



Weekly Review—November 15, 2024

With the election behind us, investors can now focus on more traditional market drivers – economic data and forward guidance. Here's a summary of this week's happenings...

Consumer Inflation

The monthly increase in both headline CPI and core, which excludes food and energy, came as expected. October's headline CPI increased 0.2% for the fourth straight month while the core rose 0.3% for a third consecutive month. Housing continues to drive inflation as housing costs remain elevated. On an annualized basis, core CPI rose 3.3% in October, consistent with street estimates and unchanged from September's print. Although disinflation appears to have stalled as prices at the consumer level remain steady, investors remain confident that policy makers will continue to lower rates – albeit at a slower pace.

Fed Speak – Neutral Rate Uncertainty

Speaking at an event in Dallas, Fed Chairman Powell stated that “We are moving policy over time to a more neutral setting. But the path for getting there is not preset. The economy is not sending any signals that we need to be in a hurry to lower rates. The strength we are currently seeing in the economy gives us the ability to approach our decisions carefully.” Regarding the neutral level of rates – the level where rates neither fuel nor dampen economic growth, Powell thinks that the way to achieve that level is “carefully and patiently.” As policy makers “near the plausible range of neutral rates, we’ll slow the pace of what we are doing to increase the chances of getting it right so that we’re providing support for the labor market and also helping to enable inflation to come down.” According to Powell, the process of getting back to neutral is more an art than a science as “we fully acknowledge that there’s no sort of theoretical or empirical way to arrive at a neutral rate.”

In a Wall Street Journal interview this week, Boston Fed President Collins stated that although policy makers will eventually need to slow the pace of benchmark rate cuts, current policy is “restrictive and (she) does not support maintaining a restrictive stance.” Although a December rate cut is “certainly on the table, it’s not a done deal.”

In its last two policy meetings, the Fed cut benchmark rates 50bps in September, followed by 25bps last week, leaving its overnight rate at a range of 4.50% to 4.75%. Fed Fund futures currently shows a 56% probability of a 25bp rate cut in December, down from the 97% probability at the start of the month. Intermediate and longer-term treasury yields are up as much as 15bps on the week as investors reposition for a less aggressive near-term policy response. For those with excess cash sitting on the sidelines, consider this week's run up in investment yields a buying opportunity.

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NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
11/18/24	\$9,970,000	Overland Park KS GO	2025-2044
11/20/24	\$59,120,000	Johnson County KS Public Building Rev	2025-2044

Economic Release	Data Period	Date	Survey	Actual	Prior
MBA Mortgage Applications	Nov 8	11/13/2024	NA	0.5%	-10.8%
CPI MoM	Oct	11/13/2024	0.2%	0.2%	0.2%
CPI YoY	Oct	11/13/2024	2.6%	2.6%	2.4%
PPI Final Demand MoM	Oct	11/14/2024	0.2%	0.2%	0.1% (rev up)
PPI Final Demand YoY	Oct	11/14/2024	2.3%	2.4%	1.9% (rev up)
Initial Jobless Claims	Nov 9	11/14/2024	220k	217k	221k
Continuing Claims	Nov 2	11/14/2024	1,873k	1,873k	1,884k (rev down)
Empire Manufacturing	Nov	11/15/2024	0.0	31.2	-11.9
Retail Sales Advance MoM	Oct	11/15/2024	0.3%	0.4%	0.4%
Import Price Index MoM	Oct	11/15/2024	0.1%	0.3%	0.2%

KEY INDICES				MUNI AA—BQ		CMO Spreads to Treasuries		
	Current	Last Month	One Year Ago				PAC	Vanilla
Prime Rate	7.75	8.00	8.50	3 Mo.	2.32	1-Year	N/A	+45
Discount Rate	4.75	5.00	5.50	6 Mo.	2.41	2-Year	60	70
Fed Funds Rate	4.58	4.83	5.33	1-Year	2.83	3-Year	80	105
Interest on Reserve Bal.	4.65	4.90	5.40	2-Year	2.67	5-Year	105	115
SOFR	4.58	4.81	5.32	3-Year	2.61	MBS Current Coupon Yields		
11th Dist COFI (ECOFC)	3.21	3.26	3.01	5-Year	2.69	GNMA 30 Yr.	5.66%	
1-Yr. CMT	4.34	4.18	5.24	7-Year	2.84	FNMA 30 Yr.	5.74%	
Dow	43,444.99	42,740.42	34,991.21	10-Year	3.04	FNMA 15 Yr.	5.08%	
NASDAQ	18,680.12	18,315.59	14,103.84	30-Year	4.00			
S&P 500	5,870.62	5,815.26	4,502.88					
Bond Buyer	4.28	3.74	3.93					

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	4.50	4.47	4.33	4.32	4.30	4.33	4.40	4.47	4.74	4.63
Bullets				-2	1	2	12	22		
NC-6 Mo.				38	54	80	100	105		
NC-1 Year				15	36	61	80	92		
NC-2 Year					10	35	53	65		

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