Weekly Review—May 17, 2024

Sometimes I feel like I work at the Impossible Mission Force (IMF) from the Mission Impossible series and films. While my life is not in danger, the mission of interpreting economic data and what it portends for future market expectations can feel daunting. Thankfully, I, like the IMF, can rely upon a team of great thinkers both from internal (see Points to Ponder) and external sources.

This week, the PPI and CPI data were released, and the overall market reactions were muted with only slightly lower interest rates from last week (i.e., the US 10-year bond has been trading around 4.40%, down around 10 basis points from last Friday's level). CPI MoM came in at 0.3% versus estimates of 0.4% while CPI YoY matched estimates of 3.4%. Rents continue to apply the most pressure on price levels; however, the largest increase on a percentage basis came from an over 20% increase in Auto Insurance. Explanations for this increase included the higher costs of repairs and parts, but I cannot help but wonder if while insurance providers were out driving to work, they saw a significant number of drivers racing from lane to lane as if they were on a high-speed chase with a villain of great renown!

Some of you know that my second career is that of an Adjunct at a local university. In that vein, I have some reading assignments for your mission (if you choose to accept it):

Andrea J. Caceres-Santamaria, "Exploring the Dynamics of Unemployment," *Page One Economics®*, May 2024 from the St Louis Federal Reserve's website.

Christopher J. Neely, "Measuring Inflation: Headline, Core and "Supercore" Services," *On The Economy Blog®*, May 3, 2024 from the St Louis Federal Reserve's website.

Armantier, Olivier, and Charles Holt. 2024. "Can Discount Window Stigma Be Cured? An Experimental Investigation." Federal Reserve Bank of New York Staff Reports, no. 1103, April. https://doi.org/10.59576/sr.1103

I realize I am no Tom Cruise or even Peter Graves; however, I do get the chance to yell, "Mission Accomplished!" at the top of my lungs occasionally. Even though the task of reading the proverbial tea leaves of economic indicators may seem impossible, for you dear readers, I gladly choose to accept this mission. We should expect further volatility in the bond markets until the FOMC begins to make their next move – even if that move looks like standing still.

Have a nice weekend!

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NEW ISSUE MUNICIPAL CALENDAR			
Date	Amount ($)	Description	Maturity
05/20/2024	1.365,000	Goddard, KS GO Temp Notes 2024 - 2	2027

Economic Release	Data Period	Date	Survey	Actual	Prior
PPI Final Demand MoM	Apr	05/14/2024	0.3%	0.5%	-0.1% (rev down)
MBA Mortgage Applications	May 10	05/15/2024	NA	0.5%	2.6%
Empire Manufacturing	May	05/15/2024	-10.0	-15.6	-14.3
CPI MoM	Apr	05/15/2024	0.4%	0.3%	0.4%
CPI YoY	Apr	05/15/2024	3.4%	3.4%	3.5%
Retail Sales Advance MoM	Apr	05/15/2024	0.4%	0.0%	0.6% (rev down)
Initial Jobless Claims	May 11	05/16/2024	220k	222k	232k (rev up)
Housing Starts	Apr	05/16/2024	7.6%	5.7%	-16.8% (rev down)
Industrial Production MoM	Apr	05/16/2024	0.1%	0.0%	0.1% (rev down)
Leading Index	Apr	05/17/2024	-0.3%	-0.6%	-0.3%

KEY INDICES

	Current	Last Month	One Year Ago
Prime Rate	8.50	8.50	8.25
Discount Rate	5.50	5.50	5.25
Fed Funds Rate	5.33	5.33	5.08
Interest on Reserve Bal.	5.40	5.40	5.15
SOFR	5.31	5.31	5.05
11th Dist COFI (ECOFC)	3.16	3.16	2.51
1-Yr. CMT	5.14	5.18	4.88
Dow	40,003.59	37,753.31	33,420.77
NASDAQ	16,685.97	15,683.37	12,500.57
S&P 500	5,303.27	5,022.21	4,158.77
Bond Buyer	3.93	3.76	3.59

MUNI AA—BQ

3 Mo.	3.36
6 Mo.	3.52
1-Year	3.22
2-Year	3.08
3-Year	2.93
5-Year	2.78
7-Year	2.78
10-Year	2.82
30-Year	3.94

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

	Treasuries	Bullets	NC-6 Mo.	NC-1 Year	NC- 2 Year
3 Mo. Bill	5.39				
6 Mo. Bill	5.36				
1-Year Bill	5.13				
2-Year Note	4.82	3	77	76	
3-Year Note	4.60	6	81	80	79
5-Year Note	4.44	5	99	96	91
7-Year Note	4.43	18	104	98	88
10-Year Note	4.42	28	125	115	105
20-Year Bond	4.66				
30-Year Bond	4.56				

CMO Spreads to Treasuries

	PAC	Vanilla
1-Year	N/A	+50
2-Year	60	70
3-Year	85	100
5-Year	105	110

MBS Current Coupon Yields

GNMA 30 Yr.	5.60%
FNMA 30 Yr.	5.78%
FNMA 15 Yr.	5.14%