



## Weekly Review—July 26, 2024

Next week’s Fed policy meeting is scheduled for Wednesday. What better data to look at this week than economic growth and the Fed’s preferred inflation metric – Personal Consumption Expenditures (PCE) – as U.S. central bankers will rely on both data points when crafting their policy response. With the two-year Treasury yield falling to a five-month low of 4.34%, bond market volatility continued this week as investors remain challenged in determining the Fed’s path forward by signs of a resilient economy vs. calls for the Fed to begin interest-rate cuts. Data released on Thursday showed GDP growth accelerated in the second quarter which, which on the surface, takes the pressure off the Fed to lower rates while Former New York Fed President Dudley said Wednesday that officials should ease policy next week. Here’s a closer look at this week’s key economic data.

### Economic Growth – Gross Domestic Product (GDP)

Up from first quarter’s 1.4% increase, the economy expanded at a stronger than expected 2.8% pace in the 2QTR. Combined with first quarter’s growth, the economy grew at an average pace of 2.1% in the first half of the year – matching the Fed’s projection for 2024 growth. While economic growth at this point appears consistent with Fed expectations, the 2.8% growth rate in 2QTR was significantly below the average growth of 4.2% in the half of 2023. This marked decline was largely driven by a significant reduction in consumer spending – the primary driver of U.S. economic growth. As for the data, consumer spending decelerated to 1.9% in first half of this year vs. 3.2% in the last half of last year. With personal savings edging closer to its historic low, outstanding credit card debt per household at historic highs, consumer confidence dropping and labor market softening, one would think that the consumer is getting close to tapping out. Given this, the Fed is likely behind the curve on cutting rates.

### Inflation – Personal Consumption Expenditures (PCE)

As expected, core inflation rose 0.2% in June. From a year ago, core prices increased 2.6% – slightly stronger than the street’s forecast of 2.5%. Overall, June’s “mostly as expected” inflation data will likely increase the Fed’s confidence that inflation is slowing trending towards 2% – a condition for lowering benchmark rates. While policy makers are widely expected to keep benchmark interest rates unchanged when they meet next week, investors expect 25bps rate cuts in September and December.

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
		There are no new issues for KS or MO planned for next week.	

Economic Release	Data Period	Date	Survey	Actual	Prior
Existing Home Sales	Jun	07/23/2024	3.98m	3.89m	4.11m
MBA Mortgage Applications	Jul 19	07/24/2024	NA	-2.2%	3.9%
S&P Global US Manufacturing PMI	Jul (P)	07/24/2024	51.6	49.5	51.6
New Home Sales	Jun	07/24/2024	640k	617k	621k (rev up)
GDP Annualized QoQ	2Q (A)	07/25/2024	2.0%	2.8%	1.4%
Initial Jobless Claims	Jul 20	07/25/2024	238k	235k	245k (rev up)
Durable Goods Orders	Jun (P)	07/25/2024	0.3%	-6.6%	0.1%
Personal Income	Jun	07/26/2024	0.4%	0.2%	0.4% (rev down)
Personal Spending	Jun	07/26/2024	0.3%	0.3%	0.4% (rev up)
U. of Mich. Sentiment	Jul (F)	07/26/2024	66.4	66.4	66.0

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	8.50	8.50	8.25	3 Mo.	3.10
Discount Rate	5.50	5.50	5.25	6 Mo.	3.05
Fed Funds Rate	5.33	5.33	5.08	1-Year	2.88
Interest on Reserve Bal.	5.40	5.40	5.15	2-Year	2.85
SOFR	5.35	5.33	5.06	3-Year	2.84
11th Dist COFI (ECOFC)	3.23	3.20	2.73	5-Year	2.80
1-Yr. CMT	4.79	5.10	5.38	7-Year	2.85
Dow	40,589.34	39,127.80	35,520.12	10-Year	2.90
NASDAQ	17,357.88	17,805.16	14,127.28	30-Year	3.89
S&P 500	5,459.10	5,477.90	4,566.75		
Bond Buyer	3.94	3.90	3.60		

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	5.29					1-Year	N/A	+50
6 Mo. Bill	5.14					2-Year	60	70
1-Year Bill	4.80					3-Year	80	105
2-Year Note	4.38	5	73	43		5-Year	105	120
3-Year Note	4.19	5	99	70	21			
5-Year Note	4.08	4	130	99	55			
7-Year Note	4.12	20	132	110	72			
10-Year Note	4.19	31	135	118	64			
20-Year Bond	4.54							
30-Year Bond	4.45							

  

MBS Current Coupon Yields	
GNMA 30 Yr.	5.44%
FNMA 30 Yr.	5.50%
FNMA 15 Yr.	4.98%

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