



Weekly Review—August 2, 2024

We all have that one relative who is not afraid to voice his or her opinion with the vigor of a politician who won a national cheer championship as a teen. This morning the bond market is screaming that the sky is falling and already loading up the “I told you the Fed would be late to the party” mantra. The Change in Nonfarm payrolls release of 114,000 and the two-month revision of -29,000 certainly support the case for the FOMC to act sooner rather than later.

The fed funds futures market is acting like it did about eight months ago: calling for a cut of at least one percent, or 100 basis points, in the overnight interest rate by December. The significance of employment data cannot be overstated as we are seeing market reactions of size and what will likely start the domino effect of lower equity valuations and a flight to quality resulting in a decrease in interest rates along the yield curve.

At time of writing, the 2-year treasury sits at about 3.95%, the 5-year at about 3.69%, and the 10-year at about 3.85% (2-10 spread of only 10bps). While this may be a slight overreaction, we should expect the curve to continue the fight against the over 24-month shape of inversion. This is what many have been calling for: a return to normal interest rate patterns of short-term interest rates being lower than long-term rates. We are not quite there, and the short-term part of the curve (under 1-year maturities) remains near or above 5%. Expect the fight between the bond market and the FOMC to continue. Even if the Fed begins to cut rates, based on today and past market behaviors, it will be deemed neither fast enough nor large enough to satisfy the desires for action of market participants.

I can hear the market using their haunting Jim Morrison voice, singing “We want the world, and we want it...NOW!” While members of the FOMC are sipping their tea listening to Jim Croce sing, “Operator. Will you please help make this call?” Action appears to be coming. Will it be enough? Will it be too late? Just ask your favorite boisterous and belligerent relative. He or she will tell you.

Have a nice weekend!

Matthew Maggi | Senior Vice President | Commerce Bank – Capital Markets Group (CMG)
800 548-2663 matthew.maggi@commercebank.com

NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
08/05/2024	\$6,595,000	El Dorado, KS GO BQ (/AA-)	2025-2044
08/05/2024	\$3,970,000	El Dorado, KS GO Temp Notes	2027
08/05/2024	\$1,025,000	Eudora, KS GO BQ 2024A (/AA-)	2026-2045
08/05/2024	\$2,230,000	Eudora, KS GO 2024B Taxable (/AA-)	2026-2043
08/05/2024	\$15,930,000	Maize, KS GO (/AA-)	2026-2045
08/05/2024	\$1,545,000	Gardner, KS GO (/AA-)	2025-2044
08/05/2024	\$1,645,000	Rose Hill, KS GO BQ	2025-2039
08/05/2024	\$42,320,000	Leawood, KS GO (Aaa/)	2025-2044

Economic Release	Data Period	Date	Survey	Actual	Prior
Conf. Board Consumer Confid.	Jul	07/30/2024	99.7	100.3	97.8 (rev down)
MBA Mortgage Applications	Jul 26	07/31/2024	NA	-3.9%	-2.2%
ADP Employment Change	Jul	07/31/2024	150k	122k	155k
MNI Chicago PMI	Jul	07/31/2024	45.0	45.3	47.4
FOMC Rate Decision (Upper)	Jul 31	07/31/2024	5.50%	5.50%	5.50%
Initial Jobless Claims	Jul 27	08/01/2024	236k	249k	235k
S&P Global US Manufacturing PMI	Jul (F)	08/01/2024	49.6	49.6	49.5
ISM Manufacturing	Jul	08/01/2024	48.8	46.8	48.5
Change in Nonfarm Payrolls	Jul	08/02/2024	175k	114k	179k (rev down)
Unemployment Rate	Jul	08/02/2024	4.1%	4.3%	4.1%

KEY INDICES				MUNI AA–BQ	
	Current	Last Month	One Year Ago		
Prime Rate	8.50	8.50	8.50	3 Mo.	2.96
Discount Rate	5.50	5.50	5.50	6 Mo.	2.91
Fed Funds Rate	5.33	5.33	5.33	1-Year	2.74
Interest on Reserve Bal.	5.40	5.40	5.40	2-Year	2.72
SOFR	5.35	5.40	5.31	3-Year	2.68
11th Dist COFI (ECOFC)	3.24	3.23	2.82	5-Year	2.64
1-Yr. CMT	4.33	5.10	5.38	7-Year	2.67
Dow	39,737.26	39,331.85	35,282.52	10-Year	2.74
NASDAQ	16,776.16	18,028.76	13,973.45	30-Year	3.71
S&P 500	5,346.56	5,509.01	4,513.39		
Bond Buyer	3.94	3.93	3.75		

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	5.19					1-Year	N/A	+50
6 Mo. Bill	4.84					2-Year	60	70
1-Year Bill	4.38					3-Year	80	100
2-Year Note	3.90	7	90	40		5-Year	105	115
3-Year Note	3.73	6	114	72	21			
5-Year Note	3.65	5	135	98	52			
7-Year Note	3.70	20	136	107	68			
10-Year Note	3.82	32	133	109	75			
20-Year Bond	4.20							
30-Year Bond	4.12							

MBS Current Coupon Yields		
GNMA 30 Yr.		4.94%
FNMA 30 Yr.		5.00%
FNMA 15 Yr.		4.32%

If you no longer wish to receive this weekly review, please send an email to CapitalMarketsGroup@commercebank.com

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

Securities are provided through Commerce Brokerage Services, Inc (CBSI), a subsidiary of Commerce Bank, member FINRA, SIPC, and Commerce Bank Capital Markets Group (CMG), a division of Commerce Bank (the "entities"). **Investments in securities are NOT FDIC insured; NOT Bank-Guaranteed; MAY lose value.** The opinions expressed herein reflect that of the author and are not a complete analysis of every material fact respecting any company, industry, or security. The author's opinions do not necessarily reflect that of Commerce Bank or its affiliates. CDs are direct financial obligations of the issuing financial institution and are not, either directly or indirectly, an obligation of Commerce Bank. Information contained herein is from sources deemed reliable but cannot be guaranteed. Prices and/or yields are subject to change and investments are subject to availability. The entities are not acting as your Portfolio Manager, Investment Advisor or 'municipal advisor' within the meaning of Section 15b of the Securities Exchange Act and therefore do not act in a fiduciary capacity. The entities do not provide tax advice (please refer to your tax professional).



Commerce Bank

commercebank.com