



Market Update

May 17, 2021

**Prepared by:
Portfolio Strategies Group**

PFM Asset
Management LLC

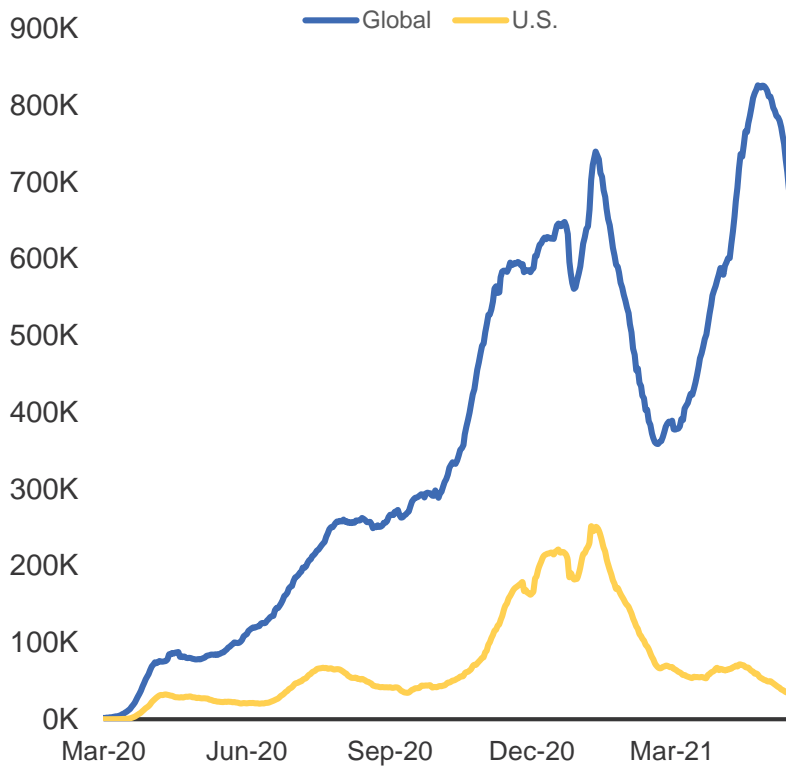
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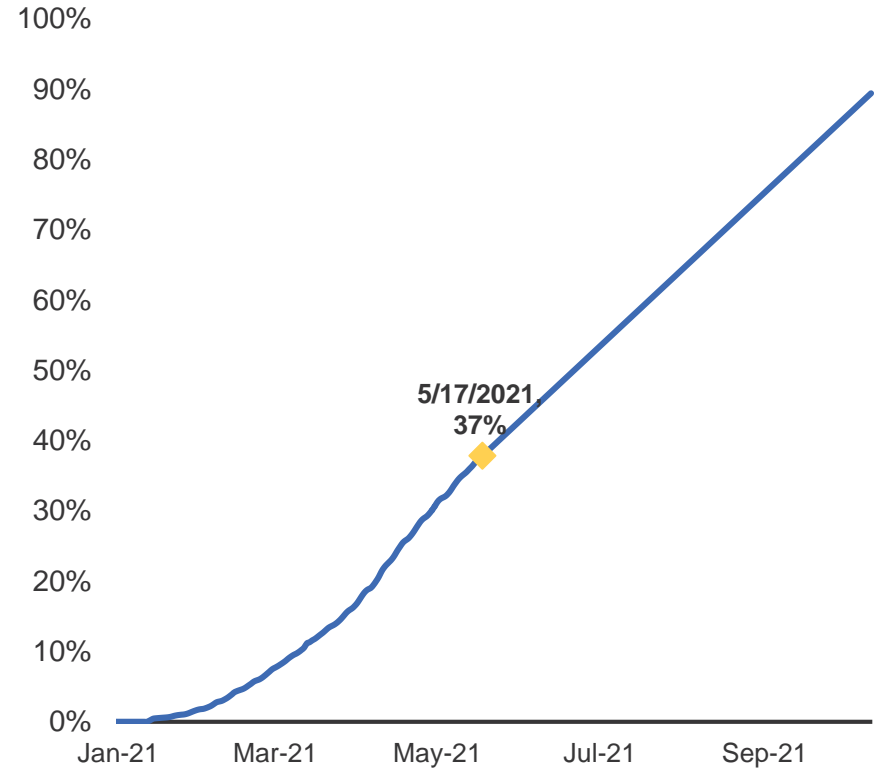


