



## Weekly Review—February 14, 2020

The Humphrey–Hawkins Full Employment Act of 1978 requires the FOMC to formally report to Congress its current monetary policy position based on its assessment of current economic conditions. As such, Fed Chairman Powell appeared before lawmakers earlier this week to discuss the Fed’s position & outlook. According to Powell, “the FOMC believes that the current stance of monetary policy will support continued economic growth, a strong labor market and inflation returning to the committee’s symmetric 2% objective.” Furthermore, “as long as incoming information about the economy remains broadly consistent with this outlook, the current stance of monetary policy will likely remain appropriate.” While there were no real surprises in his comments, he did single out the coronavirus as a “new risk” that could lead to disruptions in China that spill over to the rest of the global economy. Powell acknowledged that there will “very likely be some effects on the United States but it’s just too early to say.” Although the number of those reportedly infected with the virus continues to increase, it appears that the bond market’s initial “fear” of the virus impact is beginning to subside. The graph below illustrates how the yield curve’s inversion has lessened since the 1<sup>st</sup> of this month as intermediate-term yields have increased slightly.

Regardless of the actual impact of the coronavirus, low interest rates look to be the new norm. At the conclusion of his two-day appearance on Capital Hill, Chairman Powell told lawmakers that “low rates are not really a choice anymore, they are a fact of reality.” If you haven’t already, prepare your portfolios for a “lower for longer” rate environment.

Your comments/questions are encouraged.

### Dennis Zimmerman Jr.

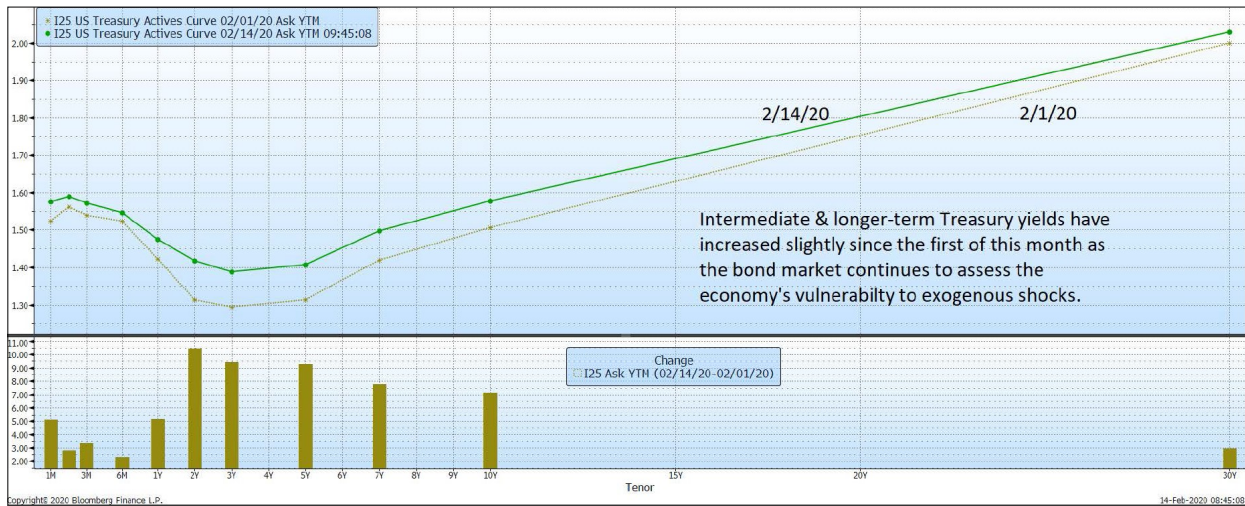
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### NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
02/18/2020	\$77,805,000	KDFA KS KU 2020B REVS Aa2	2020-2035
02/20/2020	\$65,000,000	Lindbergh SD STLCO MO UT GO Aa1	2031-2040

**ECONOMIC CALENDAR**

Monday 2/17	Tuesday 2/18	Wednesday 2/19	Thursday 2/20	Friday 2/21
	Empire Manufacturing	MBA Mortgage Applications PPI Final Demand MoM Housing Starts	Initial Jobless Claims Leading Index	Markit US Manufacturing PMI Existing Home Sales

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	1.58	1.54	2.40	1-Year	0.89
IOER	1.60	1.55	2.40	2-Year	0.93
1-Month Libor	1.66	1.68	2.49	3-Year	0.94
11th Dist COFI	1.04	1.04	1.13	5-Year	0.98
1-Yr. CMT	1.49	1.53	2.55	7-Year	1.10
Dow	29,398.08	28,939.67	25,439.39	10-Year	1.34
NASDAQ	9,731.18	9,251.33	7,426.96	30-Year	2.04
S&P 500	3,380.16	3,283.15	2,745.73		
Bond Buyer	2.53	2.63	4.23		

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	1.57					1-Year	N/A	+42
6 Mo. Bill	1.54					2-Year	45	56
1-Year Bill	1.46					3-Year	55	66
2-Year Note	1.42	4	16	5		5-Year	67	78
3-Year Note	1.38	5	29	20	1			
5-Year Note	1.40	6	48	38	22			
7-Year Note	1.50	16	51	42	28			
10-Year Note	1.57	25	68	58	47			
30-Year Bond	2.03							

MBS Current Coupon Yields	
GNMA 30 Yr.	2.33%
FNMA 30 Yr.	2.44%
GNMA 15 Yr.	1.92%
FNMA 15 Yr.	2.05%

**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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