

## Weekly Review—August 7, 2020

Today's July employment data showed a jobs market that continues to slowly recover from the effects of the Great Shutdown. Specifically, employers added 1.7 million jobs in July according to Labor Department data while the official unemployment rate (U-3) fell to 10.2% from 11.1% in June as shown in the Economic Snapshot below. Consistent with June's jobs growth, July's better-than-expected employment data was largely driven by job increases in leisure and hospitality as the economy continues its effort to reopen. July's 10.2% unemployment rate is a marked decline from almost 15% at the height of the pandemic. The U-6 unemployment measure, which includes those working part time for economic reasons and those marginally attached to the labor force, fell to 16.5% from 18.0% prior. While underutilization is moving in the right direction, there is still a considerable amount of slack in the labor market knowing that the pre-crisis U-6 rate hovered near 7%.

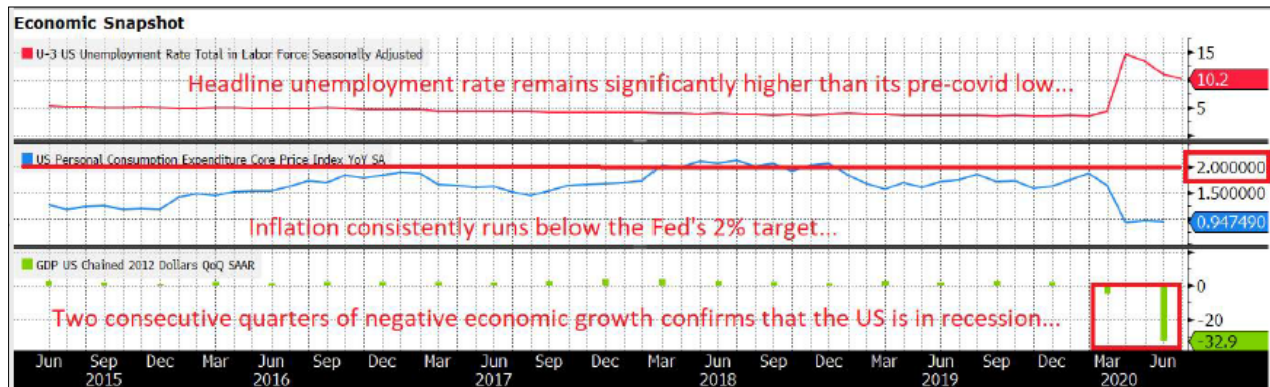
As for the other graphs contained in the below Snapshot, the middle graph illustrates that the Fed's preferred inflation measure (Personal Consumption Expenditure Core YoY) consistently runs below their symmetric target of 2% while the U.S. economy is officially in recession (by definition) as March and June GDP turned negative.

Here's the reality of our current situation:

- Economy is currently experiencing the worst recession in history
- Job loss/unemployment is at/near all-time highs
- Short-term interest rates are zero-bound with longer term rates at historic lows
- Credit risk continues to increase - losses are mounting
- Stimulus here - stimulus there - Liquidity everywhere but for how long?
- Bottom line: Bank earnings are under extreme pressure...

Asset/Liability Management (ALM) has never been as important as it is today! An effective ALM framework can help management navigate both earnings and capital through such turbulent times. CMG's ALM team stands ready to assist...

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



### NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
8/10/2020	\$6,500,000	COTTEVILLE MO FIRE DEPT UT GO BQ Aaa	2021-2040
8/10/2020	\$5,485,000	ELLIS CO KS UT GO BQ AA-	2021-2030
8/13/2020	\$7,310,000	MEXICO MO SEWER UT GO BQ A	2021-2032
8/13/2020	\$755,000	OTTAWA CO KS WATER REVS BQ NR	2021-2033

## ECONOMIC CALENDAR

Monday 8/10	Tuesday 8/11	Wednesday 8/12	Thursday 8/13	Friday 8/14
JOLTS Job Openings	PPI Final Demand MoM PPI Final Demand YoY PPI Ex Food and Energy YoY	MBA Mortgage Applications CPI MoM CPI YoY	Import Price Index MoM Initial Jobless Claims Continuing Claims	Retail Sales Advance MoM Industrial Production MoM U. of Mich. Sentiment

	KEY INDICES			MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	3.25	3.25	5.25	3 Mo.	0.02
Discount Rate	0.25	0.25	2.75	6 Mo.	0.11
Fed Funds Rate	0.10	0.09	2.13	1-Year	0.14
IOER	0.10	0.10	2.10	2-Year	0.16
1-Month Libor	0.16	0.16	2.22	3-Year	0.18
11th Dist COFI	0.68	0.76	1.14	5-Year	0.27
1-Yr. CMT	0.14	0.16	1.80	7-Year	0.50
Dow	27,433.48	25,890.18	26,007.07	10-Year	0.74
NASDAQ	11,010.98	10,343.89	7,862.83	30-Year	1.49
S&P 500	3,351.28	3,145.32	2,883.98		
Bond Buyer	2.02	2.21	3.22		

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	0.09					1-Year	N/A	+55
6 Mo. Bill	0.11					2-Year	55	65
1-Year Bill	0.12					3-Year	65	70
2-Year Note	0.12	4	14	12		5-Year	70	80
3-Year Note	0.13	6	26	23	19			
5-Year Note	0.22	15	45	41	28			
7-Year Note	0.40	25	56	51	37			
10-Year Note	0.56	37	76	71	55			
20-Year Bond	1.01							
30-Year Bond	1.24							

MBS Current Coupon Yields	
GNMA 30 Yr.	1.37%
FNMA 30 Yr.	1.19%
GNMA 15 Yr.	0.98%
FNMA 15 Yr.	0.85%

### 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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