

Markets Uneasy Over Mixed Data and Tariffs

Tariff policy has been the focus of the market over the last few months. On April 2, President Trump announced a baseline 10% tariff on all imports, with additional reciprocal tariffs on 57 countries. One week later he announced a pause on all reciprocal tariffs except those on Chinese goods, which he raised to 125%. In response, the European Union paused retaliatory tariffs to begin negotiations. After the first announcement of the reciprocal tariffs, the stock market plummeted, hovering around bear market territory. A bear market occurs when a major stock index declines by 20% or more from a recent high and remains down. However, the markets rallied upon news of the tariff pause. The S&P 500 jumped 9.5%, its largest single-day gain since 2008. Likewise, the NASDAQ soared 12%, its best day since 2001, and the Dow Jones Industrial Average (DJIA) climbed 7.9%, its biggest increase since 2020. However, some of these gains were corrected on April 10, as all three indices closed in the red.

On April 9, the Federal Reserve released the minutes from its March 18-19 meeting, which centered around fears of upcoming tariffs. Officials discussed concerns such as market volatility, depleted household savings, and limited growth due to stricter immigration policy. The Fed unanimously voted to hold rates steady but the so called “Dot Plot” signaled three possible rate cuts by the end of 2025, largely dependent on the development of tariffs.

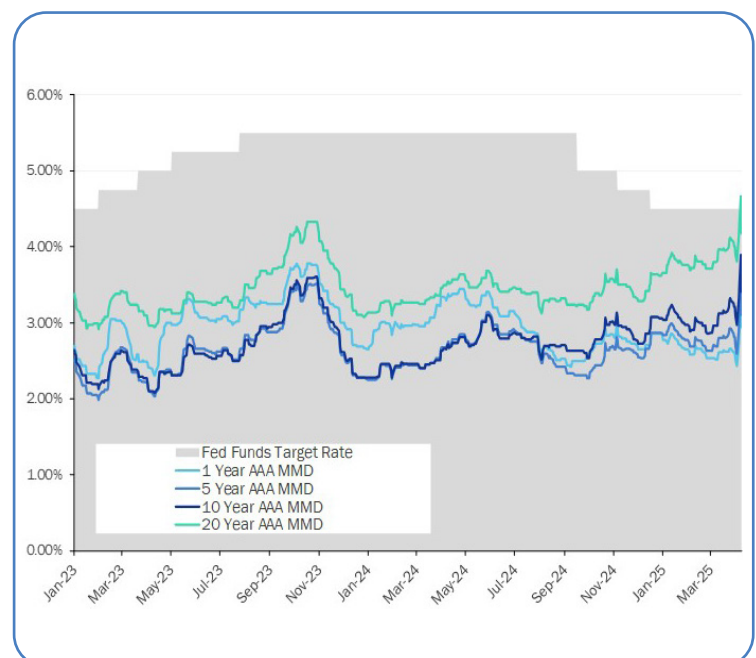
The Bureau of Labor Statistics released March inflation data on April 10. CPI fell a seasonally adjusted 0.1% in March, putting the 12-month inflation rate at 2.4%, a decline from the 2.8% recorded in February. Core inflation increased 0.1% for the month, setting the 12-month rate at 2.9%, the lowest increase since March 2021. CPI and core CPI both beat Wall Street expectations, which were 2.6% and 3.0%, respectively.

Investor uncertainty has caused volatility in the municipal market as well. Between March 3 and April 9 the 10-year Municipal Market Data Index (MMD) rose from a low of

2.86% to 3.89%. 0.90% of that increase occurred between April 4 and April 9. From March 3 to April 9, the 10-year Treasury rose from 4.180% to 4.400% but between April 4 and 9 it increased by 0.415%. Following the tariff pause announcement, the 10-year MMD dropped by 0.48% to 3.41% on April 10, while the Treasury rose by 0.013% to 4.413%. See below for a graph of MMD rates since January 2023.

Muni volatility is exacerbated by outflows in the Exchange-Traded Funds (ETF) markets. When large ETFs sell, buyers bid at lower levels. Decreased demand and investor unease cause higher yields, continuing the cycle. For the four weeks ending April 2, the municipal market experienced a net outflow of \$735 million. In response to the skyrocketing yields, many issuers have postponed deals scheduled to price this week, hoping the market stabilizes. The postponed deals boosting supply could continue to affect yields in the coming weeks.

MMD Jan. 2023 - Current



.....

Uncertainty around tariffs and inflation continue to be major factors in investor confidence. If you have any questions regarding the bond market or your specific bond issue, please do not hesitate to contact a PMA advisor below.

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.



Erik Kass
Director, Public Finance
PMA Securities



Michele Wiberg
SVP, Chief Sales
& Marketing Officer
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.

©2025 PMA Securities, LLC