



2026

FGFOA

Annual Conference

June 13-17, 2026

Loews Sapphire Falls Resort
at Universal

Extra, Extra! Hear All About the Economic Updates!

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Multi-Bank Securities, Inc.



MBS MULTI-BANK SECURITIES, INC.®

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Riddle #1

I am a rock group with four members, all of whom are dead, and one of whom did not die of natural causes. What am I?



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Riddle #2

Roman Numeral V + _____ Blind Mice = ?



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What a Year



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Riddle #3

Chambers of the Human Heart + Height of a
Standard Basketball Hoop (in Feet) = ?



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The Fed



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Riddle #4

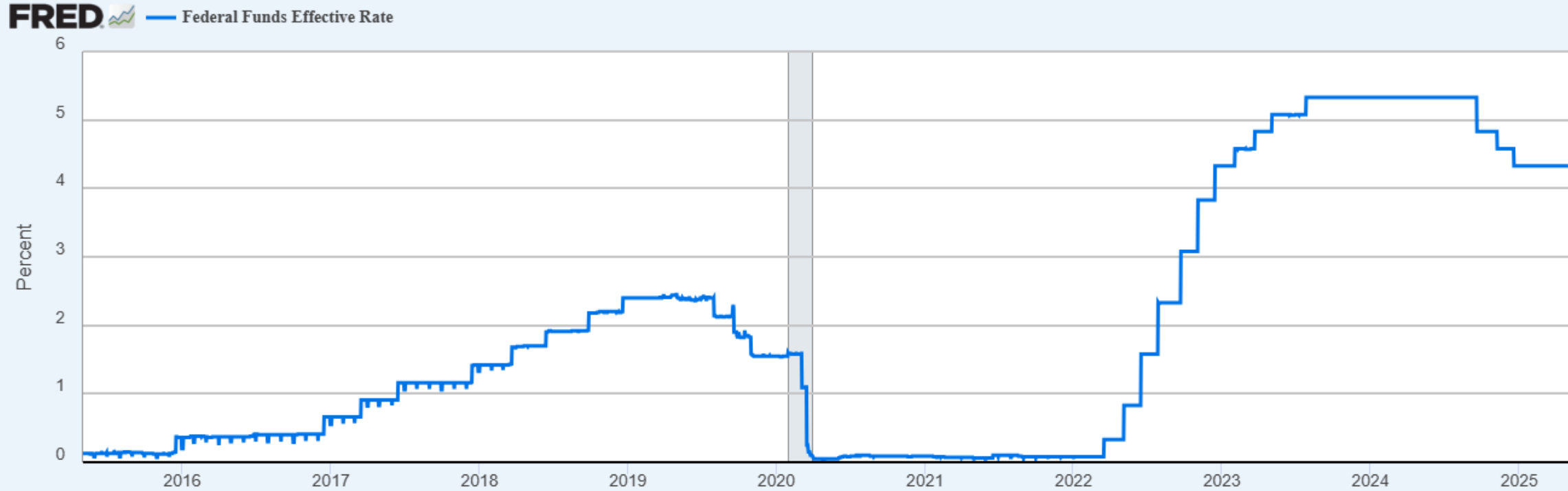
Number of Eyes Polyphemus Had in *The Odyssey*
+ *The _____ Voyages of Sinbad the Sailor* = ?



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Fed Funds Effective Rate



Source: Board of Governors of the Federal Reserve System (US) via FRED®
Shaded areas indicate U.S. recessions.

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Riddle #5

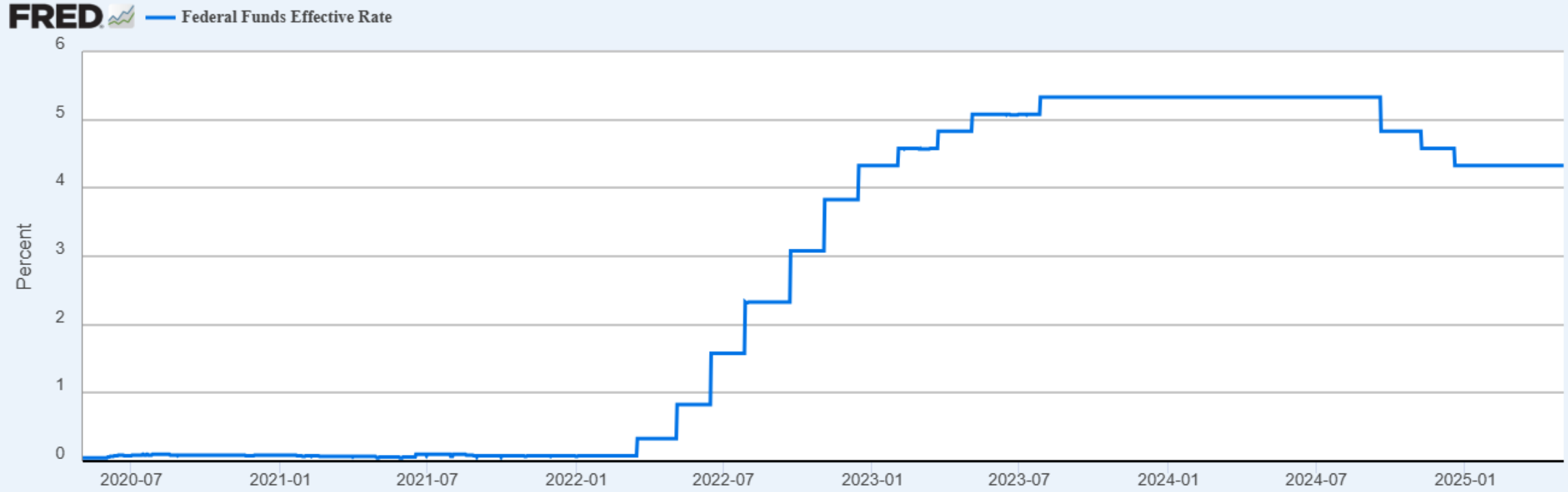
_____ *Things I Hate About You + How to
Lose a Guy in _____ Days = ?*



