

Community Bank Views – Practice Makes Us Better

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Recently, I was reminded of the importance of practicing. I rehearsed almost every day for two months in preparation for a gig in front of people I knew; however, they had no idea if I could play the guitar, let alone sing. I played at an outdoor event and did very well – in fact, I performed better than I ever expected. Upon reflection, I realized the key was all the practice I put in; playing the music like I was going to perform it. I got to the point where I no longer needed to think about which chords or what lyrics came next, I knew the songs and could concentrate on how I wanted them to sound, how I wanted the crowd to hear them. We may need to remind ourselves how critical practice can be in our investment roles.

We often reserve practicing for our outside activities such as sports or hobbies. We don't consider practicing our investing, we are expected to already know what to do. Even if we are confident in our abilities to make sound investment decisions, we can prepare by looking at various scenarios – situations where things may or may not go according to plan and most importantly, have a plan for how to react. I speak with several banking and financial professionals daily and the number one impression I get is they are very busy and likely do not think they have the time to practice or rehearse prior to making decisions – especially for ones they make every day. Let me be clear, practicing does not mean we are not good at what we do, practice makes us better, more efficient at what we do.

How should we practice? The answer lies in simulation modeling. Either you have an internal model, or you utilize our Capital Markets Group to provide scenario analysis. You already perform pre-purchase analysis prior to buying a security; however, this is a little more robust. Using a model to simulate outcomes based on changes in interest rates, changes in what assets you invest in, or changes in liquidity positions all can help you be prepared when and if any of these events occur. In banking, our regulators ask us to do this through interest rate stress tests, liquidity stress tests, or capital stress tests. These are versions of practice! Yes, they take up time but the more we practice, the more comfortable we will become if faced with a situation where we must make changes to our investment or liquidity positions. Practicing provides a safe, no harm environment where it is okay to fail; but we can learn from any failure we experience and be confident when we invest for real.

If you are like most professionals, you feel there is no time to do this, or you feel as though your years of experience were the practice and now you just execute. I understand this sentiment; however, none of us will be right all the time and if you need help ask your trusted broker dealers. Practicing does not make us weak or demonstrate our ineptitude; au contraire! Our goal as financial professionals is to perform to the best of our abilities to produce a return on the assets and capital which have been entrusted to us. Practice makes us better and gives us the confidence to execute when called upon to do so.

Let us know how we can help you practice and help make you better!

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