



Weekly Review—August 26, 2022

Don't fight the Fed. Chair Powell spoke this morning at the Central Bank gathering in Jackson Hole, Wyoming. Despite clear preambles by several Fed presidents this week, the markets were spooked by what Powell said. Chair Powell commented that "restoring price stability will take some time and requires using our tools forcefully to bring demand and supply into better balance." The main focus of the FOMC remains in getting inflation back under control. The committee will be mostly focused on reducing the inflation rate via short-term rate hikes and overnight rates will remain elevated for some time. Over the past month, the Fed Fund futures market has shown a prediction of the overnight rate topping out in 1Q 2023, then possibly seeing some cuts towards 4Q 2023. Powell's comments today pushed the timing of any cuts out farther. With the Fed poised to act "forcefully," any hopes of a soft landing (avoiding a recession) have blown away in the wind coming down off the Rockies.

Prior to Chair Powell's speech, the FOMC's preferred measure of inflation, the PCE Core Deflator YoY came in lower than expected and lower than June's figure. At 4.6%, the inflation gauge was two basis points lower than the previous month and falls in-line with trends seen in the CPI and PPI releases for July. As fall approaches and temperatures cool, energy will play a significant role in not only US inflation, but also global inflation. Economists polled by Bloomberg don't see inflation reaching any level close to 2% until 2024, so we are in for an extended period of high prices. While the Personal Spending figure of 0.1% for July sent signals of a possible slowdown in consumer spending, the University of Michigan Sentiment release of 58.2 exceeded expectations and sent a conflicting signal of thought about the economy by consumers. Granted, each of these measurements has limitations, but they elegantly capture this year's economic data: mixed and confusing.

Next Friday, the Nonfarm Payrolls and unemployment rate for August data will be released. While the Fed has a dual mandate of price stability and full employment, focus will undoubtedly remain on price stability over the next year with the FOMC using rate hikes to slow demand. October seems a long way away; however, the markets are already acting like they saw a ghost.

Have a great weekend!

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NEW ISSUE MUNICIPAL CALENDAR			
Date	Amount (\$)	Description	Maturity
8/30/2022	\$4,365,000	ANDOVER KS UT GO AA-	2023-2042

ECONOMIC CALENDAR				
Monday 8/29	Tuesday 8/30	Wednesday 8/31	Thursday 9/1	Friday 9/2
Dallas Fed Manf. Activity	Conf. Board Consumer Confid.	MBA Mortgage Applications	Initial Jobless Claims	Change in Nonfarm Payrolls
	FHFA House Price Index	ADP Employment Change	S&P Global US Manf. PMI	Unemployment Rate
	JOLTS Job Openings	MNI Chicago PMI	ISM Manufacturing	Factory Orders

KEY INDICES				MUNI AA—BQ	
	Current	Last Month	One Year Ago		
Prime Rate	5.50	4.75	3.25	3 Mo.	1.68
Discount Rate	2.50	1.75	0.25	6 Mo.	1.83
Fed Funds Rate	2.33	1.58	0.09	1-Year	2.24
IOER	2.40	1.65	0.15	2-Year	2.29
1-Month Libor	2.49	2.25	0.09	3-Year	2.33
11th Dist COFI (ECOFC)	0.66	0.49	0.28	5-Year	2.39
1-Yr. CMT	3.36	3.07	0.07	7-Year	2.53
Dow	32,282.80	31,761.54	35,213.12	10-Year	2.76
NASDAQ	12,141.71	11,562.57	14,945.81	30-Year	3.59
S&P 500	4,057.66	3,921.05	4,470		
Bond Buyer	3.59	3.36	2.14		

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	2.78					1-Year	N/A	+30
6 Mo. Bill	3.19					2-Year	35	45
1-Year Bill	3.30					3-Year	72	82
2-Year Note	3.37	6	1	0		5-Year	82	92
3-Year Note	3.38	1	5	2	0			
5-Year Note	3.18	9	18	14	6			
7-Year Note	3.13	20	26	19	9			
10-Year Note	3.05	47	40	31	20			
20-Year Bond	3.48							
30-Year Bond	3.26							

MBS Current Coupon Yields		
GNMA 30 Yr.		4.12%
FNMA 30 Yr.		4.43%
GNMA 15 Yr.		3.81%
FNMA 15 Yr.		3.86%



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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