



This week’s market focus: Fed monetary policy response and employment data. Here’s an overview of what the market saw...

The Fed & Monetary Policy...

As expected, policy makers kept their benchmark overnight rate unchanged at 5.25% to 5.50% while reaffirming that the Fed needs to have “greater confidence that inflation is moving substantially towards two percent” before beginning the process of lowering benchmark interest rates. Sound familiar? It should as this statement has been the Fed’s mantra most of the year. As for the expected timing of the first rate cut, Chairman Powell stated that he “didn’t know exactly when that will be” but it would likely be appropriate “at some point this year.” Recent increases in inflation have reduced the FOMC’s confidence that price pressures are ebbing. When asked about the possibility of increasing benchmark rates (vs cutting rates) to battle stubbornly high inflation, Powell said that Fed officials would need to see “persuasive evidence” that current policy isn’t sufficiently restrictive enough to lower inflation. For now, the Fed believes that current policy is will eventually lower inflation. Evidenced in Powell’s comments, policy makers continue to maintain their rates down bias. [While this week’s market focus was largely on the Fed’s forward guidance, it would be remiss of me not to mention that the Fed did announcement plans to slow their balance sheet unwind (QT – quantitative tightening).]

Employment Situation

In recent months, the Fed has been purposely slow to shift to a less restrictive policy. Powell reminded investors again this week that future policy action will continue to be data dependent but with a slight shift towards focusing on the employment side of their dual mandate of low/stable prices and maximum employment. That said, their focus is on both inflation and employment. If April’s employment data shows a stronger than expected jobs market – consistent with what we’ve seen so far this year, the Fed will continue to slow-walk benchmark rate cuts while an unexpected softening in the labor market opens the door for an eventually shift in policy. Now that the stage has been set, let’s look at April’s employment data...

Nonfarm payrolls increased 175k last month – below the street’s expected 240k – marking its smallest gain in six months. Keep in mind that payrolls increased on average 269k per month in the first quarter so April’s 175k increase was materially less. April’s headline unemployment rate (*the U-3 rate represents the percentage of the total labor force that is unemployed and has actively sought employment within the past four weeks*) increased to 3.9% – higher than expected and up from March’s 3.8%. Although wage growth did slow, the number of weekly hours worked declined to 34.3 while the “real” unemployment rate (*the U-6 rate measures the percentage of the U.S. labor force that is unemployed, plus those who are underemployed, marginally attached to the workforce, and have given up looking for work. The U-6 rate is considered the most revealing measure of the true state of the nation’s employment situation*) increased to 7.4% – marking its highest level since November 2021.

Although April’s softer employment picture was a notable contrast with what we saw in the first quarter, one month does not make a trend. If pay-roll growth and wage increases continue to slow over the coming months, then rate cuts are likely to come sooner than later. April’s job situation increased the odds of a July/September cut vs November/December.

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NEW ISSUE MUNICIPAL CALENDAR			
Date	Amount (\$)	Description	Maturity
05/06 – 05/10/24		There are no local issues pricing this week	

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Economic Release	Data Period	Date	Survey	Actual	Prior
Conf. Board Cons. Confidence	Apr	04/30/2024	104.0	97.0	103.1 (rev down)
MBA Mortgage Applications	Apr 26	05/01/2024	NA	-2.3%	-2.7%
ADP Employment Change	Apr	05/01/2024	183k	192k	208k (rev up)
S&P Global US Manufact. PMI	Apr (F)	05/01/2024	49.9	50.0	49.9
ISM Manufacturing	Apr	05/01/2024	50.0	49.2	50.3
FOMC Rate Decision Upper	May 1	05/01/2024	5.50%	5.50%	5.50%
Trade Balance	Mar	05/02/2024	-\$69.7b	-\$69.4b	-\$69.5b (rev up)
Initial Jobless Claims	Apr 27	05/02/2024	212k	208k	208k (rev up)
Change in Nonfarm Payrolls	Apr	05/03/2024	240k	175k	315k (rev up)
Unemployment Rate	Apr	05/03/2024	3.8%	3.9%	3.8%

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	8.50	8.50	8.00	3 Mo.	3.55
Discount Rate	5.50	5.50	5.00	6 Mo.	3.71
Fed Funds Rate	5.33	5.33	4.83	1-Year	3.41
Interest on Reserve Bal.	5.40	5.40	4.90	2-Year	3.21
SOFR	5.31	5.34	4.81	3-Year	3.04
11th Dist COFI (ECOFC)	3.16	3.16	2.51	5-Year	2.85
1-Yr. CMT	5.12	5.05	4.74	7-Year	2.82
Dow	38,675.68	39,127.14	33,414.24	10-Year	2.87
NASDAQ	16,156.33	16,277.46	12,025.33	30-Year	4.11
S&P 500	5,127.79	5,211.49	4,090.75		
Bond Buyer	4.07	3.58	3.53		

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	5.38					1-Year	N/A	+50
6 Mo. Bill	5.35					2-Year	60	70
1-Year Bill	5.09					3-Year	90	110
2-Year Note	4.78	4	77	76		5-Year	105	120
3-Year Note	4.61	4	81	80	79			
5-Year Note	4.47	5	99	96	91			
7-Year Note	4.48	18	104	98	88			
10-Year Note	4.50	25	125	115	105			
20-Year Bond	4.76							
30-Year Bond	4.66							

MBS Current Coupon Yields	
GNMA 30 Yr.	5.70%
FNMA 30 Yr.	5.88%
FNMA 15 Yr.	5.24%

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