



Weekly Review—February 18, 2022

Y'know, Nietzsche says: "Out of chaos comes order." I love when things are organized, orderly, set in a way where one can obviously see the meaning. Unfortunately, that is not what we get in the financial markets. We see hints of order: buying and selling give us a glimpse at what value securities have at any given time; however, when asked to predict what the market will do, or what the Fed will do, we likely are closer to chaos than order. The truth is we won't know until the Fed announces their decision at each meeting this year what they will do. To provide some sense of order to this chaos (the unknown), we use historical precedent, experience, gut instinct, or statistical analysis to give us a likely outcome of the future. It appears that the Fed will raise rates this year – by how much remains the unknown (chaos). If thinking that the Fed will increase the Fed Funds rate 6 or 7 times this year makes us feel more orderly, concrete in our thinking, we must be prepared for the Fed to move only 3 times, or 4 times. We must be prepared to be wrong.

For so long they've told us there was a light at the end of the tunnel...they never told us it was a train. Arsenio Hall said this in one of his comedy specials when I was a kid. I laughed and laughed because it hit something deep inside me that was true. Sometimes when hope fills us and we begin to think the discomfort or struggle we are experiencing is almost over, we may get knocked back by something else. Struggle is always a part of our lives, how we deal with it is what matters. The current difficulty for financial institutions lies with current deposit levels and what future pricing of those interest-bearing deposits might be. Not so long ago in 2018, several institutions offered interest rates of 3%. Whether driven by competition or a belief that getting ahead of the future higher rates would pay off, many institutions made bets. When rates fell in 2019, they realized the light at the end of the tunnel of low interest rates was a train. This might explain why deposit pricing will be more deliberate in those institutions this time. One of the main components in managing interest rate margin for banks is the cost of funding. We may see some chaotic pricing behaviors again, but each institution must decide for itself which rates will help them be most profitable and be satisfactory to its core depositors.

What lies beneath my desire to have things organized and orderly is control. When I feel like I'm in control, I'm at peace. The truth is I'm not really in control and it is in that where I must find peace. Perhaps the order which comes out of chaos is acceptance. Sometimes it may take a train to help me learn it.

If you would like to discuss possible actions to take in preparation for future balance sheet moves in a rising rate environment, reach out to your CMG contact. Best to you and your families.

Have a nice weekend!

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NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
02/22/2022	\$12,735,000	COFFEYVILLE KS CMNTY COLL -COPS A	2023-2039
02/22/2022	\$6,135,000	ST JOSEPH MO SPEC OB BQ A+	2023-2032
02/24/2022	\$6,265,000	OSAWATOMIE KS -A -REF UT GO BQ	2023-2032
02/24/2022	\$47,345,000	WYANDOTTE CO/KC KS UNIF GOVT-A UT GO AA	2023-2042

ECONOMIC CALENDAR

Monday 2/21	Tuesday 2/22	Wednesday 2/23	Thursday 2/24	Friday 2/25
President's Day Holiday Markets and Banks Closed	FHFA House Pride Index MoM Markit US Manu./Serv./Comp PMI Conf. Board Cons. Confidence	MBA Mortgage Applications	GDP Annualized QoQ (4Q S) Initial Jobless Claims New Home Sales	Personal Income Personal Spending Durable Goods Orders

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	3.25	3.25	3.25	3 Mo.	0.82
Discount Rate	0.25	0.25	0.25	6 Mo.	0.87
Fed Funds Rate	0.08	0.08	0.08	1-Year	0.90
IOER	0.15	0.15	0.10	2-Year	1.17
1-Month Libor	0.16	0.10	0.11	3-Year	1.31
11th Dist COFI	0.22	0.22	0.46	5-Year	1.50
1-Yr. CMT	1.05	0.51	0.07	7-Year	1.62
Dow	34,079.18	35,368.47	31,493.34	10-Year	1.83
NASDAQ	13,548.07	14,506.90	13,865.36	30-Year	2.30
S&P 500	4,348.87	4,577.11	3,913.97		
Bond Buyer	2.54	2.19	2.17		

Treasuries & New Issue Agencies (Spread to Treasuries)						CMO Spreads to Treasuries		
	Treasuries	Bullets	NC-6 Mo.	NC-1 Year	NC- 2 Year		PAC	Vanilla
3 Mo. Bill	0.33					1-Year	N/A	+35
6 Mo. Bill	0.62					2-Year	35	40
1-Year Bill	0.97					3-Year	52	58
2-Year Note	1.46	-1	1	1		5-Year	66	75
3-Year Note	1.68	4	5	2	1			
5-Year Note	1.82	2	18	14	6			
7-Year Note	1.91	12	26	18	8			
10-Year Note	1.92	26	40	31	20			
20-Year Bond	2.31							
30-Year Bond	2.24							

MBS Current Coupon Yields		
GNMA 30 Yr.		2.75%
FNMA 30 Yr.		2.90%
GNMA 15 Yr.		044%
FNMA 15 Yr.		2.25%

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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