



Weekly Review—November 10, 2022

Although mid-term elections have at times caused increased market volatility, October’s inflation data released earlier today sparked this week’s firestorm. The weaker-than-expected Consumer Price Index (CPI) may have marked – based on the bond market’s knee-jerk reaction – the beginning of the end of the Fed’s tightening cycle. Fed funds futures adjusted downward its expected terminal rate from 5.10% to 4.85% while the two-year treasury yield fell 28bps from its pre-announcement morning high. Thus, the short-end of the curve has now priced in a 50-bps tightening at the Fed’s December policy meeting vs. a fifth 75bp move. Although the 75bp move hasn’t been completely priced out, the market hopes that policy makers will see October’s softer inflation print as an opportunity to begin the process of easing up on the skinny pedal.

One report does not make a trend! Meaning, October’s CPI should not be viewed in isolation. At this month’s post FOMC meeting press conference, Chairman Powell made it clear that “economic data may change the near-term pace of rate hikes but not the terminal rate” as policy makers are looking for a string of good reports on inflation. Assuming today’s rally in bond prices holds, the market’s expectation of lower interest rates could actually weigh on the Fed’s ability to slow economic growth as a means to reduce inflation. Going forward, the Fed will get another look at inflation as well as the jobs situation via November’s CPI & employment reports prior to their December 13 policy meeting.

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NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
11/14/2022	\$4,550,000	ELLIS CO KS UNIF SD #388 UT GO BQ A	2023-2037
11/15/2022	\$11,700,000	SHAWNEE KS- A UT GO AAA	2023-2052

ECONOMIC CALENDAR

Monday 11/14	Tuesday 11/15	Wednesday 11/16	Thursday 11/17	Friday 11/18
	PPI Final Demand MoM/YoY Empire Manufacturing	MBA Mortgage Applications Retail Sales Advance MoM Industrial Production	Housing Starts Initial Jobless Claims Building Permits	Leading Index Existing Home Sales

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	7.00	6.25	3.25	3 Mo.	2.45
Discount Rate	4.00	3.25	0.25	6 Mo.	2.60
Fed Funds Rate	3.83	3.08	0.08	1-Year	3.08
IOER	3.90	3.15	0.15	2-Year	3.11
1-Month Libor	3.87	3.31	0.09	3-Year	3.15
11th Dist COFI (ECOFC)	1.35	1.11	0.23	5-Year	3.19
1-Yr. CMT	4.59	4.24	0.14	7-Year	3.27
Dow	33,715.37	29,202.88	36,079.94	10-Year	3.38
NASDAQ	11,114.15	10,542.10	15,622.71	30-Year	4.30
S&P 500	3,956.37	3,612.39	4,646.71		
Bond Buyer	4.06	4.02	2.10		

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	4.36					1-Year	N/A	+40
6 Mo. Bill	4.50					2-Year	45	55
1-Year Bill	4.53					3-Year	85	90
2-Year Note	4.30	15	81	80		5-Year	90	115
3-Year Note	4.17	5	85	82	81			
5-Year Note	3.93	10	98	94	86			
7-Year Note	3.89	35	105	98	88			
10-Year Note	3.85	68	120	111	100			
20-Year Bond	4.28							
30-Year Bond	4.11							

MBS Current Coupon Yields		
GNMA 30 Yr.		5.62%
FNMA 30 Yr.		5.83%
FNMA 15 Yr.		5.03%

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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