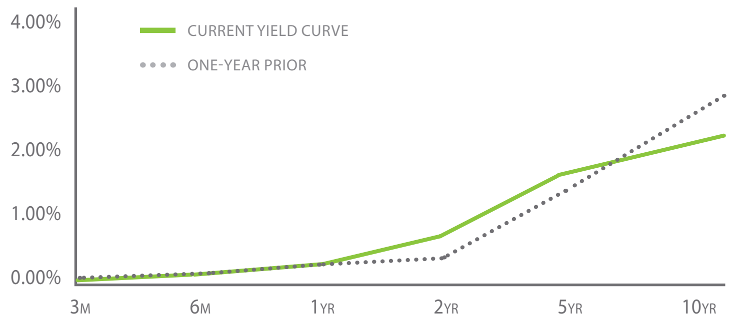
PMA™ PRUDENT MAN ADVISORS

PRUDENT MAN ADVISORS MARKET UPDATE

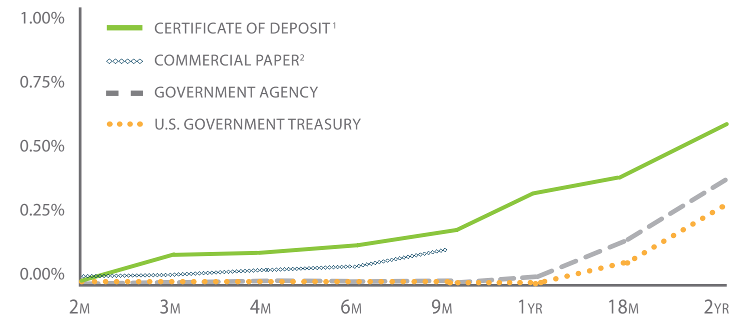
DECEMBER 2014

Historical Yield Curve



Source: Bloomberg Finance L.P., 12/1/14

Indicative Rates



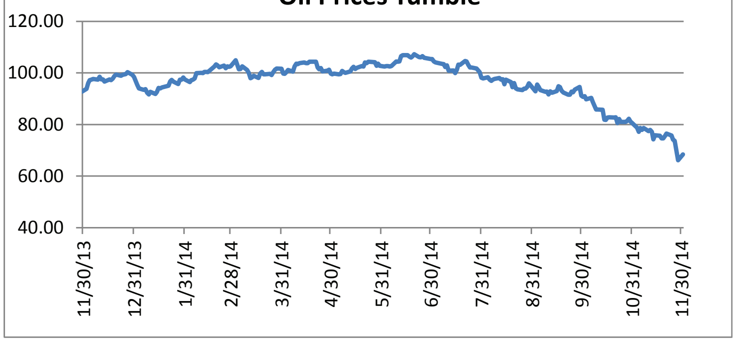
[1] Average of top ten banks; [2] General Electric Capital Corp.
Source: PMA Financial Network, Inc., Bloomberg Finance L.P., 12/1/14

FEATURED ECONOMIC INDICATOR

What's Behind Lower Gas Prices

Oil prices fell below $70 a barrel for the first time since 2010 after the Organization of Petroleum Exporting Countries (OPEC) kept its production ceiling unchanged. OPEC accounts for about 40% of the world's oil supply. U.S. oil production has expanded significantly in recent years on shale oil and deep sea production. OPEC may be intentionally applying pressure to U.S. producers in an effort to reduce U.S. supply during this time in which world demand has declined. Lower oil prices will benefit consumers through cheaper gasoline prices, which should increase spending capacity for consumers. However, decreasing commodity prices are raising fears of deflation, which would be detrimental to world growth.
Source: Bloomberg

Oil Prices Tumble



Source: Bloomberg

U.S. Economic Indicators

Event	Event Date	Period	Survey	Actual	Prior / Revised (R)
Core CPI (YoY)	11/20/14	OCT	1.7%	1.8%	1.7%
Existing Home Sales	11/20/14	OCT	5.15M	5.26M	5.18M (R)
GDP Annualized (QoQ)	11/25/14	3Q S	3.3%	3.9%	3.5%
S&P Case-Shiller Composite-20 (MoM)	11/25/14	SEP	4.60%	4.90%	5.65% (R)
Consumer Confidence	11/25/14	NOV	96.0	88.7	94.1 (R)
New Home Sales	11/26/14	OCT	471K	458K	455K (R)
Initial Jobless Claims	12/04/14	NOV 29	295K	-	313K
Change in Nonfarm Payrolls	12/05/14	NOV	230K	-	214K
Unemployment Rate	12/05/14	NOV	5.8%	-	5.8%

Source: Bloomberg Finance L.P., 12/1/14

RECENT NEWS

Treasury Yields Fall

The yield on the 10-year Treasury has plummeted to below 2.20% after last closing above 2.50% on September 26. Weaker domestic economic data, low interest rates abroad, a strong U.S. dollar and falling commodity prices have all been cited as reasons for the falling rates. The 2-year Treasury has continued to trend near 0.50% partly reflecting expectations for the Fed to increase interest rates in 2015. However, the 2-year has not traded consistently above 0.50% since 2011 which suggests that markets remain uncertain as to when and by how much the Fed will increase short-term interest rates.
Source: Bloomberg

Contact Information

JOHN H. HUBER, CFA

Senior Vice President, Chief Investment Officer

Prudent Man Advisors, Inc.
2135 CityGate Lane, 7th Floor
Naperville, IL 60563

Tel: 630.657.6510
Fax: 630.718.8701
Email: jhuber@pmanetwork.com