Capital Markets Group

Weekly Review—April 4, 2025

This week's market focus was largely on tariffs and some on jobs. Here's a summary of this week's happenings…

Short-term pain or a harbinger of what's to come? Investors found little comfort in Wednesday's tariff announcement as the newly imposed assessments are expected to test the resilience of all economies for which the odds of a U.S. recession or stagflation – pick your pain – have just moved higher. That said, the hope is that the Administration will use this week's trade messaging more as a tool to negotiate more favorable terms with our international trading partners than a bright-line rule. Time will tell! Looking forward, policy makers as well as investors will rely on incoming data to determine the extent of price increases due to increased tariffs as well as their impact on future inflation expectations. In terms of market volatility - short-term rates remain hitched to current Fed policy while intermediate-term Treasury yields have fallen as much as 30bps since Wednesday's announcement as the odds of additional rate cuts have increased.

As for the jobs market, it continues to show signs of resiliency as today's release of March's employment data showed non-farm payrolls increased 228k jobs – well above the 140k expected -while average hourly earnings increased only 0.3% last month – as expected. While the bulk of March's jobs growth was in the private sector (+209K jobs), government sector employment increased 19k largely driven by growth in State and Local government as the number of Federal jobs contracted 4k last month. That said, job cuts at the Federal level are expected to increase as the Labor Department considers employees on paid leave or receiving ongoing severance pay as still being employed.

On any given employment Friday, a stronger-than-expected jobs report combined with above target inflation would move Treasury yields higher as investors generally would have priced in a "higher for longer" policy response. This week's trade issues have changed the game as investors seek safe harbor in the bond market. Hopefully this week's flight to quality trade is short-lived vs preparing for an expected economic downturn.

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

NEW ISSUE MUNICIPAL CALENDAR			
Date	Amount ($)	Description	Maturity
04/07/2025	$3,255,000	City of McPherson, KS GO	2026-2035

Economic Release	Data Period	Date	Survey	Actual	Prior
S&P Global US Manufact. PMI	Mar (F)	04/01/2025	49.9	50.2	49.8
ISM Manufacturing	Mar	04/01/2025	49.5	49.0	50.3
MBA Mortgage Applications	Mar 28	04/02/2025	NA	-1.6%	-2.0%
ADP Employment Change	Mar	04/02/2025	120k	155k	84k (rev up)
Durable Goods Orders	Feb (F)	04/02/2025	0.9%	1.0%	0.9%
Trade Balance	Feb	04/03/2025	-$123.5b	-$122.7b	-$130.7b (rev up)
Initial Jobless Claims	Mar 29	04/03/2025	225k	219k	225k (rev)
ISM Services Index	Mar	04/03/2025	52.9	50.8	53.5
Change in Nonfarm Payrolls	Mar	04/04/2025	140k	228k	117k (rev down)
Unemployment Rate	Mar	04/04/2025	4.1%	4.2%	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	4.39	4.33	5.32
11th Dist COFI (ECOFC)	2.94	2.94	3.16
1-Yr. CMT	3.86	4.06	5.03
Dow	38,314.86	42,520.99	38,596.98
NASDAQ	15,587.79	18,285.16	16,049.08
S&P 500	5,074.08	5,778.15	5,147.21
Bond Buyer	4.34	4.15	3.68

MUNI AA—BQ

3 Mo.	2.03
6 Mo.	2.10
1-Year	2.54
2-Year	2.56
3-Year	2.61
5-Year	2.73
7-Year	2.92
10-Year	3.20
30-Year	4.29

CMO Spreads to Treasuries

	PAC	Vanilla
1-Year	N/A	+45
2-Year	60	70
3-Year	80	90
5-Year	110	120

MBS Current Coupon Yields

GNMA 30 Yr.	5.26%
FNMA 30 Yr.	5.30%
FNMA 15 Yr.	4.55%

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	4.28	4.08	3.75	3.57	3.54	3.62	3.75	3.94	4.42	4.39
Bullets				2	3	6	18	18		
NC-6 Mo.				60	75	95	100	105		
NC-1 Year				27	50	65	85	90		
NC-2 Year					10	35	50	60		