Capital Markets Group

Weekly Review—June 27, 2025

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

	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	4.40	4.26	5.34
11th Dist COFI (ECOFC)	2.93	2.93	3.20
1-Yr. CMT	3.97	4.15	5.13
Dow	43,819.27	42,343.65	39,164.06
NASDAQ	20,273.46	19,199.16	17,858.68
S&P 500	6,713.13	5,921.54	5,482.87
Bond Buyer	5.25	5.20	3.90

MUNI AA—BQ

3 Mo.	2.10
6 Mo.	2.19
1-Year	2.61
2-Year	2.62
3-Year	2.63
5-Year	2.74
7-Year	3.00
10-Year	3.40
30-Year	4.76

CMO Spreads to Treasuries

	PAC	Vanilla
1-Year	N/A	+50
2-Year	65	70
3-Year	80	90
5-Year	110	120

MBS Current Coupon Yields

GNMA 30 Yr.	5.46%
FNMA 30 Yr.	5.48%
FNMA 15 Yr.	4.67%

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		