



INVESTMENTS – FINDING CERTAINTY DURING UNCERTAIN TIMES

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PRESENTED BY

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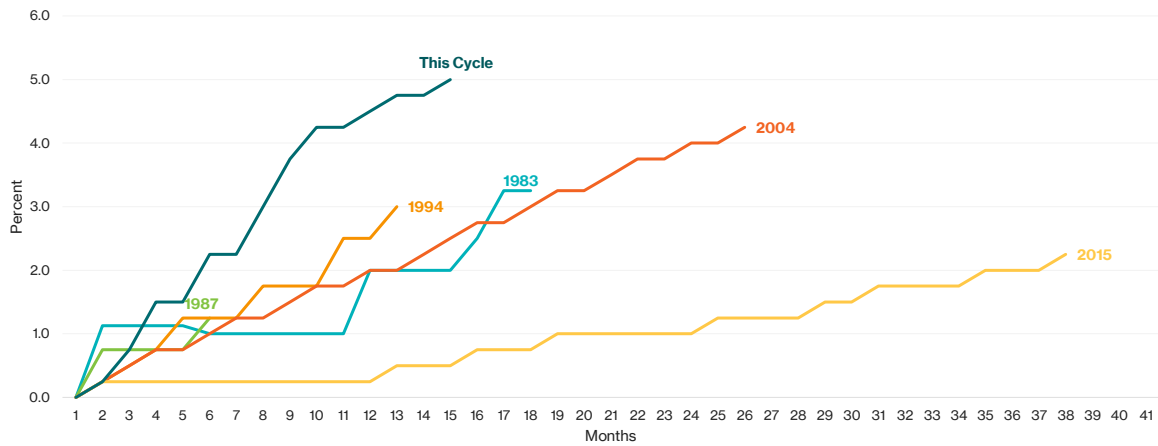


Market Update

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Fastest Rate Hiking Cycle

The current hiking cycle has been faster than each of the cycles since 1983



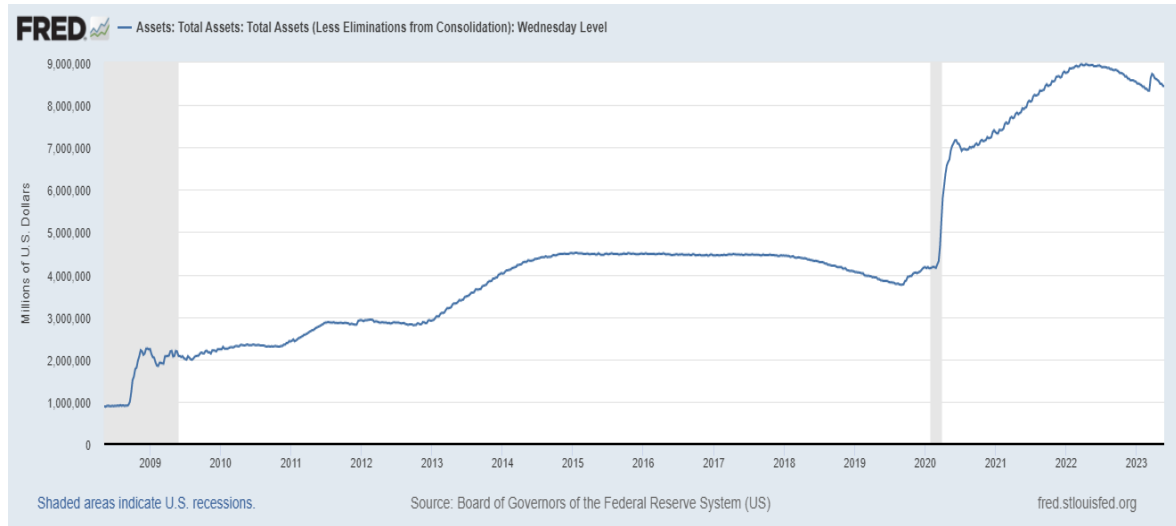
SOURCE: BLOOMBERG

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Fed's Balance Sheet



SOURCE: FRED, FEDERAL RESERVE BANK OF ST. LOUIS 5/30/2023

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Timeline of Recent Bank Headlines

