



Weekly Review—February 23, 2024

Most investors agree that a shift in monetary policy is coming. While the bond market continues to struggle with the actual timing and trajectory of shifting from restrictive to accommodative, it might be beneficial to review comments from key FOMC members especially after January’s stronger-than-expected inflation data. As such, below please find an overview of recent Fed speak:

Round-Up of Recent Comments From Fed Officials	
Policymaker	Comment
Philip Jefferson, Vice Chair (2024 voter)	"Need to keep in mind the danger of easing too much in response to improvements in the inflation picture;" excessive easing can lead to "stalling or reversal" in progress
Patrick Harker, Philadelphia (2024 nonvoter)	May be in position to cut this year, but would caution against "looking for it right now and right away;" greatest risk is lowering rates too early
Austan Goolsbee, Chicago (2024 nonvoter)	"Even if inflation comes in a bit higher for a few months (as many forecasts suggest), it would still be consistent with our path back to target"
Michelle Bowman, Fed Governor (2024 voter)	Time for rate cuts is "certainly not now;" current economic conditions indicate "that our policy rate is in the right place"
Thomas Barkin, Richmond (2024 voter)	"You do worry that when the goods price deflation cycle ends, you're going to be left with shelter and services higher than you like it"
Raphael Bostic, Atlanta (2024 voter)	Expect first rate cut in Q3 but should inflation progress continue, "I'll be willing to pull it forward even further"
Mary Daly, San Francisco (2024 voter)	Three cuts in 2024 is a "reasonable baseline" expectation; recent inflation data "has not shaken my confidence we're going in the right direction"
Source: Bloomberg	
Bloomberg	

Evidenced in the above forward guidance, it appears that policy makers are in no rush to lower benchmark interest rates. Based on current fed fund futures trading, the market expects policy makers to cut rates starting in July. Furthermore, rates by year end could be 75bps lower than today’s level – aligned with the Fed’s most recent dot plot projection.

Fun fact about forward guidance, dot plots and futures trading/forecasts: None of it is 100% accurate!

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NEW ISSUE MUNICIPAL CALENDAR			
Date	Amount (\$)	Description	Maturity
02/26/24 – 03/01/24		No Local Issues this week	

Economic Release	Data Period	Date	Survey	Actual	Prior
Leading Index	Jan	02/20/2024	-0.3%	-0.4%	-0.2% (rev down)
MBA Mortgage Applications	Feb 16	02/21/2024	NA	-10.6%	-3.3% (rev down)
Chicago Fed Nat Activity Index	Jan	02/22/2024	-0.21	-0.30	0.02 (rev up)
Initial Jobless Claims	Feb 17	02/22/2024	216k	201k	213k (rev up)
Continuing Claims	Feb 10	02/22/2024	1,884k	1,862k	1,889k (rev down)
S&P Global US Manufact. PMI	Feb (P)	02/22/2024	50.7	51.5	50.7
S&P Global US Services PMI	Feb (P)	02/22/2024	52.3	51.3	52.5
S&P Global US Composite PMI	Feb (P)	02/22/2024	51.8	51.4	52.0
Existing Home Sales	Jan	02/22/2024	3.97m	4.00m	3.88m (rev up)
Existing Home Sales MoM	Jan	02/22/2024	4.9%	3.1%	-0.8% (rev up)

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	8.50	8.50	7.75	3 Mo.	3.11
Discount Rate	5.50	5.50	4.75	6 Mo.	3.27
Fed Funds Rate	5.33	5.33	4.58	1-Year	2.97
Interest on Reserve Bal.	5.40	5.40	4.65	2-Year	2.75
SOFR	5.30	5.31	4.55	3-Year	2.59
11th Dist COFI (ECOFC)	3.13	3.12	2.07	5-Year	2.46
1-Yr. CMT	5.00	4.83	5.07	7-Year	2.49
Dow	39,131.86	37,905.45	33,153.91	10-Year	2.53
NASDAQ	15,996.82	15,425.94	11,590.40	30-Year	3.77
S&P 500	5,088.80	4,864.60	4,012.32		
Bond Buyer	3.54	3.39	3.75		

Treasuries & New Issue Agencies (Spread to Treasuries)						CMO Spreads to Treasuries		
	Treasuries	Bullets	NC-6 Mo.	NC-1 Year	NC- 2 Year		PAC	Vanilla
3 Mo. Bill	5.39					1-Year	N/A	+50
6 Mo. Bill	5.34					2-Year	60	75
1-Year Bill	4.99					3-Year	95	100
2-Year Note	4.71	-1	81	80		5-Year	110	120
3-Year Note	4.47	3	85	82	80			
5-Year Note	4.31	3	98	94	86			
7-Year Note	4.32	21	105	98	88			
10-Year Note	4.29	31	120	111	99			
20-Year Bond	4.55							
30-Year Bond	4.42							

MBS Current Coupon Yields		
GNMA 30 Yr.		5.69%
FNMA 30 Yr.		5.77%
FNMA 15 Yr.		5.23%

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