



Weekly Review—January 21, 2022

Positive to positive, negative to ground. This simple reminder of how to jumpstart a car with a dead battery popped into my mind this morning. I was always nervous when someone asked me if I would help them with their battery. I never really paid attention in Science class when we worked on circuits; consequently, I was nervous every time I jumped a car. I was afraid of the possibility of a surge, or if two clamps touched each other, or that I could be electrocuted. But the idea of a closed circuit – all the parts working together does appeal to me.

Positive to positive. On its face, this sounds like a good idea. We like to be around positive people! They are fun. They smile a lot. They make us feel good. In investing, we look for positive returns – increasing the amount of money we have, or we are responsible for. I think of compounding interest as the positive-to-positive part of the portfolio equation. Investors are charged with the role of increasing positive returns and limiting negative ones. In reality, we experience more than just positive results.

Negative to ground. Conversely, we are often told, “Surround yourself with positive people, get away from those who are negative.” The goal is to be happy, but we know that we cannot be happy all the time. Whether we like it or not, we need some negativity in our lives. Believe it or not, we need it in our investing roles as well. Negative news moves the markets, negative returns cause us to dig deeper into the causes, the reasons why. Negativity keeps us grounded. We don’t have to like it, but we need it to help complete the circuit. The relationship between bond prices and interest rates is my idea of the negative to ground. As prices rise, interest rates decline; as prices fall, interest rates increase – there is a negative part to either side, but the opposite reaction keeps us grounded.

Next week, we should learn more about the timing of the Fed’s planned interest rate hikes and balance sheet reduction. Regardless of the news, the market will fluctuate as if a current is running through it. It might be time for us to dust off our circuit manuals and look for ways to balance the positive and negative and keep us grounded. Look for bonds with structures that take advantage of the rising short-term rates. Monitor current and potential duration for how current and future returns are affected.

Stay positive, acknowledge the negative, and stay grounded.

Have a nice weekend!

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NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
01/25/2022	\$10,140,000	CLAYTON MO-REF UT GO AAA	2023-2034

ECONOMIC CALENDAR

Monday 1/24	Tuesday 1/25	Wednesday 1/26	Thursday 1/27	Friday 1/28
Markit US Manufacturing PMI	Conf. Board Cons. Confidence	MBA Mortgage Applications	GDP Annualized QoQ (4Q)	Personal Income
Chicago Fed Nat Activity Index	FHFA House Price Index MoM	New Home Sales MoM	Initial Jobless Claims	Personal Spending
Markit US Composite PMI	Richmond Fed Manufact. Index	FOMC Rate Decision	Durable Goods Orders	PCE Core Deflator MoM/YoY

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	3.25	3.25	3.25	3 Mo.	0.35
Discount Rate	0.25	0.25	0.25	6 Mo.	0.38
Fed Funds Rate	0.08	0.08	0.09	1-Year	0.41
IOER	0.15	0.15	0.10	2-Year	0.58
1-Month Libor	0.11	0.10	0.13	3-Year	0.74
11th Dist COFI	0.22	0.23	0.47	5-Year	0.96
1-Yr. CMT	0.58	0.27	0.10	7-Year	1.23
Dow	34,265.37	35,492.70	31,176.01	10-Year	1.40
NASDAQ	13,768.92	15,341.09	13,530.92	30-Year	1.93
S&P 500	4,397.94	4,649.23	3,853.07		
Bond Buyer	2.25	2.05	2.21		

Treasuries & New Issue Agencies (<i>Spread to Treasuries</i>)						CMO Spreads to Treasuries		
	Treasuries	Bullets	NC-6 Mo.	NC-1 Year	NC- 2 Year		PAC	Vanilla
3 Mo. Bill	0.17					1-Year	N/A	+35
6 Mo. Bill	0.34					2-Year	35	45
1-Year Bill	0.53					3-Year	50	58
2-Year Note	1.00	1	1	0		5-Year	58	68
3-Year Note	1.28	0	5	2	0			
5-Year Note	1.55	2	19	14	6			
7-Year Note	1.71	7	25	18	9			
10-Year Note	1.75	21	40	31	20			
20-Year Bond	2.13							
30-Year Bond	2.07							

MBS Current Coupon Yields	
GNMA 30 Yr.	2.52%
FNMA 30 Yr.	2.58%
GNMA 15 Yr.	0.44%
FNMA 15 Yr.	1.90%

About the Author, Matthew Maggi



Prior to joining CMG in 2016, Matthew was the Corporate Treasurer at a \$1.2 billion publicly-traded community bank headquartered in Missouri. During his tenure, he developed and implemented balance sheet strategies to maximize margin while managing acceptable levels of interest rate risk, liquidity, and capital. Matthew not only managed the investment portfolio, but also conducted extensive loan portfolio performance analyses.

Previously, he was a Treasury Analyst for one of the largest privately held banks in the U.S. He monitored cash flow and liquidity and developed funding strategies. Matthew leverages his extensive balance sheet management experience to provide tactical and strategic solutions to maximize performance while mitigating risks for the community banks.

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