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Fed Funds Effective Rate



Source: Board of Governors of the Federal Reserve System (US) via FRED®
Shaded areas indicate U.S. recessions.

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Riddle #6

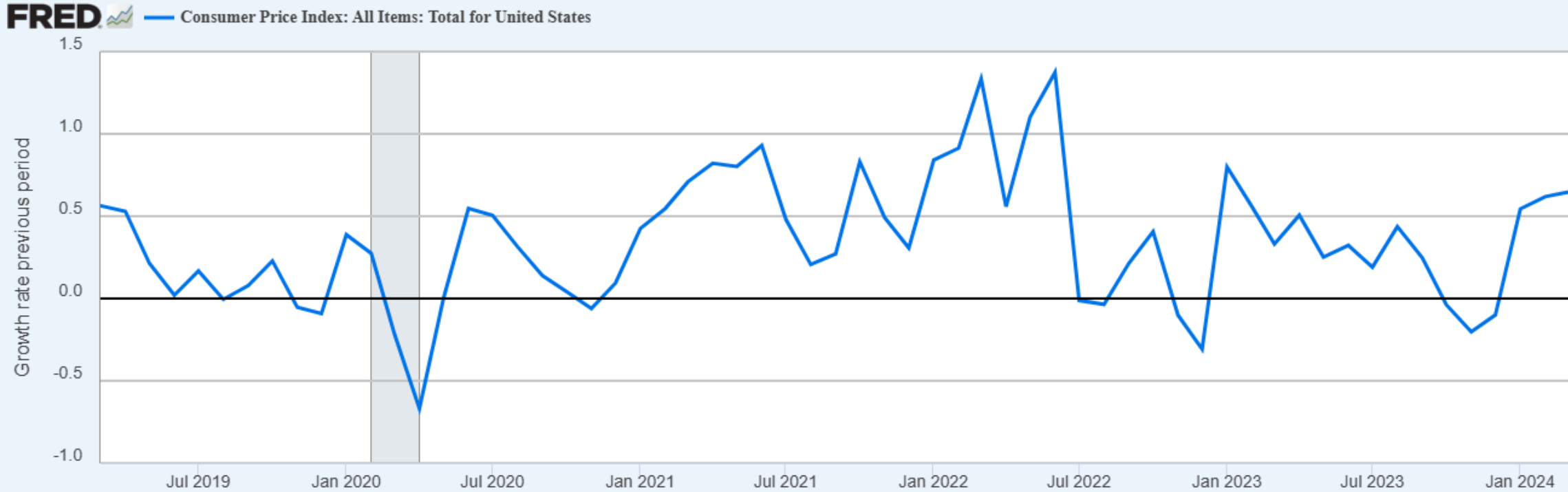
Number of Amendments to the U.S. Constitution
+ Number of Canadian Provinces = ?



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Consumer Price Index



Source: Organization for Economic Co-operation and Development via FRED®
Shaded areas indicate U.S. recessions.

