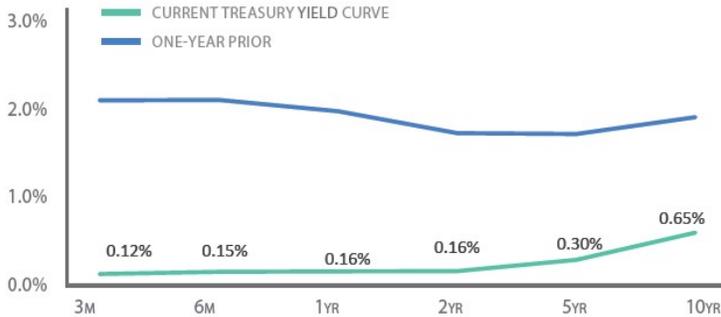
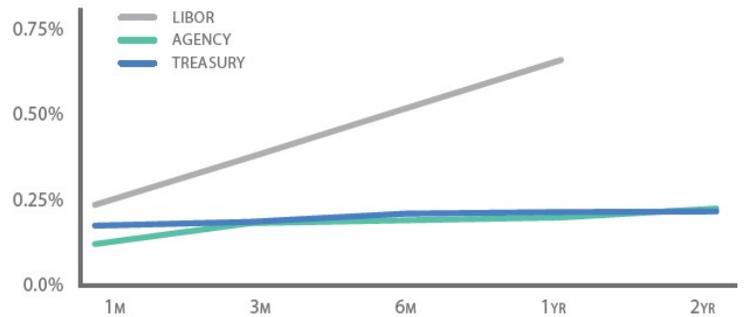


Historical Treasury Yield Curve



Source: Bloomberg Finance L.P. 5/31/20

Indicative Rates



Source: Bloomberg Finance L.P. 5/31/20. Rates do not reflect transaction fees.

FEATURED MARKET DATA

What Treasury Bonds Tell Us

U.S. Treasury yields diverged with equities in May as stock markets soared while bond yields remained relatively stable. We believe government support may mask fundamental economic and political risks and has inflated investor optimism over the past month. On a positive note, markets are not pricing in high inflation despite growing government and central bank balance sheets. However, low Treasury yields forecast weak economic growth for years ahead. This is in stark contrast to signals from stock markets.

Source: Bloomberg, PMA Asset Management, LLC

DIVERGENT MARKETS



Source: Bloomberg

RECENT NEWS

Consumer Spending Plummets

Consumers had little choice but to reduce spending as restrictions on non-essential activities left most Americans at home. The resulting record drop in April's consumer spending was therefore no surprise and markets took the news in stride. The April report also showed a 10.5% spike in income related to government stimulus and unemployment insurance. To PMA, this was a stark reminder of the degree to which a record number of Americans are reliant on government safety nets as the pandemic continues. Even with states beginning to reopen in May, businesses may be slow to rehire workers. We expect this uncertainty to make people very cautious about spending for many months ahead.

Source: Wall Street Journal, PMA Asset Management, LLC

U.S. Economic Indicators

Event	Event Date	Period	Survey	Actual	Prior / Revised (R)
Leading Economic Indicators	05/21/20	APR	-5.4%	-4.4%	-7.4% (R)
Chicago Fed National Activity Index	05/26/20	APR	-3.50	-16.74	-4.97 (R)
Consumer Confidence	05/26/20	MAY	87.0	86.6	85.7 (R)
MBA Mortgage Applications	05/27/20	MAY 22	--	2.7%	-2.6%
Initial Jobless Claims	05/28/20	MAY 23	2,100K	2,123K	2,446K (R)
Continuing Claims	05/28/20	MAY 16	25.7M	21.1M	24.9M (R)
ISM Manufacturing	06/01/20	MAY	43.8	43.1	41.5
Change in Nonfarm Payrolls	06/05/20	MAY	-8.0M	--	-20.5M
Unemployment Rate	06/05/20	MAY	19.5%	--	14.7%

Source: Bloomberg Finance L.P. 6/1/20. 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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