



Up 7.9% from the prior year, this week’s inflation data showed that consumer prices continued to accelerate in February marking another 40-year high. This is the 12th consecutive month that inflation has materially exceeded the Fed’s 2% long-term average inflation goal. At this point, the Fed should scrap its current 2% long-term inflation target as it would now take 45 consecutive months of 1% inflation to return to its 2% average - 1% year over year is no longer realistic over the near term.

Looking back, the hope was that the increase in prices would be the result of short-term factors related to the reopening of the economy and industry-specific shortages of key inputs such as semiconductors that went into automobiles. But as inflationary pressures broadened over the last several quarters, the Fed eventually shifted away from their “transitory” posture by pivoting to a more hawkish forward guidance. As such, the Fed went on record over the last several months that they are prepared to start raising benchmark rates as early as next week. Interestingly, the bond market has been braced for the Fed to raise rates since last year. Specifically, the two-year treasury yield has increased 145 basis points since last September, while the Fed has gone about its task of removing stimulus in a tentative fashion. That shows just how misaligned monetary policy has been with the market’s own take on the broader economy. By leaving stimulus measures intact for too long and having been complacent about the inflation risk for much of last year, the Fed is materially behind inflation and the curve. Furthermore, we have not yet seen the full impact on price increases as the result of Russia’s invasion into Ukraine. Recession expectations continue to increase...

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NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
03/14/2022	\$7,025,000	RAYMORE MO-REF UT GO BQ Ad2	2024-2027

ECONOMIC CALENDAR

Monday 3/14	Tuesday 3/15	Wednesday 3/16	Thursday 3/17	Friday 3/18
	PPI Final Demand MoM/YoY	MBA Mortgage Applications	Housing Starts MoM	Existing Home Sales
	Empire Manufacturing	Retail Sales Advance	Initial Jobless Claims	Leading Index
	Net Long-term TIC Flows	FMOC Rate Decision	Industrial Production MoM	Existing Home Sales MoM

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	3.25	3.25	3.25	3 Mo.	0.99
Discount Rate	0.25	0.25	0.25	6 Mo.	1.06
Fed Funds Rate	0.08	0.08	0.07	1-Year	1.09
IOER	0.15	0.15	0.10	2-Year	1.35
1-Month Libor	0.39	0.12	0.11	3-Year	1.47
11th Dist COFI	0.22	0.22	0.46	5-Year	1.64
1-Yr. CMT	1.22	1.14	0.08	7-Year	1.84
Dow	32,944.19	34,738.06	32,485.59	10-Year	2.00
NASDAQ	12,843.81	13,791.15	13,398.67	30-Year	2.51
S&P 500	4,204.31	4,418.64	3,939.34		
Bond Buyer	2.33	2.41	2.35		

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	0.36					1-Year	N/A	+35
6 Mo. Bill	0.73					2-Year	35	42
1-Year Bill	1.14					3-Year	58	65
2-Year Note	1.73	2	1	1		5-Year	70	80
3-Year Note	1.91	1	5	2	1			
5-Year Note	1.95	10	18	14	6			
7-Year Note	2.00	12	25	18	8			
10-Year Note	2.00	34	40	31	19			
20-Year Bond	2.45							
30-Year Bond	2.36							

MBS Current Coupon Yields	
GNMA 30 Yr.	2.81%
FNMA 30 Yr.	3.04%
GNMA 15 Yr.	2.28%
FNMA 15 Yr.	2.36%

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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