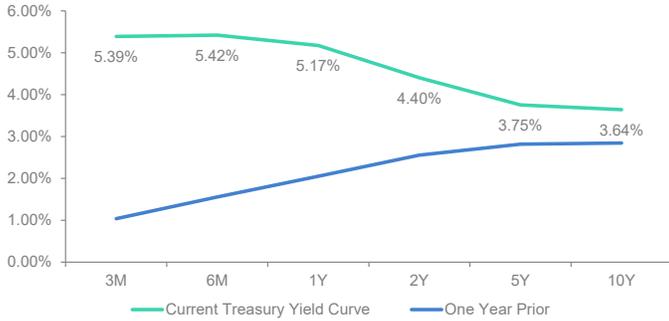




SD FIT MARKET UPDATE

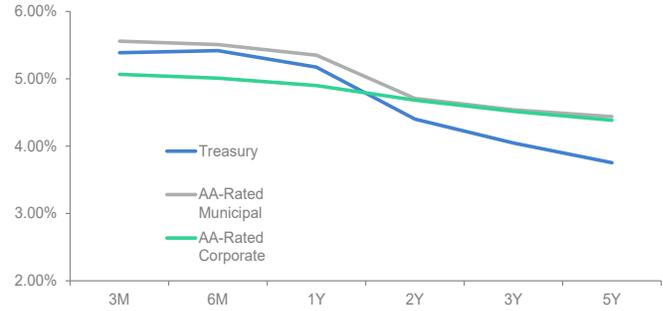
JUNE 2023

Treasury Yield Curve



Source: Bloomberg Finance L.P. 05/31/23

Market Yields



Source: Bloomberg Finance L.P. 05/31/23

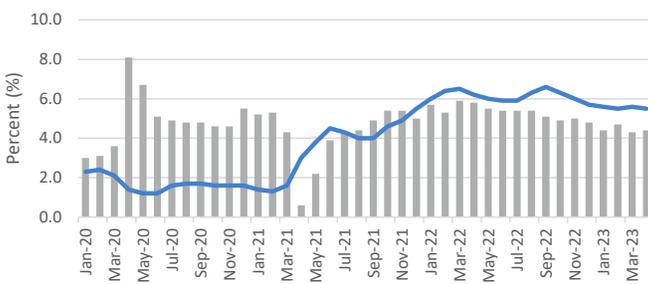
FEATURED MARKET DATA

Persistent Inflation

While CPI and Core CPI have steadily declined over the past year, wage growth has remained elevated. Following a November 2022 speech by Federal Reserve Chair Powell, many economists and market participants have focused on the impact of wages on non-housing services inflation. This has been one of the “stickier” areas of inflation. In the 2022 speech, Chair Powell said, “Because wages make up the largest cost in delivering these services, the labor market holds the key to understanding inflation in this category.” One additional rate hike in June or July is looking increasingly likely as the Fed seeks to reduce inflation in a continued strong employment market.

Source: Bloomberg

Wages and Sticky Inflation



Source: Bloomberg

U.S. Economic Indicators

| Event | Event Date | Period | Survey | Actual | Prior / Revised (R) |
|---|------------|--------|--------|--------|---------------------|
| Consumer Price Index (MoM) | 05/10/23 | APR | 0.4% | 0.4% | 0.1% |
| Consumer Price Index (YoY) | 05/10/23 | APR | 5.0% | 4.9% | 5.0% |
| Retail Sales Ex. Auto (MoM) | 05/16/23 | APR | 0.4% | 0.4% | -0.5% (R) |
| Chicago Fed National Activity Index | 05/25/23 | APR | -0.20 | 0.07 | -0.37% |
| Core PCE (YoY) | 05/26/23 | APR | 4.6% | 4.7% | 4.6% |
| S&P Case Shiller 20-City Home Price Index (YoY) | 05/30/23 | MAR | -1.60% | -1.15% | 0.36% |
| Consumer Confidence | 05/30/23 | MAY | 99.0 | 102.3 | 103.7 (R) |
| Change in Nonfarm Payrolls | 06/02/23 | MAY | 195K | 339K | 294K (R) |
| Unemployment Rate | 06/02/23 | MAY | 3.5% | 3.7% | 3.4% |

Source: Bloomberg Finance L.P. 06/02/23. Glossary terms on following page.

