



Employment...

This morning's release of November's employment data provided little relief on the inflation front. While the 263k increase in payrolls exceeded street estimates, the 0.6% month-over-month increase in wages exceeded forecast two-fold and marked a 12-month high. Understanding that higher wages generally feed into increased inflation, today's employment report will keep pressure on the Fed to further increase benchmark overnight rates. The resilient labor market has been little impacted by the increase in interest rates as the unemployment rate was unchanged at 3.70%.

Inflation...

October's inflation data showed that the core personal consumption expenditures (PCE) index – which is the Fed's preferred metric of inflation – rose 0.2%, less than the expected 0.3%. From a year earlier, the gauge was up 5%, down slightly from September's 5.2% increase. The overall PCE price index increased 0.3% for a third month and was up 6% from a year ago, still well above policy maker's 2% target. While last month's somewhat larger than expected deceleration in core inflation was viewed favorable by the markets, Fed Chairman Powell emphasized that policy makers will need to see "substantially more evidence" to confirm that inflation is declining. He added that "despite the tighter policy and slower growth over the past year, we have not seen clear progress on slowing inflation."

Monetary Policy ...

It's more about the destination than it is the journey! Speaking at the Brookings Institute earlier this week, Fed Chairman Powell stated that "the time for moderating the pace of rate increases may come as soon as the December meeting." Powell further signaled that "given our progress in tightening policy, the timing of that moderation is far less significant than the questions of how much further we will need to raise rates to control inflation, and the length of time it will be necessary to hold policy at a restrictive level." The Fed's actions -- the most aggressive since the 1980s -- have lifted the target range of their benchmark rate to 3.75% to 4% from nearly zero in March. Understanding that the probability of recession continues to increase with each rate hike, policy makers believe that "slowing down at this point is a good way to balance the risks" to the economy from inflation and slower growth, Powell said.

Economy...

So, what'll it be? A soft landing (unlikely but still possible according to the Fed)? Maybe a brief dead cat bounce (the hope)? Or a long and painful recession (the fear)? Time will tell...

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NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
12/05/2022	\$9,920,000	COFFEY CO KS UT GO BQ AA-	2023-2042
12/06/2022	\$2,680,000	SEDGWICK CO KS SER A UT GO	2023-2042

ECONOMIC CALENDAR

Monday 12/5	Tuesday 12/6	Wednesday 12/7	Thursday 12/8	Friday 12/9
S&P Global US Services PMI	Trade Balance	MBA Mortgage Applications	Initial Jobless Claims	PPI Final Demand MoM/YoY
Factory Orders		Consumer Credit	Continuing Claims	U. of Mich. Sentiment
Durable Goods Orders				Wholesale Inventories

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	7.00	6.25	3.25	3 Mo.	1.74
Discount Rate	4.00	3.25	0.25	6 Mo.	1.89
Fed Funds Rate	3.83	3.08	0.08	1-Year	2.37
IOER	3.90	3.15	0.15	2-Year	2.49
1-Month Libor	4.17	3.77	0.09	3-Year	2.55
11th Dist COFI (ECOFC)	1.59	1.35	0.22	5-Year	2.63
1-Yr. CMT	4.69	4.75	0.25	7-Year	2.71
Dow	24,429.88	32,147.76	34,639.79	10-Year	2.79
NASDAQ	11,461.50	10,524.80	15,381.32	30-Year	3.85
S&P 500	4,071.70	3,759.69	4,577.10		
Bond Buyer	3.65	4.16	2.05		

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	4.48					1-Year	N/A	+40
6 Mo. Bill	4.68					2-Year	45	55
1-Year Bill	4.66					3-Year	75	82
2-Year Note	4.31	19	81	80		5-Year	82	105
3-Year Note	4.03	8	85	82	80			
5-Year Note	3.71	12	99	94	86			
7-Year Note	3.65	48	105	98	88			
10-Year Note	3.55	72	120	111	99			
20-Year Bond	3.82							
30-Year Bond	3.60							

MBS Current Coupon Yields		
GNMA 30 Yr.		4.85%
FNMA 30 Yr.		4.93%
FNMA 15 Yr.		4.55%

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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