



## Weekly Review—October 6, 2023

*How come it feels like somebody's watching me...* Today's strong nonfarm payrolls numbers, +336,000 versus survey of +170,000, continue to paint the picture of another rate hike from the FOMC in the 4<sup>th</sup> quarter and the expectation for higher-for-longer interest rates. The unemployment rate remained 3.8% while the participation rate was unchanged and in-line with expectations of 62.8%. Trending labor market data remains an almost defiant example of what traditionally would be a sluggish economy by now. One could be excused for feeling a bit confused or even paranoid!

*Make a joke and I will sigh, and you will laugh and I will cry...* Between the JOLTS surprise (9.6M) and the very low ADP Employment Change (+89k), our minds are being tortured by inconsistency. I've felt like Mel Blanc has been living in my head, saying, "Which way did he go, George? Which way did he go?" This confusion will cause further volatility in interest rates with a bias toward rate increases. The overall yield curve has been Bear Steepening, pushing prices downward and decreasing the inversion we've seen for over a year. This is the stage prior to recession as the curve steepens anticipating a recovery from recession. Fear not, my friends! Opportunities lie along several points of the curve to lock-in high interest rates or ride out the volatility on the short-end. Lower prices can create a buying opportunity, positioning your portfolio to take advantage of the inevitable correction of our confused economy.

*What's that? (I may be paranoid, but not an android)* ...Fight the temptation to turn off the lights, grab your favorite cocktail and hide away from all the noise (*chicken voices*) in your head. Reach out to your investment representative to discuss possible fixed income investing options, or at least talk about this odd economy we're living in.

Have a great weekend!

*Songs: Somebody's Watching Me – Rockwell*

*Paranoid – Black Sabbath*

*Paranoid Android – Radiohead*

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### NEW ISSUE MUNICIPAL CALENDAR

| Date       | Amount (\$) | Description                 | Maturity |
|------------|-------------|-----------------------------|----------|
| 10/09/2023 |             | Columbus Day – Bank Holiday |          |
|            |             | No local deals this week    |          |

| Economic Release            | Data Period | Date       | Survey   | Actual   | Prior             |
|-----------------------------|-------------|------------|----------|----------|-------------------|
| S&P Global US Manufact. PMI | Sep (F)     | 10/02/2023 | 48.9     | 49.8     | 48.9              |
| ISM Manufacturing PMI       | Sep         | 10/02/2023 | 47.9     | 49.0     | 47.6              |
| MBA Mortgage Applications   | Sep 29      | 10/04/2023 | NA       | -6.0%    | -1.3%             |
| ADP Employment Change       | Sep         | 10/04/2023 | 150k     | 89k      | 180k (rev up)     |
| Factory Orders              | Aug         | 10/04/2023 | 0.3%     | 1.2%     | -2.1%             |
| Durable Goods Orders        | Aug (F)     | 10/04/2023 | 0.2%     | 0.1%     | 0.2%              |
| Trade Balance               | Aug         | 10/05/2023 | -\$59.8b | -\$58.3b | -\$64.7b (rev up) |
| Initial Jobless Claims      | Sep 30      | 10/05/2023 | 210k     | 207k     | 205k (rev up)     |
| Change in Nonfarm Payrolls  | Sep         | 10/06/2023 | 170k     | 336k     | 227k (rev up)     |
| Unemployment Rate           | Sep         | 10/06/2023 | 3.7%     | 3.8%     | 3.8%              |

| KEY INDICES              |           |            |              | MUNI AA-BQ |      |
|--------------------------|-----------|------------|--------------|------------|------|
|                          | Current   | Last Month | One Year Ago |            |      |
| Prime Rate               | 8.50      | 8.50       | 6.25         | 3 Mo.      | 3.37 |
| Discount Rate            | 5.50      | 5.50       | 3.25         | 6 Mo.      | 3.47 |
| Fed Funds Rate           | 5.33      | 5.33       | 3.08         | 1-Year     | 3.77 |
| Interest on Reserve Bal. | 5.40      | 5.40       | 3.15         | 2-Year     | 3.69 |
| SOFR                     | 5.32      | 5.31       | 3.04         | 3-Year     | 3.56 |
| 11th Dist. COFI (ECOFC)  | 2.97      | 2.89       | 1.11         | 5-Year     | 3.49 |
| 1-Yr. CMT                | 5.43      | 5.42       | 4.14         | 7-Year     | 3.53 |
| Dow                      | 33,407.52 | 34,443.19  | 29,926.94    | 10-Year    | 3.62 |
| NASDAQ                   | 13,431.34 | 13,872.47  | 11,073.31    | 30-Year    | 4.70 |
| S&P 500                  | 4,308.52  | 4,465.48   | 3,744.52     |            |      |
| Bond Buyer               | 4.12      | 3.81       | 3.86         |            |      |

| 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                                             | 5.50       |         |          |           |            | 1-Year                    | N/A | +55     |
| 6 Mo. Bill                                             | 5.57       |         |          |           |            | 2-Year                    | 60  | 70      |
| 1-Year Bill                                            | 5.42       |         |          |           |            | 3-Year                    | 90  | 105     |
| 2-Year Note                                            | 5.08       | 10      | 81       | 81        |            | 5-Year                    | 125 | 150     |
| 3-Year Note                                            | 4.88       | 13      | 84       | 81        | 80         |                           |     |         |
| 5-Year Note                                            | 4.75       | 7       | 98       | 94        | 86         |                           |     |         |
| 7-Year Note                                            | 4.80       | 27      | 105      | 99        | 89         |                           |     |         |
| 10-Year Note                                           | 4.78       | 45      | 120      | 111       | 99         |                           |     |         |
| 20-Year Bond                                           | 5.14       |         |          |           |            |                           |     |         |
| 30-Year Bond                                           | 4.94       |         |          |           |            |                           |     |         |

| MBS Current Coupon Yields |       |
|---------------------------|-------|
| GNMA 30 Yr.               | 6.45% |
| FNMA 30 Yr.               | 6.48% |
| FNMA 15 Yr.               | 5.95% |

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