Capital Markets Group

Weekly Review—October 18, 2024

Although the labor market has shown signs of softening, consumers aren't buying it! Supported by continued income growth and access to credit, consumer spending increased 0.4% last month beating August's gain of 0.1%. Evidenced in September's Retail Sales data, the gains were broad-based as nearly all reported categories posted monthly increases. While September's stronger than expected consumer spending does little to reverse expectations that policy makers will cut benchmark rates 25bps next month, it signals that the engine that powers economic growth continues to hit on all cylinders.

On the inflation front - stronger than expected core Consumer Price Index (CPI) supports a 25bps rate cut by year end, not an outsized 50bp reduction. While headline CPI remained at 0.2% in September, core CPI rose 0.3% - higher than street consensus. On an annual basis, core CPI increased 3.3% vs 3.2% in August. The continued strength in consumer prices challenges the notion that inflation will return to its 2% target in the near term. Disinflation has lost momentum.

Treasury yields are little changed on the week as the market buys time waiting for its own "October surprise." With the next FOMC scheduled for November 7, all eyes have shifted to the Fed's preferred inflation data (PCE which will be released on October 31) as well as October's employment report (due November 1). At a 92% probability, the futures market has all but priced in a 25bps rate cut in November.

Please feel free to reach out to us with any capital market-related questions. With the market's continued rates down bias, let's explore ways to possibly mitigate downside risk to earnings. We welcome the conversation...

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NEW ISSUE MUNICIPAL CALENDAR			
Date	Amount ($)	Description	Maturity
10/21/24	$10,255,000	Coffey County KS GO	2025 - 2043
10/21/24	$4,785,000	Goddard - 5 KS GO Temp Notes	2027
10/21/24	$29,900,000	Rawlins County KS USD #105 GO	2026 - 2054
10/22/24	$10,125,000	Branson MO COPs	2025 - 2044
10/22/24	$9,500,000	East Buchanan County MO C-1 School Dist COPs	2039 - 2044
10/23/24	$6,155,000	Maryville MO COPs	2025 - 2044

Economic Release	Data Period	Date	Survey	Actual	Prior
Empire Manufacturing	Oct	10/15/2024	3.6	-11.9	11.5
MBA Mortgage Applications	Oct 11	10/15/2024	NA	-17.0%	-5.1%
Import Price Index MoM	Sep	10/16/2024	-0.3%	-0.4%	-0.2% (rev up)
Export Price Index MoM	Sep	10/16/2024	-0.4%	-0.7%	-0.9% (rev down)
Retail Sales Advance MoM	Sep	10/17/2024	0.3%	0.4%	0.1%
Philadelphia Fed Bus. Outlook	Oct	10/17/2024	3.0	10.3	1.7
Initial Jobless Claims	Oct 12	10/17/2024	259k	241k	260k (rev up)
Continuing Claims	Oct 5	10/17/2024	1,865k	1,867k	1,858k
Industrial Production MoM	Sep	10/17/2024	-0.2%	-0.3%	0.3% (rev down)
Housing Starts	Sep	10/18/2024	1,350k	1,354k	1,361k

KEY INDICES	Current	Last Month	One Year Ago
Prime Rate	8.00	8.50	8.50
Discount Rate	5.00	5.00	5.00
Fed Funds Rate	4.83	5.33	5.33
Interest on Reserve Bal.	4.90	5.40	5.40
SOFR	4.85	5.38	5.31
11th Dist COFI (ECOFC)	3.26	3.27	2.97
1-Yr. CMT	4.19	3.99	5.48
Dow	43,275.91	41,503.10	33,665.08
NASDAQ	18,489.55	17,573.30	13,314.30
S&P 500	5,864.67	5,618.26	4,314.60
Bond Buyer	3.92	3.83	4.19

MUNI AA—BQ	
3 Mo.	2.26
6 Mo.	2.35
1-Year	2.77
2-Year	2.51
3-Year	2.45
5-Year	2.49
7-Year	2.65
10-Year	2.88
30-Year	3.87

CMO Spreads to Treasuries	PAC	Vanilla
1-Year	N/A	+45
2-Year	60	70
3-Year	80	105
5-Year	105	115

MBS Current Coupon Yields	
GNMA 30 Yr.	5.31%
FNMA 30 Yr.	5.36%
FNMA 15 Yr.	4.61%

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	4.63	4.45	4.19	3.96	3.86	3.87	3.96	4.06	4.43	4.36
Bullets				2	1	5	21	30		
NC-6 Mo.				57	72	93	106	107		
NC-1 Year				20	42	65	77	85		
NC-2 Year					8	32	46	56		