



## Weekly Review—April 22, 2022

One of my favorite games when I was young was Chutes and Ladders. After spinning the arrow and moving the corresponding number of spaces I hoped to land on a ladder and rise up to a higher level, closer to the end. If I landed on a chute, I descended back to a lower level. I equated ladders with success and chutes with failure. In my simple, innocent child-like mind I always wanted to win, and I hated losing. As an adult in finance, a particularly data-centered field, I still possess those thoughts sometimes when looking at the trends in interest rates and financial markets. I'm still playing a game, but the consequences are not as innocent, they are real and how I play requires much more effort and thought than spinning an arrow.

Year-to-date the 10-year treasury yield has risen almost 140 basis points (bps). The 5-year treasury yield has climbed almost 170bps over the same period. The Dow Jones Industrial Average has fallen almost 6% year-to-date, the S&P is down almost 9.5%, and the NASDAQ is down over 17%. As investors, it appears we may have landed on a series of chutes and are feeling like failures. Obviously, it is not that simple. Our positions were purchased over varying time periods and whether or not we landed on chutes or ladders depends on the price we paid compared to the current price.

Fixed income prices move in the opposite direction from interest rates, so today, securities purchased over the last few years are likely priced lower than when we bought them. However, most losses are only paper losses – meaning unless we sell these securities, we won't have to actually slide down that chute. The positive side of a rising rate environment is we have an opportunity to invest in lower-priced bonds and possibly lock-in a higher yield over the next period of lower interest rates. Remember 2019? Chances are investors were thinking they were on their way up those ladders as most of their portfolios showed large gains – paper gains.

Investing is more complicated than playing Chutes and Ladders, but as adults we still hold on to some of those child-like ideas. Take some time to breathe and think about the purpose of your portfolio – I imagine the purpose is more than watching the unrealized gain or loss line item of your balance sheet.

Next week, we get our first look at GDP for the 1<sup>st</sup> quarter of 2022 and additional economic indicators related to personal spending and earnings. Watch these data points as they will likely influence how interest rates look by next Friday.

Have a nice weekend!

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### NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
04/26/2022	\$3,705,000	PITTSBURG KS -A UT GO BQ AA-	2023-2032

**ECONOMIC CALENDAR**

Monday 4/25	Tuesday 4/26	Wednesday 4/27	Thursday 4/28	Friday 4/29
Chicago Fed Nat Activity Index Dallas Fed Manf. Activity	Durable Goods Orders Conf. Board Cons. Confidence New Home Sales	MBA Mortgage Applications Wholesale Inventories MoM Pending Home Sales MoM	GDP Annualized QoQ Initial Jobless Claims Core PCE QoQ	Personal Income Personal Spending U. of Mich. Sentiment

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	3.50	3.50	3.25	3 Mo.	1.52
Discount Rate	0.50	0.50	0.25	6 Mo.	1.71
Fed Funds Rate	0.33	0.33	0.07	1-Year	2.07
IOER	0.40	0.40	0.10	2-Year	2.33
1-Month Libor	0.67	0.45	0.11	3-Year	2.45
11th Dist COFI (ECOFC)	0.24	0.22	0.46	5-Year	2.57
1-Yr. CMT	2.01	1.40	0.07	7-Year	2.74
Dow	33,811.40	34,807.46	33,815.90	10-Year	2.91
NASDAQ	12,839.29	14,108.82	13,818.41	30-Year	3.35
S&P 500	4,271.78	4,511.61	4,134.98		
Bond Buyer	3.19	2.53	2.26		

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	0.83					1-Year	N/A	+30
6 Mo. Bill	1.31					2-Year	35	40
1-Year Bill	2.03					3-Year	58	63
2-Year Note	2.72	3	1	0		5-Year	68	80
3-Year Note	2.90	1	5	2	0			
5-Year Note	2.95	4	23	14	6			
7-Year Note	2.94	18	25	18	8			
10-Year Note	2.88	35	40	31	20			
20-Year Bond	3.12							
30-Year Bond	2.91							

  

MBS Current Coupon Yields	
GNMA 30 Yr.	3.92%
FNMA 30 Yr.	4.12%
GNMA 15 Yr.	3.63%
FNMA 15 Yr.	3.50%

**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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