

INSURANCE INDUSTRY NEWS

Inflation to Push Combined Ratio Above 100%

A new U.S. Property & Casualty Insurance Market Report projects that the 2022 combined ratio will rise to 100.4%. Although direct premiums written are expected to grow double digits again in 2022, the lingering challenges to the global supply chain will have negative impacts on claims costs, particularly in personal lines. If the economy deteriorates further, a prospective global recession would have a much broader effect from a P&C industry standpoint, with the potential to push losses higher in some business and commercial lines.

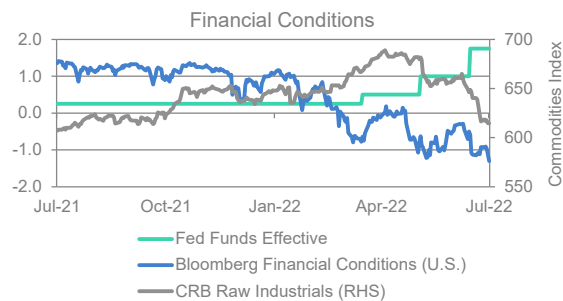
Source: S&P Capital IQ

FEATURED MARKET DATA

Fighting Inflation

The Federal Reserve further expanded efforts to reduce inflation in June through a 75 basis point rate hike. Federal Reserve Chairman Jerome Powell was clear during Congressional testimony that the Fed is committed to price stability. He added that tighter monetary policy is slowing growth, which narrows the path to a soft landing and creates the risk of a recession. We have seen financial conditions tighten all year, well in advance of the first Fed rate hike in March. June data showed the impact as retail sales, home sales and commodity prices declined. This softening should help reduce inflationary pressures.

Source: Bloomberg



Source: Bloomberg

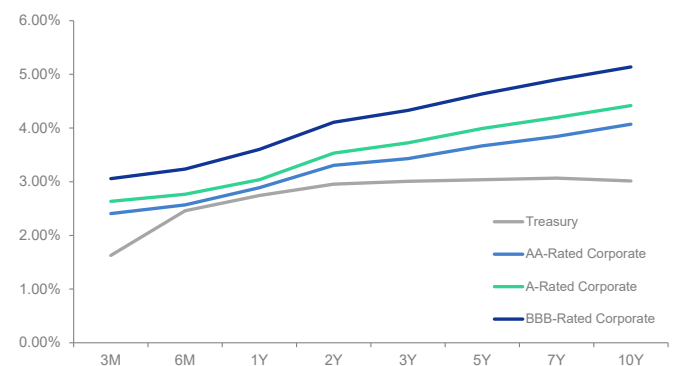
RECENT NEWS

Markets Down in June

Stocks declined and credit spreads widened in June. Sentiment turned negative when the May CPI report showed inflation above expectations. The following week, the Fed hiked rates 75 basis points. The large rate hike increased market concerns of a recession and lower corporate earnings. For the month, the S&P 500 finished lower by about 8.4% and the Nasdaq was lower by 8.7%. Fixed income also struggled with rates and spreads higher. Investment grade and high yield spreads were higher by 25 and 163 basis points, respectively.

Source: Bloomberg

Market Yields



Source: Bloomberg Finance L.P. 6/30/22

U.S. Economic Indicators

Event	Event Date	Period	Survey	Actual	Prior / Revised (R)
Consumer Price Index (MoM)	06/10/22	MAY	0.7%	1.0%	0.3%
Core CPI (MoM)	06/10/22	MAY	0.5%	0.6%	0.6%
Consumer Price Index (YoY)	06/10/22	MAY	8.3%	8.6%	8.3%
Retail Sales (MoM)	06/15/22	MAY	0.1%	-0.3%	0.7% (R)
Durables Ex. Transportation	06/27/22	MAY	0.3%	0.7%	0.2% (R)
Consumer Confidence	06/28/22	JUNE	100.0	98.7	103.2 (R)
PCE (MoM)	06/30/22	MAY	0.7%	0.6%	0.2%
Change in Nonfarm Payrolls	07/08/22	JUNE	265K	372K	384K(R)
Unemployment Rate	07/08/22	JUNE	3.6%	3.6%	3.6%

Source: Bloomberg Finance L.P. 7/8/22. Glossary terms on following page.

Contact Information

COURTNEY CLARKE

Vice President, Institutional Portfolio Manager
 515-224-2722 | cclarke@pmanetwork.com

Glossary of Terms

Term	What is it:
Building Permits	Records the number of permits for future housing construction.
Capacity Utilization	Tracks the extent to which capacity is being used in the production of goods and services.
Change in Nonfarm Payrolls	This indicator measures the change in the number of employees on business and government payrolls.
Chicago Fed National Activity Index	A nationwide measure of economic activity and inflation pressures. An index value of zero indicates that the national economy is expanding at its historical trend rate of growth.
Consumer Confidence	Index examines how consumers feel about jobs, the economy and spending.
Consumer Price Index (CPI)	Measures the average change in retail prices over time for a basket consisting of more than 200 categories of assorted goods and services paid directly by consumers.
Core Consumer Price Index (Core CPI)	This measure of CPI excludes food and energy costs.
Durable Goods Orders	A measure of new orders placed with domestic manufacturers for durable goods, which are items that last three years or more.
Existing Home Sales	Measures monthly sales of previously owned single-family homes.
GDP Annualized QoQ	Measures the annualized quarterly growth of the final market value of all goods and services produced within a country. GDP is the foremost report on how fast or slow the economy is growing.
Housing Starts	Records the number of new housing units started during a period.
Index of Leading Economic Indicators (LEI)	An index designed to predict the direction of the economy.
Initial Jobless Claims	Tracks new filings for unemployment insurance benefits.
ISM Manufacturing	Measures manufacturing activity based on a monthly survey of purchasing managers.
MBA Mortgage Applications	The Mortgage Bankers Association's weekly mortgage application survey includes home loan application activity for conventional and government loans for home purchases and refinances.
Mortgage Delinquencies	A measure of the percent of total conventional and government loans which are at least one payment past due, but not in the process of foreclosure.
Personal Consumption Expenditure (PCE)	The Federal Reserve's preferred measure of inflation tracks overall price changes for goods and services. Core PCE excludes food and energy.
Personal Income and Spending	Index records the income Americans receive, how much they spend, and what they save.
Retail Sales	Tracks the sale of new and used goods for personal or household consumption.
Retail Sales Ex. Auto	Retail sales excluding motor vehicles and parts.
S&P Case-Shiller Home Price Index	Tracks the value of single-family housing within the U.S. There are multiple indexes including the 20-City Composite.
Unemployment Rate	The U-3 unemployment rates tracks the percentage of the civilian workforce that is unemployed.

Source: Bloomberg, The Secrets of Economic Indicators by Bernard Baumohl; PMA Asset Management, LLC

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