



According to the Office of the Comptroller of the Currency (OCC), regulators define risk as the potential that events will have an adverse effect on a financial institution's current or projected financial condition and resilience. According to Warren Buffet, risk comes from not knowing what you are doing!

Banking is a risky business. Meaning, the business model of banking is inherently full of risks. Whether its credit, interest rate, liquidity, price, operational, compliance, reputation, strategic or systemic risk – financial institutions purposely take on risk for the sake of earnings. As such, risk isn't eliminated, it's managed. Of the risks, the first four – credit, interest rate, liquidity, and price (a.k.a. – the risks normally associated with asset-liability management/ALM) are best managed via your institution's Asset-Liability Committee (ALCO). Understanding that ALM risks have a direct and quantifiable impact to net interest income, the ALM process should be viewed as a profit center as effective ALCO's are those that have built a coordinated framework to drive earnings. This framework encompasses both sides of the balance sheet – earning assets and costing liabilities. Often referred to as proactive balance sheet management, effective ALM involves budgeting/forecasting, product management, pricing, capital planning, liquidity/contingency funding as well as investments. Building an effective ALM framework challenges even the most experienced banking professional.

If you would like to better understand how an effective ALM can drive earnings, give us a call. CMG's team of ALM professionals have the tools and experience to help navigate earnings and risk even in today's challenging environment.

As a heads-up, the next CMG Weekly Commentary will be published December 3. Cherish the time spent with family and friends this Thanksgiving holiday.

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NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
11/25/2021		HAPPY THANKSGIVING	

ECONOMIC CALENDAR

Monday 11/22	Tuesday 11/23	Wednesday 11/24	Thursday 11/25	Friday 11/26
Existing Home Sales	Markit US Manufacturing PMI	MBA Mortgage Applications	Happy Thanksgiving!	
Chicago Fed Nat Activity Index	Markit US Composite PMI	Initial Jobless Claims		
	Richmond Fed Manufact. Index	GDP 3Q Second Estimate		

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	3.25	3.25	3.25	3 Mo.	0.12
Discount Rate	0.25	0.25	0.25	6 Mo.	0.15
Fed Funds Rate	0.08	0.08	0.09	1-Year	0.17
IOER	0.15	0.15	0.10	2-Year	0.27
1-Month Libor	0.09	0.08	0.15	3-Year	0.38
11th Dist COFI	0.23	0.24	0.52	5-Year	0.67
1-Yr. CMT	0.18	0.11	0.11	7-Year	1.02
Dow	35,601.98	35,457.31	29,483.23	10-Year	1.23
NASDAQ	16,057.44	15,129.09	11,904.71	30-Year	1.77
S&P 500	4,697.96	4,519.63	3,581.87		
Bond Buyer	2.13	2.28	2.28		

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	0.04					1-Year	N/A	+35
6 Mo. Bill	0.05					2-Year	35	40
1-Year Bill	0.14					3-Year	40	50
2-Year Note	0.47	3	-4	-5		5-Year	50	60
3-Year Note	0.81	2	0	-3	-4			
5-Year Note	1.17	1	13	9	1			
7-Year Note	1.41	5	21	14	4			
10-Year Note	1.52	12	36	26	15			
20-Year Bond	1.94							
30-Year Bond	1.90							

MBS Current Coupon Yields	
GNMA 30 Yr.	1.95%
FNMA 30 Yr.	1.99%
GNMA 15 Yr.	0.44%
FNMA 15 Yr.	1.42%

About the Author, Dennis Zimmerman



In 2015, Dennis joined Commerce Bank's Capital Markets Group as Manager of Asset/Liability Services. With his leadership, the Capital Market's ALM team provides asset/liability management consulting services to community banks.

Prior to joining Commerce, he was employed for nearly 26 years at one of the largest privately-held banks in Kansas. In addition to managing a \$775 million bond portfolio, his Asset/Liability Chairman responsibilities included managing margin, interest rate risk, liquidity and capital. Prior to becoming the bank's Finance Treasury Officer, he was a Registered Investment Representative and Supervising Principal in the bank's Capital Markets division.

As a seasoned professional, Mr. Zimmerman offers a comprehensive understanding of bank finance treasury, fixed income, complex financial analysis as well as regulatory and operational awareness. As a banker, he understands the challenge of balancing shareholder expectations within appropriate levels of risk.

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