



Weekly Review—September 9, 2022

Expectations for another 75-bps hike by the FOMC increased this week after comments made by Chair Powell and others. This would be the third consecutive increase of this magnitude for the overnight rate. The Fed Funds Target rate would become 3.25%. That rate should look familiar to bankers as that has been the most common level for Prime over the last 10+ years! Prime typically prices 3% higher than the Fed Funds Target (Upper bound) rate; therefore, if the FOMC follows through and increases by 75bps on the 21st of September, Prime will become 6.25%. The last time we saw a Prime rate near this level was in January of 2008.

Prime is used in pricing loans, credit cards, some variable rate securities, etc. The cost of borrowing will continue to rise in the short-term and likely remain elevated for a period of time until the FOMC is forced to cut its benchmark interest rate. The FOMC is determined to stall and then lower inflation by slowing demand. Since debt plays a substantial role in the US economy, raising interest rates to a point where borrowers adjust their spending plans is the FOMC's main mechanism for controlling inflation. While pockets of the economy are showing changes in spending behavior, the US consumer has not significantly altered their spending behavior. Yet. If the FOMC raises their overnight rate to a terminal rate of 4%, we should see a slowdown in consumer spending and therefore a slowdown in our overall economy. The opinions about how severe a slowdown cover the spectrum from doomsday to "soft landing." As with most extremes, the likely outcome will fall somewhere in the middle.

The bright side for investors in this could be a good time to buy. Pricing levels on some securities are creating opportunities for fixed income yields to go on the books at levels not seen for a long time. Reach out to your Investment Representative to discuss such opportunities.

Next week, CPI and PPI releases will shed further light on how strongly the FOMC will react. We'll let you know in next week's commentary, coming out on Thursday, September 15th.

Have a great weekend!

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NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
09/13/2022	\$4,000,000	NEWTON KS PUB BLDG COMM TBD	2025-2043
09/14/2022	\$1,500,000	SPEARVILLE KS PUB BLD COMM A RATED BQ	2023-2037

ECONOMIC CALENDAR

Monday 9/12	Tuesday 9/13	Wednesday 9/14	Thursday 9/15	Friday 9/16
	CPI MoM/YoY Real Avg Hourly Earnings YoY Real Avg Weekly Earnings YoY	MBA Mortgage Applications PPI Final Demand MoM/YoY	Initial Jobless Claims Empire Manufacturing Retail Sales Advance MoM	U. of Mich. Sentiment Total Net TIC Flows Net Long-term TIC Flows

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	5.50	5.50	3.25	3 Mo.	1.77
Discount Rate	2.50	2.50	0.25	6 Mo.	1.92
Fed Funds Rate	2.33	2.33	0.08	1-Year	2.33
IOER	2.40	2.40	0.15	2-Year	2.39
1-Month Libor	2.76	2.37	0.08	3-Year	2.42
11th Dist COFI (ECOFC)	0.87	0.66	0.24	5-Year	2.53
1-Yr. CMT	3.67	3.30	0.08	7-Year	2.71
Dow	32,151.71	32,774.41	34,879.38	10-Year	2.96
NASDAQ	12,112.31	12,493.93	15,248.25	30-Year	3.86
S&P 500	4,067.36	4,122.47	4,493.28		
Bond Buyer	3.73	3.21	2.15		

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	3.02					1-Year	N/A	+30
6 Mo. Bill	3.49					2-Year	35	45
1-Year Bill	3.58					3-Year	75	82
2-Year Note	3.49	10	1	1		5-Year	85	95
3-Year Note	3.54	1	4	1	0			
5-Year Note	3.39	0	18	14	6			
7-Year Note	3.36	20	25	18	8			
10-Year Note	3.28	47	40	31	20			
20-Year Bond	3.68							
30-Year Bond	3.44							

MBS Current Coupon Yields	
GNMA 30 Yr.	4.60%
FNMA 30 Yr.	4.79%
GNMA 15 Yr.	3.81%
FNMA 15 Yr.	4.18%

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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