

Fed's First Rate Cut Since the Pandemic

In a landmark meeting on Wednesday, September 18th, for the first time since the COVID-19 Pandemic, the Fed decided to cut the Federal Funds rate by fifty basis points (0.50% or 1/2 of 1%). The Fed's decision was based on improvements in several economic indicators, including inflation and gross domestic product ("GDP"). The outlook on inflation has decreased to 2.3% from 2.6% with GDP remaining steady near 3%. Additionally, the Fed has intensified its focus on improving the labor market. The new labor market outlook projects an increase in the unemployment rate to 4.4% from 4.0%, attributed to a significant slowdown in hiring. However, the Fed hopes the rate cut will stimulate job growth and prevent layoffs. Notably, this was the first non-unanimous decision among the Fed Governors in nearly 20 years, with a vote of 11 to 1. The dissenting voter preferred a smaller, 25-basis point decrease.

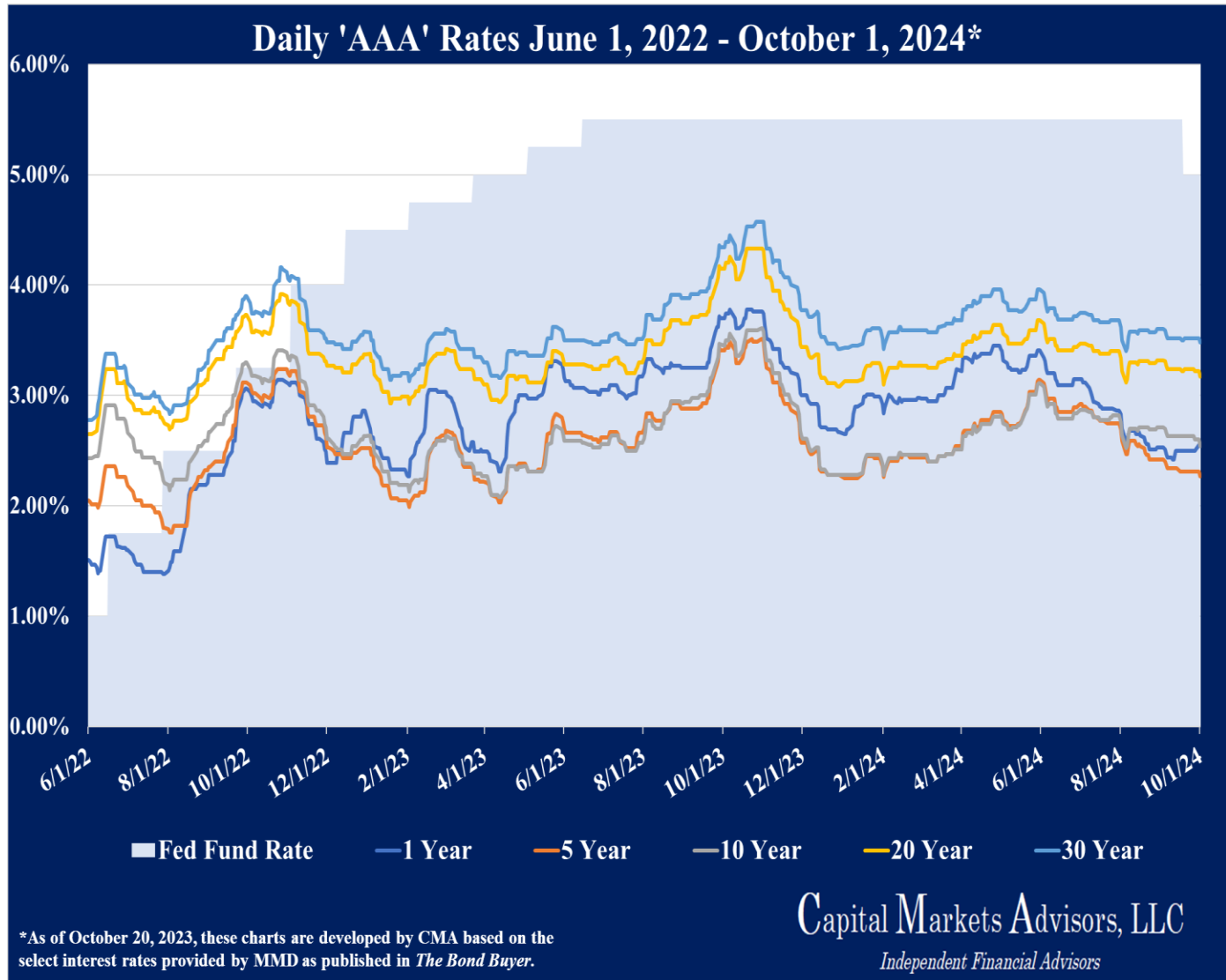
The Fed aims to achieve its 2.00% target inflation rate and ensure a 'soft landing' for the economy—a challenging task that has only been successfully accomplished once before. This could prove to be difficult for the Fed as its actions are reactive to economic indicators and with the upcoming election, there could be an increased amount of political risk at play. The presidential election will be held on November 5th and the Fed will be hosting its next meeting immediately following on November 6th through November 7th. The current expectations from industry professionals are that the Fed will make another fifty-basis point cut at its November meeting. Despite the upcoming election, Fed Chairman Jerome Powell has said that the Fed remains committed to maximizing employment and stabilizing prices for the American people. However, the upcoming election could have a substantial impact on the markets which could play a role in the Fed's next decision.

