



Weekly Review—April 17, 2025

In a previous write-up, I explained that the Fed's primary tool used to administer monetary policy – the benchmark Fed Fund rate – wasn't designed to effectively address both sides of their dual mandate (i.e., maximum employment with stable prices) **at the same time**. Here's the excerpt from our March 7 Weekly Commentary:

Driven by above-target inflation and the increased possibility that a slowing economy could result in job losses, investors are becoming fearful that the economic cycle may be entering the stagflation stage. If so, it will be difficult for the Fed to achieve their dual mandate as attempting to correct one imbalance exacerbates the other. Above target inflation &/or increased inflation expectations generally requires policy makers to keep benchmark rates in restrictive territory (higher for longer). But doing so comes with the risk of increased job losses as the economy generally slows. Conversely, a slowing economy – one which results in job losses – normally warrants an easier policy response. But reducing benchmark rates could drive prices higher. If we do enter a cycle of stagflation, the Fed will likely have to address the greater of two evils as there is no easy way to fix both.

With the possibility of economic stagflation continuing to increase, policy makers are now openly sharing their views. Speaking in Chicago on Wednesday, Fed Chairman Powell said that it's the Fed's "obligation to keep long-term inflation expectations well anchored and to make certain that a one-time increase in the price level does not become an ongoing inflation problem." His "one-time increase" reference was likely pointed towards tariff-driven price increases. Additionally, he stated that policy makers will balance their dual responsibilities of fostering maximum employment and stable prices, "keeping in mind that, without price stability, we cannot achieve long periods of strong labor market conditions." Based on his comments, Powell's focus looks to be more on the inflation side of the dual mandate.

When asked how Fed policy should respond to a rapidly slowing economy with consistently high inflation, Fed Governor Waller told St. Louis reporters on Monday that "the risk of recession would outweigh the risk of escalating inflation." At this point, Waller's focus looks to be more on the growth/employment side of the dual mandate.

Bottom line: Investors found little solace in this week's forward guidance. The fact that two of the Fed's most influential policy makers are not on the same page shows the complexity of our current economic situation. Market volatility will continue...

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NEW ISSUE MUNICIPAL CALENDAR			
Date	Amount (\$)	Description	Maturity
04/21/2025	\$4,760,000	Sterling, KS GO Temp Notes BQ	2028
04/22/2025	\$7,320,000	Goddard, KS GO Temp Notes	2028
04/22/2025	\$32,560,000	MO State Environmental Improvement Rev	2026-2045

Economic Release	Data Period	Date	Survey	Actual	Prior
NY Fed 1-Yr Inflation Expectations	Mar	04/14/2025	3.26%	3.58%	3.13%
Empire Manufacturing	Apr	04/15/2025	-13.5	-8.1	-20.0
Import Price MoM	Mar	04/15/2025	0.0%	-0.1%	0.2% (rev down)
Export Price MoM	Mar	04/15/2025	0.0%	0.0%	0.5% (rev up)
MBA Mortgage Applications	Apr 11	04/16/2025	NA	-8.5%	20.0%
Retail Sales Advance MoM	Mar	04/16/2025	1.4%	1.4%	0.2%
Industrial Production MoM	Mar	04/16/2025	-0.2%	-0.3%	0.8% (rev up)
Housing Starts	Mar	04/17/2025	1,420k	1,324k	1,494k (rev down)
Building Permits	Mar (P)	04/17/2025	1,450k	1,482k	1,459k
Initial Jobless Claims	Apr 12	04/17/2025	225k	215k	224k (rev up)

KEY INDICES				MUNI AA-BQ		CMO Spreads to Treasuries		
	Current	Last Month	One Year Ago				PAC	Vanilla
Prime Rate	7.50	7.50	8.50	3 Mo.	2.55	1-Year	N/A	+50
Discount Rate	4.50	4.50	5.50	6 Mo.	2.62	2-Year	70	75
Fed Funds Rate	4.33	4.33	5.33	1-Year	3.06	3-Year	90	100
Interest on Reserve Bal.	4.40	4.40	5.40	2-Year	3.08	5-Year	120	130
SOFR	4.31	4.30	5.31	3-Year	3.11	MBS Current Coupon Yields		
11th Dist COFI (ECOFC)	2.94	2.94	3.16	5-Year	3.22	GNMA 30 Yr.	5.67%	
1-Yr. CMT	3.99	4.09	5.18	7-Year	3.36	FNMA 30 Yr.	5.67%	
Dow	39,142.23	41,841.63	37,753.31	10-Year	3.60	FNMA 15 Yr.	4.91%	
NASDAQ	16,286.45	17,808.66	15,683.37	30-Year	4.71			
S&P 500	5,282.70	5,675.12	5,022.21					
Bond Buyer	5.11	4.15	3.76					

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	4.30	4.18	3.94	3.76	3.76	3.90	4.08	4.29	4.80	4.77
Bullets				3	2	5	11	24		
NC-6 Mo.				40	55	69	80	85		
NC-1 Year				11	29	43	75	65		
NC-2 Year					9	11	25	35		

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