Capital Markets Group

Weekly Review—April 5, 2024

For those looking for evidence that would support a near-term shift in Fed policy, today's release of last month's employment data didn't fit the bill. March's headline payroll growth of 303k exceeded every forecast in Bloomberg's survey of 74 economists while previous growth figures were revised higher. At 3.8%, the unemployment rate moved lower from February's 3.9%. The labor market participation rate of 62.7% rose more than expected. In term of inflation, average hourly earnings increased 0.3% - up from the previous month's 0.1% increase.

March's employment situation helped reassure investors that while expected rate cut are still in the cards, it could be late summer before the Fed takes action. As such, the market has pushed out rate cut expectation more towards September than July.   The proverbial "rate cut" can has been kicked down the road…

Although next week's inflation report – CPI & PPI data – will further shape future policy expectation, economic data over the last several weeks hasn't fully supported lowering benchmark rates. Meaning, if disinflation slows and/or stalls out, employment maintains its positive momentum and the economy remains mostly healthy, the debate about increasing (vs. decreasing) benchmark interest rates could become more spirited.

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
04/08/24-04/12/24		No new local issues this week	

Economic Release	Data Period	Date	Survey	Actual	Prior
S&P Global US Manufact. PMI	Mar (F)	04/01/2024	52.5	51.9	52.5
ISM Manufacturing	Mar	04/01/2024	48.3	50.3	47.8
Factory Orders	Feb	04/02/2024	1.0%	1.4%	-3.8% (rev down)
Durable Goods Orders	Feb (F)	04/02/2024	1.4%	1.3%	1.4%
MBA Mortgage Applications	Mar 29	04/03/2024	NA	-0.6%	-0.7%
ADP Employment Change	Mar	04/03/2024	150k	184k	155k (rev up)
Trade Balance	Feb	04/04/2024	-$67.6b	-$68.9b	-$67.6b (rev down)
Initial Jobless Claims	Mar 30	04/04/2024	214k	221k	212k (rev up)
Change in Nonfarm Payrolls	Mar	04/05/2024	214k	303k	270k (rev down)
Unemployment Rate	Mar	04/05/2024	3.8%	3.8%	3.9%

KEY INDICES

	Current	Last Month	One Year Ago
Prime Rate	8.50	8.50	8.00
Discount Rate	5.50	5.50	5.00
Fed Funds Rate	5.33	5.33	4.83
Interest on Reserve Bal.	5.40	5.40	4.90
SOFR	5.32	5.31	4.83
11th Dist COFI (ECOFC)	3.16	3.15	2.41
1-Yr. CMT	5.05	4.98	4.50
Dow	38,904.10	38,585.19	33,482.72
NASDAQ	16,248.52	15,939.59	11,996.86
S&P 500	5,204.34	5,078.65	4,090.38
Bond Buyer	3.68	3.54	3.36

MUNI AA—BQ

3 Mo.	3.49
6 Mo.	3.65
1-Year	3.35
2-Year	3.12
3-Year	2.92
5-Year	2.70
7-Year	2.66
10-Year	2.70
30-Year	3.96

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

	Treasuries	Bullets	NC-6 Mo.	NC-1 Year	NC- 2 Year
3 Mo. Bill	5.36				
6 Mo. Bill	5.31				
1-Year Bill	5.02				
2-Year Note	4.70	4	81	80	
3-Year Note	4.50	5	82	81	80
5-Year Note	4.34	4	97	94	89
7-Year Note	4.35	15	104	98	88
10-Year Note	4.35	25	119	110	99
20-Year Bond	4.62				
30-Year Bond	4.51				

CMO Spreads to Treasuries

	PAC	Vanilla
1-Year	N/A	+50
2-Year	60	70
3-Year	85	105
5-Year	105	115

MBS Current Coupon Yields

GNMA 30 Yr.	5.59%
FNMA 30 Yr.	5.73%
FNMA 15 Yr.	5.07%

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The Weekly Review is a publication of the Capital Markets Group of Commerce Bank.