Capital Markets Group

Weekly Review—May 30, 2025

Have you ever had a week where you feel like so much has happened, yet at the same time, nothing at all? I am exhausted on this Friday morning. I feel the effects of a long week for me personally while at work it was a typical end of the month slowdown. Holiday-shortened weeks can do that to a person. We enjoy having an extra day off, but we are sometimes rushed and stressed to get things done in four days instead of the normal five-day work week. With more excitement on the Tariff front (court battles and possible delays) and earnings from some large tech-sector companies this week we saw a lot happening on the news front; however, when it comes to interest rates, not much has changed. The Federal Reserve will likely wait to make their first cut until 4th quarter this year based on little movement in inflation and relatively stable employment data. We are in the doldrums of that in-between season – leaving Spring, hoping for Summer!

Here in the Midwest, we have experienced one of the coolest leads up to Summer in recent memory. I mean if the pools cannot open on Memorial Day weekend, the end of civilization as we know it is nigh! I digress. Markets have cooled as well, but still provide some room for opportunity. Fairly often, when speaking with financial institution customers, the idea of liquidating lower coupon bonds and re-investing into higher coupon bonds has been gaining ground. But there is one thing that must be remembered: Accounting. Many of those bonds purchased after the Pandemic recession were at a premium. Premiums are usually amortized until the first call date, an average life date (mortgage product) or maturity. That amortized dollar amount each month eats away at the coupon income. This is why over the past couple years, buying higher coupons at a discount where the discount is accreted (or added) to the interest earned to provide a slightly higher yield has been in vogue. Additionally, before you swap out of something consider the tax implications (if applicable) of the length of time the bond being sold has been held. If you just bought it a few months ago, this may have different tax consequences than a bond held for a few years. *Okay, thanks Matt for nerding out here but what are you trying to say?* Coupon matters. In some cases, the time it will take to earn back the realized loss from the sale of the bond, might be short-enough to stomach. Or the loss might help offset some larger gain from other operations incurred this year. If you do want to liquidate some of those lower coupon bonds purchased before the FOMC raised short-term interest rates and re-invest into higher, current coupon bonds, please reach out to your Investment Representative for help choosing the suitable securities for this type of transaction and loop in your accounting team and tax advisor to make sure it makes sense.

Next week, we enter June. Let us hope that June is a different type of exciting than we have experienced in April and May. Summer fun! Here we come.

Have a great weekend!

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NEW ISSUE MUNICIPAL CALENDAR			
Date	Amount ($)	Description	Maturity
		There are no new issues scheduled next week.	

Economic Release	Data Period	Date	Survey	Actual	Prior
Durable Goods Orders	Apr (P)	05/27/2025	-7.8%	-6.3%	7.6% (rev down)
Conf. Board Consumer Confid.	May	05/27/2025	87.1	98.0	85.7 (rev down)
MBA Mortgage Applications	May 23	05/28/2025	NA	-1.2%	-5.1%
GDP Annualized QoQ	1Q (S)	05/29/2025	-0.3%	-0.2%	-0.3%
Initial Jobless Claims	May 24	05/29/2025	230k	240k	226k (rev down)
Personal Income	Apr	05/30/2025	0.3%	0.8%	0.5%
Personal Spending	Apr	05/30/2025	0.2%	0.2%	0.7%
Core PCE Price Index YoY	Apr	05/30/2025	2.5%	2.5%	2.7% (rev up)
Wholesale Inventories MoM	Apr (P)	05/30/2025	0.4%	0.0%	0.3% (rev down)
U. of Mich. Sentiment	May (F)	05/30/2025	51.5	52.2	50.8

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	4.33	4.36	5.33
11th Dist COFI (ECOFC)	2.93	2.94	3.16
1-Yr. CMT	4.11	3.89	5.22
Dow	42,270.07	40,669.36	38,111.48
NASDAQ	19,113.77	17,446.34	16,737.08
S&P 500	5,911.69	5,569.06	5,235.48
Bond Buyer	5.25	5.24	4.13

MUNI AA—BQ

3 Mo.	2.31
6 Mo.	2.40
1-Year	2.82
2-Year	2.80
3-Year	2.81
5-Year	2.88
7-Year	3.06
10-Year	3.44
30-Year	4.74

CMO Spreads to Treasuries

	PAC	Vanilla
1-Year	N/A	+50
2-Year	65	70
3-Year	85	95
5-Year	115	125

MBS Current Coupon Yields

GNMA 30 Yr.	5.65%
FNMA 30 Yr.	5.68%
FNMA 15 Yr.	4.88%

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	4.33	4.30	4.125	3.93	3.89	3.99	4.19	4.42	4.93	4.92
Bullets				1	2	4	13	22		
NC-6 Mo.				45	67	82	86	90		
NC-1 Year				23	45	63	68	73		
NC-2 Year					5	30	35	45		