



## Weekly Review—February 7, 2020

Despite a stronger than expected Non-farm payrolls number today, +225,000, equity markets are declining. Bond yields are falling slightly as the continued pressure from the Coronavirus outbreak weighs on the markets. According to a tracker website provided by Johns Hopkins University, there are over 31,500 confirmed cases and have been over 600 deaths, including Dr. Li Wenliang, the physician who first alerted authorities of the virus. On a positive note, over 1,750 lives have been saved.

As we know, fear plays into the pricing of the bond market. As fear increases, prices rise as more investors rush into safer assets, pushing yields down. Currently, the yield on the 10-year trades around 1.58% - down 30bps from the high of the year of 1.88% but up 8bps from the low for the year of 1.50% on January 31<sup>st</sup>. We should continue to see a trading range of 1.50%-1.75% in the near-term.

This week we witnessed, again, the polarization of our political system. President Trump was acquitted by the Senate, followed by the refusal to shake Speaker Pelosi's hand after delivering a copy of his speech for the State of the Union. Pelosi subsequently tore up the speech in a public display of protest of its contents. If I may paraphrase a song from my youth, "Mama, don't let your babies grow up to be politicians..." We have a representative governmental system and it is safe to say it does its job of representing the state of the current Union. I want to remain hopeful that we will see instances of positive collaboration between those who disagree in my lifetime.

Looking ahead to next week, economic data on inflation, retail sales, manufacturing, and business inventories, as well as weekly jobless claims will provide something for us to ponder as we look for investment opportunities with you, our clients, our friends.

Have a wonderful weekend, and yes, we're still wearing red - Chiefs Kingdom!!!

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### NEW ISSUE MUNICIPAL CALENDAR

| Date       | Amount (\$) | Description                              | Maturity  |
|------------|-------------|--|-----------|
| 02/10/2020 | \$5,385,000 | USD 423 McPherson CO KS 2020 UT GO BQ A+ | 2022-2039 |
| 02/13/2020 | \$1,280,000 | Pratt KS Comm Coll 2020 COPS BQ NR       | 2021-2030 |
|            |             |  |           |

## ECONOMIC CALENDAR

| Monday 2/10 | Tuesday 2/11 | Wednesday 2/12            | Thursday 2/13                     | Friday 2/14  |
|-------------|--------------|---------------------------|-----------------------------------|--|
|             |              | MBA Mortgage Applications | CPI MoM<br>Initial Jobless Claims | Retail Sales Advance MoM<br>Industrial Production MoM<br>U. of Mich. Sentiment |

| KEY INDICES    |           |            |              | MUNI AA-BQ |      |
|----------------|-----------|------------|--------------|------------|------|
|                | Current   | Last Month | One Year Ago |            |      |
| Prime Rate     | 4.75      | 4.75       | 5.50         | 3 Mo.      | 0.84 |
| Discount Rate  | 2.25      | 2.25       | 3.00         | 6 Mo.      | 0.87 |
| Fed Funds Rate | 1.59      | 1.55       | 2.40         | 1-Year     | 0.89 |
| IOER           | 1.60      | 1.55       | 2.40         | 2-Year     | 0.93 |
| 1-Month Libor  | 1.67      | 1.69       | 2.51         | 3-Year     | 0.94 |
| 11th Dist COFI | 1.04      | 1.04       | 1.13         | 5-Year     | 0.97 |
| 1-Yr. CMT      | 1.49      | 1.54       | 2.56         | 7-Year     | 1.09 |
| Dow            | 29,102.51 | 28,583.68  | 25,169.53    | 10-Year    | 1.33 |
| NASDAQ         | 9,520.51  | 9,068.58   | 7,288.35     | 30-Year    | 2.03 |
| S&P 500        | 3,327.71  | 3,237.18   | 2,706.05     |            |      |
| Bond Buyer     | 2.47      | 2.77       | 4.22         |            |      |

| 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  | 1.55       |         |          |           |            | 1-Year                    | N/A | +42     |
| 6 Mo. Bill  | 1.56       |         |          |           |            | 2-Year                    | 45  | 56      |
| 1-Year Bill   | 1.47       |         |          |           |            | 3-Year                    | 55  | 65      |
| 2-Year Note   | 2.40       | 5       | 16       | 7         |            | 5-Year                    | 67  | 77      |
| 3-Year Note   | 1.39       | 5       | 28       | 19        |            |                           |     |         |
| 5-Year Note   | 1.40       | 5       | 46       | 37        | 21         |                           |     |         |
| 7-Year Note   | 1.50       | 17      | 49       | 42        | 29         |                           |     |         |
| 10-Year Note  | 1.58       | 27      | 66       | 57        | 48         |                           |     |         |
| 30-Year Bond  | 2.04       |         |          |           |            |                           |     |         |

  

| MBS Current Coupon Yields |       |
|---------------------------|-------|
| GNMA 30 Yr.               | 2.31% |
| FNMA 30 Yr.               | 2.40% |
| GNMA 15 Yr.               | 1.86% |
| FNMA 15 Yr.               | 2.01% |

### 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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