

CAPITAL MARKETS REPORT - MARCH 4, 2024



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SERVICE BEYOND COMPARISON

Market Movers:

- Investors are adjusting to an erosion in expectations for how fast and far the Federal Reserve will lower rates and a cascade of new corporate issuance that has given yield-seeking investors ample alternatives. Traders no longer expect the Fed to cut rates more than 100bps in 2024. Fed Governor Bowman expects that inflation will continue to decline further with rates held at their current level but, like others, is in no rush to cut.
- US yields rose after Monday's auctions of two-year and five-year government notes. As noted above, blue-chip companies in the US sold a record \$172 billion of bonds in February as they race to seize on investor demand amid a drop in borrowing costs.
- The US economy expanded at a slower rate at the end of last year as a downward revision to inventories masked stronger household spending and investment.
- Traders are currently pricing around 85bps of easing by year end, almost in line with what Fed officials indicated in December. To put that into perspective, swaps were projecting almost 150bps of cuts when February began.
- Equities closed the month at all-time highs as the personal consumption expenditures index showed data that actually added to bets the Fed will be able to cut rates as early as June. The PCE remained above the central bank's 2% target, validating officials wait-and-see approach.
- Bonds rebounded Friday as disappointing factory data and a decline in consumer sentiment further solidified bets on interest-rate cuts, with traders also sifting through the latest Fed remarks. Two year yields fell after Gov. Waller noted he'd like to see a shift in the Fed's holdings towards shorter-term Treasuries.
- Bond prices are off slightly off morning with the benchmark 10Y note yield up 3bps at 4.22%.

Market Last Week

	2/23/24 Close	3/1/24 Close	Weekly Change
2 yr. Note	4.66%	4.53%	-13bps
5 yr. Note	4.26%	4.16%	-10bps
10 yr. Note	4.25%	4.18%	-7bps
30 yr. Bond	4.36%	4.33%	-3bps
SOFR Rate	5.31%	5.31%	unch

Data This Week

Date/Time (EST)	Economic Data	Market Estimate	Prior Report
3/5/24 9:45 AM	US Services PMI	51.4	51.3
3/5/24 9:45 AM	US Composite PMI	51.4	51.4
3/5/24 10:00 AM	Factory Orders	-2.9%	0.2%
3/5/24 10:00 AM	Durable Goods Orders	-6.1%	-6.1%
3/6/24 7:00 AM	MBA Mortgage Applications	n/a	-5.6%
3/6/24 8:15 AM	ADP Employment Change	150k	107k
3/6/24 10:00 AM	JOLTS Job Openings	8900k	9026k
3/7/24 8:30 AM	Trade Balance	-\$63.5b	-\$62.2b
3/7/24 8:30 AM	Initial Jobless Claims	215k	215k
3/7/24 8:30 AM	Continuing Claims	1880	1905k
3/8/24 8:30 AM	Change in Non- farm Payrolls	200k	353k
3/8/24 8:30 AM	Unemployment Rate	3.7%	3.7%

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