



Weekly Review—June 28, 2024

Driven by the Fed's higher for longer policy stance combined with elevated inflation, economic growth during the first half of this year slowed. When compared to last fall's above trend growth, the economy appears to have now shifted into low gear. With economic growth expected to further slow, it might be beneficial to review comments from FOMC members especially after the Fed's preferred inflation gauge showed that prices decelerated, as expected, in May – possibly adding support for a shift in policy. Below please find an overview of this week's Fed speak:

Atlanta Fed President Bostic – FOMC voting member considered “neutral”

In a news briefing – The Atlanta Fed President anticipates one rate cut this year likely in the fourth quarter. While “inflation still remains the chief concern, the risks are becoming more balanced across our two mandate (maximum employment & stable prices) items, and we’ll just have to think about that.” In terms of Bostic’s 2025 outlook, he expects four rate cuts but noted he didn’t have high confidence in his forecast. He anticipates inflation will fall to 2% next year, or perhaps a bit later.

Fed Governor Cook – FOMC voting member considered “mostly dovish”

Speaking in New York – “With significant progress on inflation and the labor market cooling gradually, at some point it will be appropriate to reduce the level of policy restriction to maintain a healthy balance in the economy,” Cook said Tuesday in prepared remarks to the Economic Club of New York. “The timing of any such adjustment will depend on how economic data evolve and what they imply for the economic outlook and balance of risks,” she said. Cook sees policy as restrictive, and noted it is putting downward pressure on demand. While the economy remains resilient and the labor market strong, high interest rates are having an impact. High mortgage rates have slowed home sales and construction, and delinquencies are rising as elevated prices and borrowing costs weigh on consumer spending. She said the rising delinquency rates “are not yet concerning for the overall economy but bear watching.”

Fed Governor Bowman – FOMC voting member considered “mostly hawkish”

Speaking in London – “We are still not yet at the point where it is appropriate to lower the policy rate,” Bowman said in prepared remarks on Tuesday. “Given the risks and uncertainties regarding my economic outlook, I will remain cautious in my approach to considering future changes in the stance of policy.” The Fed governor said she doesn’t project any interest-rate cuts this year. “Reducing our policy rate too soon or too quickly could result in a rebound in inflation, requiring further future policy rate increases to return inflation to 2% over the longer run,” she said.

As a heads-up, our next Weekly Commentary will be published on Friday, July 12.

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

Economic Release	Data Period	Date	Survey	Actual	Prior
Dallas Fed Manf. Activity	Jun	06/24/2024	-15.0	-15.1	-19.4
Conf, Board Consumer Confid.	Jun	06/25/2024	100.0	100.4	101.3 (rev down)
MBA Mortgage Applications	Jun 21	06/26/2024	NA	0.8%	0.9%
New Home Sales	May	06/26/2024	633k	619k	698k (rev up)
GDP Annualized QoQ	1Q (T)	06/27/2024	1.4%	1.4%	1.3%
Initial Jobless Claims	Jun 22	06/27/2024	235k	233k	239k (rev up)
Durable Goods Orders	May (P)	06/24/2024	-0.5%	0.1%	0.2% (rev down)
Personal Income	May	06/28/2024	0.4%	0.5%	0.3%
Personal Spending	May	06/28/2024	0.3%	0.2%	0.1% (rev down)
U. of Mich. Sentiment	Jun (F)	06/28/2024	66.0	68.2	65.6

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	8.50	8.50	8.25	3 Mo.	3.33
Discount Rate	5.50	5.50	5.25	6 Mo.	3.49
Fed Funds Rate	5.33	5.33	5.07	1-Year	3.19
Interest on Reserve Bal.	5.40	5.40	5.15	2-Year	3.15
SOFR	5.34	5.32	5.05	3-Year	3.02
11th Dist COFI (ECOFC)	3.20	3.16	2.57	5-Year	2.94
1-Yr. CMT	5.09	5.21	5.33	7-Year	2.94
Dow	39,123.92	38,852.86	33,852.66	10-Year	2.94
NASDAQ	17,732.61	17,019.88	13,591.75	30-Year	3.93
S&P 500	5,460.48	5,306.04	4,376.86		
Bond Buyer	3.93	4.00	3.65		

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	5.33					2-Year	60	75
1-Year Bill	5.09					3-Year	85	105
2-Year Note	4.72	3	70	66		5-Year	105	120
3-Year Note	4.51	7	82	83	51			
5-Year Note	4.33	4	125	119	90			
7-Year Note	4.33	21	140	120	103			
10-Year Note	4.34	31	147	135	120			
20-Year Bond	4.60							
30-Year Bond	4.50							

MBS Current Coupon Yields	
GNMA 30 Yr.	5.72%
FNMA 30 Yr.	5.82%
FNMA 15 Yr.	5.25%

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