



Weekly Review—September 2, 2022

This week’s market focus was primarily on the employment situation via this morning’s release of the August jobs report. Although the Fed remains committed to battling record high inflation, a stronger than expected (or weaker for that fact) jobs report could lead to a large knee-jerk reaction in the bond market. Of the monthly economic releases, the jobs report has been the most bond market-moving data release over the past twelve months. According to Bloomberg research, a data surprise of one standard deviation in nonfarm payrolls was followed by a 7bps move in the 10-year treasury yield while an inflation data (CPI) miss following a close second at 6bps. With that said, August’s employment data came as no real surprise. Payrolls were slightly above forecast, the unemployment rate moved slightly higher largely driven by the welcomed increase in the participation rate and the average hourly earnings was a bit weaker than projected. As a result, treasury yields moved slightly lower immediately after the release as investors breathed a sigh of relief.

From the Fed’s perspective, August’s solid employment report will likely be viewed favorable by policy makers as job gains remained strong and are pulling people off the sidelines back into the labor market. Little in today’s employment data should distract the Fed from continuing their hawkish trajectory. Question is - when policy makers meet on September 21, will they tighten another jumbo 75bps or will they begin dialing it back to 50bps? The futures market is currently pricing in a rate hike of approximately 65bps – meaning it’s basically a coin toss between a 75bps increase vs. 50bps. Although the consumer price inflation report out on September 13 will likely be the determining factor, I’m thinking 75bps as the Fed is determined not to make the same policy mistakes that made the 1970’s so miserable for so many. Hopefully, this decade’s economy will not be déjà vu all over again...

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NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
09/05/2022		HAPPY LABOR DAY	
		NO LOCAL MISSOURI OR KANSAS DEALS THIS WEEK	

ECONOMIC CALENDAR

Monday 9/5	Tuesday 9/6	Wednesday 9/7	Thursday 9/8	Friday 9/9
Labor Day	S&P Global US Services PMI S&P Global US Composite PMI ISM Services Index	MBA Mortgages Applications Trade Balance US Fed Reserve Beige Book	Initial Jobless Claims Continuing Claims Consumer Credit	Wholesale Inventories MoM Wholesale Trade Sales MoM Household Change in Net Worth

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	5.50	5.50	3.25	3 Mo.	1.77
Discount Rate	2.50	2.50	0.25	6 Mo.	1.92
Fed Funds Rate	2.33	2.32	0.06	1-Year	2.33
IOER	2.40	2.40	0.15	2-Year	2.39
1-Month Libor	2.63	2.36	0.08	3-Year	2.42
11th Dist COFI (ECOFC)	0.87	0.66	0.24	5-Year	2.48
1-Yr. CMT	3.51	2.98	0.07	7-Year	2.64
Dow	31,318.44	32,396.17	35,443.82	10-Year	2.89
NASDAQ	11,630.86	12,348.76	15,331.18	30-Year	3.77
S&P 500	3,924.26	4,091.19	4,536.95		
Bond Buyer	3.64	3.27	2.14		

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	2.90					1-Year	N/A	+30
6 Mo. Bill	3.32					2-Year	35	45
1-Year Bill	3.39					3-Year	75	85
2-Year Note	3.41	10	1	0		5-Year	85	95
3-Year Note	3.44	1	5	1	0			
5-Year Note	3.31	9	18	13	6			
7-Year Note	3.30	20	26	19	9			
10-Year Note	3.22	47	40	31	19			
20-Year Bond	3.63							
30-Year Bond	3.37							

MBS Current Coupon Yields	
GNMA 30 Yr.	4.55%
FNMA 30 Yr.	4.76%
GNMA 15 Yr.	3.52%
FNMA 15 Yr.	4.13%

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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