



*Boy, that escalated quickly...*The Change in Nonfarm payrolls number of 916,000 increase in jobs far exceeded the expected number of 660,000. The Unemployment rate decreased from 6.2% to 6.0%. Unfortunately, the Average Hourly Earnings came in lower than expected, but the Year-over-Year figure of 4.2% is still impressive. I'm a huge fan of having a strategy, executing it, and monitoring the progress; however, I also love to improvise. Remaining flexible and practicing improvisation will help you and your investment team remain agile and able to handle volatility we see in the markets right now. I know a thing about improvising. After all, I did get the role of Dizzy Dean in my elementary school's production of *That's Entertainment* after ad-libbing the line, "You don't like baseball? You must be crazy!"

*60% of the time it works all the time...*To help us monitor investments and economic data we have metrics, or statistics. In a bond portfolio key statics can be duration, yield, market value, and how these measurements of risk and performance behave as interest rates change. With the possibility of continued increases in long-term interest rates over the near-term, I'd like to bring up the concept of convexity. As we know, bond prices and bond yields move in opposite directions. As interest rates increase, the price, or value of the bond decreases. Duration measures how much that price may change as interest rates move. Longer-dated maturities have higher duration, or price sensitivity, than shorter-dated maturities. Convexity tells us how much duration changes as rates change. Both are measures of price sensitivity. Usually, bonds with no optionality (bullets) will have a positive convexity, or less price sensitivity to rising rates while bonds with calls will have a negative convexity. Negative convexity tells the investor that there will likely be more price volatility as rates rise. If you are concerned about the possible decrease in value of your bond portfolio due to rising rates, look at the duration of your portfolio and look for investments which will have less negative convexity or even positive convexity. There is almost always a trade-off when mitigating risk – that comes in the form of lower yield. In general, an investor should be paid for the extra risk of optionality. And in general, if an investor wants to invest in a bond with little or no optionality, the yield will usually be lower. For MBS holders who have bonds at a premium, the risk is less cash flow coming back to invest each month as the duration shifts upward, but the trade-off usually comes in the form of higher yield. These are all things to consider with the possibility of continued interest rate increases. But being aware of the characteristics of your portfolio and the bonds you purchase will help you stay on track to meet your investment goals. We can help with that and if you need to improvise a little, we can help with that, too.

Have a nice weekend and enjoy some baseball!

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NEW ISSUE MUNICIPAL CALENDAR			
Date	Amount (\$)	Description	Maturity
04/05/2021	\$2,420,000	MILLER CO MO -REF -COP BQ RATING APPLIED	2015-2035
04/05/2021	\$1,725,000	ROSE HILL KS -1 -TEMP NTS UT GO BQ NR	2024
04/06/2021	\$28,880,000	LAWRENCE KS -A UT GO Ad1	2022-2051
04/06/2021	\$3,875,000	SOUTHERN JACKSON CO MO FIRE-REV COP BQ A	2022-2041
04/07/2021	\$6,215,000	PLATTE CITY MO-REF UT GO BQ AA	2022-2041

**ECONOMIC CALENDAR**

Monday 4/5	Tuesday 4/6	Wednesday 4/7	Thursday 4/8	Friday 4/9
Factory Orders Durable Goods Orders Markit US Service/Comp PMI	JOLTS Job Openings	MBA Mortgage Applications Trade Balance	Initial Jobless Claims Continuing Claims Langer Consumer Comfort	Wholesale Inventories MoM PPI Final Demand MoM/YoY

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	3.25	3.25	3.25	3 Mo.	0.07
Discount Rate	0.25	0.25	0.25	6 Mo.	0.11
Fed Funds Rate	0.07	0.07	0.08	1-Year	0.13
IOER	0.10	0.10	0.10	2-Year	0.19
1-Month Libor	0.11	0.12	0.99	3-Year	0.33
11th Dist COFI	0.41	0.46	0.99	5-Year	0.59
1-Yr. CMT	0.06	0.08	0.16	7-Year	0.90
Dow	33,153.21	31,391.52	21,413.44	10-Year	1.26
NASDAQ	13,480.11	13,358.79	7,487.31	30-Year	1.92
S&P 500	4,019.87	3,870.29	2,526.90		
Bond Buyer	2.34	2.44	2.27		

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	0.01					1-Year	N/A	+40
6 Mo. Bill	0.03					2-Year	45	53
1-Year Bill	0.06					3-Year	53	63
2-Year Note	0.18	1	-5	-6		5-Year	64	74
3-Year Note	0.38	1	-1	-4	-5			
5-Year Note	0.96	1	12	8	0			
7-Year Note	1.42	2	20	13	3			
10-Year Note	1.72	6	34	25	13			
20-Year Bond	2.28							
30-Year Bond	2.37							

  

MBS Current Coupon Yields	
GNMA 30 Yr.	1.98%
FNMA 30 Yr.	2.02%
GNMA 15 Yr.	1.17%
FNMA 15 Yr.	1.37%

**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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