Capital Markets Group

Weekly Review—August 23, 2024

The U.S. economic outlook novel is becoming an exciting read. Inflation remains above target. Disinflation has slowed. The headline unemployment rate continues to increase, triggering the Sahm Recession Indicator – a metric with historical accuracy that an economic downturn is either here or near. Previously released non-farm payrolls have been revised materially lower – causing investors to question the true strength of the labor market. Forecasted economic growth continues to adjust downward. As for the treasury curve, intermediate and longer-term yields are down as much as 40bps since the first of the month primary driven by the market's economic growth concerns. From last October's cycle high, these same treasury yields are off as much as 125bps. Earlier this month, the 2/10 treasury yield spread turned positive for a brief time – another historically accurate indicator of a change in the business cycle. And we're just in the middle chapters!

In his scripted comments, Fed Chairman Powell addressed the market's economic outlook concerns as part of the Fed's annual Jackson Hole Economic Policy Symposium. Earlier today Powell stated that "the current level of our policy rate gives us ample room to respond to any risks we may face, including the risk of unwelcomed further weakening in labor market conditions." According to the Fed Chair, policy makers do "not seek or welcome further cooling in labor market conditions." Meaning, they don't want to be accountable for putting more Americans out of work. As for the Fed's inflation concerns, Powell stated "my confidence has grown the inflation is on a sustainable path back to two percent."

Based on all this, investors are convinced that policy makers will cut benchmark rates at next month's FOMC meeting.
Question is: How much? 25bps or 50bps.

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NEW ISSUE MUNICIPAL CALENDAR			
Date	Amount ($)	Description	Maturity
08/27/24	$4,210,000	Dodge Community College COPS BQ	2026 - 2050
08/27/24	$5,865,000	Clearwater KS GO Temp Notes BQ	2027

Economic Release	Data Period	Date	Survey	Actual	Prior
Leading Index	Jul	08/19/2024	-0.4%	-0.6%	-0.2%
MBA Mortgage Applications	Aug 16	08/21/2024	NA	-10.1%	16.8%
Initial Jobless Claims	Aug 17	08/22/2024	232k	232k	228k (rev up)
Continuing Claims	Aug 10	08/22/2024	1,870k	1,863k	1,859k (rev down)
S&P Global US Manufact. PMI	Aug (P)	08/22/2024	49.5	48.0	49.6
S&P Global US Services PMI	Aug (P)	08/22/2024	54.0	55.2	55.0
S&P Global US Composite PMI	Aug (P)	08/22/2024	53.2	54.1	54.3
Existing Home Sales	Jul	08/22/2024	3.94m	39.5m	3.90m (rev up)
New Home Sales	Jul	08/23/2024	624k	739k	668k (rev up)
New Home Sales MoM	Jul	08/23/2024	1.1%	10.6%	0.3% (rev up)

KEY INDICES

	Current	Last Month	One Year Ago
Prime Rate	8.50	8.50	8.50
Discount Rate	5.50	5.50	5.50
Fed Funds Rate	5.33	5.33	5.33
Interest on Reserve Bal.	5.40	5.40	5.40
SOFR	5.31	5.33	5.30
11th Dist COFI (ECOFC)	3.24	3.23	2.82
1-Yr. CMT	4.36	4.88	5.39
Dow	41,175.08	40,358.09	34,472.98
NASDAQ	17,877.79	17,997.35	13,721.03
S&P 500	5,634.61	5,555.74	4,436.01
Bond Buyer	3.88	3.92	3.84

MUNI AA—BQ

3 Mo.	2.83
6 Mo.	2.78
1-Year	2.60
2-Year	2.54
3-Year	2.54
5-Year	2.51
7-Year	2.66
10-Year	2.81
30-Year	3.80

Treasuries & New Issue Agencies *(Spread to Treasuries)*

	Treasuries	Bullets	NC-6 Mo.	NC-1 Year	NC- 2 Year
3 Mo. Bill	5.13				
6 Mo. Bill	4.88				
1-Year Bill	4.38				
2-Year Note	3.93	2	82	37	
3-Year Note	3.74	5	108	70	19
5-Year Note	3.66	3	131	97	51
7-Year Note	3.71	15	134	105	68
10-Year Note	3.81	32	134	112	78
20-Year Bond	4.18				
30-Year Bond	4.09				

CMO Spreads to Treasuries

	PAC	Vanilla
1-Year	N/A	+50
2-Year	60	70
3-Year	77	100
5-Year	103	115

MBS Current Coupon Yields

GNMA 30 Yr.	4.92%
FNMA 30 Yr.	5.01%
FNMA 15 Yr.	4.39%

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