



Weekly Review—August 20, 2021

On the road again... I hit the road this week visiting clients and getting more insight on local economies. The themes remained the same: inflation and employment. These topics are important because they make up the FOMC's dual mandate. Capital Markets and our customers pay attention to the resulting effects on interest rates. Therefore, we dedicate a considerable amount of time discussing these topics. They affect our bottom lines – each organization.

You got it today, you don't wear it tomorrow, man... As I drove into St Louis on Sunday, KSHE 95 was playing Janis Joplin's Pearl album. Janis is my father's favorite singer. It reminded me of hearing her speech in the middle of *Ball and Chain*. The message was clear – live for today. Unfortunately, we worry about tomorrow, especially as balance sheet managers and investors. We're expected to plan for the future. Inflation has been higher, driven by many factors: supply shortages; worker shortages; transportation costs; etc. We're uncomfortable. The bank clients I visited primarily work with commercial customers who are experiencing rising costs and shortages on supplies. This is causing frustration and the realization that they will have to pass the rising costs onto their customers. We will be watching the PPI, PMI figures closely to give us a clearer picture on how transitory inflation will be. We will also be looking at the resulting CPI numbers and next week's second reading of the Core PCE for 2Q 2021. The story is still being written.

You can take this job and shove it... Every restaurant I visited this week, whether fast food or not, had similar traits. First, staffing levels were either very low, or they were made up of almost entirely newly hired employees. Second, they did not have all the items on their menus due to supply shortages. Third, they either altered their hours of operation or just utilized part of their available space. These experiences demonstrate the events taking place within the hospitality sector and in local economies. Each customer I spoke with this week shared similar stories. It must also be said that the labor struggles are not limited to the hospitality sector. Work has been altered by our pandemic experience. We will get back to full employment; however, it will be likely be longer than we want.

The current inflation and employment situations appear daunting, resulting in anger and fear within our markets. As things look today, we will likely have to accept low interest rates for the next several years. We may see some policy moves by the FOMC, but they will only be moves to give them room to increase accommodation at the next sign of economic instability.

Have a great weekend!

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NEW ISSUE MUNICIPAL CALENDAR

| Date | Amount (\$) | Description | Maturity |
|------------|-------------|---|-----------|
| 08/24/2021 | \$3,995,000 | PARK CITY KS -1 -TEMP NTS UT GO BQ SP1+ | 2024 |
| 08/24/2021 | \$4,855,000 | PARK CITY KS -A -REF UT GO BQ AA- | 2022-2036 |
| 08/26/2021 | \$7,940,000 | POTTAWATOMIE CO KS-1-NTS UT GO SP1+ | 2022 |
| 08/26/2021 | \$7,920,000 | POTTAWATOMIE CO KS-A UT GO AA- | 2022-2041 |

ECONOMIC CALENDAR

| Monday 8/23 | Tuesday 8/24 | Wednesday 8/25 | Thursday 8/26 | Friday 8/27 |
|--------------------------------|------------------------------|---------------------------|--------------------------|---------------------------|
| Markit US Manufacturing PMI | New Home Sales | Durable Goods Orders | Initial Jobless Claims | Wholesale Inventories MoM |
| Existing Home Sales | Richmond Fed Manufact. Index | MBA Mortgage Applications | GDP Annualized QoQ (2nd) | U. of Mich. Sentiment |
| Chicago Fed Nat Activity Index | | | Core PCE QoQ (2nd) | |

| 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. | 0.06 |
| Fed Funds Rate | 0.10 | 0.10 | 0.09 | 1-Year | 0.08 |
| IOER | 0.15 | 0.15 | 0.10 | 2-Year | 0.10 |
| 1-Month Libor | 0.09 | 0.08 | 0.16 | 3-Year | 0.17 |
| 11th Dist COFI | 0.28 | 0.31 | 0.68 | 5-Year | 0.43 |
| 1-Yr. CMT | 0.06 | 0.07 | 0.13 | 7-Year | 0.72 |
| Dow | 35,118.64 | 34,511.99 | 27,739.73 | 10-Year | 1.00 |
| NASDAQ | 14,714.66 | 14,489.88 | 11,264.95 | 30-Year | 1.66 |
| S&P 500 | 4,441.63 | 4,323.06 | 3,385.51 | | |
| Bond Buyer | 2.14 | 2.04 | 2.15 | | |

| 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 | 0.05 | | | | | 3-Year | 53 | 61 |
| 2-Year Note | 0.21 | 0 | -11 | -12 | | 5-Year | 62 | 72 |
| 3-Year Note | 0.43 | 0 | -8 | -12 | -13 | | | |
| 5-Year Note | 0.76 | 0 | 5 | 1 | -7 | | | |
| 7-Year Note | 1.03 | 2 | 12 | 5 | -5 | | | |
| 10-Year Note | 1.24 | 12 | 28 | 19 | 6 | | | |
| 20-Year Bond | 1.78 | | | | | | | |
| 30-Year Bond | 1.86 | | | | | | | |

| MBS Current Coupon Yields | |
|---------------------------|-------|
| GNMA 30 Yr. | 1.90% |
| FNMA 30 Yr. | 1.76% |
| GNMA 15 Yr. | 0.44% |
| FNMA 15 Yr. | 1.14% |

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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