



Weekly Review—October 15, 2021

We're living in a world full of uncertainties! From economic growth, inflation/stagflation, jobs, interest rates, monetary policy, fiscal policy, geopolitical and COVID to the growing possibility of empty shelves and the rising price of bacon – the list is endless. From the banking perspective, this current operating environment challenges all institutions – regardless of asset size – when it comes to maximizing profitability/earnings. In most financial institutions, net interest income (NII) equates to approximately 70% of earnings. As such, NII is a driver of overall profitability.

As the steward of NII, your institution's Asset-Liability Committee (ALCO) is expected to manage the bank's balance sheet in a manner that provides a satisfactory and consistent level of profit – regardless of the operating environment – while preserving the integrity and safety of the bank's deposits and capital structure. Understanding that NII is largely a function of balance sheet volume, mix and price/rate, the asset-liability management (ALM) function has never been as important as it is today. If your institution is looking for ways to increase earnings within acceptable levels of risk, give us a call. Our team of seasoned ALM professionals can help!

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
10/18/2021	\$12,150,000	PLATTE CO MO PK HILL SD-TXBL UT GO AA+	2022-2023
10/18/2021	\$1,875,000	SAVANNAH MO-REV-REF BQ A	2022-2031
10/19/2021	\$61,100,000	MO ST BRD OF PUB BLDGS-A REVS AA+	2022-2041
10/19/2021	\$3,550,000	SALINA KS ARPT AUTH-TXBL-1 UT GO Aa3	2023
10/20/2021	\$3,400,000	MISSION KS -A UT GO BQ AA+	2022-2036

ECONOMIC CALENDAR

Monday 10/18	Tuesday 10/19	Wednesday 10/20	Thursday 10/21	Friday 10/22
Industrial Production MoM	Housing Starts	MBA Mortgage Applications	Initial Jobless Claims	Markit US Manufacturing PMI
Net Long-Term TIC Flows	Building Permits	Federal Reserve Beige Book	Leading Index	Markit US Services PMI
Total Net TIC Flows			Existing Home Sales	Markit US Composite PMI

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	3.25	3.25	3.25	3 Mo.	0.09
Discount Rate	0.25	0.25	0.25	6 Mo.	0.12
Fed Funds Rate	0.08	0.08	0.09	1-Year	0.14
IOER	0.15	0.15	0.10	2-Year	0.20
1-Month Libor	0.09	0.08	0.15	3-Year	0.29
11th Dist COFI	0.24	0.26	0.53	5-Year	0.57
1-Yr. CMT	0.10	0.07	0.13	7-Year	0.97
Dow	35,295.28	34,814.39	28,494.20	10-Year	1.29
NASDAQ	14,897.34	15,161.53	11,713.87	30-Year	1.87
S&P 500	4,471.37	4,480.70	3,483.34		
Bond Buyer	2.28	2.15	2.35		

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	0.04					1-Year	N/A	+35
6 Mo. Bill	0.05					2-Year	42	48
1-Year Bill	0.09					3-Year	48	58
2-Year Note	0.39	-1	-12	-12		5-Year	58	67
3-Year Note	0.68	0	-9	-12	-13			
5-Year Note	1.10	0	6	-1	-7			
7-Year Note	1.40	5	13	6	-4			
10-Year Note	1.57	13	27	18	6			
20-Year Bond	2.01							
30-Year Bond	2.05							

MBS Current Coupon Yields	
GNMA 30 Yr.	1.96%
FNMA 30 Yr.	1.97%
GNMA 15 Yr.	0.44%
FNMA 15 Yr.	1.30%

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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