Weekly Review—May 24, 2024

Intermediate and longer-term treasury yields increased as much as 12bps on the week as investors remain challenged in determining how much easing the Fed realistically stands to deliver. Over the last several months, the market has pushed back the timing of the first rate cut given inflation remains persistently higher than previously expected. Policy makers continue to actively manage the market's rates-down bias, evidenced in this week's fed speak. Atlanta Fed President Bostic said that monetary policy has been less effective in slowing growth than in previous cycles, reinforcing the need for policy makers to keep benchmark rates higher for longer in hopes to lower inflation. Furthermore, minutes from this month's FOMC meeting showed that although Fed officials expect to hold rates higher for longer, policy makers openly questioned whether current policy was restrictive enough! Based on today's futures trading, the first fully priced rate cut is expected by December. In contrast - last fall investors expected the first cut as early as March. The rate cut "can" continues to get kicked down the road…

Depending on your balance sheet's overall risk profile, consider taking advantage of the recent increase in investment yields by purchasing bonds as intermediate (2yr) and longer-term (10yr) treasury yields are up as much as 70bps on the year. With treasury yields continuing to hover near 17-year highs, consider adding downside risk protection to your portfolio by purchasing bonds with lock-out type attributes (i.e., prepayment protection). For those that have little/no "excess" liquidity to spend, investment yields on newly purchased bonds at times exceed short-term wholesale borrowing costs – depending on the investment. Reach out to your ALM team &/or sales representative if you wish to further explore ways to increase earnings while preparing for an eventual shift in Fed policy.

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NEW ISSUE MUNICIPAL CALENDAR			
Date	Amount ($)	Description	Maturity
05/28/2024	16,000,000	City of Pleasant Hill, MO GO	2026 - 2044

Economic Release	Data Period	Date	Survey	Actual	Prior
MBA Mortgage Applications	May 17	05/22/2024	NA	1.9%	0.5%
Existing Home Sales	Apr	05/22/2024	4.23m	4.14m	4.22m (rev up)
Initial Jobless Claims	May 18	05/23/2024	220k	215k	223k (rev up)
Continuing Claims	May 11	05/23/2024	1,793k	1,794k	1,786k (rev down)
S&P Global Manufact. PMI	May (P)	05/23/2024	49.9	50.9	50.0
New Home Sales	Apr	05/23/2024	678k	634k	665k (rev down)
Durable Goods Orders	Apr (P)	05/24/2024	-0.8%	0.7	0.8% (rev down)
U. of Mich. Sentiment	May (F)	05/24/2024	67.7	69.1	67.4
U. of Mich. 1 Yr Inflation	May (F)	05/24/2024	3.4%	3.3%	3.5%
U. of Mich 5-*10 Yr Inflation	May (F)	05/24/2024	3.1%	3.0%	3.1%

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	5.21	5.14	5.06
Dow	39,069.33	38,460.92	32,799.92
NASDAQ	16,920.80	15,712.75	12,484.16
S&P 500	5,304.72	5,071.63	4,115.24
Bond Buyer	4.00	3.79	3.74

MUNI AA—BQ

3 Mo.	3.51
6 Mo.	3.67
1-Year	3.37
2-Year	3.31
3-Year	3.16
5-Year	3.05
7-Year	3.05
10-Year	3.08
30-Year	4.05

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

	Treasuries	Bullets	NC-6 Mo.	NC-1 Year	NC- 2 Year
3 Mo. Bill	5.40				
6 Mo. Bill	5.38				
1-Year Bill	5.19				
2-Year Note	4.93	3	77	76	
3-Year Note	4.73	6	81	80	79
5-Year Note	4.55	5	99	96	91
7-Year Note	4.52	18	104	98	88
10-Year Note	4.49	28	125	115	105
20-Year Bond	4.69				
30-Year Bond	4.59				

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.	5.69%
FNMA 30 Yr.	5.85%
FNMA 15 Yr.	5.27%

The Weekly Review is a publication of the Capital Markets Group of Commerce Bank.