The Pro Shop

Country Club Bank
Capital Markets Group

October 2009

Capital Markets Group
9400 Mission Road
Prairie Village, Kansas 66206
1-800-288-5489
www.ccbcm.com

Interest Rate Risk Revisited

It is possible that the Fed Funds Target rate will remain at zero (0 % to 0.25%) for quite some time. The consensus opinion of market participants is that it will last into 2010 and, possibly, well beyond. According to the Federal Open Market Committee's (F.O.M.C.) Statement, the Fed "continues to anticipate that economic conditions are likely to warrant exceptionally low levels of the federal funds rate for an extended period." As such, it doesn't sound like a plan for raising rates is on the horizon. Despite improving consumer confidence, and the rising stock market, there are still many problems to overcome. Unemployment at a 26-year high and weak real estate markets have not shown any real signs of a bottom.

The current economic environment shows few hints of inflation. The fiscal and monetary stimulus packages are so large that you would think inflationary fears would be reflected in the U.S. bond market. They have not been. The bond market continues to absorb a huge supply of new debt without much problem, as you can see from the numbers and charts on pages 2 and 3.

With interest rates at historically low levels, investors should obviously limit their overall level of interest rate risk. Assuming that Treasuries remain credit risk-free, the only risk to really concern ourselves with is interest rate risk. If you buy a five-year Treasury note at today's yield of about 2.20% and value it a year from now at a market yield of 3.20% (+ 1%), your total return would be about minus 1.6%. At a market yield of 4.20% (+2%) the total return would be minus 5.1%.

Of course, longer bonds have more interest rate risk. For instance, if you buy a 10-year Treasury note at today's 3.20% yield and value it one year from now in a 4.20% environment (+1%) or 5.10% (+2%), your total returns would be about minus 4.3% or minus 11%, respectively. The fluctuation of 30-year T-bond yields in the past year have been more than 2% from top to bottom. That resulted in more than a 40% change in principal value during that time. The longest bond was nearly as volatile, price-wise, as the stock markets.

Interest rate risk is most importantly influenced by inflationary expectations. At the present, they are virtually non-existent. Unfortunately, we are not going to get a call from the Fed when things change. As you can see from the chart on page 3, things can change in a hurry.

This is something to keep in mind as we continue in the seemingly endless zero percent environment. It won't last forever, but markets will provide advanced notice of a change in policy - an abrupt change in market prices will signal a shift is underway.

Robert W. Brickson
Senior Vice President

TAX EXEMPT

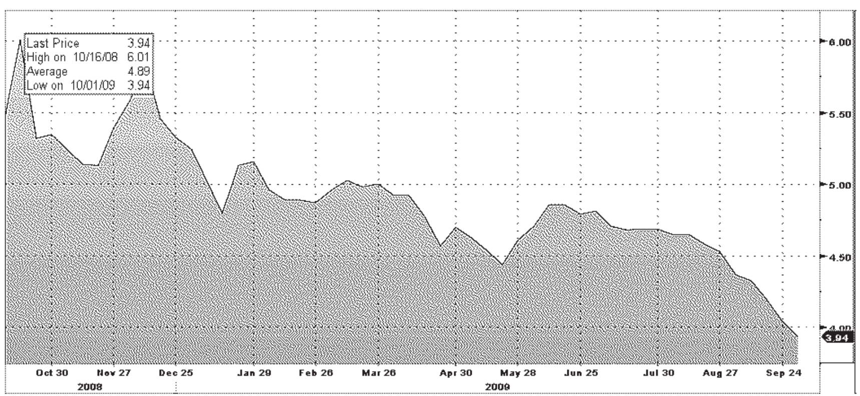
Municipal Bond Yields (Recent Issues)

	Aaa	Aa	A	Aaa BQ	Aa BQ	A BQ
1 year	0.44	0.59	1.09	0.71	0.76	1.17
5 year	1.66	1.81	2.30	1.95	2.00	2.41
10 year	2.90	2.98	3.34	3.05	3.10	3.51
15 year	3.67	3.82	4.08	3.59	3.64	4.05
20 year	3.97	4.36	4.50	4.07	4.12	4.53

The above figures represent approximately yields of recent general obligation offerings.

