



Weekly Review—September 22, 2023

Higher for longer. That was the message sent this week by the FOMC. Not necessarily a new message, but one the markets adjusted to after the news conference. We were also told to expect one more hike before the end of the year. Fed Funds futures markets readjusted after that message was sent. So, we should expect a Fed Funds rate of 5.75% and a prime rate of 8.75% by year end. Then what? Futures markets pushed back the first cut to 3Q 2024, the FOMC will wait until they are satisfied with inflation levels, or if we see significant deterioration in the economy and employment. What are investors supposed to do with this knowledge?

First, expect the best, plan for the worst. What? Simply invest along different parts of the curve, weighting where you expect interest rates to go. By investing some in short-term maturities and some in mid-term maturities you are in a sense hedging. If rates remain elevated through 2024, you will reinvest at similar levels to where we are now, and as you extend out into mid-term maturities, you hedge against a downturn – locking in current coupons for longer. It's not a new strategy, but we are in a good time to execute such a barbell approach. Not all portfolios can do this as investors have different time horizons and different risk tolerances, but in general, executing a barbell with the intention of maximizing coupon/yield for a significant time seems reasonable.

If you agree with the bond markets and futures markets, you will extend duration sooner rather than later in anticipation of lower yields. If you agree with the FOMC, you have a little more time to extend. Either way, the relative yields on bonds are much higher than we've seen in decades. Adding some principal protection to your investment portfolio now, seems like a good thing.

If you have any questions about fixed income investments, which types, and what maturities look promising from a performance standpoint, please reach out to your Investment Representative.

Have a great weekend!

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NEW ISSUE MUNICIPAL CALENDAR			
Date	Amount (\$)	Description	Maturity
9/25/23 – 9/29/23		No local issues this week	

Economic Release	Data Period	Date	Survey	Actual	Prior
Housing Starts	Aug	09/19/2023	1,439k	1,283k	1,447k (rev down)
Building Permits	Aug	09/19/2023	1,440k	1,543k	1,443k (rev up)
MBA Mortgage Applications	Sep 15	09/20/2023	NA	5.4%	-0.8%
FOMC Rate Decision (Upper)	Sep 20	09/20/2023	5.50%	5.50%	5.50%
Initial Jobless Claims	Sep 16	09/21/2023	225k	201k	221k (rev up)
Existing Home Sales	Aug	09/21/2023	4.10m	4.04m	4.07m
Leading Index	Aug	09/21/2023	-0.5%	-0.4%	-0.3% (rev up)
S&P Global US Manufact. PMI	Sep (P)	09/22/2023	48.2	48.9	47.9
S&P Global US Services PMI	Sep (P)	09/22/2023	50.7	50.2	50.5
S&P Global US Composite PMI	Sep (P)	09/22/2023	50.4	50.1	50.2

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	8.50	8.50	6.25	3 Mo.	3.05
Discount Rate	5.50	5.50	3.25	6 Mo.	3.15
Fed Funds Rate	5.33	5.33	2.33	1-Year	3.45
Interest on Reserve Bal.	5.40	5.40	3.15	2-Year	3.35
SOFR	5.30	5.30	2.25	3-Year	3.24
11th Dist COFI (ECOFC)	2.89	2.82	0.87	5-Year	3.16
1-Yr. CMT	5.46	5.37	4.08	7-Year	3.17
Dow	33,963.84	34,288.83	30,076.68	10-Year	3.28
NASDAQ	13,211.81	13,505.87	11,066.80	30-Year	4.38
S&P 500	4,320.06	4,387.55	3,757.99		
Bond Buyer	3.90	3.75	3.89		

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	5.47					1-Year	N/A	+55
6 Mo. Bill	5.52					2-Year	60	70
1-Year Bill	5.44					3-Year	85	100
2-Year Note	5.10	5	81	81		5-Year	120	145
3-Year Note	4.80	14	84	81	80			
5-Year Note	4.56	6	99	94	86			
7-Year Note	4.51	27	106	98	88			
10-Year Note	4.42	45	120	111	100			
20-Year Bond	4.70							
30-Year Bond	4.51							

MBS Current Coupon Yields		
GNMA 30 Yr.		6.04%
FNMA 30 Yr.		6.11%
FNMA 15 Yr.		5.68%

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