Transitioning our focus to the municipal market, the recent rate cut has yet to cause significant movement as general obligation yields remained constant for the week following the rate cut, according to Municipal Market Data interest rate scales published by *The Bond Buyer*. Not to worry, according to Barclays Strategists, "The bulk of this underperformance also happens prior to actual rate cuts, although at times we see substantial follow-through after." With that said, there is hope that there will be a break in the lag of tax-exempt general obligation municipal rates. Although municipal rates have stayed stagnant the supply for municipal deals has been heavy this year with overall supply as of September 20, 2024, sitting at approximately \$353 billion, up nearly 37%. In addition, the rate cut led to the highest 30-day visible supply for 2024, which occurred on September 24th in the amount of \$20 billion. The 30-day visible supply represents the amount of bonds to be sold via competitive or negotiated sales over the next 30-days. In contrast, the lowest visible supply for 2024 occurred on January 25, in the amount of \$3.5 billion.

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> |
|--|--------------------------|--------------------------|-------------------------|--------------------|--------------------|-------------------------------|
| Smithtown CSD (Aa2) | TAN | \$58,000,000 | 26 – Sep. | 8 mos. | 2.99% | TD Securities |
| Grand island Town (Aa1) | BAN | \$28,465,845 | 17 – Sep. | 1 yr. | 2.90% | BNT Mellon |
| Boston Town (N/A) | BAN | \$3,758,000 | 17 – Sep. | 1 yr. | 3.69% | Greene County Commercial Bank |
| Longwood CSD (AA+) | TAN | \$46,000,000 | 16 – Sep. | 8 mos. | 3.07% | TD Securities |
| Long Beach City (A3) | BAN | \$44,957,164 | 12 – Sep. | 1 yr. | 3.40% | Jefferies LLC & BNY Mellon |
| Montgomery Town (Aa2) | Bonds | \$2,315,000 | 11 – Sep. | 15 yrs. | 3.00% | Roosevelt & Cross, Inc. |
| Yonkers City (A2) | Bonds (Txb) | \$11,455,000 | Neg. | 9 yrs. | 4.41% | Ramirez & Co. Inc. |
| New Rochelle City SD (Aa2) | BAN | \$2,400,000 | 5 – Sep. | 1 yr. | 3.30% | Oppenheimer & CO. |
| Greenburgh-North Castle UFSD (N/A) | RAN | \$1,900,000 | 4 – Sep. | 1 yr. | 3.85% | Western Alliance Bank |
| Amityville UFSD (Aa3) | TAN | \$25,000,000 | 3 – Sep. | 9 mos. | 3.28% | TD Securities |

Interest Rate Chart



Questions? Comments? Contact any of CMA's 11 Municipal Advisor Representatives listed below.

Richard Tortora at rtortora@capmark.org
 Anthony Nash at anash@capmark.org
 Alex Locascio at alocascio@capmark.org
 Jack Annitto at jannitto@capmark.org

Rick Ganci at rganci@capmark.org
 Alex Kerr at akerr@capmark.org
 Madeline Reid at mreid@capmark.org
 Diana Castañeda at dcastaneda@capmark.org

Janet Morley at jmorley@capmark.org
 Tom Vouzakis at tvousakis@capmark.org
 Morgan Reid at mreid1@capmark.org

GENERAL OBLIGATION TAX-EXEMPT INTEREST RATES

| Term | October 1, 2024 | | | | | 1 Month Ago - September 3, 2024 | | | | | 1 Year Ago - October 2, 2023 | | | | |
|-------|-----------------|-------|---------|-------|-------|---------------------------------|-------|---------|-------|-------|------------------------------|-------|---------|-------|-------|
| | Aaa | Aa | Insured | A | Baa | Aaa | Aa | Insured | A | Baa | Aaa | Aa | Insured | A | Baa |
| 1 yr. | 2.55% | 2.59% | 2.67% | 2.65% | 3.02% | 2.53% | 2.57% | 2.65% | 2.63% | 3.00% | 3.70% | 3.73% | 3.82% | 3.82% | 4.19% |
| 5 | 2.27 | 2.32 | 2.44 | 2.45 | 2.86 | 2.42 | 2.47 | 2.59 | 2.60 | 3.01 | 3.40 | 3.47 | 3.58 | 3.61 | 4.00 |
| 10 | 2.54 | 2.64 | 2.82 | 2.88 | 3.37 | 2.71 | 2.81 | 2.99 | 3.05 | 3.54 | 3.45 | 3.57 | 3.74 | 3.79 | 4.35 |
| 15 | 2.81 | 2.99 | 3.17 | 3.22 | 3.67 | 2.98 | 3.16 | 3.34 | 3.39 | 3.84 | 3.94 | 4.18 | 4.32 | 4.43 | 4.89 |
| 20 | 3.17 | 3.37 | 3.56 | 3.60 | 4.05 | 3.32 | 3.52 | 3.71 | 3.75 | 4.20 | 4.15 | 4.44 | 4.58 | 4.68 | 5.14 |