



Weekly Review—May 30, 2025

Have you ever had a week where you feel like so much has happened, yet at the same time, nothing at all? I am exhausted on this Friday morning. I feel the effects of a long week for me personally while at work it was a typical end of the month slowdown. Holiday-shortened weeks can do that to a person. We enjoy having an extra day off, but we are sometimes rushed and stressed to get things done in four days instead of the normal five-day work week. With more excitement on the Tariff front (court battles and possible delays) and earnings from some large tech-sector companies this week we saw a lot happening on the news front; however, when it comes to interest rates, not much has changed. The Federal Reserve will likely wait to make their first cut until 4th quarter this year based on little movement in inflation and relatively stable employment data. We are in the doldrums of that in-between season – leaving Spring, hoping for Summer!

Here in the Midwest, we have experienced one of the coolest leads up to Summer in recent memory. I mean if the pools cannot open on Memorial Day weekend, the end of civilization as we know it is nigh! I digress. Markets have cooled as well, but still provide some room for opportunity. Fairly often, when speaking with financial institution customers, the idea of liquidating lower coupon bonds and re-investing into higher coupon bonds has been gaining ground. But there is one thing that must be remembered: Accounting. Many of those bonds purchased after the Pandemic recession were at a premium. Premiums are usually amortized until the first call date, an average life date (mortgage product) or maturity. That amortized dollar amount each month eats away at the coupon income. This is why over the past couple years, buying higher coupons at a discount where the discount is accreted (or added) to the interest earned to provide a slightly higher yield has been in vogue. Additionally, before you swap out of something consider the tax implications (if applicable) of the length of time the bond being sold has been held. If you just bought it a few months ago, this may have different tax consequences than a bond held for a few years. *Okay, thanks Matt for nerding out here but what are you trying to say?* Coupon matters. In some cases, the time it will take to earn back the realized loss from the sale of the bond, might be short-enough to stomach. Or the loss might help offset some larger gain from other operations incurred this year. If you do want to liquidate some of those lower coupon bonds purchased before the FOMC raised short-term interest rates and re-invest into higher, current coupon bonds, please reach out to your Investment Representative for help choosing the suitable securities for this type of transaction and loop in your accounting team and tax advisor to make sure it makes sense.

Next week, we enter June. Let us hope that June is a different type of exciting than we have experienced in April and May. Summer fun! Here we come.

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
		There are no new issues scheduled next week.	

Economic Release	Data Period	Date	Survey	Actual	Prior
Durable Goods Orders	Apr (P)	05/27/2025	-7.8%	-6.3%	7.6% (rev down)
Conf. Board Consumer Confid.	May	05/27/2025	87.1	98.0	85.7 (rev down)
MBA Mortgage Applications	May 23	05/28/2025	NA	-1.2%	-5.1%
GDP Annualized QoQ	1Q (S)	05/29/2025	-0.3%	-0.2%	-0.3%
Initial Jobless Claims	May 24	05/29/2025	230k	240k	226k (rev down)
Personal Income	Apr	05/30/2025	0.3%	0.8%	0.5%
Personal Spending	Apr	05/30/2025	0.2%	0.2%	0.7%
Core PCE Price Index YoY	Apr	05/30/2025	2.5%	2.5%	2.7% (rev up)
Wholesale Inventories MoM	Apr (P)	05/30/2025	0.4%	0.0%	0.3% (rev down)
U. of Mich. Sentiment	May (F)	05/30/2025	51.5	52.2	50.8

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.	2.31	1-Year	N/A	+50
Discount Rate	4.50	4.50	5.50	6 Mo.	2.40	2-Year	65	70
Fed Funds Rate	4.33	4.33	5.33	1-Year	2.82	3-Year	85	95
Interest on Reserve Bal.	4.40	4.40	5.40	2-Year	2.80	5-Year	115	125
SOFR	4.33	4.36	5.33	3-Year	2.81	MBS Current Coupon Yields		
11th Dist COFI (ECOFC)	2.93	2.94	3.16	5-Year	2.88	GNMA 30 Yr.	5.65%	
1-Yr. CMT	4.11	3.89	5.22	7-Year	3.06	FNMA 30 Yr.	5.68%	
Dow	42,270.07	40,669.36	38,111.48	10-Year	3.44	FNMA 15 Yr.	4.88%	
NASDAQ	19,113.77	17,446.34	16,737.08	30-Year	4.74			
S&P 500	5,911.69	5,569.06	5,235.48					
Bond Buyer	5.25	5.24	4.13					

Treasuries & New Issue Agencies <i>(Spread to Treasuries)</i>										
	3 Mo.	6 Mo.	1-Yr.	2-Yr.	3-Yr.	5-Yr.	7-Yr	10-Yr	20-Yr	30-Yr
Treasuries	4.33	4.30	4.125	3.93	3.89	3.99	4.19	4.42	4.93	4.92
Bullets				1	2	4	13	22		
NC-6 Mo.				45	67	82	86	90		
NC-1 Year				23	45	63	68	73		
NC-2 Year					5	30	35	45		

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).