

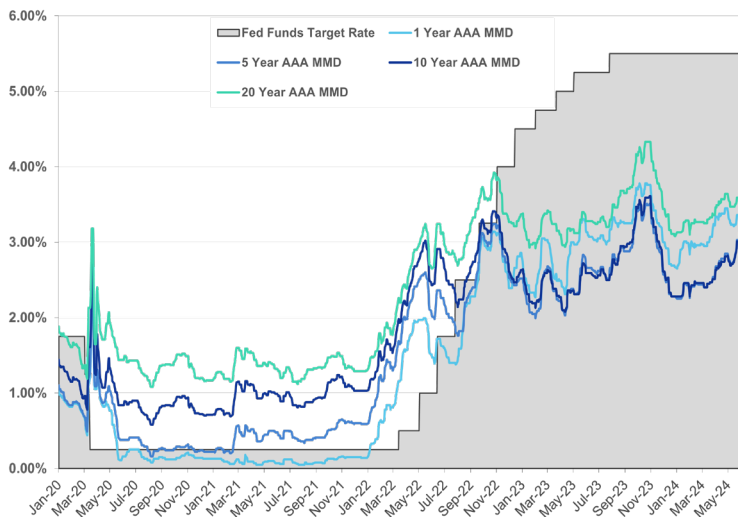


MAY CPI REPORT CONTINUES TO SHOW EASING INFLATION

The US economy received another reprieve from sticky inflation readings when the latest CPI report released this week came in a little cooler than expected. This report has helped continue a trend of municipal bond rates declining from their 2024 highs seen at the end of May.

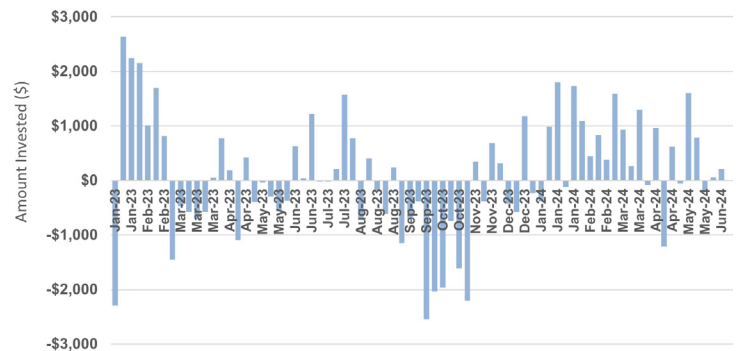
The seasonally adjusted CPI report for the month of May showed that consumer prices increased by 0.2% from the prior month, slightly lower than the 0.3% reading the markets had expected. On a 12-month basis, CPI increased by 3.3%, which was 0.1% lower than the forecast. The core inflation reading, which excludes volatile food and energy prices, also came in at 0.2% for the month of May, while the 12-month reading recorded a 3.4% increase. CPI component declines were led by lower gas prices and a decline in car insurance premiums as well as other services.

The CPI report was followed the next day by a producer price index (PPI) report that came in lower than expected. The market consensus expectation was a month-over-month increase of 0.1% and instead it decreased by 0.2%. This report continued the recent rally in the US Treasury market which experienced a decline in the 10-year rate from approximately 4.61% on May 29 to approximately 4.24% today for a 0.37% (37 bps) decrease. During that same period of time, the 10-Year MMD declined from 3.10% to 2.84%, or 26 bps which is the lowest it has been since May 17, 2024. Below is a graph of the AAA MMD since January 2020.



The municipal bond market continued its see-saw pattern of fund flows that began in March. The week ended June 5 saw an influx of \$208 million, 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 \$789 million. Typically, strong market demand arrives each June and July since these months have relatively higher amounts of principal and interest payments. Investors will look to reinvest these dollars which may lead to a strengthening of the municipal bond market relative to the U.S. Treasury market. This could translate into larger inflows during June. Stronger inflows is good for our clients.

Municipal Bond Fund Flows



PMA had several competitive sales in June including CCSD 181 (Hinsdale) which sold \$16.8 million of debt certificates for additions to six of its seven elementary schools to accommodate full-day kindergarten. The District entered the market from a position of strength given its Aaa Moody's credit rating and 10-year payback which led to it receiving 12 bids. The winning bid was 3.43%, 0.02% lower than the 2nd place bid, and about 20 bps better than the estimate demonstrating the strength of the competitive sale approach.

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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