



## Weekly Review—May 26, 2023

*Old man take a look at my life...* While I'm on the back half of my life, sometimes I still act as though I am *24 and not much more*. I can be headstrong, proud, or succumb to the pressures of my job and the expectation to have the answer – the right answer. I can also be influenced by the deluge of information I take in each day. This deluge has been telling me the Fed is done raising rates – they've done enough to tame inflation. I've also heard some of my more experienced colleagues and customers express their belief that the Fed is not done. This belief is based on their experience – much longer than mine. Today, the preferred inflation indicator of the FOMC came out above expectations: the PCE Core Deflator YoY as of April was 4.7% higher than a year ago and higher than the March level of 4.6%. This inflation measurement may be telling us a different tale than the hopeful message of economic reporters and columnists like me.

*If a picture paints a thousand words, then...* I decided to create a chart – using Bloomberg – displaying the Fed Funds Target (FFT) rate overlaid against the PCE Core Deflator YoY going back to 1971. Looking at this chart, I plainly saw why my more experienced colleagues and customers are sharing *their* story. For the bulk of the last fifty years, the FFT has exceeded this inflation gauge. Only recently – since 2008 – has the FOMC kept it below. I began my banking career in 2006. I have allowed my experience to influence me and relied upon that perhaps a little too much instead of considering what happened prior to the Great Financial Crisis. Yes, the FOMC is acting a little differently than in the 1970s and 1980s and they play a much greater role in the economy than they did back then; however, I'm sure Chair Powell and his fellow committee members do not want to cut rates to quickly. This would be not only based upon the experience of the Volker era, but on their experiences. The FFT has a strong possibility of remaining higher for longer.

I am grateful for this realization and for those who have come before me who share their point of view. I will work on reigning in my innate stubbornness and hubris; perhaps widen my lens a bit, too.

Have a great weekend!

Matthew Maggi  
 Senior Vice President  
 Commerce Bank – Capital Markets Group (CMG)  
 800 548-2663  
[matthew.maggi@commercebank.com](mailto:matthew.maggi@commercebank.com)



### NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
05/29/2023		Memorial Day – Markets Closed	
		No Local Issues this week	

Economic Release	Data Period	Date	Survey	Actual	Prior
S&P Global US Manufact. PMI	May (P)	05/23/2023	50.0	48.5	50.2
New Home Sales	Apr	05/23/2023	665k	683k	656k (rev down)
MBA Mortgage Applications	May 19	05/24/2023	NA	-4.6%	-5.7%
Initial Jobless Claims	May 20	05/25/2023	245k	229k	225k (rev down)
GDP Annualized QoQ	1Q (S)	05/25/2023	1.1%	1.3%	1.1%
Personal Income	Apr	05/26/2023	0.4%	0.4%	0.3%
Personal Spending	Apr	05/26/2023	0.5%	0.8%	0.1% (rev up)
PCE Core Deflator YoY	Apr	05/26/2023	4.6%	4.7%	4.6%
Durable Goods Orders	Apr (P)	05/26/2023	-1.0%	1.1%	3.3% (rev up)
U. of Mich. Sentiment	May (F)	05/26/2023	58.0	59.2	57.7

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	8.25	8.00	4.00	3 Mo.	2.96
Discount Rate	5.25	5.00	1.00	6 Mo.	3.06
Fed Funds Rate	5.08	4.83	0.83	1-Year	3.34
Interest on Reserve Bal.	5.15	4.90	0.90	2-Year	3.19
SOFR	5.06	4.80	0.78	3-Year	3.07
11th Dist COFI (ECOFC)	2.51	2.41	0.30	5-Year	2.91
1-Yr. CMT	5.25	4.60	2.01	7-Year	2.84
Dow	33,093.34	33,301.87	32,637.19	10-Year	2.88
NASDAQ	12,975.69	11,854.35	11,740.65	30-Year	3.99
S&P 500	4,205.45	4,055.99	4,057.84		
Bond Buyer	3.74	3.56	3.16		

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	5.26					1-Year	N/A	+55
6 Mo. Bill	5.39					2-Year	65	80
1-Year Bill	5.27					3-Year	85	100
2-Year Note	4.60	14	81	81		5-Year	110	150
3-Year Note	4.27	10	85	81	80			
5-Year Note	3.97	15	98	94	86			
7-Year Note	3.91	37	106	99	89			
10-Year Note	3.84	56	120	111	99			
20-Year Bond	4.17							
30-Year Bond	3.99							

MBS Current Coupon Yields	
GNMA 30 Yr.	5.24%
FNMA 30 Yr.	5.75%
FNMA 15 Yr.	5.26%

\*\*\*If you no longer wish to receive this weekly review, please send an email to [CapitalMarketsGroup@commercebank.com](mailto:CapitalMarketsGroup@commercebank.com)\*\*\*

The Weekly Review is a publication of the Capital Markets Group of Commerce Bank.

The opinions expressed herein reflect that of the author and are not a complete analysis of every material fact respecting any company, industry, or security. The author's opinions do not necessarily reflect that of Commerce Bank or its affiliates. Information contained herein is from sources deemed reliable but cannot be guaranteed. Prices and/or yields are subject to change and investments are subject to availability. CDs are direct financial obligations of the issuing financial institution and are not, either directly or indirectly, an obligation of Commerce Bank. The information provided is not an official trade confirmation or account statement. The Capital Markets Group (CMG) of Commerce Bank is not acting as your 'municipal advisor' within the meaning of Section 15B of the Securities Exchange Act, and does not act in a fiduciary capacity. CMG does not provide tax advice; please refer to your tax professional. Investments in securities are NOT FDIC Insured; NOT Bank-Guaranteed and May Lose Value.



commercebank.com