

## Weekly Review—November 17, 2017

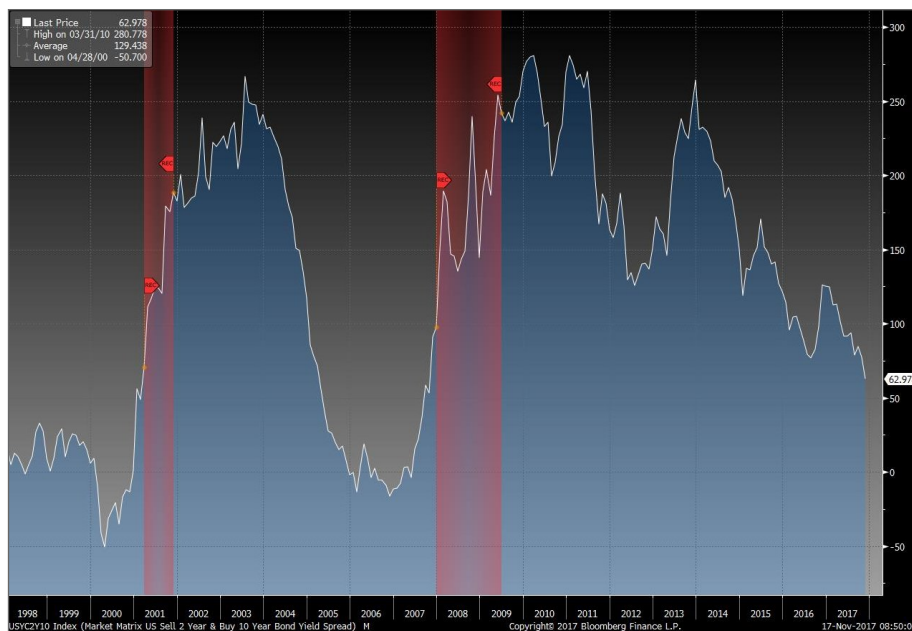
Twelve years ago, my life changed. In August of 2005, I climbed a mountain in Colorado and I found a new path in life. I hiked up Longs Peak (14,259') in Rocky Mountain National Park and I learned the importance of two things: having a strategy and teamwork.

We need a strategy, a plan, to succeed. Without one, we rely upon luck. First, as investors, we need an outlook for where interest rates are heading. We've seen a flattening yield curve and it looks to continue as the Fed will most likely raise the Fed Funds rate next month (92.3% probability – Bloomberg). Longer term interest rates may be affected by economic factors and often indicate the market's outlook on future interest rates. With a flattening curve, long-term rates could go up, anticipating economic growth, or long-term rates could decline, indicating a possible economic slowdown. Our expectations inform our strategy. If we think longer term interest rates will rise, we will look for shorter maturities, rolling down the curve to capture higher future rates of re-investment. If we feel the opposite will happen and a possible economic slowdown is coming, we extend our duration and maturities as we hope to earn a higher return over a period of declining rates.

If we examine the attached Bloomberg monthly 2y-10y spread graph, we see the peaks and valleys as well as the last two recessions. The peaks are representative of a steepening curve while the valleys are a flat or even inverted curve (as indicated by a negative spread). One important reminder, look at the length of time between the valleys and the beginning of a recession. The lesson here is we usually have some time to develop our strategies, we do not need to and should not make knee-jerk reactions to news stories, economic releases, or even commentaries like this! Maintain a long-term outlook, keep your goal in mind, and place one foot in front of the other. Do your research and ask for clarification when you need it.

I set out to climb Longs Peak in 2005 all by myself; I had a good strategy, but I ended up needing help and needing to help another man along the trail. Only by working together did we reach the summit. The Capital Markets Group lives on the trail, we are here for you and want to climb with you. We look forward to sharing our strategies to help you overcome your challenges and reach your investment goals.

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### NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
11/20/2017	\$24,790,000.00	JOPLIN SD MO 2017 UT GO AA+ DIR DEP A+ UNDER	2030-2033
11/20/2017	\$3,735,000.00	GARDNER KS 2017A UT GO BQ AA-	2018-2027
11/21/2017	\$6,500,000.00	JOHNSON CO KS FIRE DIST 2 2017A UT GO BQ Aa1	2018-2037



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ECONOMIC CALENDAR				
Monday 11/20	Tuesday 11/21	Wednesday 11/22	Thursday 11/23	Friday 11/24
Leading Index	Existing Home Sales	MBA Mortgage Applications Initial Jobless Claims Durable Goods Orders		Markit US Manufacturing PMI

KEY INDICES				MUNI AA—BQ	
	Current	Last Month	One Year Ago		
Prime Rate	4.25	4.25	3.50	3 Mo.	1.15
Discount Rate	1.75	1.75	1.00	6 Mo.	1.17
Fed Funds Rate	1.16	1.16	0.41	1-Year	1.20
1-Mo. Libor	1.28	1.24	0.55	2-Year	1.33
11th Dist COFI	0.73	0.73	0.60	3-Year	1.42
1-Yr. CMT	1.60	1.42	0.76	5-Year	1.66
Dow	23,358.24	22,997.44	18,903.82	7-Year	1.87
NASDAQ	6,782.79	6,623.66	5,333.97	10-Year	2.19
S&P 500	2,578.80	2,559.36	2,187.12	30-Year	2.90
Bond Buyer	3.52	3.53	3.75		

Treasuries & New Issue Agencies <i>(Spread to Treasuries)</i>					
	Treasuries	Bullets	NC-6 Mo.	NC-1 Year	NC- 2 Year
3 Mo. Bill	1.25				
6 Mo. Bill	1.38				
1-Year Bill	1.53				
2-Year Note	1.71	6	9	8	
3-Year Note	1.82	7	18	16	10
5-Year Note	2.05	6	31	27	18
7-Year Note	2.23	12	38	33	24
10-Year Note	2.35	32	53	48	40
30-Year Bond	2.79				

CMO Spreads to Treasuries		
	PAC	Vanilla
1-Year	N/A	+45
2-Year	44	54
3-Year	52	61
5-Year	60	71

MBS Current Coupon Yields	
GNMA 30 Yr.	2.85%
FNMA 30 Yr.	3.00%
GNMA 15 Yr.	2.38%
FNMA 15 Yr.	2.48%



### 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.

\*\*\*If you no longer wish to receive this weekly review, please send an email to [CapitalMarketsGroup@commercebank.com](mailto:CapitalMarketsGroup@commercebank.com)\*\*\*

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