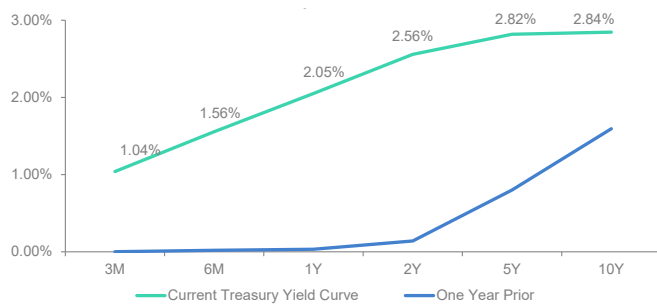


## Historical Treasury Yield Curve



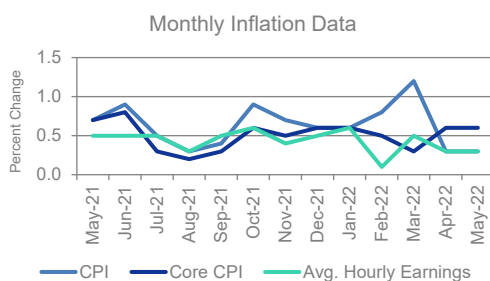
Source: Bloomberg Finance L.P. 5/31/22

## FEATURED MARKET DATA

### Past Peak Inflation?

Headline CPI declined to 8.3% in April from 8.5% in March as energy prices eased. This helped fuel expectations that inflation has peaked. Inflation breakevens, a forward-looking measure of inflation, have mostly declined since peaking in March. The picture is less clear as we analyze monthly inflation data. On the positive side, month-over-month CPI has been lower the past two months at 0.3% compared to growth as high as 1.2% in March. Average hourly earnings growth of 0.3% in April and May was also viewed positively. Conversely, Core CPI, which excludes more volatile food and energy costs, remained elevated at 0.6% the past two months. Meanwhile, energy prices have risen in May placing upward pressure on headline inflation data.

Sources: Bloomberg



Source: Bloomberg

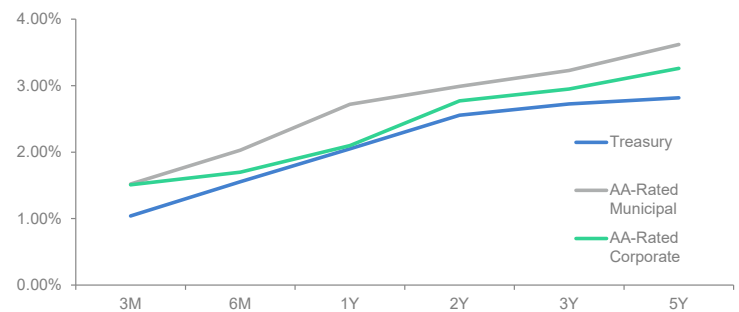
## RECENT NEWS

### Management Talking Inflation

While operating margins have held up relatively well for S&P 500 companies despite inflation reaching a 40-year high during the first quarter, sentiment is turning negative. A Bloomberg analysis of 1Q earnings calls showed management teams of S&P 500 companies mentioned "inflation" more than five times per call on average. Moreover, management answers to analyst questions have progressively become less optimistic since 2Q21. Forecasts imply six of nine S&P 500 sectors will post operating margin declines year-over-year in 2Q. Forward earnings forecasts revisions are trending lower for the remainder of 2022, reflecting expectations for high inflation to reduce margins.

Source: Bloomberg

## Market Yields



Source: Bloomberg Finance L.P. 5/31/22

## U.S. Economic Indicators

Event	Event Date	Period	Survey	Actual	Prior / Revised (R)
Retail Sales Ex. Auto (MoM)	05/17/22	APR	0.4%	0.6%	2.1% (R)
Chicago Fed National Activity Index	05/23/22	APR	0.50	0.47	0.36 (R)
New Home Sales	05/24/22	APR	748K	591K	709K (R)
Pending Home Sales (MoM)	05/26/22	APR	-2.1%	-3.9%	-1.6% (R)
S&P Case Shiller 20-City Home Price Index (MoM)	05/31/22	MAR	1.90%	2.42%	2.39%
Consumer Confidence	05/31/22	MAY	103.6	106.4	108.6 (R)
ISM Manufacturing	06/01/22	MAY	54.5	56.1	55.4
Change in Nonfarm Payrolls	06/03/22	MAY	325K	-	428K
Unemployment Rate	06/03/22	MAY	3.5%	-	3.6%

Source: Bloomberg Finance L.P. 5/31/22. Glossary terms on following page.

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# Glossary of Terms

Term	What is it:
<b>Building Permits</b>	Records the number of permits for future housing construction.
<b>Capacity Utilization</b>	Tracks the extent to which capacity is being used in the production of goods and services.
<b>Change in Nonfarm Payrolls</b>	This indicator measures the change in the number of employees on business and government payrolls.
<b>Chicago Fed National Activity Index</b>	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.
<b>Consumer Confidence</b>	Index examines how consumers feel about jobs, the economy and spending.
<b>Consumer Price Index (CPI)</b>	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.
<b>Core Consumer Price Index (Core CPI)</b>	This measure of CPI excludes food and energy costs.
<b>Durable Goods Orders</b>	A measure of new orders placed with domestic manufacturers for durable goods, which are items that last three years or more.
<b>Existing Home Sales</b>	Measures monthly sales of previously owned single-family homes.
<b>GDP Annualized QoQ</b>	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.
<b>Housing Starts</b>	Records the number of new housing units started during a period.
<b>Index of Leading Economic Indicators (LEI)</b>	An index designed to predict the direction of the economy.
<b>Initial Jobless Claims</b>	Tracks new filings for unemployment insurance benefits.
<b>ISM Manufacturing</b>	Measures manufacturing activity based on a monthly survey of purchasing managers.
<b>MBA Mortgage Applications</b>	The Mortgage Bankers Association's weekly mortgage application survey includes home loan application activity for conventional and government loans for home purchases and refinances.
<b>Mortgage Delinquencies</b>	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.
<b>Personal Consumption Expenditure (PCE)</b>	The Federal Reserve's preferred measure of inflation tracks overall price changes for goods and services. Core PCE excludes food and energy.
<b>Personal Income and Spending</b>	Index records the income Americans receive, how much they spend, and what they save.
<b>Retail Sales</b>	Tracks the sale of new and used goods for personal or household consumption.
<b>Retail Sales Ex. Auto</b>	Retail sales excluding motor vehicles and parts.
<b>S&amp;P Case-Shiller Home Price Index</b>	Tracks the value of single-family housing within the U.S. There are multiple indexes including the 20-City Composite.
<b>Unemployment Rate</b>	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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