Capital Markets Group

Weekly Review—July 11, 2025

Summer has arrived! Temperatures outside have hit triple digits, humidity levels are uncomfortably high, and rain has become isolated (at least in my part of the world). During these months, bond market activity generally slows as market participants toggle in/out of the office - some making on-site visits with existing clients in efforts to solidify current business, some making prospect calls in hopes of creating a new, mutually beneficial relationship. Others are simply taking a much-needed vacation. As for those in the office, they wait patiently for the next piece of tradeable data. Something that will cause the market to react – giving investors reason to act!

It being Friday, those of us manning the desk continue to buy time waiting for the next shoe to drop. With this being the period between last week's all-important job report and next week's inflation watch, this week's economic data was lackluster. As such, market focus was largely on the minutes from last month's Fed policy meeting as well as current trade policy.

Meeting minutes from June's policy meeting which were released on Wednesday showed an emerging divide among Fed officials over the outlook for monetary policy. The divide appears to be driven by differing expectations of how tariffs will impact inflation. Some policymakers believe that the impact of tariffs on inflation will be short-term &/or muted – allowing the Fed to cut benchmark rates sooner. Others had "considerable uncertainty" about the timing, size and duration of the tariff impact on inflation. They remain in the "higher for longer" rate camp.

While the timing of the next rate cut remains elusive, consensus shows that current policy remains too restrictive. The Fed will eventually lower overnight rates based on current economic conditions and the outlook. From the fixed income perspective, it's time to act. If you haven't already, consider purchasing bonds locking in the 4% to 5%+ yields (depending on investment sector & structure) while they are still available. At a minimum, re-invest bond portfolio run-off. Considering much of the run-off yield has a 2% to 3% handle, positively impacts earning on day one! For those not sure how much duration/convexity risk to take, seek guidance from your asset/liability team. Balancing earnings and risk comes second-nature to a skilled ALM team.

As a heads-up, the next Weekly Commentary will be published on Friday, July 25.

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
07/14/2025	$10,960,000	Abilene, KS GO Temp Notes	2029
07/14/2025	$305,000	Harper, KS GO Temp Notes	2027

Economic Release	Data Period	Date	Survey	Actual	Prior
NFIB Small Business Optimism	Jun	07/08/2025	98.6	98.6	98.8
NY Fed 1-Yr Inflation Expectations	Jun	07/08/2025	3.13%	3.02%	3.20%
Consumer Credit	May	07/08/2025	$10.500b	$5.102b	$16.871b (rev down)
MBA Mortgage Applications	Jul 4	07/09/2025	NA	9.4%	2.7%
Wholesale Inventories MoM	May (F)	07/09/2025	-0.3%	-0.3%	-0.3%
Wholesale Trade Sales MoM	May	07/09/2025	0.2%	-0.3%	0.0% (rev down)
Initial Jobless Claims	Jul 5	07/10/2025	235k	227k	232k (rev down)
Initial Claims 4-Wk Moving Avg	Jul 5	07/10/2025	NA	235.50k	241.25k (rev down)
Continuing Claims	Jun 28	07/10/2025	1,965k	1,965k	1,955k (rev down)

KEY INDICES

	Current	Last Month	One Year Ago
Prime Rate	7.50	7.50	8.50
Discount Rate	4.50	4.50	5.50
Fed Funds Rate	4.33	4.33	5.33
Interest on Reserve Bal.	4.40	4.40	5.40
SOFR	4.32	4.29	5.34
11th Dist COFI (ECOFC)	2.93	2.93	3.22
1-Yr. CMT	4.09	4.12	5.01
Dow	44,371.51	42,865.77	39,753.75
NASDAQ	20,585.53	19,615.88	18,283.41
S&P 500	6,259.75	6,022.24	5,584.54
Bond Buyer	5.21	5.27	3.94

MUNI AA—BQ

3 Mo.	1.98
6 Mo.	2.07
1-Year	2.49
2-Year	2.49
3-Year	2.51
5-Year	2.59
7-Year	2.90
10-Year	3.33
30-Year	4.77

CMO Spreads to Treasuries

	PAC	Vanilla
1-Year	N/A	+50
2-Year	65	70
3-Year	85	95
5-Year	105	115

MBS Current Coupon Yields

GNMA 30 Yr.	5.55%
FNMA 30 Yr.	5.65%
FNMA 15 Yr.	4.79%

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	4.34	4.26	4.07	3.88	3.85	3.96	4.15	4.38	4.90	4.90
Bullets				3	2	2	13	20		
NC-6 Mo.				45	61	75	75	83		
NC-1 Year				20	38	55	59	62		
NC-2 Year					1	25	30	40		