



Yesterday, Fed Chair Jerome Powell delivered day two of his semiannual monetary policy report to Congress by appearing before the U.S. Senate

Banking Committee. Below please find an overview of key talking points as related to the Fed's current bond buying program (aka quantitative easing) and inflation – both of which are hot topics when it comes to the Fed's current ultra-accommodative monetary policy.

When asked about the possibility of tapering bond purchases – The Fed Chair responded by saying *"While reaching the standard of 'substantial further progress' (as related to the current employment situation) is still a ways off, participants expect that progress will continue. We will continue these discussions in coming meetings. As we have said, we will provide advance notice before announcing any decision to make changes to our purchases."*

When asked about the recent run up in prices – Powell stated, *"of course we are not comfortable"* with the current level of inflation, which is *"well above 2%."* While the FOMC set a goal of some moderate overshooting to make up for past misses, *"this is not moderately above 2%, this is well above 2%."* The Fed's goal is to keep inflation expectations well anchored around 2%.

In terms of inflation being "transitory" – As the economy continues to reopen, businesses are experiencing high levels of demand, supply chain disruptions and labor shortages. *"This is a shock going through the system,"* according to Powell. He believes to the extent that increased prices are temporary, it wouldn't make sense to respond to it. The Fed *"doesn't see prices moving broadly across the economy"* as most inflationary pressures are from a handful of items that are related to the reopening – specifically the sectors of service & hospitality, energy and fuel as well as transportation. Although Powell agrees that the economy is facing a *"big uptick"* with inflation, he is on record stating that *"one way or another"* there won't be long-term inflation. Either the price spikes will naturally subside, or the Fed will act to counter the increases. In addition to monitoring inflation data, Powell stated that the Fed will be carefully watching inflation expectations because expectations are central to what happens with inflation. *"If we see inflation expectations moving up in a way that's troubling, then we will react appropriately."*

Bottom line: The Fed Chair called the current level of inflation "unique in history" and believes that policy makers need to be humble as they assess it. Central bankers are *"really trying to understand the base case and also the risk."*

The Fed's next policy meeting is scheduled for July 28.

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

NEW ISSUE MUNICIPAL CALENDAR			
Date	Amount (\$)	Description	Maturity
07/19/2021	\$7,725,000	DODGE CITY KS-A UT GO BQ A+	2022-2041
07/19/2021	\$2,295,000	DODGE CITY KS-TEMP NTS-1 UT GO BQ SPI+	2023
07/19/2021	\$930,000	GODDARD KS-3-NTS UT GO NR	2024
07/19/2021	\$4,405,000	MAIZE KS -A UT GO BQ AA-	2022-2041
07/19/2021	\$3,515,000	MAIZE KS -B UT GO BQ AA-	2022-2036
07/20/2021	\$4,710,000	JUNCTION CITY KS-A-REF UT GO BQ A+	2022-2034
07/20/2021	\$2,360,000	SALINA ARPT AUTH KS -A -TXBL UT GO Aa3	2022-2036
07/21/2021	\$6,000,000	BOONE CO MO FIRE PROT DT UT GO BQ RATING APPLIED	2022-2029
07/22/2021	\$1,700,000	SPRING HILL KS-B UT GO BQ RATING APPLIED	2022-2041

**ECONOMIC CALENDAR**

Monday 7/19	Tuesday 7/20	Wednesday 7/21	Thursday 7/22	Friday 7/23
	Housing Starts Building Permits Housing Starts MoM	MBA Mortgage Applications	Initial Jobless Claims Leading Index Existing Home Sales	Markit US Manufacturing PMI Markit US Services PMI Markit US Composite PMI

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	0.10	0.06	0.10	1-Year	0.09
IOER	0.15	0.10	0.10	2-Year	0.13
1-Month Libor	0.09	0.08	0.18	3-Year	0.23
11th Dist COFI	0.31	0.34	0.76	5-Year	0.45
1-Yr. CMT	0.08	0.08	0.15	7-Year	0.71
Dow	34,687.85	34,033.67	26,734.71	10-Year	0.97
NASDAQ	14,427.24	14,039.68	10,473.83	30-Year	1.50
S&P 500	4,327.16	4,223.70	3,215.57		
Bond Buyer	2.04	2.07	2.19		

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	0.07					3-Year	55	65
2-Year Note	0.22	-1	-12	-12		5-Year	65	75
3-Year Note	0.43	1	-8	-11	-12			
5-Year Note	0.78	1	5	1	-7			
7-Year Note	1.07	4	13	6	-4			
10-Year Note	1.30	9	27	18	7			
20-Year Bond	1.85							
30-Year Bond	1.93							

MBS Current Coupon Yields		
GNMA 30 Yr.		1.82%
FNMA 30 Yr.		1.75%
GNMA 15 Yr.		0.44%
FNMA 15 Yr.		1.14%

**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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