MARCH 8



MARCH 12



MARCH 15 - 20



MAR 2022 – FEB 2023



MARCH 8-10



MARCH 12

BANK TERM FUNDING PROGRAM

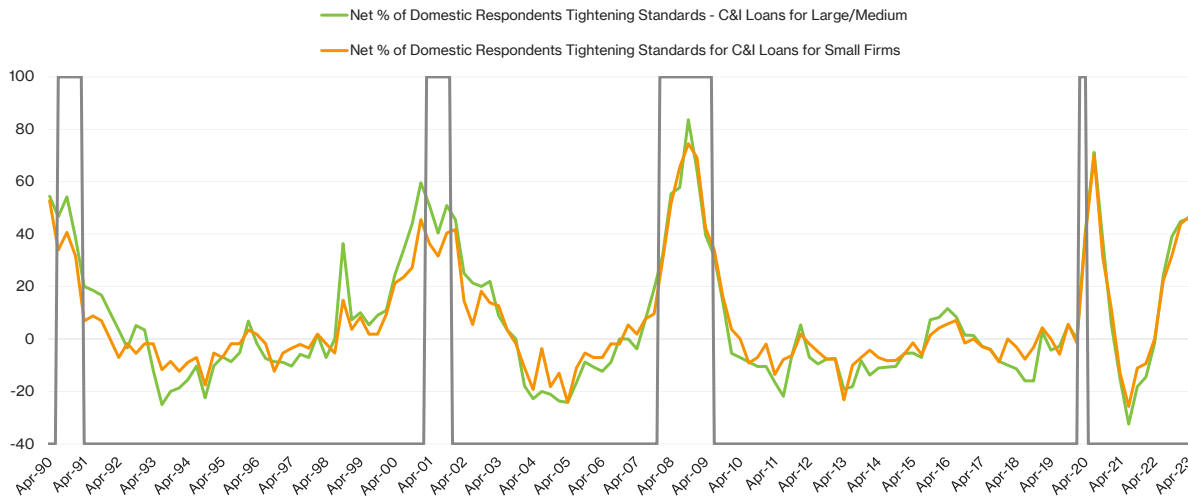
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Senior Loan Officer Opinion Survey on Bank Lending Practices



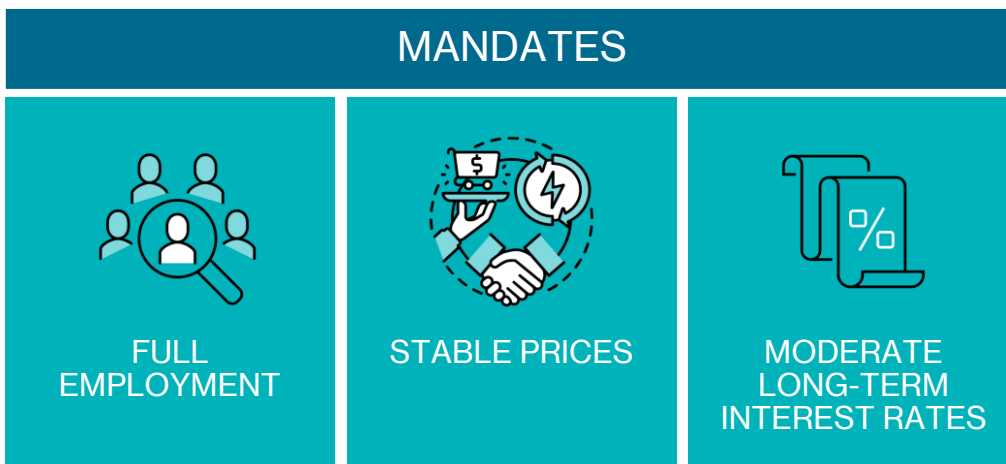
SOURCE: FEDERALRESERVE.GOV AS OF APRIL 2023

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The Federal Reserve Reform Act of 1977 and The Full Employment and Balanced Growth Act of 1978

