



Weekly Review—March 26, 2021

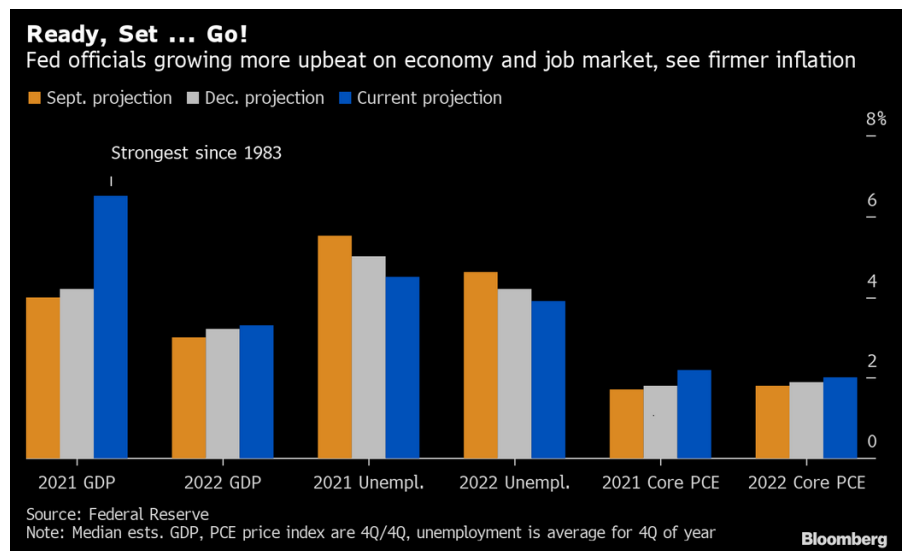
Earlier this week, Fed Chairman Powell told Congress that although “the recovery has progressed more quickly than generally expected and looks to be strengthening, the recovery is far from complete, so, at the Fed, we will continue to provide the economy the support that it needs for as long as it takes.” His comments reaffirmed the Fed’s current policy stance of keeping bench-mark interest rates near zero “until the labor market has reached maximum employment and inflation has risen to 2% and is on track to moderately exceed that level for some time.” When asked about the possibility of historic levels of government stimulus leading to higher inflation, he responded by saying “we are strongly committed to inflation that averages 2% over time,” and “if it were to be higher or lower than that, then we’d use our tools to move inflation back to 2%.” Such comments were likely intended to soothe investor’s inflationary concerns.

As for forward guidance, policy makers released their updated economic outlook at the conclusion of last week’s FOMC meeting. The chart below provides an overview of their guidance. According to the Fed, the economy is expected to grow 6.5% in 2021 marking the fastest pace since 1983. By 2024, GDP is expected to return to 2.2% – consistent with pre-pandemic growth. The unemployment rate is projected to continue to decline – marching towards 4% by 2023. Inflation, as measured by the core personal consumption expenditures price index, is expected to increase to 2.2% this year – slightly higher than the Fed’s long-term 2% goal%.

According to their updated dot plot, most policy maker’s do not expect bench-mark rates to increase before 2023 based on their projections. Interestingly, their longer-term rate forecast remained at 2.50% – unchanged since June of 2019! Although the Fed expects to maintain its highly accommodative policy through at least 2023, bond market participants beg to differ as the steepening of the curve shows investors expect policy makers to increase its benchmark overnight sooner than expected.

Depending on your ALM risk profile, consider putting any excess liquidity to work. Leaving it in overnight weighs on current earnings...

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



NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
03/29/2021	\$30,000,000	ST CHARLES MO CMNTY CLG UT GO RATING APPLIED	2022-2041
03/30/2021	\$6,505,000	BELTON MO -REF UT GO BQ AA-	2022-2041

ECONOMIC CALENDAR

Monday 3/29	Tuesday 3/30	Wednesday 3/31	Thursday 4/1	Friday 4/2
Dallas Fed Manf. Activity	Conf. Board Consumer Confid.	MBA Mortgage Applications ADP Employment Change MNI Chicago PMI	Construction Spending MoM ISM Manufacturing Markit US Manufacturing PMI	Change in Nonfarm Payrolls Unemployment Rate **Equity/Bond Markets Closed**

KEY INDICES				MUNI AA—BQ	
	Current	Last Month	One Year Ago		
Prime Rate	3.25	3.25	3.25	3 Mo.	0.07
Discount Rate	0.25	0.25	0.25	6 Mo.	0.11
Fed Funds Rate	0.07	0.07	0.12	1-Year	0.13
IOER	0.10	0.10	0.10	2-Year	0.18
1-Month Libor	0.11	0.11	0.92	3-Year	0.32
11th Dist COFI	0.46	0.46	0.98	5-Year	0.57
1-Yr. CMT	0.07	0.09	0.19	7-Year	0.88
Dow	33,072.45	30,932.37	22,552.17	10-Year	1.26
NASDAQ	13,138.72	13,192.35	7,797.54	30-Year	1.93
S&P 500	3,974.52	3,811.15	2,630.07		
Bond Buyer	2.35	2.44	2.72		

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	0.01					1-Year	N/A	+45
6 Mo. Bill	0.03					2-Year	48	55
1-Year Bill	0.06					3-Year	55	65
2-Year Note	0.13	1	-5	-6		5-Year	66	76
3-Year Note	0.30	1	-1	-4	-5			
5-Year Note	0.85	1	12	8	0			
7-Year Note	1.32	2	20	13	3			
10-Year Note	1.66	6	34	25	13			
20-Year Bond	2.27							
30-Year Bond	2.38							

MBS Current Coupon Yields	
GNMA 30 Yr.	1.97%
FNMA 30 Yr.	1.97%
GNMA 15 Yr.	1.08%
FNMA 15 Yr.	1.33%

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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