# Capital Markets Group

## Weekly Review—December 21, 2023

This is the time of year where we reflect on events, happenings, stories of the past 12 months and maybe, just maybe, see if we learned anything. Usually, December is a difficult month for me personally with the deaths of family members, friends, and two shootings of childhood friends. For many years, I dreaded this time of year. I have robbed my family, friends, and myself of experience the joy of December. It all comes down to mindset – how we approach each day, each moment, each interaction. This year is different for me. I am positive. I am hopeful. I am joyful.

I am positive about the possibility of the US avoiding a catastrophic recession. I know, I know, I have been saying a recession has been on its way for over a year and a half. What has changed my mind? Time. Over the past several quarters, we witnessed the resiliency of the US consumer. The determination of the US worker. The sheer power of the financial markets. Although the third and final print of 3Q GDP came in lower than the previous release (4.9% vs. 5.2%), it remains an outstanding figure when compared to the usual 2% range. Personal Consumption decreased to 3.1% from 3.6% but remained strong. Initial Jobless claims and Continuing claims came in below expectations (205k vs. 215k and 1,865k vs. 1,880k, respectively). I am excited to see the 4Q data.

I am hopeful for the work of the FOMC and the financial markets to move closer together. Currently, the bond market and the futures markets for Fed Funds lean more aggressively toward lower interest rates. I am hopeful the FOMC won the war against inflation and will lower its overnight rate to a more normalized level soon. I look forward to reading about and witnessing more resiliency in the productivity of not only the US economy, but also those around the world. Most of all, I want to see more smiles and glistening eyes when we look at one another.

I am joyful because I am blessed to work with and for wonderful people. Our customers, co-workers, friends, and family drive us to succeed and when we fail, those same people lift us up to try again. Thank you for your confidence in us and your willingness to fight through tough times in the hopes of seeing a more fruitful era.

Despite the horrors of the world we see, the way we can treat each other, each of us can share peace, kindness, and joy with one another. Is 2024 the year we see it? We can start with today. I am positive. I am hopeful. I am joyful.

Peace, Shalom, Salam, MИP.

Matthew Maggi | Senior Vice President | Commerce Bank – Capital Markets Group (CMG)
800 548-2663 matthew.maggi@commercebank.com

| NEW ISSUE MUNICIPAL CALENDAR | | | |
|---|---|---|---|
| Date | Amount ($) | Description | Maturity |
| 12/25-12/29 | | No New Issues | |

| Economic Release | Data Period | Date | Survey | Actual | Prior |
|---|---|---|---|---|---|
| Housing Starts | Nov | 12/19/2023 | 1,360k | 1,560k | 1,359k (rev down) |
| Building Permits | Nov | 12/19/2023 | 1,465k | 1,460k | 1,498k (rev up) |
| MBA Mortgage Applications | Dec 15 | 12/20/2023 | NA | -1.5% | 7.4% |
| Existing Home Sales | Nov | 12/20/2023 | 3.78m | 3.82m | 3.79m |
| Conf. Board Consumer Confid. | Dec | 12/20/2023 | 104.5 | 110.7 | 101.0 (rev down) |
| GDP Annualized QoQ | 3Q (T) | 12/21/2023 | 5.2% | 4.9% | 5.2% |
| Personal Consumption | 3Q (T) | 12/21/2023 | 3.6% | 3.1% | 3.6% |
| Initial Jobless Claims | Dec 16 | 12/21/2023 | 215k | 205k | 203k (rev up) |
| Continuing Claims | Dec 9 | 12/21/2023 | 1,880k | 1,865k | 1,866k (rev down) |
| Leading Index | Nov | 12/21/2023 | -0.5% | -0.5% | -1.0% (rev down) |

**KEY INDICES**

| | Current | Last Month | One Year Ago |
|---|---|---|---|
| Prime Rate | 8.50 | 8.50 | 7.50 |
| Discount Rate | 5.50 | 5.50 | 4.50 |
| Fed Funds Rate | 5.33 | 5.33 | 4.33 |
| Interest on Reserve Bal. | 5.40 | 5.40 | 4.40 |
| SOFR | 5.31 | 5.31 | 4.30 |
| 11th Dist COFI (ECOFC) | 3.09 | 3.01 | 1.59 |
| 1-Yr. CMT | 4.84 | 5.25 | 4.64 |
| Dow | 37,404.35 | 35,088.29 | 33,376.48 |
| NASDAQ | 14,963.87 | 14,199.98 | 10,709.37 |
| S&P 500 | 4,746.75 | 4,538.19 | 3,878.44 |
| Bond Buyer | 3.46 | 3.96 | 3.59 |

**MUNI AA—BQ**

| | |
|---|---|
| 3 Mo. | 2.80 |
| 6 Mo. | 2.80 |
| 1-Year | 2.69 |
| 2-Year | 2.54 |
| 3-Year | 2.39 |
| 5-Year | 2.28 |
| 7-Year | 2.25 |
| 10-Year | 2.28 |
| 30-Year | 3.47 |

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

| | Treasuries | Bullets | NC-6 Mo. | NC-1 Year | NC- 2 Year |
|---|---|---|---|---|---|
| 3 Mo. Bill | 5.37 | | | | |
| 6 Mo. Bill | 5.29 | | | | |
| 1-Year Bill | 4.86 | | | | |
| 2-Year Note | 4.34 | 5 | 81 | 81 | |
| 3-Year Note | 4.05 | 7 | 84 | 81 | 80 |
| 5-Year Note | 3.86 | 7 | 98 | 94 | 86 |
| 7-Year Note | 3.89 | 27 | 106 | 99 | 89 |
| 10-Year Note | 3.88 | 42 | 120 | 111 | 100 |
| 20-Year Bond | 4.19 | | | | |
| 30-Year Bond | 4.02 | | | | |

**CMO Spreads to Treasuries**

| | PAC | Vanilla |
|---|---|---|
| 1-Year | N/A | +50 |
| 2-Year | 60 | 65 |
| 3-Year | 95 | 100 |
| 5-Year | 110 | 120 |

**MBS Current Coupon Yields**

| | |
|---|---|
| GNMA 30 Yr. | 5.20% |
| FNMA 30 Yr. | 5.27% |
| FNMA 15 Yr. | 4.69% |

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