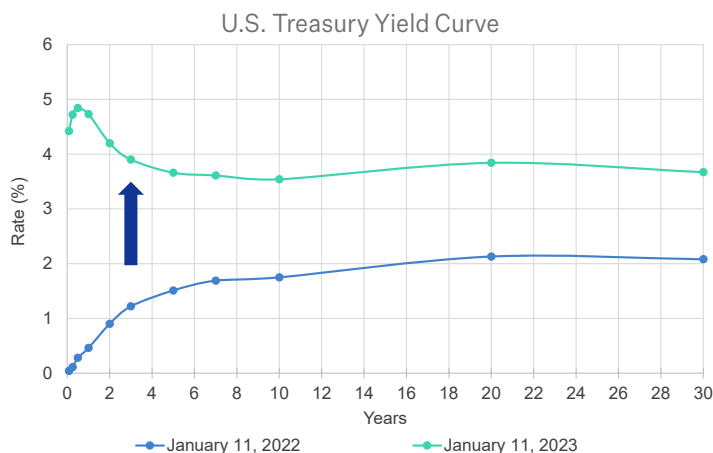


Looking Back at 2022 and Ahead to 2023

What a difference a year makes. In January 2022, the Federal Reserve (the Fed) kept its overnight rate at a range of zero to 0.25%, and was still committed to adding \$30 billion to its balance sheet in February with the goal of ending its quantitative easing program in early March. Over the next 11 months, the Fed increased its overnight rate seven times bringing the range to 4.25% - 4.50%, and has indicated its intention to raise rates further in 2023.

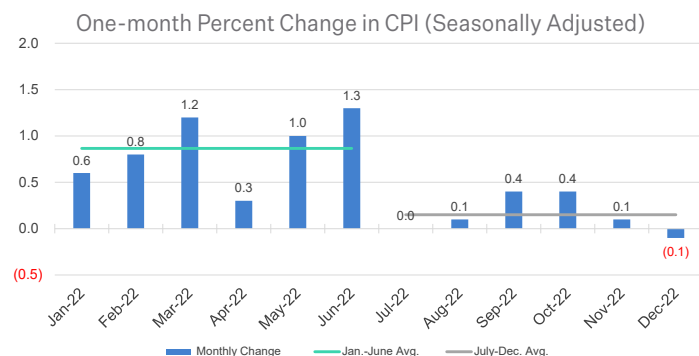


Labor Market

One of the Fed's desired effects from its rate increases is to reduce the demand for labor, and in turn lower the rate of wage gains. Fed officials worry that wage increases would be passed along by companies to consumers, further fueling inflation. On January 6 the Labor Department released the December jobs report and it shows gradually cooling labor conditions. Employers added 223,000 jobs in December and average hourly earnings were up 4.6%. Both measurements are strong by most historical standards, but less than any other monthly value from 2022.

Consumer Price Data

On Thursday, January 12, the December consumer-price index (CPI) was released showing a seasonally adjusted monthly decrease of 0.1% after rising 0.1% in November, and an increase of 6.5% over the past 12 months. The largest contributor to the monthly decrease was a reduction in the price of gasoline. The modest monthly decrease confirms that with respect to the consumer price index, 2022 was a year of distinct halves. The average month-over-month seasonally adjusted percent change in CPI during the first six months of 2022 was 0.87% (~10% annualized), while the average during the last six months was 0.15% (~2% annualized).



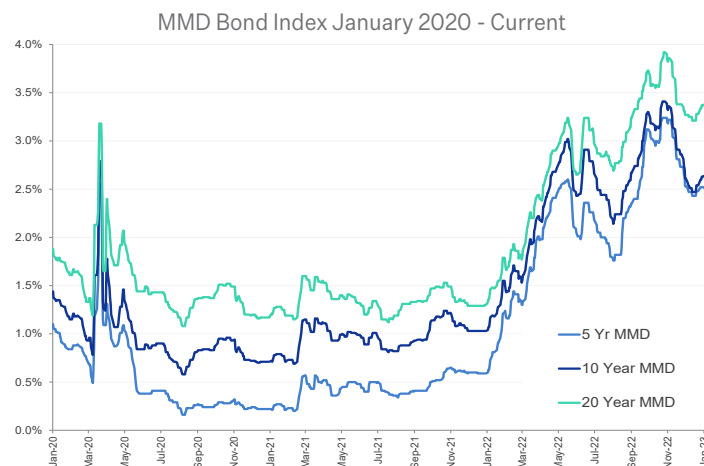
While consumers are rightly interested in the monthly CPI data, this "all items" index is not the Fed's preferred measure of inflation for informing its policy decisions. December's core CPI, which excludes energy and food prices, rose 0.3% on a month-over-month basis and on an annual basis gained 5.7%.

The Fed

The Fed's next regularly scheduled Federal Open Market Committee (FOMC) meeting wraps up on February 1, 2023. Prior to December's CPI release the futures market had a 76% probability of a 0.25% rate increase at this meeting. After the CPI release, the futures market increased the probability of a 0.25% increase to 93%.

Municipal Market Update

The following chart provides Municipal Market Data (MMD) AAA yields since the start of 2020 for 5-year, 10-year, and 20-year maturities. As illustrated, interest rates on municipal bonds have fallen since their 2022 peak that occurred during the last week in October. The decline in municipal yields has largely been fueled by the cooling of inflation. While yields did tick up towards the latter half of December, the market has rallied in January largely driven by a lack of municipal bond supply.



PMA is dedicated to staying up to date on market trends and will be ready to guide you through a dynamic and evolving market in the new year. 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.



Kent Johnson
Sr. Vice President, Director
Minnesota Office
PMA Securities



Steve Pumper
Vice President,
Minnesota Office
PMA Securities



Michael Hart
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.

©2023 PMA Securities, LLC