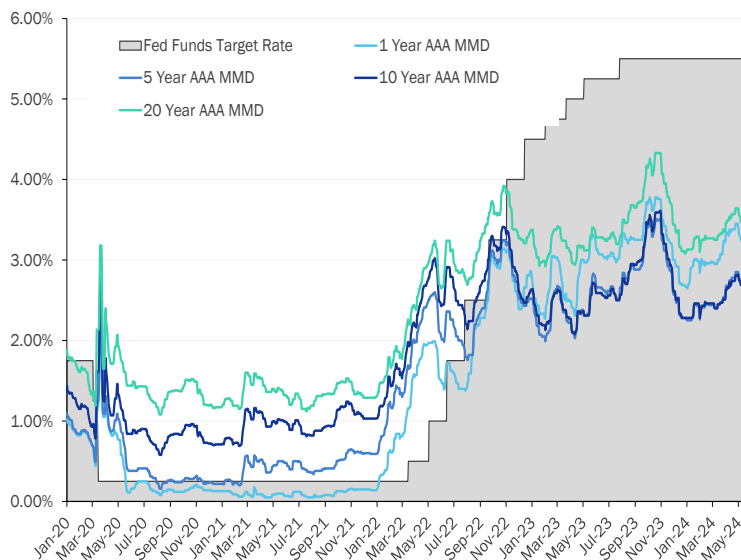


LATEST CPI REPORT SHOWS EASING INFLATION

The US economy received a slight reprieve from recent hot inflation readings when the latest one released this week came in a little cooler than expected. The seasonally adjusted CPI report for the month of April showed that consumer prices increased by 0.3% from the prior month, slightly lower than the 0.4% reading the markets had expected. On a 12-month basis, CPI increased by 3.4%, which matched what was forecasted. The core inflation reading, which excludes volatile food and energy prices, also came in at 0.3% for the month of April, while the 12-month reading recorded a 3.6% increase. Notably, the 12-month core CPI reading was the lowest our economy has seen since April 2021.

As expected, financial markets reacted favorably to the inflation news. The Dow Jones, S&P 500, and NASDAQ all established new record highs and the 10-Year US Treasury closed 0.09% (nine basis points, or nine bps) lower than the previous day. While interest rates in the municipal bond market did not fall to the same degree as the Treasury market, they did decrease by 0-2 bps throughout the curve, continuing the downward trend they've been experiencing over the past couple of weeks. The 10-Year MMD is now at 3.11%, as of May 15, the lowest it has been since April 4, and 15 bps lower than its 2024 high of 3.26%, reached on April 30. Below is graph of the AAA MMD since January 2020.



In conjunction with the positive inflation reading, the municipal bond market also saw its largest fund inflows in the past month. The week ended May 8 saw an influx of \$1.605 billion, according to the Investment Company Institute (ICI), which includes data from both ETFs and long-term mutual funds. The highest inflow amount over the prior four weeks was \$963 million and the week that ended April 17 even saw an outflow of \$1.214 billion. This is a positive sign for the municipal bond market as it demonstrates healthy investor interest in municipal securities.

On the legislative front, the Bond Buyer reported on an effort among local government leaders to work with the Biden administration on a reauthorization of federal infrastructure funds. The Infrastructure Investment and Jobs Act of 2021 (IIJA) has helped many communities achieve the growth that they have been targeting and local leaders would like to see that assistance continue in much the same way.

Here in Illinois, our PMA clients that sold bonds recently benefited from the strong market discussed earlier. Wilmette Park District sold \$5.015 million of Limited Tax General Obligation Bonds subject to its Debt Service Extension Base (DSEB). The District entered the market from a position of strength given its Aaa Moody's credit rating and the market did not disappoint as the District received a total of seven bids. The winning bid was 3.02%, six bps lower than the 2nd place bid, demonstrating the attractiveness of the District's bonds.

If you have any questions regarding the bond market or your specific bond issue, please do not hesitate to contact a PMA advisor on the second page.

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.



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