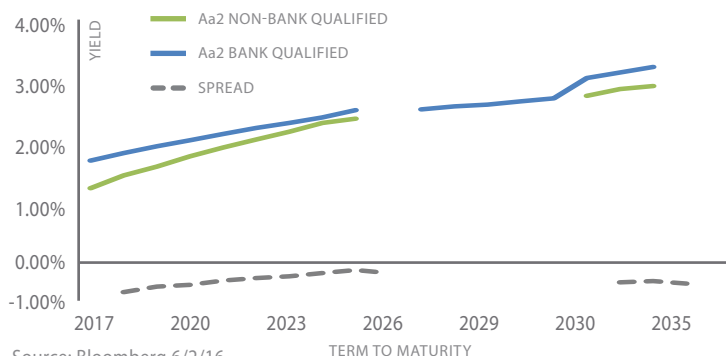


PUBLIC FINANCE MARKET UPDATE

Prepared by PMA Securities, Inc.

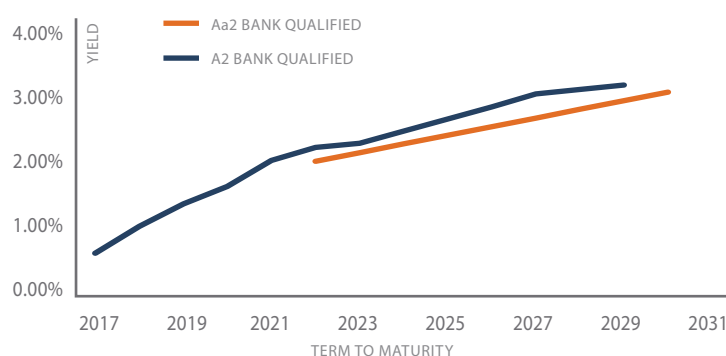
JUNE 2016

BQ vs. Non-BQ (Aa2)



Source: Bloomberg 6/2/16

Aa2 vs. A2 (BQ)



Source: Bloomberg 6/2/16

PUBLIC FINANCE TRENDS

Volatility in the Illinois Municipal Market

Graph 1 compares a Bank-Qualified (BQ) issue to a Non Bank-Qualified (NBQ) issue. This month's data surprisingly shows lower NBQ rates at every term of comparison. Please note, however, that the indicated yields do not account for couponing, which may be an important factor in the lower NBQ rates. Graph 2 reflects the value of credit strength and shows another surprising result as the spread between Aa2 and A2 credits is tighter than expected. Both of the above graphs are uncommon and may be indicative of a volatile Illinois market, which continues to be plagued by political strife. As recently as May 31, 2016, the State Senate failed to pass a House-approved budget, prolonging the year-long budget impasse.

Source: Bloomberg

FEATURED ECONOMIC INDICATOR

US Productivity Tumbles

The U.S. economy has experienced a dramatic fall in productivity since the Great Recession. Productivity is defined as output per hours worked in the economy. It decreased at a 2.2% seasonally adjusted annual rate in the fourth quarter. The math is simple - economic growth has been slow while hours worked have increased. A lack of investment by businesses and deteriorating infrastructure may be to blame. Others believe we may be on the cusp of reaping the benefits of new technologies such as social media and artificial intelligence. If productivity does not improve, businesses may cut jobs to reduce costs.

Source: Financial Times, Wall Street Journal, Prudent Man Advisors, Inc.



Source: Bloomberg

U.S. Economic Indicators

Event	Event Date	Period	Survey	Actual	Prior / Revised (R)
Retail Sales Ex. Auto (MoM)	05/13/16	APR	0.5%	0.8%	0.4% (R)
Core CPI (YoY)	05/17/16	APR	2.1%	2.1%	2.2%
New Home Sales	05/24/16	APR	523K	619K	531K (R)
Personal Income (MoM)	05/31/16	APR	0.4%	0.4%	0.4%
Personal Spending (MoM)	05/31/16	APR	0.7%	1.0%	0.0% (R)
Consumer Confidence	05/31/16	MAY	96.1	92.6	94.7 (R)
ISM Manufacturing	05/31/16	MAY	50.3	51.3	50.8
Change in Nonfarm Payrolls	06/03/16	MAY	160K	--	160K
Unemployment Rate	06/03/16	MAY	4.9%	--	5.0%

Source: Bloomberg Finance L.P., 6/2/16

Contact Information

ROBERT E. LEWIS

Senior Vice President, Managing Director—Public Finance
 630.657.6445 | rlewis@pmanetwork.com

TAMMIE S. BECKWITH SCHALLMO

Senior Vice President, Managing Director—Public Finance
 630.657.6446 | tammie@pmanetwork.com

ANDREW KIM

Director—Public Finance
 630.657.6449 | akim@pmanetwork.com

PMA Securities, Inc. | 2135 CityGate Lane, 7th Floor | Naperville, IL 60563

This document was prepared by Prudent Man Advisors, Inc. for clients of the firm and its affiliated PMA entities, as defined below. It is being provided for informational and/or educational purposes only without regard to any particular user's investment objectives, financial situation or means. The content of this document is not to be construed as a recommendation, solicitation or offer to buy or sell any security, financial product or instrument, or to participate in any particular trading strategy in any jurisdiction in which such an offer or solicitation, or trading strategy would be illegal. Nor does it constitute any legal, tax, accounting or investment advice of services regarding the suitability or profitability of any security or investment. Although the information contained in this document has been obtained from third-party sources believed to be reliable, PMA cannot guarantee the accuracy or completeness of such information. It is understood that PMA is not responsible for any errors or omissions in the content in this document and the information is being provided to you on an "as is" basis without warranties or representations of any kind.

Securities, public finance services and institutional brokerage services are offered through PMA Securities, Inc. PMA Securities, Inc. is a broker-dealer and municipal advisor registered with the SEC and MSRB, and is a member of FINRA and SIPC. Prudent Man Advisors, Inc., an SEC registered investment adviser, provides investment advisory services to local government investment pools and separate accounts. All other products and services are provided by PMA Financial Network, Inc. PMA Financial Network, Inc., PMA Securities, Inc. and Prudent Man Advisors (collectively "PMA") are under common ownership.

Securities and public finance services offered through PMA Securities, Inc. are available in CA, CO, FL, GA, IL, IN, IA, KS, MI, MN, MO, NE, OH, OK, PA, SD, TX and WI. This document is not an offer of services available in any state other than those listed above, has been prepared for informational and educational purposes and does not constitute a solicitation to purchase or sell securities, which may be done only after client suitability is reviewed and determined. All investments mentioned herein may have varying levels of risk, and may not be suitable for every investor. PMA and its employees do not offer tax or legal advice. Individuals and organizations should consult with their own tax and/or legal advisors before making any tax or legal related investment decisions. Additional information is available upon request.