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Riddle #7

STAND

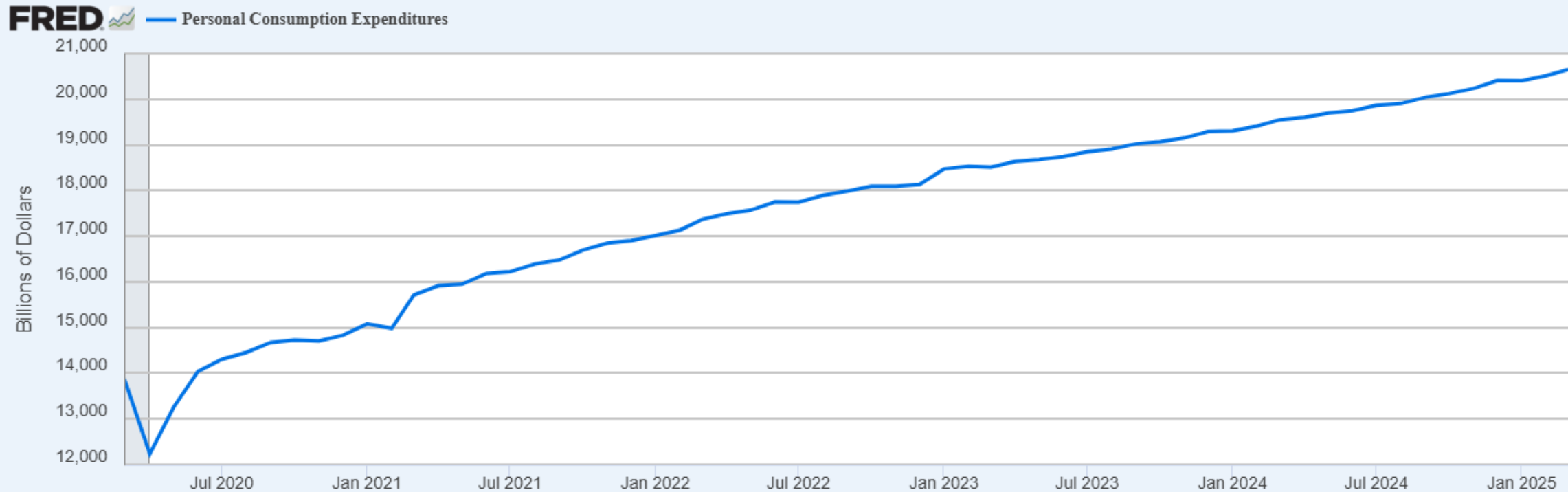
TRY 2



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Personal Consumption Expenditures



Source: U.S. Bureau of Economic Analysis via FRED®
Shaded areas indicate U.S. recessions.

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Riddle #8

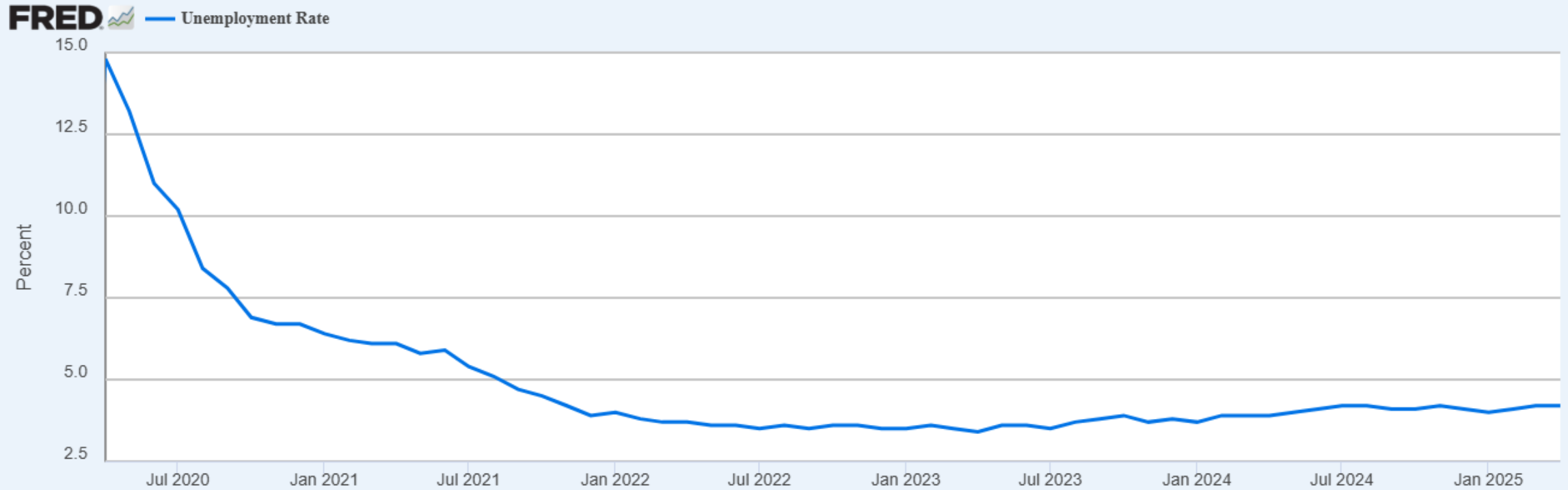
E4R



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Unemployment Rate



Source: U.S. Bureau of Labor Statistics via FRED®
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Riddle #9