BQ - Bank Qualified

Bond Buyer Index AA2 20-Year General Obligations 10/9/08-10/1/09



Source: Bloomberg, L.P

TAXABLE

Money Market Yields

	Fed Funds	LIBOR	Treasury* Bills	Discount* Notes	LIBOR
	1 DAY		90 DAYS		
10/5/09	0.25	0.24	0.10	0.10	0.28
10/6/08	2.00	4.00	0.80	3.00	4.25
			180 DAYS		
10/5/09			0.13	0.15	0.60
10/6/08			1.20	3.00	4.20

*Bond Equivalent Yield

Treasury Yields

	2 yr.	3 yr.	5 yr.	10 yr.	30 yr.
10/5/09	0.87	1.34	2.19	3.19	3.98
10/6/08	1.40	1.90	2.40	3.45	3.97

Government Agency Yields

	2 yr.	5 yr.	10 yr.	30 yr.
10/5/09	0.90	2.50	3.50	4.40
10/6/08	2.90	3.80	4.40	4.70

Interest Rates

Corporate/Mortgage Backed Yields

	Corporates Aaa / Aa			Mortgage Backeds GNMA		Mortgage Backeds FNMA / FHLMC	
	2 yr.	5 yr.	10 yr.	15 yr.	30 yr.	15 yr.	30 yr.
10/5/09	1.90	3.00	5.50	3.25	4.00	3.35	4.00
10/6/08	5.75	7.00	7.50	5.50	6.00	5.80	6.25

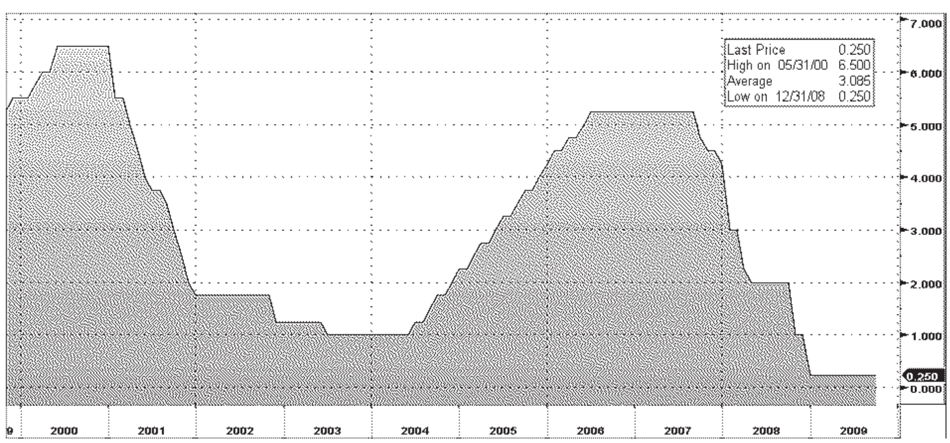
Market Data

Selected Indicator Watch

	DJIA	Gold / $ oz.	Oil / $ bbl.	CRB Index	Yen / $	$ / Euro
10/5/09	9,550	1,010.00	69.00	254.00	90.00	146.00
10/6/08	9,955	925.00	90.00	312.00	102.00	135.00

Fed Funds Target Rate
10/29/99-9/30/09 (monthly)

Source: Bloomberg, L.P



Government Calendar

Tuesday, October 13	Estimated $30.0 Billion	3 & 6 Month U.S. Treasury Bill Auction
Monday, October 19	Estimated $30.0 Billion	3 & 6 Month U.S. Treasury Bill Auction
Monday, October 26	Estimated $30.0 Billion	3 & 6 Month U.S. Treasury Bill Auction
Tuesday, October 27	Estimated $44.0 Billion	2-Year U.S. Treasury Note Auction
Wednesday, October 28	Estimated $40.0 Billion	5-Year U.S. Treasury Note Auction
Thursday, October 29	Estimated $30.0 Billion	7-Year U.S. Treasury Note Auction

