

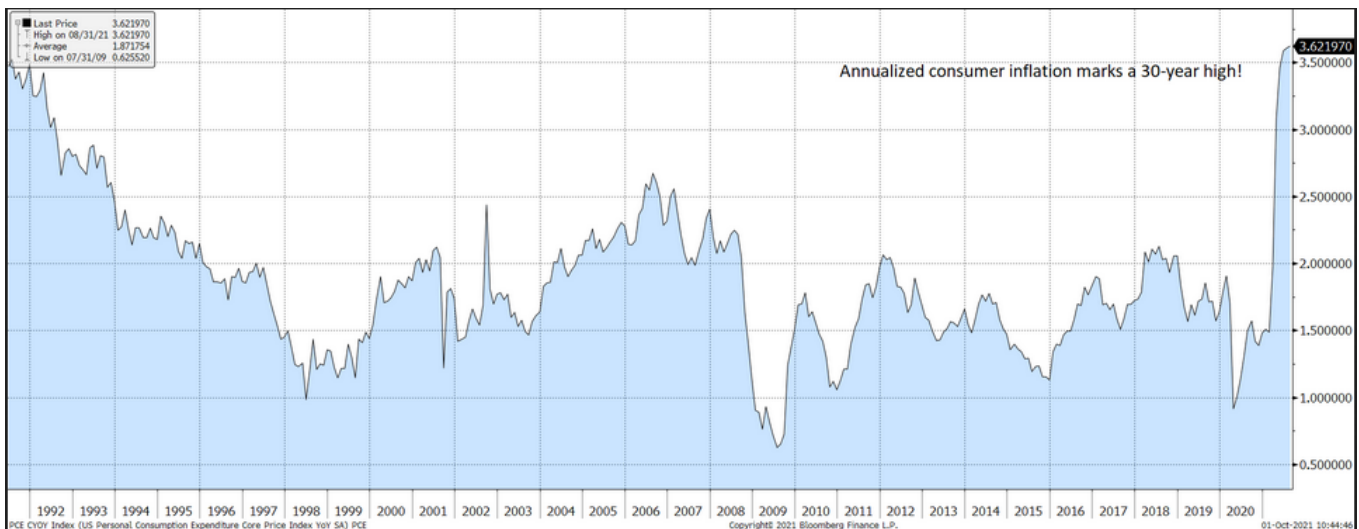
## Weekly Review—October 1, 2021

Inflation, as measured by the Fed's preferred metric, increased faster than projected in August fueling concerns that elevated prices could last longer than expected – further challenging the Fed's current transitory posture. August's core Personal Consumption Expenditure (CPE) increased 3.6% annually as compared to street estimates of 3.5%. Evidenced in the chart below, August's annual increase marks the largest increase in over 30 years.

So, what exactly is the Fed's definition of transitory? At a House Financial Services Committee hearing on Thursday, Fed Chairman Powell stated that the economy is experiencing "a very unusual event" of supply-side restrictions. "We expect that those will abate, that they'll lessen, and over time inflation will come back down," Powell said. "Exactly when that will happen is not possible to say," the Fed chairman added. "But I would say we should be seeing some relief in coming months and over the course of the first half of next year," Powell said.

What's next in terms of monetary policy action? Although Powell told lawmakers that inflation expectations "broadly speaking" are still at levels that are consistent with the central bank's 2% average inflation target, market participants know that a less accommodative policy is coming. First with a reduction in QE - bond buying - followed by an increase in the Fed's benchmark overnight rate. As Matt Maggi wrote in last week's commentary, the question is when!

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



### NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
10/04/2021	\$9,000,000	ST JOSEPH MO UT GO BQ AA-	2022-2040
10/06/2021	\$33,875,000	ST LOUIS CO MO -F -REF -REV AA	2022-2038
10/07/2021	\$14,750,000	CHEROKEE CO KS UNIF SD #493 UT GO A	2022-2046

**ECONOMIC CALENDAR**

Monday 10/4	Tuesday 10/5	Wednesday 10/6	Thursday 10/7	Friday 10/8
Factory Orders	Trade Balance	MBA Mortgage Applications	Initial Jobless Claims	Change in Nonfarm Payrolls
Durable Goods Orders	Markit US Composite PMI	ADP Employment Change	Continuing Claims	Unemployment Rate
	ISM Services Index		Consumer Credit	Wholesale Inventories MoM

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	3.25	3.25	3.25	3 Mo.	0.10
Discount Rate	0.25	0.25	0.25	6 Mo.	0.13
Fed Funds Rate	0.08	0.08	0.09	1-Year	0.15
IOER	0.15	0.15	0.10	2-Year	0.19
1-Month Libor	0.08	0.09	0.15	3-Year	0.28
11th Dist COFI	0.24	0.26	0.53	5-Year	0.55
1-Yr. CMT	0.09	0.08	0.12	7-Year	0.93
Dow	34,327.45	35,312.53	27,816.90	10-Year	1.26
NASDAQ	14,566.70	15,309.38	11,326.51	30-Year	1.83
S&P 500	4,357.09	4,524.09	3,380.80		
Bond Buyer	2.26	2.14	2.21		

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	0.03					1-Year	N/A	+40
6 Mo. Bill	0.04					2-Year	45	50
1-Year Bill	0.07					3-Year	50	60
2-Year Note	0.26	-1	-12	-12		5-Year	60	68
3-Year Note	0.49	0	-8	-11	-12			
5-Year Note	0.93	0	5	1	-7			
7-Year Note	1.26	5	12	5	-5			
10-Year Note	1.47	14	28	18	7			
20-Year Bond	1.99							
30-Year Bond	2.05							

MBS Current Coupon Yields	
GNMA 30 Yr.	1.99%
FNMA 30 Yr.	1.97%
GNMA 15 Yr.	0.44%
FNMA 15 Yr.	1.27%

**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](mailto:CapitalMarketsGroup@commercebank.com)\*\*\***

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