U.S. Continues to Make Strong Progress Combating Covid-19

U.S. New Cases Reported Daily 7-Day Moving Average



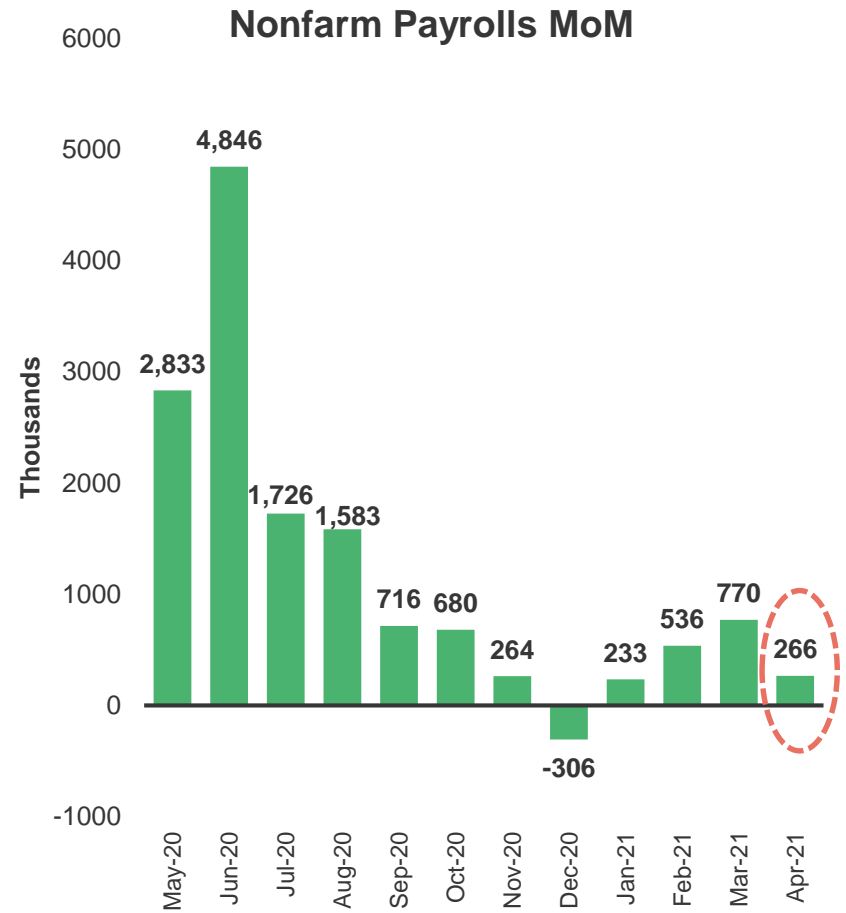
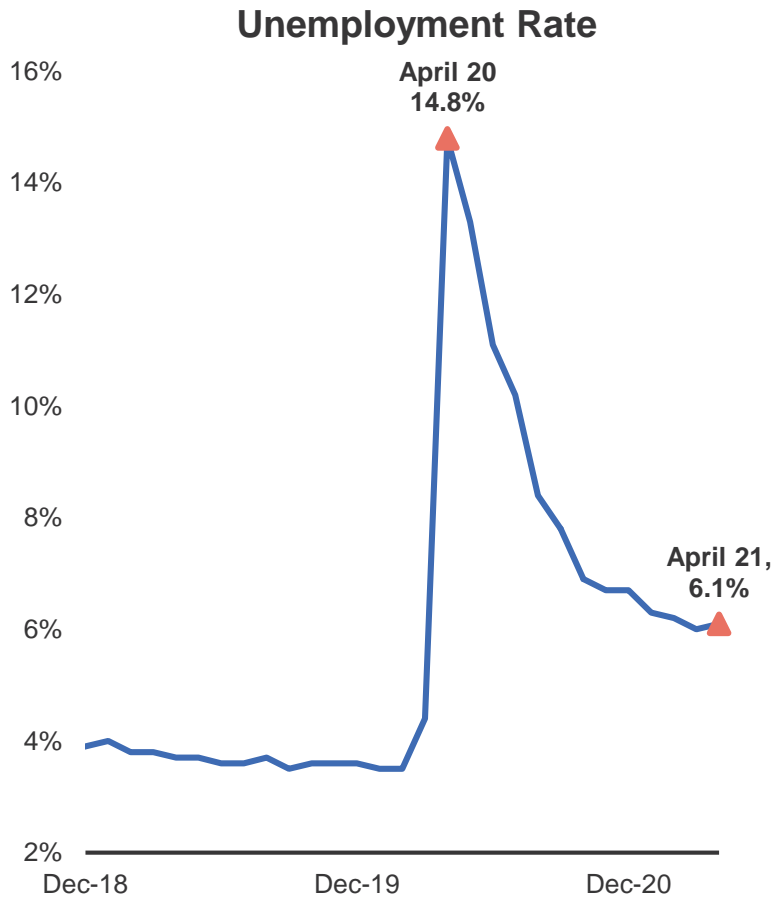
Fully Vaccinated Individuals in the U.S. at Current Pace of Vaccination



Source: John Hopkins University Coronavirus Resource Center, PFM calculations; as of 5/17/2021.



