

Fed May Not Cut Rates This Year

The Federal Reserve is looking less likely to lower interest rates in 2024. Elevated inflation, a resilient economy, and a still-strong, if softening labor market argue against the need for easing monetary policy, especially as these conditions are expected to persist through year end.

Fed officials concluded at their most recent meeting they would need to hold interest rates at their current level for longer than they previously anticipated after a third straight disappointing inflation reading in April. While the broad expectations heading into the year were for multiple rate cuts in 2024, some officials at the May meeting even mentioned staying open to the possibility of further *raising* rates if the economy and inflation continue to accelerate. While a rate hike remains unlikely at this time, it speaks to the notion that a rate cut may be further off than previously anticipated.

Back in January, investors were banking on as many as six interest-rate cuts totaling 1.5 percentage points during the year, based on pricing in the interest-rates futures market. Central bank officials, who had lifted rates by 5.25 percentage points from March 2022 through July 2023 to curtail a spike in inflation, had penciled in three quarter-point cuts for the year. Then, a streak of firmer-than-expected inflation data to start the year made the justification for those cuts seem shaky.

Despite an inflation scare earlier in the year, the rate of price growth continues to move, slowly, in the right direction, heading toward the Fed's 2% annual target. That means the central bank can keep its federal-funds rate target, for now, in the range of 5.25% to 5.50%, where it has been since July 2023.

According to the Wall Street Journal, investors are now pricing in a roughly 81% chance that the Fed will cut interest rates at least one time before the year ends, according to the CME Group's FedWatch tool. The odds of a cut by September are about 47%.

In the municipal market, May saw large rate increases in the middle part of the yield curve, with four- to ten-year rates increasing 25+ basis points during the month. In addition, the market's five-, ten-, twenty- and thirty-year maturities finished May at the highest levels of 2024, as investors continue to reassess their outlook on the Fed's actions.

RECENT CMA CLIENT SALE RESULTS

<u>Issuer/Underlying Rating</u>	<u>Issue Type</u>	<u>Par Amount</u>	<u>Sale Date</u>	<u>Term</u>	<u>Rate</u>	<u>Purchaser</u>
Skaneateles Village (AA)	BAN	\$3,971,000	30 - May	1 yr.	3.87%	Piper Sandler & Co.
Corning CSD (Aa3)	BAN	\$68,955,000	29 - May	1 yr.	3.63%	BofA Securities
Glen Cove City (Baa1)	Bonds	\$5,125,000	22 - May	14 yrs.	3.80%	Roosevelt & Cross, Inc.
Columbia County (Aa3)	Bonds	\$2,500,000	16 - May	20 yrs.	3.65%	TD Securities
White Plains City (Aa1)	Bonds	25,260,000	7 - May	17 yrs.	3.22%	Jefferies LLC
North Tonawanda City (A3)	BAN	9,274,460	1 - May	1 yr.	4.15%	Oppenheimer & Co.

Cricket Anyone?

CMA took a field trip on June 12th to the Cricket World Cup being held in Nassau County to see India beat a surprisingly strong Team USA. A 34,000-temporary seat stadium was built in Eisenhower Park to host the games which will run for two weeks. The Americans were on the right side of an historic upset of 2023 finalist Pakistan earlier in the tournament. Despite watching videos that explained the game and its rules, it took most of the match before we each had an understanding of the game which is second only to soccer in popularity worldwide.



GENERAL OBLIGATION TAX-EXEMPT INTEREST RATES

	June 3, 2024					1 Month Ago - May 1, 2024					1 Year Ago - June 1, 2023				
Term	Aaa	Aa	Insured	A	Baa	Aaa	Aa	Insured	A	Baa	Aaa	Aa	Insured	A	Baa
1 yr.	3.34%	3.38%	3.46%	3.44%	3.81%	3.42%	3.43%	3.51%	3.49%	3.88%	3.16%	3.19%	3.31%	3.30%	3.65%
5	3.11	3.16	3.28	3.29	3.70	2.85	2.87	2.99	3.00	3.43	2.70	2.78	2.89	2.92	3.29
10	3.08	3.18	3.36	3.42	3.91	2.82	2.89	3.07	3.13	3.65	2.59	2.75	2.90	2.95	3.49
15	3.31	3.49	3.67	3.72	4.17	3.26	3.41	3.59	3.64	4.13	3.12	3.42	3.52	3.63	4.07
20	3.65	3.85	4.04	4.08	4.53	3.64	3.81	4.00	4.04	4.54	3.28	3.62	3.73	3.83	4.27

For further information, please contact the following Municipal Advisor Representatives at CMA:

Municipal Advisor	Email	Phone Number	Municipal Advisor	Email	Phone Number
Richard Tortora	rtortora@capmark.org	(516) 487-9815	Tom Vouzakis	tvouzakis@capmark.org	(516) 487-9818
Rick Ganci	rganci@capmark.org	(716) 662-3910	Madeline Reid	mreid@capmark.org	(716) 662-3910
Anthony Nash	anash@capmark.org	(516) 487-9817	Alex LoCascio	alocascio@capmark.org	(516) 274-4502
Janet Morley	jmorley@capmark.org	(516) 570-0340	Morgan Reid	mreid1@capmark.org	(716) 662-3910
Alex Kerr	akerr@capmark.org	(516) 274-4501	Jack Annitto	jannitto@capmark.org	(516) 274-4503
Diana Castañeda	dcastaneda@capmark.org	(516) 274-4504			