Capital Markets Group

Weekly Review—March 24, 2023

Policy makers opted to increase their benchmark interest rate 25bps to a range of 4.75% to 5% - marking its highest point since September 2007 when overnight rates peaked just prior to onslaught of the Great Recession. This week's policy action was the second straight 25bp hike following a string of historically aggressive moves which started in March of last year, when rates were near zero. With the increased stress on the banking sector, some investors hoped that the Fed would pause. That said, it is obvious that the Fed still has confidence that the economy will not be severely impacted by current disruptions in the financial sector. From the Fed's perspective, inflation remains the biggest risk to the economic outlook. In their forward guidance, post-meeting comments by Fed Chairman Powell confirmed that the Fed remains committed to reducing inflation and are willing to raise rates further if needed. Powell further emphasized that although the recent banking turmoil will "likely result in tighter credit conditions which will in turn affect economic outcomes," it is "too soon to tell how monetary policy should respond." Are policy makers setting themselves up to be late to the party…again???

As for the markets, the risk-off trade continues as investors seek refuge in treasuries. Although yields on the short end of the curved increased largely driven by this week's rate hike, intermediate yields (i.e., 2's to 5's) declined as much as 25bps as investors believe that the central bank could be forced to reverse course yet this year shifting from battling inflation to reviving a struggling economy.   The following quote from Research Affiliates Chief Investment Officer Nguyen best describes how policy makers are caught between a hard place & a rock… For the Fed, *"the problem with driving the economy into a recession is that it undermines financial stability. And so, if you already have a situation in which you're financially unstable, how aggressive can you really be about taking the air out of the economy?"*

We're living in historic times…how fun!

Dennis Zimmerman Jr.
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NEW ISSUE MUNICIPAL CALENDAR			
Date	Amount ($)	Description	Maturity
3/28/2023	$1,015,000	CLEARWATER KS-A-PROM NTS UT GO BQ	2026
3/29/2023	$90,000,000	ST LOUIS CO MO SD PKWY-C2 UT GO AAA	2026-2043

Economic Release	Data Period	Date	Survey	Actual	Prior
Existing Home Sales	Feb	3/21/2023	4.20m	4.58m	4.00m
MBA Mortgage Applications	Mar 17	3/22/2023	NA	3.0%	6.5%
FOMC Rate Decision (Upper)	Mar 22	3/22/2023	5.00%	5.00%	4.75%
Interest on Reserve Balances	Mar 22	3/22/2023	4.90%	4.90%	4.65%
Initial Jobless Claims	Mar 18	3/23/2023	197k	191k	192k
Continuing Claims	Mar 11	3/23/2023	1690k	1694k	1680k (rev down)
New Home Sales	Feb	3/23/2023	650k	640k	633k (rev down)
Durable Goods Orders	Feb (P)	3/24/2023	0.2%	-1.0%	-5% (rev down)
S&P Global US Manufact. PMI	Mar (P)	3/24/2023	47.0	49.3	47.3
S&P Global US Services PMI	Mar (P)	3/24/2023	50.3	53.8	50.6

KEY INDICES

	Current	Last Month	One Year Ago
Prime Rate	8.00	7.75	3.50
Discount Rate	5.00	4.75	0.50
Fed Funds Rate	4.58	4.58	0.33
Interest on Reserve Bal.	4.90	4.65	0.40
SOFR	4.80	4.55	0.27
11th Dist COFI (ECOFC)	2.27	2.07	0.24
1-Yr. CMT	4.32	5.03	1.52
Dow	32,237.53	32,816.92	34,707.94
NASDAQ	11,823.96	11,394.94	14,191.84
S&P 500	4,003.50	3,970.99	4,520.16
Bond Buyer	3.57	3.75	2.67

MUNI AA—BQ

3 Mo.	2.21
6 Mo.	2.34
1-Year	2.61
2-Year	2.53
3-Year	2.44
5-Year	2.41
7-Year	2.44
10-Year	2.52
30-Year	3.79

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

	Treasuries	Bullets	NC-6 Mo.	NC-1 Year	NC- 2 Year
3 Mo. Bill	4.55				
6 Mo. Bill	4.65				
1-Year Bill	4.20				
2-Year Note	3.69	20	81	80	
3-Year Note	3.51	25	85	82	80
5-Year Note	3.35	22	98	94	86
7-Year Note	3.35	52	105	98	88
10-Year Note	3.35	55	120	111	100
20-Year Bond	3.76				
30-Year Bond	3.63				

CMO Spreads to Treasuries

	PAC	Vanilla
1-Year	N/A	+40
2-Year	60	65
3-Year	75	85
5-Year	95	125

MBS Current Coupon Yields

GNMA 30 Yr.	4.77%
FNMA 30 Yr.	4.88%
FNMA 15 Yr.	4.28%

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