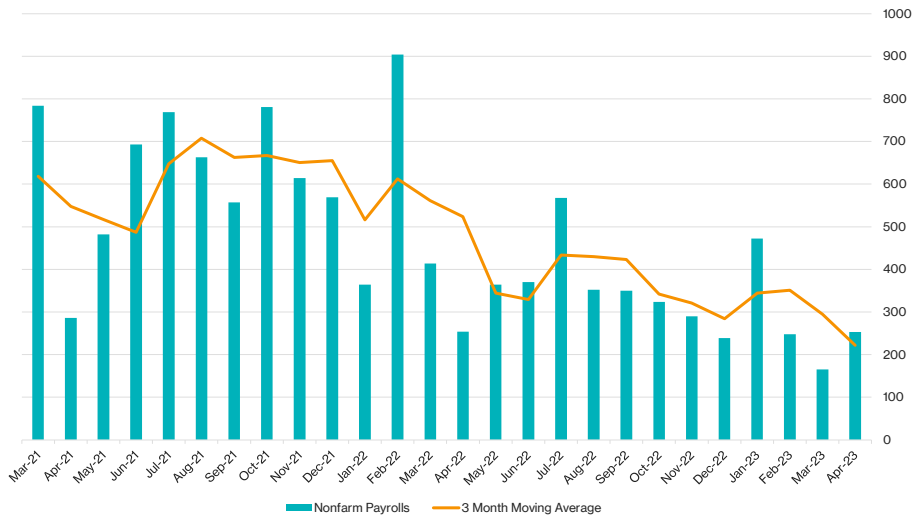


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Latest Trends in Labor Market

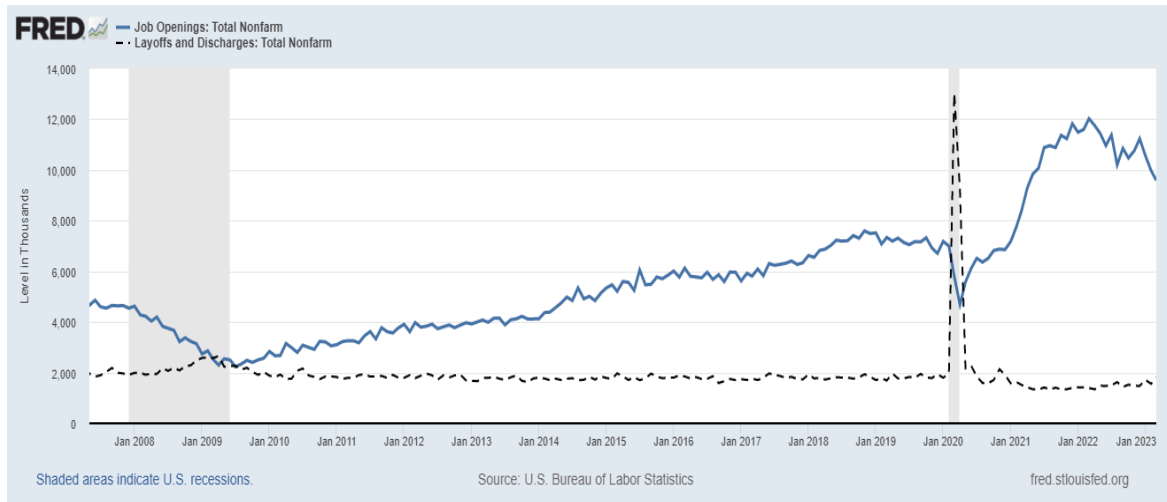


Unemployment Rate	
Current	3.40%
Fed's Projection	
12/31/23	4.50%
12/31/24	4.60%
12/31/25	4.60%

SOURCE: BLOOMBERG

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Job Openings and Labor Turnover



SOURCE: JOB OPENINGS AND LABOR TURNOVER SURVEY, BUREAU OF LABOR STATISTICS, RETRIEVED FROM FRED, FEDERAL RESERVE BANK OF ST. LOUIS 5/30/2023

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Factors Contributing to Today's Inflation Environment



Supply chain disruptions



Stimulus programs



Pent up demand for goods & services

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Inflation Expectations



SOURCE: SURVEYS OF CONSUMERS, UNIVERSITY OF MICHIGAN, UNIVERSITY OF MICHIGAN: INFLATION EXPECTATION® (MICH), RETRIEVED FROM FRED, FEDERAL RESERVE BANK OF ST. LOUIS 5/30/2023

