

# The Pro Shop



Country Club Bank  
Capital Markets Group

January 2010

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## FORECASTING 2010

The consensus view for the U.S. economy in 2010 is really quite positive, given the experience of the past two years. GDP growth is expected to expand 2.5% to 3% for the year, avoiding the dreaded double-dip back into recession. Mainstream economists mostly expect that the unemployment rate has peaked at just over 10% and that we will end the year at somewhere between 9.5% - 10%. Inflation forecasts for the coming year are again subdued at about 1% to 2% for the Consumer Price Index (and even lower for core inflation). Surprisingly, there is little concern about the rebound in commodity prices from a year ago, with crude oil up over 100%, gold up about 40% and the CRB Commodity Index up 30% (see page 3).

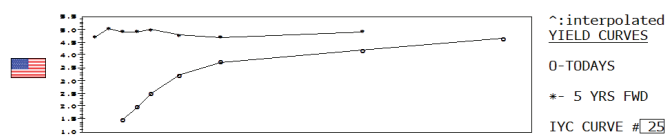
The US Dollar is expected to improve slightly in value compared to most major currencies, ending the declining trend of 2009. This view is also surprising, given that U.S. unemployment is considerably higher than most other major economic powers (and is only slightly lower than France, Belgium, Hungary and Poland).

Additionally, our interest rates are extremely low compared to others, once adjusted for inflation. Most importantly, our deficit spending is unsustainable, with proliferating government programs and the seemingly endless military expansion into new theatres of conflict. When you look at these facts, it's hard to see how the US currency can stabilize and improve. The 10-year trend in the USD Index is down, with the dollar now worth about \$0.65 vs. ten years ago, as measured by this widely followed basket of six major world currencies. Perhaps the anticipation of rising unemployment, falling interest rates and growing deficits are factors that have contributed to the previous decline in the dollar.

Forecasting interest rates, like the stock market, is fraught with peril. Throughout 2009, investors continued to look for a near-term increase in short-term rates (that never happened). Although Mr. Bernanke is still saying that rates will be held "exceptionally low" for "an extended period" the market is still suspicious. Fed funds are expected to increase slightly to about 0.50% in the 3rd quarter and to 0.75% to 1.25% by 2011.

Coupon Implied Forward Treasury Rates As of January 12, 2010

	1	2	3	4	5	7	10	20	30
F									
O									
R									
N									
W									
A	1	1.54	2.03	2.52	3.03	3.36	3.83	4.12	4.42
R									
D	2	2.51	3.02	3.53	3.82	4.14	4.31	4.40	4.61
Y	3	3.53	4.05	4.26	4.55	4.56	4.71	4.59	4.75
R									
S	3	4.69	5.05	4.90	4.90	4.97	4.77	4.69	4.89



Source: Bloomberg

As shown above, today's historically steep yield curve implies higher rates ahead and a nearly flat yield curve five years from now. Something like this is a logical expectation - higher short-term rates relative to a more modest increase in longer rates. Logic, however, provides no guarantee.

Best wishes for 2010!

Robert W. Brickson  
Senior Vice President

## TAX EXEMPT

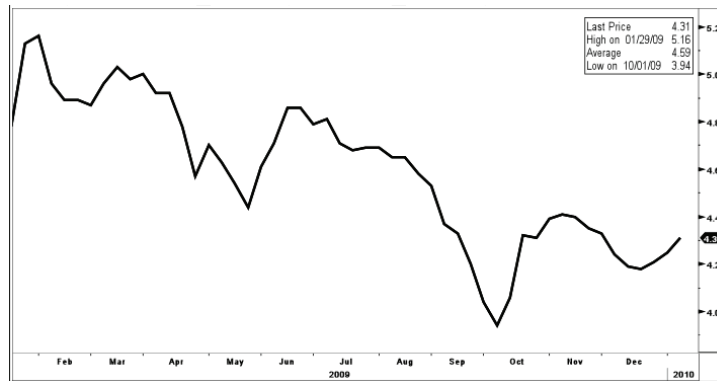
### Municipal Bond Yields (Recent Issues)

