



Weekly Review—October 28, 2022

I love a great escape! As readers of my commentary, you know I often refer to various types of escapes (i.e., music, movies, literature, etc.) but their inclusion serves a purpose. While my references may sometimes appear offhand, or quirky, they are intended to convey a feeling, an emotion related to the topic at hand. I enjoy escapes from my everyday life (work & home) as they allow for a period of calm to arrive in what is often a very busy schedule. Another purpose for including references to non-economical topics, is to reinforce the truism that our lives are made up of much more than the work we perform and that our lives are connected via the parts of our lives which we place value. Simply, I focus on our humanity. Or I at least try to remind all of us that we are in fact human and what makes us human comes from more than one aspect of our time here on Earth. If we look at this week's economic releases, we might just need to take a break from reality.

The largest story of the week came from yesterday's initial GDP release for the 3Q. At 2.6%, the increase over last quarter was higher than anticipated and much higher than 2Q's negative print of -0.6%. While positive and higher than expected, the Personal Consumption figure of 1.4% decreased from the prior quarter and was lower than a year ago. Signs of slowing consumer contribution to the economy send a significant signal of an impending economic slowdown. The release of the Fed's preferred measure of inflation, Core PCE Deflator, showed an increase of 0.5% in September and 5.1% over a year ago, sending further signals that the Fed's attempt at helping bring back price stability is far from over. Finally, the real estate sector continues to show signs of softening. Although housing prices decreased in September, the cost of obtaining a mortgage contributes to slowing demand for new home sales.

Two of the work-related reading escapes I took this week were the following:

Reading the entire Bloomberg Businessweek issue with the 40,000-word article entitled *The Crypto Story: Your guide to where it came from, what it all means, and why it still matters* by Matt Levine. I learned more than I thought I would, and it is written in a playful, yet informative manner. Worth a good part of your morning.

Volker's Announcement of Anti-Inflation Measures, an article by Bill Medley, Federal Reserve Bank of Kansas City on a Federal Reserve History website, federalreservehistory.org. I had to remind myself how different the FOMC was back then and clear up any misguided comparisons I may have made between then and now. Similar inflationary periods but for different reasons.

I'll leave you with a modified, paraphrased lyric from The Beastie Boys:

Well, Matt, (huh) what you got for me? Show these good people what it means to be Me.

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NEW ISSUE MUNICIPAL CALENDAR

| Date | Amount (\$) | Description | Maturity |
|------------|-------------|-----------------------------|-----------|
| 11/01/2022 | 16,645,000 | GARDEN CITY KS -A UT GO Aa3 | 2023-2032 |
| 11/03/2022 | 2,190,000 | DERBY KS-A UT GO | 2024-2043 |

ECONOMIC CALENDAR

| Monday 10/31 | Tuesday 11/1 | Wednesday 11/2 | Thursday 11/3 | Friday 11/4 |
|--|--|--|---|---|
| MNI Chicago PMI Dallas Fed Manf. Activity | S&P Global US Manufact. PMI ISM Manufacturing JOLTS Job Openings | MBA Mortgage Applications ADP Employment Change FOMC Rate Decision | Trade Balance Initial Jobless Claims Durable Goods Orders | Change in Nonfarm Payrolls Unemployment Rate Avg. Hourly Earnings MoM/YoY |

| KEY INDICES | | | | MUNI AA-BQ | |
|------------------------|-----------|------------|--------------|------------|------|
| | Current | Last Month | One Year Ago | | |
| Prime Rate | 6.25 | 6.25 | 3.25 | 3 Mo. | 2.57 |
| Discount Rate | 3.25 | 3.25 | 0.25 | 6 Mo. | 2.72 |
| Fed Funds Rate | 3.08 | 3.08 | 0.08 | 1-Year | 3.21 |
| IOER | 3.15 | 3.15 | 0.15 | 2-Year | 3.28 |
| 1-Month Libor | 3.75 | 3.11 | 0.09 | 3-Year | 3.32 |
| 11th Dist COFI (ECOFC) | 1.11 | 0.87 | 0.23 | 5-Year | 3.39 |
| 1-Yr. CMT | 4.50 | 4.16 | 0.12 | 7-Year | 3.50 |
| Dow | 32,861.80 | 29,683.74 | 35,730.48 | 10-Year | 3.65 |
| NASDAQ | 11,102.45 | 11,051.64 | 15,448.12 | 30-Year | 4.58 |
| S&P 500 | 3,901.06 | 3,719.04 | 4,596.42 | | |
| Bond Buyer | 4.16 | 3.89 | 2.25 | | |

| 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 | 4.02 | | | | | 1-Year | N/A | +40 |
| 6 Mo. Bill | 4.50 | | | | | 2-Year | 45 | 55 |
| 1-Year Bill | 4.55 | | | | | 3-Year | 90 | 95 |
| 2-Year Note | 4.40 | 13 | 81 | 80 | | 5-Year | 95 | 117 |
| 3-Year Note | 4.37 | 9 | 84 | 82 | 81 | | | |
| 5-Year Note | 4.17 | 9 | 98 | 94 | 86 | | | |
| 7-Year Note | 4.09 | 29 | 105 | 98 | 89 | | | |
| 10-Year Note | 4.00 | 65 | 120 | 111 | 99 | | | |
| 20-Year Bond | 4.37 | | | | | | | |
| 30-Year Bond | 4.11 | | | | | | | |

| MBS Current Coupon Yields | |
|---------------------------|-------|
| GNMA 30 Yr. | 5.49% |
| FNMA 30 Yr. | 5.66% |
| GNMA 15 Yr. | 5.31% |
| FNMA 15 Yr. | 5.01% |

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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