



In this week's Fed speak, U.S. policy makers continue to talk down inflation – reaffirming the appropriateness of the Fed's current accommodative policy stance. Below please find comments from various FOMC members:

**Fed Vice Chair Clarida – FOMC voting member**

In an interview with Yahoo! Finance, Fed Vice Chair Clarida stated that April's hotter than expected consumer inflationary pressures would "prove to be largely transitory" as the increase was primarily the result of supply-chain bottlenecks and the reopening of service industries.

**Fed Vice Chair Quarles – FOMC voting member**

During a Brookings Institute webinar, Fed Vice Chairman Quarles told participants that while a bump in inflation this year is likely to be largely transitory, Quarles said the risks to inflation in the medium term are "weighted to the upside," in part because of the stance of fiscal policy. But he added, "I don't want to overstate my concern. I am not worried about a return to the 1970's." Declaring himself "quite optimistic" about the economic outlook, Quarles said he expects "rapid growth to continue for some time before slowing to a still robust pace next year."

**Chicago Fed President Evans – FOMC voting member**

Speaking at a Bank of Japan conference, Fed President Evans stated that the FOMC must analyze the incoming inflation data closely. "The challenge will be to cut through the effects of temporary supply pressures and post-pandemic price renormalization to get a clearer picture of underlying inflation dynamics." According to his analysis, the "recent increase in inflation does not appear to be the precursor of a persistent movement to undesirably high levels of inflation." Evans summarized by stating "I have not seen anything yet to persuade me to change my full support of our accommodative stance for monetary policy or our forward guidance about the path for policy."

**Richmond Fed President Barkin – FOMC voting member**

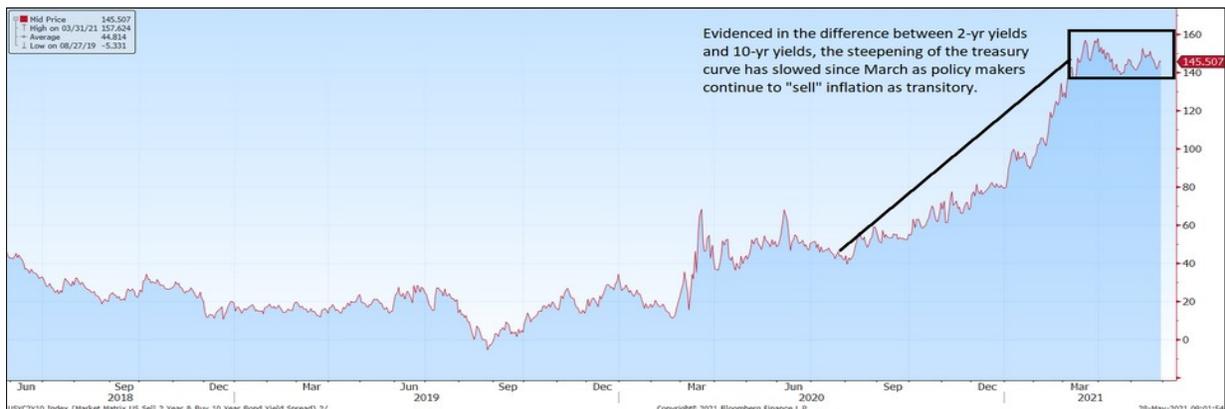
Speaking at a Chamber event in North Carolina, Fed President Barkin stated that "supply-chain and workforce challenges look to last into the summer." According to Barkin, "there is still a lot of room to grow in the labor market, it will take until the summer to unclog this." When asked about the recent price increases in the areas of construction material, freight and energy, the Fed President stated that he pays "attention to market measures of inflation expectations, and those have not yet escalated over target – it's something I'm watching very closely."

**Kansas City Fed President George – FOMC non-voting member**

Comments during an agricultural symposium revealed that KC Fed President George's take on inflation differs from her FOMC colleagues stating that the recent increase in inflation should not be dismissed as being temporary. "With a tremendous amount of fiscal stimulus flowing through the economy, the landscape could unfold quite differently than the one that shaped the thinking around the revised monetary policy framework," according to the KC Fed President. Furthermore, "while it is clear that several temporary factors are boosting inflation now, I am not inclined to dismiss today's pricing signals or to be overly reliant on historical relationships and dynamics in judging the outlook for inflation."

Although comments such as George's may cause investors to pause, the bond market has currently bought into the Fed's idea that recent increases in inflation are transitory as the chart below shows that the treasury yield curve – which is driven in largely by inflation expectations – is no steeper now than it was in early March. With that said, it's only a matter of time before volatility returns to the bond market as inflationary pressures continue to build.

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



### NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
06/02/2021	\$8,720,000	PLATTSBURG MO WTR/SWR BQ AA	2022-2046



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## ECONOMIC CALENDAR

Monday 5/31	Tuesday 6/1	Wednesday 6/2	Thursday 6/3	Friday 6/4
Happy Memorial Day! Markets Closed	Markit US Manufacturing PMI Construction Spending MoM ISM Manufacturing	MBA Mortgage Applications U.S. Federal Reserve Beige Book Wards Total Vehicle Sales	ADP Employment Change Initial Jobless Claims Continuing Claims	Change in Nonfarm Payrolls Unemployment Rate Durable Goods Orders

	KEY INDICES			MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	3.25	3.25	3.25	3 Mo.	0.03
Discount Rate	0.25	0.25	0.25	6 Mo.	0.07
Fed Funds Rate	0.06	0.07	0.05	1-Year	0.10
IOER	0.10	0.10	0.10	2-Year	0.13
1-Month Libor	0.09	0.11	0.17	3-Year	0.26
11th Dist COFI	0.38	0.41	0.88	5-Year	0.54
1-Yr. CMT	0.05	0.06	0.18	7-Year	0.84
Dow	34,529.45	33,820.38	25,400.64	10-Year	1.13
NASDAQ	13,748.74	14,051.03	9,368.99	30-Year	1.67
S&P 500	4,204.11	4,183.18	3,029.73		
Bond Buyer	2.20	2.26	2.37		

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	0.03					3-Year	50	55
2-Year Note	0.13	1	-5	-5		5-Year	55	65
3-Year Note	0.29	-2	-1	-4	-5			
5-Year Note	0.80	-3	13	8	0			
7-Year Note	1.26	1	19	12	2			
10-Year Note	1.59	8	34	25	13			
20-Year Bond	2.18							
30-Year Bond	2.27							

MBS Current Coupon Yields	
GNMA 30 Yr.	1.91%
FNMA 30 Yr.	1.84%
GNMA 15 Yr.	0.68%
FNMA 15 Yr.	1.24%

### 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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