



Weekly Review—October 4, 2024

The Fed shifted policy at last month's FOMC meeting by cutting benchmark rates 50 basis points largely based on weakness in the jobs market. Knowing that further policy action is expected to be data dependent, this morning's release of the September jobs report was this week's market focus.

Understanding that the July and August employment reports showed signs of a deteriorating labor market, the robust September employment data came as a big surprise. Specifically, the 254k increase in non-farm payrolls topped street estimates of 150k – marking the strongest growth in six months. Prior month increases were revised 72k higher. (*Last month's revision to the two prior months data was 86k lower.*) The unemployment rate unexpectedly dropped to 4.1% versus the expected 4.2%. Hourly earnings increased 0.4% on the month, slightly higher than the 0.3% forecast. Bottom line: This stronger than expected payroll report alleviated investor concerns that the labor market was materially weakening. (Question – When did one data point become indicative of a trend!)

While most investors expect the Fed will continue cutting overnight rates, the downward trajectory of expected benchmark rates has flattened. Futures pricing prior to today's employment data suggested cumulative easing of approximately 66bps by year end, implying a strong chance of a 50bps cut at one of the two upcoming meetings. But because of the unexpected strength in the labor market, the likelihood of 25bp reductions in benchmark rates at both the November and December policy meetings increased. The market's 25bps reductions better align with the Fed Chairman Powell's comment (which was made earlier this week) that easing will happen "over time."

Looking forward, market volatility could materially increase as investors will be challenged in determining how the November election, war in the Middle East and Helene potentially impacts economic outlook.

As a heads-up, our next Weekly Commentary will be published on Friday, October 18.

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NEW ISSUE MUNICIPAL CALENDAR			
Date	Amount (\$)	Description	Maturity
10/07/24	\$4,870,000	Mulvane KS GO	2025 - 2044
10/07/24	\$5,045,000	Mulvane KS GO Temp Notes	2026
10/08/24	\$325,000	Strong City KS GO	2025 - 2044
10/10/24	\$2,660,000	Hays KS GO	2026 - 2045

Economic Release	Data Period	Date	Survey	Actual	Prior
MNI Chicago PMI	Sep	09/30/2024	46.0	46.6	46.1
S&P Global US Manufact. PMI	Sep (F)	10/01/2024	47.0	47.3	47.0
ISM Manufacturing	Sep	10/01/2024	47.5	47.2	47.2
MBA Mortgage Applications	Sep 27	10/02/2024	NA	-1.3%	11.0%
ADP Employment Change	Sep	10/02/2024	125k	143k	103k (rev up)
Initial Jobless Claims	Sep 28	10/03/2024	221k	225k	219k (rev up)
Factory Orders	Aug	10/03/2024	0.1%	-0.2%	4.9% (rev down)
Durable Goods Orders	Aug (F)	10/03/2024	0.0%	0.0%	0.0%
Change in Nonfarm Payrolls	Sep	10/04/2024	150k	254k	159k (rev up)
Unemployment Rate	Sep	10/04/2024	4.2%	4.1%	4.2%

KEY INDICES				MUNI AA-BQ		CMO Spreads to Treasuries		
	Current	Last Month	One Year Ago				PAC	Vanilla
Prime Rate	8.00	8.50	8.50	3 Mo.	2.08	1-Year	N/A	+45
Discount Rate	5.00	5.50	5.50	6 Mo.	2.17	2-Year	60	70
Fed Funds Rate	4.83	5.33	5.33	1-Year	2.59	3-Year	80	105
Interest on Reserve Bal.	4.90	5.40	5.40	2-Year	2.32	5-Year	105	110
SOFR	4.85	5.34	5.33	3-Year	2.29	MBS Current Coupon Yields		
11th Dist COFI (ECOFC)	3.26	3.27	2.97	5-Year	2.32	GNMA 30 Yr.	5.08%	
1-Yr. CMT	4.20	4.35	5.49	7-Year	2.48	FNMA 30 Yr.	5.17%	
Dow	42,352.75	40,974.97	33,129.55	10-Year	2.64	FNMA 15 Yr.	4.47%	
NASDAQ	18,137.85	17,084.30	13,236.01	30-Year	3.70			
S&P 500	5,751.07	5,520.07	4,263.75					
Bond Buyer	3.74	3.87	4.12					

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	4.60	4.43	4.13	3.87	3.78	3.77	3.84	3.95	4.31	4.25
Bullets				2	3	3	19	25		
NC-6 Mo.				70	87	105	110	110		
NC-1 Year				37	50	72	92	87		
NC-2 Year					13	40	50	60		

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