



Weekly Review—January 10, 2025

Although policy makers continue to believe that risks to achieving the Fed's employment and inflation goals "are roughly in balance," it is clear from their December benchmark rate forecast that they are becoming increasingly worried about the lack of inflation progress. According to their December dot plot, the median rate forecast by year end 2025 increased to 3.875% - up from the previous quarter's 3.375%. That suggests 50bps of easing compared with 100bps back in September as policy makers have essentially pushed out the timeframe for getting back to their 2% inflation target. In September, the median core PCE (YoY) estimate by year end 2025 was 2.1% - basically at target. Now inflation is expected to be 2.5% by year end and their 2.1% target expectation has shifted to year end 2026. From the inflation perspective, the Fed is expected to slow walk any additional rate cuts.

As for the Fed's full employment mandate, December's robust jobs report left little to the imagination as non-farm payrolls increased 256k - significantly higher than the median street estimate of 165k - marking its highest level in nine months. At 4.1%, the unemployment rate unexpectedly fell while average hourly earnings rose 0.3% - as expected. Furthermore, annual revisions showed that the labor market was more resilient over the summer than previously thought. *Bottom line: The strength in this round of jobs data is expected to give policy makers even more reason to move cautiously in terms of future policy response.* Fed fund traders have now reduced their 50bps rate cut expectation from two 25bps cuts - one in June and one in September - to one 25bp cut in September.

Next week's inflation data (CPI & PPI) will offer more clues on the direction of prices - just in time for the Fed's next policy meeting which is scheduled for later this month. As an inflation spoiler - in the last five years, CPI has increased 56 out of 60 months. Meaning, consumer prices seldom decline.

Dennis Zimmerman Jr.
Senior Vice President
Senior Manager - Asset/Liability Services
Commerce Bank - Capital Markets Group (CMG)



NEW ISSUE MUNICIPAL CALENDAR			
Date	Amount (\$)	Description	Maturity
		No new deals.	

Economic Release	Data Period	Date	Survey	Actual	Prior
Factory Orders	Nov	01/06/2025	-0.3%	-0.4%	0.5% (rev up)
Durable Goods Orders	Nov (F)	01/06/2025	-0.5%	-1.2%	-1.1%
Trade Balance	Nov	01/07/2025	-\$78.3b	-\$78.2b	-\$73.6b (rev up)
ISM Services Index	Dec	01/07/2025	53.5	54.1	52.1
MBA Mortgage Applications	Jan 3	01/08/2025	NA	-3.7%	NA
ADP Employment Change	Dec	01/08/2025	140k	122k	146k
Initial Jobless Claims	Jan 4	01/08/2025	215k	201k	211k
Wholesale Inventories MoM	Nov (F)	01/08/2025	-0.2%	-0.2%	-0.2%
Change in Nonfarm Payrolls	Dec	01/10/2025	165k	256k	212k (rev down)
Unemployment Rate	Dec	01/10/2025	4.2%	4.1%	4.2%

KEY INDICES				MUNI AA-BQ		CMO Spreads to Treasuries		
	Current	Last Month	One Year Ago				PAC	Vanilla
Prime Rate	7.50	7.75	8.50	3 Mo.	2.25	1-Year	N/A	+45
Discount Rate	4.50	4.75	5.50	6 Mo.	2.34	2-Year	55	65
Fed Funds Rate	4.33	4.58	5.33	1-Year	2.76	3-Year	75	90
Interest on Reserve Bal.	4.40	4.65	5.40	2-Year	2.80	5-Year	100	110
SOFR	4.30	4.63	5.31	3-Year	2.85	MBS Current Coupon Yields		
11th Dist COFI (ECOFC)	3.04	3.11	3.12	5-Year	2.93	GNMA 30 Yr.	5.91%	
1-Yr. CMT	4.25	4.20	4.82	7-Year	3.00	FNMA 30 Yr.	6.01%	
Dow	41,938.45	44,247.83	37,695.73	10-Year	3.21	FNMA 15 Yr.	5.27%	
NASDAQ	19,161.63	19,687.24	14,969.65	30-Year	4.21			
S&P 500	5,827.04	6,034.91	4,783.45					
Bond Buyer	4.16	3.98	3.31					

Treasuries & New Issue Agencies (Spread to Treasuries)										
	3 Mo.	6 Mo.	1-Yr.	2-Yr.	3-Yr.	5-Yr.	7-Yr	10-Yr	20-Yr	30-Yr
Treasuries	4.31	4.29	4.20	4.36	4.43	4.54	4.65	4.74	5.01	4.94
Bullets				-2	-7	-6	6	16		
NC-6 Mo.				16	25	52	67	75		
NC-1 Year				17	40	41	52	69		
NC-2 Year					-2	20	35	50		

Investment suitability must be determined individually for each investor, and the securities included in this document may not be suitable for all investors. The information presented is not intended to constitute an investment recommendation or solicitation (offering) for, or advice to, any specific entity or person. By providing this information, neither Commerce Bank or any of its affiliates is undertaking to give advice in any fiduciary capacity within the meaning of ERISA, the Internal Revenue Code or any other regulatory framework. Before making any investment, investors should read the related prospectus, term sheet or offering memorandum.

LJ Hart & Company is a wholly-owned subsidiary of Commerce Bank, and may serve as either a municipal advisor or underwriter of a particular issuance of municipal securities. Underwritten municipal securities offerings may be distributed by its affiliates, Commerce Brokerage Services Inc. and the Commerce Bank Capital Markets Group (Affiliates). In such case, LJ Hart & Company will remit a portion of the underwriting fee or a dealer concession to Affiliates as compensation for the Affiliates' distribution services.

Securities are provided through Commerce Brokerage Services, Inc (CBSI), a subsidiary of Commerce Bank, member FINRA, SIPC, and Commerce Bank Capital Markets Group (CMG), a division of Commerce Bank (the "entities"). **Investments in securities are NOT FDIC insured; NOT Bank-Guaranteed; MAY lose value.** The opinions expressed herein reflect that of the author and are not a complete analysis of every material fact respecting any company, industry, or security. The author's opinions do not necessarily reflect that of Commerce Bank or its affiliates. CDs are direct financial obligations of the issuing financial institution and are not, either directly or indirectly, an obligation of Commerce Bank. Information contained herein is from sources deemed reliable but cannot be guaranteed. Prices and/or yields are subject to change and investments are subject to availability. The entities are not acting as your Portfolio Manager, Investment Advisor or 'municipal advisor' within the meaning of Section 15b of the Securities Exchange Act and therefore do not act in a fiduciary capacity. The entities do not provide tax advice (please refer to your tax professional).



Commerce Bank

commercebank.com