Capital Markets Group

Weekly Review—May 31, 2024

Economic growth in the first quarter grew slower than initially reported, largely due to softer consumer spending. Based on updated data, gross domestic product (GDP) rose 1.3% annualized in the first three months of the year, below the previous estimate of 1.6%, according to the Bureau of Economic Analysis. The economy's primary driver of overall growth - personal spending - increased only 2.0%, versus the previous estimate of 2.5%. Compared to last year's third and fourth quarter growth of 4.9% and 3.4%, respectively, first quarter's growth of 1.3% underscores the loss of momentum to start 2024. High interest rates, waning pandemic-era savings and slower income growth continue to weigh on households and businesses.

Data released from the Federal Reserve of NY this week showed that consumer spending appears to be funded by increased borrowings – specifically credit cards. Both, outstanding credit card debt and credit card rates hover at or near their respective thirty-year highs. As for our younger folks - Gen Z - nearly one in seven are maxing out their credit cards every month. Like volumes, unfortunately credit card delinquencies are concerningly high. At 8.9%, 30 or more-day delinquencies have increased to levels not seen since 2011 while longer term delinquencies (90+ days late) increased in the first quarter to 10.7% - marking a ten year high. Bottom line: Warning signs regarding the economic outlook are starting to flash. At some point, an over-leveraged consumer will be forced to live within their means.

Shifting to inflation – The Fed's preferred inflation gauge – Personal Consumption Expenditures (PCE) – showed that headline and core inflation increased 0.3% and 0.2%, respectively, in April, as expected. Year-over-year headline inflation increased 2.7% while YOY core inflation grew at a 2.8% annualized rate. Both were unchanged from last month's readings and met street consensus. This week's inflation news will likely be viewed as favorable by the Fed as this round of data showed signs that inflationary pressures are waning.

As a heads-up, our next Weekly Commentary will be published on Thursday, June 13.

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NEW ISSUE MUNICIPAL CALENDAR			
Date	Amount ($)	Description	Maturity
06/03/2024	10,650,000	Maize, KS Temp Notes GO	2027
06/04/2024	8,500,000	Shawnee Heights KS Fire Protection District GO	2025 - 2054
06/04/2024	20,000,000	Saint Joseph MO School District GO	2026 - 2031

Economic Release	Data Period	Date	Survey	Actual	Prior
Conf. Board Consumer Confid.	May	05/28/2024	96.0	102.0	97.5 (rev up)
MBA Mortgage Applications	May 24	05/29/2024	NA	-5.7%	1.9%
GDP Annualized QoQ	1Q (S)	05/30/2024	1.3%	1.3%	1.6%
Initial Jobless Claims	May 25	05/30/2024	217k	219k	216k (rev up)
Pending Home Sales MoM	Apr	05/30/2024	-1.0%	-7.7%	3.6% (rev up)
Personal Income	Apr	05/31/2024	0.3%	0.3%	0.5%
Personal Spending	Apr	05/31/2024	0.3%	0.2%	0.7% (rev down)
PCE Core Deflator MoM	Apr	05/31/2024	0.3%	0.3%	0.3%
PCE Core Deflator YoY	Apr	05/31/2024	2.7%	2.8%	2.7%
MNI Chicago PMI	May	05/31/2024	41.1	2.8%	37.9

KEY INDICES

	Current	Last Month	One Year Ago
Prime Rate	8.5	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	5.33	5.34	5.06
11th Dist COFI (ECOFC)	3.16	3.16	2.51
1-Yr. CMT	5.18	5.25	5.22
Dow	38,686.32	37,815.92	32,908.27
NASDAQ	16,735.02	15,657.82	12,935.29
S&P 500	5,227.51	5,035.69	4,179.83
Bond Buyer	4.13	4.07	3.67

MUNI AA—BQ

3 Mo.	3.59
6 Mo.	3.75
1-Year	3.45
2-Year	3.39
3-Year	3.26
5-Year	3.19
7-Year	3.19
10-Year	3.21
30-Year	4.17

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

	Treasuries	Bullets	NC-6 Mo.	NC-1 Year	NC- 2 Year
3 Mo. Bill	5.38				
6 Mo. Bill	5.36				
1-Year Bill	5.16				
2-Year Note	4.88	6	70	69	
3-Year Note	4.68	6	75	74	50
5-Year Note	4.51	6	108	104	86
7-Year Note	4.50	19	110	107	91
10-Year Note	4.49	31	132	123	109
20-Year Bond	4.71				
30-Year Bond	4.63				

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.	5.71%
FNMA 30 Yr.	5.88%
FNMA 15 Yr.	5.30%

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