



Weekly Review—July 12, 2024

Intermediate and longer-term treasury yields have fallen as much as 30bps since the first of the month as investors grow more confident that policy makers will likely ease benchmark rates sooner than later. As for the front end of the curve, Fed Fund traders have now priced in two quarter point rate cuts this year – September and December. At this point, lower yields are mostly the result of the market’s reduced inflation expectations.

Consumer inflation data (CPI) which was released yesterday showed headline inflation fell 0.1% in June largely due to a decline in gasoline and energy costs. The 0.1% decline was lower than nearly all street estimates. Last time prices actually fell was May 2020! Core CPI which excludes food and energy costs increased 0.1% – less than forecast – marking its smallest advance in over three years. On an annual basis, core CPI rose 3.3%, less than expected. Nearly all market participants believe that last month’s soft inflation data was Fed friendly.

Earlier in the week (Tuesday), Fed Chairman Powell spoke to Congress as part of the Fed’s semiannual economic update on Capitol Hill. He stated although recent inflation data has shown modest further progress, more good data would strengthen the Fed’s confidence that inflation is returning to 2% – a condition for lowering benchmark rates. While continued weakness in the labor market could also trigger a rate cut, the market is thinking that June’s CPI print should suffice.

Dennis Zimmerman Jr.
 Senior Vice President
 Senior Manager – Asset/Liability Services
 Commerce Bank – Capital Markets Group (CMG)



NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
07/15/2024	4,750,000	VALLEY MO SD R-VI WASHINGTON CNTY LEASE REV	2026-2044

Economic Release	Data Period	Date	Survey	Actual	Prior
Consumer Credit	May	07/08/2024	\$8.850b	\$11.354b	\$6.485b (rev up)
MBA Mortgage Applications	Jul 5	07/10/2024	NA	-0.2%	-2.6%
CPI MoM	Jun	07/11/2024	0.1%	-0.1%	0.0%
CPI YoY	Jun	07/11/2024	3.1%	3.0%	3.3%
Initial Jobless Claims	Jul 6	07/11/2024	235k	222k	239k (rev up)
Continuing Claims	Jun 29	07/11/2024	1,860k	1,852k	1,856k (rev down)
PPI Final Demand MoM	Jun	07/12/2024	0.1%	0.2%	-0.2%
PPI Final Demand YoY	Jun	07/12/2024	2.3%	2.6%	2.2%
U. of Mich. Sentiment	Jul (P)	07/12/2024	68.5	66.0	68.2
U. of Mich. 1 Yr Inflation	Jul (P)	07/12/2024	2.9%	2.9%	3.0%

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	8.50	8.50	8.25	3 Mo.	3.20
Discount Rate	5.50	5.50	5.25	6 Mo.	3.15
Fed Funds Rate	5.33	5.33	5.07	1-Year	2.98
Interest on Reserve Bal.	5.40	5.40	5.15	2-Year	2.96
SOFR	5.34	5.32	5.06	3-Year	2.89
11th Dist COFI (ECOFC)	3.23	3.20	2.73	5-Year	2.86
1-Yr. CMT	4.87	5.17	5.44	7-Year	2.88
Dow	40,001.36	38,712.21	34,347.43	10-Year	2.90
NASDAQ	18,395.45	17,608.44	13,918.96	30-Year	3.89
S&P 500	5,615.38	5,421.03	4,472.16		
Bond Buyer	3.94	3.97	3.66		

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	5.33					1-Year	N/A	+50
6 Mo. Bill	5.19					2-Year	60	70
1-Year Bill	4.88					3-Year	80	100
2-Year Note	4.48	3	72	46		5-Year	100	115
3-Year Note	4.25	5	100	75	24			
5-Year Note	4.12	3	130	105	60			
7-Year Note	4.14	12	138	129	91			
10-Year Note	4.20	28	143	130	90			
20-Year Bond	4.51							
30-Year Bond	4.41							

MBS Current Coupon Yields	
GNMA 30 Yr.	5.41%
FNMA 30 Yr.	5.46%
FNMA 15 Yr.	4.87%

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