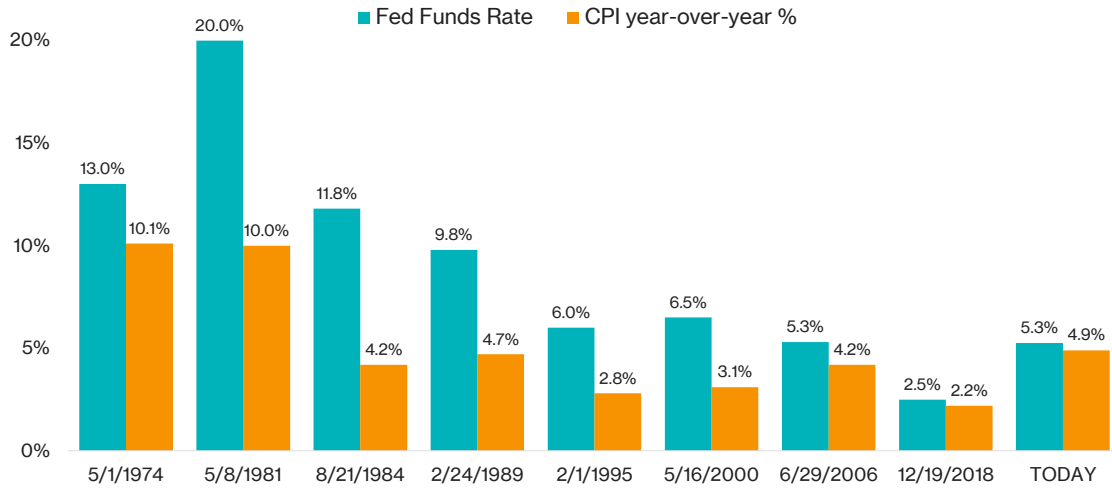
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The FED vs Inflation

Historically Tightening Cycles End When Fed Funds Rate is Above CPI



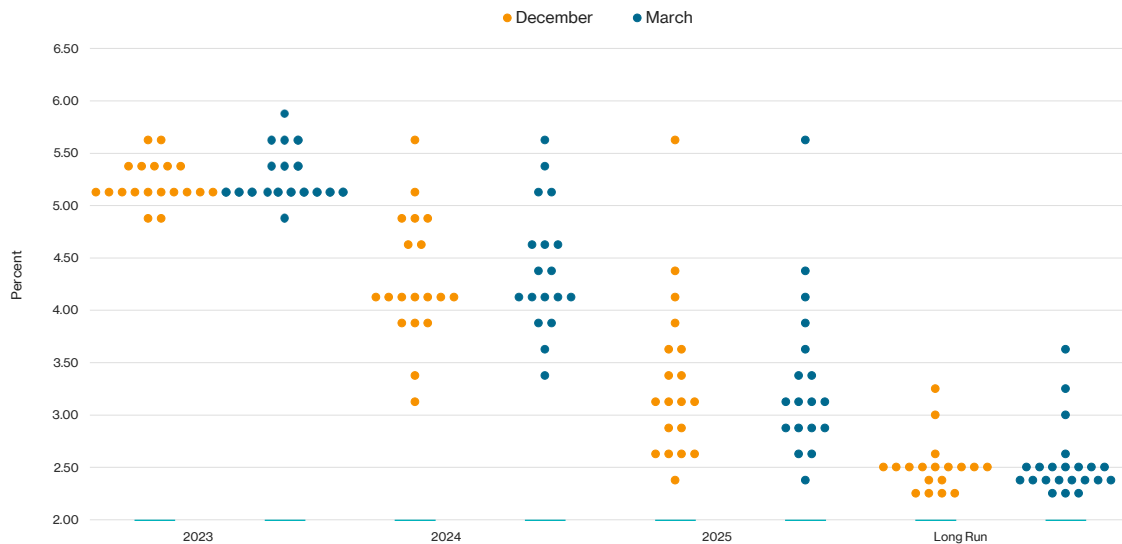
SOURCE: STRATEGAS

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Federal Reserve Dot Plot Comparison



