



Weekly Review—December 10, 2021

CPI data came out this morning and for the most part met expectations. Month over month CPI grew by 0.08%, 0.5% excluding food and energy while the change from a year ago came in at 6.8%, 4.9% excluding food and energy. Because the expectations were for inflation data to be the highest in decades, the markets remained relatively stable. It must be noted that prices grew at a faster pace in the Midwest and South regions. At time of writing, the equity markets were up slightly, and US bond yields were lower across the curve.

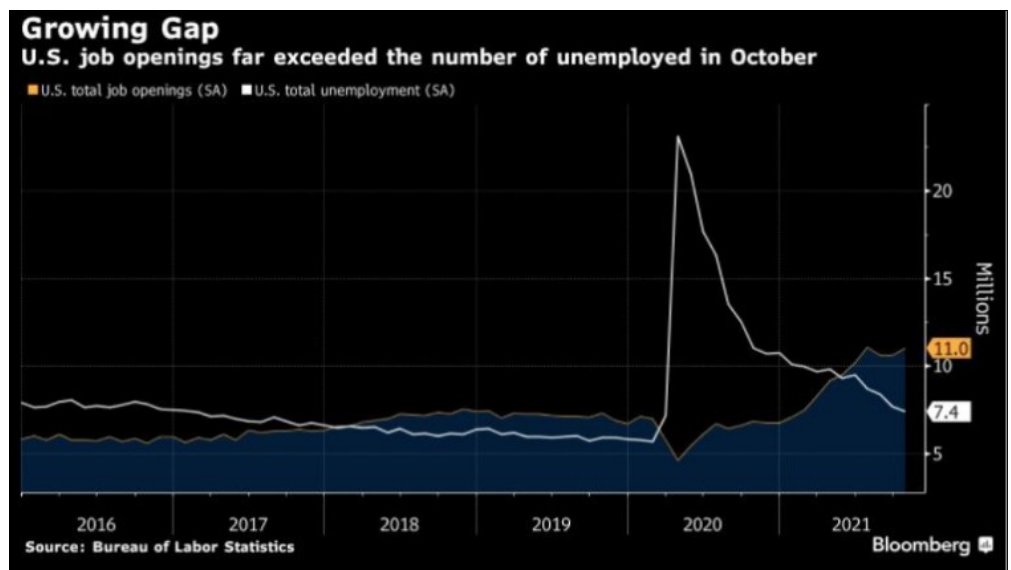
Markets will take notice of next week's FOMC meeting, looking for any changes in the pace of tapering in the coming months. If the Fed increases the pace of tapering (buying even less bonds monthly), it will signal the recognition of the higher level of inflation and more importantly, whether or not it will remain at this level for longer. Additionally, if the speed of tapering increases, the probability of the Fed to increase the overnight rates sooner in 2022 also increases. Currently, the expectations show two increases in the overnight rate, one at the June meeting and the next in November – each of 25bps points. The only movement in hike probability comes in moving from July to June, aligning with the expectations of faster tapering by the Fed.

While the Fed will likely focus on price stability in the near-term, the more challenging aspect of their dual mandate lies with the continued slow recovery in employment. The JOLTS job openings came at over 11 million and while the quit rate remains elevated, it declined by 4.7% from the previous release. The latest unemployment data showed around 7.4 million looking for work. That leaves roughly 3.6 million needed to fill all the openings (see chart below). This could be the most difficult challenge for markets going forward.

With these two aspects affecting market expectations, what comes out of next week's FOMC meeting is becoming more critical. Stay tuned and hopefully, Chair Powell will communicate clearly and not cause an end of year tantrum.

Have a nice weekend!

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NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
12/13/2021	\$9,900,000	ELK CO KS USD #282 UT GO BQ A-	2027-2047
12/14/2021	\$7,150,000	GRANDVIEW MO-REF UT GO BQ AA-	2022-2034
12/14/2021	\$16,940,000	ANDOVER KS -B-TXBL UT GO RATING APPLIED	2025-2040
12/14/2021	\$18,285,000	JOPLIN MO SCHS-REF UT GO AA+ ST AID/A+	2028-2032
12/16/2021	\$740,000	CANEY KS-2022-A-NTS UT GO BQ	2024
12/16/2021	\$5,900,000	OTTAWA CO KS UNIF SD#240 UT GO BQ	2023-2041

ECONOMIC CALENDAR

Monday 12/13	Tuesday 12/14	Wednesday 12/15	Thursday 12/16	Friday 12/17
	PPI Final Demand MoM/YoY NFIB Small Business Optimism	MBA Mortgage Applications FOMC Meets/Decides Retail Sales Advance MoM	Initial Jobless Claims Continuing Claims Housing Starts	

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	0.10	0.09	0.15	3-Year	0.40
11th Dist COFI	0.23	0.23	0.50	5-Year	0.65
1-Yr. CMT	0.27	0.14	0.10	7-Year	0.97
Dow	35,970.99	36,079.94	29,999.26	10-Year	1.15
NASDAQ	15,630.60	15,622.71	12,405.81	30-Year	1.69
S&P 500	4,712.02	4,646.71	3,668.10		
Bond Buyer	2.05	2.10	2.13		

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	0.05					1-Year	N/A	+35
6 Mo. Bill	0.10					2-Year	35	45
1-Year Bill	0.24					3-Year	50	55
2-Year Note	0.65	3	1	1		5-Year	55	65
3-Year Note	0.97	2	5	1	1			
5-Year Note	1.23	4	18	14	6			
7-Year Note	1.39	7	26	18	8			
10-Year Note	1.45	20	40	31	19			
20-Year Bond	1.87							
30-Year Bond	1.84							

MBS Current Coupon Yields	
GNMA 30 Yr.	2.03%
FNMA 30 Yr.	2.08%
GNMA 15 Yr.	0.44%
FNMA 15 Yr.	1.42%

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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