



Risk Management in Uncertain Times

With the escalation of war in the Ukraine and the global response, we want to remind you that PMA is here for you. As events unfold, our resources are fully dedicated to risk management with robust research and due diligence. From a macroeconomic perspective, we are analyzing geopolitical risk. In addition, our team of research analysts is thoroughly reviewing all issuers on an ongoing basis including an analysis of factors specific to recent developments.

Markets, both bond and stock, have responded to this past week's news with increased volatility, but the backdrop of strong economic and credit fundamentals remains in place. The developments in Ukraine occurred at a time of rising interest rates and inflation running at forty-year highs. These trends, along with rising geopolitical risks, were already resulting in downward pressure on stock and bond prices. We have seen markets rise and decline over the past week as investors digested quickly developing news in Ukraine. As we discussed in our Winter Market Outlook, we expect elevated volatility to continue in 2022. We also expect U.S. economic growth to remain healthy and to support markets in these turbulent times.

One important question is how these developments will impact the Federal Reserve and monetary policy. We expect the Fed to remain focused on U.S. employment and inflation and their actions will be data dependent. Inflationary pressures may increase as commodities such as oil, wheat, corn and metals are on the rise. While this may lead the Fed to hike rates more quickly, we see the Fed taking a balanced approach. We expect the Fed to remain on its course to hike rates multiple times in 2022, but on the margin, it will make policymakers more cautious. As a result, we see a stronger likelihood that the Federal Reserve will stick to a 0.25% move in March followed by fewer additional hikes through year-end than markets previously forecasted. The current consensus is for at least 5 rate hikes in 2022, down from over 6 hikes as recently as Friday, February 25.

We encourage you to reach out to your PMA contact(s) to address questions and concerns you may have. Thank you for your continued confidence in our team.

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

Securities and public finance services offered through PMA Securities, LLC are available in CA, CO, FL, IL, IN, IA, MI, MN, MO, NE, NY, 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.

For more information visit www.pmanetwork.com

©2021 PMA Financial Network, LLC