



## Weekly Review—February 10, 2023

January’s stronger-than-expected employment data gave investors some hope that policy makers could successfully orchestrate a soft economic landing. A soft landing, by definition, is where economic growth downshifts to slow growth to potentially flat, as it approaches but avoids a recession. This scenario is designed to slow inflation without decimating jobs. Conversely, a hard economic landing is where economic conditions sharply contract causing a full-blown recession. As a result, pricing power declines but job loss is high.

Although it may be possible for the economy to slow gradually and not crash, most key economic metrics remain indicative of elevated recession risk. The inverted yield curve shows a high risk of recession in the next 12 months – according to Economist’s Winger and Wong, the 2yr/10yr spread projects a 66% probability of recession while the 3-month/10-yr projection stands at 76%. Another metric – Bloomberg’s recession model – continues to show a 100% chance of recession within the next year as the mortgage sector has been crushed largely due to increased borrowing rates while the manufacturing & industrial sectors are quickly losing momentum as less demand for goods implies slower production.

While recent economic discussions have focused on the binary economic outcome of either a hard or soft landing, there is a third possibility – a rolling recession whereas one sector of the economy contracts, followed by another – according to Bloomberg’s Rich Miller. As sectors recover, others contract. Thus, overall economic activity slows which reduces inflation but no widespread job loss. From the Fed’s perspective, a rolling recession may be their end game as the fourth possibility – a no-landing scenario – would cause the Fed to slam the breaks to lower inflation causing the economy to fall into a deep recession. Stay tuned! Next week the market is on inflation watch...

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### NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
02/16/2023	\$42,285,000	WYANDOTTE CO KS/KCK UNIF GOVT-A A1 AA	2024-2043

Economic Release	Data Period	Date	Survey	Actual	Prior
Trade Balance	Dec	2/7/2023	-68.5b	-67.4b	-61.0b (rev down)
Consumer Credit	Dec	2/7/2023	\$25.000b	\$11.565b	\$33.107b (rev up)
MBA Mortgage Applications	Feb 3	2/8/2023	NA	7.4%	-9.0%
Wholesale Inventories MoM	Dec (F)	2/8/2023	0.1%	0.1%	0.1%
Initial Jobless Claims	Feb 4	2/9/2023	190k	196k	183k
Continuing Claims	Jan 28	2/9/2023	1660k	1688k	1650k (rev down)
U. of Mich. Sentiment	Feb (P)	2/10/2023	65.0	66.4	64.9
U. of Mich. 1 Yr. Inflation	Feb (P)	2/10/2023	4.0%	4.2%	3.9%
U. of Mich. 5-10 Yr. Inflation	Feb (P)	2/10/2023	2.9%	2.9%	2.9%
Monthly Budget Statement	Jan	2/10/2023	-\$55.0b	-\$38.8b	-\$118.7b

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	7.75	7.50	3.25	3 Mo.	2.12
Discount Rate	4.75	4.50	0.25	6 Mo.	2.28
Fed Funds Rate	4.58	4.33	0.08	1-Year	2.63
Interest on Reserve Bal.	4.65	4.40	0.15	2-Year	2.41
1-Month Libor	4.57	4.40	0.13	3-Year	2.28
11th Dist COFI (ECOFC)	2.07	1.86	0.22	5-Year	2.19
1-Yr. CMT	4.89	4.69	0.91	7-Year	2.25
Dow	33,869.27	33,704.10	35,241.59	10-Year	2.39
NASDAQ	11,718.12	10,742.63	14,185.64	30-Year	3.61
S&P 500	4,090.46	3,919.25	4,504.08		
Bond Buyer	3.51	3.66	2.41		

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	4.86					1-Year	N/A	+40
6 Mo. Bill	4.92					2-Year	45	55
1-Year Bill	4.87					3-Year	60	65
2-Year Note	4.50	18	81	81		5-Year	80	100
3-Year Note	4.19	10	85	82	81			
5-Year Note	3.92	8	98	94	86			
7-Year Note	3.85	30	105	98	88			
10-Year Note	3.74	55	120	111	99			
20-Year Bond	3.95							
30-Year Bond	3.82							

  

MBS Current Coupon Yields	
GNMA 30 Yr.	5.03%
FNMA 30 Yr.	5.25%
FNMA 15 Yr.	4.57%

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