



Weekly Review—June 25, 2020

These are challenging and frustrating times which will cause many to re-evaluate their priorities when it comes to their investments. Some will rely on strategies used in the past, conservative in nature, preserving as much capital as possible. Some may take on additional risk in hopes of seeing above-benchmark returns. There is no one answer, no simple solution, it comes down to the classic risk-tolerance of each investor and the help of their Capital Markets Group partner. However, there are some basic concepts to keep in mind during this part of the economic cycle.

Live to fight another day. This can be a difficult concept to live out, particularly, if you are responsible for certain earnings goals. I've written in the past about my love of the mountains, and some of my achievements that brought me to the summit. It may seem like reaching the summit occurred because I had a great plan, or received help from others, etc. but one constant thought remained: *if conditions become too dangerous, turn back, the mountain will be there when you return.* Too often, for especially those of us who love to set goals, we think we must achieve the goals almost immediately to be deemed successful. It is hard to be patient and even more arduous to make the call to pause. All of us have had to pause sometime in the past several months, so, we know we can do it. Investing now might be challenging but we do not always have to reach the summit immediately – we invest for the long-term. If we want to get to the long-term, it makes sense that we must make good decisions in the short-term. One of those may be to pick a less risky investment and go for structures with less optionality. Inherently, these investments are lower yielding than those with more optionality/risk, but they might allow us to invest in higher-returning investments later as the opportunities present themselves.

Buy low, sell high. This is an overly simplistic mantra, but one that proves out time after time. In the fixed income world, of course, interest rates and prices have an inverse relationship. So, as rates move lower, the cost of bonds rises, or vice versa. Whether it is a flight to quality (preservation of capital) or Federal Reserve induced actions to offset possible further deterioration in interest rates, we have seen prices rise to invest in fixed income. Of course, there are more factors than these contributing to price levels – supply/demand, underlying characteristics, economic data, etc.; however, there remains opportunities even within these yield levels. One is the latter part of the mantra: sell high. Depending on when you invested in a bond, it may be carrying an unrealized gain. While I am not suggesting any “trading” of bonds purchased with the intent of buy and hold, there may be opportunities or situations where selling and recognizing a gain may be appropriate. The decision lies with the individual investor. Regarding the former part of the mantra: buy low, there are still opportunities during market volatility to capture a more favorable price when deploying capital. While not likely to perfectly time the market, an investor may still have some small victories as yields rise and prices fall during usual market fluctuations. Another saying is *Every basis point counts*; this rings true even during yields at their current levels.

We are experiencing a challenging time for investing, but your CMG Investment Representative is here to help. Reach out to her or him and work together to achieve the goals you've set. It will likely not happen immediately, but we're here for the long-term and will help you in make good decisions in the short-term.

Have a great weekend!

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NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
07/01/2020	\$650,000.00	CLYDE KS 2020 UT GO BQ NR	2021-2040

ECONOMIC CALENDAR

Monday 6/29	Tuesday 6/30	Wednesday 7/1	Thursday 7/2	Friday 7/3
Pending Home Sales MoM Dallas Fed Manf. Activity	Conf. Board Cons. Confidence MNI Chicago PMI	ADP Employment Change MBA Mortgage Applications ISM Manufacturing	Change in Nonfarm Payrolls Initial Jobless Claims Unemployment Rate	

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	3.25	3.25	5.50	3 Mo.	0.18
Discount Rate	0.25	0.25	3.00	6 Mo.	0.27
Fed Funds Rate	0.08	0.05	2.38	1-Year	0.30
IOER	0.10	0.10	2.35	2-Year	0.33
1-Month Libor	0.18	0.17	2.40	3-Year	0.35
11th Dist COFI	0.74	0.88	1.14	5-Year	0.51
1-Yr. CMT	0.17	0.17	1.92	7-Year	0.79
Dow	25,745.60	24,465.16	26,548.22	10-Year	1.05
NASDAQ	10,017.00	9,324.59	7,884.72	30-Year	1.84
S&P 500	3,083.76	2,955.45	2,917.38		
Bond Buyer	2.21	2.56	3.51		

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	0.13					1-Year	N/A	+60
6 Mo. Bill	0.16					2-Year	60	70
1-Year Bill	0.16					3-Year	77	85
2-Year Note	0.18	8	15	20		5-Year	85	95
3-Year Note	0.20	12	27	24	26			
5-Year Note	0.32	17	46	40	55			
7-Year Note	0.50	25	53	46	68			
10-Year Note	0.66	46	73	64	56			
20-Year Bond	1.17							
30-Year Bond	1.40							

MBS Current Coupon Yields		
GNMA 30 Yr.		1.53%
FNMA 30 Yr.		1.63%
GNMA 15 Yr.		0.65%
FNMA 15 Yr.		1.09%

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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