



Fed Chairman Powell appeared before Congress this week as part of the nomination process to a second term as Fed Chairman. In his testimony, Powell stressed the importance of containing inflation. “If we have to raise interest rates more over time, we will,” cited Powell. Furthermore, “we will use our tools to get inflation back.” Although the Fed is tasked with establishing appropriate monetary policy under the dual mandate of maximum employment and price stability, Powell suggested that near-term policy action will largely focus on tackling inflation. “To get the kind of very strong labor market we want with high participation, it is going to take a long expansion,” according to Powell. “To get a long expansion we are going to need price stability. And so, in a way, high inflation is a severe threat to the achievement of maximum employment.”

Inflation at the consumer level continues to surge evidenced in this week’s economic data. Consumer prices increased in December at the fastest pace in nearly 40 years, up 7% annually. On a monthly basis, prices rose 0.5% - beating median street estimates - setting the stage for what appears to be the first in a series of Fed rate hikes starting as early as March. Although policy makers have clearly stated that adjustments to Fed policy will reflect “inflation developments and the further improvement in the labor market,” the futures market has priced in four 25bps rate hikes over the next twelve months. Fed Governor Waller on Wednesday suggested that as many as five interest-rate increases are possible in 2022 while JPMorgan Chase CEO Dimon stated in today’s conference call with analysts that “it could be six or seven” before the policy rate plateaus.

There you have it...

Dennis Zimmerman Jr.  
 Senior Vice President  
 Senior Manager – Asset/Liability Services  
 Commerce Bank – Capital Markets Group (CMG)

NEW ISSUE MUNICIPAL CALENDAR			
Date	Amount (\$)	Description	Maturity
01/18/2022	\$23,360,000	KANSAS DEV FIN AUTH-E REVS RATING APPLIED	2023-2035
01/18/2022	\$15,450,000	TOPEKA KS-A-REF UT GO AA	2022-2036
01/19/2022	\$5,345,000	BOONE CO MO FIRE PROT DT-REF UT GO BQ Aa2	2023-2034

**ECONOMIC CALENDAR**

Monday 1/17	Tuesday 1/18	Wednesday 1/19	Thursday 1/20	Friday 1/21
Martin Luther King Jr Birthday No Market Data	Empire Manufacturing Total Net TIC Flows Net Long-term TIC Flows	MBA Mortgage Applications Housing Starts Building Permits	Initial Jobless Claims Existing Home Sales Continuing Claims	Leading Index

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	3.25	3.25	3.25	3 Mo.	0.29
Discount Rate	0.25	0.25	0.25	6 Mo.	0.32
Fed Funds Rate	0.08	0.08	0.09	1-Year	0.35
IOER	0.15	0.15	0.10	2-Year	0.48
1-Month Libor	0.11	0.11	0.13	3-Year	0.64
11th Dist COFI	0.22	0.23	0.47	5-Year	0.86
1-Yr. CMT	0.51	0.27	0.12	7-Year	1.13
Dow	35,911.81	35,544.18	30,991.52	10-Year	1.30
NASDAQ	14,893.75	15,237.64	13,112.64	30-Year	1.85
S&P 500	4,662.85	4,634.09	3,795.54		
Bond Buyer	2.19	2.05	2.21		

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	0.11					1-Year	N/A	+35
6 Mo. Bill	0.28					2-Year	35	45
1-Year Bill	0.46					3-Year	50	58
2-Year Note	0.94	1	1	0		5-Year	58	68
3-Year Note	1.23	0	5	2	0			
5-Year Note	1.52	2	19	14	6			
7-Year Note	1.68	7	25	18	9			
10-Year Note	1.75	21	40	31	20			
20-Year Bond	2.14							
30-Year Bond	2.09							

  

MBS Current Coupon Yields	
GNMA 30 Yr.	2.35%
FNMA 30 Yr.	2.40%
GNMA 15 Yr.	0.44%
FNMA 15 Yr.	1.75%

**About the Author, Dennis Zimmerman**



In 2015, Dennis joined Commerce Bank's Capital Markets Group as Manager of Asset/Liability Services. With his leadership, the Capital Market's ALM team provides asset/liability management consulting services to community banks.

Prior to joining Commerce, he was employed for nearly 26 years at one of the largest privately-held banks in Kansas. In addition to managing a \$775 million bond portfolio, his Asset/Liability Chairman responsibilities included managing margin, interest rate risk, liquidity and capital. Prior to becoming the bank's Finance Treasury Officer, he was a Registered Investment Representative and Supervising Principal in the bank's Capital Markets division.

As a seasoned professional, Mr. Zimmerman offers a comprehensive understanding of bank finance treasury, fixed income, complex financial analysis as well as regulatory and operational awareness. As a banker, he understands the challenge of balancing shareholder expectations within appropriate levels of risk.

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