



### Reactive Monetary Policy

Although policy makers acknowledge that current policy remains at modestly restrictive levels, the Federal Open Market Committee (FOMC) left its benchmark interest rate unchanged at last week's Fed meeting. The 4.25% lower bound/4.50% upper bound range has been in place since policy maker's cut rates last December. Supporting their no-change policy position, the Fed stated that "the economy remains solid with decent growth" while the labor market "is not crying out for a rate cut." When asked about the potential impact of tariffs on their inflation outlook, Fed Chairman Powell told reporters that "someone is to pay for the tariffs – it's a question of who." All said, the Fed's current reactive "wait and see" policy strategy continues...

Forward guidance offered up by the Fed Chair during this week's economic update on Capitol Hill was more of the same as policy makers are in no rush to cut rates – waiting for more clarity on the economic impact of tariffs. According to Powell, "the effects to tariffs will depend on their ultimate level" but "for the time being, we are well-positioned to wait to learn more about the likely course of the economy before considering any adjustments to our policy stance." The uncertainty factor is why the Fed remains on the sidelines.

### Proactive Monetary Policy

During this same Congressional address, Powell gave an update on the Fed's "framework review" stating that Fed officials continue efforts to develop a strategy document to help guide future monetary policy decisions. One would hope that it would contain language encouraging policy makers to preemptively act rather than providing their historical corrective response.

Like Asset/Liability Management (ALM), crafting an appropriate policy response is as much an art as it is a science. If the Fed relies mostly on hard data (the science!) – data based on actual results & activity – before acting, the impact of their response could be muted. Conversely, soft data (the art!) – data based on surveys, expectations &/or feeling – does not always support hard data findings. The answer lies somewhere in the middle...

As a heads-up, next week's Commentary will be published on Thursday rather than Friday.

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### NEW ISSUE MUNICIPAL CALENDAR

| Date       | Amount (\$)  | Description                                | Maturity  |
|------------|--------------|--------------------------------------------|-----------|
| 06/30/2025 | \$16,000,000 | St, Charles County, MO Spec Obligation Rev | 2026-2040 |
| 07/01/2025 | \$7,310,000  | Maize, KS GO Temp Notes                    | 2028      |

| Economic Release             | Data Period | Date       | Survey | Actual | Prior            |
|------------------------------|-------------|------------|--------|--------|------------------|
| S&P Global US Manufact. PMI  | June (P)    | 06/23/2025 | 51.0   | 52.0   | 52.0             |
| Existing Home Sales          | May         | 06/23/2025 | 3.95m  | 4.03m  | 4.00m            |
| Conf. Board Consumer Confid. | Jun         | 06/24/2025 | 99.8   | 93.0   | 98.4 (rev up)    |
| MBA Mortgage Applications    | Jun 20      | 06/25/2025 | NA     | 1.1%   | -2.6%            |
| New Home Sales               | May         | 06/25/2025 | 693k   | 623k   | 722k (rev down)  |
| GDP Annualized QoQ           | 1Q (T)      | 06/26/2025 | -0.2%  | -0.5%  | -0.2%            |
| Durable Goods Orders         | May (P)     | 06/26/2025 | 8.5%   | 16.4%  | -6.6% (rev down) |
| Initial Jobless Claims       | Jun 21      | 06/26/2025 | 243k   | 236k   | 246k (rev up)    |
| Personal Spending            | May         | 06/27/2025 | 0.1%   | -0.1%  | 0.2%             |
| Core PCE Price Index YoY     | May         | 06/27/2025 | 2.6%   | 2.7%   | 2.5%             |

| KEY INDICES              |           |            |              | MUNI AA—BQ |      | CMO Spreads to Treasuries |       |         |
|--------------------------|-----------|------------|--------------|------------|------|---------------------------|-------|---------|
|                          | Current   | Last Month | One Year Ago |            |      |                           | PAC   | Vanilla |
| Prime Rate               | 7.50      | 7.50       | 8.50         | 3 Mo.      | 2.10 | 1-Year                    | N/A   | +50     |
| Discount Rate            | 4.50      | 4.50       | 5.50         | 6 Mo.      | 2.19 | 2-Year                    | 65    | 70      |
| Fed Funds Rate           | 4.33      | 4.33       | 5.33         | 1-Year     | 2.61 | 3-Year                    | 80    | 90      |
| Interest on Reserve Bal. | 4.40      | 4.40       | 5.40         | 2-Year     | 2.62 | 5-Year                    | 110   | 120     |
| SOFR                     | 4.40      | 4.26       | 5.34         | 3-Year     | 2.63 | MBS Current Coupon Yields |       |         |
| 11th Dist COFI (ECOFC)   | 2.93      | 2.93       | 3.20         | 5-Year     | 2.74 | GNMA 30 Yr.               | 5.46% |         |
| 1-Yr. CMT                | 3.97      | 4.15       | 5.13         | 7-Year     | 3.00 | FNMA 30 Yr.               | 5.48% |         |
| Dow                      | 43,819.27 | 42,343.65  | 39,164.06    | 10-Year    | 3.40 | FNMA 15 Yr.               | 4.67% |         |
| NASDAQ                   | 20,273.46 | 19,199.16  | 17,858.68    | 30-Year    | 4.76 |                           |       |         |
| S&P 500                  | 6,713.13  | 5,921.54   | 5,482.87     |            |      |                           |       |         |
| Bond Buyer               | 5.25      | 5.20       | 3.90         |            |      |                           |       |         |

| 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                                             | 4.31  | 4.24  | 3.97  | 3.75  | 3.72  | 3.83  | 4.03 | 4.27  | 4.83  | 4.82  |
| Bullets                                                |       |       |       | 3     | 1     | 2     | 14   | 20    |       |       |
| NC-6 Mo.                                               |       |       |       | 50    | 70    | 85    | 86   | 90    |       |       |
| NC-1 Year                                              |       |       |       | 25    | 45    | 60    | 65   | 70    |       |       |
| NC-2 Year                                              |       |       |       |       | 5     | 28    | 35   | 42    |       |       |

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