



Weekly Review—September 7, 2023

In sports, a utility player plays multiple positions helping the team through many ways. This term perfectly sums up my career in banking. At each bank I worked, I took on several roles all in the pursuit of being helpful, providing a meaningful contribution to help the team succeed. Some of my favorite utility players that have inspired me have been Mike Vrabel (Patriots and Chiefs), José Oquendo (St Louis Cardinals), and John O’Shea (Manchester United). Vrabel primarily played defense but became an option in the red zone for both teams. He understood the game and knew he could help his team win. Oquendo famously played all nine positions for the Cardinals, filling in where needed. O’Shea also played every position for Manchester United over his career – 11 different positions! All three have become coaches or managers! Sometimes utility players are looked upon as not being good enough to play just one position, but just like every team needs some superstars, a successful team also needs someone who can do many different things to fill in as needed.

In the bond world, the closest thing I can think of is a Collateralized Mortgage Obligation (CMO). CMOs come in several different structures, can be confusing how they work, but they may be used to fill in cash flow gaps in a fixed income portfolio (the Team!). CMOs come in what are referred to as tranches, or slices of cash flows. The timing of the cash flows can be as versatile as desired, so selecting the right type for a given portfolio requires some strong pre-purchase analysis but may enhance the overall return as yields typically are higher than a more simply structured bond. CMOs are made up of cash flows from Mortgage-Backed Securities (MBS). Where MBS are made up of pools of mortgage loans, passing on the principal and interest payments made by the home or building owner to the bond holder, CMOs are made up of several different MBS pools, then split up into different coupons and durations. The interesting part of looking at the different tranches is an investor has more options to fill in cash flow ladders – but a certain amount of flexibility must be accepted. The first tranche is usually called a sequential – it acts similarly to an MBS, receiving both the scheduled principal and interest payments but all the prepayments as well. When this tranche is paid off, the additional prepayments are applied to the next tranches in line. The key to investing in CMOs is to have a partner who is knowledgeable about them and your portfolio. Please reach out to your Investment Representative to explore more about this fixed income utility player.

I love being able to work on many different tasks and play various roles within our group. It feeds my desire for continuing education and continuous improvement. If you play similar positions for your company, you can relate. We are just part of a greater team, and the joy and reward comes from being helpful and feeling useful when called upon.

Have a great weekend!

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NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
9/11/2023	\$2.8MM	MAIZE KS ULT GO AA-	2025-2044

Economic Release	Data Period	Date	Survey	Actual	Prior
Factory Orders	Jul	09/05/2023	-2.5%	-2.1%	2.3%
Durable Goods Orders	Jul (F)	09/05/2023	-5.2%	-5.2%	-5.2%
Durables Ex Transportation	July (F)	09/05/2023	0.5%	0.4%	0.5%
MBA Mortgage Applications	Sep 1	09/06/2023	NA	-2.9%	2.3%
Trade Balance	Jul	09/06/2023	-\$68.0b	-\$65.0b	-\$63.7b (rev up)
S&P Global US Services PMI	Aug (F)	09/06/2023	51.0	50.5	51.0
S&P Global US Composite PMI	Aug (F)	09/06/2023	50.4	50.2	50.4
ISM Services Index	Aug	09/06/2023	52.5	54.5	52.7
Initial Jobless Claims	Sep 2	09/07/2023	234k	216k	228k
Continuing Claims	Aug 26	09/07/2023	1719k	1679k	1719k (rev down)

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	8.50	8.50	5.50	3 Mo.	2.90
Discount Rate	5.50	5.50	2.50	6 Mo.	3.00
Fed Funds Rate	5.33	5.33	2.33	1-Year	3.28
Interest on Reserve Bal.	5.40	5.40	2.40	2-Year	3.16
SOFR	5.30	5.30	2.29	3-Year	3.05
11th Dist COFI (ECOFC)	2.89	2.82	0.87	5-Year	2.94
1-Yr. CMT	5.40	5.33	3.61	7-Year	2.96
Dow	34,500.99	35,473.13	31,581.28	10-Year	3.08
NASDAQ	13,748.83	13,977.12	11,791.90	30-Year	4.23
S&P 500	4,451.20	4,518.44	3,979.87		
Bond Buyer	3.81	3.60	3.64		

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	5.44					1-Year	N/A	+55
6 Mo. Bill	5.52					2-Year	60	70
1-Year Bill	5.41					3-Year	90	110
2-Year Note	4.98	3	81	81		5-Year	120	145
3-Year Note	4.70	9	85	82	81			
5-Year Note	4.40	8	98	94	86			
7-Year Note	4.36	27	106	99	88			
10-Year Note	4.27	47	120	111	100			
20-Year Bond	4.55							
30-Year Bond	4.36							

MBS Current Coupon Yields	
GNMA 30 Yr.	5.91%
FNMA 30 Yr.	5.95%
FNMA 15 Yr.	5.57%

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