



Weekly Review—May 19, 2023

This week’s continued hawkish Fed speak along with resilient economic data pushed treasury yields to levels not seen since early March. After starting the week just below 4%, the two-year treasury yield peaked at 4.34% early this morning as investors continue to grapple with future policy action. At the time of this writing, the 2yr is now trading at a 4.22% yield – oh the volatility!

In terms of forward guidance, Fed Chairman Powell speaking on monetary policy in Washington today said that although “failure to get inflation down would not only prolong pain but also increase the costs to families,” policy rates may not need to “rise as high” as credit tightening caused by the recent banking turmoil could weigh on the economy and lessen the need for additional rate hikes. Understanding that tighter credit conditions generally impact the economy with a lag, it’s too soon to know the actual impact. As such, the Fed appears to be in a position to watch both data and economic conditions as no policy decisions have been made on future tightening. Powell said that policy makers “have come a long way in policy tightening” and the stance of policy is now “restrictive.” Although bringing down inflation will “take some time” according to Powell, he laid the groundwork for a possible pause in June. Current odds of a 25bp rate hike in June stand at only 18%!

Next week’s economic data includes revisions to 1st quarter Gross Domestic Product (GDP – the broad-based measure of value for all goods and services produced) and the all-important Personal Consumption Expenditure (PCE) – the Fed’s preferred inflation metric.

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NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
05/22/2023	\$48,035,000	DOUGLAS CO KS UNIF SD #497-A UT GO Aa3	2024-2034
05/24/2023	\$3,980,000	LINN VLY KS UT GO BQ NR	2025

Economic Release	Data Period	Date	Survey	Actual	Prior
Empire Manufacturing	May	05/15/2023	-3.9	-31.8	10.8
Retail Sales Advance MoM	Apr	05/16/2023	0.8%	0.4%	-0.7% (rev up)
Industrial Production MoM	Apr	05/16/2023	0.0%	0.5%	0.0% (rev down)
MBA Mortgage Applications	May 12	05/17/2023	NA	-5.7%	6.3%
Housing Starts	Apr	05/17/2023	1400k	140k	1371k (rev down)
Building Permits	Apr	05/17/2023	1430k	1416k	1437k (rev up)
Initial Jobless Claims	May 13	05/18/2023	251k	242k	264k
Continuing Claims	May 6	05/18/2023	1820k	1799k	1807k (rev down)
Existing Home Sales	Apr	05/18/2023	4.30m	4.28m	4.43m (rev down)
Leading Index	Apr	05/18/2023	-0.6%	-0.6%	-1.2%

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	8.25	8.00	4.00	3 Mo.	2.86
Discount Rate	5.25	5.00	1.00	6 Mo.	2.96
Fed Funds Rate	5.08	4.83	0.83	1-Year	3.24
Interest on Reserve Bal.	5.15	4.90	0.90	2-Year	3.04
SOFR	5.05	4.80	0.80	3-Year	2.83
11th Dist COFI (ECOFC)	2.51	2.41	0.30	5-Year	2.65
1-Yr. CMT	5.02	4.81	2.16	7-Year	2.57
Dow	33,426.43	33,897.01	31,253.13	10-Year	2.63
NASDAQ	12,657.90	12,157.23	11,388.50	30-Year	3.84
S&P 500	4,191.98	4,154.52	3,900.79		
Bond Buyer	3.59	3.32	3.47		

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	5.29					2-Year	65	80
1-Year Bill	5.02					3-Year	85	95
2-Year Note	4.25	10	81	80		5-Year	105	145
3-Year Note	3.92	14	85	82	81			
5-Year Note	3.70	15	98	94	86			
7-Year Note	3.68	41	105	98	86			
10-Year Note	3.66	57	118	112	100			
20-Year Bond	4.04							
30-Year Bond	3.92							

MBS Current Coupon Yields	
GNMA 30 Yr.	5.20%
FNMA 30 Yr.	5.42%
FNMA 15 Yr.	4.89%

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