



Although economic output in terms of nominal dollars has fully recovered from the pandemic, employment remains well below pre-COVID levels as nearly 7 million remain without jobs. With that said, the labor market continues to slowly recover. The Labor Department reported earlier today that June’s nonfarm payrolls increased 850k, notably stronger than the expected 720k gain. At 5.9%, June’s unemployment rate increased slightly from 5.8% last month. The increased unemployment rate was viewed as a positive as it may be a sign that people are getting back into the jobs market looking for work. Equally encouraging, the under-employment rate known as the U-6 rate – a more expansive definition of unemployment – dropped to 9.8% from 10.2% in May.

While June’s employment report is certainly a step in the right direction, the improving jobs picture doesn’t suggest “substantial further progress” in labor market improvement – the Fed’s trigger to begin the process of tapering their current level of bond purchases. The policy-setting Federal Open Market Committee (FOMC) has pledged to keep buying \$120 billion in Treasuries and mortgage-backed securities every month until there is “substantial further progress” towards the committee’s goals of maximum employment and stable prices/inflation. Richmond Fed President Barker summed it up by stating “I think you can argue reasonably compellingly, we’ve made substantial further progress on the inflation” but in terms of employment, “it just feels like further progress, but doesn’t feel like -- to me -- like substantial further progress.”

Most economists expect that the employment situation will continue to improve in the coming months allowing the Fed to begin reducing its current bond buying program as early as next year. If that be the case, look for the taper announcement later this year. As for increasing benchmark overnight rates, it may still be years before Fed liftoff!

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NEW ISSUE MUNICIPAL CALENDAR			
Date	Amount (\$)	Description	Maturity
07/06/2021	\$630,000	WELLINGTON KS 2021D UT GO BQ A+	2022-2041
07/06/2021	\$7,790,000	WELLINGTON KS 2021C UT GO BQ A+	2022-2030

ECONOMIC CALENDAR

Monday 7/5	Tuesday 7/6	Wednesday 7/7	Thursday 7/8	Friday 7/9
Independence Day (Observed)	Markit US Services PMI Markit US Composite PMI ISM Services Index	MBA Mortgage Applications JOLTS Job Openings FOMC Meeting Minutes	Initial Jobless Claims Continuing Claims Langer Consumer Comfort	Wholesale Trade Inventories Wholesale Trade Sales MoM

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	3.25	3.25	3.25	3 Mo.	0.08
Discount Rate	0.25	0.25	0.25	6 Mo.	0.12
Fed Funds Rate	0.10	0.05	0.08	1-Year	0.14
IOER	0.15	0.10	0.10	2-Year	0.19
1-Month Libor	0.10	0.09	0.16	3-Year	0.29
11th Dist COFI	0.31	0.34	0.76	5-Year	0.55
1-Yr. CMT	0.08	0.04	0.16	7-Year	0.80
Dow	34,787.53	34,600.38	25,827.36	10-Year	1.11
NASDAQ	14,639.32	13,756.33	10,207.63	30-Year	1.64
S&P 500	4,352.42	4,208.12	3,130.01		
Bond Buyer	2.14	2.20	2.21		

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	0.04					1-Year	N/A	+40
6 Mo. Bill	0.04					2-Year	45	50
1-Year Bill	0.06					3-Year	52	62
2-Year Note	0.23	0	-9	-10		5-Year	62	72
3-Year Note	0.44	1	-5	-8	-9			
5-Year Note	0.86	0	9	4	-5			
7-Year Note	1.20	3	16	9	-1			
10-Year Note	1.43	8	31	21	10			
20-Year Bond	1.99							
30-Year Bond	2.06							

MBS Current Coupon Yields		
GNMA 30 Yr.		1.88%
FNMA 30 Yr.		1.81%
GNMA 15 Yr.		0.65%
FNMA 15 Yr.		1.21%

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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