



The Fed remains highly focused on one aspect of its dual mandate – price stability. As expected, the Fed raised its benchmark interest rate 25bps this week. The rate increase marks the 10<sup>th</sup> consecutive FOMC meeting whereas policy makers have tightened policy. Now at a target range of 5%-5.25%, fed fund rates have increased 500bps in a short 13-month period – returning short-term rates to pre-Great Recession levels. In addition to raising rates, the Fed continues to shrink its balance sheet (i.e., quantitative tightening). All to further tighten policy to quell inflation.

While the Fed remains committed to driving inflation down, policy makers are no longer signaling additional rate hikes. Future policy response is expected to be data dependent taking into account the cumulative tightening of policy, it's lag time as well as economic & financial developments. This meaningful change in forward guidance gives the Fed the ability to hike if warranted without pre-committing as they have done over the last several meetings. Although the Fed has never actually stated “we’re done raising rates,” this new guidance could signal an end to the current tightening cycle – opening the door for a possible June pause. When asked about a pause, Fed Chair Powell stated that a decision about whether to pause will come at their June meeting.

Although the Fed continues to forecast a “mild” economic recession later this year, Powell expects that the economy will “grow at a modest pace” and that it is “more likely than not that a recession will be avoided.” So, if the Fed Chair admits that he disagrees with the Fed’s own forecasts – does that mean he has no confidence in their reliability? Ok – Ok ...maybe that’s a stretch!

As for the treasury market, intermediate and longer-term yields moved lower after Wednesday’s less-hawkish Fed announcement. With recession signals flashing, investors continue to price in a sooner-than-later rate cut. By next spring, the fed fund futures market expects overnight rates to be near 4% – approximately 100bps lower from current levels. With that said, I don’t expect that policy makers will reduce benchmark rates that quickly unless another shoe drops!

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### NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
05/10/2023	\$6,400,000	GOVE CO KS UNIF SD #293	2025-2047
05/11/2023	\$29,335,000	MANHATTAN KS-A	2024-2043
05/11/2023	\$9,205,000	MANHATTAN KS-B-TXBL	2024-2043

Economic Release	Data Period	Date	Survey	Actual	Prior
ISM Manufacturing	Apr	05/01/2023	46.8	47.1	46.3
Factory Orders	Mar	05/02/2023	1.3%	0.9%	-1.1% (rev down)
Durable Goods Orders	Mar (F)	05/02/2023	3.2%	3.2%	3.2%
MBA Mortgage Applications	Apr 28	05/03/2023	NA	-1.2%	3.7%
ADP Employment Change	Apr	05/03/2023	150k	295k	142k (rev down)
FOMC Rate Decision (Upper)	May 3	05/03/2023	5.25%	5.00%	5.00%
Trade Balance	Mar	05/04/2023	-\$63.1b	-\$64.2b	-\$70.6b (rev up)
Initial Jobless Claims	Apr 29	05/04/2023	240k	242k	229k (rev down)
Change in Nonfarm Payrolls	Apr	05/05/2023	180k	253k	165k (rev down)
Unemployment Rate	Apr	05/05/2023	3.6%	3.4%	3.5%

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	8.25	8.00	4.00	3 Mo.	2.62
Discount Rate	5.00	5.00	.5	6 Mo.	2.72
Fed Funds Rate	4.83	4.83	0.33	1-Year	3.00
Interest on Reserve Bal.	5.15	4.90	0.90	2-Year	2.70
SOFR	5.06	4.83	0.30	3-Year	2.52
11th Dist COFI (ECOFC)	2.51	2.41	0.30	5-Year	2.39
1-Yr. CMT	4.73	4.50	2.07	7-Year	2.35
Dow	33,674.38	33,482.72	32,997.97	10-Year	2.47
NASDAQ	12,235.41	11,996.86	12,317.69	30-Year	3.73
S&P 500	4,136.25	4,090.38	4,146.87		
Bond Buyer	3.53	3.50	3.27		

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	5.25					1-Year	N/A	+55
6 Mo. Bill	5.06					2-Year	65	75
1-Year Bill	4.74					3-Year	85	95
2-Year Note	3.93	19	81	80		5-Year	100	140
3-Year Note	3.65	18	84	81	80			
5-Year Note	3.43	15	98	94	86			
7-Year Note	3.43	42	106	99	89			
10-Year Note	3.45	59	120	111	99			
20-Year Bond	3.86							
30-Year Bond	3.77							

MBS Current Coupon Yields	
GNMA 30 Yr.	5.00%
FNMA 30 Yr.	5.03%
FNMA 15 Yr.	4.54%

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