

Economic surprises persisted this week. Consumer Credit change in March came in around \$8.7 billion dollars less than expected (\$6.3b vs. \$15b), possibly signaling a slowdown in consumer spending capacity or desire. The Initial Jobless claims as of May 4th came in 19k higher at 231,000. Finally, this morning's release of the University of Michigan Sentiment and Inflation Expectations continued this week's trend. The Sentiment figure of 67.4 was 8.8 points lower than the expected 76.2 while inflation expectations over both the next year and the next five to ten years were higher than expectations: 1-year = 3.5% vs 3.2% and 5-10 years = 3.1% vs 3.0%. Each of these economic metrics point to a slightly more negative economic outlook. Next week, we will receive the releases of CPI and PPI for the month of April and current expectations are for slightly higher levels for PPI and flat to lower for CPI. No matter what, the data so far supports the inaction of the Federal Reserve as they wait for inflation to consistently cool before making any cuts to their overnight interest rates.

Call Report data is available now and some of the Peer Data can be pulled from the Federal Financial Institutions Examination Council's web-site, or FFIEC.gov. This allows us to evaluate certain measures of FDIC insured institutions each quarter and compare to historical performance metrics. I pulled the "National – All banks in nation" peer group to produce the data found in the table below (you may select averages by each state or for some asset sizes). I also calculated the percentage point change from the fourth quarter of 2023 and from a year ago. While banks remain healthy and are financially sound, there are signs of continued pressure on margin – mostly driven by higher funding costs, and slight upticks in some asset quality ratios. Investment portfolios show a lower percentage make-up of average assets as loan growth continues. Funding for institutions has moved to a higher reliance on non-core funding with increased use of borrowings and brokered deposits. Net Noncore Funding Dependency ratios, while down from the end of 2023, increased over 3 percentage points from a year ago. The competition for bank deposits will remain hot and we should expect noncore funding ratios to remain positive for the rest of 2024.

While the data from both economic releases and bank performance and health show some signs of deterioration, we are far from a crisis. We will see if next week's inflation data continues the story, or will we see a surprise to the opposite direction? At time of writing, interest rates are rising as treasuries sell off due to this morning's releases. The 10-year bond is approaching 4.50%.

Have a nice weekend!

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

Peer Group Average Report Data as of 03/31/2024 National Averages			
Selected Summary Ratios	% points		
	1Q 2024	Δ from 4Q 2023	Δ from 1Q 2023
Pre-Tax ROA	1.13%	-0.09%	-0.17%
Return on Equity	9.81%	-1.46%	-2.47%
Net Interest Margin (TE)	3.35%	-0.10%	-0.15%
Total Nonperforming Lns/Avg Assets	0.47%	0.05%	0.08%
Net Noncore Dependency Ratio \$250M	4.09%	-0.68%	3.17%
Net Loans to Deposits	76.35%	-0.28%	3.71%
Leverage Ratio	11.28%	0.00%	0.23%
Total Capital Ratio	17.18%	0.12%	0.01%
Total Asset Growth Rate	3.81%	-0.23%	0.93%
Net Loans & Leases to Avg Assets	63.66%	1.20%	2.39%
Total Investment Securities to Avg Assets	18.50%	-1.07%	-1.96%
Cost of Interest-Bearing Funds	2.55%	0.63%	1.22%
Brokered Deposits to Deposits	2.57%	0.09%	0.71%
Number of Banks	4,623	4,641	4,723
Source: FFIEC.gov, compiled by author			

NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
05/13/2024	1,390,000	City of Haysville, KS GO BQ	2025 - 2044
05/14/2024	26,860,000	Park City, KS GO Temp Notes	2027

Economic Release	Data Period	Date	Survey	Actual	Prior
Consumer Credit	Mar	05/06/2024	\$15.000b	\$6.274b	\$15.019b (rev up)
MBA Mortgage Applications	May 3	05/07/2024	NA	2.6%	-2.3%
Wholesale Inventories MoM	Mar (F)	05/08/2024	-0.4%	-0.4%	-0.4%
Wholesale Trade Sales MoM	Mar	05/08/2024	0.8%	-1.3%	2.0% (rev down)
Initial Jobless Claims	May 4	05/09/2024	212k	231k	209k (rev up)
Continuing Claims	Apr 27	05/09/2024	1,782k	1,785k	1,768k (rev down)
U. of Mich. Sentiment	May (P)	05/10/2024	76.2	67.4	77.2
U. of Mich. Current Conditions	May (P)	05/10/2024	79.0	68.8	79.0
U. of Mich. 1 Yr Inflation	May (P)	05/10/2024	3.2%	3.5%	3.2%
U. of Mich. 5-10 Yr Inflation	May (P)	05/10/2024	3.0%	3.1%	3.0%

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	8.50	8.50	8.25	3 Mo.	3.38
Discount Rate	5.50	5.50	5.25	6 Mo.	3.54
Fed Funds Rate	5.33	5.33	5.08	1-Year	3.24
Interest on Reserve Bal.	5.40	5.40	5.15	2-Year	3.08
SOFR	5.31	5.31	5.06	3-Year	2.92
11th Dist COFI (ECOFC)	3.16	3.16	2.51	5-Year	2.74
1-Yr. CMT	5.17	5.03	4.81	7-Year	2.72
Dow	39,512.84	38,461.51	33,531.33	10-Year	2.76
NASDAQ	16,340.87	16,170.36	12,306.44	30-Year	3.95
S&P 500	5,222.68	5,160.64	4,137.64		
Bond Buyer	3.93	3.68	3.53		

Treasuries & New Issue Agencies (Spread to Treasuries)						CMO Spreads to Treasuries		
	Treasuries	Bullets	NC-6 Mo.	NC-1 Year	NC- 2 Year		PAC	Vanilla
3 Mo. Bill	5.39					1-Year	N/A	+50
6 Mo. Bill	5.36					2-Year	60	70
1-Year Bill	5.15					3-Year	90	105
2-Year Note	4.85	3	77	76		5-Year	105	115
3-Year Note	4.66	4	81	80	79			
5-Year Note	4.51	5	99	96	91			
7-Year Note	4.50	18	104	98	88			
10-Year Note	4.49	28	125	115	105			
20-Year Bond	4.74							
30-Year Bond	4.64							

MBS Current Coupon Yields	
GNMA 30 Yr.	5.72%
FNMA 30 Yr.	5.88%
FNMA 15 Yr.	5.33%

If you no longer wish to receive this weekly review, please send an email to CapitalMarketsGroup@commercebank.com

The Weekly Review is a publication of the Capital Markets Group of Commerce Bank.

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. 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. CDs are direct financial obligations of the issuing financial institution and are not, either directly or indirectly, an obligation of Commerce Bank. The information provided is not an official trade confirmation or account statement. The Capital Markets Group (CMG) of Commerce Bank is not acting as your 'municipal advisor' within the meaning of Section 15B of the Securities Exchange Act, and does not act in a fiduciary capacity. CMG does not provide tax advice; please refer to your tax professional. Investments in securities are NOT FDIC Insured; NOT Bank-Guaranteed and May Lose Value.



commercebank.com