

The Fed Tightens – Inflation Persists

The Federal Reserve's (the Fed) Federal Open Market Committee (FOMC) met on May 3-4, 2022. As was widely expected by the market, the Fed increased its overnight rate by 0.50%, bringing the range to 0.75%-1.00%, and provided guidance on how the Fed would begin to reduce the size of its nearly \$9.0 trillion balance sheet. At the May 4 news conference Fed Chairman Jerome Powell noted that additional 0.50% increases could be warranted at the June and July FOMC meetings given current economic conditions. The Fed's tightening, which started meekly in November 2021, is picking up steam.

FOMC Meeting Statements

Date	Federal Funds Rate		Balance Sheet (Monthly)	
	Increase	Target Range	Reduction	Target
prior		0.00% - 0.25%		\$120 billion
Nov 3, 2021	--	0.00% - 0.25%	(\$15 billion)	\$105 billion
Dec 15, 2021	--	0.00% - 0.25%	(\$45 billion)	\$60 billion
Jan 26, 2022	--	0.00% - 0.25%	(\$40 billion)	\$20 billion
Mar 16, 2022	0.25%	0.25% - 0.50%	(\$20 billion)	--
May 4, 2022	0.50%	0.75% - 1.00%	(\$48 billion)	(\$48 billion)
Jun 15, 2022*	0.50%	1.25% - 1.50%	--	(\$48 billion)
Jul 27, 2022*	0.50%	1.75% - 2.00%	--	(\$48 billion)

* Projected based on May 4, 2022 statement and comments by Chair Powell

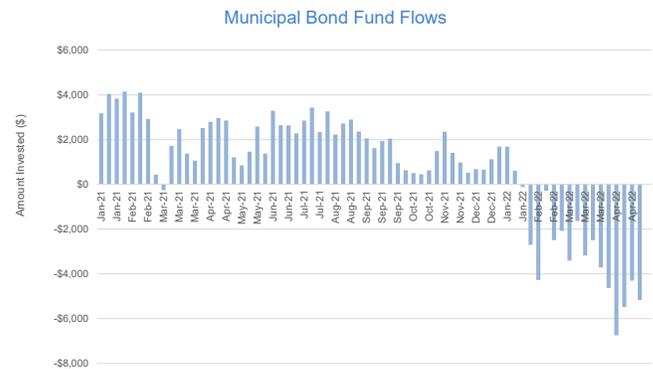
Initially, the capital markets seemed receptive to the Fed's statements and Chairman Powell's comments on May 4. Treasury yields moved lower and the S&P rallied, ending the day up 2.85%. However, the following day saw a reversal of those gains. Rates moved higher (higher rates, lower prices), and the S&P index dropped 2.89%, and continued edging lower the next three trading sessions.

On the morning of May 11, the Labor Department released its consumer price index (i.e., what consumers pay for goods and services) for April and it was little changed from the previous month. April's year over year increase was 8.3%, slightly lower than March's 8.5% reading. The slight decrease in April's CPI was primarily attributed to lower gasoline prices in April, but gasoline has since reached a new nominal high earlier this week. Additionally, a measure of the CPI that excludes the impact of volatile food and energy prices increased month over month by 0.6%, which doubled March's 0.3% increase. For those looking for near-term inflation relief, more patience will be required.

Broadly speaking, equities and fixed income ended mixed on May 11, but what this week might someday be remembered for was the unraveling of speculative bubbles in certain cryptocurrencies, including so-called stablecoins.

Municipal Market Update

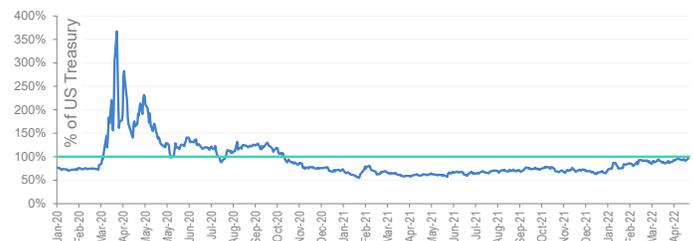
Investors continue to sell municipal bonds as rates rise and value decline. As the following chart indicates, we have now experienced 16 consecutive weeks of net municipal bond outflows with the week ended May 4, 2022.



The ratio of the 10-year Aaa tax-exempt municipal and the 10-year U.S. Treasury has been over 90% since April 19, 2022 and ended May 11 at 99.3%, showing a continued weakness for the value of tax-exemption for issuers.

Interest rates on municipal bonds continue to edge higher across the yield curve. This is represented by the following chart which provides Municipal Market Data (MMD) AAA yields since the start of 2020 for 5-year, 10-year, and 20-year maturities.

10-Year MMD vs. 10-Year US Treasury



If you have any questions about the municipal bond market in general or your specific bond issue, please feel free to contact a PMA advisor below.



Michele Wiberg
 SVP, Chief Sales & Marketing Officer
 PMA Securities



Erik Kass
 Director, Public Finance
 PMA Securities



Brian Della
 Director, Public Finance
 PMA Securities



This document was prepared by PMA Securities, LLC 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. The analysis or information presented may also contain hypothetical projections and/or past performance that have certain limitations. Past performance does not guarantee future results and no representation is made that the results are accurate or complete or that any results will be achieved.

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 and separate accounts. 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.

©2022 PMA Securities, LLC