Capital Markets Group

Weekly Review—August 30, 2024

Hello old friend. It's really nice to see you again (Eric Clapton). This week I spent a few days in St Louis and some other towns – seeing customers, colleagues, and friends. These encounters with others or even my own thoughts provided me with joy and perspective I greatly needed. I am not sure if the FOMC and the markets are trying to get closer, but it appears they might be coming to an agreement regarding short-term interest rates.

I'm Back. Back on the block (Quincy Jones). Fed Funds futures are certain that the Fed will cut the overnight rate in few weeks, pricing in at least one 25 basis point decrease. The minutes from the July FOMC meeting showed there were some members who wanted to lower the Discount Rate associated with Federal Reserve borrowing by financial institutions. The key here is the Discount Rate frequently moves when the Fed Funds rate is changed. Rate decreases now appear inevitable; however, the size and timing remains a little blurry. I enjoy compromise and the joining together of opposing forces much more than I enjoy conflict. I hope both the markets and the FOMC are really listening to each other so we can begin to change to the next interest cycle and with a soft landing in our economy. Economic data released this week points to a continued healthy economy despite fears that the consumer has slowed down spending. GDP for the second quarter of 2024 was revised upward to 3.0% and Personal Spending was 0.5%, up from the previous estimate of 0.3%. Core PCE year-over-year was 2.6% and earlier this week, Initial Jobless claims remained around 230,000. Curve inversion may soon be coming to an end and a more normalized yield curve may make an appearance toward the end of this year.

The boys are back in town (Thin Lizzy). Being back in St Louis always brings back memories of my formative years. I was able to have dinner with four of my best friends and we spent hours together, as men of a certain age, discussing how much we've changed since we first met in our teens. Relationships matter. Especially with the people we enjoy spending time with. Thank you to the bankers that met with me and thank you to my friends for making my time away from home so nice. May the FOMC and market participants have a reunion as sweet as I had this week with customers and friends. And may we enjoy an economic landing so soft it feels like the embrace of an old friend.

Have a nice weekend!

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NEW ISSUE MUNICIPAL CALENDAR			
Date	Amount ($)	Description	Maturity
09/05/24	$9,690,000	Newton KS GO	2025 - 2044
09/05/24	$425,000	Partridge KS Public Building Rev BQ	2025 - 2054

Economic Release	Data Period	Date	Survey	Actual	Prior
Durable Goods Orders	Jul (P)	08/26/2024	5.0%	9.9%	-6.9% (rev down)
Conf. Board Consumer Confid.	Aug	08/27/2024	100.8	103.3	101.9 (rev up)
MBA Mortgage Applications	Aug 23	08/28/2024	NA	0.5%	-10.1%
GDP Annualized QoQ	2Q (S)	08/29/2024	2.8%	3.0%	2.8%
Initial Jobless Claims	Aug 24	08/29/2024	232k	231k	233k (rev up)
Personal Income	Jul	08/30/2024	0.2%	0.3%	0.2%
Personal Spending	Jul	08/30/2024	0.5%	0.5%	0.3%
Core PCE Price Index YoY	Jul	08/30/2024	2.7%	2.6%	2.6%
MNI Chicago OMI	Aug	08/30/2024	44.8	46.1	45.3
U. of Mich. Sentiment	Aug (F)	08/30/2024	68.1	67.9	67.8

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	5.33	5.33	5.30
11th Dist COFI (ECOFC)	3.24	3.23	2.82
1-Yr. CMT	4.38	4.79	5.37
Dow	41,563.08	40,743.33	34,890.24
NASDAQ	17,713.63	17,147.42	14,019.31
S&P 500	5,648.40	5,436.44	4,514.87
Bond Buyer	3.87	3.94	3.81

MUNI AA—BQ

3 Mo.	2.80
6 Mo.	2.75
1-Year	2.57
2-Year	2.49
3-Year	2.49
5-Year	2.47
7-Year	2.63
10-Year	2.81
30-Year	3.81

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

	Treasuries	Bullets	NC-6 Mo.	NC-1 Year	NC- 2 Year
3 Mo. Bill	5.10				
6 Mo. Bill	4.85				
1-Year Bill	4.40				
2-Year Note	3.89	4	78	37	
3-Year Note	3.75	4	100	65	17
5-Year Note	3.67	5	127	92	49
7-Year Note	3.76	17	130	99	62
10-Year Note	3.86	32	128	105	70
20-Year Bond	4.23				
30-Year Bond	4.14				

CMO Spreads to Treasuries

	PAC	Vanilla
1-Year	N/A	+50
2-Year	60	70
3-Year	77	100
5-Year	105	115

MBS Current Coupon Yields

GNMA 30 Yr.	5.00%
FNMA 30 Yr.	5.13%
FNMA 15 Yr.	4.42%

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