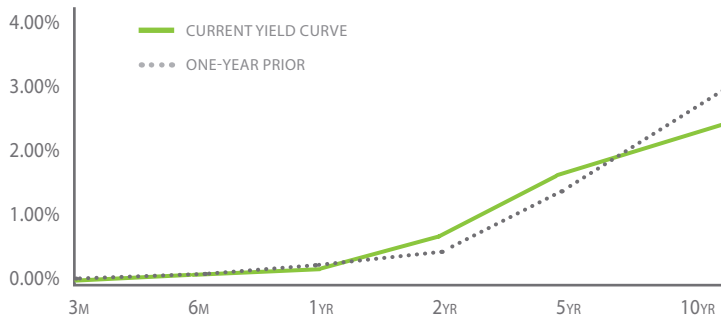


PRUDENT MAN ADVISORS MARKET UPDATE

OCTOBER 2014

Historical Yield Curve



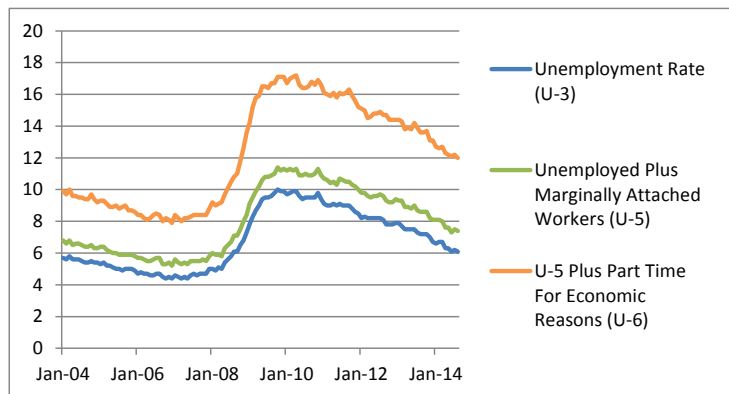
Source: Bloomberg Finance L.P., 10/1/14

FEATURED ECONOMIC INDICATOR

Alternative Employment Measures

Federal Reserve Chairman Janet Yellen has indicated that she and the Federal Open Market Committee (FOMC) are looking to a broad array of employment figures when assessing employment conditions. The most commonly cited employment figure is the U-3 Unemployment Rate. The headline figure has declined from a peak of 10.0% in 2009 to 6.1% as of August 31, 2014. This one measure does not tell the entire labor market story. Other broader employment measures such as U-5 and U-6 include all unemployed, discouraged, "other marginally attached" persons and total employed part time for economic reasons. The gap between U-6 and U-3 remains much higher than prior to the financial crisis suggesting there remains slack in the labor market despite lower unemployment. Understanding these additional factors of labor underutilization provides additional insight into the Fed's views on the employment picture and, ultimately, their likelihood of tightening monetary policy.

Source: Bureau of Labor Statistics



Source: Bloomberg

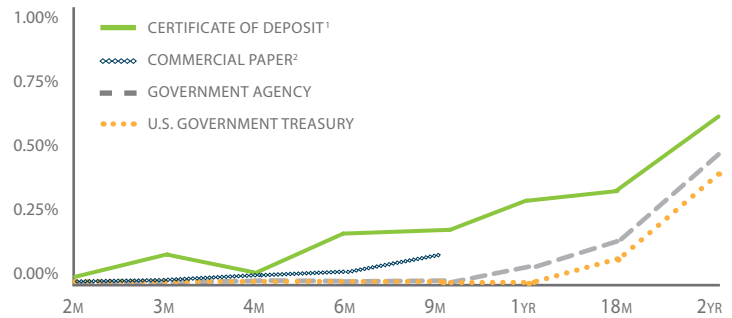
RECENT NEWS

Negative Yields on U.S. T-Bills

It is not unusual for investors to bid up prices for safe assets such as Treasury bills near quarter-end. However, when combined with a low rate environment, a recent change to the Fed's reverse repo facility and new regulations discouraging banks from borrowing short-term from money markets funds, Treasury bills have dipped below zero at times. Efforts by the Fed to test demand for its reverse repo facility will be important once the central bank starts tightening policy. The repo facility will be used to help the Fed stabilize overnight borrowing rates.

Source: Financial Times

Indicative Rates



¹ Average of top ten banks; ² General Electric Capital Corp.

Source: PMA Financial Network, Inc., Bloomberg Finance L.P., 10/1/14

U.S. Economic Indicators

Event	Event Date	Period	Survey	Actual	Prior / Revised (R)
Consumer Price Index (MoM)	09/17/14	AUG	0.0%	-0.2%	0.1%
Core CPI (MoM)	09/17/14	AUG	0.2%	0.0%	0.1%
Chicago Fed National Activity Index	09/22/14	AUG	0.33	-0.21	0.26 (R)
Existing Home Sales	09/22/14	AUG	5.20M	5.05M	5.14M (R)
S&P Case-Shiller Composite-20 (MoM)	09/30/14	JUL	0.00%	-0.50%	-0.29% (R)
Consumer Confidence	09/30/14	SEP	92.5	86.0	93.4 (R)
Initial Jobless Claims	10/02/14	SEP 27	297K	287K	293K
Change in Nonfarm Payrolls	10/03/14	SEP	210K	236K	142K
Unemployment Rate	10/03/14	SEP	6.1%	5.9%	6.1%

Source: Bloomberg Finance L.P., 10/3/14

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