

## Weekly Review—June 4, 2021

The Fed has made it clear that they expect to keep overnight interest rates basically zero-bound until the labor market has reached maximum employment and inflation has risen to 2% and is on track to moderately exceed that level for some time. Last week I addressed the topic of inflation. This week, it's all about employment as the Bureau of Labor Statistics (BLS) released the May payroll data. Below please find a brief overview of the current employment situation as described by the BLS.

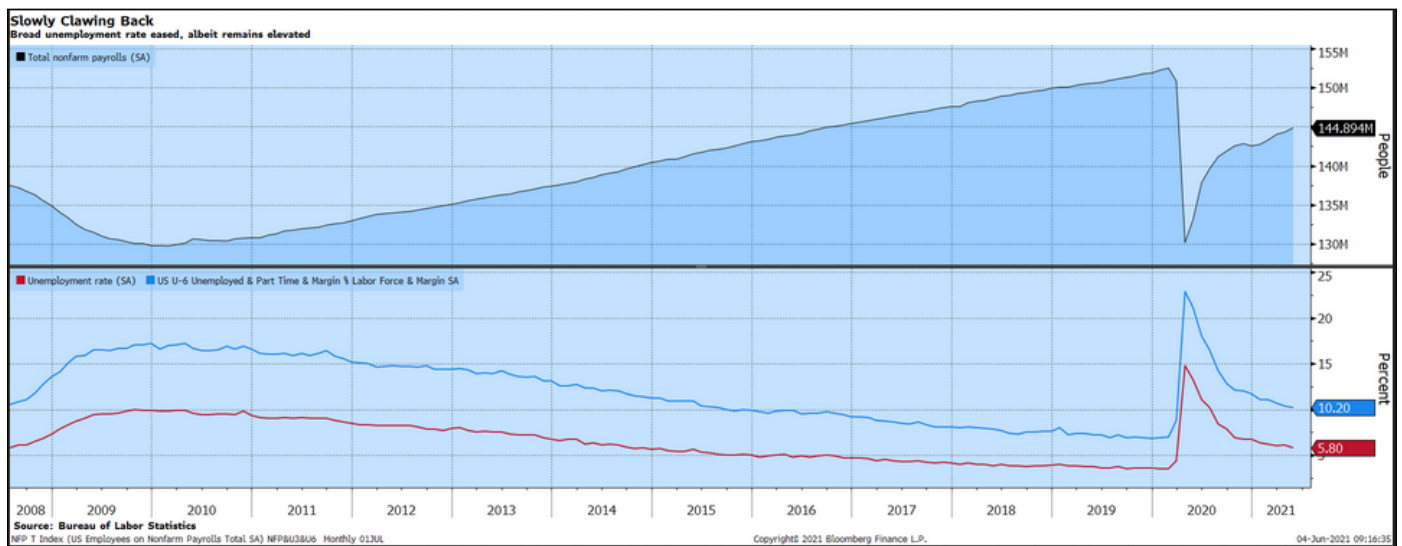
Total nonfarm payroll employment increased 559k in May, following increases of 278k in April and 785k in March. At 144 million, May's nonfarm payroll employment is down by 7.6 million, or 5%, from its pre-pandemic level in February 2020. May's increase was largely driven by a 292k gain in the leisure and hospitality sector, as pandemic-related restrictions continued to ease in some parts of the country. Of the 292k, nearly two-thirds of the increase was in food services and drinking places (+186k). Employment also rose in amusements, gambling, and recreation (+58k) and in accommodation (+35k). Although employment in the leisure and hospitality industry is starting to show signs of life, sector employment remains 2.5 million, or 15%, off pre-COVID levels.

May's official unemployment rate (aka the U-3 rate which reflects the total number of unemployed, as a percent of the civilian labor force) fell to 5.8% from April's 6.1%. The broad-based U-6 rate, which is considered a more accurate benchmark of employment as it includes a wider group of people, declined 0.20% to 10.2% in May. Although both measures of unemployment continue to decline, they remain well above their respective pre-COVID level of 3.5% & 6.8%.

Evidenced in May's employment data, the demand for labor continues to increase but remains below its pre-pandemic level. As Fed officials like to point out, "Jobs are down by over 8 million relative to their pre-pandemic level, and the shortfall is over 10 million jobs if we take into account the secular job growth that would have occurred over the past year," according to Fed Governor Brainard. He further stated that "employment remains far from our goal."

Based on May's data, the current employment situation falls short of showing "substantial further progress" towards the Fed's maximum employment mandate. As such, monetary policy is expected to remain accommodative over the near-term.

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



### NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
06/07/2021	\$2,870,000	MULVANE KS GO BQ AA-	2027-2036
06/08/2021	\$4,150,000	GARDEN CITY KS CMMTY CLLG COP BQ A+	2022-2036

**ECONOMIC CALENDAR**

Monday 6/7	Tuesday 6/8	Wednesday 6/9	Thursday 6/10	Friday 6/11
Consumer Credit	Trade Balance NFIB Small Business Optimism JOLTS Job Openings	MBA Mortgage Applications Wholesale Inventories MoM	CPI MoM/YoY Initial Jobless Claims Continuing Claims	U. of Mich. Current Conditions

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	0.05	0.06	1-Year	0.09
IOER	0.10	0.10	0.10	2-Year	0.12
1-Month Libor	0.08	0.11	0.18	3-Year	0.25
11th Dist COFI	0.34	0.38	0.74	5-Year	0.52
1-Yr. CMT	0.04	0.06	0.17	7-Year	0.81
Dow	34,757.44	34,133.03	26,281.82	10-Year	1.11
NASDAQ	13,814.49	13,633.50	9,615.81	30-Year	1.65
S&P 500	4,229.99	4,164.66	3,112.35		
Bond Buyer	2.18	2.27	2.16		

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	0.01					1-Year	N/A	+40
6 Mo. Bill	0.03					2-Year	45	50
1-Year Bill	0.03					3-Year	50	57
2-Year Note	0.14	1	-5	-6		5-Year	57	67
3-Year Note	0.29	-1	-1	-4	-5			
5-Year Note	0.78	0	12	8	0			
7-Year Note	1.23	1	20	13	3			
10-Year Note	1.57	7	34	25	13			
20-Year Bond	2.17							
30-Year Bond	2.26							

MBS Current Coupon Yields	
GNMA 30 Yr.	1.91%
FNMA 30 Yr.	1.89%
GNMA 15 Yr.	0.67%
FNMA 15 Yr.	1.26%

**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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