



Weekly Review—August 9, 2024

My family loves watching the Olympics. We gather each night and watch amazing people do amazing things. The athletes did not just show up, they trained for this moment for a very long time. They trained and prepared in the hopes of showing the world and themselves what they are truly capable of – all in a moment. A huge moment. To achieve this moment, they must have a long-term goal and then produce an instance of brilliance, mediocrity, or utter failure. There is a temptation for investors to replicate this process, except they must reproduce moments of brilliance, mediocrity, or utter failure over and over and over a much longer period than these inspiring athletes.

This week had some exciting moments and the temptation to react was on full display. After last Friday’s Nonfarm Payrolls number, interest rates declined in a strong message that the sky was falling and action by the FOMC was required! The 2-year constant maturity rate closed at 3.88% and the 10-year closed at 3.80%. After this week’s economic releases, the 2-year is trading around 4% while the 10-year is around 3.93%. While not quite back up to prior levels, indications appear to show that rates will remain around 4% until the next push by investors.

The temptation this week was to buy into the idea that the FOMC needed to react immediately and significantly to lower interest rates. The problem was that this reaction was based primarily on one data point. As someone who has made a career of analyzing data, I know how easy it is to react when the information presented looks significantly different from expectations. Or when a data point appears to confirm what I expected. We know what that is called: Confirmation Bias. That is what happened to financial markets this week. The fact that we have been in an inflationary period for so long, that we have not had a recession when it was expected to occur, and the fact that the FOMC requires data to make a decision and therefore, will always be later than the market wants easily explains the reactions this past week. We are human. We want what we want when we want it. When we do not get it, we react and call for action from those in power. This was the second time in less than a year that the Fed Funds futures market priced in the equivalent of six 25bps cuts by the FOMC.

In some ways, investors have a much tougher job than Olympians. Therefore, we must be better. We must maintain a long-term view and not get caught up in the moment like we do. But at the same time, we must aim for brilliance in each opportunity we get. Otherwise, we are left with mediocrity and failure. That simply will not do. Be great! Be brilliant! Be memorable!

Have a nice weekend!

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NEW ISSUE MUNICIPAL CALENDAR			
Date	Amount (\$)	Description	Maturity
08/12/2024	\$2,000,000	Coffey County USD 245, KS GO BQ (/A)	2025-2034
08/13/2024	\$12,680,000	Topeka, KS GO (/AA)	2025-2044
08/13/2024	\$6,940,000	Topeka, KS GO Temp Notes Series A (/SP1+)	2025
08/13/2024	\$8,700,000	Topeka, KS GO Taxable Temp Notes Series B (/SP1+)	2025
08/13/2024	\$15,900,000	City of Shawnee, KS GO (/AAA)	2025-2034
08/15/2024	\$7,685,000	Belle Plaine, KS GO BQ Temp Notes (Not Rated)	2027

Economic Release	Data Period	Date	Survey	Actual	Prior
S&P Global US Services PMI	Jul (F)	08/05/2024	56.0	55.0	56.0
S&P Global US Composite PMI	Jul (F)	08/05/2024	NA	54.3	55.0
ISM Services Index	Jul	08/05/2024	51.0	51.4	48.8
ISM Services New Orders	Jul	08/05/2024	49.8	52.4	47.3
Trade Balance	Jun	08/06/2024	-\$72.5b	-\$73.1b	-\$75.0b (rev down)
MBA Mortgage Applications	Aug 2	08/07/2024	NA	6.9%	-3.9%
Consumer Credit	Jun	08/07/2024	\$10.000t	\$8.934b	\$13.946t (rev up)
Initial Jobless Claims	Aug 3	08/08/2024	243k	233k	250k (rev up)
Continuing Claims	Jul 27	08/08/2024	1,875k	1,875k	1,869k
Wholesale Inventories MoM	Jun (F)	08/08/2024	0.2%	0.2%	0.2%

KEY INDICES				MUNI AA–BQ	
	Current	Last Month	One Year Ago		
Prime Rate	8.50	8.50	8.50	3 Mo.	2.94
Discount Rate	5.50	5.50	5.50	6 Mo.	2.89
Fed Funds Rate	5.33	5.33	5.33	1-Year	2.72
Interest on Reserve Bal.	5.40	5.40	5.40	2-Year	2.70
SOFR	5.34	5.32	5.30	3-Year	2.68
11th Dist COFI (ECOFC)	3.24	3.23	2.82	5-Year	2.64
1-Yr. CMT	4.50	4.99	5.35	7-Year	2.71
Dow	39,497.54	39,291.97	35,123.36	10-Year	2.80
NASDAQ	16,745.30	18,429.29	13,705.08	30-Year	3.79
S&P 500	5,344.16	5,576.98	4,467.71		
Bond Buyer	3.85	3.96	3.71		

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	5.20					1-Year	N/A	+50
6 Mo. Bill	4.96					2-Year	60	70
1-Year Bill	4.45					3-Year	80	105
2-Year Note	4.02	4	83	40		5-Year	105	115
3-Year Note	3.85	5	108	71	20			
5-Year Note	3.78	4	128	94	50			
7-Year Note	3.83	20	130	105	65			
10-Year Note	3.94	32	129	108	75			
20-Year Bond	4.32							
30-Year Bond	4.23							

MBS Current Coupon Yields		
GNMA 30 Yr.		5.23%
FNMA 30 Yr.		5.27%
FNMA 15 Yr.		4.54%

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