April Employment Report a Huge Disappointment

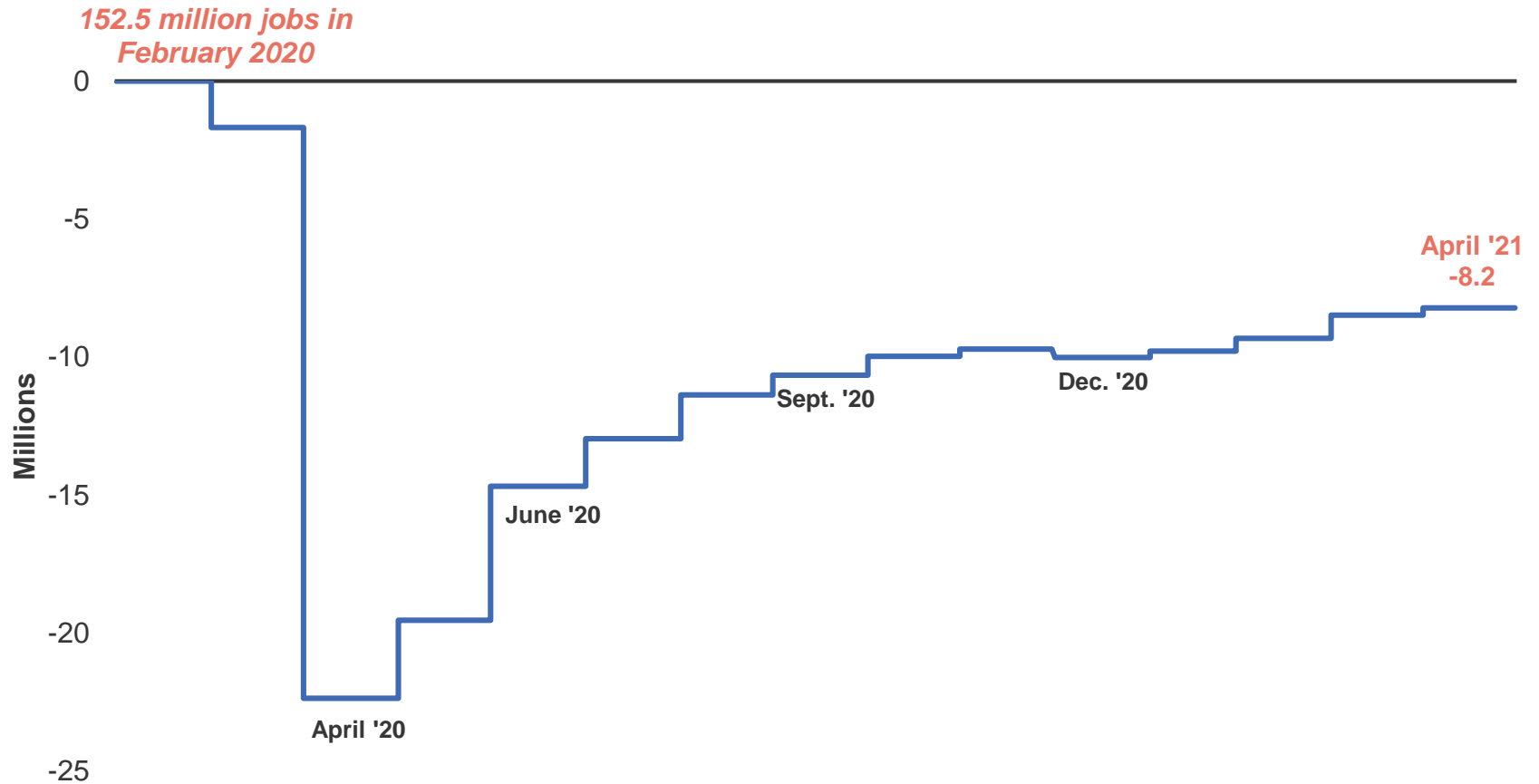


Source: Bloomberg, as of 5/10/2021. Data is seasonally adjusted.



There Are Still 8.2 Million Fewer Workers in the U.S. Than Pre-Pandemic

Cumulative Change In Jobs Compared to Pre-Pandemic



Source: Bloomberg, as of 5/10/2021.



