



Our current economic recession is rather unique in that it was not triggered by a buildup of financial excesses or economic imbalances. Rather, the pandemic shock was essentially a case of a health disaster negatively impacting a relatively strong economy. Prior to COVID-19, the U.S. economy was in its 128th month of expansion—the longest in our recorded history. Moderate economic growth led to a strong labor market as the unemployment rate was consistently hovering near 50-year lows. Inflation, as measured by the Fed’s preferred metric (core YoY PCE – personal consumption expenditures) was running below target. As the pandemic intensified, the economy began shutting down in hopes of slowing the spread. Economic growth, as measured by GDP, fell an annualized 31% in the 2QTR while nearly 22 million Americans experienced job loss. Broader measures of labor market conditions, such as labor force participation and those working part time for economic reasons, were also materially impacted.

In response, the Fed took action by cutting benchmark overnight rates to near zero; implementing unprecedented quantities of asset purchases; and establishing a range of emergency lending facilities to restore market function and support the flow of credit to households, businesses, and state & local governments. In terms of a fiscal policy response, Congress enacted numerous bills providing approximately \$3 trillion in economic support to households and businesses.

While the combined effects of fiscal and monetary policy actions have at this point supported an initial economic rebound as 3QTR growth is expected to be just short of 30%, these policy responses may have done nothing more than mute the normal recessionary dynamics that occur in an economic downturn. According to recent comments by Fed Chair Powell, a typical recession causes a downward spiral in which layoffs lead to still lower demand, followed then by even more layoffs. Meaning, weakness feeds on weakness. Furthermore, this dynamic was likely disrupted by the fiscal infusion of funds to households and businesses. Prompt and forceful policy actions were also likely responsible for reducing risk aversion in financial markets and business decisions more broadly.

Looking forward, the economic outlook remains highly uncertain dependent upon how COVID-19 plays out. We’re not out of the woods yet!

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

### NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
10/13/2020	\$ 6,000,000	SIKESTON R-6 SCH DIST MO GO BQ /AA+	2038-2040
10/14/2020	\$ 1,215,000	SPEARVILLE KS 2020 UT GO BQ RATINGS APPLIED	2021-2043

**ECONOMIC CALENDAR**

Monday 10/12	Tuesday 10/13	Wednesday 10/14	Thursday 10/15	Friday 10/16
Bond Market Closed	CPI MoM CPI YoY	MBA Mortgage Applications PPI Final Demand MoM PPI Final Demand YoY	Initial Jobless Claims Empire Manufacturing Philadelphia Fed Bus. Outlook	Retail Sales Advance MoM Industrial Production MoM 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.	0.06
Discount Rate	0.25	0.25	2.50	6 Mo.	0.15
Fed Funds Rate	0.09	0.09	1.82	1-Year	0.19
IOER	0.10	0.10	1.80	2-Year	0.21
1-Month Libor	0.15	0.16	1.94	3-Year	0.23
11th Dist COFI	0.53	0.65	1.16	5-Year	0.39
1-Yr. CMT	0.13	0.15	1.62	7-Year	0.71
Dow	28,565.90	27,940.47	26,346.01	10-Year	1.10
NASDAQ	11,579.94	11,141.56	7,903.74	30-Year	1.94
S&P 500	3,477.13	3,398.96	2,919.40		
Bond Buyer	2.35	2.22	2.59		

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	0.11					2-Year	55	65
1-Year Bill	0.12					3-Year	63	76
2-Year Note	0.14	2	5	6		5-Year	73	88
3-Year Note	0.19	5	16	15	12			
5-Year Note	0.32	10	33	31	27			
7-Year Note	0.53	19	46	41	34			
10-Year Note	0.76	30	69	62	52			
20-Year Bond	1.32							
30-Year Bond	1.56							

  

MBS Current Coupon Yields	
GNMA 30 Yr.	1.47%
FNMA 30 Yr.	1.41%
GNMA 15 Yr.	0.20%
FNMA 15 Yr.	0.93%

**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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