Capital Markets Group



Weekly Review-February 19, 2021

Movin' on up! To the east side...Parts of the US Treasury curve moved markedly upward this past week and there are several possible reasons why. First, most of the country experienced extremely cold temperatures which caused strains on power grids across the Midwest. The loss of power in Texas also caused some immediate repercussions in the price of oil – another measure of inflation. Second, the expectation of an additional \$1.9 trillion in stimulus. Third, the yield curve could finally be reacting to mostly positive economic data – catching up to normal expected curve behavior. In all likelihood, each of these possible reasons contributed some to the upward movement of the longer end of the curve.

Fight the power...the 10-year part of the treasury curve moved up from last Friday's 1.21% to current trading levels of 1.34%. Additionally, the ten year has increased almost 42bps from the end of 2020! This week's power grid failures and consequential power outages only exacerbated inflationary pressures. While this rapid rise may be temporary, it may also be representative of further interest rate volatility going forward.

Good times, any time you're out from under! Treasury Secretary Janet Yellen argued this week that "It's very important to have a big package that addresses the pain this has caused." Her justification lay with the current level of unemployed workers and the length of time still expected to reach full employment – Yellen expects 2022.

Don't push me 'cause I'm close to the edge... Despite the relatively positive economic trends we are experiencing, in comparison to pre-pandemic levels, there remains some recovery room in some sectors. However, some are arguing that this recent rise in interest rates may just be a delayed response to the upward economic trend. As reported on CNBC.com, Emmanuel Cau, Barclays Head of European Equity Strategy stated, "it seems right for bond yields to catchup with other more advanced reflation trades." Only time will reveal the actual causes of this rise in the longer end of the treasury curve but for now, it might be a good time to reach out to your CMG Investment Representative for chat. Have a nice weekend!

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NEW ISSUE MUNICIPAL CALENDAR				
Date	Amount (\$)	Description	Maturity	
02/24/2021	\$ 3,035,000	MARYVILLE MO -REV -COPS BQ A+	2021-2038	

ECONOMIC CALENDAR				
Monday 2/22	Tuesday 2/23	Wednesday 2/24	Thursday 2/25	Friday 2/26
Leading Index	Conf. Board Consumer Confid.	MBA Mortgage Applications	GDP Annualized QoQ	Wholesale Inventories MoM
Chicago Fed Nat Activity Index	FHFA House Price Index MoM	New Home Sales	Initial Jobless Claims	Personal Income
Dallas Fed Manf. Activity	Richmond Fed Manf. Index	New Home Sales MoM	Personal Consumption	Personal Spending

KEY INDICES					\A-
	Current	Last Month	One Year Ago	3 Mo.	Т
Prime Rate	3.25	3.25	4.75		
Discount Rate	0.25	0.25	2.25	6 Mo.	
Fed Funds Rate	0.08	0.09	1.58	1-Year	
IOER	0.10	0.10	1.60	2-Year	
1-Month Libor	0.11	0.13	1.65	3-Year	
11th Dist COFI	0.46	0.47	1.04		
1-Yr. CMT	0.06	0.10	1.47	5-Year	
Dow	31,494.32	30,930.52	29,348.03	7-Year	
NASDAQ	13,874.46	13,197.18	9,817.18		
S&P 500	3,906.74	3,798.91	3,386.15	10-Year	
Bond Buyer	2.17	2.21	2.51	30-Year	

MUNI AA-BQ			
3 Mo.	0.03		
6 Mo.	0.05		
1-Year	0.08		
2-Year	0.14		
3-Year	0.22		
5-Year	0.35		
7-Year	0.60		
10-Year	0.95		
30-Year	1.64		

Treasuries & New Issue Agencies (Spread to Treasuries)					
	Treasuries	Bullets	NC-6 Mo.	NC-1 Year	NC-2 Year
3 Mo. Bill	0.02				
6 Mo. Bill	0.03				
1-Year Bill	0.04				
2-Year Note	0.10	1	-7	-8	
3-Year Note	0.21	1	-3	-7	-8
5-Year Note	0.58	1	10	6	-2
7-Year Note	0.97	2	18	24	0
10-Year Note	1.34	8	32	23	12
20-Year Bond	1.96				
30-Year Bond	2.13				

CMO Spreads to Treasuries					
	PAC	Vanilla			
1-Year	N/A	+45			
2-Year	50	57			
3-Year	52	66			
5-Year	67	77			
MBS Current Coupon Yields					
GNMA 30 Yr.	GNMA 30 Yr.				
FNMA 30 Yr.	1.66%				

0.49%

1.04%

GNMA 15 Yr.

FNMA 15 Yr.



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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