



Weekly Review—November 18, 2022

On the surface, the consumer appears to be alive and well. Retail sales – a key measure of household spending – forged ahead in October marking its largest gain in eight months as consumption remained resilient considering crazy high inflation and materially higher borrowing costs. The spending behavior of the steadfast consumer is evidence that policy makers still have a considerable amount of work to do before demand wanes. As for inflation, the staying power of spending gives businesses little reason to forgo additional price increases. The Fed’s challenge to purposely slow consumption to battle inflation continues...

While October’s stronger than expected spending was viewed favorable in terms of continued economic growth, the underlying concern is that consumer spending is being supported by borrowings as savings has all but been depleted. In the third quarter, household debt climbed at the fastest annual pace since 2008 with credit card balances surging. See this week’s Points to Ponder article authored by CMG’s Ross Elford for more detail – it’s a good read!

As for treasury yields, the curve continues to invert as short-term rates increased approximately 20bps on the week while the long bond declined 16bps. The intermediate part of the curve acted like a fulcrum as 5yr-7yr yields were little changed. The 2yr/10yr inversion widen to 67bps...a level not seen since the Volcker days. If you haven’t already, now is the time to add rates down protection to the balance sheet by extending asset duration with limited/no optionality to prepay in rates down. Not sure how far on the curve to extend – seek guidance from your asset/liability team as the answer lies in your current ALM risk profile.

As a heads-up, the next CMG Weekly Commentary will be published December 2. Cherish the time spent with family and friends this Thanksgiving holiday.

Dennis Zimmerman Jr.
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NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
		Happy Thanksgiving!	

ECONOMIC CALENDAR

Monday 11/21	Tuesday 11/22	Wednesday 11/23	Thursday 11/24	Friday 11/25
Chicago Fed Nat Activity Index	Richmond Fed Manufact. Index	MBA Mortgage Applications Initial Jobless Claims FOMC Meeting Minutes	Happy Thanksgiving!	

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	7.00	6.25	3.25	3 Mo.	2.18
Discount Rate	4.00	3.25	0.25	6 Mo.	2.33
Fed Funds Rate	3.83	3.08	0.08	1-Year	2.81
IOER	3.90	3.15	0.15	2-Year	2.85
1-Month Libor	3.94	3.44	0.09	3-Year	2.89
11th Dist COFI (ECOFC)	1.35	1.11	0.23	5-Year	2.96
1-Yr. CMT	4.68	4.50	0.18	7-Year	3.04
Dow	33,745.69	30,523.80	35,870.95	10-Year	3.15
NASDAQ	11,146.06	10,772.40	15,993.71	30-Year	4.01
S&P 500	3,965.34	3,719.98	4,704.54		
Bond Buyer	3.75	3.84	2.13		

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	4.44					1-Year	N/A	+40
6 Mo. Bill	4.62					2-Year	45	55
1-Year Bill	4.67					3-Year	80	85
2-Year Note	4.45	15	81	81		5-Year	85	110
3-Year Note	4.23	5	85	82	80			
5-Year Note	3.95	10	98	94	86			
7-Year Note	3.88	43	106	99	89			
10-Year Note	3.79	70	120	111	100			
20-Year Bond	4.11							
30-Year Bond	3.89							

MBS Current Coupon Yields		
GNMA 30 Yr.		5.09%
FNMA 30 Yr.		5.28%
FNMA 15 Yr.		4.75%

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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