

Week ending 4/26/24

Moderating Growth and Sticky Inflation Clouds Outlook for Policymakers

- All eyes this week will be on the FOMC meeting outcome, as Fed officials are widely expected to hold rates at the +2-decade high. The S&P ended the week up 2.67%, while the 10Y UST rose 4 bps.
- The Fed's preferred inflation gauge (PCE) reported at 2.7% YoY, 0.1% above consensus. The monthly figure met expectations of 0.3% MoM. Similarly, Core PCE (which excludes volatile components) reported at 2.8% YoY, 0.1% above consensus. The monthly figure met expectations at 0.3% MoM. With persistent inflation a concern of the Fed, the data could delay rate cuts.
- Q1 GDP advanced at a 1.6% annualized rate, well below expectations of 2.5% and a prior reading of 3.4%. The largest restraint stemmed from a wider trade gap and less inventory accrual. The mixture of slower growth and continual sticky inflation makes the Fed's job harder and adds further uncertainty for the FOMC's policy path.
- Personal spending reported at 0.8%, 0.2% above expectations. Income met expectations of 0.5%, and above the prior 0.3%. Spending outperformed income growth, pushing the personal savings rate down to 3.2% from a prior 3.6%, its lowest level since October 2022. Amid a resilient labor market, consumers have maintained spending habits. Within the lack of consumer caution, inflation risks remain tilted to the upside and suggests the Fed stays on hold in the short term.
- Initial and continuing claims reported below expectations. Initial claims fell to 207k from the prior 212k, while continuing claims fell to 1,781k from the prior revised 1,796k. The job market remains unexpectedly robust despite elevated interest rates.
- Alongside the May FOMC meeting, market attention shifts this week to the April employment report and latest JOLTS data.

	Today	1 Week Ago	1 Month Ago	1 Year Ago	10Y Avg	20Y Avg	All Time Low
SOFR*	5.32%	5.31%	5.31%	4.81%	-	-	0.01%
1M Term SOFR*	5.31%	5.32%	5.33%	5.03%	-	-	0.01%
3M Term SOFR*	5.33%	5.32%	5.31%	5.09%	-	-	0.02%
1M BSBY*	5.36%	5.35%	5.34%	5.05%	-	-	0.04%
2Y UST	4.97%	4.97%	4.63%	4.14%	1.74%	1.85%	0.10%
5Y UST	4.64%	4.65%	4.23%	3.63%	2.04%	2.34%	0.19%
10Y UST	4.62%	4.61%	4.25%	3.57%	2.36%	2.90%	0.51%

*SOFR, Term SOFR and BSBY were introduced in 2018, 2019 and 2020, respectively. As such, there is no 10- and 20-year average to calculate.

Please contact your appropriate coverage person with any questions you may have or if you would like us to add a colleague to our distribution list.

Rates Contact	Phone	Email
Matthew Risicato	617-725-5798	Matthew.Risicato@citizensbank.com
Christopher Pelletier	617-725-5580	Christopher.Pelletier@citizensbank.com
Conor Leddy	617-994-7052	Conor.Leddy@citizensbank.com
Sikandar Hashmi	617-994-7078	Sikandar.Hashmi@citizensbank.com
Michael Denaro	617-725-5645	Michael.Denaro@citizensbank.com

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