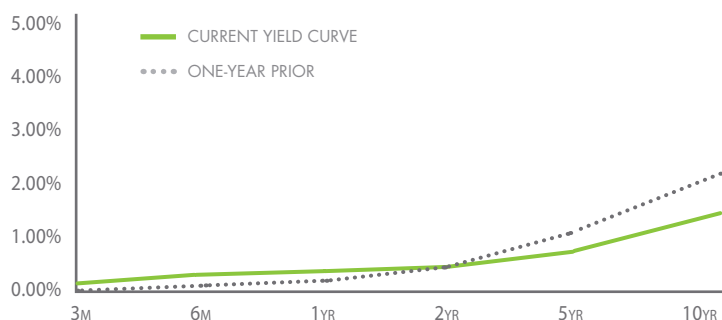


PMA MARKET UPDATE



DECEMBER 2012

Historical Yield Curve



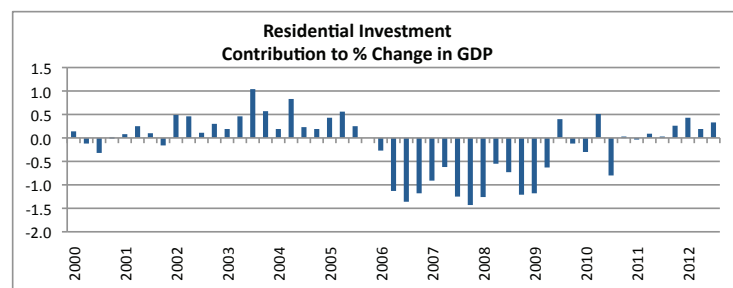
Source: Bloomberg Finance L.P., 12/3/12

FEATURED ECONOMIC INDICATOR

Housing Market Contributing to GDP Growth

There have been several optimistic reports on the housing market over the past month, as record low mortgage rates, rising rent prices, and falling inventory levels have led to increases in home prices and housing starts. The improvement in housing has begun to positively affect GDP growth. Housing's contribution to GDP is captured in part through the residential investment figures reported by the Commerce Department, which includes home construction and improvements as well as real-estate broker commissions. The Commerce Department reported that residential fixed investment accounted for 0.33 percentage points of the projected 2% GDP growth during the quarter, up from 0.19 points in the second quarter and 0.03 points in the third quarter of 2011. While still far below the sector's historical contribution to growth, the trend remains a positive sign for the economy.

Source: Wall Street Journal



Source: Bureau of Economic Analysis

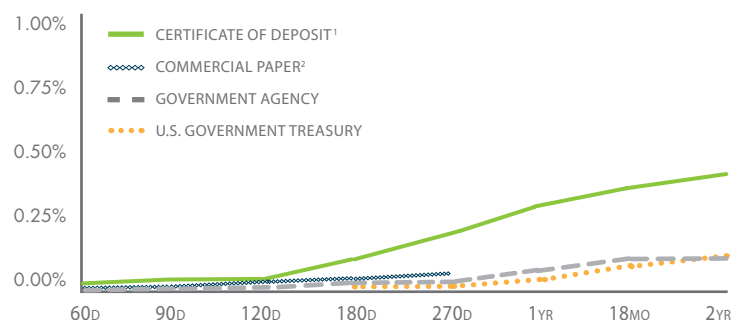
RECENT NEWS

Fiscal Cliff

Meetings between the administration and Republican leaders ended in disappointment on Thursday, November 29. With only a month until the mandatory spending cuts and tax increases are set to begin, both sides appear to be becoming more deeply entrenched. A failure to find compromise would likely result in negative GDP growth. President Obama's proposal includes \$1.6 trillion in new tax revenue as the top tax bracket would increase from 35 to 39.6 percent. The proposal also calls for \$600 billion in spending cuts, a majority of it from Medicare and Medicaid. Republicans remain opposed to tax rate increases and want to include structural changes to Medicare and Medicaid. Despite what he calls "political theater," Treasury Secretary Geithner said Sunday, "I actually think that we're going to get there."

Sources: Financial Times, Washington Post

Indicative Rates



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

Source: PMA Financial Network, Inc., Bloomberg Finance L.P., 12/3/12

U.S. Economic Indicators

Event	Event Date	Period	Survey	Actual	Prior / Revised (R)
Existing Home Sales (MoM)	11/19/12	OCT	4.74M	4.79M	4.69M (R)
Building Permits (MoM)	11/20/12	OCT	864K	866K	890K (R)
Durable Goods Orders Ex. Transportation	11/27/12	OCT	-0.5%	1.5%	1.7% (R)
S&P Case-Shiller Composite-20 (YoY)	11/27/12	SEP	2.95%	3.00%	1.97% (R)
GDP (QoQ)	11/29/12	3Q S	2.8%	2.7%	2.0%
ISM Manufacturing	12/03/12	NOV	51.4	49.5	51.7
Initial Jobless Claims	12/06/12	Dec 1	380K	-	393K
Change in Nonfarm Payrolls	12/07/12	NOV	90K	-	171K
Unemployment Rate	12/07/12	NOV	7.9%	-	7.9%

Source: Bloomberg Finance L.P., 12/3/12

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