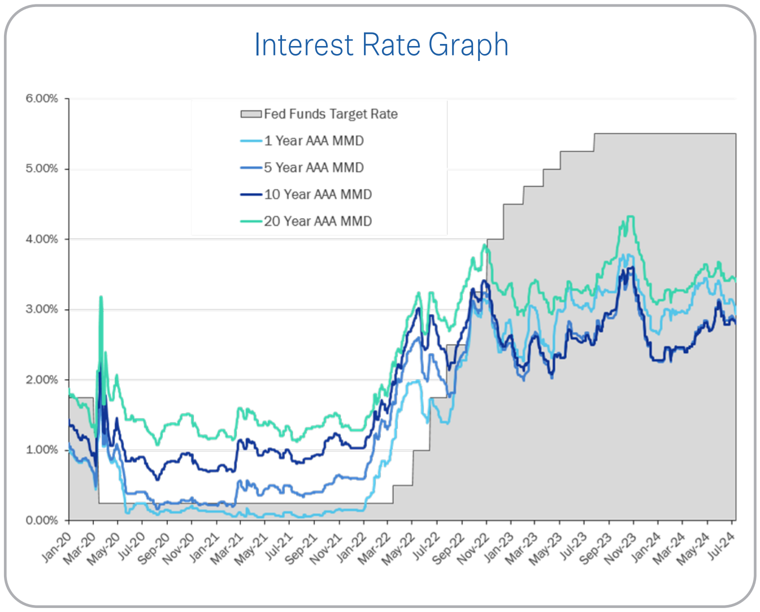
JUNE CPI REPORT BOLSTERS THE MUNICIPAL BOND MARKET

Inflation fell in June for the first time since 2020, adding pressure on the Federal Reserve to start lowering interest rates later this year.

The seasonally adjusted CPI report for last month showed that consumer prices decreased by 0.1% from May versus the 0.1% increase the markets had expected. On a 12-month basis, CPI increased by 3.0%, which was 0.1% lower than the consensus forecast and is at its lowest level in more than three years. The core inflation reading, which excludes volatile food and energy prices, increased by 0.1% last month, while the 12-month reading recorded a 3.3% increase, compared to forecasts of 0.2% and 3.4%, respectively. CPI component declines were led by lower gas prices, offsetting increases in food prices and housing. Additionally, used vehicle prices decreased 1.5% from last month and were down 10.1% from a year ago; this item was a main driver for the initial inflation surge in 2021.

Markets reacted swiftly to the latest CPI news as the 10-year US Treasury rate dropped by 0.08% (8 basis points, or bps) and now stands at 4.20%, which is 4 bps lower than our last market update on June 14th. At the same time, the 10-Year MMD declined by 5 bps yesterday, and now stands at 2.80%, which is 3 bp lower than our June update. Below is a graph of the AAA MMD since January 2020.

In early June the municipal bond market experienced an influx of investment dollars, according to the Investment Company Institute (ICI), which includes data from both ETFs and long-term mutual funds. The recent trend has not been favorable to issuers, however, with $670 million and $501 million of outflows for the weeks ending June 28 and July 5, respectively. Last month we noted that strong market demand typically arrives each June and July since these months have relatively higher amounts of principal and interest payments and 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 and potentially translate into larger inflows. Due to other market forces, that has not happened in recent weeks, but we will continue to watch inflows and outflows closely in the weeks ahead as stronger inflows are good for our clients.



PMA continues to bring sales to the market. On Tuesday July 9, the Village of Elburn, Illinois (the "Village") sold $5,850,000 General Obligation Bonds, Series 2024 to finance the expansion and renovation of its Village Hall and Police Station. The Village had not issued bonds via a public offering in nearly 30 years and despite being new to the process, it was fueled by its strong AA+ credit rating from S&P Global. Given the high rating, the financing team was expecting strong bids in its competitive sale and the results did not disappoint. Four underwriters submitted bids and the winning underwriter, Robert W. Baird, submitted a bid with a True Interest Cost (TIC) of 4.00%, which was 0.08% better than the second-place bid. Preliminary conservative analysis shared with the Village Board in May 2024 had assumed a TIC of 4.50% and the actual result decreased annual payments by $15,000-$20,000 for a total of $315,000 over the course of the 20-year bond issue. Both PMA and the Village were very pleased with the results.

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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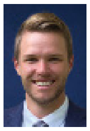

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