



Although policy makers have increased overnight benchmark rates only 25bps at this point, their forward-guidance communications continue to significantly tighten financial conditions. By their own admission, policy makers have been slow to address decades high inflation [*This month's Points to Ponder writeup - crafted by CMG's Ross Elford - provides an insightful update on inflation. It's a great read - check it out!*] and, as a result, are expecting to further tighten policy expeditiously to catch up. On the short end of the curve, fed fund futures have now priced in a 50bps hike at the May 3-4 policy meeting with an increasing probability of another half point increase again in June. It wasn't that long ago when 25bps hikes were generally considered appropriate policy. And it isn't just the future market pricing in a hyper-aggressive fed policy, intermediate and longer-term treasury yields continue to move higher. Five-year treasury yields have increased 32bps since the start of the month while longer-term yields are up nearly 50bps. This type of bear flattener move in treasury rates has helped to normalize the shape of the curve as compared to showing several pockets of inversion.

From the fixed-income perspective, continue to selectively add duration to the bond portfolio via new purchase bonds. Depending on the sector, adding bonds at current rates will likely lift the portfolio's overall yield. Seeing that the Fed appear - at this point - to be prioritizing price stability over growth concerns, consider positive convexity an old friend.

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

### NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
04/18/2022	\$2,325,000	AUGUSTA KS-B UT GO BQ NR	2023-2026
04/18/2022	\$1,040,000	VICTORIA KS UT GO BQ NR	2023-2042
04/19/2022	\$5,425,000	FORT SCOTT KS -I-NTS -REF UT GO BQ MIGI	2023
04/19/2022	\$4,470,000	ARKANSAS CITY KS -TXBL UT GO A	2023-2037

## ECONOMIC CALENDAR

Monday 4/18	Tuesday 4/19	Wednesday 4/20	Thursday 4/21	Friday 4/22
NAHB Housing Market Index	Housing Starts MoM Building Permits MoM	MBA Mortgage Applications Existing Home Sales MoM	Initial Jobless Claims Continuing Claims Leading Index	Global US Manufacturing PMI S&P Global US Services PMI S&P Global US Composite PMI

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.	1.54
Fed Funds Rate	0.33	0.08	0.07	1-Year	1.90
IOER	0.40	0.15	0.10	2-Year	2.16
1-Month Libor	0.55	0.40	0.11	3-Year	2.40
11th Dist COFI (ECOFC)	0.24	0.22	0.46	5-Year	2.28
1-Yr. CMT	1.84	1.28	0.06	7-Year	2.54
Dow	34,451.23	33,544.34	34,035.99	10-Year	2.71
NASDAQ	13,351.08	12,948.62	14,038.76	30-Year	3.13
S&P 500	4,392.59	4,262.45	4,170.42		
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	0.74					1-Year	N/A	+35
6 Mo. Bill	1.20					2-Year	35	42
1-Year Bill	1.69					3-Year	58	63
2-Year Note	2.45	1	1	0		5-Year	68	80
3-Year Note	2.68	1	4	1	0			
5-Year Note	2.78	4	18	14	6			
7-Year Note	2.83	15	25	18	8			
10-Year Note	2.82	35	40	31	20			
20-Year Bond	3.09							
30-Year Bond	2.91							

MBS Current Coupon Yields		
GNMA 30 Yr.		3.73%
FNMA 30 Yr.		3.98%
GNMA 15 Yr.		3.49%
FNMA 15 Yr.		3.36%

### 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.

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

The Weekly Review is a publication of the Capital Markets Group of Commerce Bank.

The opinions expressed herein reflect that of the author and are not a complete analysis of every material fact respecting any company, industry, or security. The author's opinions do not necessarily reflect that of Commerce Bank or its affiliates. Information contained herein is from sources deemed reliable but cannot be guaranteed. Prices and/or yields are subject to change and investments are subject to availability. CDs are direct financial obligations of the issuing financial institution and are not, either directly or indirectly, an obligation of Commerce Bank. The information provided is not an official trade confirmation or account statement. The Capital Markets Group (CMG) of Commerce Bank is not acting as your 'municipal advisor' within the meaning of Section 15B of the Securities Exchange Act, and does not act in a fiduciary capacity. CMG does not provide tax advice; please refer to your tax professional. Investments in securities are NOT FDIC Insured; NOT Bank-Guaranteed and May Lose Value.