



Weekly Review—December 8, 2023

The release of the November employment data this morning caused a little pause in the interest-rates-should-be-lower narrative. At +199,000, payrolls increased more than expected and combined with 1) the decrease in the unemployment rate to 3.7% from 3.9%, 2) the increase in participation rate from 62.7% to 62.8%, and finally, 3) the higher-than-expected increase in average hourly earnings month over month, the bond market had to halt its downward shift. This data could also soften some of the rhetoric coming from some of the FOMC members after their blackout period ends. However, the payroll gains might just be temporary gains due to resolutions of striking workers and increases two main groups: government and healthcare sectors.

What does this mean for the average investor or banker? Both groups will need to act with patience. We are likely to see conflicting data in the near term, causing further confusion and therefore, uncertainty. With volatility may come opportunities. When interest rates fall, the bonds held with losses will see lower losses, and when interest rates rise, opportunities to invest at higher yields presents itself. For bankers concerned about funding costs, look for opportunities to lock in relatively short-term funding at lower levels. It may be concerning to lock in funding at 4.50% to 5.50%, but several institutions already have 5+% funding on the balance sheet. Bankers are spread managers, so every basis point counts. If the opportunity presents itself to lower funding costs in this environment, it may be worth considering.

At time of writing, the 10-year treasury is trading around 4.25%, the 2-year is trading around 4.72%, and the 91-day T-Bill yield is just under 5.40%. The curve remains inverted and is likely to continue this shape for the near-term. The Fed Funds futures markets remains convinced the FOMC will have to cut its overnight rate several times in 2024.

Volatility will persist. Please reach out to your investment or asset-liability representative to discuss strategies for 2024.

Have a great weekend!

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NEW ISSUE MUNICIPAL CALENDAR			
Date	Amount (\$)	Description	Maturity
12/11/2023	\$11,605,000	DESP PERES MO -COP-/AA+ RATED, NOT BQ	2024-2043

Economic Release	Data Period	Date	Survey	Actual	Prior
Factory Orders	Oct	12/04/2023	-3.0%	-3.6%	2.3% (rev down)
Durable Goods Orders	Oct	12/04/2023	-5.4%	-5.4%	-5.4%
JOLTS Job Openings	Oct	12/05/2023	9,300k	8,733k	9,350k (rev down)
MBA Mortgage Applications	Dec 1	12/06/2023	NA	2.8%	0.3%
ADP Employment Change	Nov	12/06/2023	130k	103k	106k (rev down)
Trade Balance	Oct	12/06/2023	-\$64.2b	-\$64.3b	-\$61.2b (rev up)
Initial Jobless Claims	Dec 2	12/07/2023	220k	220k	219k (rev up)
Change in Nonfarm Payrolls	Nov	12/08/2023	183k	199k	150k
Unemployment Rate	Nov	12/08/2023	3.9%	3.7%	3.9%
U. of Mich. Sentiment	Dec (P)	12/08/2023	62.0	69.4	61.3

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	8.50	8.50	7.00	3 Mo.	3.04
Discount Rate	5.50	5.50	4.00	6 Mo.	3.04
Fed Funds Rate	5.33	5.33	3.83	1-Year	2.93
Interest on Reserve Bal.	5.40	5.40	3.90	2-Year	2.73
SOFR	5.32	5.32	3.80	3-Year	2.60
11th Dist COFI (ECOFC)	3.09	3.01	1.59	5-Year	2.50
1-Yr. CMT	5.13	5.33	4.67	7-Year	2.51
Dow	36,247.87	34,112.27	33,781.48	10-Year	2.57
NASDAQ	14,403.97	13,650.41	11,082.00	30-Year	3.92
S&P 500	4,604.37	4,382.78	3,963.51		
Bond Buyer	3.41	4.17	3.63		

Treasuries & New Issue Agencies (Spread to Treasuries)						CMO Spreads to Treasuries		
	Treasuries	Bullets	NC-6 Mo.	NC-1 Year	NC- 2 Year		PAC	Vanilla
3 Mo. Bill	5.38					1-Year	N/A	+50
6 Mo. Bill	5.37					2-Year	60	70
1-Year Bill	5.11					3-Year	100	110
2-Year Note	4.68	5	81	81		5-Year	115	130
3-Year Note	4.43	7	84	81	80			
5-Year Note	4.22	7	98	94	86			
7-Year Note	4.25	27	106	99	89			
10-Year Note	4.21	42	120	111	100			
20-Year Bond	4.48							
30-Year Bond	4.30							

MBS Current Coupon Yields		
GNMA 30 Yr.		5.53%
FNMA 30 Yr.		5.67%
FNMA 15 Yr.		5.14%

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