Adam drowned Corn Flakes

Samantha shot Cocoa Puffs

Jack buried Froot Loops

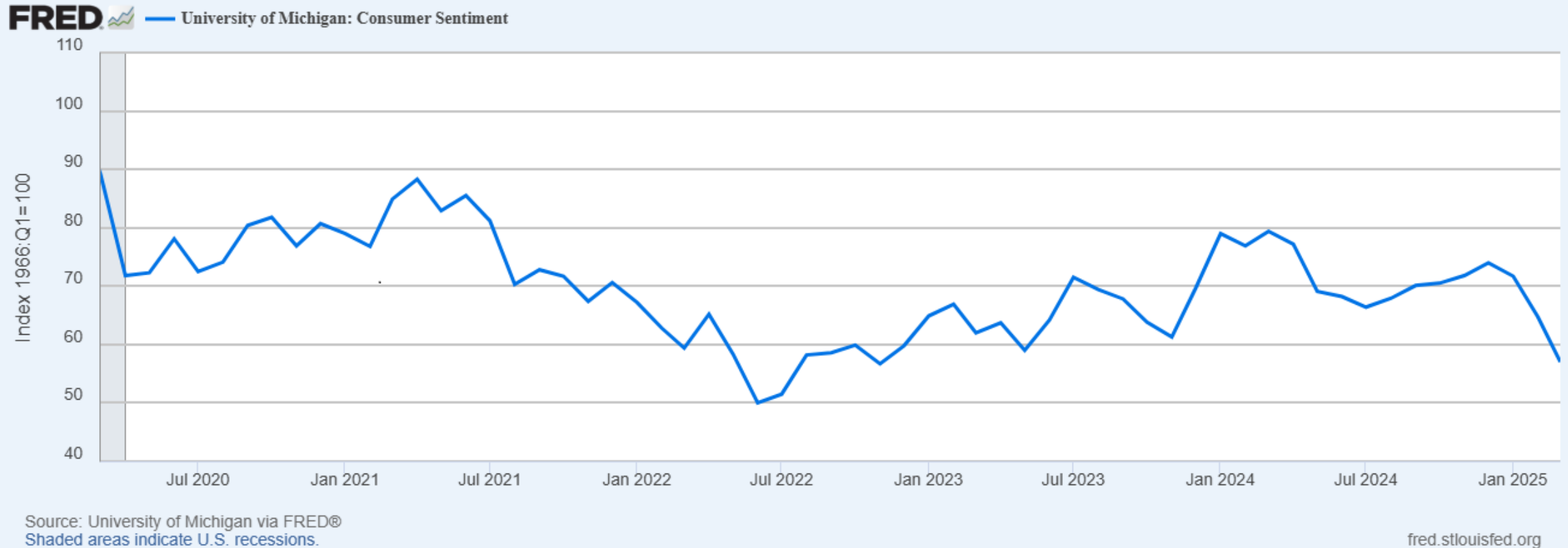
Kate threw Rice Krispies off a cliff



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Consumer Sentiment: 2020–2025



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Riddle #10

Your brain says $2 + 2 = 6$

Your heart says $2 + 2 = 5$

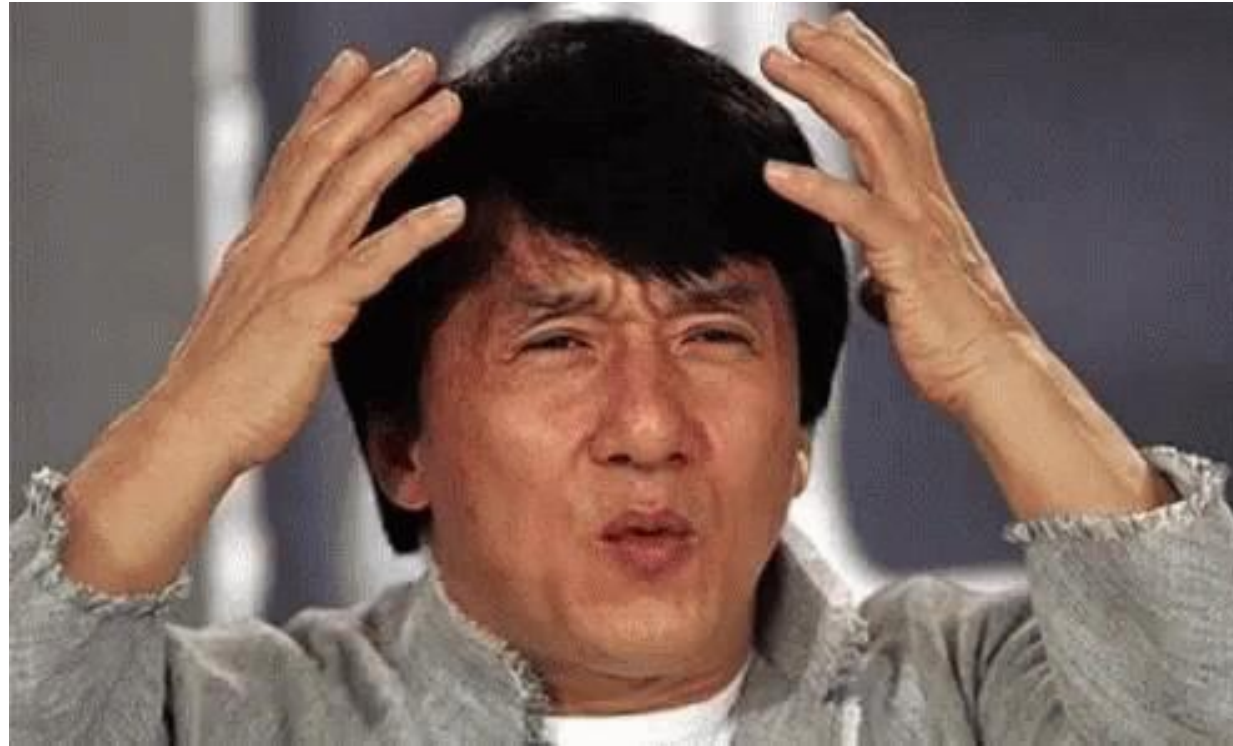
Your gut says $2 + 2 = 4$



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What Will the Markets Do Today?



