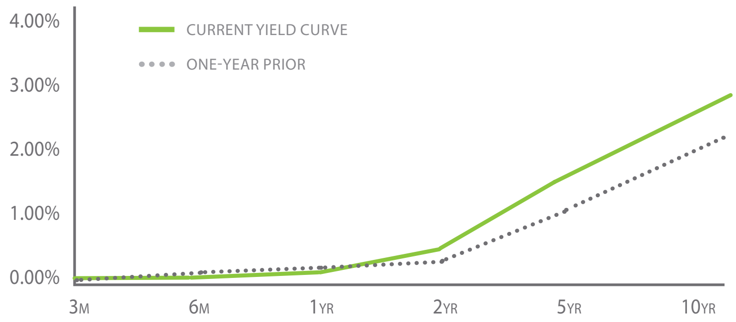
PRUDENT MAN ADVISORS

PRUDENT MAN ADVISORS MARKET UPDATE

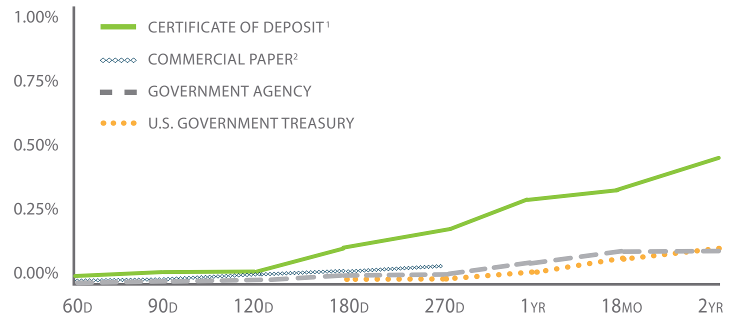
JULY 2014

Historical Yield Curve



Source: Bloomberg Finance L.P., 7/1/14

Indicative Rates



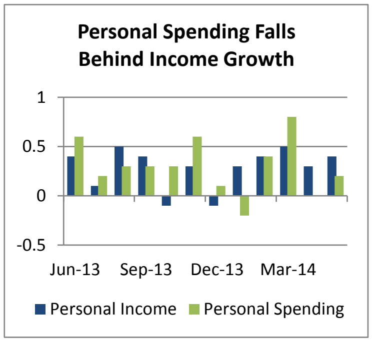
[1] Average of top ten banks; [2] General Electric Capital Corp.
Source: PMA Financial Network, Inc., Bloomberg Finance L.P., 7/1/14

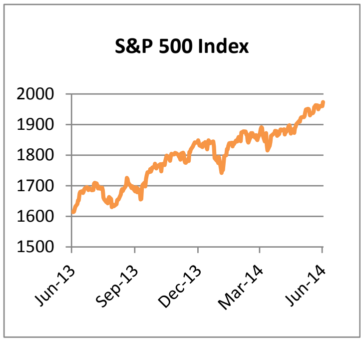
FEATURED ECONOMIC INDICATOR

The New Normal Feels Weak

Growth in Personal Spending has lagged Personal Income growth in recent months. During this time, U.S. equity prices, home prices, and consumer confidence have all risen rather steadily. The wealth effect created by such things as higher equity and home prices typically leads to higher consumer spending. Consumers, who represent about a third of the economy, have often helped pull the U.S. out of recession and expand growth. The economy drives markets; the markets drive the economy, while equity values, personal income and housing drive wealth. This circular relationship should help expand growth when the economy is healthy. During the current recovery, the relationship has not been as beneficial in part because business investment and wage growth have been subpar.

Source: The Conference Board, Bloomberg





Source: Bloomberg

U.S. Economic Indicators

Event	Event Date	Period	Survey	Actual	Prior / Revised (R)
Core CPI (MoM)	06/17/14	MAY	0.2%	0.4%	0.3%
Core CPI (YoY)	06/17/14	MAY	2.0%	2.1%	2.0%
Housing Starts	06/17/14	MAY	1030K	1001K	1071K (R)
Building Permits	06/17/14	MAY	1050K	991K	1059K (R)
S&P Case-Shiller Composite-20 (MoM) Seasonally Adj.	06/24/14	APR	0.80%	0.19%	1.25% (R)
ISM Manufacturing	07/01/14	JUN	55.9	55.3	55.4
Initial Jobless Claims	07/03/14	JUN 28	313K	-	312K
Change in Nonfarm Payrolls	07/03/14	JUN	215K	-	217K
Unemployment Rate	07/03/14	JUN	6.3%	-	6.3%

Source: Bloomberg Finance L.P., 7/1/14

RECENT NEWS

Labor Market Shows Strength

New jobless claims in June remained near their lowest level since before the recession. This follows an increase of 217,000 jobs in May. The jobs numbers in May marked the first four-month stretch of job creation above 200,000 since the late 1990s. Jobs growth in February and March occurred despite an unexpectedly large decline in first quarter GDP. The weak start to the year caused Federal Reserve officials in June to decrease their "central tendency" forecast for 2014 economic growth to just 2.1%-2.3% from 2.8%-3.0% in March. Despite the weaker forecast for 2014, Fed Chairman Janet Yellen said there are "many good reasons" to expect faster growth in 2015 and 2016. The improving trend in the labor market is a good sign for the economy, but rosy forecasts from the Fed have been met with weaker actual results in recent years.

Source: Wall Street Journal

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