Economic Data – Last Week

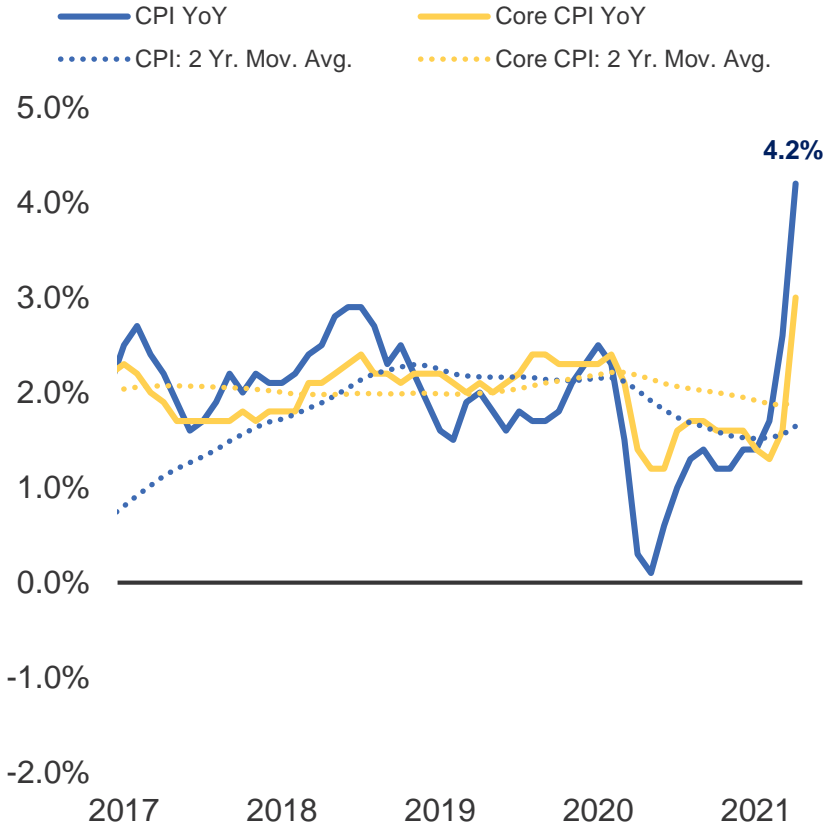
	Date	Time	C	Event	Period	Surv(M)	Actual	Prior	Revised
21)	05/11	06:00	US	NFIB Small Business Optimism	Apr	100.8	99.8	98.2	--
22)	05/11	10:00	US	JOLTS Job Openings	Mar	7500k	8123k	7367k	7526k
23)	05/12	07:00	US	MBA Mortgage Applications	May 7	--	2.1%	-0.9%	--
24)	05/12	08:30	US	CPI MoM	Apr	0.2%	0.8%	0.6%	--
25)	05/12	08:30	US	CPI Ex Food and Energy MoM	Apr	0.3%	0.9%	0.3%	--
26)	05/12	08:30	US	CPI YoY	Apr	3.6%	4.2%	2.6%	--
27)	05/12	08:30	US	CPI Ex Food and Energy YoY	Apr	2.3%	3.0%	1.6%	--
28)	05/12	14:00	US	Monthly Budget Statement	Apr	-\$207.9b	-\$225.0b	-\$738.0b	-\$738.0b
29)	05/13	08:30	US	PPI Final Demand MoM	Apr	0.3%	0.6%	1.0%	--
30)	05/13	08:30	US	PPI Ex Food and Energy MoM	Apr	0.4%	0.7%	0.7%	--
31)	05/13	08:30	US	PPI Final Demand YoY	Apr	5.8%	6.2%	4.2%	--
32)	05/13	08:30	US	PPI Ex Food and Energy YoY	Apr	3.8%	4.1%	3.1%	--
33)	05/13	08:30	US	Initial Jobless Claims	May 8	490k	473k	498k	507k
34)	05/13	08:30	US	Continuing Claims	May 1	3650k	3655k	3690k	3700k
35)	05/14	08:30	US	Retail Sales Advance MoM	Apr	1.0%	0.0%	9.8%	10.7%
36)	05/14	08:30	US	Retail Sales Ex Auto MoM	Apr	0.6%	-0.8%	8.4%	9.0%
37)	05/14	08:30	US	Retail Sales Ex Auto and Gas	Apr	0.3%	-0.8%	8.2%	8.9%
38)	05/14	08:30	US	Import Price Index MoM	Apr	0.6%	0.7%	1.2%	1.4%
39)	05/14	08:30	US	Import Price Index YoY	Apr	10.2%	10.6%	6.9%	7.0%
40)	05/14	09:15	US	Industrial Production MoM	Apr	0.9%	0.7%	1.4%	2.4%
41)	05/14	10:00	US	U. of Mich. Sentiment	May P	90.0	82.3	88.3	--

Source: Bloomberg, as of 5/17/2021.

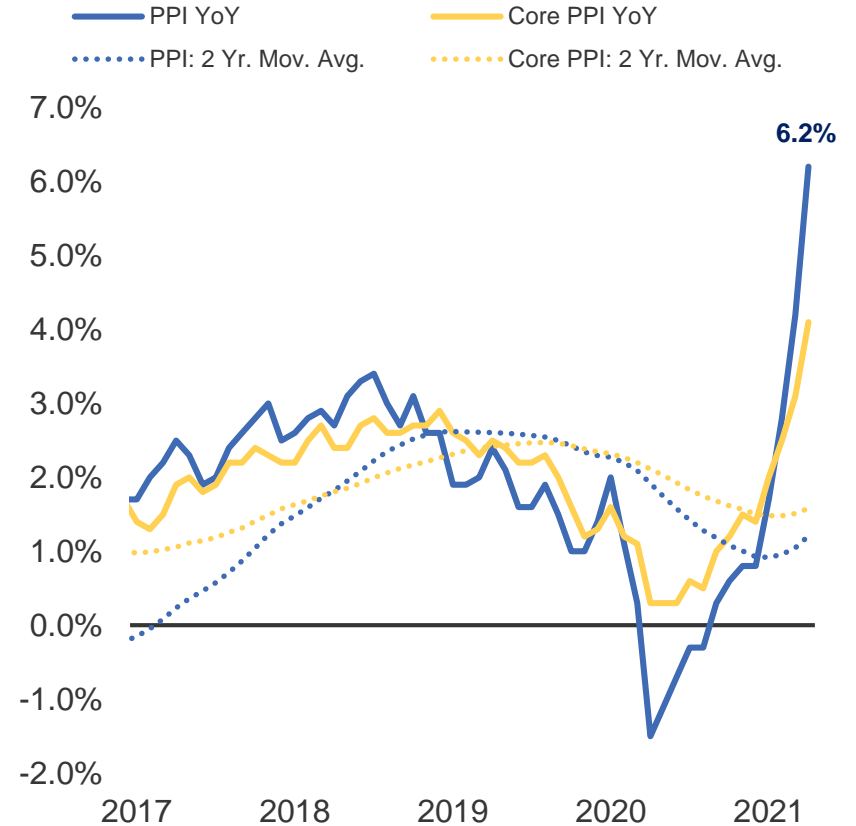


Signs of “Base Effects” Inflation...

