

RECONSIDERING LOAN HEDGING

This Day in History: Today is National Escargot Day. On May 24, 1844, Samuel Morse tapped out the first telegraph message, "What hath God wrought." In 2001, 15 year old Sherpa Temba Tsheri became the youngest person to reach the peak of Mt. Everest.

Market Update: The previous week's interest rate volatility was replaced by a much calmer market last week. The market continues to handle strong economic data and take rising inflation results in stride.

Term	Swap Rates				Change		
	5/21/2021	5/14/2021	4/21/2021	8/4/2020	WoW	MoM	Since 8/4/2020
2y	0.25	0.26	0.27	0.18	-0.01	-0.02	0.07
3y	0.45	0.45	0.45	0.18	0.00	0.00	0.27
5y	0.91	0.90	0.89	0.24	0.01	0.03	0.67
7y	1.27	1.26	1.23	0.35	0.00	0.04	0.92
10y	1.59	1.60	1.55	0.51	0.00	0.05	1.09
20y	1.98	1.98	1.93	0.73	0.00	0.05	1.25
2s/10s slope	1.34	1.34	1.28	0.32	0.01	0.06	1.02

Portfolio hedgers and commercial borrowers, both of whom are looking for rising rate protection, continue to be active. We expect to see more of this activity as borrowers seek the protection of fixed rates and more bankers recognize the benefits of commercial loan hedging (see below and attached paper).

More community banks continue to adopt commercial loan hedging programs, but many bankers do not recognize many of the subtle benefits to the bank. The attached paper highlights many of the not-so-obvious benefits of adding a commercial loan hedging program to your portfolio of product offerings.

Please call us to discuss how we can help you compete in an environment of margin compression and struggles to grow the commercial loan portfolio.

Have a great week!

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