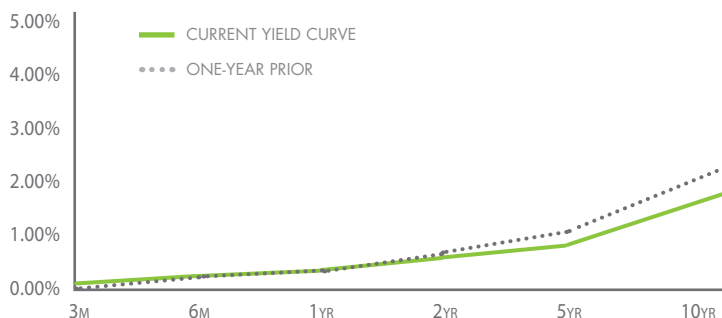


## PMA MARKET UPDATE



MARCH 2013

### Historical Yield Curve



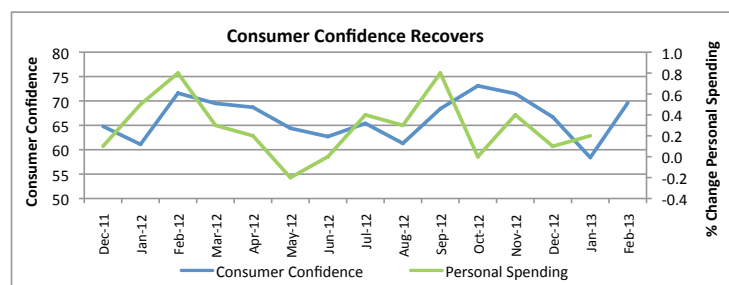
Source: Bloomberg Finance L.P., 3/1/13

### FEATURED ECONOMIC INDICATOR

#### Consumer Confidence

Consumer Confidence rebounded in February after declines the past three months related to fiscal cliff uncertainty and higher payroll taxes. The February increase reflected increases in both the Present Situation Index and The Expectations Index. Consumer Confidence remains relatively low, but Lynn Franco at The Conference Board said "Looking ahead, consumers are cautiously optimistic about the outlook for business and labor market conditions." Changes in confidence could affect how much consumers spend. Household spending rose 0.2% in January, even as incomes dropped 3.6%. Job gains and rising property values are likely contributing to increased confidence and higher spending.

Source: The Conference Board, Bloomberg



Source: Bloomberg

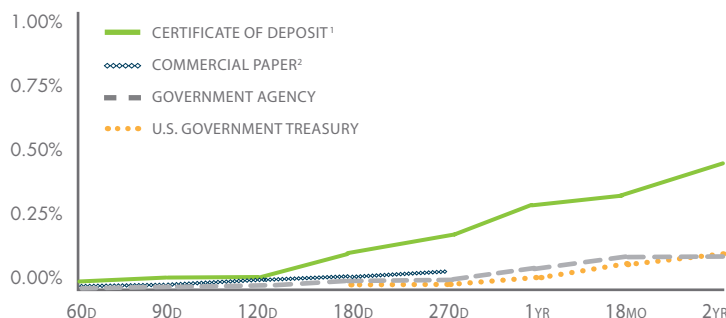
### RECENT NEWS

#### Sequester's Effects

Automatic spending cuts are set to begin March 1 as government leaders remain at an impasse. The cuts this year total \$85 billion and represent a 2.4% cut from a \$3.55 trillion federal budget. Medicare, Social Security, Medicaid and interest on federal debt, which together represented over half of the 2012 federal budget, will not be affected aside from a 2% cut in the payments Medicare makes to hospitals and doctors. The stock market, meanwhile, was rising in the last week of February as markets appear to be downplaying the sequester's effects. The Congressional Budget Office's new forecast, which includes spending cuts and sunset tax provisions, sees U.S. GDP growing just 1.4% this year and unemployment remaining above 7.5% through next year. CBO director Douglas Elmendorf said that if not for recent increases in payroll and income taxes and spending restraint, the economy would likely grow closer to 3% this year. But he said failure to restrain future deficits would hurt the economy in the long run.

Source: Wall Street Journal

### Indicative Rates



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

Source: PMA Financial Network, Inc., Bloomberg Finance L.P., 3/1/13

### U.S. Economic Indicators

| Event                                         | Event Date | Period | Survey | Actual | Prior / Revised (R) |
|-----------------------------------------------|------------|--------|--------|--------|---------------------|
| S&P Case-Shiller Composite-20 (YoY)           | 02/26/13   | DEC    | 6.62%  | 6.84%  | 5.44% (R)           |
| Durable Goods Orders Ex. Transportation (MoM) | 02/27/13   | JAN    | 0.2%   | 1.9%   | 1.0% (R)            |
| GDP (QoQ)                                     | 02/28/13   | 4Q S   | 0.5%   | 0.1%   | 0.1% (R)            |
| Personal Income                               | 03/01/13   | JAN    | -2.4%  | -3.6%  | 2.6%                |
| Personal Spending                             | 03/01/13   | JAN    | 0.2%   | 0.2%   | 0.1% (R)            |
| ISM Manufacturing                             | 03/01/13   | FEB    | 52.5   | 54.2   | 53.1                |
| Initial Jobless Claims                        | 03/07/13   | MAR 2  | 355K   | -      | 344K                |
| Change in Nonfarm Payrolls                    | 03/08/13   | FEB    | 155K   | -      | 157K                |
| Unemployment Rate                             | 03/08/13   | FEB    | 7.9%   | -      | 7.9%                |

Source: Bloomberg Finance L.P., 3/1/13

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