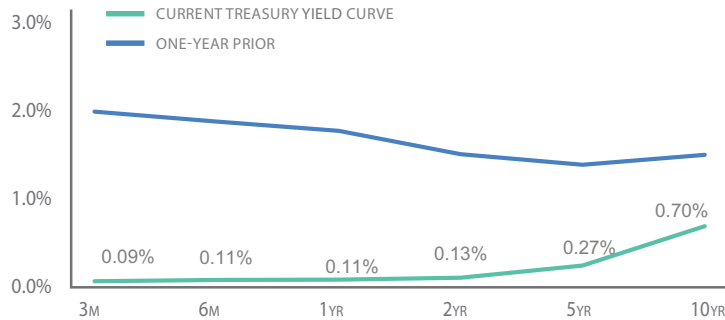
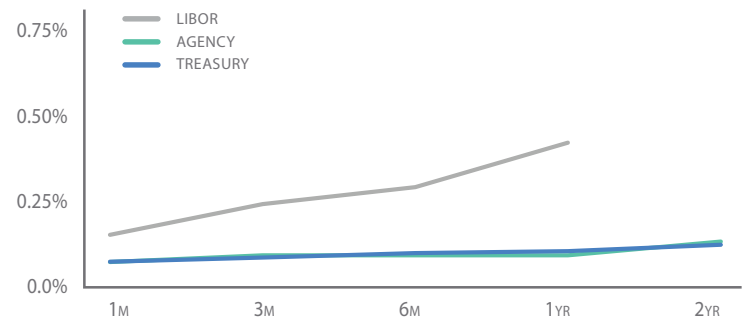


Historical Treasury Yield Curve



Source: Bloomberg Finance L.P. 8/31/20

Market Yields



Source: Bloomberg Finance L.P. 8/31/20

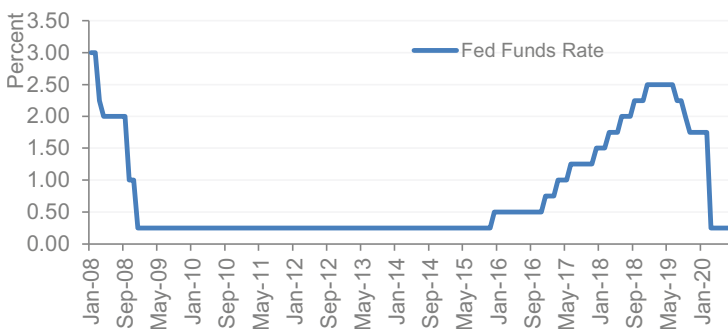
FEATURED MARKET DATA

New Fed Policy Addresses Low Inflation

Faced with lower current inflation and inflation expectations, the Federal Reserve announced changes to its monetary policy strategy in August. This shift in policy lessens the Fed's practice of preemptively raising rates to avoid higher inflation and will likely lead to lower rates for longer. Following high inflation of the 1970's, the Fed worried that waiting too long to raise rates could lead to price pressure. Over the past decade, interest rates and inflation have been suppressed by factors such as demographics, globalization and technology. Federal Reserve Chairman Jerome Powell said the policy change reflects the Fed's view that a "robust job market can be sustained without causing an outbreak of inflation." The Fed now seeks a strong labor market and inflation that "averages 2 percent over time."

Sources: Wall Street Journal, www.federalreserve.gov

RATES MAY STAY LOWER FOR LONGER



Source: Bloomberg

RECENT NEWS

What is Driving Stock Prices?

U.S. stocks continued to rally for the fifth straight month as the S&P 500 hit a record high in late August and increased 56% since March 23rd. Stocks on the S&P 500 are now trading at a multiple of 24 times forward earnings, which are Wall Street's expectations for companies' earnings over the next 12 months. Over the past 20 years this multiple has averaged a much lower 16 times forward earnings. Market observers continue to credit massive monetary and fiscal stimulus for the gains. In particular, the CARES Act provided stimulus checks, expanded unemployment benefits, and allowed for mortgage forbearance. However, with no fifth relief package approved, lower payrolls and renewed mortgage payments may reverse recent trends giving way to more volatility in coming months.

