



Weekly Review—August 27, 2021

As compared to the initial release, the U.S. economy expanded at a slightly faster pace in the second quarter. Gross Domestic Product (GDP) – the broad-based measure of the health of the economy – increased at a 6.6% annualized rate in the 3-month period ending June 30, compared to the initially reported 6.5% growth. The median estimate in a Bloomberg survey of economists forecasted a minor upward revision to 6.7%. Consumer spending, which generally accounts for nearly 70% of the economy, grew a strong 11.9%.

Understanding that historically high levels of fiscal and monetary stimulus have lessened the COVID-related impact to the economy, future economic growth is expected to slow largely driven by the material decline in consumer spending. Per the below chart, the median street forecast shows quarterly GDP declining to 2.3% by the end of 2022 – consistent with pre-COVID growth. The expected decline in economic growth appears to be driven primarily by a material reduction in consumer spending. Specifically, 2QTR's 11.9% increase in consumer spending declines to 2.4% by 2023.

Looking ahead, continued supply and labor constraints are expected to remain headwinds for the economy. Last week's economic data showing slower than expected retail sales and moderating home construction further supports the street's expectation of a slowing economy.

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

96) Chart		97) Set as Default View		Disclaimer		Economic Forecasts					
Country/Region/World		Contributor		Contributor Composite		Yearly <input type="radio"/> Quarterly <input checked="" type="radio"/>					
United States		Browse		Private <input checked="" type="radio"/> Official <input type="radio"/>		Actual / Forecasts					Probability of Recession 10.0%
Indicator	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22	
Economic Activity											
Real GDP (YoY%)	-2.9	-2.3	0.5	12.2	6.0	6.3	5.8	4.9	3.8	3.0	
Real GDP (QoQ% SAAR)	33.8	4.5	6.3	6.6	6.9	5.6	3.8	3.0	2.6	2.3	
Consumer Spending ...	41.4	3.4	11.4	11.9	5.0	4.3	3.5	3.0	2.5	2.4	
Government Spendin...	-2.1	-0.5	4.2	-1.9	2.1	2.2	1.9	1.8	1.6	1.6	
Private Investment (...)	82.1	24.7	-2.3	-4.0	11.3	8.6	5.7	4.4	3.5	3.1	
Exports (QoQ% SAAR)	54.5	22.5	-2.9	6.6	6.4	7.3	6.3	5.9	5.6	5.0	
Imports (QoQ% SAAR)	89.2	31.3	9.3	6.7	6.4	5.1	5.0	4.2	4.1	4.2	
Industrial Production (Yo...	-6.7	-4.3	-0.1	14.3	6.0	5.0	4.7	4.1	3.4	2.9	

Source: Bloomberg

NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
09/01/2021	\$6,270,000	OTTAWA KS -B -REF UT GO A1	2022-2028

ECONOMIC CALENDAR

Monday 8/30	Tuesday 8/31	Wednesday 9/1	Thursday 9/2	Friday 9/3
Pending Home Sales MoM	FHFA House Price Index MoM	MBA Mortgage Applications	Initial Jobless Claims	Change in Nonfarm Payrolls
Dallas Fed Manf. Activity	MNI Chicago PMI	ADP Employment Change	Trade Balance	Unemployment Rate
	Conf. Board Cons. Confidence	Market US Manufacturing PMI	Factory Orders	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.	0.04
Discount Rate	0.25	0.25	0.25	6 Mo.	0.07
Fed Funds Rate	0.09	0.10	0.09	1-Year	0.09
IOER	0.15	0.15	0.10	2-Year	0.12
1-Month Libor	0.08	0.09	0.17	3-Year	0.19
11th Dist COFI	0.28	0.31	0.68	5-Year	0.45
1-Yr. CMT	0.07	0.08	0.12	7-Year	0.74
Dow	35,454.81	35,058.52	28,492.27	10-Year	1.03
NASDAQ	15,129.50	14,660.58	11,625.34	30-Year	1.68
S&P 500	4,509.39	4,401.46	3,484.55		
Bond Buyer	2.14	2.03	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	0.06					3-Year	52	60
2-Year Note	0.24	-1	-12	-13		5-Year	60	70
3-Year Note	0.46	1	-9	-12	-13			
5-Year Note	0.84	1	5	1	-7			
7-Year Note	1.13	6	13	6	-4			
10-Year Note	1.33	2	27	18	7			
20-Year Bond	1.85							
30-Year Bond	1.92							

MBS Current Coupon Yields	
GNMA 30 Yr.	1.91%
FNMA 30 Yr.	1.82%
GNMA 15 Yr.	0.44%
FNMA 15 Yr.	1.19%

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.

*****If you no longer wish to receive this weekly review, please send an email to CapitalMarketsGroup@commercebank.com*****

The Weekly Review is a publication of the Capital Markets Group of Commerce Bank.

The opinions expressed herein reflect that of the author and are not a complete analysis of every material fact respecting any company, industry, or security. The author's opinions do not necessarily reflect that of Commerce Bank or its affiliates. Information contained herein is from sources deemed reliable but cannot be guaranteed. Prices and/or yields are subject to change and investments are subject to availability. CDs are direct financial obligations of the issuing financial institution and are not, either directly or indirectly, an obligation of Commerce Bank. The information provided is not an official trade confirmation or account statement. The Capital Markets Group (CMG) of Commerce Bank is not acting as your 'municipal advisor' within the meaning of Section 15B of the Securities Exchange Act, and does not act in a fiduciary capacity. CMG does not provide tax advice; please refer to your tax professional. Investments in securities are NOT FDIC Insured; NOT Bank-Guaranteed and May Lose Value.