It’s A New World

- Bond Market Update
- State Law Changes
Fed has raised its benchmark interest rate to 5.25% since the tightening began in May 2022.

Fed Funds Rate Since January 2018
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Treasury rates have soared in response to Fed tightening.
The market is starting to believe the Fed that interest rates will stay higher for longer.
We are still in an inverted yield curve.
Municipal Bond rates have also climbed.
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Municipal Bond rates have also climbed.
Municipal Bond rates are still not outside of historical range.
Still, while a shock to many given the relatively long time of cheap money, rates are still not outside of our 20-year range.

We are not likely to see those 1% - 2% rates for some time.
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The Elephant in the Room

Sources: U.S. Treasury, Bureau of Economic Analysis/Haver Analytics
The Elephant in the Room

- Over the past 10 years, U.S. government debt has grown by 98% to over $33 trillion. Our debt was already bloated at $5.7 trillion in 2000.
- More than 1.2 times the size of the domestic economy.
- As a result, many fear the U.S. is headed for a “debt trap” whereby growth is tamped down as funds are diverted away from investment to cover the higher costs of servicing existing debt. In other words, debt begets more debt.
Many external factors also facing the markets:
- War in Ukraine
- Divided Congress
- OPEC Oil
- Labor Strikes
- Uncertainty in the Middle East
  - Risks of tensions escalating to involve other regions, particularly Saudi Arabia
New State Laws

- PA 103-0517
  - Expands the territories of
    - South Western Illinois Economic Development Authority
    - Quad Cities Regional Economic Development Authority
    - Tri County River Valley Economic Development Authority
New State Laws

- PA 103-0278
  - Changes to the Working Cash Fund Law
  - Allows a District to Abate (partially transfer) their fund to an operating fund
  - Allows a District to Abolish their fund and recreate it without a referendum
New State Laws

PA 103-0137

- Provides for the electronic filing of bond resolutions with the County Clerk
- Will not need to execute multiple copies of the bond resolution going forward
- Some pushback from County Clerks as they are learning of the new law
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