Sources: Bloomberg, PMA Asset Management

U.S. Economic Indicators

| Event | Event Date | Period | Survey | Actual | Prior / Revised (R) |
|---|------------|--------|--------|--------|---------------------|
| Core CPI (YoY) | 08/12/20 | JUL | 0.7% | 1.0% | 0.6% |
| Retail Sales Ex. Auto (MoM) | 08/14/20 | JUL | 1.3% | 1.9% | 8.3% (R) |
| Consumer Confidence | 08/25/20 | AUG | 93.0 | 84.8 | 91.7 (R) |
| Durable Goods Orders Ex. Transportation (MoM) | 08/26/20 | JUL | 2.0% | 2.4% | 4.0% (R) |
| Personal Income | 08/28/20 | JUL | -0.2 | 0.4 | -1.0% (R) |
| Personal Spending | 08/28/20 | JUL | 1.6% | 1.9% | 6.2% (R) |
| ISM Manufacturing | 09/01/20 | AUG | 54.8 | 56.0 | 54.2 |
| Change in Nonfarm Payrolls | 09/04/20 | AUG | 1,390K | -- | 1,763K |
| Unemployment Rate | 09/04/20 | AUG | 9.8% | -- | 10.2% |

Source: Bloomberg Finance L.P. 9/2/20. Glossary terms on page 2.

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Glossary of Terms

| Term | What is it: |
|---|--|
| Building Permits | Records the number of permits for future housing construction. |
| Capacity Utilization | Tracks the extent to which capacity is being used in the production of goods and services. |
| Change in Nonfarm Payrolls | This indicator measures the change in the number of employees on business and government payrolls. |
| Chicago Fed National Activity Index | A nationwide measure of economic activity and inflation pressures. An index value of zero indicates that the national economy is expanding at its historical trend rate of growth. |
| Consumer Confidence | Index examines how consumers feel about jobs, the economy and spending. |
| Consumer Price Index (CPI) | Measures the average change in retail prices over time for a basket consisting of more than 200 categories of assorted goods and services paid directly by consumers. |
| Core Consumer Price Index (Core CPI) | This measure of CPI excludes food and energy costs. |
| Durable Goods Orders | A measure of new orders placed with domestic manufacturers for durable goods, which are items that last three years or more. |
| Existing Home Sales | Measures monthly sales of previously owned single-family homes. |
| GDP Annualized QoQ | Measures the annualized quarterly growth of the final market value of all goods and services produced within a country. GDP is the foremost report on how fast or slow the economy is growing. |
| Housing Starts | Records the number of new housing units started during a period. |
| Index of Leading Economic Indicators (LEI) | An index designed to predict the direction of the economy. |
| Initial Jobless Claims | Tracks new filings for unemployment insurance benefits. |
| ISM Manufacturing | Measures manufacturing activity based on a monthly survey of purchasing managers. |
| MBA Mortgage Applications | The Mortgage Bankers Association's weekly mortgage application survey includes home loan application activity for conventional and government loans for home purchases and refinances. |
| Mortgage Delinquencies | A measure of the percent of total conventional and government loans which are at least one payment past due, but not in the process of foreclosure. |
| Personal Consumption Expenditure (PCE) | The Federal Reserve's preferred measure of inflation tracks overall price changes for goods and services. Core PCE excludes food and energy. |
| Personal Income and Spending | Index records the income Americans receive, how much they spend, and what they save. |
| Retail Sales | Tracks the sale of new and used goods for personal or household consumption. |
| Retail Sales Ex. Auto | Retail sales excluding motor vehicles and parts. |
| S&P Case-Shiller Home Price Index | Tracks the value of single-family housing within the U.S. There are multiple indexes including the 20-City Composite. |
| Unemployment Rate | The U-3 unemployment rates tracks the percentage of the civilian workforce that is unemployed. |

Source: Bloomberg, The Secrets of Economic Indicators by Bernard Baumohl; PMA Asset Management, LLC

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