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Introduction: Interest Rate Risk (IRR)

- **Key concept:** Inverse relationship between bond prices and yields
- **Objectives:**
 - Define mechanisms of interest rate risk
 - Learn to recognize
 - Mitigation strategies



Poll Question

Regarding INVESTMENTS, “risk” means to me:

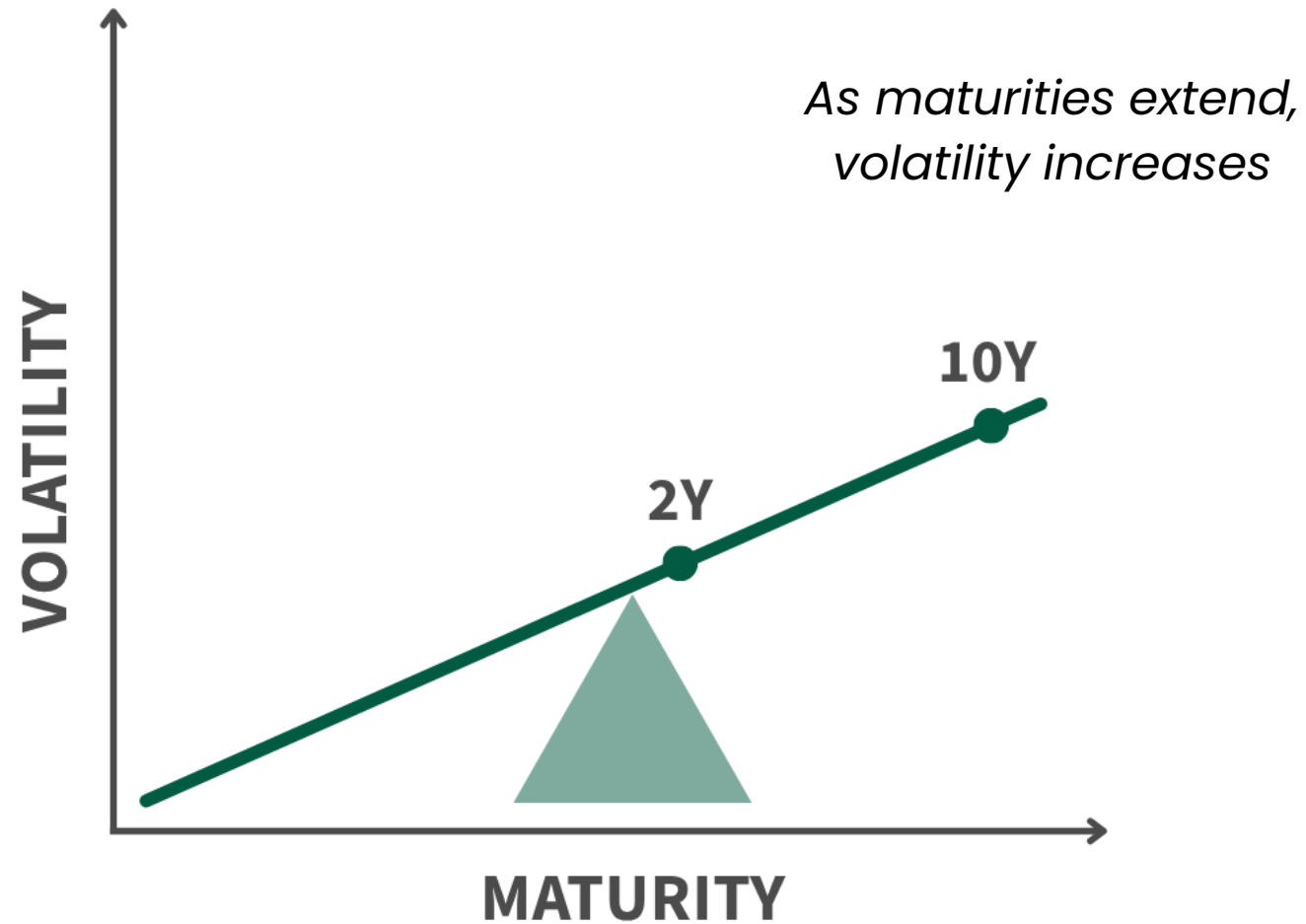
- A. Loss of principal
- B. Potential default
- C. Reduced sleep
- D. Job insecurity/change



