Capital Markets Group

Weekly Review—May 2, 2025

Next week's Fed policy meeting is scheduled for Wednesday. What better data to look at this week than economic growth and employment understanding that the Fed relies on these data points to craft their policy response. *[Normally we'd include the Fed's preferred inflation metric – Personal Consumption Expenditures (PCE) – on this list but market participants are fully aware that prices remain elevated and above target. More importantly, with all the uncertainty surrounding the impact of increased tariffs, today's inflation focus is more about where it is heading not where it's been! Meaning, looking at pre-tariff inflation data has little value to investors.]* Here's an overview of this week's key economic data.

Economic Growth – Gross Domestic Product (GDP)

Economic growth contracted 0.3% in the first quarter GDP as data showed that businesses front-loaded purchases attempting to get ahead of any trade policy disruptions caused by expansive tariffs. Specifically, pre-tariff imports surged at an annualized rate of 41% — marking its biggest advance in nearly five years. [*Because imported goods and services are not produced domestically, they are subtracted from GDP.*] As a result, net exports (which generally are not a key contributor to overall economic growth) reduced first quarter economic growth by nearly 5%, according to analysts.

Despite first quarter's 0.3% economic contraction, the underlying data behind the headline print suggests the primary driver of the economy – the consumer – continued to spend as personal consumption expenditures increased 1.8%. Like businesses, consumers pulled forward future purchases in anticipation of higher tariff-driven prices. Looking forward, markets are concerned that supply shocks &/or price instability as the result of an unsettled trade policy will lead to a material pullback in demand by both businesses and consumers. Understanding that consumer spending accounts for nearly 70% of GDP, the risk to the economic outlook continues to increase.

Employment

Nonfarm payrolls increased 177k last month while the unemployment rate held steady at 4.2%. April's 177k print exceeded street estimates of 138k while the headline rate came as expected. Average hourly earnings rose 0.2%, down from March's 0.3% but still up. And finally, labor force participation increased. All said, the jobs market remained resilient in April as the uncertainty of the Administration's trade policy has yet to have a material impact on the jobs situation.

Monetary policy

Although no policy changes are expected at next week's Fed meeting, fed fund futures show traders are confident that rate cuts will resume in the back half of this year – 25bps cuts in July, September and December. The GOOD thing about the futures market is that it provides insight as to the expected direction/magnitude of future policy but the BAD thing about the futures market is that their "rate bets" are seldom accurate.

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NEW ISSUE MUNICIPAL CALENDAR			
Date	Amount ($)	Description	Maturity
05/05/2025	$28,390,000	Gardner, KS GO Series A	2025 - 2054
05/05/2025	$725,000	Gardner, KS GO Series B Temp Notes	2027
05/07/2025	$55,750,000	Douglas County, KS GO	2026 - 2045
05/07/2025	$370,000	City of Sedgwick, KS Taxable GO	2026 - 2045

Economic Release	Data Period	Date	Survey	Actual	Prior
MBA Mortgage Applications	Apr 25	04/30/2025	NA	-4.2%	-12.7%
ADP Employment Change	Apr	04/30/2025	115k	62k	147k (rev down)
GDP Annualized QoQ	1Q (A)	04/30/2025	-0.2%	-0.3%	2.4%
Personal Income	Mar	04/30/2025	0.4%	0.5%	0.7% (rev down)
Personal Spending	Mar	04/30/2025	0.6%	0.7%	0.5% (rev up)
Core PCE Price Index YoY	Mar	04/30/2025	2.6%	2.6%	3.0% (rev up)
Initial Jobless Claims	Apr 26	05/01/2025	223k	241k	223k (rev up)
Change in Nonfarm Payrolls	Apr	05/02/2025	135k	177k	185k (rev down)
Unemployment Rate	Apr	05/02/2025	4.2%	4.2%	4.2%
Labor Force Participation Rate	Apr	05/02/2025	62.5%	62.6%	62.5%

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	4.39	5.32
11th Dist COFI (ECOFC)	2.93	2.94	3.16
1-Yr. CMT	4.00	4.01	5.21
Dow	41,317.43	42,225.32	38,225.66
NASDAQ	17,977.73	17,601.05	15,840.96
S&P 500	5,686.67	5,670.97	5,064.20
Bond Buyer	5.14	4.45	4.07

MUNI AA—BQ

3 Mo.	2.42
6 Mo.	2.51
1-Year	2.93
2-Year	2.92
3-Year	2.93
5-Year	3.01
7-Year	3.14
10-Year	3.40
30-Year	4.58

CMO Spreads to Treasuries

	PAC	Vanilla
1-Year	N/A	+50
2-Year	70	75
3-Year	85	95
5-Year	115	125

MBS Current Coupon Yields

GNMA 30 Yr.	5.61%
FNMA 30 Yr.	5.63%
FNMA 15 Yr.	4.82%

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	4.22	3.96	3.74	3.73	3.85	4.06	4.26	4.77	4.76
Bullets				1	2	4	14	21		
NC-6 Mo.				55	75	86	95	90		
NC-1 Year				25	42	58	63	68		
NC-2 Year					3	23	30	45		