Consumer Inflation Indicators



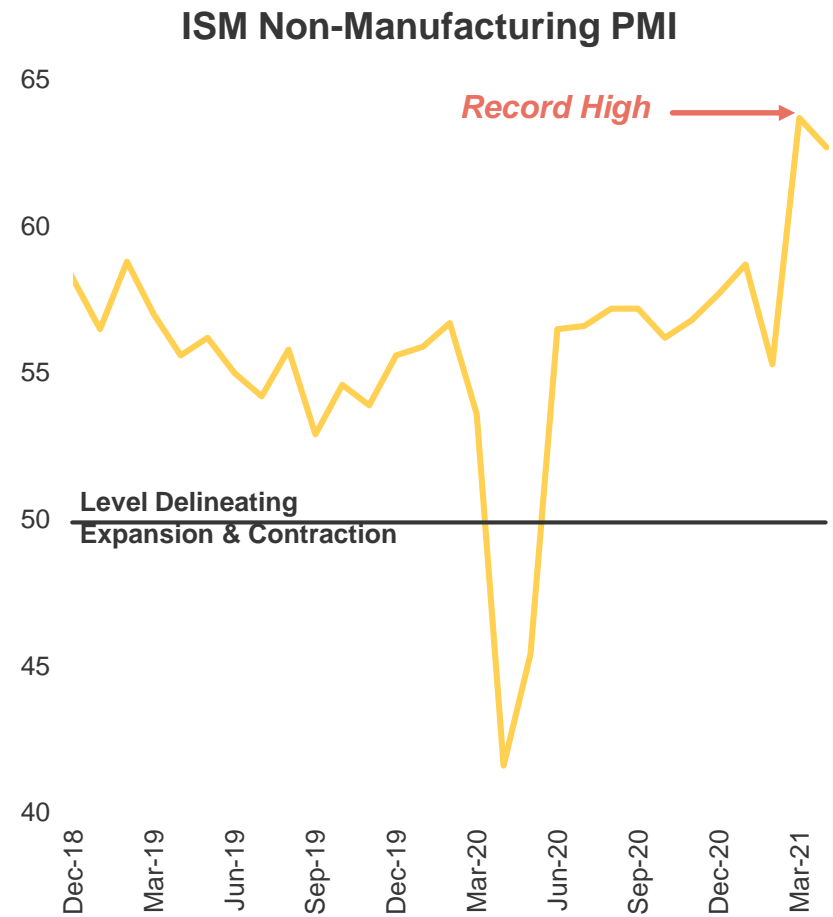
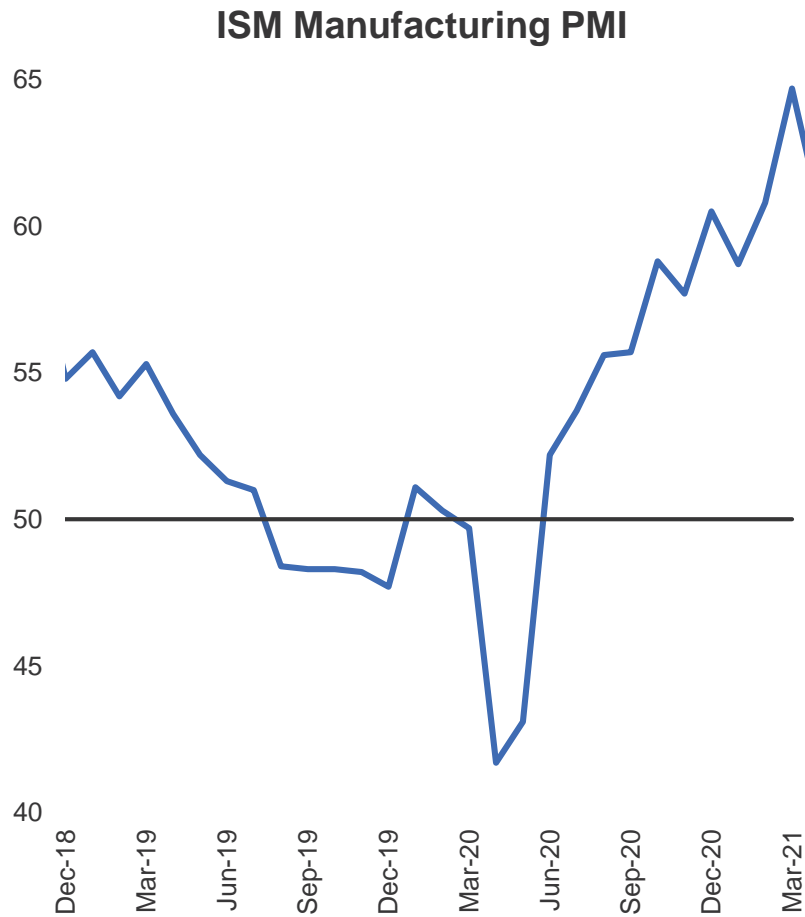
Producer Price Inflation Indicators



Source: Bloomberg, as of 5/17/2021.



