



Weekly Review—August 6, 2021

I love mysteries. Reading them. Watching them. They satisfy something deep inside me that craves resolution. Finality. Closure. That is also why I've always enjoyed math. Often there is one solution and you are either right or wrong. Ah, the simplistic nature of the formulaic structures of mystery novels, of algebra, and of calculus give me peace. At my core is the desire to achieve certainty. It makes life so much easier. Unfortunately, that is not how life or our jobs work. We must get comfortable with the mystery itself and not the resolution.

A common characteristic of the detective is a willingness to do what it takes to close the case, solve the murder. I use that drive every day. I love to get stuff done, check off the list, and move on to the next. The danger of this mentality lies in the desire for closure at the expense of the truth. As investors attempt to solve the mystery of inflation and jobs data – the two mandates of the Federal Reserve Open Market Committee (FOMC) – they too, can rush to judgement.

Today's Change in Nonfarm Payrolls +943,000 exceeded expectations and June's figures were revised upward to +938,000. The Unemployment rate fell from 5.7% to 5.4% as the Labor Force Participation Rate remained steady at 61.7%. On the surface, these are excellent numbers and provide support for a quicker taper by the FOMC and today's treasury yields rose farther out on the curve. Next week, we get a glimpse at the CPI and PPI figures for July, addressing the inflationary pressures felt during that month. No doubt, today's economic data paints a sunnier picture and supports the economic recovery story. As detectives often do, we must look at multiple lines of inquiry. Jobs data alone will not provide us with the solution. Inflation data, supply line improvement, consumer behavior, and government spending will all be areas we need to keep an eye on going forward.

Days like today give us hope, but also might influence some of us to tap into that urge to solve the mystery quickly – just to move on to the next task. The economic recovery will continue but at slower pace than we prefer. Resist the temptation to invest based solely upon the positive data we see today. Resist the temptation to close the case. It's still an active inquiry.

Have a wonderful weekend!

Some of my favorite detectives:

Hieronymus "Harry" Bosch – author Michael Connelly – made into series on Amazon Prime

DCI Alan Banks – author Peter Robinson – made into series and available online

Aurelio Zen – author Michael Dibdin – made into three PBS Masterpiece Mystery movies.

John Rebus – author Ian Rankin – two series were produced; I prefer the one with John Hannah.

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NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
08/09/2021	\$1,545,000	JOHNSON CITY KS -REF UT GO BQ NR	2022-2031
08/09/2021	\$5,000,000	WARRENSBURG MO UT GO BQ AA-	2023-2041
08/10/2021	\$70,565,000	TOPEKA KS-A-REF REVS RATING APPLIED	2022-2051
08/10/2021	\$14,980,000	TOPEKA KS -B -TXBL -REVS RATING APPLIED	2022-2051
08/10/2021	\$9,985,000	ANDOVER KS -A UT GO BQ AA-	2025-2039
08/12/2021	\$22,965,000	ST CHARLES CO MO AMBULANCE UT GO RATINGS APPLIED	2023-2041

ECONOMIC CALENDAR

Monday 8/9	Tuesday 8/10	Wednesday 8/11	Thursday 8/12	Friday 8/13
JOLTS Job Opening	NFIB Small Bus. Optimism	MBA Mortgage Applications CPI MoM/YoY Monthly Budget Statement	Initial Jobless Claims Continuing Claims PPI Final Demand MoM/YoY	U. of Mich. Sentiment Import Price Index MoM/YoY Export Price Index MoM/YoY

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.	0.05
Fed Funds Rate	0.10	0.10	0.10	1-Year	0.07
IOER	0.15	0.15	0.10	2-Year	0.07
1-Month Libor	0.10	0.10	0.15	3-Year	0.14
11th Dist COFI	0.28	0.31	0.68	5-Year	0.39
1-Yr. CMT	0.08	0.08	0.12	7-Year	0.68
Dow	35,208.64	34,577.37	27,386.98	10-Year	0.94
NASDAQ	14,835.76	14,663.64	11,108.07	30-Year	1.55
S&P 500	4,436.54	4,343.54	3,349.16		
Bond Buyer	2.04	2.14	2.09		

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	53	63
2-Year Note	0.21	0	-12	-13		5-Year	65	75
3-Year Note	0.40	1	-9	-12	-13			
5-Year Note	0.76	1	5	1	-7			
7-Year Note	1.06	3	13	5	-5			
10-Year Note	1.28	11	27	18	6			
20-Year Bond	1.83							
30-Year Bond	1.92							

MBS Current Coupon Yields		
GNMA 30 Yr.		1.82%
FNMA 30 Yr.		1.71%
GNMA 15 Yr.		0.44%
FNMA 15 Yr.		1.08%

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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