



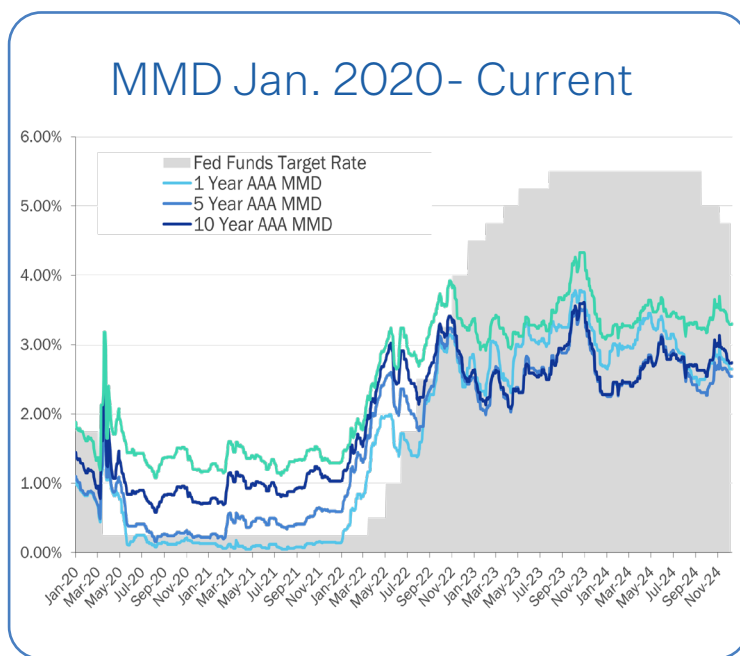
Markets Rally as Economic Data Meets Expectations

Following a turbulent November filled with elections, rate cuts, and quick shifts in every major market, December has been steadier due to an influx of positive and expected market data. The freshly released November CPI showed a 2.7% increase over the prior November and a 0.3% increase over October (seasonally adjusted), in line with market expectations. Core CPI followed suit, increasing by 3.3% in the last twelve months and 0.3% in the last month.

Economic readings in line with estimates typically promote market confidence in the Fed's ability to meet its dual mandate of managing inflation and supporting the labor market. The market expects the Federal Reserve, which has already cut rates by 0.75% since September, to decrease the federal funds target rate by 0.25% at its December 17th-18th meeting. While Fed Chair Jerome Powell has indicated that rates will be cut when necessary and decisions will be made with caution, data in line with expectations makes one more cut this year a strong possibility.

The "dot plot", set to be released at next week's Federal Open Markets Committee (FOMC) meeting, will illustrate the Fed's sentiment concerning the rate at which cuts will occur. Generally, the market expects the Fed to institute cuts at a slower pace than was thought even three months ago. Currently, CPI is still above the Fed target of 2%, suggesting that the battle with inflation is not yet over. With unemployment concerns rising in the last few weeks, the latest release from the Bureau of Labor Statistics has calmed the market. The US economy added 227,000 jobs in November, a significant increase from the revised total of 36,000 in October. Despite increased confidence in the labor market, the November unemployment rate has ticked up to 4.2% from 4.1%, causing the Fed to cautiously consider its dual mandate and refrain from guaranteeing continuous cuts. Economists are carefully weighing the potential impact of proposed policy shifts and tariffs, both of which are expected to increase inflationary pressures. The policies to be implemented, as well as their impact on labor and prices, will likely have a profound impact in the next calendar year.

While investors patiently await the changes that will come in 2025, markets have reacted positively and cautiously to recent economic developments. Mildly changing since the middle of November, the 10-Year US Treasury is currently yielding 4.215%, a decrease of 0.23%, or 23 bps, from the November 15 yield of 4.445%. The municipal market has behaved similarly, with the 10-year AAA MMD currently yielding 2.74%, a decrease of 20 bps from the 2.94% observed on November 15th. Continuous inflows into the market, such as the \$2.589 billion added into mutual funds in the last two weeks ending December 4th, are a positive sign of decreased borrowing rates for local governments. The graph below illustrates MMD rates since January 2020.



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.



Kent Johnson

Sr. Vice President, Director
Minnesota Office
PMA Securities



Steve Pumper

Sr. Vice President
Minnesota Office
PMA Securities



Michael Hart

VP, Managing Director
Minnesota Office
PMA Securities



This document was prepared by PMA Securities, LLC for clients of the firm and its affiliated PMA entities, as defined below. It is being provided for informational and/or educational purposes only without regard to any particular user's investment objectives, financial situation or means. The content of this document is not to be construed as a recommendation, solicitation or offer to buy or sell any security, financial product or instrument, or to participate in any particular trading strategy in any jurisdiction in which such an offer or solicitation, or trading strategy would be illegal. Nor does it constitute any legal, tax, accounting or investment advice of services regarding the suitability or profitability of any security or investment. Although the information contained in this document has been obtained from third-party sources believed to be reliable, PMA cannot guarantee the accuracy or completeness of such information. It is understood that PMA is not responsible for any errors or omissions in the content in this document and the information is being provided to you on an "as is" basis without warranties or representations of any kind. The analysis or information presented may also contain hypothetical projections and/or past performance that have certain limitations. Past performance does not guarantee future results and no representation is made that the results are accurate or complete or that any results will be achieved.

Securities, public finance services and institutional brokerage services are offered through PMA Securities, LLC. PMA Securities, LLC is a broker-dealer and municipal advisor registered with the SEC and MSRB, and is a member of FINRA and SIPC. PMA Asset Management, LLC, an SEC registered investment adviser, provides investment advisory services to local government investment pools and separate accounts. All other products and services are provided by PMA Financial Network, LLC. PMA Financial Network, LLC, PMA Securities, LLC and PMA Asset Management, LLC (collectively "PMA") are under common ownership.

Securities and public finance services offered through PMA Securities, LLC are available in CA, CO, FL, IL, IN, IA, MI, MN, MO, NE, NY, OH, OK, PA, SD, TX and WI. This document is not an offer of services available in any state other than those listed above, has been prepared for informational and educational purposes and does not constitute a solicitation to purchase or sell securities, which may be done only after client suitability is reviewed and determined. All investments mentioned herein may have varying levels of risk, and may not be suitable for every investor. PMA and its employees do not offer tax or legal advice. Individuals and organizations should consult with their own tax and/or legal advisors before making any tax or legal related investment decisions. Additional information is available upon request.

©2024 PMA Securities, LLC