Capital Markets Group

Weekly Review—October 27, 2023

The consumer is resilient! The biggest number of the week was the release of the advance estimate for 3rd quarter GDP which was 4.9% (annualized QoQ change). Combined with today's Core PCE Deflator YoY print of 3.4% and the University of Michigan's 1-year Inflation expectation of 4.2%, I expect the FOMC to hike in December. The economy remains strong, the employment data for October is expected to represent a mostly healthy jobs market, and inflation remains and looks to stay above the FOMC's target of 2%. The gift that keeps on giving should arrive on December 13th.

The Fed Funds Market does not portend a hike, given its current chance of a hike of around 20%. True, that is real money traded in the markets, but the FOMC usually refrains from market influence when making decisions on interest rates. Data dependency continues to drive decisions for the committee. Higher for longer seems to be the expectation in the bond market but we know it takes a shock to get us into recession or at least a lower productivity level.

The power of consumerism often defies logic, but as we head into the end of the year, will we see a shock in the form of lower personal spending? Likely not. If there is one thing we are good at, it is buying stuff, spending money. According to a Bankrate article from September (Bankrate.com) at least 61% of us live paycheck to paycheck, and according to a Barron's article on October 15th, 78% of those who make less than $50k live paycheck to paycheck. These statistics are always alarming; however, definitions of living paycheck to paycheck vary and perhaps in some of these include spending everything you earn on more than just bills. Or does the answer lie in the Bloomberg Federal Reserve of New York Total Consumer Credit Card Debt chart below?

Have a great weekend!

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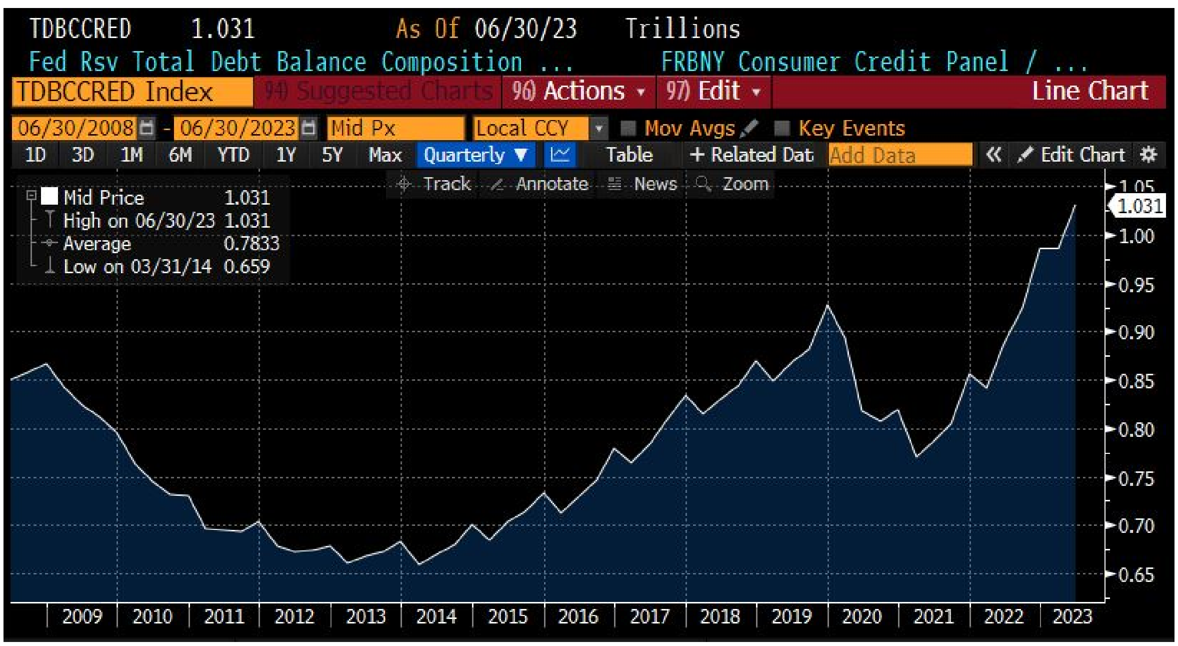

NEW ISSUE MUNICIPAL CALENDAR			
Date	Amount ($)	Description	Maturity
10/30/23	$4,980,000	EDWARDSVILLE KS -TMP NTS UT GO SP-1+	2027

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Economic Release	Data Period	Date	Survey	Actual	Prior
S&P Global US Manufact. PMI	Oct (P)	10/24/2023	49.5	50.0	49.8
MBA Mortgage Applications	Oct 20	10/25/2023	NA	-1.0%	-6.9%
New Home Sales	Sep	10/25/2023	680k	759k	676k (rev up)
GDP Annualized QoQ	3Q (A)	10/26/2023	4.5%	4.9%	2.1%
Durable Goods Orders	Sep (P)	10/26/2023	0.2%	4.7%	0.4%
Initial Jobless Claims	Oct 21	10/26/2023	207k	210k	200k (rev up)
Personal Income	Sep	10/27/2023	0.4%	0.3%	0.4%
Personal Spending	Sep	10/27/2023	0.5%	0.7%	0.4%
PCE Core Deflator YoY	Sep	10/27/2023	3.7%	3.7%	3.8% (rev down)
U. of Mich. Sentiment	Oct (F)	10/27/2023	63.0	63.8	63.0

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	5.31	5.31	3.03
11th Dist COFI (ECOFC)	2.97	2.89	1.11
1-Yr. CMT	5.39	5.45	4.54
Dow	32,418.05	33,550.27	32,033.28
NASDAQ	12,643.01	13,092.85	10,792.67
S&P 500	4,117.37	4,274.51	3,807.30
Bond Buyer	4.19	3.90	4.16

MUNI AA—BQ

3 Mo.	3.71
6 Mo.	3.79
1-Year	3.79
2-Year	3.68
3-Year	3.59
5-Year	3.55
7-Year	3.62
10-Year	3.71
30-Year	4.88

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

	Treasuries	Bullets	NC-6 Mo.	NC-1 Year	NC- 2 Year
3 Mo. Bill	5.44				
6 Mo. Bill	5.54				
1-Year Bill	5.39				
2-Year Note	5.03	10	81	80	
3-Year Note	4.85	10	84	80	80
5-Year Note	4.78	8	98	94	86
7-Year Note	4.85	27	105	98	88
10-Year Note	4.85	44	120	111	100
20-Year Bond	5.21				
30-Year Bond	5.01				

CMO Spreads to Treasuries

	PAC	Vanilla
1-Year	N/A	+55
2-Year	60	70
3-Year	100	120
5-Year	130	150

MBS Current Coupon Yields

GNMA 30 Yr.	6.55%
FNMA 30 Yr.	6.62%
FNMA 15 Yr.	6.03%

The Weekly Review is a publication of the Capital Markets Group of Commerce Bank.