Supply-Chain Challenges and Materials Shortages Limit Activity

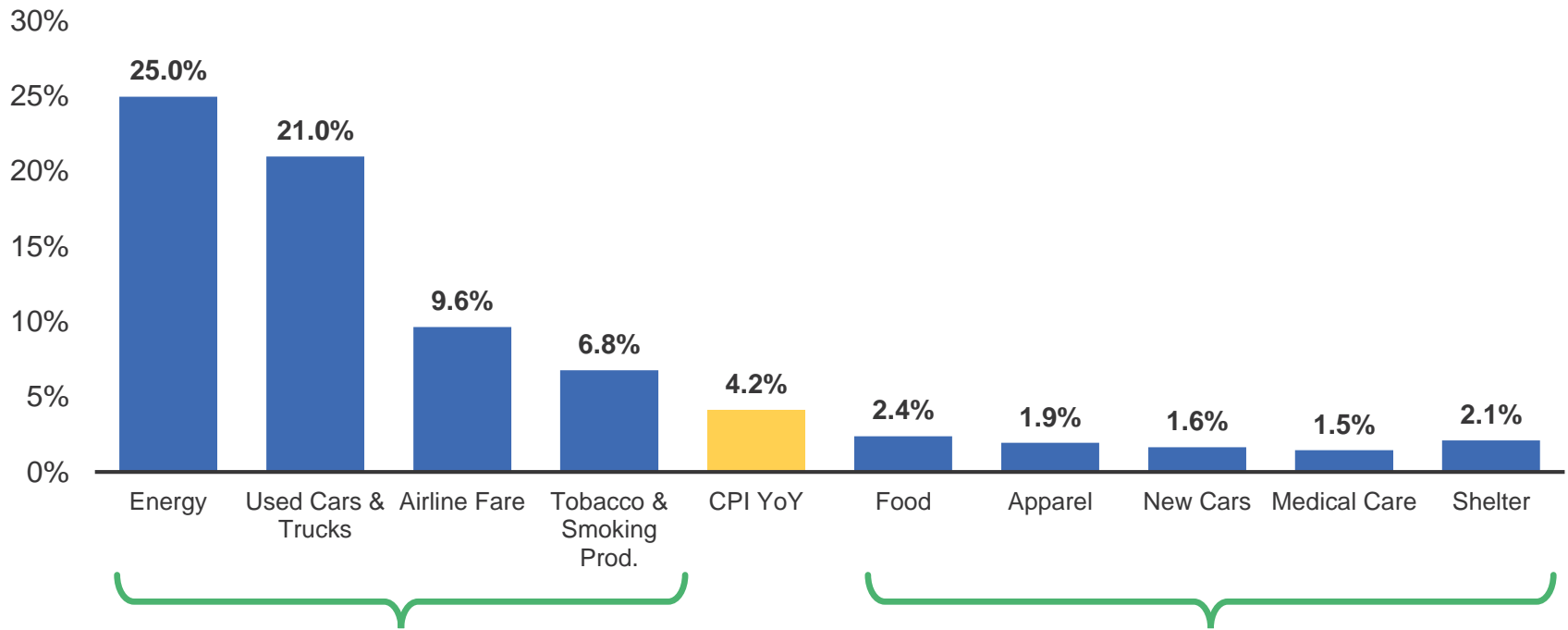


Source: Bloomberg, as of May 2021.



CPI Reading For April Was High, But Driven By a Few Key Sectors

YOY Price Change in Key Consumer Price Index Components



Headline CPI surge came primarily from these four components that do not yet indicate broad inflationary pressures.

Price pressures in most other key area were muted.

Source: Bloomberg, as of 5/17/21.



Inflation Expectations Are Picking Up

Breakeven Inflation Rates

— 10 Yr. — 5 Yr.

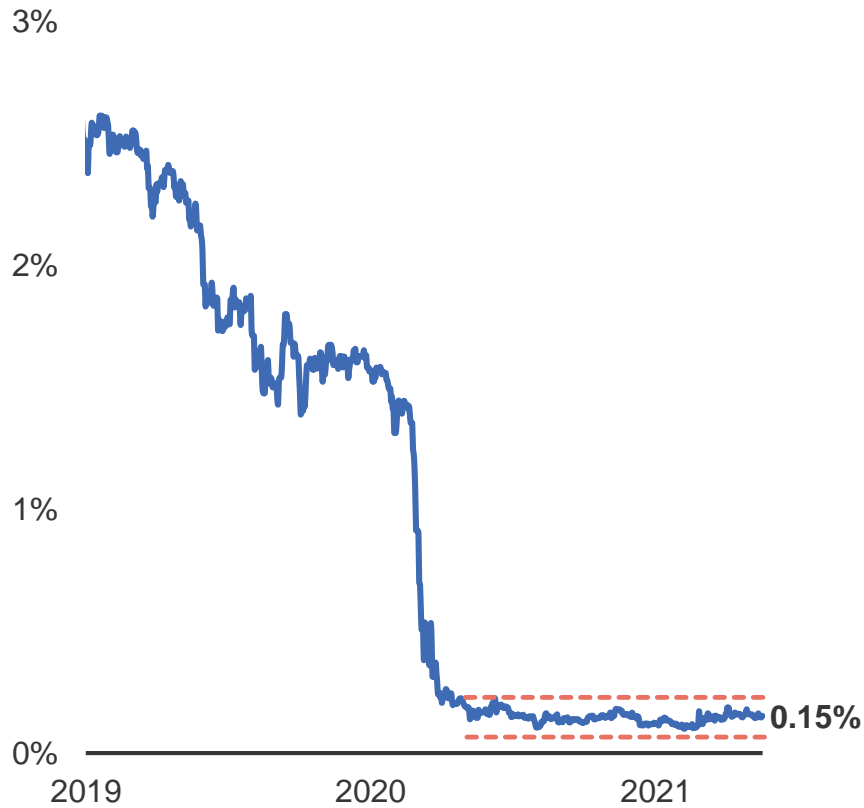


Source: Bloomberg, as of 5/17/2021.



