



This month marks the 124th month of the current U.S. economic expansion since the Great Recession, continuing its longest run on record going back to 1854. (Note: The previous record of 120 months was marked by the economic growth from March 1991 to March 2001.) Looking forward - if the economy continues to set new expansionary records into 2020, it will likely be on the back of the U.S. consumer as consumer spending makes up nearly 70% of the U.S. economy. And while the propensity of Americans to shop has always been crucial for economic growth, it's particularly the case now as businesses continue to pull back due to continuing trade skirmishes with China. This slump in business confidence and investment has led to a "globally synchronized slowdown," according to Kristalina Georgieva, the International Monetary Fund's new managing director, driven almost entirely by a slump in global manufacturing and trade. While the current Administration likes to say that China is paying for the trade war, consumers will likely bear the brunt of tariffs via higher prices. Whether fact or fiction, higher prices due to increased tariffs could persuade consumers to eventually curb their spending. Luckily, consumer confidence remains near historic highs. The National Retail Federation has pegged this year's increase in holiday sales at 3.8% to 4.2%, up from an average of 3.7% over the last five years. So as long as consumer confidence doesn't get spooked (my attempt at Halloween humor!), households remain employed and their respective wage increases are not offset by higher prices (inflation), the economy should be good??

As for the Fed, continue to expect a 25bps cut in its benchmark overnight rate at next week's FOMC meeting. Assuming the Fed follows through as expected, next week's rate cut will be the third cut in the last 90 days. The last time the Fed eased rates three times while the economy was growing was in 1998. After the third cut, the Fed sent a strong signal it was done, announcing that financial conditions following 75bps of easing "can reasonably be expected" to sustain the expansion. With economic & geopolitical headwinds abound, don't expect a repeat of that guidance if they do move this month.

Your comments/questions are encouraged.

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NEW ISSUE MUNICIPAL CALENDAR			
Date	Amount (\$)	Description	Maturity
10/28/2019	\$5,750,000	RAYMORE MO SPECIAL OB AA3 BQ	2020-2037
10/29/2019	\$7,655,000	ANDOVER KS GO AA BQ	2020-2039

## ECONOMIC CALENDAR

Monday 10/28	Tuesday 10/29	Wednesday 10/30	Thursday 10/31	Friday 11/1
Wholesale Inventories MoM	Conf. Board Consumer Confidence	MBA Mortgage Applications ADP Employment Change GDP Annualized QoQ	Personal Income Personal Spending Initial Jobless Claims	Change in Nonfarm Payrolls Unemployment Rate Markit US Manufacturing PMI

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	5.00	5.00	5.25	3 Mo.	1.14
Discount Rate	2.50	2.50	2.75	6 Mo.	1.17
Fed Funds Rate	1.85	1.90	2.20	1-Year	1.19
IOER	1.80	1.80	2.20	2-Year	1.20
1-Month Libor	1.80	2.02	2.28	3-Year	1.21
11th Dist COFI	1.16	1.16	1.02	5-Year	1.27
1-Yr. CMT	1.60	1.78	2.64	7-Year	1.41
Dow	26,958.06	26,970.71	24,984.55	10-Year	1.65
NASDAQ	8,243.12	8,077.38	7,318.34	30-Year	2.30
S&P 500	3,022.55	2,984.87	2,705.57		
Bond Buyer	2.75	2.76	4.30		

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	1.65					1-Year	N/A	+45
6 Mo. Bill	1.65					2-Year	52	65
1-Year Bill	1.58					3-Year	65	78
2-Year Note	1.59	4	23	8		5-Year	78	88
3-Year Note	1.59	5	32	19	0			
5-Year Note	1.59	10	51	39	21			
7-Year Note	1.68	13	55	44	29			
10-Year Note	1.77	26	67	57	43			
30-Year Bond	2.25							

  

MBS Current Coupon Yields	
GNMA 30 Yr.	2.48%
FNMA 30 Yr.	2.75%
GNMA 15 Yr.	2.22%
FNMA 15 Yr.	2.29%

### 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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