



Weekly Review—September 25, 2020

While our pandemic-induced recession forced most markets into correction territory, the U.S. mortgage market continues to prosper as the Fed's current accommodative policy is stimulating home sales. Here's a brief summary of recent housing data:

Existing Home Sales

Sales of previously owned U.S. homes remained brisk in August as the housing sector continues to fuel our current economic rebound largely due to historically low mortgage rates and increased demand as urbanites look to escape city life. According to the National Association of Realtors, existing properties remained on the market for an average of only 22 days – much less time as compared to 2010's 140-day average on the heels of the last recession. Digging in the data, there were 1.5 million existing homes for sale last month – down 18.6% from August 2019 – the 15th straight year-over-year decline. Based on current supply, the inventory of houses offered for sale would last three months at the current sales pace. Anything less than five months is seen as a tight market. The median home price increased to \$310,600 last month compared with \$278,800 a year earlier. The annual price gain was the fastest since 2013.

New Home Sales

Evidenced in the chart below, August's new home sales marked a 14-year high as purchases of single-family homes increased 4.8% to a 1 million annualized pace. Furthermore, the annual rate of new home sales in the past four months increased 77%, the most since 1980. At the current sales pace, it would take 3.3 months to exhaust the supply, the shortest amount of time in over 50 years.

Home Builders Index

September's U.S. Home Builders' Confidence index rose to 83 vs 78 in August marking its highest level since 1985. According to the National Association of Home Builders (NAHB), in addition to low borrowing rates, the "suburban shift for home building is keeping builders busy."

The booming housing market is leading our economic recovery. Hopefully the current imbalance of supply (not enough) and demand (too much) will not negatively impact affordability to the point of eliminating its strong contribution to overall economic growth.

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



NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
09/28/2020	\$5,935,000	EUDORA KS TMP NTS UT GO TAXABLE AA-	2024
09/28/2020	\$23,290,000	ST CHARLES COUNTY MO SPEC OB AA	2021-2029
09/28/2020	\$2,575,000	EDWARDSVILLE KS UT GO BQ AA-	2022-2040
10/01/2020	\$11,630,000	POTTAWATOMIE CO KS TMP NTS UT GO SPI+	2021

ECONOMIC CALENDAR

Monday 9/28	Tuesday 9/29	Wednesday 9/30	Thursday 10/1	Friday 10/2
Dallas Fed Manf. Activity	Wholesale Inventories MoM Conf. Board Consumer Confid.	MBA Mortgage Applications ADP Employment Change GDP QoQ	Initial Jobless Claims Personal Spending Personal Income	Change in Nonfarm Payrolls Unemployment Rate U. of Mich. Sentiment

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	3.25	3.25	5.00	3 Mo.	0.04
Discount Rate	0.25	0.25	2.50	6 Mo.	0.13
Fed Funds Rate	0.09	0.09	1.90	1-Year	0.17
IOER	0.10	0.10	1.80	2-Year	0.19
1-Month Libor	0.14	0.18	2.02	3-Year	0.21
11th Dist COFI	0.65	0.68	1.16	5-Year	0.34
1-Yr. CMT	0.12	0.14	1.78	7-Year	0.61
Dow	27,173.96	28,248.44	26,970.71	10-Year	0.98
NASDAQ	10,913.56	11,466.47	8,077.38	30-Year	1.79
S&P 500	3,298.46	3,443.62	2,984.87		
Bond Buyer	2.21	2.15	2.66		

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	+50
6 Mo. Bill	0.10					2-Year	55	65
1-Year Bill	0.11					3-Year	65	80
2-Year Note	0.12	1	9	8		5-Year	75	90
3-Year Note	0.14	7	20	18	13			
5-Year Note	0.26	14	38	34	27			
7-Year Note	0.44	22	50	44	35			
10-Year Note	0.65	30	68	63	51			
20-Year Bond	1.17							
30-Year Bond	1.39							

MBS Current Coupon Yields		
GNMA 30 Yr.		1.51%
FNMA 30 Yr.		1.42%
GNMA 15 Yr.		0.26%
FNMA 15 Yr.		0.94%

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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