



## Weekly Review—March 19, 2021

This has certainly been an eventful week. The first set of Economic Impact Payments (EIP) 3.0 hit bank accounts rekindling the debate about whether or not this tax-free income boost will translate into an increase in consumer spending. The FOMC met for its two-day March meeting maintaining its stance of keeping short-term interest rates low until both inflationary and employment goals are met. Additionally, bond market volatility continued with the 10-year treasury touching 1.75% and the 30-year treasury briefly reaching 2.50%. Finally, as clocks leapt forward, many looked forward to a Spring filled with more freedom of movement and growing closer to what was normal.

In this month's Points-to-Ponder, Ross Elford brilliantly sums up the crux of the question of what will happen with the additional income given to many individuals and families. Will consumers return to pre-pandemic spending behaviors? Will we see GDP numbers we've not seen in decades? As we know, personal consumption is the largest part of our economic productivity measure. Can we rely on consumers to pay for products and services to get us back to previous levels of output? Or will personal savings levels remain elevated and less discretionary income be spent? Looking at the Bureau of Economic Analysis measure of monthly change in personal spending (Ticker: PCE CRCH Index) a large bump of 8.7% month-over-month occurred in May of 2020 – right after the initial EIP disbursements. The second payments were sent primarily in January of this year. The last measure was an increase of 2.4% from the month of January. It remains to be seen how round three goes, but we know the overall amount was higher than the previous two for individuals and dependents.

Chair Jerome Powell reiterated his low-level of concern about the recent rise in interest rates (usually reported as the 10-year bond yield). He shared the committee's position that this increase is temporary and that we should be ready for somewhat inflated data due to comparing recent inflation figures to a year ago – the beginning of the pandemic-induced lockdowns. As someone who works with numbers and data every day, I see his point; however, also as someone who has extensive experience interpreting data and sharing with others, this seems short-sighted and too-heavily reliant upon the data. The toughest job for a data scientist or analyst is to speak about data in a clear and meaningful way for the audience. We will likely see continued volatility in the fixed income market as market participants challenge the Fed's stance on inflation.

As Spring nears and the days are filled with more sunlight, hope grows for a return to what many of us knew as normal. As I speak with clients, there are some communities that are closer than others. The hope is enough vaccine is available, distributed, and administered to keep us on the path to more normal behaviors. Depending on your expectations, reach out to us at CMG to find the most suitable investments for you!

Have a nice weekend!

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### NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
03/23/2021	\$76,770,000	KANSAS CITY MO -A-REF Aa3 AA	2022-2041
03/25/2021	\$4,085,000	DUNKLIN R-V SD MO-COPS-REV BQ A	2022-2032
03/25/2021	\$6,795,000	HAYS KS -A BQ AA	2022-2046

**ECONOMIC CALENDAR**

Monday 3/22	Tuesday 3/23	Wednesday 3/24	Thursday 3/25	Friday 3/26
Existing Home Sales	New Home Sales	MBA Mortgage Applications	Initial Jobless Claims	Personal Income
Chicago Fed Nat Activity Index	New Home Sales MoM	Durable Goods Orders	GDP (4Q Final) QoQ	Personal Spending
	Richmond Fed Manufact. Index	Markit US Manufacturing PMI	Core PCE QoQ	Wholesale Inventories MoM

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	3.25	3.25	3.25	3 Mo.	0.17
Discount Rate	0.25	0.25	0.25	6 Mo.	0.19
Fed Funds Rate	0.07	0.08	0.25	1-Year	0.22
IOER	0.10	0.10	0.10	2-Year	0.25
1-Month Libor	0.11	0.11	0.75	3-Year	0.39
11th Dist COFI	0.46	0.46	0.98	5-Year	0.64
1-Yr. CMT	0.07	0.06	0.21	7-Year	0.93
Dow	32,627.97	31,494.32	20,087.19	10-Year	1.31
NASDAQ	13,215.23	13,874.47	7,150.58	30-Year	1.98
S&P 500	3,913.10	3,906.71	2,409.39		
Bond Buyer	2.40	2.17	2.57		

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	0.00					1-Year	N/A	+45
6 Mo. Bill	0.02					2-Year	48	55
1-Year Bill	0.06					3-Year	55	67
2-Year Note	0.15	1	-5	-5		5-Year	67	77
3-Year Note	0.32	1	-1	-4	-5			
5-Year Note	0.88	3	12	8	-5			
7-Year Note	1.38	3	19	12	2			
10-Year Note	1.74	5	35	25	13			
20-Year Bond	2.37							
30-Year Bond	2.46							

  

MBS Current Coupon Yields	
GNMA 30 Yr.	2.07%
FNMA 30 Yr.	2.05%
GNMA 15 Yr.	1.13%
FNMA 15 Yr.	1.37%

**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.

**\*\*\*If you no longer wish to receive this weekly review, please send an email to [CapitalMarketsGroup@commercebank.com](mailto:CapitalMarketsGroup@commercebank.com)\*\*\***

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