



## Weekly Review—March 17, 2023

By now, most of us have read pages and pages of information about what happened at the banks that were closed last week. My focus today is on the possible repercussions on the banking industry and how banks can prepare for their next examination. I believe the focus for the rest of the year will be liquidity; it's costs and sources. I began my career in finance/treasury by calculating daily and projected liquidity ratios and positions; therefore, it has remained a key focus for me and my customers.

A run on deposits is one of the scariest events for banks – that is why it has been so critical for institutions across the country to reassure their customers of the safety of their money. As a result, bank regulators will likely focus on the more volatile deposit categories on bank balance sheets. First, banks will be asked if they monitor key deposit relationships – ones that can materially move the needle on liquidity ratios. This is also called a concentration. If a significant amount of funding comes from few sources, this is a possible risk. Secondly, focus on deposits over the FDIC insurance limit, those over \$250,000, will be scrutinized. Again, the focus will be on those deposit relationships which could significantly stress a financial institution's funding and therefore, operations. Finally, banks should be prepared to test and seek out additional funding sources via wholesale funding markets like the Federal Home Loan Bank system, Federal Reserve Discount Window, the new Bank Term Funding Program, or brokered deposits. Many banks have done this, based on the recent increase in borrowing from the Federal Reserve options. The key is to have a gameplan, a playbook. Financial institutions refer to this as a Contingency Funding Plan, or CFP. Times like this call for testing such a plan and making sure all the parties involved are aware of their roles. It might be a good idea to practice, or test the procedures like you do for fire drills, tornado drills, etc.

The US banking system remains on solid ground; however, confidence in banks from the investor standpoint has some room to recover. The FOMC will likely raise its overnight rate an additional 25 basis points next week, but investors' concern for the financial system continues to manifest itself in the bond market as yields are decreasing as the risk-off trade endures.

Finally, Happy St Patrick's Day! Sláinte, for today calls for a pint or dram! May your troubles be less, and your blessings be more.

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### NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
03/22/2023	\$2,200,000	PAYNE CO OKLAHOMA ISD #56 UT GO	2025-2028

Economic Release	Data Period	Date	Survey	Actual	Prior
CPI MoM	Feb	3/14/2023	0.4%	0.4%	0.5%
CPI YoY	Feb	3/14/2023	6.0%	6.0%	6.4%
MBA Mortgage Applications	Mar 10	3/15/2023	NA	6.5%	7.4%
PPI Final Demand MoM	Feb	3/15/2023	0.3%	-0.1%	0.3% (rev down)
Empire Manufacturing	Mar	3/15/2023	-7.9	-24.6	-5.8
Retail Sales Advance MoM	Feb	3/15/2023	-0.4%	-0.4%	3.2% (rev up)
Initial Jobless Claims	Mar 11	3/16/2023	205k	192k	212k (rev up)
Housing Starts	Feb	3/16/2023	1310k	1450k	1321k (rev up)
Industrial Production MoM	Feb	3/17/2023	0.2%	0.0%	0.0%
Leading Index	Feb	3/17/2023	-0.3%	-0.3%	-0.3%

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	7.75	7.75	3.50	3 Mo.	2.19
Discount Rate	4.75	4.75	0.25	6 Mo.	2.32
Fed Funds Rate	4.58	4.58	0.08	1-Year	2.59
Interest on Reserve Bal.	4.65	4.65	0.40	2-Year	2.60
SOFR	4.57	4.55	0.05	3-Year	2.50
11th Dist COFI (ECOFC)	2.27	2.07	0.24	5-Year	2.43
1-Yr. CMT	4.26	4.99	1.35	7-Year	2.46
Dow	31,861.98	33,826.69	34,480.76	10-Year	2.54
NASDAQ	11,630.52	11,787.27	13,614.78	30-Year	3.79
S&P 500	3,916.64	4,079.09	4,411.67		
Bond Buyer	3.57	3.65	2.53		

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	4.80					1-Year	N/A	+40
6 Mo. Bill	4.74					2-Year	60	65
1-Year Bill	4.32					3-Year	75	85
2-Year Note	3.94	20	81	80		5-Year	95	125
3-Year Note	3.75	20	85	82	80			
5-Year Note	3.49	22	98	94	86			
7-Year Note	3.46	35	105	98	88			
10-Year Note	3.39	50	120	111	100			
20-Year Bond	3.74							
30-Year Bond	3.59							

  

MBS Current Coupon Yields	
GNMA 30 Yr.	4.90%
FNMA 30 Yr.	4.98%
FNMA 15 Yr.	4.45%

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