



Weekly Review—May 15, 2020

This week I thought I'd share two lessons I've learned from being in board meetings. Both taught me some clear values and how to be a better resource for my employer and clients. These are not esoteric examples that make me any different from a lot of you, but I was reminded of them during the past couple months reading headlines and trying my best to interpret any possible implications for my client base.

If you are going to mention something about macroeconomics in the meeting, be prepared to show how it may affect your company. Early in my career while attending one of my first Asset-Liability Committee (ALCO) meetings, I briefly mentioned that the Federal Reserve instituted a move to create more liquidity. This was early spring of 2008. Rightfully so, a senior member of management asked, "What in the world does that have to do with us?" In my attempt to look worldly and like some expert in macroeconomic events I was ill-prepared with an answer. Thankfully, another member of management had read the same article and could articulate a coherent response. I had not thought it through, I only thought how intelligent I was. Wrong! Intelligence is only good if it helps with understanding and can become relatable or actionable. I read some fascinating articles this week, but they tended to be East Coast-based and they spoke about areas of the markets that may or may not affect clients in the Midwest. The articles made me want to dive deeper into some portfolios to see if there were any potential risks. This curiosity can be used to be prepared for the questions like "How does this really affect us?" When we read headlines, we should dig into our balance sheets, our portfolios and analyze if we share some of the risks or rewards that are being posited in the headlines.

It is likely that a senior member of management will read an article and ask you to investigate how it affects your company. The roles can be reversed so-to-speak. In a later meeting, the president read about the Federal Reserve's creation of the Term Auction Facility (TAF) program where financial institutions could bid on funds to borrow for longer than overnight. This again was addressing a need to help provide liquidity to institutions which began in 2009. I know what you're thinking...no, I did not say "What in the world does that have to do with us?" I was assigned a project. Something to do to help the bank and it came from the president. I investigated and reported back to the committee and was part of the decisioning process. A part of something greater than me.

Both instances taught me to do my research and to specify how actions by a macro-player like the Federal Reserve affected my employer. To succeed there are really two skills that can help us: 1) working with curiosity and 2) being able to use simple language to convey complex ideas. I am by no means an expert in the latter, but I think I've come a long way since the kid who wanted to look like the smartest guy in the room. Have a wonderful weekend and dig little deeper into those headlines.

Matthew Maggi
 Vice President
 Commerce Bank – Capital Markets Group (CMG)
 800 548-2663
matthew.maggi@commercebank.com

NEW ISSUE MUNICIPAL CALENDAR			
Date	Amount (\$)	Description	Maturity
05/18/2020	\$6,960,000.00	MAIZE KS TMP NTS 2020A BQ UT GO NR	2023
05/19/2020	\$3,300,000.00	MORRIS CO KS 2020 BQ UT GO AA-	2021-2035
05/19/2020	\$14,260,000.00	OLATHE KS WTR SEW 2020 REVS AA	2020-2040

ECONOMIC CALENDAR

Monday 5/18	Tuesday 5/19	Wednesday 5/20	Thursday 5/21	Friday 5/22
	Housing Starts Building Permits	MBA Mortgage Applications FOMC Meeting Minutes	Initial Jobless Claims Leading Index Existing Home Sales	

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	3.25	3.25	5.50	3 Mo.	0.36
Discount Rate	0.25	0.25	3.00	6 Mo.	0.45
Fed Funds Rate	0.05	0.05	2.38	1-Year	0.48
IOER	0.10	0.10	2.35	2-Year	0.55
1-Month Libor	0.18	0.81	2.44	3-Year	0.63
11th Dist COFI	0.88	0.99	1.10	5-Year	0.82
1-Yr. CMT	0.15	0.25	2.32	7-Year	0.96
Dow	23,685.42	23,504.35	25,648.02	10-Year	1.16
NASDAQ	9,014.56	8,393.18	7,822.15	30-Year	2.03
S&P 500	2,863.70	2,783.36	2,850.96		
Bond Buyer	2.48	2.25	3.57		

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	0.10					1-Year	N/A	+60
6 Mo. Bill	0.14					2-Year	60	70
1-Year Bill	0.14					3-Year	75	80
2-Year Note	0.15	7	16	13		5-Year	85	95
3-Year Note	0.19	10	27	23	12	MBS Current Coupon Yields		
5-Year Note	0.31	21	48	44	30	GNMA 30 Yr.	1.48%	
7-Year Note	0.48	47	59	55	39	FNMA 30 Yr.	1.55%	
10-Year Note	0.64	57	76	71	57	GNMA 15 Yr.	0.90%	
30-Year Bond	1.31					FNMA 15 Yr.	1.14%	



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.

If you no longer wish to receive this weekly review, please send an email to CapitalMarketsGroup@commercebank.com

The Weekly Review is a publication of the Capital Markets Group of Commerce Bank.

The opinions expressed herein reflect that of the author and are not a complete analysis of every material fact respecting any company, industry, or security. The author's opinions do not necessarily reflect that of Commerce Bank or its affiliates. Information contained herein is from sources deemed reliable but cannot be guaranteed. Prices and/or yields are subject to change and investments are subject to availability. CDs are direct financial obligations of the issuing financial institution and are not, either directly or indirectly, an obligation of Commerce Bank. The information provided is not an official trade confirmation or account statement. The Capital Markets Group (CMG) of Commerce Bank is not acting as your 'municipal advisor' within the meaning of Section 15B of the Securities Exchange Act, and does not act in a fiduciary capacity. CMG does not provide tax advice; please refer to your tax professional. Investments in securities are NOT FDIC Insured; NOT Bank-Guaranteed and May Lose Value.



commercebank.com