Yields Stuck In a Range As the Market Seeks Direction

2-Year Treasury Yield



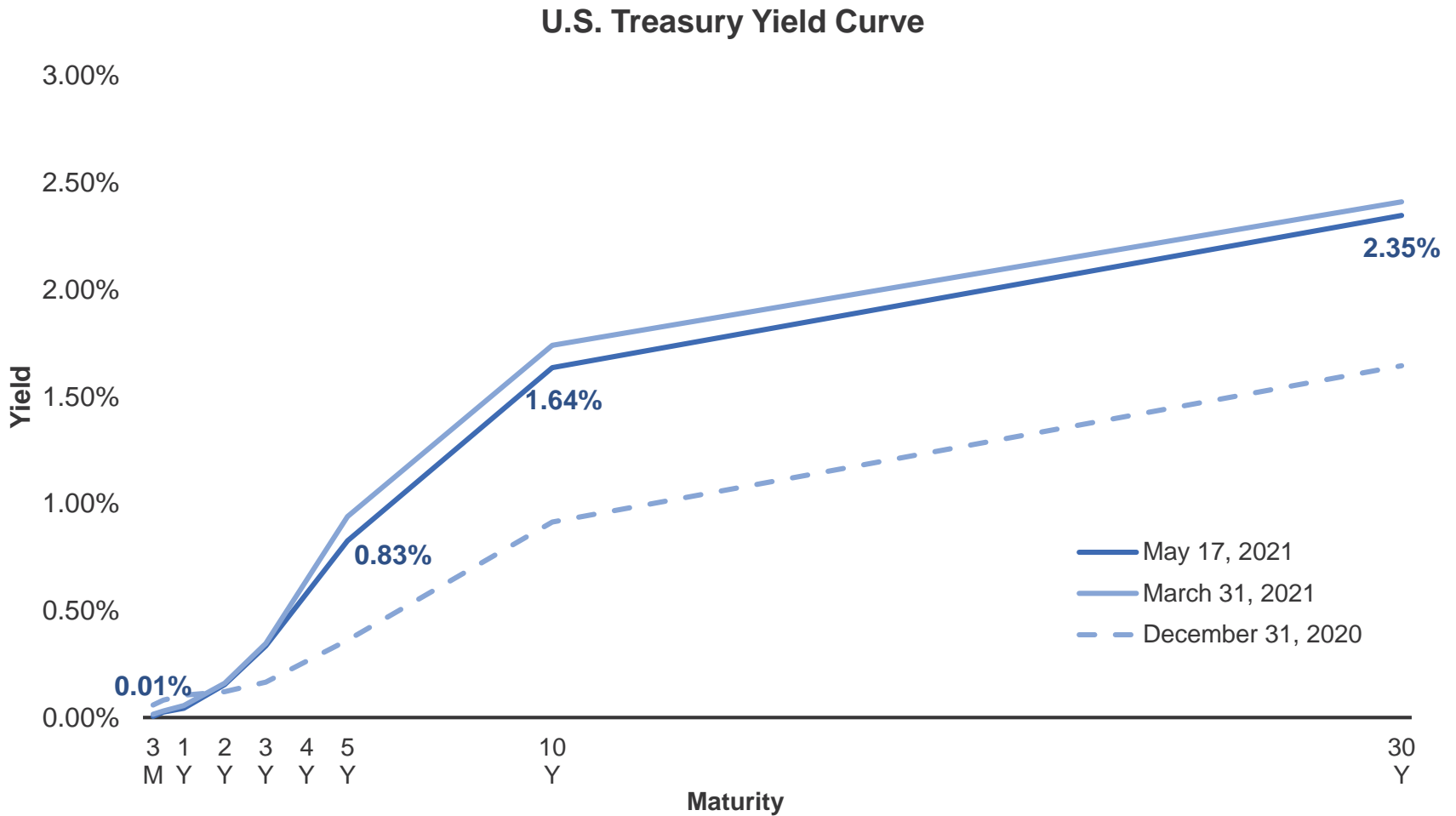
10-Year Treasury Yield



Source: Bloomberg, as of 5/17/2021.



