



Weekly Review—September 1, 2023

There was something for everyone in this week's key economic data. Here's an overview of what the market saw...

Economic Growth

At 2.1%, second quarter Gross Domestic Product (GDP) – the government's broad-based measure of overall economic health – was revised lower largely driven by a reduction in business investment and inventories. The initial 2QTR23 estimate was 2.4%. Although down, the 2.1% annualized growth rate led some economists to push out their recession forecasts while others removed the possibility all together. The median forecast taken from a recent Bloomberg survey shows that although economists believe that the economy will materially slow in the quarters ahead, growth may not contract. Even though pandemic-era savings continues to shrink, the strength in the jobs market gives consumers confidence to keep spending. As such, the economy forges ahead. The Atlanta Fed GDPNow forecast currently shows that 3rd quarter growth could be as strong as 5+%.

Inflation

July's core Personal Consumption Expenditure (PCE) – the Fed's preferred inflation measurement – rose 4.2% annually, as expected. On a month-over-month basis, core inflation rose 0.2% for a second month – marking the smallest back-to-back increase since the fall of 2020. Although inflation remains persistently higher than the Fed's 2% target, July's modest inflation print may not warrant an immediate policy response – meaning, another rate hike at this month's policy meeting. That said, the continued strength in consumer spending (previously explained) could put upward pressure on already high prices. Strong demand for goods and services does not entice the market to lower prices anytime soon.

Employment Situation

August's non-farm payrolls increased 187k – marking the third consecutive month of sub-200k job growth. Based on the Bureau of Labor Statistics data, August's increase was largely driven by job growth in lower paying service jobs. As for the unemployment rate, headline (U3) unemployment increased to 3.8% as more people entered the jobs market looking for work. And finally, wage growth slowed slightly as compared to July, increasing 4.3% annually and 0.2% on the month. The Fed will likely view this data as favorable.

This week's key economic data supports a paused policy response at the Fed's next FOMC meeting which is scheduled for September 20.

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NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
9/4/2023		Labor Day—Markets Closed	
		No Local Issues This Week	

Economic Release	Data Period	Date	Survey	Actual	Prior
Conf. Board Consumer Confid.	Aug	08/29/2023	116.0	106.1	114.0 (rev down)
MBA Mortgage Applications	Aug 25	08/30/2023	NA	2.3%	-4.2%
ADP Employment Change	Aug	08/30/2023	195k	177k	371k (rev up)
GDP Annualized QoQ	2Q (S)	08/30/2023	2.4%	2.1%	2.4%
Initial Jobless Claims	Aug 26	08/31/2023	235k	228k	232k (rev up)
Personal Income	Jul	08/31/2023	0.3%	0.2%	0.3%
Personal Spending	Jul	08/31/2023	0.7%	0.8%	0.6% (rev up)
PCE Core Deflator YoY	Jul	08/31/2023	4.2%	4.2%	4.1%
Change in Nonfarm Payrolls	Aug	09/01/2023	170k	187k	157k (rev down)
Unemployment Rate	Aug	09/01/2023	3.5%	3.8%	3.5%

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	8.50	8.50	5.50	3 Mo.	2.90
Discount Rate	5.50	5.50	2.50	6 Mo.	3.00
Fed Funds Rate	5.33	5.33	2.33	1-Year	3.28
Interest on Reserve Bal.	5.40	5.40	2.40	2-Year	3.17
SOFR	5.31	5.31	2.29	3-Year	3.06
11th Dist COFI (ECOFC)	2.89	2.82	0.87	5-Year	2.94
1-Yr. CMT	5.36	5.37	3.50	7-Year	2.96
Dow	34,837.71	35,630.68	31,656.42	10-Year	3.05
NASDAQ	14,031.82	14,283.91	11,785.13	30-Year	4.19
S&P 500	4,515.77	4,576.73	3,966.85		
Bond Buyer	3.81	3.60	3.64		

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	5.41					1-Year	N/A	+55
6 Mo. Bill	5.47					2-Year	60	70
1-Year Bill	5.34					3-Year	90	120
2-Year Note	4.84	2	81	81		5-Year	120	145
3-Year Note	4.55	9	85	82	81			
5-Year Note	4.27	9	98	94	86			
7-Year Note	4.24	27	105	98	88			
10-Year Note	4.16	46	120	111	99			
20-Year Bond	4.47							
30-Year Bond	4.28							

MBS Current Coupon Yields		
GNMA 30 Yr.		5.81%
FNMA 30 Yr.		5.84%
FNMA 15 Yr.		5.44%

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