RECENT NEWS

Deal or No Deal

Markets closely watched developments in the debt ceiling debate throughout May. During this time, many investors such as money market funds and local government investment pools avoided Treasury maturities during June. This created substantial dislocation in the Treasury Bill market as June maturities traded at much higher yields than would otherwise be expected. As of June 2, both the House and Senate passed a bill aligned with a deal struck with President Biden to avert a possible Treasury default and suspend the debt ceiling through January 1, 2025. Markets can take a breath and refocus on economic growth expectations.

Source: Wall Street Journal

Contact Information

KENT JOHNSON

Senior Vice President, Director-
Minnesota Office
763.497.1490 Ext. 1300
kjohanson@pmanetwork.com

ANGIE STILLWELL

Senior Portfolio Advisor
612.509.2562
astillwell@pmanetwork.com

PMA Securities, LLC

5298 Kyler Ave. NE | 2nd Floor | Albertville, MN 55301

Glossary of Terms

| Term | What is it: |
|---|--|
| Building Permits | Records the number of permits for future housing construction. |
| Capacity Utilization | Tracks the extent to which capacity is being used in the production of goods and services. |
| Change in Nonfarm Payrolls | This indicator measures the change in the number of employees on business and government payrolls. |
| Chicago Fed National Activity Index | A nationwide measure of economic activity and inflation pressures. An index value of zero indicates that the national economy is expanding at its historical trend rate of growth. |
| Consumer Confidence | Index examines how consumers feel about jobs, the economy and spending. |
| Consumer Price Index (CPI) | Measures the average change in retail prices over time for a basket consisting of more than 200 categories of assorted goods and services paid directly by consumers. |
| Core Consumer Price Index (Core CPI) | This measure of CPI excludes food and energy costs. |
| Durable Goods Orders | A measure of new orders placed with domestic manufacturers for durable goods, which are items that last three years or more. |
| Existing Home Sales | Measures monthly sales of previously owned single-family homes. |
| GDP Annualized QoQ | Measures the annualized quarterly growth of the final market value of all goods and services produced within a country. GDP is the foremost report on how fast or slow the economy is growing. |
| Housing Starts | Records the number of new housing units started during a period. |
| Index of Leading Economic Indicators (LEI) | An index designed to predict the direction of the economy. |
| Initial Jobless Claims | Tracks new filings for unemployment insurance benefits. |
| ISM Manufacturing | Measures manufacturing activity based on a monthly survey of purchasing managers. |
| MBA Mortgage Applications | The Mortgage Bankers Association's weekly mortgage application survey includes home loan application activity for conventional and government loans for home purchases and refinances. |
| Mortgage Delinquencies | A measure of the percent of total conventional and government loans which are at least one payment past due, but not in the process of foreclosure. |
| Personal Consumption Expenditure (PCE) | The Federal Reserve's preferred measure of inflation tracks overall price changes for goods and services. Core PCE excludes food and energy. |
| Personal Income and Spending | Index records the income Americans receive, how much they spend, and what they save. |
| Retail Sales | Tracks the sale of new and used goods for personal or household consumption. |
| Retail Sales Ex. Auto | Retail sales excluding motor vehicles and parts. |
| S&P Case-Shiller Home Price Index | Tracks the value of single-family housing within the U.S. There are multiple indexes including the 20-City Composite. |
| Unemployment Rate | The U-3 unemployment rates tracks the percentage of the civilian workforce that is unemployed. |

Source: Bloomberg, The Secrets of Economic Indicators by Bernard Baumohl; PMA Asset Management, LLC

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