Capital Markets Group

Weekly Review—September 13, 2024

If loving you is wrong, I don't wanna be right (Luther Ingram) … The fed funds futures market is yearning for stronger action by the Federal Reserve. With the release of this week's inflation-related data and the perceived weakness forming in labor markets, traders are pining for an exciting announcement by the FOMC next Wednesday. Fed funds futures are pricing in a 100% chance of a 0.25% cut with around a 50% chance of a 0.50% cut. Will the overnight fed funds rate (upper bound) be 5.25% or 5.00%? Stay tuned to As The (Financial) World Turns to find out!

The US Treasury market appears to be pricing in the 0.50% cut as well. With the media blackout for voting members of the FOMC happening, we are left with former members sharing their opinions leading up to next week's meeting. There are certainly a lot of opinions out there about what the FOMC should do and why they should do it. And I'm sure they love the attention and feeling of importance that comes with such responsibility. If I am correct about how the Federal Reserve usually responds, we should expect a measured, more deliberate cutting of rates going forward. The decisions on the size of the cuts will be dependent upon employment data released this Fall but we should prepare for lower rates. How low? That is the real question. No! The real questions we should ask ourselves is how do lower rates affect our organizations' business plans, budgets, capital spending, debt issuance, and investing opportunities. How will our cash flow change? These are the critical questions we should be asking ourselves. Not worrying about who thinks what will happen. Not just planning and managing for what we think might happen but planning and being ready to react quickly to what happens regardless of our opinions.

I often write about the relationship between the market participants and the Federal Reserve. It is a complicated one. Right now, it seems market participants are looking at the 0.50% cut as someone new and exciting – a sexier partner. Will it be that old cliché of older married folks longing for a younger and more energetic option? Or will the relationship between these two survive because the markets finally come to their senses and realize the consequences that come along with that more exciting choice. The markets may well be right about the size of the cuts in interest rates, it just might be for the wrong reasons.

Have a nice weekend!

Matthew Maggi | Senior Vice President | Commerce Bank – Capital Markets Group (CMG)
800 548-2663 matthew.maggi@commercebank.com

NEW ISSUE MUNICIPAL CALENDAR			
Date	Amount ($)	Description	Maturity
09/16/24	$1,700,000	Otterville R-VI MO School District GO BQ (LJ Hart deal)	2025 - 2044
09/16/24	$10,415,000	Dodge City-1 KS Temp Notes GO	2027
09/16/24	$7,380,000	Goddard KS Temp Notes GO	2027
09/16/24	$2,135,000	Dodge City KS GO	2025 - 2044
09/16/24	$580,000	Oakley KS GO BQ	2025 - 2032
09/17/24	$1,015,000	Wellington KS GO BQ	2025 - 2039
09/19/24	$33,245,000	Wichita KS School District GO – Series 834	2025 - 2044
09/19/24	$25,930,000	Wichita KS School District GO – Series 835	2025 - 2039

Economic Release	Data Period	Date	Survey	Actual	Prior
Wholesale Inventories MoM	Jul (F)	09/09/2024	0.3%	0.2%	0.3%
MBA Mortgage Applications	Sep 6	09/11/2024	NA	1.4%	1.6%
CPI MoM	Aug	09/11/2024	0.2%	0.2%	0.2%
CPI Ex Food and Energy MoM	Aug	09/11/2024	0.2%	0.3%	0.2%
CPI YoY	Aug	09/11/2024	2.5%	2.5%	2.9%
CPI Ex Food and Energy YoY	Aug	09/11/2024	3.2%	3.2%	3.2%
PPI Final Demand MoM	Aug	09/12/2024	0.1%	0.2%	0.0% (rev down)
Initial Jobless Claims	Sep 7	09/12/2024	226k	230k	228k (rev up)
Continuing Claims	Aug 31	09/12/2024	1,850k	1,850k	1,845k (rev up)
U. of Mich. Sentiment	Sep (P)	09/13/2024	68.5	69.0	67.9

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	5.34	5.30
11th Dist COFI (ECOFC)	3.27	3.24	2.89
1-Yr. CMT	4.00	4.47	5.42
Dow	41,393.78	39,765.64	34,575.53
NASDAQ	17,683.98	17,187.61	13,813.58
S&P 500	5,626.02	5,434.43	4,467.44
Bond Buyer	3.83	3.85	3.87

MUNI AA—BQ	
3 Mo.	2.03
6 Mo.	2.12
1-Year	2.54
2-Year	2.39
3-Year	2.39
5-Year	2.39
7-Year	2.55
10-Year	2.73
30-Year	3.73

CMO Spreads to Treasuries	PAC	Vanilla
1-Year	N/A	+45
2-Year	60	65
3-Year	75	100
5-Year	100	105

MBS Current Coupon Yields	
GNMA 30 Yr.	4.65%
FNMA 30 Yr.	4.74%
FNMA 15 Yr.	3.95%

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	4.91	4.63	4.01	3.58	3.44	3.44	3.54	3.66	4.06	3.99
Bullets				2	3	5	10	32		
NC-6 Mo.				85	108	125	128	125		
NC-1 Year				35	65	88	95	97		
NC-2 Year					17	43	55	63		

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