



*The Summer wind came blowin' in...*The industrial-sized fear fans were on full speed this week, ushering in thoughts of the R-word. That's right cats, talk of recession is the talk of the town. The UST curve is bull flattening with around 5 basis points between the 2-year and 10-year treasuries. Hang on to your hats, folks. We were on one heck of a ride going into the holiday weekend.

*She blinded me with science...*We know the Fed is data dependent when making interest rate decisions and we caught a glimpse as to why they might be slower to act than market participants prefer. The Personal Consumption figure set the tone this week as it came down from the previous print of 3.1% for the IQ to 1.8%! Investors and economists began moving up their expectations of recession to as soon as next year. This weighed on the final IQ GDP figure of -1.6% for the annualized quarter-to-quarter measure of the US economy. These figures, along with the Fed's preferred inflation measure of Core PCE Deflator YoY, which decreased from 4.9% to 4.7% in May, affected the fed funds futures market which pulled back on expectations for the July 27th rate decision. At the time of writing, there is a 72% chance of a 75bps hike with full expectation of a 50bps hike. This has been the one most volatile market periods for many investors causing many to tighten their chinstraps on those summer gardening hats.

*Sometimes it makes wonder how I keep from going under...*This time of year I am reminded of my youth and the music of Grandmaster Flash summarizing the struggles of many during tough economic situations. I also remember Spike Lee's *Do the Right Thing* which shows us as the temperature rises, so do our emotions. We have a lot of challenges facing us and it can be tempting to give in to frustration and allow our Id to take over our Superego. A very smart colleague of mine often says, "buy it when you don't need it, because it will be too expensive when you do." Reach out to your CMG Investment Representative for bonds that meet your goals and help create value for your portfolios during challenging times and beyond. It may be time to switch out our baseball hats for hard hats – there is work to be done.

*I don't want to work...I want to bang on the drum all day...*Next week we get the June payroll and unemployment data. Additionally, it will be interesting to read the Fed Minutes from their June meeting when released on Wednesday. Expectations are for less than a 300k increase in jobs and for the unemployment rate to remain at 3.6%.

Hang in there and have a great long holiday weekend!

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NEW ISSUE MUNICIPAL CALENDAR

| Date | Amount (\$) | Description | Maturity |
|------------|--------------|------------------------------------------|-----------|
| 07/06/2022 | \$6,400,000 | NIXA MO FIRE PROTECTION DIST UT GO BQ A+ | 2026-2039 |
| 07/06/2022 | \$19,195,000 | ST LOUIS CO MO-B-REV AA | 2023-2042 |
| 07/07/2022 | \$2,920,000 | DERBY KS-TEMP NTS UT GO | 2024 |
| | | | |

ECONOMIC CALENDAR

| Monday 7/4 | Tuesday 7/5 | Wednesday 7/6 | Thursday 7/7 | Friday 7/8 |
|-------------------------------------------------|---------------------------------|-----------------------------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------------------|
| 4th of July Holiday Markets and Banks Closed | Factory Orders Durable Goods | MBA Mortgage Applications FOMC Minutes Released S&P Global US Composite PMI | Initial Jobless Claims Trade Balance Continuing Claims | Change in Nonfarm Payrolls Unemployment Rate Wholesale Inventories |

| KEY INDICES | | | | MUNI AA-BQ | |
|-------------------------|-----------|------------|--------------|------------|------|
| | Current | Last Month | One Year Ago | | |
| Prime Rate | 4.75 | 4.00 | 3.25 | 3 Mo. | 1.08 |
| Discount Rate | 1.75 | 1.00 | 0.25 | 6 Mo. | 1.27 |
| Fed Funds Rate | 1.58 | 0.83 | 0.10 | 1-Year | 1.73 |
| IOER | 1.65 | 0.90 | 0.15 | 2-Year | 2.08 |
| 1-Month Libor | 1.79 | 1.06 | 0.10 | 3-Year | 2.24 |
| 11th Dist. COFI (ECOFC) | 0.49 | 0.38 | 0.28 | 5-Year | 2.40 |
| 1-Yr. CMT | 2.79 | 2.01 | 0.07 | 7-Year | 2.71 |
| Dow | 31,097.46 | 32,813.23 | 34,633.53 | 10-Year | 2.99 |
| NASDAQ | 11,127.84 | 11,994.46 | 14,522.38 | 30-Year | 3.54 |
| S&P 500 | 3,825.33 | 4,101.23 | 4,319.94 | | |
| Bond Buyer | 3.54 | 3.16 | 2.14 | | |

| Treasuries & New Issue Agencies (Spread to Treasuries) | | | | | | CMO Spreads to Treasuries | | |
|--------------------------------------------------------|------------|---------|----------|-----------|------------|---------------------------|-----|---------|
| | Treasuries | Bullets | NC-6 Mo. | NC-1 Year | NC- 2 Year | | PAC | Vanilla |
| 3 Mo. Bill | 1.65 | | | | | 1-Year | N/A | +30 |
| 6 Mo. Bill | 2.45 | | | | | 2-Year | 35 | 40 |
| 1-Year Bill | 2.64 | | | | | 3-Year | 70 | 75 |
| 2-Year Note | 2.82 | 9 | 1 | 1 | | 5-Year | 75 | 87 |
| 3-Year Note | 2.85 | 4 | 5 | 2 | 1 | | | |
| 5-Year Note | 2.87 | 5 | 18 | 14 | 6 | | | |
| 7-Year Note | 2.90 | 18 | 26 | 19 | 9 | | | |
| 10-Year Note | 2.86 | 40 | 40 | 31 | 19 | | | |
| 20-Year Bond | 3.32 | | | | | | | |
| 30-Year Bond | 3.08 | | | | | | | |

| MBS Current Coupon Yields | |
|---------------------------|-------|
| GNMA 30 Yr. | 4.08% |
| FNMA 30 Yr. | 4.38% |
| GNMA 15 Yr. | 3.63% |
| FNMA 15 Yr. | 3.69% |

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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