



## Weekly Review—January 7, 2022

It appears interest rates are on the rise. After the FOMC December meeting minutes were released, the piece of information that surprised the markets was the possibility of the Fed beginning to reduce its balance sheet. This sent a bit of a shockwave into the equity markets as this was interpreted as an end to the extra liquidity in the marketplace.

At the time of writing, the US 10Y Treasury was trading around 1.75% - levels not seen since March of 2021. The 2Y Treasury was trading around 0.85% - a 2Y-10Y spread of 90bps. The curve is bear steepening but is flatter than the curve in March where the spread was around 160bps. The short end of the curve has been rising faster recently in anticipation of the three rate hikes by the Fed in 2022. The latest probability of Fed moves predicts the first hike in May, a second in July, followed by a third in December. The timing of the first hike has moved up two months from previous estimates from last quarter.

The FOMC, through their rhetoric, appears ready to aggressively tackle inflation. With CPI and PPI coming out next week, they are surely going to feel more support/pressure to act sooner rather than later. The main factor that differentiates this moment from the previous hikes in short-term rates is inflation. In the last two rate hike cycles, there was little to no inflationary pressure. The market clearly expects three hikes in 2022, driven partly by the FOMC's most recent dot plot chart, but also because of the overall level of prices. Inflation will drive the Fed's decisions over the next year: if inflation turns out to be transitory as originally thought, then the number of hikes will be one to two; however, the likelihood of inflation coming back down lessens with each release of price measures like CPI and wage levels.

Hold on tight. We are in for some exciting times in 2022. But as one of my mentors who recently passed away used to tell me: "whatever." It didn't mean he didn't care; it meant he was telling me to be patient and not act too hastily. May this year be your best one ever!

Have a nice weekend!

Matthew Maggi | Senior Vice President | Commerce Bank – Capital Markets Group (CMG)  
800 548-2663 [matthew.maggi@commercebank.com](mailto:matthew.maggi@commercebank.com)

### NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
01/10/2022	\$6,060,000	REPUBLIC CO KS UNIF SD#426 UT GO BQ A	2024-2042
01/10/2022	\$10,625,000	COLUMBIA MO SD-REF UT GO AA	2023-2027
01/10/2022	\$8,820,000	DICKINSON CO KS UNIF SD#393 UT GO BQ A	2023-2047
01/11/2022	\$6,600,000	SIKESTON MO R-6 SCH DT UT GO BQ AA+/A+	2023-2037
01/11/2022	\$6,825,000	LEAVENWORTH CO KS-A-REF UT GO BQ AA-	2023-2037
01/12/2022	\$7,000,000	BROWN CO KS UNIF SD #430 UT GO BQ A	2023-2042
01/12/2022	\$18,205,000	LINDBERGH SCHS MO -COPS-REF AA-	2028-2041
01/13/2022	\$12,920,000	WEBSTER GROVES MO SD -REF UT GO AA+	2023-2033

**ECONOMIC CALENDAR**

Monday 1/10	Tuesday 1/11	Wednesday 1/12	Thursday 1/13	Friday 1/14
Wholesale Inventories MoM Wholesale Trade Sales MoM	NFIB Small Business Optimism	MBA Mortgage Applications CPI MoM/YoY Real Avg Hrly/Wkly Earnings YoY	PPI Final Demand MoM./YoY Initial Jobless Claims Continuing Claims	Retail Sales Advance MoM Industrial Production MoM U. of Mich. Sentiment

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	3.25	3.25	3.25	3 Mo.	0.27
Discount Rate	0.25	0.25	0.25	6 Mo.	0.30
Fed Funds Rate	0.08	0.08	0.09	1-Year	0.32
IOER	0.15	0.15	0.10	2-Year	0.42
1-Month Libor	0.10	0.10	0.13	3-Year	0.53
11th Dist COFI	0.22	0.23	0.47	5-Year	0.78
1-Yr. CMT	0.45	0.28	0.11	7-Year	1.10
Dow	36,231.59	35,719.43	31,041.13	10-Year	1.29
NASDAQ	14,935.90	15,686.92	13,067.48	30-Year	1.84
S&P 500	4,677.03	4,686.75	3,803.79		
Bond Buyer	2.12	2.05	2.17		

Treasuries & New Issue Agencies ( <i>Spread to Treasuries</i> )						CMO Spreads to Treasuries		
	Treasuries	Bullets	NC-6 Mo.	NC-1 Year	NC- 2 Year		PAC	Vanilla
3 Mo. Bill	0.04					1-Year	N/A	+35
6 Mo. Bill	0.23					2-Year	35	45
1-Year Bill	0.40					3-Year	48	58
2-Year Note	0.87	3	1	1		5-Year	58	68
3-Year Note	1.16	2	5	1	1			
5-Year Note	1.52	4	18	14	6			
7-Year Note	1.72	7	26	18	8			
10-Year Note	1.78	20	40	31	19			
20-Year Bond	2.16							
30-Year Bond	2.13							

  

MBS Current Coupon Yields	
GNMA 30 Yr.	2.31%
FNMA 30 Yr.	2.37%
GNMA 15 Yr.	0.44%
FNMA 15 Yr.	1.63%

**About the Author, Matthew Maggi**



Prior to joining CMG in 2016, Matthew was the Corporate Treasurer at a \$1.2 billion publicly-traded community bank headquartered in Missouri. During his tenure, he developed and implemented balance sheet strategies to maximize margin while managing acceptable levels of interest rate risk, liquidity, and capital. Matthew not only managed the investment portfolio, but also conducted extensive loan portfolio performance analyses.

Previously, he was a Treasury Analyst for one of the largest privately held banks in the U.S. He monitored cash flow and liquidity and developed funding strategies. Matthew leverages his extensive balance sheet management experience to provide tactical and strategic solutions to maximize performance while mitigating risks for the community banks.

\*\*\*If you no longer wish to receive this weekly review, please send an email to [CapitalMarketsGroup@commercebank.com](mailto:CapitalMarketsGroup@commercebank.com)\*\*\*

The Weekly Review is a publication of the Capital Markets Group of Commerce Bank.

The opinions expressed herein reflect that of the author and are not a complete analysis of every material fact respecting any company, industry, or security. The author's opinions do not necessarily reflect that of Commerce Bank or its affiliates. Information contained herein is from sources deemed reliable but cannot be guaranteed. Prices and/or yields are subject to change and investments are subject to availability. CDs are direct financial obligations of the issuing financial institution and are not, either directly or indirectly, an obligation of Commerce Bank. The information provided is not an official trade confirmation or account statement. The Capital Markets Group (CMG) of Commerce Bank is not acting as your 'municipal advisor' within the meaning of Section 15B of the Securities Exchange Act, and does not act in a fiduciary capacity. CMG does not provide tax advice; please refer to your tax professional. Investments in securities are NOT FDIC Insured; NOT Bank-Guaranteed and May Lose Value.



commercebank.com