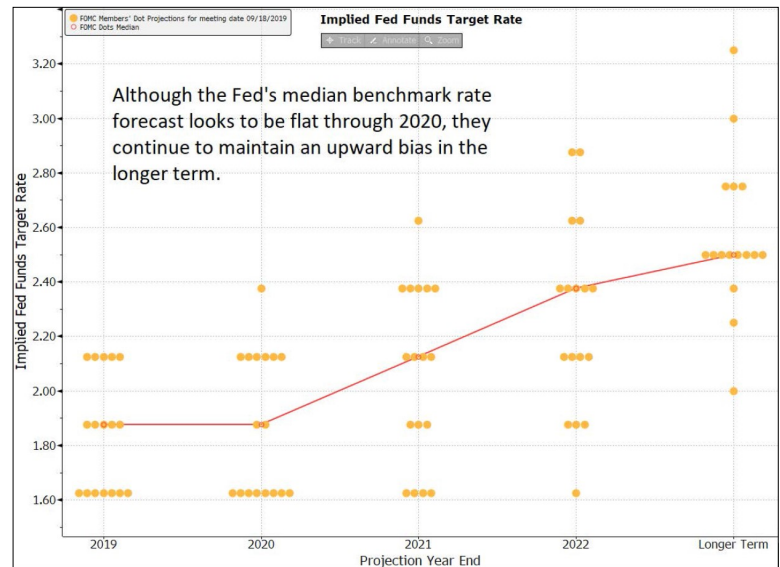


Weekly Review—September 20, 2019

As expected, Fed policy makers lowered its overnight interest rate for a second time this year. “We took this step to help keep the U.S. economy strong in the face of some notable developments and to provide insurance against ongoing risks,” Fed Chairman Powell told reporters Wednesday after the Fed cut its benchmark rate by a quarter percentage point which lowered the upper-bound rate to 2%. “Weakness in global growth and trade policy have weighed on the economy,” according to Powell.

Understanding that the Fed continues to maintain their pledge to “act as appropriate to sustain the expansion,” this week’s rate cut didn’t alter expectations among futures traders for another 25bps cut by year end. Powell left the door open to “a more extensive sequences of cuts” if needed but stressed this was not what officials expect. Instead, he described the situation as one “which can be addressed and should be addressed with moderate adjustments to the federal funds rate.” Question is: What does moderate mean?

As for forward guidance, the Fed’s dot-plot rate projections (shown below) reveals five policy makers believe that the Fed has cut rates too much while seven think it needs to lower rates further. Powell’s committee is split between those who don’t think cuts are needed because domestic spending is solid and those worried by global weakness and inflation running persistently under their 2% goal. The remaining five policy maker’s think current policy is neutral based on end year projections. Remember that of the 17 FOMC members, only twelve vote on policy action. Interestingly, the Fed continues to maintain their “rates up” bias via the increase in the median rate forecast starting in 2021. Little/no recession concerns here!



Your comments/questions are encouraged.

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NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
09/23/2019	\$2,815,000	WATERLOO IA UT GO BQ AA2	2020-2026
09/23/2019	\$3,645,000	WATERLOO IA UT GO TAXABLE AA2	2020-2026
09/24/2019	\$1,040,000	PARK CITY KS UT GO BQ AA-	2020-2035
09/24/2019	\$3,325,000	PARK CITY KS UT GO TEMP NT BQ AA-	2020
09/24/2019	\$12,975,000	CLAYTON MO SPCL OB AA+	2020-2031
09/25/2019	\$20,000,000	BELTON MO UT GO AA-	2020-2039

ECONOMIC CALENDAR

Monday 9/23	Tuesday 9/24	Wednesday 9/25	Thursday 9/26	Friday 9/27
Markit US Manufacturing PMI	Conf. Board Consumer Confidence	MBA Mortgage Applications New Home Sales	GDP Annualized QoQ Wholesale Inventories MoM Initial Jobless Claims	Personal Income Durable Goods Orders Personal Spending

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	5.00	5.25	5.00	3 Mo.	1.25
Discount Rate	2.50	2.75	2.50	6 Mo.	1.28
Fed Funds Rate	2.25	2.13	1.92	1-Year	1.31
IOER	1.80	2.10	1.95	2-Year	1.31
1-Month Libor	2.05	2.17	2.18	3-Year	1.33
11th Dist COFI	1.16	1.14	1.02	5-Year	1.38
1-Yr. CMT	1.84	1.72	2.58	7-Year	1.45
Dow	26,935.07	25,962.44	26,656.98	10-Year	1.62
NASDAQ	8,117.67	7,948.56	8,028.23	30-Year	2.28
S&P 500	2,992.07	2,900.51	2,930.75		
Bond Buyer	2.76	3.10	4.15		

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	1.90					1-Year	N/A	+45
6 Mo. Bill	1.90					2-Year	50	60
1-Year Bill	1.84					3-Year	60	75
2-Year Note	1.72	3	26	8		5-Year	75	86
3-Year Note	1.66	5	38	22				
5-Year Note	1.64	9	57	42	21			
7-Year Note	1.71	19	61	48	30			
10-Year Note	1.77	29	74	61	48			
30-Year Bond	2.20							

MBS Current Coupon Yields	
GNMA 30 Yr.	2.47%
FNMA 30 Yr.	2.70%
GNMA 15 Yr.	2.31%
FNMA 15 Yr.	2.32%

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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