



Weekly Review—September 30, 2022

Additional inflation measurements came out this morning, affirming elevated core inflation and the probable continuation of the FOMC's monetary policy actions. PCE Core Deflator YoY was 4.9% for the month of August while a 4.7% increase was expected. This aligns with the CPI Core figure released earlier this month as core services and products cost more than was expected by economists. This supports further rate hikes over the next two FOMC meetings.

Interest rate fluctuations have become the norm this year, but the overall trend pointed higher. Since July, the US treasury curve has been inverted (2y/10y spread has been negative) and prolonged inversion is expected. Traditionally, an inverted curve points to the expectation of a recession in the near to mid-term. Continue to monitor consumer spending metrics, business spending, and employment data as we grow closer to at least a slowing economy, but more likely, a recession in the next year or so.

When the expectation of a slowing economy appears and then becomes prevalent in the minds of business leaders, spending slows, job cuts increase, lending slows, and overall productivity decreases. The "self-fulfilling prophecy" narrative spreads and recession becomes even more likely as this belief sets in. Reach out to your Investment Representative to help you prepare for this possibility.

Next week, data on manufacturing, durable goods orders, and most importantly, the Change in Nonfarm Payrolls are released. While little change to the employment situation is expected, watch for signals of any deterioration in the labor market.

Have a great weekend!

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NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
10/03/2022		NO LOCAL ISSUES THIS WEEK	

ECONOMIC CALENDAR

Monday 10/3	Tuesday 10/4	Wednesday 10/5	Thursday 10/6	Friday 10/7
S&P Global US Manfact. PMI	Factory Orders	MBA Mortgage Applications	Initial Jobless Claims	Change in Nonfarm Payrolls
ISM Manufacturing	Durable Goods Orders	ADP Employment Change	Continuing Claims	Unemployment Rate
Construction Spending MoM	JOLTS Job Openings	Trade Balance	Challenger Job Cuts YoY	Wholesale Inventories MoM

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	6.25	5.50	3.25	3 Mo.	2.49
Discount Rate	3.25	2.50	0.25	6 Mo.	2.64
Fed Funds Rate	3.08	2.33	0.08	1-Year	3.13
IOER	3.15	2.40	0.15	2-Year	3.19
1-Month Libor	3.13	2.52	0.08	3-Year	3.22
11th Dist COFI (ECOFC)	0.87	0.66	0.23	5-Year	3.27
1-Yr. CMT	3.98	3.43	0.09	7-Year	3.35
Dow	28,730.12	31,510.43	33,843.92	10-Year	3.54
NASDAQ	10,575.62	11,816.20	14,448.58	30-Year	4.32
S&P 500	3,585.62	3,955.00	4,307.54		
Bond Buyer	4.02	3.59	2.26		

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	3.29					1-Year	N/A	+35
6 Mo. Bill	3.89					2-Year	40	55
1-Year Bill	3.97					3-Year	87	90
2-Year Note	4.14	15	81	81		5-Year	95	110
3-Year Note	4.16	10	85	85	81			
5-Year Note	3.96	8	98	94	86			
7-Year Note	3.86	20	105	98	88			
10-Year Note	3.73	51	121	110	99			
20-Year Bond	4.02							
30-Year Bond	3.71							

MBS Current Coupon Yields	
GNMA 30 Yr.	5.46%
FNMA 30 Yr.	5.57%
GNMA 15 Yr.	5.34%
FNMA 15 Yr.	4.88%

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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