

Looking Back at 2023 and Ahead to 2024

In January 2023, the conventional wisdom of many market prognosticators was that the Federal Reserve would continue to raise its overnight rate in 2023, which would help reduce inflation, soften demand for labor, and likely tip the US economy into a mild recession. While the Fed did raise rates and inflation subsided, the labor market proved resilient, and the US economy experienced above-trend real GDP growth.

Inflation:

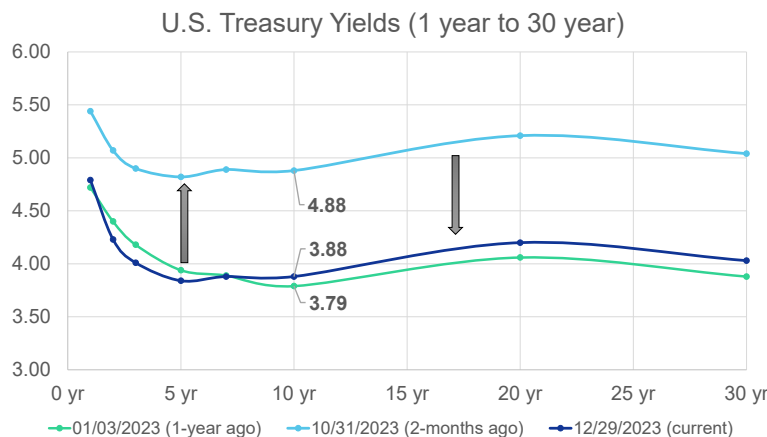
On Thursday of this week, the December consumer-price index (CPI) was released. The increase in the all-items CPI was 3.4% over the past year and the all-items index less food and energy (core CPI), rose 3.9% during the same period, which was down from last month's 4.0%. One year ago, the values were 6.5%, and 5.7%, respectively.

Employment:

The December jobs report from the Department of Labor was released on January 5 and it estimated that non-farm payrolls increased by 216,000, which was more than economists had expected and close to the average monthly gain for 2023. The unemployment rate was unchanged at 3.7%, which is in the middle of 2023's range. Hourly wages for December grew by 4.1% over the past 12 months, a tick higher than last month's 4.0% reading, and lower than the 4.6% measure one year ago.

US Treasury Rates:

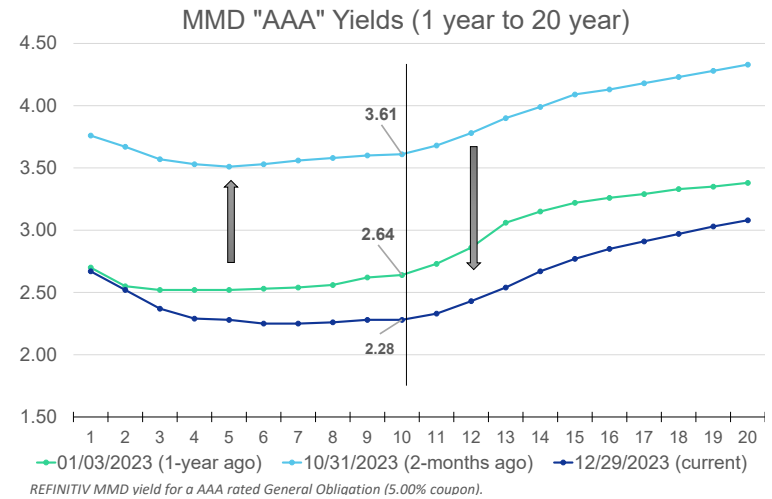
After yields peaked towards the end of October, the US Treasury market enjoyed a massive rally that brought rates down to levels similar to those at the start of 2023.



Source: U.S. Department of the Treasury

Municipal Rates:

High quality, tax-exempt yields have followed US treasuries lower during the final two months of the year, and ended at lower levels than those at the start of 2023.



REFINITIV MMD yield for a AAA rated General Obligation (5.00% coupon).

US Stock Indices:

The S&P 500 finished the year up 24%, the Dow Jones Industrial Average advanced 14%, and the NASDAQ Composite soared 43%, largely driven by large technology stocks response to the mania surrounding artificial intelligence.

The Fed:

During 2023, the Fed increased its overnight rate by four quarter-point moves, ending with a range of 5.25-5.50%. The last increase was on July 27.

The next Federal Open Market Committee (FOMC) meeting will conclude on January 31. Markets are currently not expecting a change to the overnight rate at this meeting. Investors in interest rate futures currently have a 65% probability of a 0.25% rate cut by the March 20 FOMC meeting, and a 56% probability of 0.50% in cuts by the May 1 meeting. Similar to last month, markets have baked in more rate cuts by the end of 2024 than were included in the Federal Reserve's Summary of Economic Projections released on December 13, 2023.

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



Erik Kass
 Director, Public Finance
 PMA Securities



Michele Wiberg
 SVP, Chief Sales
 & Marketing Officer
 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.

©2024 PMA Securities, LLC