



Weekly Review—April 19, 2024

With the front-end of the treasury curve hitched to Fed policy, short-term interest rates are little changed on the month while yields beyond the two-year spot have increased as much as 30bps – marking several new highs for 2024. Continued strength in the jobs market combined with up-beat inflation have forced investors to re-evaluate their rates-down bias. Gone are the days when investors expected as many as seven rate cuts by year end. Today, the futures market struggles to price in two full quarter-point rate cuts in 2024.

This week, a hawkish Fed Chairman Powell signaled that policy is on hold for the near term by confirming that policymakers need greater confidence that inflation is moving to their 2% target sustainably before adjusting benchmark rates. Speaking in Washington, Powell acknowledged that while the economy has been “quite strong” with a “considerable decline in inflation” over the last two years, the disinflation trend appears to have stalled evidenced in the last several inflation reads. With inflation persistently above target, he stated that the Fed needs to allow “restrictive policy to work for a while” and that they can maintain the current level of restriction “as long as needed.” Powell summed it up best by saying, “It is likely to take longer than expected to achieve the confidence” necessary to lower rates.

Looking ahead – In addition to monitoring geopolitical events, next week’s eyes will be on the announcement of the Fed’s preferred inflation gauge – Personal Consumption Expenditures (PCE) – as headline inflation is expected to increase 0.3% (unchanged from the previous month) while YOY core inflation is expected to decline to 2.7%, down slightly from 2.8%. If inflation comes in weaker than expected, treasury yields could move slightly lower. Stronger than expected inflation will drive interest rates higher. Based on recent trends in economic data as well as forward guidance via Fedspeak, there is more upside risk (yields moving higher) vs. downside risk.

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NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
04/23/2024	2,485,000	Dodge City KS Community College COPS BQ	2025 - 2030
04/23/2024	5,000,000	Leavenworth KS BQ	2025-2034
04/23/2024	25,030,000	Webster Groves, MO School District GO	2030-2044

Economic Release	Data Period	Date	Survey	Actual	Prior
Empire Manufacturing	Apr	04/15/2024	-5.2	-14.3	-20.9
Retail Sales Advance MoM	Mar	04/15/2024	0.4%	0.7%	0.9% (rev up)
Housing Starts	Mar	04/16/2024	1,485k	1,321k	1,549k (rev up)
Building Permits	Mar	04/16/2024	1,510k	1,458k	1,523k (rev up)
Industrial Production MoM	Mar	04/16/2024	0.4%	0.4%	0.4% (rev up)
MBA Mortgage Applications	Apr 12	04/17/2024	NA	3.3%	0.1%
Initial Jobless Claims	Apr 13	04/18/2024	215k	212k	212k (rev up)
Continuing Claims	Apr 6	04/18/2024	1,818k	1,812k	1,810k
Leading Index	Mar	04/18/2024	-0.1%	-0.3%	0.2% (rev up)
Existing Home Sales	Mar	04/18/2024	4.20m	4.19m	4.38m

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	8.50	8.50	8.00	3 Mo.	3.53
Discount Rate	5.50	5.50	5.00	6 Mo.	3.69
Fed Funds Rate	5.33	5.33	4.83	1-Year	3.39
Interest on Reserve Bal.	5.40	5.40	4.90	2-Year	3.16
SOFR	5.30	5.31	4.80	3-Year	3.00
11th Dist COFI (ECOFC)	3.16	3.15	2.41	5-Year	2.80
1-Yr. CMT	5.17	5.06	4.81	7-Year	2.77
Dow	37,986.40	39,110.76	33,897.01	10-Year	2.81
NASDAQ	15,282.01	16,166.79	12,157.23	30-Year	4.08
S&P 500	4,967.23	5,178.51	4,154.52		
Bond Buyer	3.79	3.52	3.56		

Treasuries & New Issue Agencies (Spread to Treasuries)						CMO Spreads to Treasuries		
	Treasuries	Bullets	NC-6 Mo.	NC-1 Year	NC- 2 Year		PAC	Vanilla
3 Mo. Bill	5.37					1-Year	N/A	+50
6 Mo. Bill	5.36					2-Year	60	70
1-Year Bill	5.12					3-Year	90	115
2-Year Note	4.97	2	81	80		5-Year	110	125
3-Year Note	4.80	3	82	81	80			
5-Year Note	4.65	5	97	94	89			
7-Year Note	4.63	16	104	98	88			
10-Year Note	4.60	27	119	110	99			
20-Year Bond	4.82							
30-Year Bond	4.69							

MBS Current Coupon Yields	
GNMA 30 Yr.	5.92%
FNMA 30 Yr.	6.10%
FNMA 15 Yr.	5.55%

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