



U.S. central bankers are not expected to signal any changes in current monetary policy at next week’s regularly scheduled Federal Open Market Committee (FOMC) meeting. Respondents to a recent Bloomberg survey of economists said they anticipate that the Fed will keep its benchmark rate near zero through 2QTR2022 – consistent with the Fed’s prolonged zero bound guidance. Additionally, economists expect no material changes to current quantitative easing (QE) asset purchases. The Fed is expected to release its first set of economic forecasts (Summary of Economic Projections – better known as SEP) since last December. Officials opted not to release their quarterly forecasts in March, judging the outlook too uncertain to make projections useful. Their new forecasts, however, may still be viewed with extra skepticism understanding that the level of uncertainty to the outlook remain extremely high. The unexpected strength in May’s employment data is case in point.

Earlier today the Bureau of Labor Statistics (BLS) reported that the economy added 2.5 million jobs in May, defying all street expectations for job losses. Median street estimates called for a 7.5 million decline in nonfarm payrolls (NFP). In April, NFP fell 20.7 million, marking the biggest one-month drop in history dating back to 1939. May’s headline unemployment rate (U-3) declined to 13.3% from 14.7% as the median estimate in a Bloomberg survey called for it to jump to 19%. While the strength of May’s jobs data was a huge surprise, the BLS did note that the overall unemployment rate was likely understated by 3% due to improper data classifications. At 21.2% in May, the U-6 unemployment rate hovers near its April record high of 22.8% but significantly up from its 7% post earlier this year. According to the BLS, this broad-based underutilization rate includes those who has been seeking employment for at least 12 months but left discouraged without being able to secure a job. The U-6 rate also includes anyone who has gone back to school, become disabled, or people who are underemployed or working part-time hours. Because the U-6 rate provides a broader picture of the current jobs situation, the U-6 is considered by many as the true unemployment rate.

While one month’s data doesn’t indicate a trend, market participants are desperately hoping that economic distress has turned the corner – starting with the jobs market. As the economy continues to open up, expect a bumpy ride as there are still 21 million Americans without jobs.

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NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
06/09/2020	\$8,130,000.00	LEAVENWORTH KS 2020A UT GO BQ Aa2	2021-2032
06/09/2020	\$1,400,000.00	LEAVENWORTH KS TMP NTS A2020 UT GO BQ MIG1	2021

ECONOMIC CALENDAR				
Monday 6/8	Tuesday 6/9	Wednesday 6/10	Thursday 6/11	Friday 6/12
	Wholesale Inventories MoM NFIB Small Business Optimism	MBA Mortgage Applications CPI MoM FOMC Rate Decision	PPI Final Demand MoM Initial Jobless Claims Continuing Claims	U of Mich. Current Conditions Import Price Index MoM

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	3.25	3.25	5.00	3 Mo.	0.09
Discount Rate	0.25	0.25	3.00	6 Mo.	0.18
Fed Funds Rate	0.06	0.05	2.38	1-Year	0.21
IOER	0.10	0.10	2.35	2-Year	0.25
1-Month Libor	0.18	0.30	2.43	3-Year	0.30
11th Dist COFI	0.74	0.88	1.14	5-Year	0.48
1-Yr. CMT	0.17	0.16	2.11	7-Year	0.74
Dow	27,110.98	23,883.09	25,539.57	10-Year	0.99
NASDAQ	9,814.08	8,809.12	7,575.48	30-Year	1.86
S&P 500	3,193.93	2,868.44	2,826.15		
Bond Buyer	2.16	2.60	3.73		

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	0.15					1-Year	N/A	+60
6 Mo. Bill	0.17					2-Year	60	70
1-Year Bill	0.17					3-Year	77	85
2-Year Note	0.20	8	19	15		5-Year	85	95
3-Year Note	0.27	10	27	24	16			
5-Year Note	0.45	18	43	40	31			
7-Year Note	0.70	29	49	44	34			
10-Year Note	0.90	41	69	63	51			
20-Year Bond	1.49							
30-Year Bond	1.72							

MBS Current Coupon Yields	
GNMA 30 Yr.	1.62%
FNMA 30 Yr.	1.73%
GNMA 15 Yr.	0.91%
FNMA 15 Yr.	1.12%

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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