



Weekly Review—June 2, 2023

While debt ceiling negotiations were concerning, this week's market focus was primarily on jobs. May's non-farm payrolls increased 339k – exceeding estimates of a 195k gain while the unemployment rate increased to 3.7% from 3.4%. Beating street estimates fourteen consecutive months, last month's 339k payroll gain was twice the 10-year average gain of 187k prior to the pandemic. As such, the jobs market continues to show few signs of slowing. Furthermore, four million jobs have been created in the last twelve months. From the 30,000-foot level – if employment isn't slowing, inflation isn't coming down to the Fed's 2% target anytime soon.

In terms of interest rates, investors continue to expect the Fed to pause this month as the probability of a June rate hike stands at only 33% while the probability of a 25bps rate hike at the July policy meeting increased to 87%, up from yesterday's 64%. Interestingly, the futures market continues to price in a series of rate cuts towards the end of the year. This downward bias could easily be misplaced if the jobs market remains strong. Meaning, if the Fed can convince the market that current recessionary concerns are exaggerated & that rate cuts are not coming anytime soon, intermediate and longer-term interest rates could move slightly higher as the current rates-down bias gets priced out of the market.

With the job numbers now behind us, investors will wait for the June FOMC meeting and new inflation data – both happening the week of June 12. Until then, investors will buy time while looking for more clues about future policy action.

Dennis Zimmerman Jr.
Senior Vice President
Senior Manager – Asset/Liability Services
Commerce Bank – Capital Markets Group (CMG)



NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
06/06/2023	\$13,500,000.00	DUNKLIN MO R-V SD-A	2030-2043
06/06/2023	\$7,825,000.00	DUNKLIN MO R-V SD-B-REF	2026-2035

Economic Release	Data Period	Date	Survey	Actual	Prior
Conf. Board Consumer Confid.	May	05/30/2023	99.0	102.3	103.7 (rev up)
MBA Mortgage Applications	May 26	05/31/2023	NA	-3.7%	-4.6%
MNI Chicago PMI	May	05/31/2023	47.3	40.4	48.6
ADP Employment Change	May	06/01/2023	170k	278k	291k (rev down)
Initial Jobless Claims	May 27	06/01/2023	235k	232k	230k (rev up)
S&P Global US Manufact. PMI	May (F)	06/01/2023	48.5	48.4	48.5
ISM Manufacturing	May	06/01/2023	47.0	46.9	47.1
Change in Nonfarm Payrolls	May	06/02/2023	195k	339k	294k (rev up)
Unemployment Rate	May	06/02/2023	3.5%	3.7%	3.4%
Labor Force Participation Rate	May	06/02/2023	62.6%	62.6%	62.6%

KEY INDICES				MUNI AA—BQ	
	Current	Last Month	One Year Ago		
Prime Rate	8.25	8.00	4.00	3 Mo.	2.81
Discount Rate	5.25	5.00	1.00	6 Mo.	2.91
Fed Funds Rate	5.08	4.83	0.83	1-Year	3.19
Interest on Reserve Bal.	5.15	4.90	0.90	2-Year	3.06
SOFR	5.08	4.81	0.80	3-Year	2.93
11th Dist COFI (ECOFC)	2.57	2.51	0.38	5-Year	2.78
1-Yr. CMT	5.22	4.86	2.16	7-Year	2.71
Dow	33,762.76	33,684.33	33,248.28	10-Year	2.75
NASDAQ	13,240.77	12,080.51	12,316.90	30-Year	3.87
S&P 500	4,282.37	4,119.58	4,176.82		
Bond Buyer	3.67	3.53	3.03		

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	5.37					1-Year	N/A	+55
6 Mo. Bill	5.46					2-Year	65	80
1-Year Bill	5.20					3-Year	85	110
2-Year Note	4.47	12	81	80		5-Year	110	150
3-Year Note	4.10	8	84	82	81			
5-Year Note	3.80	13	98	94	86			
7-Year Note	3.74	36	106	99	89			
10-Year Note	3.66	57	120	111	99			
20-Year Bond	4.01							
30-Year Bond	3.86							

MBS Current Coupon Yields		
GNMA 30 Yr.		5.24%
FNMA 30 Yr.		5.46%
FNMA 15 Yr.		4.98%

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