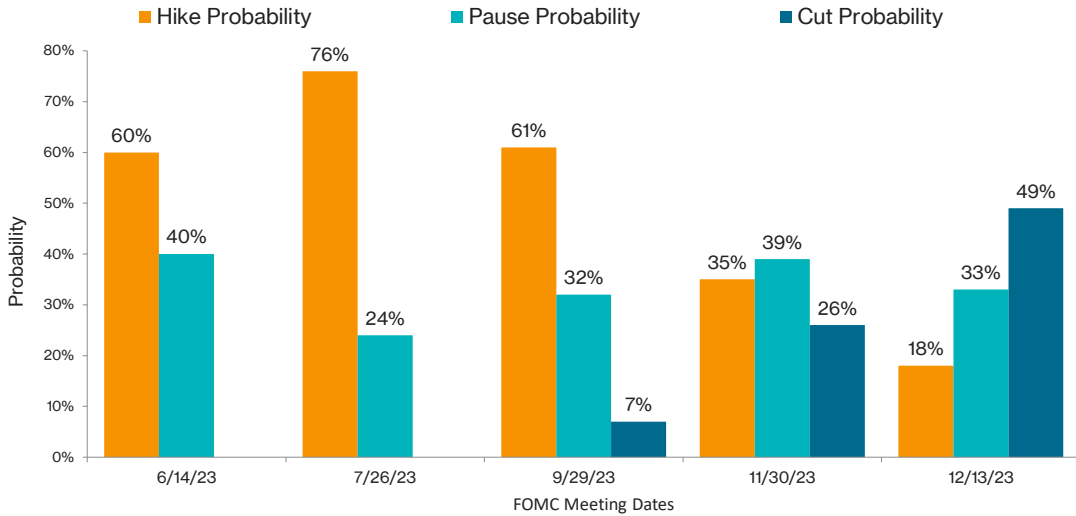
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Hike, Pause or Cut?



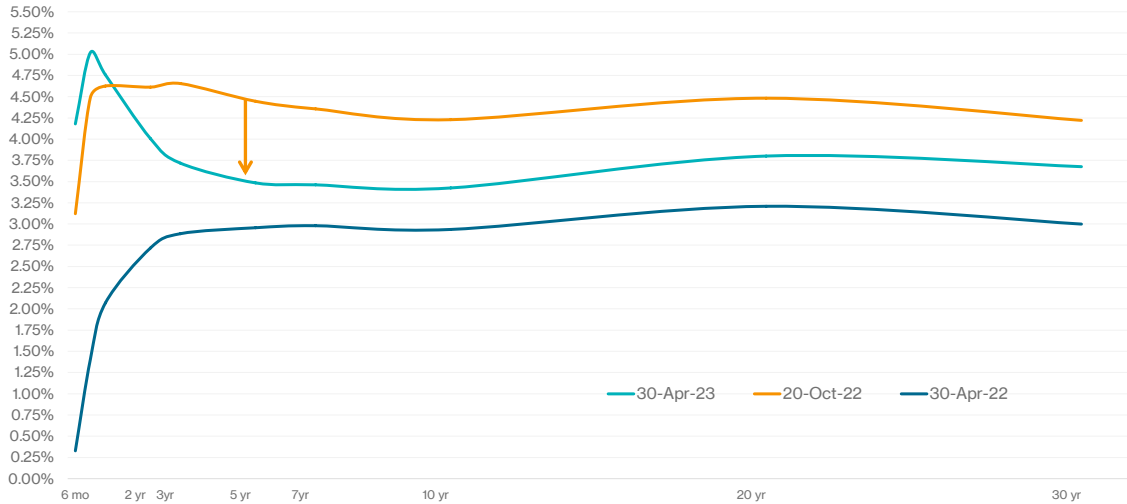
SOURCE: CME GROUP 5/30/2023

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US Treasury Yield Curves



SOURCE: BLOOMBERG AS OF 4/30/2023

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What to Watch for in 2023



Lower Inflation

Fed Rate Hikes
Ending

Tight Labor
Market Providing
Cushion for
Recession

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Finding Certainty

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How Should I Pay for Banking Services?



The choice of the methodology is yours

The two methods hinge on current rates – **You pay either way!**



Compensating Balance Basis

- Traditional for public entities and hides the fees
- You leave money in bank which earns \$\$ at ECR and pays the service bill
- You never see the charge – it looks “free”



Fee Basis

- You pay the fees for the service by debit to the account

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Your Decision MUST Hinge on Rates



