.96%

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

	3 Mo.	6 Mo.	1-Yr.	2-Yr.	3-Yr.	5-Yr.	7-Yr	10-Yr	20-Yr	30-Yr
Treasuries	4.33	4.32	4.22	4.27	4.29	4.33	4.40	4.48	4.74	4.68
Bullets				1	2	2	13	19		
NC-6 Mo.				22	40	63	75	81		
NC-1 Year				18	32	51	63	75		
NC-2 Year					10	30	45	60		