## **Capital Markets Group**



## Weekly Review-March 5, 2021

Effective communication is so difficult. First, we choose the correct language, tone, emotion, etc. Next, we share it in hopes that the audience hears and understands exactly what we are trying to say. Then, the audience takes in the communication, language, tone, and emotion and processes the information. Finally, we hope there is feedback or questions asked to complete the loop, or cycle. However, it may require repeating the communication to be effective. This week saw some communication failures, particularly between the markets (investors) and Fed Chair Powell. But perhaps the failures were just disjointed expectations – did investors already make up their minds before Powell spoke?

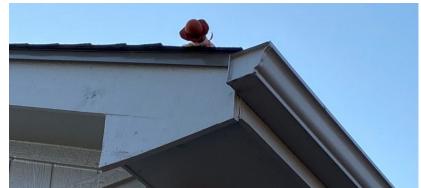
This week, investors were hoping that Powell would provide specific guidance pertaining to the recent uptick in long-term interest rates. He did not meet their expectations. While he acknowledged the recent increase in long-term interest rates, he reiterated the Fed's position to monitor and wait and see if interest rates will continue to rise – causing inflation concerns. Let us remember that the Fed has tied both inflation goals and full employment. Many investors are concerned that inflation might reach the 2% goal for a sustained period prior to full employment. Thus, we saw more volatility in the bond and equity markets this week. But let us also remember that the Fed has been consistent and relatively clear in their messaging. However, we should also expect to see more testing of the Fed's strategies by investors as they attempt to push interest rates farther based on increasingly positive economic data.

This mornings' Nonfarm payrolls number of 379k and revised January figure of 166k provided investors with a little more support for an improving economy – a theme that has continued to play out for several months – albeit in most sectors, not all. Even with the improvement in the employment numbers, we remain below pre-pandemic levels (around four million more unemployed than a year ago). The battle between the investors and the Fed will continue and we should expect more volatility as expectations will likely not be met. The Fed's actions are meant to be deliberate and based on data – both of which mean actions will likely be taken much later than the market anticipates.

Finally, this week's Hero of the Week Award goes to my wife, Kirsten. Not only did she anticipate a possible negative outcome, but she saved the day by fixing the issue. My son Liam loves to toss his plush toys in the air and catch them as they return to him. With yesterday's 70ish temperatures he took his talents to the deck. Kirsten warned him of the possibility that Woody could land on the roof, and requested he not throw the plush so high. I think we know how this turned out (see photo). Effective communication is hard. To her credit, she saved the day by climbing up a ladder and using a long broom to retrieve Liam's stranded toy. She is our hero. She made a tense situation calm. As I write this, it appears investors may be feeling calmer too.

Have a nice weekend!

Matthew Maggi
Senior Vice President
Commerce Bank – Capital Markets Group (CMG)
800 548-2663
matthew.maggi@commercebank.com



NEW ISSUE MUNICIPAL CALENDAR				
Date	Amount (\$)	Description	Maturity	
03/08/2021	\$4,625,000	MARYLAND HEIGHTS MO FIRE-REF	2022-2041	
03/08/2021	\$3,645,000	BENTON CO MO R-IX SCH DIST	2022-2026	
03/10/2021	\$10,200,000	LINCOLN CO MO FIRE PROT #1	2023-2041	



ECONOMIC CALENDAR				
Monday 3/8	Tuesday 3/9	Wednesday 3/10	Thursday 3/11	Friday 3/12
Wholesale Inventories MoM	NFIB Small Business Optimism	CPI MoM/YoY	Initial Jobless Claims	PPI Final Demand Mom/YoY
Wholesale Trade Sales MoM		Monthly Budget Statement	Continuing Claims	U of Mich. Sentiment
		MBA Mortgage Applications	Langer Consumer Comfort	

KEY INDICES			
	Current	Last Month	One Year Ago
Prime Rate	3.25	3.25	4.25
Discount Rate	0.25	0.25	1.75
Fed Funds Rate	0.07	0.08	1.09
IOER	0.10	0.10	1.10
1-Month Libor	0.10	0.11	1.38
11th Dist COFI	0.46	0.46	0.98
1-Yr. CMT	0.08	0.07	0.59
Dow	31,496.30	31,148.24	26,121.28
NASDAQ	12,920.15	13,856.30	8,738.60
S&P 500	3,841.94	3,886.83	3,023.94
Bond Buyer	2.44	2.14	2.27

MUNI AA-BQ		
3 Mo.	0.07	
6 Mo.	0.09	
1-Year	0.12	
2-Year	0.17	
3-Year	0.32	
5-Year	0.57	
7-Year	0.89	
10-Year	1.27	
30-Year	1.96	

	Treasuries & New Issue Agencies (Spread to Treasuries)				
	Treasuries	Bullets	NC-6 Mo.	NC-1 Year	NC-2 Year
3 Mo. Bill	0.03				
6 Mo. Bill	0.05				
1-Year Bill	0.07				
2-Year Note	0.14	1	-7	-8	
3-Year Note	0.31	1	-4	-6	-7
5-Year Note	0.80	2	11	6	-2
7-Year Note	1.24	3	20	13	3
10-Year Note	1.56	5	32	23	11
20-Year Bond	2.17				
30-Year Bond	2.28				

	PAC	Vanilla		
1-Year	N/A	+45		
2-Year	48	55		
3-Year	53	65		
5-Year	65	75		
MBS Cur	rent Coup	on Yields		
GNMA 30 Yr.	1.93%			
FNMA 30 Yr.	1.88%			
GNMA 15 Yr.		0.87%		

1.26%

FNMA 15 Yr.

**CMO Spreads to Treasuries** 



## About the Author, Matthew Maggi

Prior to joining CMG in 2016, Matthew was the Corporate Treasurer at a \$1.2 billion publicly-traded community bank headquartered in Missouri. During his tenure, he developed and implemented balance sheet strategies to maximize margin while managing acceptable levels of interest rate risk, liquidity, and capital. Matthew not only managed the investment portfolio, but also conducted extensive loan portfolio performance analyses.

Previously, he was a Treasury Analyst for one of the largest privately held banks in the U.S. He monitored cash flow and liquidity and developed funding strategies. Matthew leverages his extensive balance sheet management experience to provide tactical and strategic solutions to maximize performance while mitigating risks for the community banks.

\*\*\*If you no longer wish to receive this weekly review, please send an email to <a href="mailto:CapitalMarketsGroup@commercebank.com">CapitalMarketsGroup@commercebank.com</a> \*\*\*

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