Always compare your ECR to outside investment options

A **0.40% ECR** on \$5 million balance will generate \$1,667/month

If investment rates give you **3.00%** the same balance generates \$12,500/month

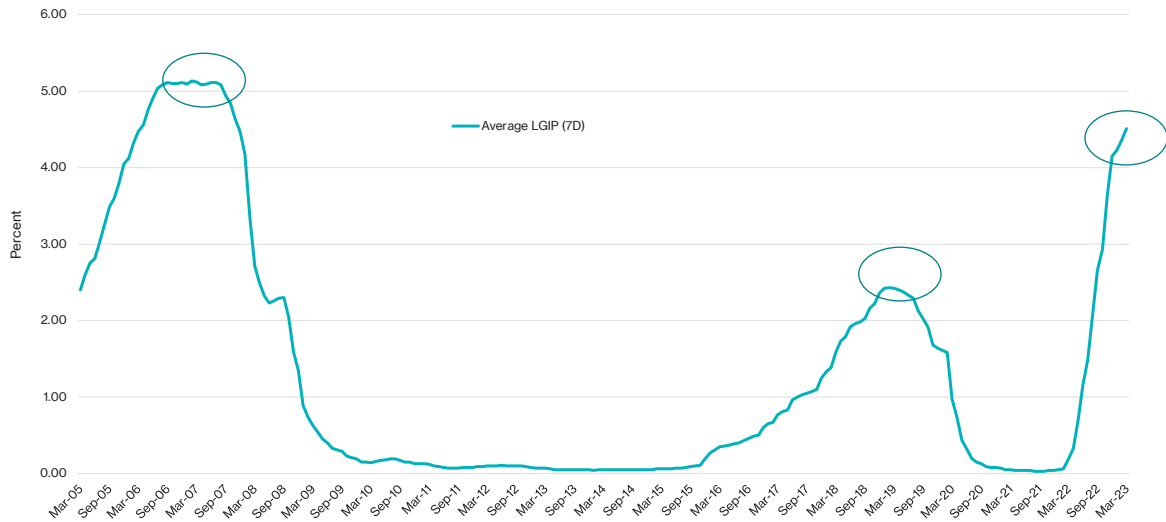
Invest the funds, pay \$1,667 directly and **keep \$10,833/mo (\$129,996/yr)**

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Should I wait for Rates to Rise before Investing Long Term?



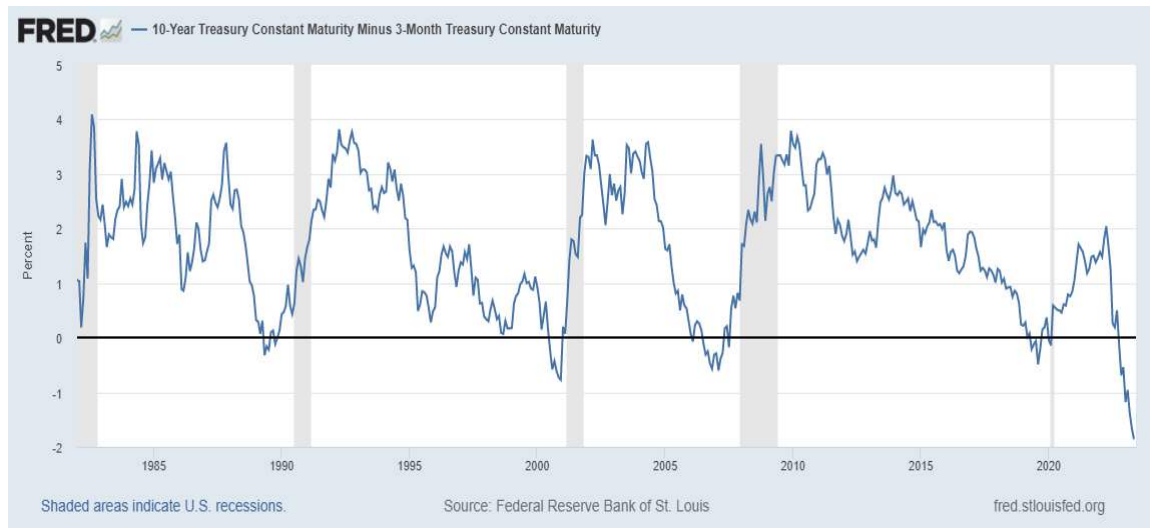
SOURCE: BLOOMBERG. AVERAGE LGIP REPRESENTED BY LGIP 7 DAY NET INDEX

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Historical Yield Curve Inversions



