



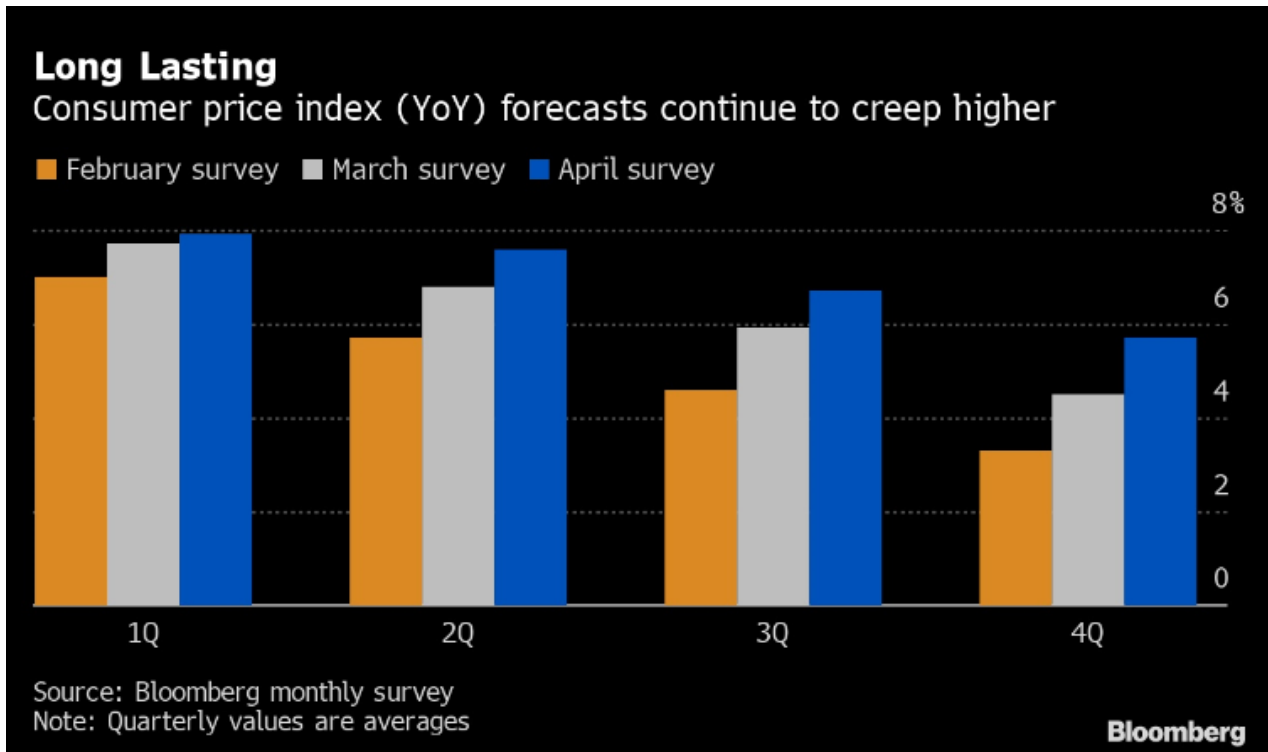
Weekly Review—April 8, 2022

This week’s release of March’s FOMC meeting minutes showed that the Fed may start the process of reducing its nearly \$9 trillion bond holdings as early as next month. At an estimated shrink of \$95 billion a month, the Fed’s quantitative tightening (QT) would mark the fastest pace in history in a bid to further tighten credit in hopes of taming historically high inflation. Policy maker’s March QT discussion remains consistent with Fed announcements over the last several months – wanting first to begin the process of lowering benchmark rates followed by a reduction in the size of the balance sheet.

As U.S. central bankers continue wargaming ways to reduce 40-year high inflation, it appears that they may be fighting an uphill battle as economists continue to increase their inflation forecasts. Evidenced in the table below, consumer prices are expected to creep higher averaging 5.4% (year over year) in the fourth quarter of this year, up from February’s 4QTR22 sub 4% projection – according to an April Bloomberg survey of economists. CPI is currently running at 7.9% annually. Increasingly strong inflation expectations further challenge the Fed’s ability to reduce prices without causing an economic downturn.

In a separate survey, Bloomberg asked the following question: In what year do you expect the next recession to begin? Although the current probability of recession remains relatively low at 25%, the median survey response was 2024. Considering the Fed’s aggressively hawkish policy stance, it would be reasonable to expect that the recession probability will likely increase over the near term!

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



NEW ISSUE MUNICIPAL CALENDAR			
Date	Amount (\$)	Description	Maturity
04/11/2022	\$61,835,000	JOHNSON CO KS UNIF SD #229-A UT GO AA+	2022-2041

ECONOMIC CALENDAR

Monday 4/11	Tuesday 4/12	Wednesday 4/13	Thursday 4/14	Friday 4/15
	CPI MoM/YoY	MBA Mortgage Application	Initial Jobless Claims	Empire Manufacturing
	Monthly Budget Statement	PPI Final Demand MoM/YoY	Retail Sales Advance MoM	Industrial Production MoM
	Real Avg Weekly Earnings YoY		U. of Michigan Sentiment	Capacity Utilization

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	3.50	3.25	3.25	3 Mo.	1.35
Discount Rate	0.50	0.25	0.25	6 Mo.	1.50
Fed Funds Rate	0.33	0.08	0.07	1-Year	1.82
IOER	0.40	0.15	0.10	2-Year	2.02
1-Month Libor	0.49	0.31	0.11	3-Year	2.14
11th Dist COFI (ECOFC)	0.24	0.22	0.46	5-Year	2.28
1-Yr. CMT	1.81	1.07	0.06	7-Year	2.42
Dow	34,721.12	32,632.64	33,503.57	10-Year	2.57
NASDAQ	4,488.28	12,795.55	13,829.31	30-Year	3.01
S&P 500	13,711.00	4,170.70	4,097.17		
Bond Buyer	3.48	2.53	2.30		

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	0.67					1-Year	N/A	+35
6 Mo. Bill	1.14					2-Year	35	42
1-Year Bill	1.72					3-Year	58	63
2-Year Note	2.49	1	1	0		5-Year	68	80
3-Year Note	2.70	3	5	2	1			
5-Year Note	2.74	9	19	14	6			
7-Year Note	2.76	12	25	18	8			
10-Year Note	2.69	35	41	32	20			
20-Year Bond	2.90							
30-Year Bond	2.71							

MBS Current Coupon Yields	
GNMA 30 Yr.	3.67%
FNMA 30 Yr.	3.87%
GNMA 15 Yr.	3.16%
FNMA 15 Yr.	3.21%

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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