



Weekly Review—October 29, 2021

What an interesting week? We saw the 20-year yield surpass the 30-year yield on the US Treasury curve and we learned that the provisions for a new version of Build-America-Bonds (BABs) and the re-introduction of the ability to re-finance tax-exempt bonds were left out of the latest version of Biden economic plan.

What about me? It isn't fair... In typical American fashion, the 20-year Treasury bond wanted to be in the spotlight. An inversion – sometimes an ominous sign for future economic performance – occurred between the 20-year and 30-year part of the Treasury curve. Investors may be signaling their belief in a slowdown in growth. We usually associate curve inversions with recessions – the current probability of recession found on Bloomberg's Economic Forecasts page sits at 15%. While low, it is up from its previous level of 10%. Are we headed for another doom and gloom scenario? Or is the market merely performing an old Jedi mind trick? To paraphrase Obi-Wan Kenobi, "This isn't the inversion you are looking for." We're safe for now.

Are you suggesting that I'm not who I say I am? Not even Abe Froman, the Sausage King of Chicago, could help in the battle between the Biden Administration and Congress over the president's economic agenda. Unfortunately, when sausage is made, it can get messy and some parts don't make it in the final product. Two parts of the plan muni dealers and investors were hoping to see included fell onto the cutting floor: a new version of BABs, muni bonds which were used during the recovery of the Great Recession which allowed some taxable bonds to be treated with tax-exempt provisions in order to spur investment and economic growth; and the ability to pre-refund tax-exempt bonds, or refinance this popular muni asset class. The latter was removed as part of the Trump Administration's Tax Cuts and Jobs Act of 2017. Consequently, taxable muni bonds will likely remain more popular with investors.

As always, the Capital Markets Group is here to help navigate through ever-changing markets. Reach out to your Investment Representative for her or his opinion on what fixed income securities might be most suitable for you and your economic plan.

Have a great weekend!

Matthew Maggi
 Senior Vice President
 Commerce Bank – Capital Markets Group (CMG)
 800 548-2663
matthew.maggi@commercebank.com

NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
11/03/2021	\$3,400,000	VERNON CO MO CONSOL PUB WTR BQ REVS	2022-2039

ECONOMIC CALENDAR

Monday 11/1	Tuesday 11/2	Wednesday 11/3	Thursday 11/4	Friday 11/5
Construction Spending MoM ISM Manufacturing Markit US Manufacturing PMI	Wards Total Vehicle Sales	MBA Mortgage Applications ADP Employment Change Durable Goods Orders	Initial Jobless Claims Trade Balance Continuing Claims	Change in Nonfarm Payrolls Unemployment Rate Labor Force Participation Rate

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	3.25	3.25	3.25	3 Mo.	0.12
Discount Rate	0.25	0.25	0.25	6 Mo.	0.15
Fed Funds Rate	0.08	0.08	0.09	1-Year	0.17
IOER	0.15	0.15	0.10	2-Year	0.27
1-Month Libor	0.09	0.09	0.14	3-Year	0.37
11th Dist COFI	0.24	0.26	0.53	5-Year	0.69
1-Yr. CMT	0.15	0.09	0.12	7-Year	1.04
Dow	35,819.59	34,390.72	26,659.11	10-Year	1.33
NASDAQ	15,498.39	14,512.44	11,185.59	30-Year	1.90
S&P 500	4,605.38	4,359.46	3,310.11		
Bond Buyer	2.25	2.15	2.37		

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	40	43
1-Year Bill	0.11					3-Year	43	50
2-Year Note	0.50	-2	-12	-13		5-Year	50	60
3-Year Note	0.78	1	-8	-11	-11			
5-Year Note	1.20	0	5	1	-7			
7-Year Note	1.46	5	12	5	-5			
10-Year Note	1.56	13	27	18	6			
20-Year Bond	1.97							
30-Year Bond	1.93							

MBS Current Coupon Yields	
GNMA 30 Yr.	2.02%
FNMA 30 Yr.	2.02%
GNMA 15 Yr.	0.44%
FNMA 15 Yr.	1.39%

About the Author, Matthew Maggi



Prior to joining CMG in 2016, Matthew was the Corporate Treasurer at a \$1.2 billion publicly-traded community bank headquartered in Missouri. During his tenure, he developed and implemented balance sheet strategies to maximize margin while managing acceptable levels of interest rate risk, liquidity, and capital. Matthew not only managed the investment portfolio, but also conducted extensive loan portfolio performance analyses.

Previously, he was a Treasury Analyst for one of the largest privately held banks in the U.S. He monitored cash flow and liquidity and developed funding strategies. Matthew leverages his extensive balance sheet management experience to provide tactical and strategic solutions to maximize performance while mitigating risks for the community banks.

If you no longer wish to receive this weekly review, please send an email to CapitalMarketsGroup@commercebank.com

The Weekly Review is a publication of the Capital Markets Group of Commerce Bank.

The opinions expressed herein reflect that of the author and are not a complete analysis of every material fact respecting any company, industry, or security. The author's opinions do not necessarily reflect that of Commerce Bank or its affiliates. Information contained herein is from sources deemed reliable but cannot be guaranteed. Prices and/or yields are subject to change and investments are subject to availability. CDs are direct financial obligations of the issuing financial institution and are not, either directly or indirectly, an obligation of Commerce Bank. The information provided is not an official trade confirmation or account statement. The Capital Markets Group (CMG) of Commerce Bank is not acting as your 'municipal advisor' within the meaning of Section 15B of the Securities Exchange Act, and does not act in a fiduciary capacity. CMG does not provide tax advice; please refer to your tax professional. Investments in securities are NOT FDIC Insured; NOT Bank-Guaranteed and May Lose Value.