



Weekly Review—October 30, 2020

James Carville famously said, “It’s the economy, stupid.” Of course, Carville posited that the economy is the key issue that affects elections. In this vein, let’s look at some of the key economic metrics voters may consider (or did consider if they already voted). This is an example of what voters might see. Of course, there are plenty of other issues to consider and the effect on these figures from external forces like COVID-19 and others.

One undisputed fact is the equity markets are up considerably since January of 2017 (When President Trump took office). Whether credit is given to him and his policies, that is not for me to partake. I’m looking purely at the numbers. Employment figures and GDP tell the story of the effects of COVID-19 and the corresponding lockdowns. With an increased unemployment rate of 7.9% and a lower participation rate of 61.4%, there is a portion of the workforce who are not better off than they used to be. GDP YoY stands out of course due to the recession. A positive change has been the higher personal income levels, the higher savings rates and the lower inflation. For bond investors the dramatic drop in the ten year demonstrates the challenges of re-investment risk. Homeowners are benefiting from higher values from likely their largest asset. These are examples of some of the before and after numbers which might be used in campaigning. They do not represent everyone’s experience, yet they may carry enough weight for those who focus on the economy more so than other issues.

If the economy indeed plays the most important role in elections, the president may be awarded another term. If the economy is supplanted by other issues, Biden may be sitting at the Resolute desk. Either way, we all will show up to work and keep doing the best we can. Best to you and your family and may you have a wonderful weekend!

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

Econ. Indicator	January 2017	October 2020 (*Latest)	% Change	Average
GDP YoY	2.1	-2.9	-238.1%	1.2
CPI YoY	2.5	1.4	-44.0%	2.0
PCE Deflator YoY	2.0%	1.4%	-30.0%	1.7%
US Dollar Index	100.74	93.817	-6.9%	95.928
Dow Jones	19,827.25	26,659.11	34.5%	24,920.18
S&P	2,271.31	3,310.11	45.7%	2,808.44
NASDAQ	5,555.33	11,185.59	101.3%	9,606.40
Personal Income \$\$ (PITL)	16,566.49	19,804.20	19.5%	18,174.08
Personal Savings % of DI	6.7%	14.3%	113.4%	9.4%
Unemployment Rate	4.7%	7.9%	68.1%	4.9%
Avg Weekly Hours All Employees	34.4	34.7	0.9%	34.4
Labor Force Participation Rate	62.8%	61.4%	-2.2%	62.7%
S&P Case-Shiller USA Home Price	184.73	223.97	21.2%	204.22
10 Yr CMT	2.48%	0.85%	-65.7%	2.11%

All Data sourced from Bloomberg LLP

NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
11/03/2020		ELECTION DAY	

ECONOMIC CALENDAR

Monday 11/2	Tuesday 11/3	Wednesday 11/4	Thursday 11/5	Friday 11/6
Markit US Manufacturing PMI	Factory Orders	ADP Employment Change	Initial Jobless Claims	Change in Nonfarm Payrolls
ISM Manufacturing	Durable Goods	MBA Mortgage Applications	FOMC Rate Decision	Unemployment Rate
Construction Spending MoM		Trade Balance	Continuing Claims	Wholesale Inventories MoM

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	3.25	3.25	5.00	3 Mo.	0.11
Discount Rate	0.25	0.25	2.50	6 Mo.	0.20
Fed Funds Rate	0.09	0.09	1.83	1-Year	0.25
IOER	0.10	0.10	1.80	2-Year	0.27
1-Month Libor	0.15	0.15	1.80	3-Year	0.29
11th Dist COFI	0.53	0.65	1.16	5-Year	0.40
1-Yr. CMT	0.12	0.12	1.59	7-Year	0.71
Dow	26,501.60	27,781.70	27,189.69	10-Year	1.08
NASDAQ	10,911.59	11,167.51	8,303.98	30-Year	1.92
S&P 500	3,269.96	3,363.00	3,046.77		
Bond Buyer	2.34	2.21	2.79		

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	0.08					1-Year	N/A	+50
6 Mo. Bill	0.09					2-Year	55	65
1-Year Bill	0.11					3-Year	66	75
2-Year Note	0.15	2	2	2		5-Year	75	85
3-Year Note	0.19	5	9	9	8			
5-Year Note	0.38	12	23	23	22			
7-Year Note	0.63	19	34	30	27			
10-Year Note	0.85	29	53	47	42			
20-Year Bond	1.40							
30-Year Bond	1.63							

MBS Current Coupon Yields		
GNMA 30 Yr.		1.41%
FNMA 30 Yr.		1.40%
GNMA 15 Yr.		0.23%
FNMA 15 Yr.		0.96%

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.