	Aaa	Aa	A	Aaa BQ	Aa BQ	A BQ
1 year	0.31	0.50	.93	0.54	0.59	1.00
5 year	1.70	1.96	2.28	2.11	2.16	2.57
10 year	3.29	3.49	3.75	3.67	3.72	4.13
15 year	3.86	4.20	4.25	4.07	4.12	4.53
20 year	4.07	4.63	4.72	4.43	4.48	4.89

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

BQ - Bank Qualified

### Bond Buyer Index AA2 20-Year General Obligations 1/15/09-1/7/10



Source: Bloomberg, L.P

## TAXABLE

### Money Market Yields

	Fed Funds	LIBOR	Treasury* Bills	Discount* Notes	LIBOR
	<b>1 DAY</b>		<b>90 DAYS</b>		
1/11/10	0.25	0.20	0.03	0.05	0.25
1/12/09	0.25	0.25	0.06	1.00	1.20
			<b>180 DAYS</b>		
		1/11/10	0.13	0.15	0.40
		1/12/09	1.26	1.20	1.50

### Treasury Yields

	2 yr.	3 yr.	5 yr.	10 yr.	30 yr.
1/11/10	0.94	1.50	2.55	3.81	4.71
1/12/09	0.73	1.07	1.44	2.30	2.99

\*Bond Equivalent Yield

### Government Agency Yields

	2 yr.	5 yr.	10 yr.	30 yr.
1/11/10	0.90	2.75	3.95	5.05
1/12/09	2.90	2.10	3.20	3.75

## Corporate/Mortgage Backed Yields

	Corporates Aaa / Aa			Mortgage Backeds			
	2 yr.	5 yr.	10 yr.	GNMA		FNMA / FHLMC	
				15 yr.	30 yr.	15 yr.	30 yr.
1/11/10	2.30	3.10	4.80	3.30	4.30	3.40	4.40
1/12/09	4.45	3.60	6.10	3.60	3.90	3.50	3.95

## Market Data

### Selected Indicator Watch

	DJIA	Gold / \$ oz.	Oil / \$ bbl.	CRB Index	Yen / \$	\$ / Euro
1/11/10	10,640	1,150.00	86	290	92	1.45
1/12/09	8,500	825.00	38	220	89	1.33

### U.S. Dollar Index 1/14/00 to 1/8/10

Source: Bloomberg, L.P



## Government Calendar

Thursday, January 14	Estimated \$26.0 Billion	1-Year U.S. Treasury Bill Auction
Tuesday, January 19	Estimated \$50.0 Billion	3 & 6 Month U.S. Treasury Bill Auction
Monday, January 25	Estimated \$50.0 Billion	3 & 6 Month U.S. Treasury Bill Auction
Tuesday, January 26	Estimated \$44.0 Billion	2-Year U.S. Treasury Note Auction
Wednesday, January 27	Estimated \$42.0 Billion	5-Year U.S. Treasury Note Auction
Thursday, January 28	Estimated \$32.0 Billion	7-Year U.S. Treasury Note Auction