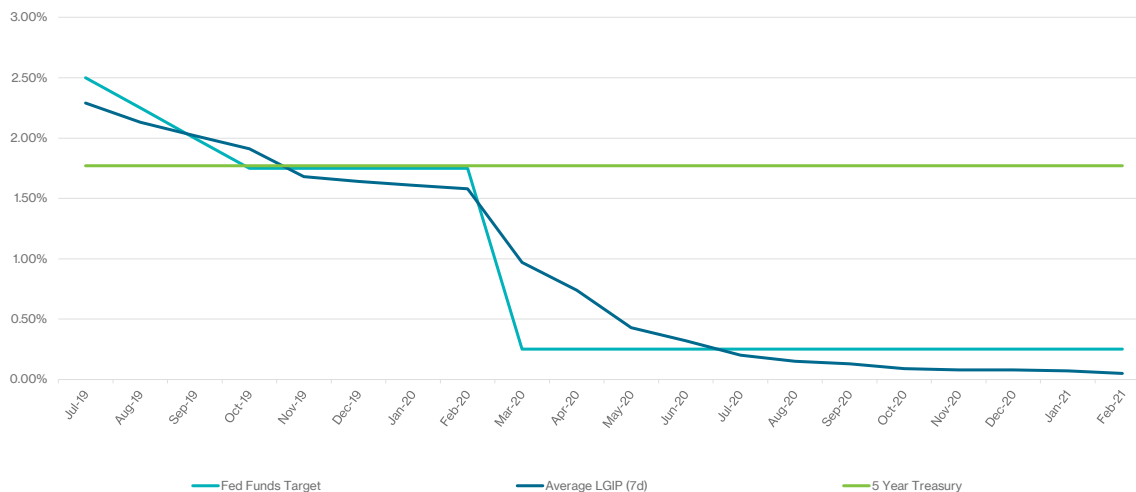
SOURCE: FEDERAL RESERVE BANK OF ST. LOUIS AS OF 5/30/2023

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July 2019



SOURCE: BLOOMBERG. AVERAGE LGIP REPRESENTED BY LGIP 7 DAY NET INDEX

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Breakeven Analysis - 5 Year Investment vs 1 Year Investment



5 year US Treasury at 3.80%		
Maturity	Amount	Interest Earned
Year 1	\$0	\$190,000
Year 2	\$0	\$190,000
Year 3	\$0	\$190,000
Year 4	\$0	\$190,000
Year 5	\$5,000,000	\$190,000
TOTAL	\$5,000,000	\$950,000

1 year US Treasury at 5.23%		
Maturity	Amount	Interest Earned
Year 1	\$5,000,000	\$261,500
Year 2	\$0	?
Year 3	\$0	?
Year 4	\$0	?
Year 5	\$0	?
	\$5,000,000	\$261,500

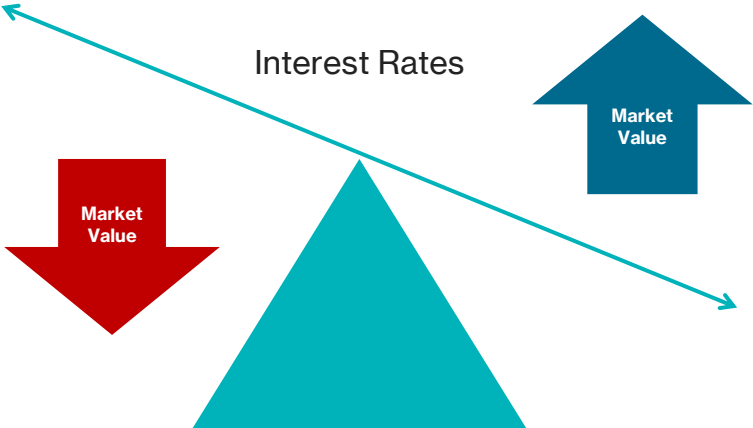
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Inverse Relationship



