



Weekly Review—July 31, 2020

We knew it was coming. This week's GDP first print for 2Q came in at -32.9%, the largest drop since quarterly data has been collected. No surprise really, as the consensus expectation was even worse at -34.5%. As a follow up to last week's article on savers and the comparison between the percent contribution of personal expenditures to GDP and the savings rate, the former came in at 67.1%, the lowest since 2007 but still a major part of GDP, and the latter came in at a June savings rate of 19% and a 25.7% savings rate for the entire 2Q (source: bea.gov).

Today, we saw June's personal spending come in at 5.6%, more than expectation of 5.2% while personal income was -1.1% for June, lower than the expected -0.6%. Spending usually comes from services more than goods. Anecdotally, it makes sense as the noise from home projects over the last month around my neighborhood indicates many are choosing to pay for fencing/deck updates, landscaping, and other home improvement projects versus spending on travel. Americans love to spend; however, judging by the movements over the last three months in the savings rate, more are choosing to hold on to some extra cash than over the past several decades. This may be a short-term phenomenon, but if this trend continues, businesses will have to remain agile and adapt; they may have to evaluate further revenue streams to attract new business or at least fend off declining revenues from usually reliable sources.

Looking forward to next week, we should see further information on business spending and manufacturing data, the Trade Balance, and the Nonfarm Payrolls release along with the July unemployment rate. Expectations are for around 1.5mm change in payrolls and an unemployment rate of 10.5%. Another stimulus bill is in the works but as expected, is hitting a few snags as Democrats and Republicans debate the extra components of the bill.

Have a great weekend!

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NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
8/03/2020	\$935,000	MOUND CITY KS 2020 UT GO BQ NR	2021-2032
8/03/2020	\$31,720,000	ST JOSEPH MO SPECIAL OBS 2020 A+	2024-2040
8/03/2020	\$2,460,000	LEAWOOD KS 2020A UT GO AAA	2025-2029
8/05/2020	\$5,330,000	LINCOLN NE UT GO AAA	2021-2030

ECONOMIC CALENDAR

Monday 8/3	Tuesday 8/4	Wednesday 8/5	Thursday 8/6	Friday 8/7
Markit US Manufacturing PMI	Factory Orders	ADP Employment Change	Initial Jobless Claims	Change in Nonfarm Payrolls
ISM Manufacturing	Durable Goods Orders	MBA Mortgage Applications	Continuing Claims	Unemployment Rate
Construction Spending MoM		Trade Balance		Wholesale Inventories MoM

KEY INDICES				MUNI AA—BQ	
	Current	Last Month	One Year Ago		
Prime Rate	3.25	3.25	5.50	3 Mo.	0.04
Discount Rate	0.25	0.25	3.00	6 Mo.	0.13
Fed Funds Rate	0.10	0.08	2.40	1-Year	0.16
IOER	0.10	0.10	2.35	2-Year	0.19
1-Month Libor	0.16	0.17	2.23	3-Year	0.21
11th Dist COFI	0.76	0.74	1.16	5-Year	0.35
1-Yr. CMT	0.11	0.16	1.97	7-Year	0.58
Dow	26,428.32	25,812.88	26,864.27	10-Year	0.82
NASDAQ	10,745.27	10,058.77	8,175.42	30-Year	1.60
S&P 500	3,271.12	3,100.29	2,980.38		
Bond Buyer	2.09	2.21	3.42		

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	0.08					1-Year	N/A	+55
6 Mo. Bill	0.09					2-Year	55	65
1-Year Bill	0.10					3-Year	65	75
2-Year Note	0.11	6	14	12		5-Year	75	85
3-Year Note	0.12	10	27	24	19			
5-Year Note	0.22	18	45	41	30			
7-Year Note	0.39	23	56	51	40			
10-Year Note	0.54	34	77	72	57			
20-Year Bond	0.98							
30-Year Bond	1.21							

MBS Current Coupon Yields	
GNMA 30 Yr.	1.39%
FNMA 30 Yr.	1.29%
GNMA 15 Yr.	0.29%
FNMA 15 Yr.	0.93%

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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