Capital Markets Group

Weekly Review—September 6, 2024

With Fed Chairman Powell acknowledging at last month's Fed Symposium that Fed policy will soon shift; market participants continue to scour economic data to gauge how deep the expected benchmark rate cut could be at this month's policy meeting. With the labor market already showing signs of weakening, this morning's August jobs report was an important data piece for policy makers. Keep in mind their dual mandate of maximum employment with stable prices. July's unemployment rate increase triggered the Sahm recession rule – that states that if the three-month average rate increases 0.5% compared to its low rate over the previous twelve months, the economy is in a recession. Additionally, policy makers do not "seek or welcome further cooling in labor market conditions," according to Powell.

Here's a quick look at August's employment data - Although the headline unemployment rate of 4.2% came as expected, the 142k increase in non-farm payrolls missed street estimates of 165k. Additionally, previously reported monthly payroll gains were revised lower suggesting that the labor market is softer than the headline data suggests. [Fun fact: Except for one month, this year's initially reported monthly non-farm payroll gains have all been revised downward. Meaning, the Bureau of Labor Statistics (BLS) has consistently overstated the monthly jobs growth.] Based on the non-farm payroll numbers, the labor market continues to slow.

Based on futures trading, the probability of a 50bp cut at the September 18 FOMC meeting increased slightly to approximately 50% - basically a coin toss. While next week's release of August's inflation data will be key, I'm thinking 25bps at this point…

Dennis Zimmerman Jr.
Senior Vice President
Senior Manager – Asset/Liability Services
Commerce Bank – Capital Markets Group (CMG)

NEW ISSUE MUNICIPAL CALENDAR			
Date	Amount ($)	Description	Maturity
09/09/24	$2,275,000	Dekalb County MO COPs	2025 - 2034
09/10/24	$6,000,000	City of Maplewood MO GO	2025 - 2044
09/10/24	$19,945,000	Valley Center 1 KS GO Temp Notes	2026 - 2027
09/10/24	$3,400,000	Liberal KS GO Temp Notes	2027

Economic Release	Data Period	Date	Survey	Actual	Prior
S&P Global US Manufact. PMI	Aug (F)	09/03/2024	48.0	47.9	48.0
ISM Manufacturing	Aug	09/03/2024	47.5	47.2	46.8
MBA Mortgage Applications	Aug 30	09/04/2024	NA	1.6%	0.5%
Trade Balance	Jul	09/04/2024	-$79.0b	-$78.8b	-$73.0b (rev down)
Factory Orders	Jul	09/04/2024	4.9%	5.0%	-3.3%
Durable Goods Orders	Jul (F)	09/04/2024	9.9%	9.8%	9.9%
ADP Employment Change	Aug	09/05/2024	145k	99k	111k (rev down)
Initial Jobless Claims	Aug 31	09/05/2024	230k	227k	232k (rev up)
Change in Nonfarm Payrolls	Aug	09/06/2024	165k	142k	89k (rev down)
Unemployment Rate	Aug	09/06/2024	4.2%	4.2%	4.3%

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	5.35	5.32	5.31
11th Dist COFI (ECOFC)	3.27	3.34	2.89
1-Yr. CMT	4.10	4.34	5.42
Dow	40,345.41	38,997.66	34,443.19
NASDAQ	16,690.83	16,366.85	13,872.47
S&P 500	5,408.42	5,240.03	4,465.48
Bond Buyer	3.86	3.94	3.85

MUNI AA—BQ	
3 Mo.	2.00
6 Mo.	2.09
1-Year	2.51
2-Year	2.44
3-Year	2.44
5-Year	2.42
7-Year	2.58
10-Year	2.76
30-Year	3.76

CMO Spreads to Treasuries	PAC	Vanilla
1-Year	N/A	+45
2-Year	60	65
3-Year	75	100
5-Year	100	110

MBS Current Coupon Yields	
GNMA 30 Yr.	4.81%
FNMA 30 Yr.	4.87%
FNMA 15 Yr.	4.09%

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

	3 Mo.	6 Mo.	1-Yr.	2-Yr.	3-Yr.	5-Yr.	7-Yr	10-Yr	20-Yr	30-Yr
Treasuries	5.03	4.71	4.16	3.71	3.58	3.52	3.62	3.72	4.10	4.00
Bullets				2	2	5	18	32		
NC-6 Mo.				87	110	132	135	131		
NC-1 Year				41	68	94	100	105		
NC-2 Year					16	49	62	73		