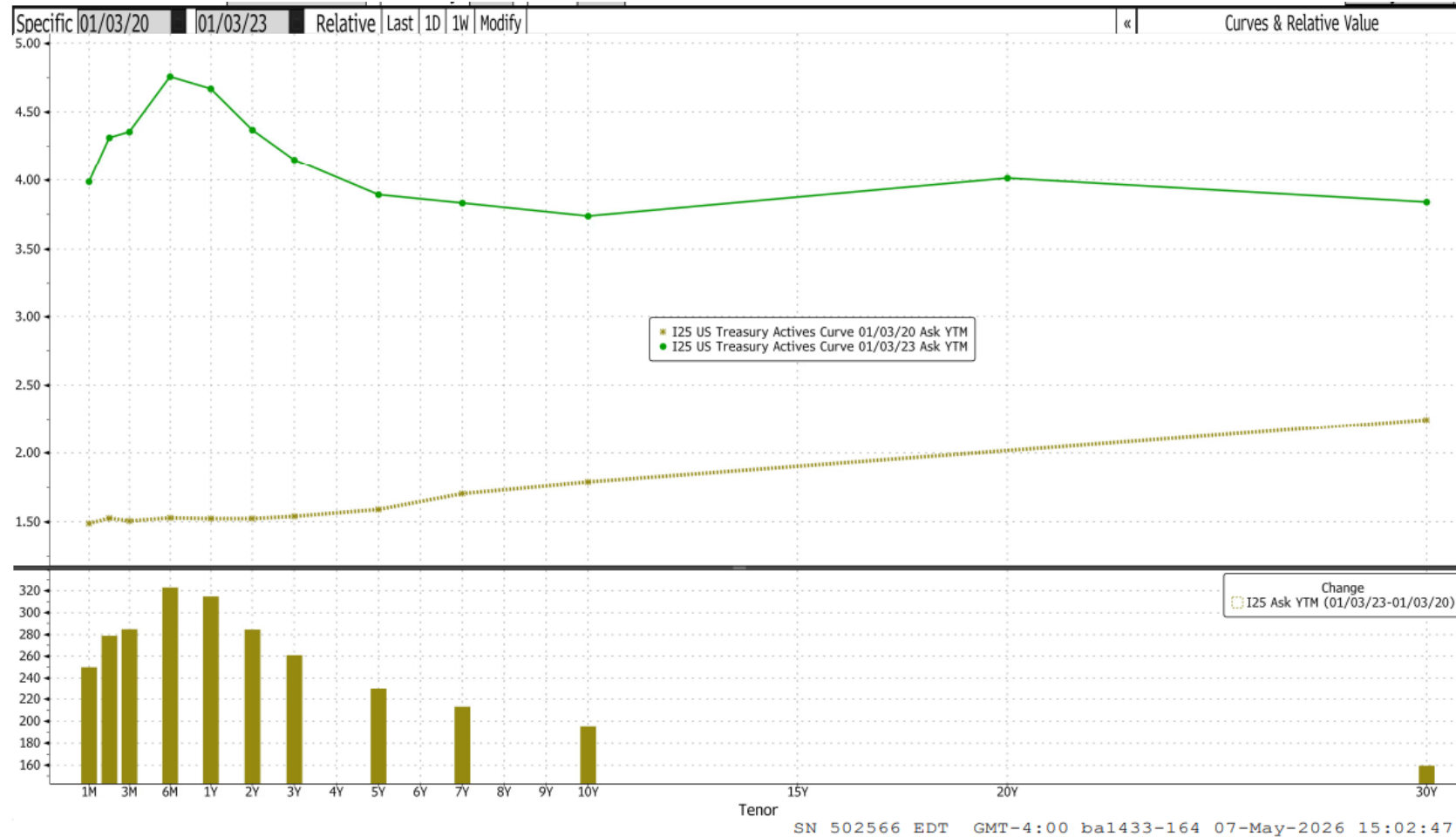
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Understanding the Mechanics



