Capital Markets Group

Weekly Review—February 28, 2025

New England holds a special place in my heart. I lived in Boston for a very short time when I was very young, and later I enjoyed reading a biography of John Quincy Adams while in grade school. I read it at least twice and pictured in my mind the Boston Commons and what this child who would become the sixth president of the United States might have seen with his eyes. I loved hearing a recording of Henry Wadsworth Longfellow's Paul Revere's Ride – a call to alarm that the British military was coming, and the American Revolution was taking an important turn. Longfellow was born in Portland, Maine, a town very special to me as well as it has been a second home to me for over 30 years. We live in a constant state of alarm – whether from headlines, tweets, or other social media, we know how much faster news of impending doom can reach us. We must remain agile and on alert to determine if the cries we hear are real or come from the Boy Who Cried Wolf (Aesop's Fable).

Earlier in the month, I wrote about the growing concern with the US consumer behavior after January Retail Sales Advance came in much lower. The following week, we saw the U. of Mich Sentiment for February figure come in at 64.7 versus an expected 67.4 (lower means less confidence on economic conditions for consumers). This week, we saw the Conference Board Consumer Confidence measure come in below 100 at 98.3 versus an expectation of 102.5 (over 100 means positive level of confident, below may mean negative sentiment from consumers surveyed). Sentiment is a feeling, while Personal Spending is action. Personal Spending for January fell to -0.2% from a revised 0.8% in December. We likely need more time to see a trend, but if consumers continue their pullback in spending, the economic outlook for the first half of 2025 may look as if the lantern of impending doom burns brighter than before.

The Fed Funds futures market reacted this week with a greater likelihood of the first cut of 2025 by the FOMC happening sooner than previous expected. Currently, it appears the market is anticipating a cut in July followed by an additional cut in October – both are sooner than recent expectations showed us where it appeared that only one cut would happen and not until December. The thing to remember about the Fed Funds futures market is it is very reactionary to the news and economic releases we receive. It is much more agile than the FOMC who waits and analyzes lots and lots of data points before acting. We will continue to monitor the situation and see if the consumer sentiment turns into an extended period of slower spending.

While we thought the US consumer would have a Maine lobster for dinner, they may just spring for a whoopie pie if that is more inline with their budget.

Have a great weekend!

Matthew Maggi | Senior Vice President | Commerce Bank – Capital Markets Group (CMG)
800 548-2663 matthew.maggi@commercebank.com

NEW ISSUE MUNICIPAL CALENDAR			
Date	Amount ($)	Description	Maturity
03/04/2025	$6,845,000	Kansas Development Finance Authority Rev - BQ	2026-2050
03/04/2025	$26,155,000	Kansas Development Finance Authority Rev - Taxable	2026-2051
03/04/2025	$11,120,000	Sedgwick County KS	2026-2045
03/04/2025	$1,595,000	Wellington KS	2026-2040
03/05/2025	$1,695,000	Lincoln County MO Ambulance District GO	2026-2030

Economic Release	Data Period	Date	Survey	Actual	Prior
Conf. Board Consumer Confid.	Feb	02/25/2025	102.5	98.3	105.3 (rev up)
MBA Mortgage Applications	Feb 21	02/26/2025	NA	-1.2%	-6.6%
New Homes Sales	Jan	02/26/2025	680k	657k	734k (rev up)
GDP Annualized QoQ	4Q (S)	02/27/2025	2.3%	2.3%	2.3%
Personal Consumption	4Q (S)	02/27/2025	4.1%	4.2%	4.2%
Durable Goods Orders	Jan (P)	02/27/2025	2.0%	3.1%	-1.8% (rev up)
Initial Jobless Claims	Feb 22	02/27/2025	221k	242k	220k (rev up)
Personal Income	Jan	02/28/2025	0.4%	0.9%	0.4%
Personal Spending	Jan	02/28/2025	0.2%	-0.2%	0.8% (rev up)
Core PCE Price Index YoY	Jan	02/28/2025	2.6%	2.6%	2.9% (rev up)

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	4.34	5.31
11th Dist COFI (ECOFC)	2.99	3.04	3.13
1-Yr. CMT	4.08	4.13	5.03
Dow	43,840.91	44,544.66	38,996.39
NASDAQ	18,847.28	19,627.44	16,091.92
S&P 500	5,954.50	6,040.53	5,096.27
Bond Buyer	4.15	4.19	3.54

MUNI AA—BQ

3 Mo.	2.06
6 Mo.	2.13
1-Year	2.57
2-Year	2.57
3-Year	2.62
5-Year	2.67
7-Year	2.77
10-Year	2.97
30-Year	4.15

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.	5.34%
FNMA 30 Yr.	5.38%
FNMA 15 Yr.	4.67%

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	4.29	4.29	4.11	4.03	4.00	4.04	4.14	4.23	4.54	4.51
Bullets				2	2	2	13	20		
NC-6 Mo.				35	55	75	88	95		
NC-1 Year				25	40	60	70	80		
NC-2 Year					15	38	50	66		