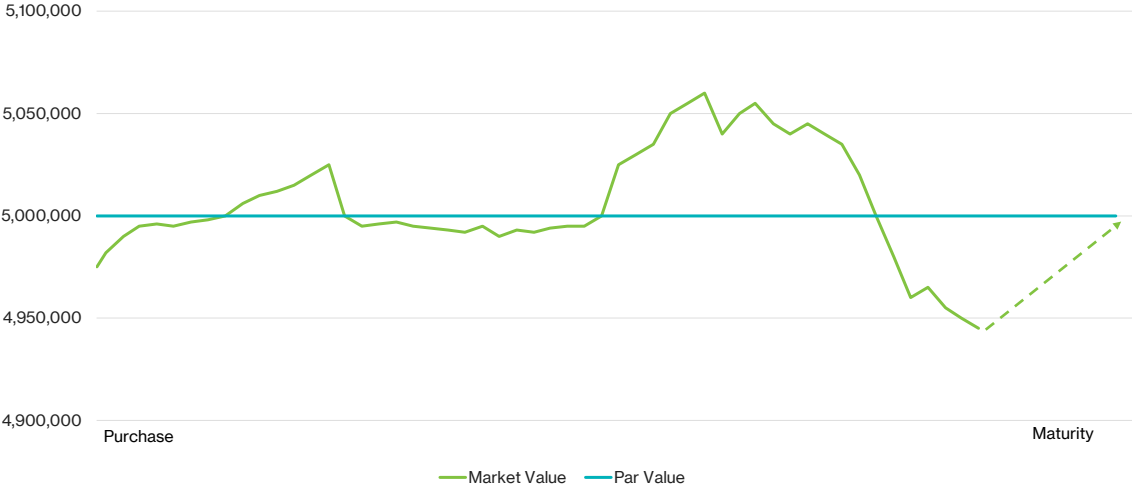
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Market Value



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INVESTMENT OPTIONS

HOLD TO MATURITY

SELL PRIOR TO MATURITY

RECEIVE COUPON INCOME and DISCOUNT

REALIZE THE LOSS

REINVEST AT UNKNOWN RATES AT MATURITY DATE

REINVEST AT TODAY'S RATES

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Swap Breakeven Analysis

Existing Holding:
 \$3 million par value, purchased at a discount, matures in 1 year
 Coupon rate 0.30%, unrealized loss \$102,100

Lost Income & Realized Loss on Sale of Security	
Coupon	\$9,000
Discount	\$5,370
Realized Loss	\$102,100
TOTAL TO RECOVER	\$116,470

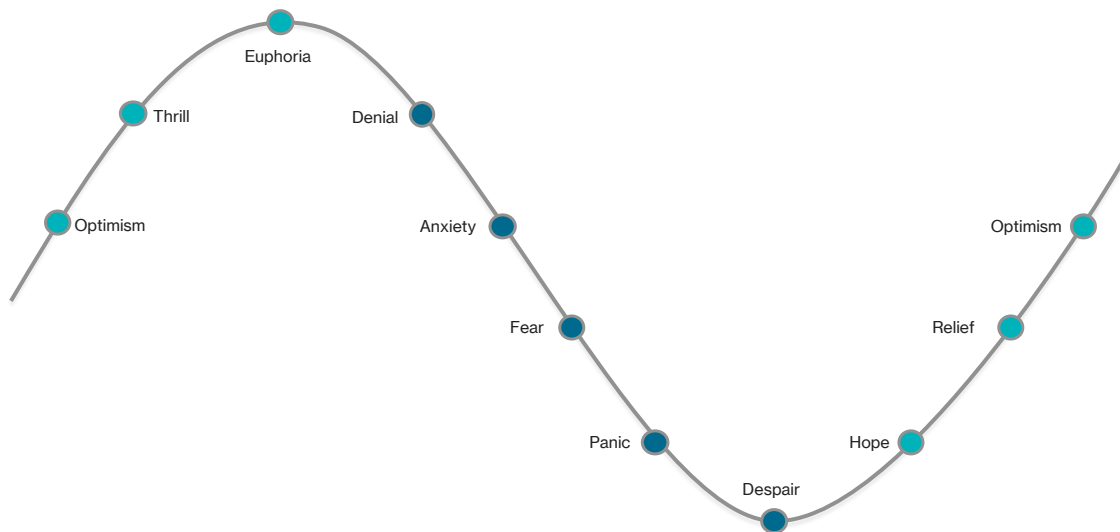
Reinvestment Rate	Potential Earnings on \$3 million for 1 year
3.00%	\$90,000
3.50%	\$105,000
4.00%	\$120,000
4.50%	\$135,000
5.00%	\$150,000

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Cycle of Emotions



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**“A plan is what, a schedule is when.
It takes BOTH a plan and a
schedule to get things done.”**

—PETER TURLA

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