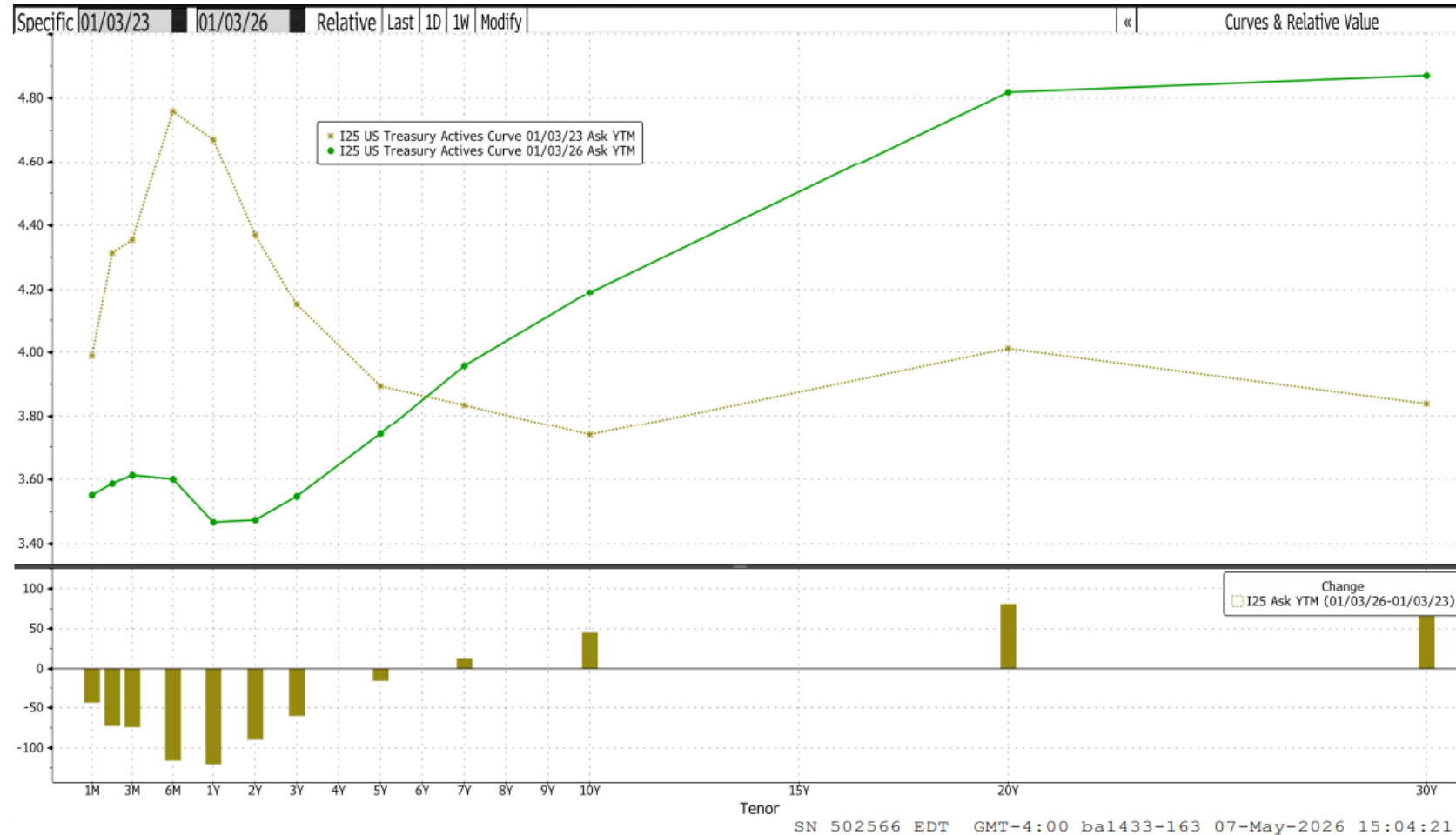
UST Yield Curves: 2020 vs. 2023



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UST Yield Curves: 2023 vs. 2026



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Definitions

- **Duration:** Measured in years
- **Term Premium:** What investors demand to buy longer maturity
- **Convexity/Negative Convexity:** How specific bonds respond to changes in rates



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Painting a Word Picture

Term	Simple Definition	Real-World Analogy Impact on Investor
Interest Rate Risk	Price risk from rate changes	Old coupon bond vs. new high-rate bond <i>Prices drop when rates rise</i>
Duration	Sensitivity to rate changes	Length of a rubber band <i>Higher duration = bigger price swings</i>
Convexity	How duration changes with rates	The curve of a hill you are driving down <i>Positive is good, accelerates gains</i>
Negative Convexity	Price limits due to options	A revolving door with one-way flow <i>Limits gains when rates fall; keeps losses when rates rise</i>
Term Premium	Extra yield for long-term risk	The "risk fee" for a 30-year loan <i>Higher premium = higher yield needed for long bonds</i>



Potential Sources of IRR

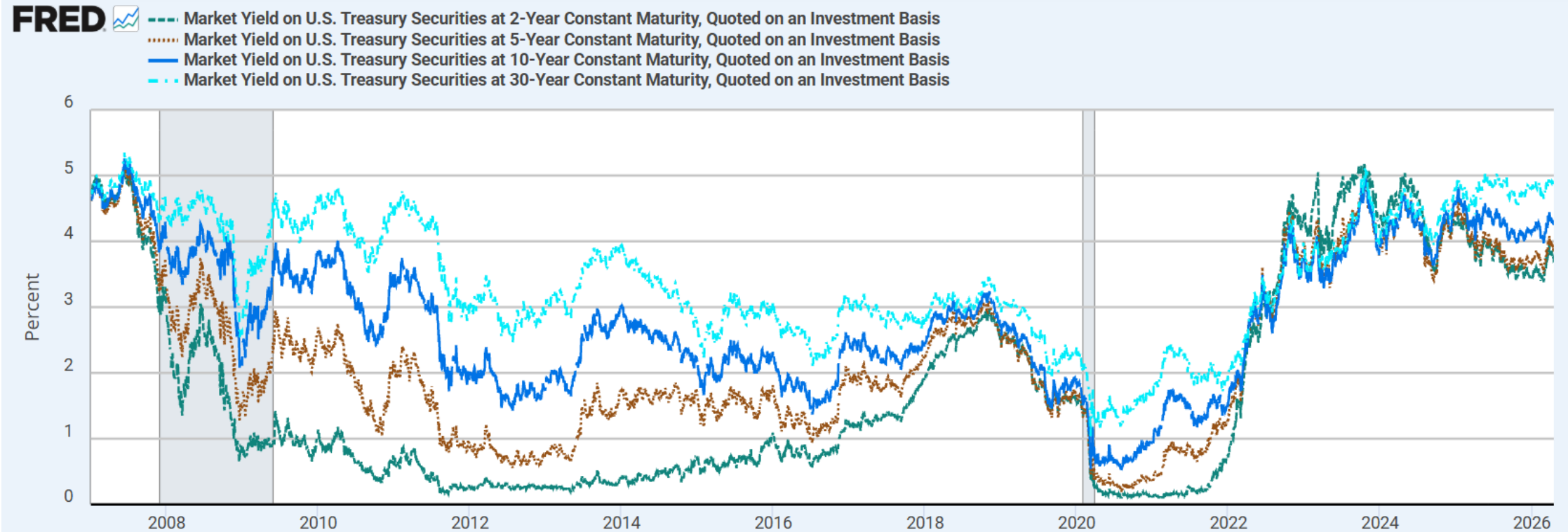
- Repricing mismatches
- Yield curve shifts
- “Basis” risk(s) when different indices used



