



Weekly Review—February 24, 2023

Today’s release of the personal consumption expenditure (PCE) index – the Fed’s preferred inflation gauge – confirmed that the Fed’s battle against persistently high inflation will continue. Based on January’s stronger-than-expected inflation metrics (CPI, PPI & PCE) combined with the continued strength in the labor market gives policy makers the green light to further hike benchmark rates. As such, the entire treasury yield curve has moved higher as investors price in the Fed’s anticipated “higher for longer” policy response. Understanding that the 2-year treasury yield is now at a level not seen since 2007, intermediate-term yields have increased as much as 70bps this month while longer-term bond yields are up nearly 50bps.

Although markets understand that policy makers plan to continue increasing benchmark rates, investors should be planning for rates down – an eventual pivot in monetary policy. The current run up in treasury yields should be viewed as an opportunity to add protected duration to the bond portfolio. *(What’s protected duration?? It’s one thing to add duration now but you don’t want to lose it when rates fall. Meaning, understand how embedded optionality/convexity impacts the performance of newly purchased bonds.)* Although rates will likely continue trending higher over the near-term, dollar cost averaging by investing into higher rates now should be considered a best practice.

Please reach out to your CMG sales rep to discuss additional ways to add down-side protection.

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NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
		No Local Issues This Week	

Economic Release	Data Period	Date	Survey	Actual	Prior
S&P Global US Manufact. PMI	Feb (P)	2/21/2023	47.2	47.8	46.9
Existing Home Sales	Jan	2/21/2023	4.10m	4.00m	4.03m (rev up)
MBA Mortgage Applications	Feb 17	2/22/2023	NA	-13.3%	-7.7%
GDP Annualized QoQ	4Q (S)	2/23/2023	2.9%	2.7%	2.9%
Personal Consumption	4Q (S)	2/23/2023	2.0%	1.4%	2.1%
Initial Jobless Claims	Feb 18	2/23/2023	200k	192k	195k (rev up)
PCE Core Deflator YoY	Jan	2/24/2023	4.3%	4.7%	4.6% (rev up)
Personal Spending	Jan	2/24/2023	1.4%	1.8%	-0.1% (rev up)
New Home Sales	Jan	2/24/2023	620k	670k	625k (rev up)
U. of Mich. Sentiment	Feb (F)	2/24/2023	66.4	67.0	66.4

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	7.75	7.50	3.25	3 Mo.	2.59
Discount Rate	4.75	4.50	0.25	6 Mo.	2.75
Fed Funds Rate	4.58	4.33	0.08	1-Year	3.10
Interest on Reserve Bal.	4.65	4.40	0.15	2-Year	3.03
SOFR	4.55	4.30	0.05	3-Year	2.85
11th Dist COFI (ECOFC)	2.07	1.86	0.24	5-Year	2.71
1-Yr. CMT	5.05	4.70	1.16	7-Year	2.67
Dow	32,817.05	33,733.96	33,223.83	10-Year	2.77
NASDAQ	11,394.94	11,334.27	13,473.58	30-Year	3.93
S&P 500	3,970.04	4,016.95	4,288.70		
Bond Buyer	3.75	3.33	2.51		

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	4.81					1-Year	N/A	+40
6 Mo. Bill	5.10					2-Year	45	55
1-Year Bill	5.05					3-Year	60	70
2-Year Note	4.82	10	81	81		5-Year	85	110
3-Year Note	4.54	8	84	81	80			
5-Year Note	4.22	7	98	94	86			
7-Year Note	4.13	30	105	98	88			
10-Year Note	3.96	49	120	111	99			
20-Year Bond	4.13							
30-Year Bond	3.95							

MBS Current Coupon Yields	
GNMA 30 Yr.	5.32%
FNMA 30 Yr.	5.52%
FNMA 15 Yr.	5.01%

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