



Weekly Review—November 20, 2020

In this week's Fed speak, policy makers continued to stress the importance of additional fiscal policy measures to help mitigate the economic impact caused by the pandemic. Below please find comments from various FOMC members:

Cleveland Fed President Mester in a Bloomberg interview stated that “the virus case increase is very concerning and the fact that we don't have a fiscal package is very concerning.” She further stated that fiscal support, not additional monetary-policy action, was needed as increasing infection rates weigh on economic activity.

When asked about the current economic recovery, Atlanta Fed President Bostic told Bloomberg that “the best and most appropriate way for this to move forward is for this to be an all-hands-on-deck situation” with the Fed, fiscal policy makers and public-health policy makers contributing. Although Bostic isn't expecting economic growth to contract in the quarter's ahead, he said the level of growth depends on the virus. “If we don't deal with the public health aspect, it is very hard to imagine how the economics are going to come back very robustly.”

New York Fed President Williams told online participants that fiscal support has played a key role in aiding the recovery and the economy will face challenges as it begins to dry up. Specifically, Williams said expiring fiscal support is “going to slow the economy over coming months causing the economy to be more challenged.” Furthermore, “for us a key part of this is really making sure that we're doing our part to provide monetary policy support and our other programs as well and basically keeping financial conditions as supportive of a strong economic recovery as possible.”

In an online Chamber event, Richmond Fed President Barkin simply stated that “less fiscal support means hard times for many” and in terms of future fiscal policy action, a “divided government looks likely to me.”

With fiscal policy in continued gridlock, the Fed may be forced to provide additional stimulus assuming the economic outlook begins to materially weaken. I'm betting Yield Curve Control (YCC) via tweaks to their current bond purchasing programs. See the November 6 Weekly Commentary for YCC details. The last FOMC meeting for 2020 is scheduled Dec 15-16.

As a heads-up, the next CMG Weekly Commentary will be published December 4. Cherish the time spent with family this Thanksgiving holiday.

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NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
11/23/2020	\$6,170,000	ST JOSEPH SD BUCHANAN CO MO 2020A UT GO BQ AA+	2031-2034
11/23/2020	\$7,950,000	FREMONT NE 2020 UT GO BQ AA	2021-2027
11/26/2020		HAPPY THANKSGIVING	

ECONOMIC CALENDAR

Monday 11/23	Tuesday 11/24	Wednesday 11/25	Thursday 11/26	Friday 11/27
Chicago Fed Nat Activity Index	FHFA House Prices Index QoQ	GDP Annualized QoQ	Thanksgiving	Bond and Money Markets
Markit US Manufacturing PMI	Conf. Board Consumer Confid.	Initial Jobless Claims	Markets Closed	Early Close
Markit US Composite Index	Richmond Fed Manufact. Index	Personal Income/Spending		

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	3.25	3.25	4.75	3 Mo.	0.05
Discount Rate	0.25	0.25	2.25	6 Mo.	0.14
Fed Funds Rate	0.09	0.09	1.55	1-Year	0.19
IOER	0.10	0.10	1.55	2-Year	0.21
1-Month Libor	0.15	0.15	1.72	3-Year	0.23
11th Dist COFI	0.52	0.53	1.13	5-Year	0.32
1-Yr. CMT	0.11	0.13	1.54	7-Year	0.55
Dow	29,263.48	28,308.79	27,821.09	10-Year	0.88
NASDAQ	11,854.97	11,516.49	8,526.73	30-Year	1.64
S&P 500	3,557.54	3,443.12	3,108.46		
Bond Buyer	2.19	2.35	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	0.06					1-Year	N/A	+50
6 Mo. Bill	0.08					2-Year	53	62
1-Year Bill	0.09					3-Year	62	70
2-Year Note	0.15	2	1	1		5-Year	70	80
3-Year Note	0.21	7	6	7	6			
5-Year Note	0.37	12	18	19	18			
7-Year Note	0.62	15	28	25	22			
10-Year Note	0.84	24	44	40	34			
20-Year Bond	1.35							
30-Year Bond	1.55							

MBS Current Coupon Yields	
GNMA 30 Yr.	1.29%
FNMA 30 Yr.	1.33%
GNMA 15 Yr.	0.21%
FNMA 15 Yr.	0.88%

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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