Strong Jobs Data Alleviates Recession Fears, Despite Warming CPI

Seasonally adjusted CPI did not ease as much as expected last month. Overall inflation over the past 12 months ending in September was 2.4%, down from 2.5% in the 12 months ending in August but above the 2.3% economists predicted. Core inflation, which excludes the categories of food and energy, picked up slightly to 3.3% YOY, up from last month's 3.2% and marginally above the 3.2% forecast. CPI rose 0.2% from a month earlier, or 0.3% on a core basis.

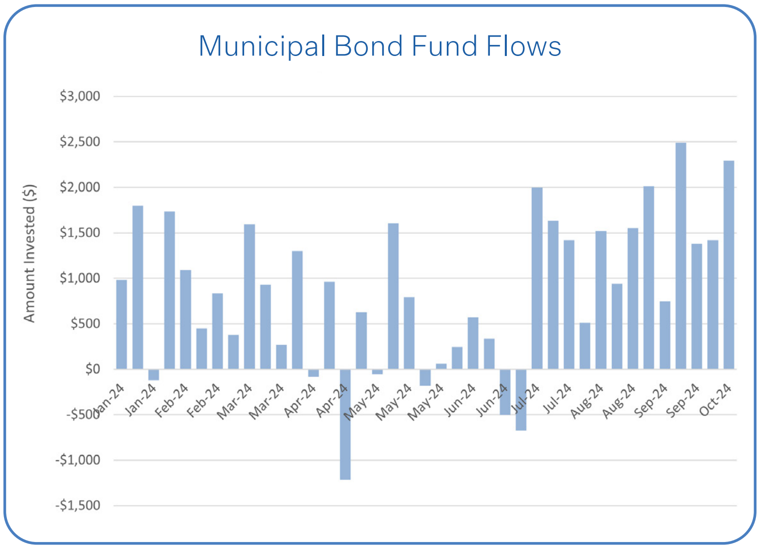
Seasonally adjusted PPI for the 12 months ending in September rose 1.8%, down from the 1.9% gain in the previous month but higher than the 1.6% predicted. Core PPI increased from 2.6% YOY to 2.8%. Although food prices and services increased 1.0% and 0.2% respectively from August to September, this gain was countered by falling energy prices, resulting in prices being held flat. Core PPI increased by 0.2%. With this being the last CPI and PPI data being released before the U.S. presidential election, the market now gears up for an election season that could cause some volatility in the market.

The jobs report for September was strong, with unemployment dropping slightly to 4.1% but still lingering above the 3.8% mark from a year earlier. Employers added 254,000 jobs in September, significantly exceeding expectations. The strong jobs report and the CPI increase above expectations have decreased market assumption of another 50-basis point (bp) rate cut next month. As of October 15, the market is pricing in a 94.1% chance of a 25-bp rate cut at the Fed meeting ending on November 7.

Stock futures fell in the aftermath of Hurricane Milton sweeping through Florida. The destruction inflicted on a state still recovering from Hurricane Helene could disrupt supply chains and fuel supplies for up to six months, particularly due to the closing of the Port of Tampa Bay. The Tampa Bay-Orlando area accounts for about 2.8% of national GDP.

This year, the stock market is performing well despite fears of a recession. The NASDAQ, S&P 500, and Dow Jones are up 19.2%, 22.4%, and 13.2% YTD respectively. The Dow and S&P 500 closed at all-time highs on October 14, but all three indexes fell slightly on October 15.

As of the close of the day on October 15, the 10-year Treasury is trading at 4.03%, continuing an upward trend that began on September 16. On the same day, the 10-year MMD closed at 2.78%, up from 2.63% a month earlier. For the four-week period ending October 2, the municipal market experienced a net inflow of $7.59 billion. As seen in the graph, total inflow for the year is high, especially in the last three months. A positive inflow of funds to the municipal bond market leads to greater demand, enabling issuers to offer lower yields.



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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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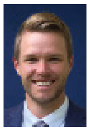

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