South Dakota Banking Commission Meeting



Ben Eskierka-EVP United Bankers' Bank

December 15, 2022

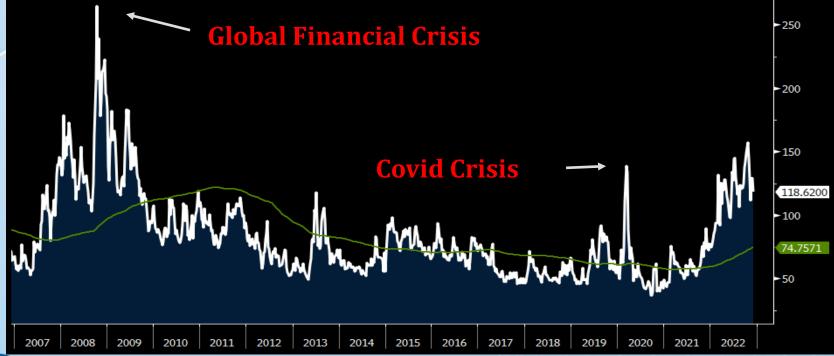


Agenda

- The Volatility Vortex and Bond Price Destruction
- Trust Me: It Will Be Enough
 Federal Reserve Monetary Policy
- A Shifting Liquidity Landscape



The Volatility Vortex and Bond Price Destruction. The MOVE Index



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How it Started a Year Ago!

- Rates will remain lower for longer
- Unlikely to raise rates until 2024
- We believe a recession is unlikely
- Inflation is transitory and not a problem
- Inflation should fall back to 2% in 2022



Traditional Fed Dual Mandate

- Stable Prices
- Full Employment



Current Fed Mandate

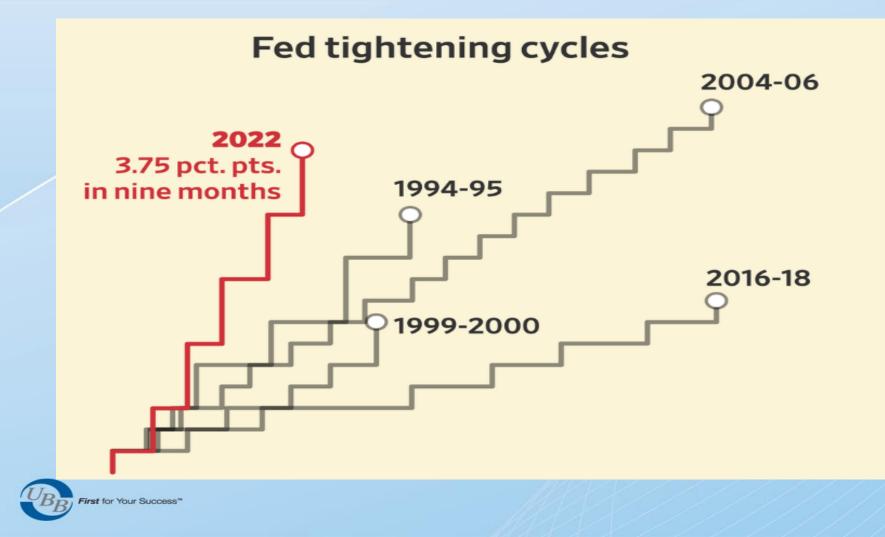
- Kill Inflation!
- Kill Inflation!
- Kill Inflation!



The Chairman Says: Trust Me, It Will Be Enough!







Positive Real Yields Needed

- FRED 📈 Personal Consumption Expenditures Excluding Food and Energy (Chain-Type Price Index)
 - Market Yield on U.S. Treasury Securities at 2-Year Constant Maturity, Quoted on an Investment Basis
 - Federal Funds Effective Rate

Core PCE

2 Year Treasury

Dercent Change from Year Ago, Percent Change from Year Ago, a Contract of the second s



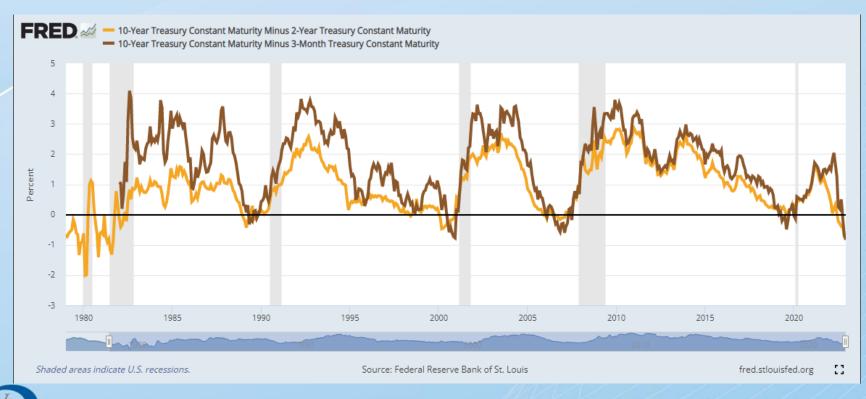
Shaded areas indicate U.S. recessions.

Sources: BEA; Board of Governors

fred.stlouisfed.org

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Yield Curve Inversions



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Current Monetary Policy in a Nutshell





Fed Funds Futures

	Pricing Date	12/02/22				
	United States	Fed Funds Futures				
	Target Rate	4				
	Effective Rate	3.83				
	Cur. Imp. O/N Rate	3.835				
	Meeting	#Hikes/Cuts	%Hike/Cut	Implied Rate		
((12/14/2022	2.07	20	7 4.353		
	02/01/2023	3.51	. 14-	4 4.712		
	03/22/2023	4.11	. 6	0 4.862		
	05/03/2023	4.332	22.	1 4.918		
	96/14/2023	4.233	-9.	9 4.893		
	07/26/2023	4.01	-22.	2 4.838		
	09/20/2023	3.655	-35.	5 4.749		
	11/01/2023	3.06	-59.	5 4.6		
	12/13/2028	2.367	-69.	3 4.427		
	01/31/2024	1.64	-72.	7 4.245		
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A Shifting Liquidity Landscape

- Tangible Capital Ratio
- Cash/Total Assets
- Unrealized Loss %
- Banks purchasing Fed Funds
- Banks with Brokered CD's

—					
	9/21			9/22	
High	Low	Med.	High	Low	Med.
20.7%	8.0%	10.7%	21.0%	2.3%	8.5%
67.3%	1.3%	12.7%	47.6%	1.3%	7.2%
-1.0%	2.9%	.4%	-15.8%	0.0%	-9.2%
3			7		
19			19		

QT Begins



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MMT Wasn't So Far Fetched



11. What if the Bank runs out of money? Some players think the Bank is bankrupt if it runs out of money. The Bank never goes bankrupt. To continue playing, use slips of paper to keep track of each player's banking transactions – until the Bank has enough paper money to operate again. The banker may also issue "new" money on slips of ordinary paper.



Questions??

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