Weekly Review—October 20, 2023

With the next FOMC policy meeting less than two weeks away, below please find an overview of this week's Fed speak:

Philadelphia Fed President Harker – FOMC voting member considered "neutral"
Speaking to the Delaware State Chamber of Commerce – In terms of future policy response, "I believe that we are at the point where we can hold rates where they are as I am sure policy rates are restrictive, and as long they remain so, we will steadily press down on inflation and bring markets into a better balance," Mr. Harker said. As for inflation, he believed that disinflation was underway. When asked about the impact of higher borrowing rates, Harker stated that the Fed shouldn't be thinking about additional interest-rate increases with so many small businesses "struggling with access to capital." Additionally, "Some of the bankers I've talked to are concerned that their business plans just aren't going to be able to make it at the higher rates. I heard that warning a lot over the summer."

Richmond Fed President Barkin – non-voting FOMC considered "neutral"
Speaking in Washington, Barkin said Fed policymakers "have time" to gauge whether they
can hold interest rates steady or if they need to raise them further combat above-target inflation. Earlier this year, Barkin stated that "our economy works just fine with rates around 5%."

Dallas Fed President Logan – FOMC voting member considered "hawkish"
Speaking at NY University, Logan stated that the recent increase in longer-term treasury yields will weigh on economic growth. As such, policy makers have "some time to search over economic data and watch how financial conditions continue to evolve."

Fed Chairman Powell – FOMC voting member considered "hawkish"
Speaking in New York – Although "inflation is still too high, and a few months of good data are only the beginning of what it will take to build confidence that inflation is moving down sustainably towards our goal, the committee is proceeding carefully," according to Powell. Furthermore, he stated that "we will make decisions about the extent of additional policy firming and how long policy will remain restrictive based on the totality of the incoming data, the evolving outlook and the balance of risks." When asked about the upward movement in longer-term treasury yields, Powell believes that higher rates effectively tighten economic conditions – much like another rate hike.

Fed Governor Waller – FOMC voting member considered "hawkish"
Speaking in London – Waller stated the increase in borrowing costs associated with higher rates will "weigh on both household and business spending." As such, the Fed Governor said the Fed should hold rates steady at their next policy meeting. According to Waller, "I believe we can wait, watch and see how the economy evolves before making definitive moves on the path of the policy rate."

Evidenced in the above forward guidance, it appears that policy makers are prepared to hold benchmark rates steady at their November 1st policy meeting marking the first consecutive skip in their 19-month battle to tame inflation. Based on current fed fund futures trading, the probability that the Fed will increase rates next month stands at 2%. The probability of a December rate hike is less than 23%.

Dennis Zimmerman Jr.
Senior Vice President
Senior Manager – Asset/Liability Services
Commerce Bank – Capital Markets Group (CMG)

NEW ISSUE MUNICIPAL CALENDAR

Date	Amount ($)	Description	Maturity
10/25/23	$13,515,000.00	BUTLER CO KS UNIF SD #205 UT GO A	2025-2048

Economic Release	Data Period	Date	Survey	Actual	Prior
Empire Manufacturing	Oct	10/16/2023	-6.0	-4.6	1.9
Retail Sales Advance MoM	Sep	10/17/2023	0.3%	0.7%	0.8% (rev up)
Industrial Production MoM	Sep	10/17/2023	0.0%	0.3%	0.0% (rev down)
MBA Mortgage Applications	Oct 13	10/18/2023	NA	-6.9%	0.6%
Housing Starts	Sep	10/18/2023	1,383k	1,358k	1,269k (rev down)
Building Permits MoM	Sep	10/18/2023	-5.7%	-4.4%	6.8% (rev down)
Initial Jobless Claims	Oct 14	10/19/2023	210k	198k	211k (rev up)
Continuing Claims	Oct 7	10/19/2023	1,706k	1,734k	1,705k (rev up)
Existing Home Sales	Sep	10/19/2023	3.89m	3.96m	4.04m
Leading Index	Sep	10/19/2023	-0.4%	-0.7%	-0.5% (rev down)

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	5.30	5.31	3.04
11th Dist COFI (ECOFC)	2.97	2.89	1.11
1-Yr. CMT	5.41	5.45	4.60
Dow	33,127.21	34,440.88	30,333.59
NASDAQ	12,983.81	13,469.13	10,614.84
S&P 500	4,224.16	4,402.20	3,665.78
Bond Buyer	4.19	3.87	3.87

MUNI AA—BQ

3 Mo.	3.55
6 Mo.	3.60
1-Year	3.81
2-Year	3.70
3-Year	3.59
5-Year	3.56
7-Year	3.62
10-Year	3.71
30-Year	4.84

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

	Treasuries	Bullets	NC-6 Mo.	NC-1 Year	NC- 2 Year
3 Mo. Bill	5.45				
6 Mo. Bill	5.53				
1-Year Bill	5.40				
2-Year Note	5.09	7	81	80	
3-Year Note	4.93	11	85	81	80
5-Year Note	4.87	6	98	94	86
7-Year Note	4.93	27	105	98	88
10-Year Note	4.93	44	120	111	100
20-Year Bond	5.30				
30-Year Bond	5.09				

CMO Spreads to Treasuries

	PAC	Vanilla
1-Year	N/A	+55
2-Year	60	70
3-Year	95	115
5-Year	125	145

MBS Current Coupon Yields

GNMA 30 Yr.	6.67%
FNMA 30 Yr.	6.72%
FNMA 15 Yr.	6.39%

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