



Inflation watch! Below please find an overview of this week’s key inflation data.

April’s Consumer Price Index (CPI) showed that consumer prices rose more than anticipated last month, indicating inflation will likely persist at elevated levels longer than initially expected. According to the labor department data released on Wednesday, CPI increased 8.3% over last year – down slightly from March’s forty-year high of 8.5% but stronger than the street estimate of 8.1%. Although the largest price contributors continue to include food and new vehicles, inflation remains widespread and continues to strengthen especially in the services sector (housing, airfare, hotels, electricity, and natural gas), making overall inflation more difficult to curtail. Combined with recent increases in wages, this month’s consumer inflation data suggests prices at the consumer level will remain stubbornly high.

On the producer side, the Producer Price Index (PPI) revealed that prices increased 11% from April of last year beating street estimates of 10.7%. Although down from March’s revised 11.5% annualized increase, April’s producer data gives little hope that consumer prices will materially decline anytime soon as increased production costs generally get passed to consumers.

In terms of monetary policy, this week’s key inflation data will not give policy makers reason to deviate from their current expected path of aggressively hiking interest rates. Unfortunately, with wage increases continuing to run well below current levels of inflation, the decline in consumer spending power is expected to weigh heavily on future spending plans. The University of Michigan’s consumer sentiment – released this morning – fell to a ten year low as inflation concerns remains front and center. Expected purchases of durable goods declined to the lowest level since the University started asking the question in 1978. Policy makers purposely want to slow the demand side of the inflation equation. If not careful, they could get more than what they asked for!

As a heads-up, the next CMG Weekly Commentary will be published May 27.

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NEW ISSUE MUNICIPAL CALENDAR

| Date | Amount (\$) | Description | Maturity |
|------------|---------------|------------------------------------|-----------|
| 05/16/2022 | \$10,145,000 | HUTCHINSON KS -A UT GO Aa3 | 2023-2042 |
| 05/18/2022 | \$114,475,000 | ST LOUIS CO MO-A-REV | 2034-2047 |
| 05/19/2022 | \$35,100,000 | JACKSON CO MO CONSOL SD#4 UT GO A+ | 2022-2039 |

ECONOMIC CALENDAR

| Monday 5/16 | Tuesday 5/17 | Wednesday 5/18 | Thursday 5/19 | Friday 5/20 |
|-------------------------|---------------------------|---------------------------|------------------------|-------------|
| Empire Manufacturing | Retail Sales Advance MoM | MBA Mortgage Applications | Initial Jobless Claims | |
| Net Long-term TIC Flows | Industrial Production MoM | Housing Starts | Leading Index | |
| Total Net TIC Flows | Capacity Utilization | Building Permits | Existing Home Sales | |

| KEY INDICES | | | | MUNI AA-BQ | |
|------------------------|-----------|------------|--------------|------------|------|
| | Current | Last Month | One Year Ago | | |
| Prime Rate | 4.00 | 3.50 | 3.25 | 3 Mo. | 1.59 |
| Discount Rate | 1.00 | 0.50 | 0.25 | 6 Mo. | 1.78 |
| Fed Funds Rate | 0.83 | 0.33 | 0.06 | 1-Year | 2.14 |
| IOER | 0.90 | 0.40 | 0.10 | 2-Year | 2.46 |
| 1-Month Libor | 0.87 | 0.55 | 0.10 | 3-Year | 2.65 |
| 11th Dist COFI (ECOFC) | 0.30 | 0.24 | 0.46 | 5-Year | 2.78 |
| 1-Yr. CMT | 2.04 | 1.77 | 0.05 | 7-Year | 3.05 |
| Dow | 32,196.66 | 34,564.59 | 34,021.45 | 10-Year | 3.23 |
| NASDAQ | 11,805.00 | 13,643.59 | 13,124.99 | 30-Year | 3.65 |
| S&P 500 | 4,023.89 | 4,446.59 | 4,112.30 | | |
| Bond Buyer | 3.37 | 2.87 | 2.28 | | |

| 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 | 0.93 | | | | | 1-Year | N/A | +30 |
| 6 Mo. Bill | 1.40 | | | | | 2-Year | 35 | 40 |
| 1-Year Bill | 1.92 | | | | | 3-Year | 55 | 68 |
| 2-Year Note | 2.60 | 4 | 1 | 0 | | 5-Year | 68 | 85 |
| 3-Year Note | 2.80 | 4 | 4 | 1 | 0 | | | |
| 5-Year Note | 2.88 | 3 | 18 | 6 | 6 | | | |
| 7-Year Note | 2.93 | 18 | 26 | 19 | 8 | | | |
| 10-Year Note | 2.91 | 39 | 40 | 31 | 19 | | | |
| 20-Year Bond | 3.30 | | | | | | | |
| 30-Year Bond | 3.06 | | | | | | | |

| MBS Current Coupon Yields | |
|---------------------------|-------|
| GNMA 30 Yr. | 3.87% |
| FNMA 30 Yr. | 4.15% |
| GNMA 15 Yr. | 3.46% |
| FNMA 15 Yr. | 3.49% |

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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