



Weekly Review—June 11, 2021

The CPI data for May came out on Thursday and as expected it showed a large year-over-year change: 5%. While the markets did not react with alarm, the headlines surely did. Both the equity and bond markets seem to buy into the Federal Reserve's classification of transitory inflation – basically saying this is a temporary phenomenon and expected. News stories and opinion columns were filled with opposing viewpoints on whether we are in store for extreme inflation, or at least a worrisome future. We must remember a few things about the news articles and the purpose and use of fear to measure readership.

Last month I mentioned the U.S. Bureau of Labor Statistics (BLS) website and how you can drill-down on the CPI release data. I did that for the May release – see the BLS data table for details. Looking at the breakout of the categories helps us see the goods and services which really drive the large increase. Used cars and trucks, gasoline and fuel oil, Airline fare, and natural gas (piped) had the major increases while several other categories had above 2% increases. While the 5% year-over-year increase exceeded expectations, it really is not surprising. The service and hospitality sectors (yes, some labor hiccups) have been coming back to life, and as more of us book travel this summer, the price of travel should be an area of increased prices.

Why did the markets appear to shrug off the fear of higher inflation? Firstly, investors are likely waiting to hear from the FOMC next week and the possibility of further clarification of any action. The Fed is a major influencer of the markets. Both in their purchasing of bonds/setting short term interest rates and in their comments to the press.

Finally, the press coverage of inflation gives us pause. One of the oldest sales tactics is creating a sense of urgency – mostly based on fear. That is what most of the headlines and breaking news alerts use on us. With clicks of websites (a measurable gauge of readership) and bright red banners telling us a headline before really looking into the data behind the story, we can fall victim to the fear tactic. Yes, prices are higher, but we need to look at which prices are up and by how much. And we must remember, we don't always have to buy something. Prices fluctuate and we will never really know the future. So let's all take a breath, relax, carry on just like the markets have done.

Have a wonderful weekend!

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12-month percentage change, Consumer Price Index, selected categories, May 2021, not seasonally adjusted

Category	12-month percent change, May 2021
All items	5.0%
Food	2.2%
Food at home	0.7%
Cereals and bakery products	0.6%
Meats, poultry, fish, and eggs	0.1%
Dairy and related products	0.1%
Fruits and vegetables	2.9%
Nonalcoholic beverages and beverage materials	-0.2%
Other food at home	0.3%
Food away from home	4.0%
Full service meals and snacks	4.1%
Limited service meals and snacks	6.1%
Energy	28.5%
Energy commodities	54.5%
Fuel oil	50.8%
Gasoline (all types)	56.2%
Energy services	6.2%
Electricity	4.2%
Natural gas (piped)	13.5%
All items less food and energy	3.8%
Commodities less food and energy commodities	6.5%
Apparel	5.6%
New vehicles	3.3%
Used cars and trucks	29.7%
Medical care commodities	-1.9%
Alcoholic beverages	1.6%
Tobacco and smoking products	7.3%
Services less energy services	2.9%
Shelter	2.2%
Rent of primary residence	1.8%
Owners' equivalent rent of residences	2.1%
Medical care services	1.5%
Physicians' services	4.2%
Hospital services	2.6%
Transportation services	11.2%
Motor vehicle maintenance and repair	2.8%
Motor vehicle insurance	16.9%
Airline fare	24.1%

NEW ISSUE MUNICIPAL CALENDAR			
Date	Amount (\$)	Description	Maturity
06/14/2021	\$1,500,000	HARPER KS -REF UT GO BQ NR	2022-2034
06/15/2021	\$5,560,000	BEL AIRE KS -A-REF UT GO A+	2022-2034
06/15/2021	\$9,910,000	BEL AIRE KS-B -TEMP NTS SP 1+	2024
06/15/2021	\$114,135,000	OLATHE KS SCHOOL 234-REF AA+	2022-2041
06/15/2021	\$72,000,000	CASS CO MO REORG SD # R-II RATINGS APPLIED	2024-2041

ECONOMIC CALENDAR

Monday 6/14	Tuesday 6/15	Wednesday 6/16	Thursday 6/17	Friday 6/18
	Retail Sales MoM Empire Manufacturing PPI Final Demand MoM/YoY	MBA Mortgage Applications Housing Starts FOMC Rate Decision	Initial Jobless Claims Leading Index Continuing Claims	

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	3.25	3.25	3.25	3 Mo.	0.02
Discount Rate	0.25	0.25	0.25	6 Mo.	0.06
Fed Funds Rate	0.06	0.06	0.08	1-Year	0.08
IOER	0.10	0.10	0.10	2-Year	0.10
1-Month Libor	0.07	0.10	0.19	3-Year	0.20
11th Dist COFI	0.34	0.38	0.74	5-Year	0.45
1-Yr. CMT	0.05	0.05	0.18	7-Year	0.72
Dow	34,479.60	34,269.16	25,128.17	10-Year	1.02
NASDAQ	14,069.42	13,389.43	9,492.73	30-Year	1.54
S&P 500	4,247.44	4,152.10	3,002.10		
Bond Buyer	2.07	2.25	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	0.04					3-Year	52	60
2-Year Note	0.14	0	-5	-6		5-Year	60	70
3-Year Note	0.30	0	-1	-4	-5			
5-Year Note	0.74	1	12	8	0			
7-Year Note	1.15	1	19	12	2			
10-Year Note	1.46	7	34	25	14			
20-Year Bond	2.08							
30-Year Bond	2.15							

MBS Current Coupon Yields	
GNMA 30 Yr.	1.86%
FNMA 30 Yr.	1.80%
GNMA 15 Yr.	0.55%
FNMA 15 Yr.	1.16%

About the Author, Matthew Maggi



Prior to joining CMG in 2016, Matthew was the Corporate Treasurer at a \$1.2 billion publicly-traded community bank headquartered in Missouri. During his tenure, he developed and implemented balance sheet strategies to maximize margin while managing acceptable levels of interest rate risk, liquidity, and capital. Matthew not only managed the investment portfolio, but also conducted extensive loan portfolio performance analyses.

Previously, he was a Treasury Analyst for one of the largest privately held banks in the U.S. He monitored cash flow and liquidity and developed funding strategies. Matthew leverages his extensive balance sheet management experience to provide tactical and strategic solutions to maximize performance while mitigating risks for the community banks.

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