



Weekly Review—March 21, 2025

Oh my mama told me there'll be days like this (Van Morrison) – The uncertainty in domestic and foreign policy matters continues to spook the equity and bond markets. As of this morning, bond yields are flat to slightly lower as investors attempt to find some asset that will protect capital. After the FOMC meeting this week and their outlook for GDP slowing from previous estimates, fears of stagflation are stoking the fear flames. This is a good time to remember the purpose and time horizon of your fixed income portfolio.

Here I go again on my own (Whitesnake) – Sometimes, walking into the board room with your reports showing how your bond portfolio is performing can make you feel lonely. Ever since the FOMC raised short-term interest rates from near zero to over five percent, questions from board directors about “should we sell and take our lumps?” Or “what were we thinking?” These are common questions – and valid ones to consider. Questions about why we bought those bonds when interest rates were so low assume we knew that the FOMC would raise interest rates so quickly. To answer questions about the why, simply pull out your prepurchase analysis that showed you could have earned 0.25% on your cash, which you likely had an excess of due to stimulus from the pandemic response and you were able to get close to 2% yield on the bonds at the time. That is a spread of around 175bps – not too shabby...at the time. Then, what followed was years (that's right, I said years) of yield curve inversion. This not only disincentivized investors from buying bonds with much duration but also caused further valuation pressures on low coupon bonds as they approached maturity (remember your finance class and discounted cash flows). But fear not, my friends you do not need to dance on the hood of a sportscar to grab the attention of the board. You have been investing long enough to know the patterns. If we are indeed headed for a slow-down, locking in some current coupons may help you if rates continue to slide to the 3% level. Reach out to your Investment Representative for some suitable fixed income investments – you are not on your own.

I'm not aware of too many things. I know what I know if you know what I mean (Edie Brickell & New Bohemians) – Look. The fixed income world should be a lot simpler than it is. We should put our money out there, receive a decent return which corresponds with the level of risk we take and not lose our principal. There are various strategies – barbell, simple maturity ladder, tax-driven tactics, high cash flow portfolios, etc. You have to decide which is best for you and your institution, then ride it like the sedan it really is. Bonds are not like a Ferrari – more like the family sedan that has 300,000 miles on it that gets you where you need to go. Stick with it my friends. We will get through this uncertainty. We know what we know if you know what I mean.

Have a great 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
03/25/2025	\$13,895,000	Clayton MO Special Obligation	2026-2044
03/26/2025	\$95,125,000	Kansas City MO School District COPs	2026-2045



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Economic Release	Data Period	Date	Survey	Actual	Prior
Empire Manufacturing	Mar	03/17/2025	-1.9	-20.0	5.7
Retail Sales Advance MoM	Feb	03/17/2025	0.6%	0.2%	-0.6% (rev down)
Housing Starts	Feb	03/18/2025	1,385k	1,501k	1,350k (rev down)
Industrial Production MoM	Feb	03/18/2025	0.2%	0.7%	0.3% (rev down)
MBA Mortgage Applications	Mar 14	03/19/2025	NA	-6.2%	11.2%
FOMC Rate Decision (Upper)	Mar 19	03/19/2025	4.50%	4.50%	4.50%
Initial Jobless Claims	Mar 15	03/20/2025	224k	223k	220k
Leading Index	Feb	03/20/2025	-0.2%	-0.3%	-0.2% (rev up)
Existing Home Sales	Feb	03/20/2025	3.95m	4.26m	4.09m (rev up)
Existing Home Sales MoM	Feb	03/20/2025	-3.2%	4.2%	-4.7% (rev up)

KEY INDICES				MUNI AA—BQ		CMO Spreads to Treasuries		
	Current	Last Month	One Year Ago				PAC	Vanilla
Prime Rate	7.50	7.50	8.50	3 Mo.	2.14	1-Year	N/A	+45
Discount Rate	4.50	4.50	5.50	6 Mo.	2.21	2-Year	55	65
Fed Funds Rate	4.33	4.33	5.33	1-Year	2.65	3-Year	75	85
Interest on Reserve Bal.	4.40	4.40	5.40	2-Year	2.66	5-Year	97	107
SOFR	4.29	4.33	5.31	3-Year	2.71	MBS Current Coupon Yields		
11th Dist COFI (ECOFC)	2.94	2.99	3.15	5-Year	2.84	GNMA 30 Yr.	5.42%	
1-Yr. CMT	4.04	4.20	5.01	7-Year	2.97	FNMA 30 Yr.	5.50%	
Dow	41,985.35	43,428.02	39,781.37	10-Year	3.24	FNMA 15 Yr.	4.74%	
NASDAQ	17,784.05	19,524.01	16,401.84	30-Year	4.38			
S&P 500	5,667.56	6,013.13	5,241.53					
Bond Buyer	4.30	4.25	3.55					

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	4.28	4.21	4.02	3.92	3.90	3.98	4.09	4.22	4.58	4.56
Bullets				3	3	3	15	21		
NC-6 Mo.				48	57	80	95	100		
NC-1 Year				26	42	60	68	79		
NC-2 Year					12	35	45	65		

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