



Below please find a brief overview of this week's key market news and data...

Inflation

As expected, consumer prices rose last month – topping all projections in a recent Bloomberg survey of economists. The “year over year” Consumer Price Index (CPI) surged to 4.2%, the most since 2008 though a figure distorted by the comparison to last April's pandemic-depressed index. This phenomenon -- known as the base effect – is expected to skew May's inflation numbers as well. Although April's price data was expected to be strong, market participants question its sustainability as policy makers consider near-term price increases transitory. As such, central bankers have long warned that they will not rush to react to what they say will be uneven data.

Adding to the market's inflation concerns, April's Producer Price Index (PPI) jumped as costs of goods and services increased. As compared to March's readings, the largest percentage increases included the categories of food and alcohol, autos/auto parts, RVs/Trailers/Campers, building supplies, fuels and lubricants, cleaning supplies/paper products and travel/tourism/car rental – basically all the things that make America great! Unfortunately, price increases at the producer level are generally passed on to the consumer – expect even higher consumer prices in the months ahead.

Retail Sales

On the heels of March's historic 10.7% stimulus-driven retail spending increase, retail sales in April took a breather. April's unchanged reading missed the consensus projection of 1%. In the months ahead, consumer spending will likely shift from goods to services as the economy continues to open and the fear of COVID subsides.

Employment – Jobless claims

Jobless claims declined 34k to 473k in the week ending May 8, marking a new pandemic low. Declines in jobless claim filings are expected to continue as businesses ramp up hiring. Although job openings surged in March to a record high, business surveys increasingly point to skill mismatches as an initial barrier to hiring workers. Looking ahead, September's expiration of the expanded unemployment benefits could further ease labor shortages, especially in lower paying positions.

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

| NEW ISSUE MUNICIPAL CALENDAR | | | |
|------------------------------|---------------|---------------------------------------|-----------|
| Date | Amount (\$) | Description | Maturity |
| 05/18/2021 | \$13,450,000 | BEL AIRE KS -PUB BLDG COMM TAXABLE A+ | 2022-2034 |
| 05/18/2021 | \$1,300,000 | WELLINGTON KS -B-REF UT GO BQ NR | 2021-2028 |
| 05/19/2021 | \$126,000,000 | LADUE SD MO UT GO AAA | 2022-2041 |
| 05/20/2021 | \$57,585,000 | KIRKWOOD SCH MO DIST R-7 UT GO AA+ | 2022-2034 |

ECONOMIC CALENDAR

| Monday 5/17 | Tuesday 5/18 | Wednesday 5/19 | Thursday 5/20 | Friday 5/21 |
|-------------------------|------------------|---------------------------|------------------------|--------------------------------|
| Empire Manufacturing | Housing Starts | MBA Mortgage Applications | Initial Jobless Claims | Markit US Manufacturing PMI |
| Total Net TIC Flows | Building Permits | FOMC Meeting Minutes | Continuing Claims | Markit US Services & Comp. PMI |
| Net Long-Term TIC Flows | | | Leading Index | Existing Home Sales |

| KEY INDICES | | | | MUNI AA-BQ | |
|----------------|-----------|------------|--------------|------------|------|
| | Current | Last Month | One Year Ago | | |
| Prime Rate | 3.25 | 3.25 | 3.25 | 3 Mo. | 0.05 |
| Discount Rate | 0.25 | 0.25 | 0.25 | 6 Mo. | 0.09 |
| Fed Funds Rate | 0.06 | 0.07 | 0.05 | 1-Year | 0.12 |
| IOER | 0.10 | 0.10 | 0.10 | 2-Year | 0.16 |
| 1-Month Libor | 0.11 | 0.11 | 0.18 | 3-Year | 0.29 |
| 11th Dist COFI | 0.38 | 0.99 | 1.10 | 5-Year | 0.55 |
| 1-Yr. CMT | 0.06 | 0.06 | 0.15 | 7-Year | 0.84 |
| Dow | 34,382.13 | 33,730.89 | 23,625.34 | 10-Year | 1.15 |
| NASDAQ | 13,429.98 | 13,857.84 | 8,943.72 | 30-Year | 1.76 |
| S&P 500 | 4,173.85 | 4,124.66 | 2,852.50 | | |
| Bond Buyer | 2.28 | 2.30 | 2.60 | | |

| 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 | +40 |
| 6 Mo. Bill | 0.02 | | | | | 2-Year | 45 | 50 |
| 1-Year Bill | 0.04 | | | | | 3-Year | 50 | 55 |
| 2-Year Note | 0.15 | 0 | -5 | -6 | | 5-Year | 55 | 65 |
| 3-Year Note | 0.32 | -1 | -2 | -1 | -5 | | | |
| 5-Year Note | 0.81 | 0 | 12 | 8 | 0 | | | |
| 7-Year Note | 1.27 | 0 | 19 | 12 | 2 | | | |
| 10-Year Note | 1.63 | 9 | 35 | 25 | 14 | | | |
| 20-Year Bond | 2.25 | | | | | | | |
| 30-Year Bond | 2.35 | | | | | | | |

| MBS Current Coupon Yields | |
|---------------------------|-------|
| GNMA 30 Yr. | 1.95% |
| FNMA 30 Yr. | 1.86% |
| GNMA 15 Yr. | 0.75% |
| FNMA 15 Yr. | 1.27% |

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*****

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.