

Weekly Review—March 31, 2023

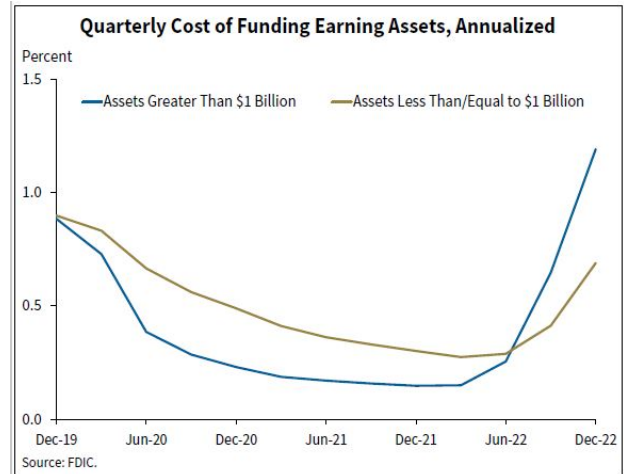
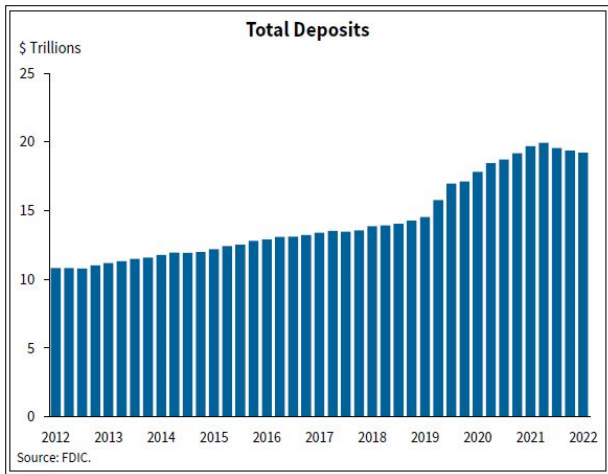
When I was young, my father and I would play a game while on road trips where we would replace one word of a famous movie or song with something ridiculous. The first iteration took place when I was about eight or nine and the chosen replacement word was “goat.” Sure, we hit the easy ones like: “The Goatfather,” or “Goat Wars”; those received a few chuckles. Then, I came up with “The Best Little Goathouse in Texas.” This obviously took my father (a minister) by surprise that his young son was aware of the Dolly Parton/Burt Reynolds film. Thankfully, he burst into laughter and told me “Good one, son.” I thought I would resurrect this road trip classic today with song titles (of course) and the word of the day is “banker.”

*Sometimes it's hard to be a banker...*Efforts to maintain stability in the financial system continued this week as banks, credit unions, other financial institutions, and leaders of the FDIC, NCUA, Treasury, and Federal Reserve banking system made several efforts to calm sentiment and assure the public that our financial system is sound. It is, but as I previously wrote about strong teams, trust is the foundation of the financial system. When institutions fail due to taking on risk/reward strategies that do not pan out, the remaining members of the industry must prove again that the overall system has not failed. It has not. Liquidity remains a dominant theme among community financial institutions as overall deposits decreased for several reasons and the cost of funding bank balance sheets continues to rise. If we look at the two graphs from the FDIC's 4Q 2022 Quarterly Banking Profile (QBP), this banking trend is perfectly illustrated. Yes, this data is dated, but we expect to see the trend continue when the 1Q 2023 QBP is released later this spring. The increase in the cost to fund the balance sheet for many community banks in many cases is outpacing the rise in asset yields. This applies pressure on net interest margin (NIM), the primary source of income for financial institutions – the difference between interest earned on assets and paid out on liabilities. The rapid rise in interest rates not only affected fixed income investment values, but it also applied pressure on liquidity costs.

*Hold me close, tiny banker...*Okay, okay, I know. At least I didn't say “Short bankers got no reason to live,” right? Us lower-to-the ground people must stick together! Seriously, if you have not spoken with your banker recently, reach out to her or him and have a real conversation about what is going on in the financial system. We are here to help, and we love being there for you.

Have a great weekend!

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NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
04/04/2023	\$4,300,000	CLOUD CO KS CMNTY CLG -COPS A	2025-2038
04/04/2023	\$11,830,000	LAWRENCE KS -A UT GO AdI	2024-2043
04/04/2023	\$35,550,000	LAWRENCE KS -I -NTS UT GO MIGI	2024
04/05/2023	\$1,305,000	GARDEN PLAIN KS -A UT GO BQ NR	2026

Economic Release	Data Period	Date	Survey	Actual	Prior
Dallas Fed Manf. Activity	Mar	3/27/2023	-10.0	-15.7	-13.5
Conf. Board Consumer Confid.	Mar	3/28/2023	101.0	104.2	103.4 (rev up)
FHFA House Price Index MoM	Jan	3/28/2023	-0.3%	0.2%	-0.1%
MBA Mortgage Applications	Mar 24	3/29/2023	NA	2.9%	3.0%
Initial Jobless Claims	Mar 25	3/30/2023	196k	198k	191k
GDP Annualized QoQ	4Q (T)	3/30/2023	2.7%	2.6%	2.7%
Personal Income	Feb	3/31/2023	0.2%	0.3%	0.6%
Personal Spending	Feb	3/31/2023	0.3%	0.2%	2.0% (rev up)
PCE Core Deflator YoY	Feb	3/31/2023	4.7%	4.6%	4.7%
U. of Mich. Sentiment	Mar (F)	3/31/2023	63.2	62.0	63.4

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	8.00	7.75	3.50	3 Mo.	2.12
Discount Rate	5.00	4.75	0.50	6 Mo.	2.25
Fed Funds Rate	4.83	4.57	0.33	1-Year	2.52
Interest on Reserve Bal.	4.90	4.65	0.40	2-Year	2.42
SOFR	4.83	4.55	0.28	3-Year	2.33
11th Dist COFI (ECOFC)	2.27	2.07	0.30	5-Year	2.30
1-Yr. CMT	4.64	5.02	1.64	7-Year	2.35
Dow	33,273.56	32,656.70	34,678.35	10-Year	2.43
NASDAQ	12,221.91	11,455.54	14,220.52	30-Year	3.70
S&P 500	4,109.31	3,970.15	4,530.41		
Bond Buyer	3.50	3.75	2.73		

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	4.71					1-Year	N/A	+50
6 Mo. Bill	4.88					2-Year	65	70
1-Year Bill	4.59					3-Year	75	85
2-Year Note	4.11	24	82	81		5-Year	95	125
3-Year Note	3.89	22	85	82	82			
5-Year Note	3.67	18	98	94	86			
7-Year Note	3.61	42	105	98	88			
10-Year Note	3.54	60	120	111	99			
20-Year Bond	3.86							
30-Year Bond	3.72							

MBS Current Coupon Yields	
GNMA 30 Yr.	4.90%
FNMA 30 Yr.	5.00%
FNMA 15 Yr.	4.48%

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