Municipal Bond Offerings

Moody's/S & P	Description	State	Amount	Coupon	Maturity	YTC	YTM
NR / NR GO / BQ	OSAGE USD #454 REF Cusip: 687647bb2	KS	95,000	3.40%	9/1/2011		1.50%
Aa3 / NR GO / BQ FSA	OTTAWA SD 240-REF Cusip: 689211bp4	KS	175,000	3.60%	9/1/2011		1.15%
NR / NR GO / BQ	KINGMAN REF-WTR UTIL Cusip: 689211bp4	KS	110,000	4.00%	9/1/2012		1.65%
A2 / NR GO / BQ	MISSION SER A Cusip: 605094hw4	KS	425,000	5.00%	9/1/2012		1.40%
NR / NR REV / BQ	ANDERSON PUB BLDG LAW Cusip: 03363rae5	KS	215,000	3.60%	8/1/2013		2.60%
NR / NR GO / BQ	WAMEGO REF/IMPT-SER 2 Cusip: 933603hq8	KS	50,000	4.00%	9/1/2016	2.60%	3.16%
NR / NR GO / BQ	COWLEY USD #462 REF Cusip: 223762ce3	KS	155,000	4.10%	9/1/2018	2.60%	3.38%
Aa3 / NR GO / BQ FSA	KINGMAN CNTY USD-REF Cusip: 495741DK3	KS	250,000	4.60%	10/1/2018	1.65%	3.48%
WR / NR AMBAC GO / BQ	GREENWOOD USD 389-REF Cusip: 397058dc9	KS	275,000	4.00%	10/1/2019	3.05%	3.39%
NR / AA+ ST AID DIR DEP GO / BQ	FT OSAGE SD #1-REF-MO Cusip: 348190gd5	MO	125,000	3.60%	3/1/2015	2.00%	2.27%
NR / AA+ ST AID DIR DEP GO / BQ	VAN-FAR SD R1-SCH BLD Cusip: 92109PAL5	MO	100,000	5.00%	3/1/2022	2.85%	3.73%
A1 / NR GO / BQ	BLACK JACK FIRE PROTN Cusip: 092142CE6	MO	150,000	4.10%	2/15/2023	3.50%	3.82%
A3 / NR GO / BQ	LA VISTA-REF Cusip: 505318ND	NE	475,000	2.75%	11/15/2016	2.75%	2.75%
A3 / NR GO / BQ	LA VISTA-REF Cusip: 505318ng6	NE	310,000	3.30%	11/15/2019	3.30%	3.30%
NR / A REV / NBQ	KS ST DEV-D-KS BRD Cusip: 4854268n3	KS	30,000	4.00%	10/1/2012	1.50%	2.30%
NR / A REV / NBQ	KS ST DEV-D-KS BRD Cusip: 4854268q6	KS	30,000	4.25%	10/1/2014	1.75%	3.19%
NR / Ae REV / NBQ	TAHLEQUAH EDL-BABS-A Cusip: 873789ah4	OK	500,000	5.65%	9/1/2020	0.00%	5.30%
NR / AAA PSF-GTD GO / NBQ	WYLIE ISD-CABS Cusip: 983068xa0	TX	510,000	0.00%	8/15/2022	3.65%	4.38%

Municipal New Issue Calendar

Moody's	S & P	Amount	Issuer	St	Description	Maturities	Time of Sale
Tuesday, October 13							
---	---	10,200	Moline SD #40	IL	GO Sch	11-23	10 am C
---	---	*7,425	Oldham County	KY	GO Ref	11-29	11 am E
---	---	*12,175	Queen Anne's County	MD	GO Pub Fac	10-19	11 am E
---	---	*17,720	Queen Anne's County	MD	GO Pub Fac	20-29	11 am E
---	---	*12,880	Oakland Co Bldg Auth	MI	Ref	10-22	11:30 am E
---	---	*2,255	Hutchinson	MN	GO Imp	10-24	10 am C
---	---	*3,415	Paynesville ISD #741	MN	GO Sch Bldg Ref	11-17	10 am C
Aa3	AA	*12,090	Spartanburg County	SC	GO & Ref	11-29	12 pm E
---	---	5,400	Henderson County	TN	GO	10-29	9:30 am C
Wednesday, October 14							
---	**---**	**2,000**	**Oklahoma Co ISD #3**	**OK**	**Bldg**	**12-13**	**11:45 am C**
---	---	227,760	Washington	WA	Motor Vehicle Fuel		11 8 am P
---	---	229,560	Washington	WA	Var Purp GO		11 8:30 am P
---	---	417,925	Washington	WA	GO Ref		11 7:30 am P
Thursday, October 15							
---	---	*5,865	Broadalbin-Perth Ctrl SD	NY	Sch Dist	10-24	11 am E
---	**---**	**2,900**	**Kingfisher Co ISD #16**	**OK**	**Bldg**	**11-14**	**11:45 am C**