Capital Markets Group

Weekly Review—August 11, 2023

*On the road again…*Boy, have I had some windshield time these past few weeks. IL, MO, KS, CO, east, west, north, and south. But I absolutely love it. I love seeing customers in person and learning even more about what they deal with. You see, each of our clients are different; each have different and specific goals and challenges. Sure, I can work with them on the phone, or email, or video conference, but seeing their faces up close provides even more insight and a genuine sense of living in the real.

*I can't wait to get back on the road again…*Thankfully, I get to meet with some keen observers of the economy. The people I see, help me see a different perspective and allow me to see how their institutions are affected by inflation, employment, and interest rates. I work predominantly with community banks. Their purpose is to serve their communities by providing lending services, deposit services, other financial products and services, and involvement in the towns and cities in which they operate. Helping the flow of money travel through local economies, generating income, providing a financial safety net (i.e., line of credit), and giving back through volunteering and perhaps providing scholarships. Most of the work that community banks do (the same can be said for businesses and non-profits in each community) goes unnoticed. The main topic discussed has been liquidity – both sources and the outlook for near-term and long-term funding diversification. For a very long time, the financial industry has been able to rely on very low-cost funding (and customers benefited from low-cost loans) due to the low-level of interest rates. Recently, the costs of funding bank balance sheets has been outpacing any gains made on the earning assets, causing pressure on margin (the difference between what is earned from assets and paid out to depositors, or wholesale funding outlets). Some banks have more diversified income streams: reliance upon margin is less for those who provide trust services or payment services in addition to lending and depository services. By and large, most of the clients I work with, rely heavily upon margin for profits and capital growth. I remember this fact, because the world in which I operate revolves around how to improve margin without taking on excessive risk. On one hand it's very rewarding, on the other, it's very challenging. Risk/reward is what banks do. Therefore, I, too, must take on the challenge (risk) to receive the reward (seeing our customers face-to-face).

Have a great weekend!

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NEW ISSUE MUNICIPAL CALENDAR			
Date	Amount ($)	Description	Maturity
08/14/2023	$2,510,000	HUTCHINSON KS -A UT GO Aa3	2025-2043
08/14/2023	$5,200,000	EUDORA KS- A UT GO AA-	2024-2038
08/15/2023	$96,260,000	TOPEKA KS-A-REV Aa3	2024-2053
08/17/2023	$14,205,000	LENEXA KS -A UT GO Aaa AAA	2024-2043

Economic Release	Data Period	Date	Survey	Actual	Prior
Trade Balance	Jun	08/08/2023	-$65.0b	-$65.5b	-$68.3b (rev up)
MBA Mortgage Applications	Aug 4	08/09/2023	NA	-3.1%	-3.0%
Initial Jobless Claims	Aug 5	08/10/2023	230k	248k	227k
Continuing Claims	July 29	08/10/2023	1,707k	1,684k	1,692k (rev down)
CPI MoM	Jul	08/10/2023	0.2%	0.2%	0.2%
CPI YoY	Jul	08/10/2023	3.3%	3.2%	3.0%
Real Avg Hourly Earning YoY	Jul	08/10/2023	NA	1.1%	1.3% (rev up)
Real Avg Weekly Earnings YoY	Jul	08/10/2023	NA	0.2%	0.7% (rev up)
PPI Final Demand MoM	Jul	08/11/2023	0.2%	0.3%	0.0% (rev down)
U. of Mich. Sentiment	Aug (P)	08/11/2023	71.2	71.2	71.6

KEY INDICES

	Current	Last Month	One Year Ago
Prime Rate	8.50	8.25	5.50
Discount Rate	5.50	5.25	2.50
Fed Funds Rate	5.33	5.08	2.33
Interest on Reserve Bal.	5.40	5.15	2.40
SOFR	5.30	5.06	2.28
11th Dist COFI (ECOFC)	2.82	2.73	0.66
1-Yr. CMT	5.36	5.38	3.26
Dow	35,281.40	34,261.42	33,336.67
NASDAQ	13,644.85	13,760.70	12,779.91
S&P 500	4,464.05	4,439.26	4,207.27
Bond Buyer	3.71	3.64	3.27

MUNI AA—BQ

3 Mo.	2.91
6 Mo.	3.01
1-Year	3.29
2-Year	3.13
3-Year	2.97
5-Year	2.83
7-Year	2.74
10-Year	2.82
30-Year	4.00

Treasuries & New Issue Agencies *(Spread to Treasuries)*

	Treasuries	Bullets	NC-6 Mo.	NC-1 Year	NC- 2 Year
3 Mo. Bill	5.42				
6 Mo. Bill	5.48				
1-Year Bill	5.34				
2-Year Note	4.88	3	81	80	
3-Year Note	4.55	12	85	82	81
5-Year Note	4.27	11	98	94	86
7-Year Note	4.21	14	105	98	88
10-Year Note	4.13	50	120	111	99
20-Year Bond	4.43				
30-Year Bond	4.25				

CMO Spreads to Treasuries

	PAC	Vanilla
1-Year	N/A	+55
2-Year	60	75
3-Year	95	120
5-Year	120	150

MBS Current Coupon Yields

FNMA 30 Yr.	5.94%
FNMA 15 Yr.	5.46%

The Weekly Review is a publication of the Capital Markets Group of Commerce Bank.