



Weekly Review—January 13, 2023

Short-term treasury yields (i.e., 3 & 6-month bills) were little changed this week while intermediate and longer-term yields fell as much as 10bps. Since January 1, longer dated treasury yields are down nearly 50bps. While the short end of the curve continues to be hitched to Fed policy, the longer end continues to find support as investors are convinced that the Fed will shift policy from restrictive to accommodative sooner than expected.

This week's key inflation data – the Consumer Price Index (CPI) – showed that the annualized pace of inflation slowed in December. Specifically, consumer prices rose 6.5% on a year over year basis, marking the slowest inflation rate in more than 12 months. Excluding food and energy, core inflation increased 5.7% over the same period and was the smallest advance in a year. Both figures came as expected. Side note: Although overall inflation declined, an article posted on Bloomberg pointed out that the alcoholic beverages index contained in last month's CPI increased 8.6% marking its largest increase since 1991. The jump was led by the following categories: beer/wine at home and spirits away from home. *You know inflation has gotten bad when it materially impacts one's beverage of choice! Ha!*

December's softer inflation print could pave the way for a slower pace of rate increases in 2023. This possibility of moderation was reinforced by Philadelphia Fed President Harker when he told reporters that rate hikes of 25bps "will be appropriate going forward." Conversely, speaking to the Wisconsin Bankers Association, St. Louis Fed President Bullard said that he continued to favor front-loading policy moves to get rates above 5% "as soon as possible" and then go on hold. Looking forward, policy makers will continue to openly debate the appropriateness of additional rate hikes as a forward guidance tool. While the Fed continues to tell investors that interest rates still need to be higher, the bond market isn't listening...

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NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
1/17/2023	\$13,280,000	BETTENDORF IA-A UT GO	2024-2042

Economic Release	Data Period	Date	Survey	Actual	Prior
Consumer Credit	Nov	1/9/2023	\$25.000b	\$27.962b	29.121b (rev)
NFIB Small Business Optimism	Dec	1/10/2023	91.5	89.8	91.9
MBA Mortgage Applications	Jan 6	1/11/2023	NA	1.2%	-10.3%
CPI MoM	Dec	1/12/2023	-0.1%	-0.1%	0.1%
CPI YoY	Dec	1/12/2023	6.5%	6.5%	7.1%
Real Avg Hourly Earning YoY	Dec	1/12/2023	NA	-1.7%	-2.1% (rev)
Real Avg Weekly Earnings YoY	Dec	1/12/2023	NA	-3.1%	-3.3% (rev)
Initial Jobless Claims	Jan 7	1/12/2023	215k	205k	206k (rev)
Continuing Claims	Dec 31	1/12/2023	1,710k	1,634k	1,697k (rev)
U. of Mich. Sentiment	Jan (P)	1/13/2023	60.7	64.6	59.7

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	7.50	7.00	3.25	3 Mo.	2.08
Discount Rate	4.50	4.00	0.25	6 Mo.	2.16
Fed Funds Rate	4.33	3.83	0.08	1-Year	2.50
Interest on Reserve Bal.	4.40	3.90	0.15	2-Year	2.35
1-Month Libor	4.46	4.27	0.11	3-Year	2.29
11th Dist COFI (ECOFC)	1.86	1.59	0.22	5-Year	2.30
1-Yr. CMT	4.66	4.75	0.48	7-Year	2.38
Dow	34,302.61	34,108.64	36,113.62	10-Year	2.51
NASDAQ	11,079.16	11,256.81	14,806.81	30-Year	3.63
S&P 500	3,999.09	4,019.65	4,659.03		
Bond Buyer	3.45	3.63	2.19		

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	4.59					1-Year	N/A	+40
6 Mo. Bill	4.73					2-Year	45	55
1-Year Bill	4.66					3-Year	70	80
2-Year Note	4.16	15	87	86		5-Year	80	100
3-Year Note	3.83	8	95	91	90			
5-Year Note	3.54	9	105	101	92			
7-Year Note	3.49	36	110	102	92			
10-Year Note	3.44	58	125	116	103			
20-Year Bond	3.72							
30-Year Bond	3.56							

MBS Current Coupon Yields	
GNMA 30 Yr.	4.75%
FNMA 30 Yr.	4.81%
FNMA 15 Yr.	4.10%

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