



### Solid jobs market...

May nonfarm payrolls increased 390k compared to street estimates of 318k while the unemployment rate remained flat at 3.6% - marking another month of solid job growth. Furthermore, labor force participation rate continues to creep higher. From the Fed's perspective, May's jobs data gives policy makers the green light to continue front-loading rate hikes at a 50bps pace to battle inflation. The market has fully priced in 50bps hikes at both the June and July FOMC meeting with an 85% probability of another half point in September.

### Looming recession?

Although recession fears have increased to 30% vs. last month's 15% probability, May's stronger than expected jobs report should help mitigate the market's near-term recession concerns. Based on the results of a Bloomberg survey, gross domestic product (GDP) is expected to grow 2.6% this year and 2% next year. Although materially slower than 2021's 7.9% economic growth, near term projected growth is better than the 3.4% contraction in 2020.

### But what are the big boys saying!

- Citigroup CEO – A U.S. recession is “not easy to avoid.”
- JPMorgan Chase CEO – sees an economic “hurricane” approaching.
- Goldman Sachs President – called the number of shocks facing the economy “unprecedented.”
- Tesla CEO – has a “super bad feeling” about the economy.
- PNC Financial Services CEO – “I don't see any possible outcome other than a recession.”

### Bankers manage risk...

Community banks purposely take risk to make money. As such, risk isn't eliminated – it's managed. The most effective tool for best managing earnings & capital in times of great uncertainty is the asset/liability management (ALM) simulation model. If not already doing so, ask your ALM team to run multiple “what if” scenarios incorporating numerous rate paths as well as changes in balance sheet volume and mix generally associated with an economic downturn &/or stagflation. Might as well throw in a credit deterioration component too. Now is not the time to be conservative with your “what if” assumptions as the economic outlook is concerning. Once you know where your risks lie, management can then discuss ways to possibly mitigate the exposure.

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### NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
06/07/2022	\$3,200,000	HUMANSVILLE MO R-IV SD UT GO BQ AA+	2030-2042
06/07/2022	\$9,730,000	VALLEY CTR KS -1-TEMP NTS UT GO SP1+	2024
06/07/2022	\$855,000	VALLEY CTR KS -2-TEMP NTS TAXABLE UT GO	2025
06/08/2022	\$14,110,000	INDEPENDENCE KS -A UT GO	2022-2042
06/09/2022	\$5,000,000	MARION CO KS -A UT GO BQ	2023-2031

**ECONOMIC CALENDAR**

Monday 6/6	Tuesday 6/7	Wednesday 6/8	Thursday 6/9	Friday 6/10
	Trade Balance Consumer Credit	MBA Mortgages Wholesale Inventories MoM	Initial Jobless Claims Continuing Claims	CPI MoM/YoY U. of Mich. Sentiment Monthly Budget Statement

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	4.00	3.50	3.25	3 Mo.	1.09
Discount Rate	1.00	0.50	0.25	6 Mo.	1.28
Fed Funds Rate	0.83	0.33	0.06	1-Year	1.64
IOER	0.90	0.40	0.10	2-Year	1.92
1-Month Libor	1.12	0.80	0.09	3-Year	2.08
11th Dist COFI (ECOFC)	0.38	0.30	0.46	5-Year	2.23
1-Yr. CMT	2.18	2.10	0.05	7-Year	2.52
Dow	32,899.70	33,128.79	34,577.04	10-Year	2.70
NASDAQ	12,012.73	12,563.76	13,614.51	30-Year	3.14
S&P 500	4,108.54	4,175.48	4,192.85		
Bond Buyer	3.03	3.21	2.18		

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	1.13					1-Year	N/A	+30
6 Mo. Bill	1.62					2-Year	33	38
1-Year Bill	2.12					3-Year	55	62
2-Year Note	2.67	2	1	0		5-Year	60	75
3-Year Note	2.86	4	5	2	1			
5-Year Note	2.95	6	18	14	6			
7-Year Note	2.99	23	26	19	9			
10-Year Note	2.95	41	40	31	19			
20-Year Bond	3.13							
30-Year Bond	2.94							

MBS Current Coupon Yields	
GNMA 30 Yr.	3.76%
FNMA 30 Yr.	4.04%
GNMA 15 Yr.	3.41%
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.

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