Capital Markets Group



Weekly Review-October 3, 2019

I get the feeling we need a recession. I do not want one personally, but it is as though our collective psyche will only accept if we complete this extended economic cycle by heading into recession. Historically, we experienced the highs and lows of recovery, expansion, slowdown, recession – repeat, repeat, repeat. We must only scan the news stories, look at the bond markets expectation, look at the manufacturing sectors in the US and Globally, look at Germany's economic woes and negative outlook. Face it, a lot of the news we read is negative. A lot of the expectations we read inform us that we are due for a recession. Do we need one to help us move on? The length of this current expansion seems to be causing a lot of uncertainly and fear.

Admittedly, I am just proposing this idea, not backing it up by reams and reams of data – it is based on a feeling, a sentiment I've been having for a long time. But I also do not think I'm completely nuts (debatable, cue the peanut gallery!). But if we require some facts, let us examine the following data sets.

US Treasury Bond Yields - Change from a year ago:

	<u>10/3/18</u>	<u>10/3/19</u>	Δ
3M:	2.21	1.69	-0.52
2Y:	2.87	1.38	-1.49
5Y:	3.04	1.34	-1.70
10Y:	3.18	1.53	-1.65

Now, let us look at some sector **sentiment** data:

ISM Manufacturing Index 10/31/18: 57.5

09/30/19: 47.8 – hitting below 50 is interpreted as a slowdown

ISM Non-Manufacturing Index 1 0/31/18: 60.0

09/30/19: 52.6

The bond market and these sentiment indexes portend a negative outlook for future economic outlook in the near-term. I certainly do not think these data sets alone mean we are headed for recession in 2020, but maybe we need to prepare for 2021 to be a possibility for experiencing one. And perhaps we need to just get it over with so we can feel normal and get a chance at a new beginning, a new start.

Have a great weekend!

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NEW ISSUE MUNICIPAL CALENDAR					
Date	Amount (\$)	Description Matur			
10/07/2019	\$535,000	LYNDON KS 2019 UT GO BQ NR	2020-2046		
10/08/2019	\$925,000	ISD 87 KAY CO OK 2019 UT GO BQ NR	2021-2025		
10/10/2019	\$1,615,000	ISD 24 PONTOTOC CO OK 2019 UT GO TAXABLE NR	2021-2022		

ECONOMIC CALENDAR						
Monday 10/7	Tuesday 10/8	Wednesday 10/9	Thursday 10/10	Friday 10/11		
	PPI Final Demand MoM	MBA Mortgage Applications	CPI MoM	U. of Mich. Sentiment		
		Wholesale Inventories MoM	Initial Jobless Claims			

	MUNI AA-BQ				
	Current	Last Month	One Year Ago	Year Ago 3 Mo.	
Prime Rate	5.00	5.25	5.25		1.13
Discount Rate	2.50	2.75	2.75	6 Mo.	1.16
Fed Funds Rate	1.88	2.13	2.18	1-Year	1.20
IOER	1.80	2.10	2.20	2-Year	1.18
1-Month Libor	2.00	2.08	2.27	3-Year	1.19
11th Dist COFI	1.16	1.16	1.02	3 real	1.15
1-Yr. CMT	1.58	1.76	2.61	5-Year	1.22
Dow	26,201.04	26,118.02	26,828.39	7-Year	1.30
NASDAQ	7,872.27	7,874.16	8,025.09	10. Vo em	1.47
S&P 500	2,910.63	2,906.27	2,925.51	10-Year	1.47
Bond Buyer	2.66	3.42	4.18	30-Year	2.12

	Treasuries & New Issue Agencies (Spread to Treasuries)				CMO Spreads to Treasuries			
	Treasuries	Bullets	NC-6 Mo.	NC-1 Year	NC- 2 Year		PAC	Vanilla
3 Mo. Bill	1.69					1-Year	N/A	+45
6 Mo. Bill	1.65					2-Year	52	65
1-Year Bill	1.59					3-Year	60	77
2-Year Note	1.38	4	29	12		5-Year	75	86
3-Year Note	1.34	5	41	26	2	MBS Current Coupon Yields		
5-Year Note	1.34	9	59	45	23	GNMA 30 Yr.		2.22%
7-Year Note	1.45	19	65	53	35	FNMA 30 Yr.		2.49%
10-Year Note	1.53	26	79	68	54	GNMA 15 Yr.		2.16%
30-Year Bond	2.04					FNMA 15 Yr.		2.09%



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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