

INSURANCE INDUSTRY NEWS

More Insurers Outsourcing Investments

According to new AM Best Special Reports, more insurers are relying on outside asset managers to manage at least a portion of their investment portfolios. While this trend has been on an upswing for over a decade, it has accelerated in the last few years. AM Best believes there are several factors contributing to this trend, including an increase in cash available for many life and annuity companies, the need for specialty assets across all types of insurers, and the desire to focus on core businesses rather than add market and investment research capabilities in-house.

Sources: AM Best, Insurance Asset Management

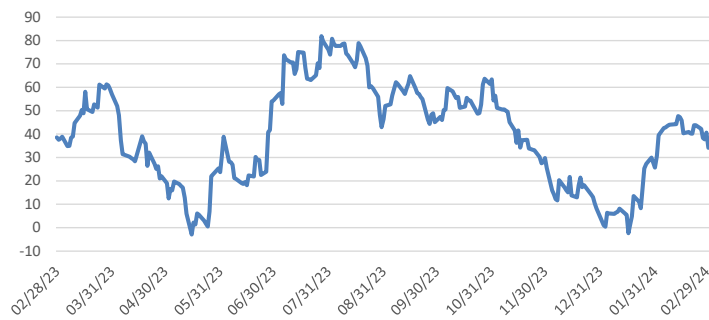
FEATURED MARKET DATA

Economic Growth Propels Stocks

Strong economic data helped lift the S&P 500 by 5.17% in February as markets also priced in a Federal Reserve that may be slower to cut rates. The Citi Surprise Index, which compares forecasted economic data to reported data, rose in early February on higher employment and inflation data. While economic data cooled later in the month, strong earnings for publicly traded companies, including excitement around Nvidia's earnings and artificial intelligence more broadly, also contributed to higher stock prices. Small cap stocks also performed well in February.

Source: Bloomberg

Citi Surprise Index



Source: Bloomberg

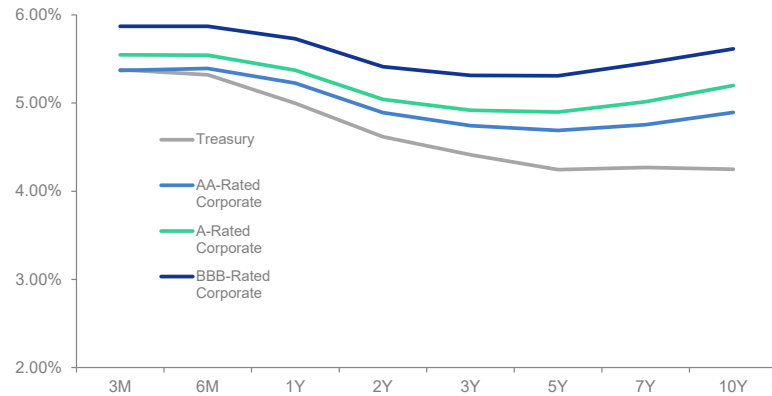
RECENT NEWS

Treasury Yields Rise

A higher than expected CPI report contributed to a shift back in market expectations for when the Fed will first cut rates. While some analysts have attributed the higher CPI to seasonal factors, other strong economic data further supported expectations for fewer Fed rate cuts in 2024. The market had priced in rate cuts as soon as March, but those expectations are now mostly priced in for June with three 2024 rate cuts priced into markets. Treasury yields moved higher as expectations evolved. The 2-year U.S. Treasury yield rose 41 basis points to 4.62% at the end of February. The 10-year also advanced 34 basis points to 4.25%.

Source: Bloomberg

Market Yields



Source: Bloomberg Finance L.P. 2/29/24

U.S. Economic Indicators

Event	Event Date	Period	Survey	Actual	Prior / Revised (R)
Core CPI (MoM)	02/13/24	JAN	0.3%	0.4%	0.3%
Consumer Price Index (YoY)	02/13/24	JAN	2.9%	3.1%	3.4%
Existing Home Sales	02/22/24	JAN	3.97mm	4.00mm	3.88mm (R)
Consumer Confidence	02/27/24	FEB	115.0	106.7	110.9 (R)
GDP Annualized QoQ	02/28/24	4Q S	3.3%	3.2%	3.3%
Personal Income	02/29/24	JAN	0.4%	1.0%	0.3%
Personal Spending	02/29/24	JAN	0.2%	0.2%	0.7%
Core PCE (YoY)	02/29/24	JAN	2.8%	2.8%	2.9%
ISM Manufacturing	03/01/24	FEB	49.5	47.8	49.1

Source: Bloomberg Finance L.P. 2/29/24. 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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