



Weekly Review—July 10, 2020

My youngest son often processes his thoughts through an external dialogue. He talks out loud about what he is going to do. Whether he is narrating his play of a video game or informing us what he plans to do prior to breaking the rules, we hear it. While he is somewhat aware of this, he cannot really control it. The beauty of hearing his thoughts is my wife and I get the chance to see into his brain – how he thinks. While sometimes the things he says are brutally honest, they honestly reflect how he feels. Honesty is out there, though not always as obvious as this example. If we listen closely and observe the corresponding behaviors, we may just find it.

During this pandemically induced recession, the Federal Open Market Committee (FOMC) has been honest. Fed Chair Powell and the other members announced their intentions and actions to support the economy and for the most part they have followed through. The bond purchasing programs are holding down interest rates and providing liquidity in the marketplace, in line with the FOMC's desired outcome. Of course, the intent is to promote lending activity which leads to more spending; however, there are many more mutually exclusive and complicated steps along the road to recovery. Sometimes when things don't go our way, we become victim to our biases and impatient nature which may lead to misinterpretation. Wade through the opinions (mine included) and see if actions taken to help spur on a more rapid recovery reflect the actions presented to us. Whether they work or not is another discussion, but honesty will always lead to better outcomes.

The impact of rising numbers of infections from COVID-19 and an uncertain remedy are playing out again in the bond market today as the 10-year dipped back below 0.60% in active trading. The longer end of the curve is flattening, representing flights to quality, an often-played move when uncertainty and fear rises. Reach out to your CMG Investment Representative to have some honest conversations about how to maneuver through this market.

Although most of our working environments have changed, our ability to be honest with each other and our customers has not. I strive to be as honest as my son, Liam and I am thankful for his example. I am truly grateful for each of you that allow me the opportunity to put this into practice.

Have a great weekend!

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NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
7/13/2020	\$1,900,000	ELLSWORTH KS 2020A UT GO BQ A+	2021-2040
7/14/2020	\$3,135,000	KEARNEY MO 2020 COPS A1	2020-2026
7/14/2020	\$4,440,000	ANDOVER KS 2020A UT GO BQ AA-	2021-2040

ECONOMIC CALENDAR

Monday 7/13	Tuesday 7/14	Wednesday 7/15	Thursday 7/16	Friday 7/17
Monthly Budget Statement	CPI MoM CPI YoY NFIB Small Bus. Optimism	MBA Mortgage Applications Empire Manufacturing Industrial Production MoM	Retail Sales Advance MoM Initial Jobless Claims Continuing Claims	Housing Starts U. of Mich. Sentiment Building Permits

	KEY INDICES			MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	3.25	3.25	5.50	3 Mo.	0.15
Discount Rate	0.25	0.25	3.00	6 Mo.	0.24
Fed Funds Rate	0.09	0.07	2.41	1-Year	0.27
IOER	0.10	0.10	2.35	2-Year	0.30
1-Month Libor	0.18	0.18	2.38	3-Year	0.32
11th Dist COFI	0.76	0.74	1.14	5-Year	0.48
1-Yr. CMT	0.15	0.19	2.00	7-Year	0.73
Dow	26,074.75	26,989.99	26,860.20	10-Year	0.96
NASDAQ	10,617.44	10,020.35	8,202.53	30-Year	2.00
S&P 500	3,184.92	3,190.14	2,993.07		
Bond Buyer	2.19	2.19	3.46		

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	0.12					1-Year	N/A	+55
6 Mo. Bill	0.14					2-Year	58	65
1-Year Bill	0.13					3-Year	70	80
2-Year Note	0.14	7	13	11		5-Year	80	90
3-Year Note	0.16	13	27	23	15			
5-Year Note	0.27	19	46	41	33			
7-Year Note	0.45	27	53	48	38			
10-Year Note	0.60	46	74	67	55			
20-Year Bond	1.06							
30-Year Bond	1.28							

MBS Current Coupon Yields	
GNMA 30 Yr.	1.39%
FNMA 30 Yr.	1.43%
GNMA 15 Yr.	0.28%
FNMA 15 Yr.	0.97%

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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