



Weekly Review—February 12, 2021

In this week’s Fed speak, comments from U.S. policy makers reinforced the appropriateness of the Fed’s current accommodative policy stance. Below please find comments from various FOMC members:

When asked about the Fed’s inflation outlook, Dallas Fed President Kaplan told Bloomberg that although an increase in inflation wouldn’t be surprising, he doesn’t “think the increase would be long term.” He believes that Fed policy was appropriately aggressive during the pandemic and sees no evidence of systemic risk. Similarly, Philadelphia Fed President Harker in a CNBC interview stated that although a temporary increase in inflation wouldn’t be surprising, he doesn’t see it “roaring past 2% anytime soon.” Richmond Fed President Barkin said that although he expects “short-term price volatility,” he believes deflationary risks are a possibility. In his interview with the Financial Times, he stressed that the economic outlook remains unclear due to the continued challenges associated with the pandemic.

Cleveland Fed President Mester best illustrated the Fed’s overall policy position by saying “We’re going to be in there using our tools to support the economy and using progress on our dual mandate goals as our guide to when to back off from accommodation but that’s not going to be soon at all.” Additionally, she stated that “we’re going to be accommodative for a very long time because the economy just needs it to get back on its feet.” And finally, Chairman Powell stated in a speech to the Economics Club of New York that monetary policy would remain very supportive.

It’s good to see that central bankers followed their internal talking points! For those bankers that continue to have excess liquidity, either invest it out on the curve (put it to work) or off-load it! The likely negative carry weighs on net interest income. Not sure what I mean? Seek guidance from your ALM team.

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

NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
02/17/2021	\$ 4,825,000	MOUNTAIN GROVE SD MO-COPS	2022-2035

ECONOMIC CALENDAR

Monday 2/15	Tuesday 2/16	Wednesday 2/17	Thursday 2/18	Friday 2/19
President's Day	Empire Manufacturing	MBA Mortgage Applications	Housing Starts	Existing Home Sales
	Total TIC Flows	PPI Final Demand MoM/YoY	Initial Jobless Claims	Markit US Manufacturing PMI
Markets Closed	Net Long-term TIC Flows	Retail Sales Advance MoM	Building Permits	Markit US Composite 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.	0.05
Fed Funds Rate	0.08	0.09	1.58	1-Year	0.08
IOER	0.10	0.10	1.60	2-Year	0.10
1-Month Libor	0.11	0.13	1.66	3-Year	0.14
11th Dist COFI	0.46	0.47	1.04	5-Year	0.25
1-Yr. CMT	0.07	0.10	1.48	7-Year	0.48
Dow	31,458.40	31,068.69	29,551.42	10-Year	0.82
NASDAQ	14,095.47	13,072.43	9,725.96	30-Year	1.51
S&P 500	3,934.83	3,801.19	3,379.45		
Bond Buyer	2.10	2.17	2.53		

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	0.03					1-Year	N/A	+45
6 Mo. Bill	0.05					2-Year	50	55
1-Year Bill	0.06					3-Year	50	62
2-Year Note	0.10	1	-7	-7		5-Year	62	72
3-Year Note	0.18	2	-3	-6	-7			
5-Year Note	0.47	2	10	5	-2			
7-Year Note	0.83	3	17	10	0			
10-Year Note	1.18	7	33	24	12			
20-Year Bond	1.80							
30-Year Bond	1.98							

MBS Current Coupon Yields	
GNMA 30 Yr.	1.51%
FNMA 30 Yr.	1.46%
GNMA 15 Yr.	0.23%
FNMA 15 Yr.	0.86%

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.

If you no longer wish to receive this weekly review, please send an email to 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.