# Municipal Bond Offerings

Moody's/S & P	Description	State	Amount	Coupon	Maturity	YTC	YTM
Aa3 / NR GO / BQ XLCA	NEW LENOX Cusip: 646449fe3	IL	450,000	3.80%	12/15/2017	2.00%	3.07%
A2 / A+ GO / BQ AMBAC	HUTCHINSON REF-B Cusip: 448151RJ1	KS	250,000	4.00%	10/1/2019	2.50%	3.20%
NR / A GO / BQ	WICHITA REF Cusip: 966884CB2	KS	200,000	3.63%	9/1/2019		3.33%
NR / AA+ GO / BQ ST AID DIR DEP	MONITEAU SD R-VI-REF Cusip: 60939MBP5	MO	360,000	3.35%	3/1/2021	3.35%	3.35%
NR / AA+ GO / BQ ST AID DIR DEP	MONITEAU SD R-VI-REF Cusip: 60939MBS9	MO	105,000	3.80%	3/1/2024	3.80%	3.80%
NR / AA+ GO / BQ ST AID DIR DEP	MONITEAU SD R-VI-REF Cusip: 60939MBT7	MO	210,000	3.95%	3/1/2025	3.95%	3.95%
NR / NR GO / BQ	DELAWARE CO. ISD #2 Cusip: 245893bw1	OK	300,000	2.40%	1/1/2016		2.50%
NR / NR GO / BQ	DELAWARE CO. ISD #2 Cusip: 245893bx9	OK	585,000	2.60%	1/1/2017		2.70%
NR / NR GO / BQ	DELAWARE CO. ISD #2 Cusip: 245893by7	OK	585,000	2.80%	1/1/2018		2.90%
NR / AA- BQ	OK INDS COPS-MET TECH Cusip: 67887qal3	OK	100,000	3.85%	1/1/2021	3.85%	3.85%
NR / AAAe GO / BQ ASSURED GTY	ROYSE CITY ISD BLDG Cusip: 780869MZ3	TX	540,000	0.00%	8/15/2017		3.45%
Aa3 / AA- GO / NBQ NATL-RE FGIC	KANE ETC CLG #516-B Cusip: 484062EP5	IL	125,000	0.00%	12/15/2018	3.00%	4.93%
Aa3e / NR GO / NBQ ASSURED GTY	JOHNSON USD 232 REF Cusip: 478712nn8	KS	100,000	4.88%	9/1/2018		4.61%
Aa3 / AAA REV / NBQ AGM	OK ST PWR-REF-B Cusip: 67910hkj8	OK	25,000	3.55%	1/1/2012		1.00%
Aa3 / NR REV / NBQ AMBAC	OKLAHOMA TRANSN-A Cusip: 67884nbn2	OK	50,000	4.00%	9/1/2020	3.45%	3.68%
Aa2 / NR GO / NBQ NATL-RE	GALVESTON-PASS-THRU T Cusip: 3641907h5	TX	35,000	4.25%	2/1/2018	3.00%	3.57%
NR / AAA GO / NBQ PSF-GTD	HUTTO ISD-CABS-SCH BL Cusip: 448492qd3	TX	100,000	0.00%	8/1/2027	4.00%	4.82%
Aaa / AAA GO / NBQ PSF-GTD	PROSPER ISD CAB-SCH Cusip: 743600KHO	TX	20,000	0.00%	8/15/2022	4.00%	4.56%

# Municipal New Issue Calendar

Moody's	S & P	Amount	Issuer	St	Description	Bank	Maturities	Time of Sale
<b>Wednesday, January 13</b>								
---	---	1,370	Denver Comm SD	IA	GO Ref	BQ	11-21	10 am C
---	---	25,675	Carmel Redevel Auth	IN	Lease Rental	---	14-31	12 pm E
---	---	*295,865	P Pennsylvania	PA	GO	---	11-19	11 am E
---	---	*604,135	P Pennsylvania	PA	GO (Tax)	---	20-30	11 am E
Aa1	---	*487,950	Washington	WA	COPs	---	11-35	7:30 am P
---	---	6,320	Madison Area Tech Coll Dt	WI	GO Prom (Tax)	---	11-17	10 am C
---	---	6,320	Madison Area Tech Coll Dt	WI	GO Prom	---	11-17	10 am C
<b>Thursday, January 14</b>								
---	A	54,305	Atwater Pub Fin Auth	CA	Wst Wtr Rev	---	---	10 am P
---	AA+	*37,670	Los Angeles Co MTA	CA	Sales Tax Ref	---	---	9 am P
---	---	5,000	West Co EMS & Fire Prot Dt	MO	GO	BQ	11-30	10 am C
---	---	2,260	Kelly Lane Wtr Ctrl Imp #1	TX	Unltd Tax	BQ	---	11 am C
<b>Tuesday, January 19</b>								
---	---	*1,350	Fort Madison	IA	GO	BQ	11-20	1 pm C
---	---	2,200	Olathe	KS	GO Ref	---	10-14	11 am C
---	---	6,570	Olathe	KS	Wtr & Swr Rev (Tax)	---	10-30	11 am C
---	---	4,335	Battle Lake ISD #542	MN	GO Ref	---	11-18	10 am C
---	---	*3,375	Belle Plaine	MN	GO Imp Ref	BQ	11-20	10 am C
---	---	6,795	N St Paul ISD #622	MN	GO Alt Facs (Tax)	---	11-30	10:30 am C
---	---	2,350	Whitewater	WI	GO Ref	BQ	10-17	10 am C
---	---	2,140	Whitewater	WI	GO Comm Dev (Tax)	---	13-29	10 am C
---	---	3,290	Winnebago County	WI	GO Ref	BQ	10-12	10:30 am C

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