



Weekly Review—December 1, 2023

As we head towards the last FOMC policy-setting meeting for 2023, this week's market focus was primarily on economic growth & inflation. Here's an overview of what the market saw...

Economic Growth

At 5.2%, third quarter Gross Domestic Product (GDP) – the government's broad-based measure of overall economic health – was revised higher largely driven by upward revisions in business investment and government spending. The initial 3QTR23 estimate was 4.9%. While 3rd quarter growth marked nearly a two-year high, the strength in consumer spending was revised lower. Although less than expected, spending remained solid compliments of a resilient jobs market. Question is: Will consumer spending remain strong as the jobs market continues to soften? Those with jobs will most likely continue to spend, albeit at a slower pace, while those without, won't! At 1.8%, the Atlanta Fed GDPNow 4QTR23 forecast shows that the economy is still expected to grow but at a much slower pace. Similarly, the 1.1% median forecast taken from a recent Bloomberg survey shows that economists believe that the economy will materially slow heading into 2024. As for next year, first & second-quarter median growth forecasts of 0.4% and 0.2%, respectively, show the hope for a soft-landing – meaning no recession. We'll see...

Inflation

October's core Personal Consumption Expenditure (PCE) – the Fed's preferred inflation measurement – rose 3.5% annually, as expected and down from the prior month's 3.7% reading. On a month-over-month basis, core inflation rose 0.2% – slightly less than expected. Although persistently higher than the Fed's 2% target, inflation continues to trend downward. As such, policy makers are increasingly confident that rates are sufficiently restrictive – meaning, no more rate hikes. As for the market, it is two steps ahead of the Fed as investors continue to price in an expected policy shift towards accommodation. Intermediate and long-term treasury yields have fallen as much as 25bps on the week and down nearly 60bps in November.

Next week's market focus will be on jobs!

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NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
12/04/2023	\$1,450,000	SAVANNAH MO -REV -REF A RATED BQ	2024-2032

Economic Release	Data Period	Date	Survey	Actual	Prior
New Home Sales	Oct	11/27/2023	721k	679k	719k (rev down)
Conf. Board Consumer Confid.	Nov	11/28/2023	101.0	102.0	99.1 (rev down)
MBA Mortgage Applications	Nov 24	11/29/2023	NA	0.3%	3.0%
GDP Annualized QoQ	3Q (S)	11/29/2023	5.0%	5.2%	4.9%
Initial Jobless Claims	Nov 25	11/30/2023	218k	218k	211k (rev up)
Personal Income	Oct	11/30/2023	0.2%	0.2%	0.4% (rev up)
Personal Spending	Oct	11/30/2023	0.2%	0.2%	0.7%
PCE Core Deflator YoY	Oct	11/30/2023	3.5%	3.5%	3.7%
S&P Global US Manufact. PMI	Nov (F)	12/1/2023	49.5	49.4	49.4
ISM Manufacturing	Nov	12/1/2023	47.8	46.7	46.7

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	8.50	8.50	7.00	3 Mo.	3.12
Discount Rate	5.50	5.50	4.00	6 Mo.	3.12
Fed Funds Rate	5.33	5.33	3.83	1-Year	3.01
Interest on Reserve Bal.	5.40	5.40	3.90	2-Year	2.85
SOFR	5.31	5.31	3.81	3-Year	2.71
11th Dist COFI (ECOFC)	3.09	3.01	1.59	5-Year	2.62
1-Yr. CMT	5.05	5.41	4.74	7-Year	2.64
Dow	36,245.50	33,274.58	34,395.01	10-Year	2.70
NASDAQ	14,305.03	13,061.47	11,482.45	30-Year	3.98
S&P 500	4,594.63	4,237.86	4,076.57		
Bond Buyer	3.49	4.19	3.65		

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	5.39					1-Year	N/A	+50
6 Mo. Bill	5.38					2-Year	60	70
1-Year Bill	5.08					3-Year	100	115
2-Year Note	4.61	7	81	80		5-Year	115	130
3-Year Note	4.38	7	84	82	81			
5-Year Note	4.21	9	98	94	86			
7-Year Note	4.29	26	105	98	88			
10-Year Note	4.28	44	120	111	99			
20-Year Bond	4.64							
30-Year Bond	4.46							

MBS Current Coupon Yields	
GNMA 30 Yr.	5.48%
FNMA 30 Yr.	5.66%
FNMA 15 Yr.	5.09%

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