



Weekly Review—January 22, 2021

Just a little patience...yeah. While we probably have not been walking the streets at night, we are all just trying to get it right. With a new year comes preparations and a review of expectations. Within the bond market there are expectations of further stimulus providing more liquidity into various areas of the economy. There is also an expectation of possible increased yields due to a possible increase in inflation resulting from additional stimulus. There are sentiments that once we get a large enough percentage of the population vaccinated, we should see a big pop in consumer spending, particularly within the areas of the economy hit hardest by lockdowns and restrictions. While the type of recovery remains unknown, we should all recognize that patience is required, and we will have to wait and see how robust a recovery is coming.

Three hundred sixty-five degrees...Burning down the house! Hold tight, we may be in for some nasty weather. Many risk managers are concerned with a possible bubble in equity markets, with the delay upon delay of collection of some rents and mortgages, and any possible negative effects on housing and housing prices. These worries can be validated if we see a significant increase in foreclosures and bankruptcies later in the year. They also appear logical and a real possibility. The longer it takes to control the COVID-19 outbreak, the more these types of fears will grow. Carl Jung said fire can be a symbol for transforming ourselves into a new person, psychologically. Perhaps a transformation from being filled with fear, worry, and impatience to being filled with possibility, confidence, and patience can benefit us all (especially us risk managers.)

Start me up... There is no doubt Chiefs fans are excited about this weekend. The hopes that Patrick Mahomes would pass through the concussion protocols and be cleared to play have been answered with the NFL clearing number 15 allowing him to run out on to the field as part of the starting line-up! Sports heroes have been a part of my entire life. They can be inspirational, infuriating, exciting, and disappointing. But the thrill of watching my heroes play games I love makes it all worth it. Go Chiefs! Hope you're back on the sidelines soon, Zizou, and rest in peace Hammerin' Hank.

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Economic Data		
January 19-22, 2021		
Index	Prior*	Actual
Total Net TIC Flows	-11.1b	\$214.1b
Net Long-Term TIC Flows	\$51.9b	\$149.2b
MBA Mortgage Applications	16.7%	-1.9%
NAHB Mortgage Market Index	86	83
Housing Starts	1,578k	1,669k
Housing Starts MoM	3.1%	5.8%
Building Permits	1,635k	1,709k
Building Permits MoM	5.9%	4.5%
Initial Jobless Claims	926k	900k
Continuing Claims	5,181k	5,054k
Markit US Manufacturing PMI	57.1	59.1
Markit US Composite PMI	55.3	58.0
Markit US Services PMI	54.8	57.5
Existing Home Sales	6.71m	6.76m
Existing Home Sales MoM	-2.2%	0.7%

Source: Bloomberg, LP

*Prior equals revised figure when applicable.

NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
01/27/2021	\$4,390,000	USD 356 SUMNER CNTY KS 2021 UT GO BQ	2022-2040

ECONOMIC CALENDAR

Monday 1/25	Tuesday 1/26	Wednesday 1/27	Thursday 1/28	Friday 1/29
Chicago Fed Nat Activity Index	FHFA House Price Index MoM	MBA Mortgage Applications	GDP Annualized QoQ	Personal Income
Dallas Fed Manf. Activity	Conf. Board Consumer Confid.	Durable Goods Orders	Initial Jobless Claims	Personal Spending
	Richmond Fed Manufact. Index	FOMC Rate Decision	Leading Index	MNI Chicago PMI

	KEY INDICES			MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	3.25	3.25	4.75	3 Mo.	0.03
Discount Rate	0.25	0.25	2.25	6 Mo.	0.12
Fed Funds Rate	0.09	0.09	1.55	1-Year	0.17
IOER	0.10	0.10	1.55	2-Year	0.20
1-Month Libor	0.13	0.14	1.65	3-Year	0.25
11th Dist COFI	0.47	0.50	1.04	5-Year	0.38
1-Yr. CMT	0.10	0.09	1.54	7-Year	0.60
Dow	30,996.98	30,015.51	29,186.27	10-Year	0.91
NASDAQ	13,543.06	12,807.92	9,383.77	30-Year	1.62
S&P 500	3,841.47	3,687.26	3,321.75		
Bond Buyer	2.21	2.12	2.56		

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	0.07					1-Year	N/A	+45
6 Mo. Bill	0.08					2-Year	50	55
1-Year Bill	0.09					3-Year	50	62
2-Year Note	0.12	0	-6	-6		5-Year	60	72
3-Year Note	0.18	1	-4	-4	-6			
5-Year Note	0.43	2	9	7	1			
7-Year Note	0.76	4	13	10	4			
10-Year Note	1.09	10	25	21	14			
20-Year Bond	1.66							
30-Year Bond	1.85							

MBS Current Coupon Yields	
GNMA 30 Yr.	1.47%
FNMA 30 Yr.	1.47%
GNMA 15 Yr.	0.25%
FNMA 15 Yr.	0.86%

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.

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