Capital Markets Group

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 4th 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

	Current	Last Month	One Year Ago
Prime Rate	8.50	8.50	6.25
Discount Rate	5.50	5.50	3.25
Fed Funds Rate	5.33	5.33	3.08
Interest on Reserve Bal.	5.40	5.40	3.15
SOFR	5.32	5.31	3.04
11th Dist. COFI (ECOFC)	2.97	2.89	1.11
1-Yr. CMT	5.43	5.42	4.14
Dow	33,407.52	34,443.19	29,926.94
NASDAQ	13,431.34	13,872.47	11,073.31
S&P 500	4.308.52	4,465.48	3,744.52
Bond Buyer	4.12	3.81	3.86

MUNI AA—BQ

3 Mo.	3.37
6 Mo.	3.47
1-Year	3.77
2-Year	3.69
3-Year	3.56
5-Year	3.49
7-Year	3.53
10-Year	3.62
30-Year	4.70

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

	Treasuries	Bullets	NC-6 Mo.	NC-1 Year	NC- 2 Year
3 Mo. Bill	5.50				
6 Mo. Bill	5.57				
1-Year Bill	5.42				
2-Year Note	5.08	10	81	81	
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				

CMO Spreads to Treasuries

	PAC	Vanilla
1-Year	N/A	+55
2-Year	60	70
3-Year	90	105
5-Year	125	150

MBS Current Coupon Yields

GNMA 30 Yr.	6.45%
FNMA 30 Yr.	6.48%
FNMA 15 Yr.	5.95%