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UST 2YR vs. 5YR vs. 10YR vs. 30YR



Source: Board of Governors of the Federal Reserve System (US) via FRED®

Shaded areas indicate U.S. recessions.

fred.stlouisfed.org

Fullscreen 

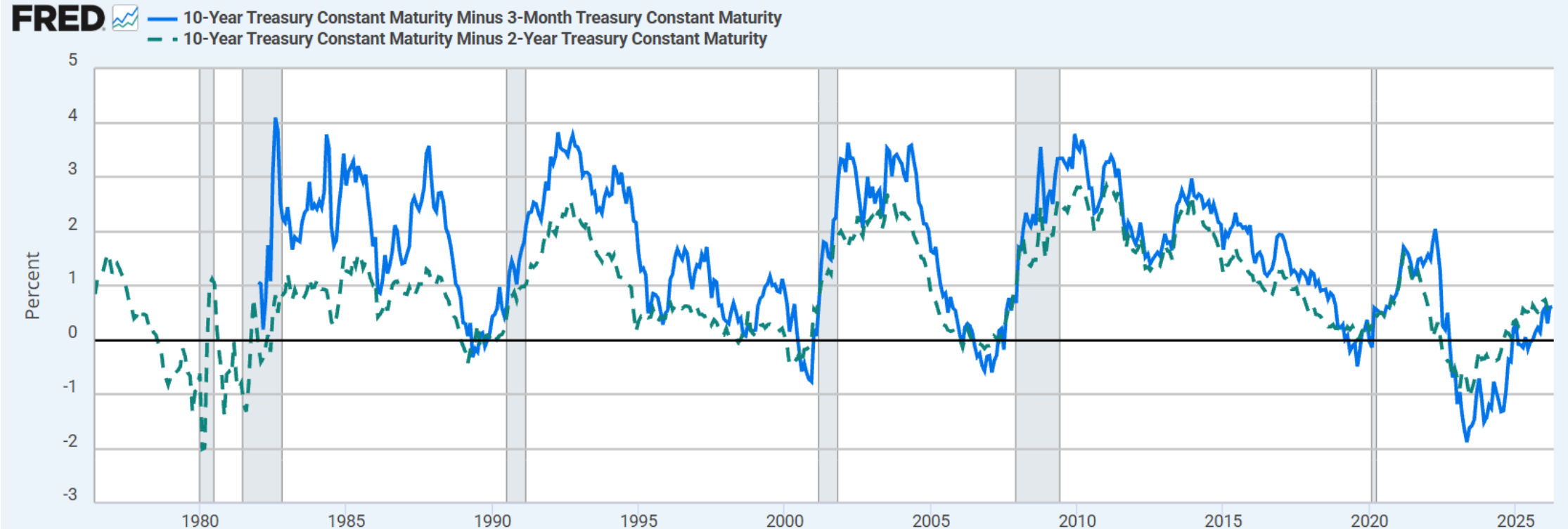
[Link to Interactive Graph From FRED St. Louis](#)



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UST 10YR vs. 3MO & 10YR vs. 2YR



Source: Federal Reserve Bank of St. Louis via FRED®

Shaded areas indicate U.S. recessions.

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Fullscreen 

[Link to Interactive Graph From FRED St. Louis](#)



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Possible Mitigation Strategies

- Hedging [not referenced in FL Statute 218.415]
- Diversification
- Asset liability management
- Laddering investment maturities



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Regulations and Monitoring

- FL Statutes 218.415 and 280.02
- Formal policy regarding IRR/maturity/controls limits
- Use of benchmarks for measuring performance
- Continuous monitoring
- Stress testing and model analysis



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Yield Differential

Feature	Callable U.S. Agency Securities	Bullet U.S. Treasury Securities
Yield	Typically higher (20-60+ bps spread over Treasuries) due to credit and call risk	Lower, but risk-free yield
Credit Risk	Minimal, but not zero (GSEs, not direct U.S. obligations)	Virtually none (full faith and credit of U.S. government)
Call Risk	Yes – issuer can redeem before maturity, especially when rates fall	No – bullet structure ensures fixed maturity
Liquidity	High, but less than Treasuries	Highest in the world
Yield Curve Sensitivity	High – callable bonds can shorten duration unexpectedly in falling rate environments	Predictable duration and yield profile



Poll Question

We manage interest rate risk by:

1. Using internal model and benchmarks
2. Diversifying investments – using some callable securities for incremental yield
3. Staying in cash
4. Laddering strategy – using staggered maturity investments vs. cash flows



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Thank You!

Please contact us if you have any questions.

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