

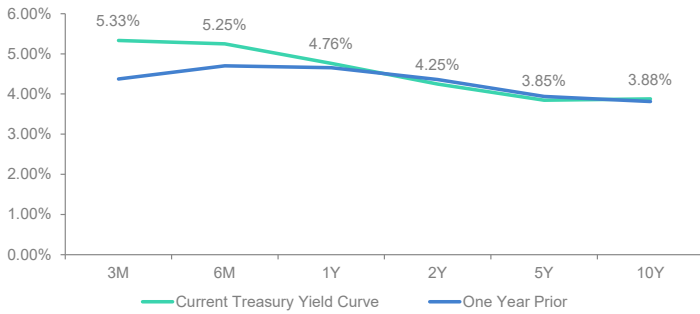


MN TRUST MARKET UPDATE

Prepared by PMA Asset Management, LLC

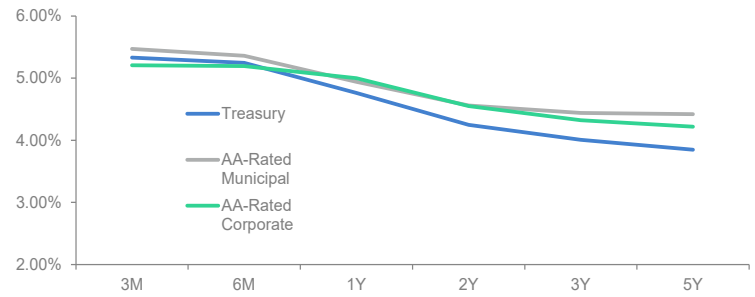
JANUARY 2024

Treasury Yield Curve



Source: Bloomberg Finance L.P. 12/31/23

Market Yields



Source: Bloomberg Finance L.P. 12/31/23

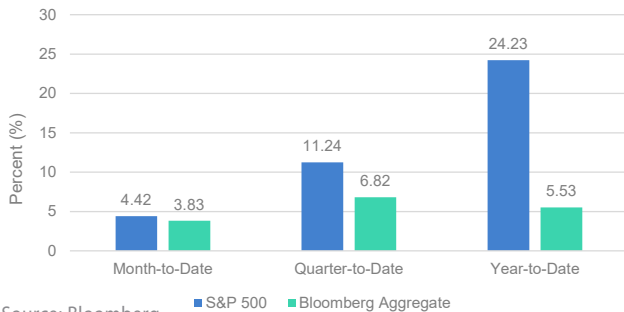
FEATURED MARKET DATA

Markets Rally on Dovish Fed

Stocks and bonds continued to rally in December resulting in strong returns for equity and fixed income markets in 2023. Favorable economic data increased expectations in early December that the Fed would begin to pivot toward lower rates. Fed officials confirmed this at the December Fed meeting as the Summary of Economic Projections showed three 0.25% rate cuts expected in 2024. Fed Chair Jerome Powell noted that the timing of rate cuts would be the Fed's "next question." The Fed pivot helped to send yields lower as the market priced in at least six 0.25% rate cuts in 2024. Lower yields and investors' shift out of large cash positions aided bond returns and fueled further gains in equity markets.

Sources: Bloomberg, FactSet

Market Returns



Source: Bloomberg

RECENT NEWS

Inflation Slows

Economic data released in December was supportive of slowing inflation. The employment report showed average hourly earnings fell to the slowest annualized pace since June 2021. Headline CPI fell for the month to 3.1% and the Fed's preferred measure of inflation, Core Personal Consumption Expenditures (PCE), also slowed and was revised down for prior months. December Michigan Consumer Sentiment displayed 1-year inflation expectations the lowest since March 2021. Altogether, the data supports a Fed pivot toward lower rates in the year ahead. It is a good time for investors to ensure their portfolios are invested to meet expected liabilities.

Sources: Bloomberg, FactSet

U.S. Economic Indicators

Event	Event Date	Period	Survey	Actual	Prior / Revised (R)
Consumer Price Index (YoY)	12/12/23	NOV	3.1%	3.1%	3.2%
Retail Sales Ex. Auto (MoM)	12/14/23	NOV	-0.1%	0.2%	0.0% (R)
S&P Global US Services PMI	12/15/23	DEC P	50.7	51.3	50.8
Existing Home Sales	12/20/23	NOV	3.78mm	3.82mm	3.79mm
Consumer Confidence	12/20/23	DEC	104.5	110.7	101.0 (R)
S&P Case Shiller 20-City Home Price Index (YoY)	12/26/23	OCT	4.99%	4.87%	3.92%
S&P Global US Manufacturing PMI	01/02/24	DEC F	48.4	47.9	48.2
Change in Nonfarm Payrolls	01/05/24	DEC	170K	--	199K
Unemployment Rate	01/05/24	DEC	3.8%	--	3.7%

Source: Bloomberg Finance L.P. 1/2/24. Glossary terms on following page.

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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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