



Weekly Review—December 13, 2024

November’s inflation data which was released earlier this week confirmed that disinflation at the consumer level has lost momentum. In fact, headline inflation as measured by the Consumer Price Index (CPI) marked the first back-to-back annual increase since 1st quarter while core inflation remains at 3.3% for the third month - well above the Fed’s expectations. A closer look at the data reveals that prices increased in all categories which hasn’t happened since February. As for wholesale inflation, November’s PPI showed that although prices unexpectedly rose (largely driven by an increase in egg prices), several key categories were little changed.

Based on this round of inflation numbers, investors believe that although the Fed is more likely than not to cut rates at next week’s Fed meeting, the continued strength in inflation doesn’t warrant an aggressive response by policy makers. Those that watch the fed fund futures market saw that as of 3QTR24, investors priced in a 2.75% terminal rate by 2QTR26. Today, they expect 3.75% - a 100bps higher. This “higher for longer” rate expectation is also priced into the fixed income market as intermediate and longer-term treasury yields have increased as much as 22bps on the month and are up as much as 65bps since the end of third quarter. For those that have extra liquidity available, consider putting your investment hat on!

While the Fed is expected to lower its benchmark rate next week, most believe they will signal a slower pace of reductions in 2025. We’ll see what next week brings...

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NEW ISSUE MUNICIPAL CALENDAR			
Date	Amount (\$)	Description	Maturity
		There are no new MO or KS deals scheduled for next week	

Economic Release	Data Period	Date	Survey	Actual	Prior
Wholesale Inventories MoM	Oct (F)	12/09/2024	0.2%	0.2%	0.2%
MBA Mortgages Applications	Dec 6	12/10/2024	NA	5.4%	2.8%
CPI MoM	Nov	12/11/2024	0.3%	0.3%	0.2%
CPI YoY	Nov	12/11/2024	2.7%	2.7%	2.6%
Real Avg Hourly Earnings YoY	Nov	12/11/2024	NA	1.3%	1.4%
Real Avg Weekly Earnings YoY	Nov	12/11/2024	NA	1.0%	1.1% (rev down)
PPI Final Demand MoM	Nov	12/12/2024	0.2%	0.4%	0.3% (rev up)
Initial Jobless Claims	Dec 7	12/12/2024	220k	242k	225k (rev up)
Continuing Claims	Nov 30	12/12/2024	1,877k	1,886k	1,871k
Import Price Index MoM	Nov	12/13/2024	-0.2%	0.1%	0.1% (rev down)

KEY INDICES				MUNI AA—BQ		CMO Spreads to Treasuries		
	Current	Last Month	One Year Ago				PAC	Vanilla
Prime Rate	7.75	7.75	8.50	3 Mo.	2.23	1-Year	N/A	+45
Discount Rate	4.75	4.75	5.50	6 Mo.	2.32	2-Year	55	65
Fed Funds Rate	4.58	4.58	5.33	1-Year	2.74	3-Year	75	95
Interest on Reserve Bal.	4.65	4.65	5.40	2-Year	2.62	5-Year	100	110
SOFR	4.62	4.60	5.31	3-Year	2.62	MBS Current Coupon Yields		
11th Dist COFI (ECOFC)	3.11	3.21	3.09	5-Year	2.70	GNMA 30 Yr.	5.55%	
1-Yr. CMT	4.24	4.38	5.14	7-Year	2.78	FNMA 30 Yr.	5.64%	
Dow	43,828.06	43,958.19	37,090.24	10-Year	3.04	FNMA 15 Yr.	4.92%	
NASDAQ	19,926.73	19,230.72	14,733.96	30-Year	3.92			
S&P 500	6,051.09	5,985.38	4,707.09					
Bond Buyer	4.01	4.28	3.41					

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	4.32	4.30	4.22	4.22	4.20	4.23	4.30	4.37	4.66	4.59
Bullets				0	2	3	12	21		
NC-6 Mo.				45	59	95	108	114		
NC-1 Year				25	44	76	92	100		
NC-2 Year					19	47	66	75		

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