

The First Tee...

Shop 'til You Drop...the holiday buying season was early and fast out of the gate, but consumer stamina is showing stress coming down the home stretch *(time for some 5-Minute Energy boost?)*:

- Just a couple of weeks ago, holiday shopping was being characterized as “blockbuster”:
 - Consumers were sitting on larger amounts of expendable income as money had been saved this year from spending less on items and activities...including gasoline, clothing, sporting events, vacations, and eating out:
 - The fallout from the coronavirus has placed additional reliance by retailers on the holiday shopping season:
 - This is a critical period for most retailers, with as much as 30% of their annual income resulting from holiday buying.
 - Forecast were projecting holiday sales to expand 5% to 7%, possibly reaching an all-time high of \$750 billion.
- Your Place or Mine?...the pandemic intensified the evolution in retailing of shoppers buying online instead of driving to physical store locations...in essence, expanding shopping hours to 24/7 *(never closed for business)*:
 - Cyber Monday set a record for online shopping with sales volume topping \$9 billion *(up 21% over last year)*:
 - Sales activity at brick and mortar retail locations are trending at about 60% of typical average holiday volume.
 - Merchandizing gorillas (Amazon and Wal-Mart) have been the big winners this year their strong e-commerce platforms and distribution networks...delivery companies (UPS and Fed Ex) have also benefited from the surge in the number of shipped gifts.
 - Smaller companies are becoming more agile in their marketing, using social media and online shops to drive business:
 - Black Friday activity, for smaller retailers that use Spotify globally, enjoyed a sales increase of 75% to a record \$2.4 billion.
 - Cards versus Collateral...given the challenges and logistical issues involved in sending physical presents, gift card sales have spiked this season (which can turn into extra profits for the retailer as large amounts of gift cards are not redeemed):
 - One issue of sending gift cards is trying to determine if the retailer will remain solvent into the new year.
 - Breaking Buying Boundaries...November & December have traditionally *(and logically)* been the holiday shopping months, with Black Friday being the kick-off date or the buying season *(buying trends have been changing)*:
 - The past couple of years, a rising amount of holiday buying is occurring before Thanksgiving:
 - Marketing, cyber buying and competition have played roles in accelerating and extending holiday shopping period:
 - The pandemic has intensified the factors influencing consumer behavior...adding to issues such as product shortages, shipping time and shopper anxiety & safety
 - Mulling Merchandising Mojo...the accelerated shopping schedule of many consumers has created a lull in buying activity as we approach the big day...retailers still hoping for the proverbial last-minute shoppers:
 - The pandemic has probably not put an end to shopping procrastination *(especially for husbands buying for their wives!)*:
 - The coming weekend could see a rush to the malls and shops as the opportunity for getting something delivered before next Friday is fleeting...*I'm pretty sure a copy of an Amazon order confirmation in my wife's stocking would not go over big!*
 - Sadly, there are many families who are still waiting to see if they receive any additional pandemic relief payments before purchasing any Christmas gifts...some buying habits had to be altered not by choice...*Count your blessings!*

Plenty of room in the Inn...pandemic has made it a bleak year for the hotel industry:

- Over 962 million room nights have gone unsold this year through mid-December:
 - The non-capacity utilization will surpass 1 billion by Christmas...which is 46% higher than in 2019:
 - The 350 million unsold room nights equates to about \$46 billion in lost revenue...based on an average \$131 daily room rate)
- From feast to famine...2019 came close to an all-time high for U.S. hotel occupancy *(No Vacancy)*:
 - There were 5.3 million hotel rooms available in the U.S. last year...the occupancy rate was 66%:
 - Despite the almost record high usage, there were still over 650 million room nights unsold *(An over-built industry?)*
 - The COVID vaccine should start to aid the recovery in the hotel industry...but even with an end to the pandemic, forecasts are currently predicting occupancy levels will not return to last year's number until 2024.
- Even as the volume of travel recovers, there will remain plenty of hotel space available *...allowing for guests to avoid having to resort to staying in the Manger Suite at the Stable Inn.*

At the turn...

The Back Nine...

Secret Santa...the Federal Reserve has gifted mortgage lenders their best year ever:

- The Central Bank pushing interest rates to record lows and making monthly purchases of mortgage-backed securities have resulted in an all-time high for mortgaged based loans:
 - Mortgage lenders are projected to originate \$4.1 trillion in loans this year...eclipsing the old record set in 2003
 - A majority of the loan volume was from homeowners refinancing their mortgages to lower the monthly payment:
 - Over 63% of the mortgage loans created this year were refinancing's... this percentage peaked in 2003 at slightly over 66%:
 - In 2019, mortgage refinancing comprised 45.6% of total mortgage loans created, while in 2018 the percentage hit an 18 year low at 27.8%.
 - Loan growth was also seen in a shift by urban multi-family households to suburban single-family dwellings.
 - Mortgage applications accelerated further during the 3rd quarter as rate levels headed below 3%:
 - Lenders averaged \$1.34 billion in mortgages during the three-month period (up 33% from the 2nd quarter):
 - Third quarter mortgage lending volume was as much as a typical company produces in year.
 - Most mortgage loans are sold and packaged into bonds by Fannie Mae and Freddie Mac:
 - The Federal Reserve has purchase over \$1.3 trillion in mortgage bonds since the pandemic started in March:
 - The Fed buying activity has pushed the price of the bonds higher, enabling the lenders to make a larger profit spread:
 - The profit-per-loan hit a record \$5,535 during the 3rd quarter...up 22% from the 2nd quarter according the Mortgage Bankers Association.
 - The increase in loan volume has placed increased staffing demands on financial firms:
 - Employers are offering signing bonuses to lure loan underwriters and processors from competitors, as well as retention payments to keep staff from leaving...lenders increased employee headcounts by 25% in July and 40% in August (annualized):
 - There are currently over 100k mortgage brokers in the U.S., the first time this level has been exceeded since 2007.
 - Mortgage refinancing's are expected to decline by almost 60% next year... the 4% forecast increased volume for home purchases will fall pitifully short of covering the downturn in total loan volume:
 - Refinanced mortgage loans will hit \$2.6 trillion this year...there still remains a large contingency of borrowers in the pipeline:
 - There are almost 20 million homeowners who could reduce their monthly mortgage payment by an average of \$300 if they would refinance at current market rates...seems like a \$3600 annual savings would be a pretty strong incentive to call your banker!
 - Rate matters...the 30-year fixed mortgage interest rate has been contracting through 2020:
 - Average rate is currently at a record low of 2.71%, down from 3.68% a year ago (according to Freddie Mac):
 - The average rate for a 15-year fixed mortgage is 2.26% (versus 3.14% a year ago), while the average rate on a 5-year adjustable rate mortgage is 2.86%.
 - The refi rush is winding down, but if interest rates would trend towards negative in the coming months, the cycle will start all-over again (much to the delight of homeowners, but a dismay of bond holders).

19th Hole...

I had planned to procrastinate today, but I decided to wait until tomorrow.

Anonymous

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