



Weekly Review—June 15, 2023

Welcome to Thursday's edition of this week's Capital Market Commentary. Our commentary will resume its usual Friday frequency next week.

This week was all about the Fed – specifically monetary policy action. As expected, policy makers made no change in benchmark overnight rates. As stated in their official statement, “*holding the target rate steady at this meeting allows the Committee to access additional information and its implications for monetary policy.*” The important takeaway from this key statement wasn't that policy makers made no changes to their current 5–5.25% benchmark rate. Rather – that although the Fed wants time to better understand the impact to past policy action, more rate hikes are still likely...as implied by the “*at this meeting*” language shown above. Other guidance supports the idea that this month's no change policy response was simply a pause and not a stop. Specifically, the Fed's new dot plot showed a continued near-term rates-up bias as the median rate projection for year-end increased 50bps to 5.625% from last quarter's 5.125% dot plot projection.

Understanding that overly aggressive tightening often leads to a material economic slowdown &/or recession, economic expansions don't generally die of old age. As former Fed Chair Bernanke stated, “I like to say they get murdered” and the culprits typically involve government policy missteps. Over the last 50 years, the average time between the last policy rate hike and the first rate-cut is roughly six months...stay tuned!

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NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
06/20/2023	\$39,265,000.00	OLATHE KS 2023A	2024-2043
06/20/2023	\$2,000,000.00	PLEASANT HILL MO-REV 2023	2026-2043

Economic Release	Data Period	Date	Survey	Actual	Prior
CPI MoM	May	06/13/2023	0.1%	0.1%	0.4%
CPI YoY	May	06/13/2023	4.1%	4.0%	4.9%
MBA Mortgage Applications	Jun 9	06/14/2023	NA	7.2%	-1.4%
PPI Final Demand MoM	May	06/14/2023	-0.1%	-0.3%	0.2%
FOMC Rate Decision (upper)	Jun 14	06/14/2023	5.25%	5.25%	5.25%
Retail Sales Advance MoM	May	06/15/2023	-0.2%	0.3%	0.4%
Initial Jobless Claims	Jun 10	06/15/2023	247k	262k	262k (rev up)
Continuing Claims	Jun 3	06/15/2023	1768k	1775k	1755k (rev down)
Empire Manufacturing	Jun	06/15/2023	-15.1	6.6	-31.8
Industrial Production MoM	May	06/15/2023	0.1%	-0.2%	0.5%

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	8.25	8.25	4.00	3 Mo.	2.72
Discount Rate	5.25	5.25	1.00	6 Mo.	2.82
Fed Funds Rate	5.08	5.08	0.83	1-Year	3.10
Interest on Reserve Bal.	5.15	5.15	0.90	2-Year	2.99
SOFR	5.05	5.05	0.69	3-Year	2.87
11th Dist COFI (ECOFC)	2.57	2.51	0.38	5-Year	2.74
1-Yr. CMT	5.21	4.75	3.15	7-Year	2.69
Dow	34,409.64	33,348.60	30,668.53	10-Year	2.75
NASDAQ	13,782.82	12,365.21	11,099.15	30-Year	3.87
S&P 500	4,477.50	4,136.28	3,789.99		
Bond Buyer	3.67	3.53	3.16		

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	5.22					1-Year	N/A	+55
6 Mo. Bill	5.33					2-Year	60	75
1-Year Bill	5.21					3-Year	80	105
2-Year Note	4.64	7	81	80		5-Year	105	145
3-Year Note	4.24	7	85	82	81			
5-Year Note	3.91	8	98	94	86			
7-Year Note	3.81	33	105	98	88			
10-Year Note	3.70	53	120	111	99			
20-Year Bond	3.98							
30-Year Bond	3.80							

MBS Current Coupon Yields		
GNMA 30 Yr.		5.22%
FNMA 30 Yr.		5.33%
FNMA 15 Yr.		4.90%

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