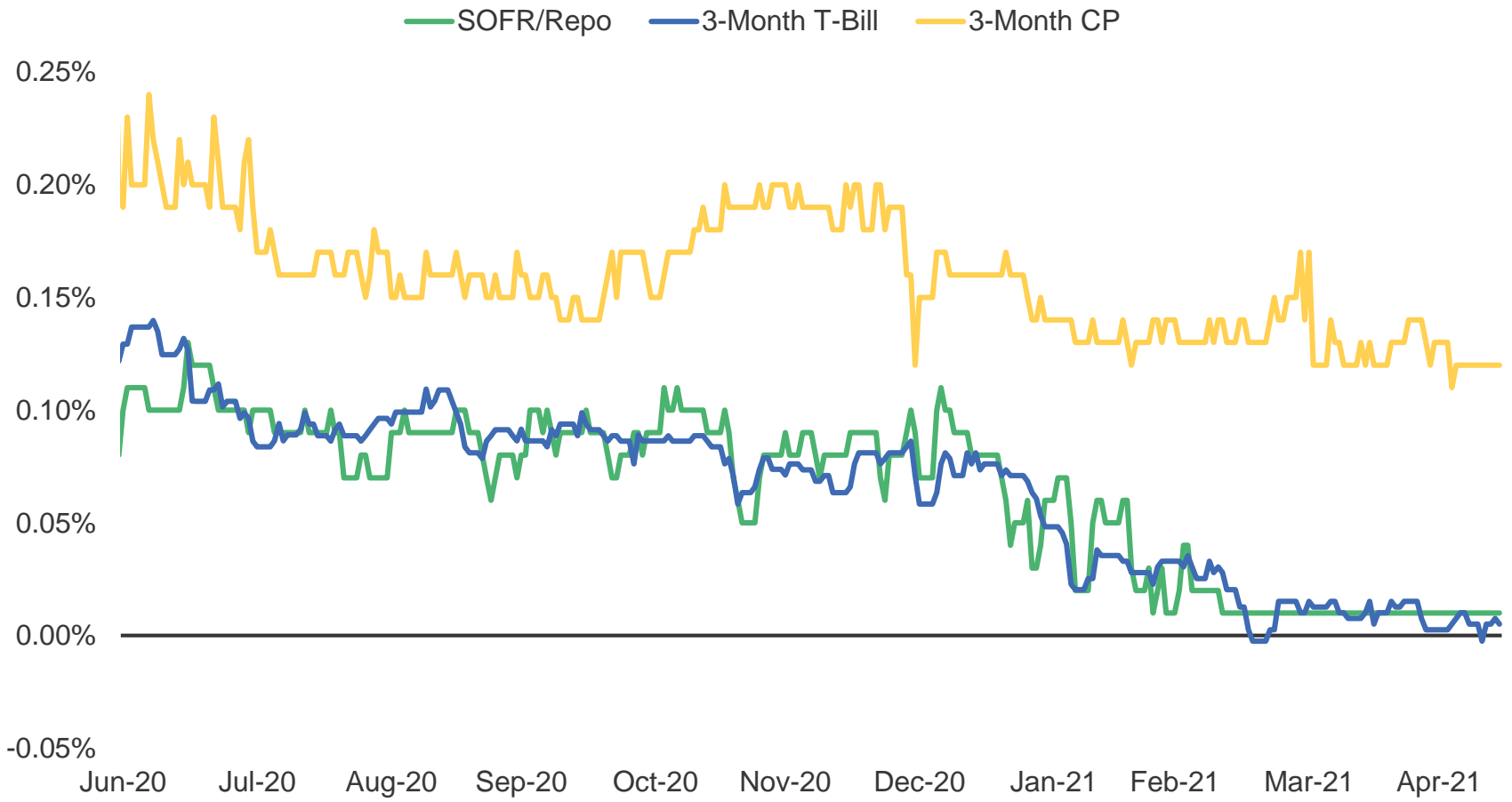
Treasury Yield Curve Flattens Modestly



Source: Bloomberg, as of 5/17/2021.



Short-Term Rates Remain Near Zero

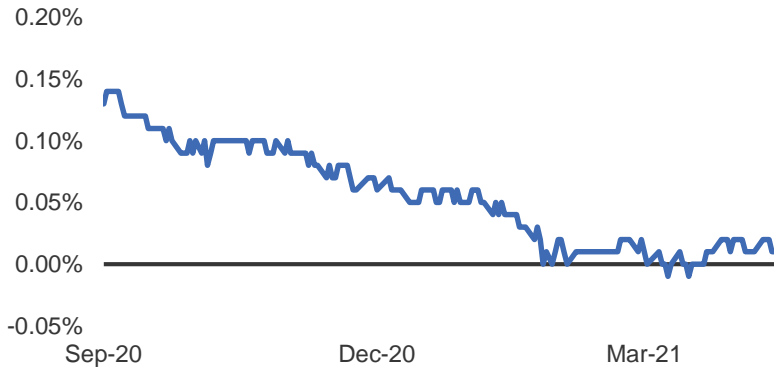


Source: Bloomberg, as of 5/17/2021.

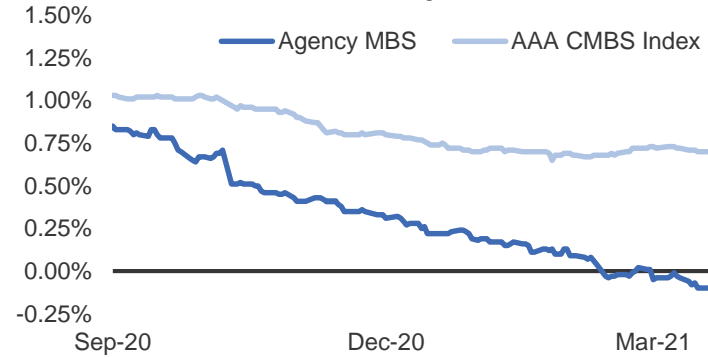


Sector Spreads Resume Tightening

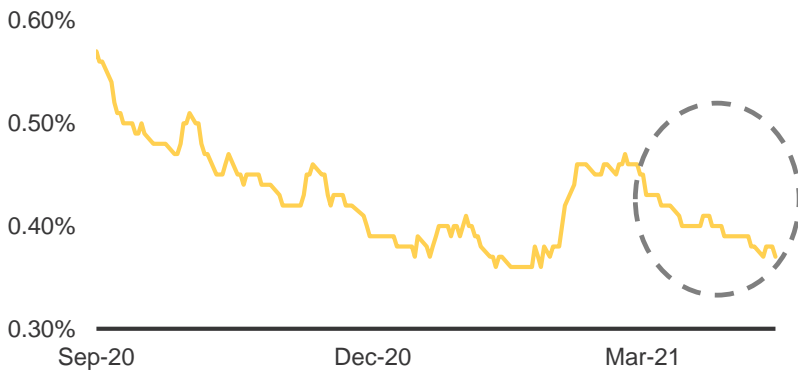
Federal Agency Yield Spreads



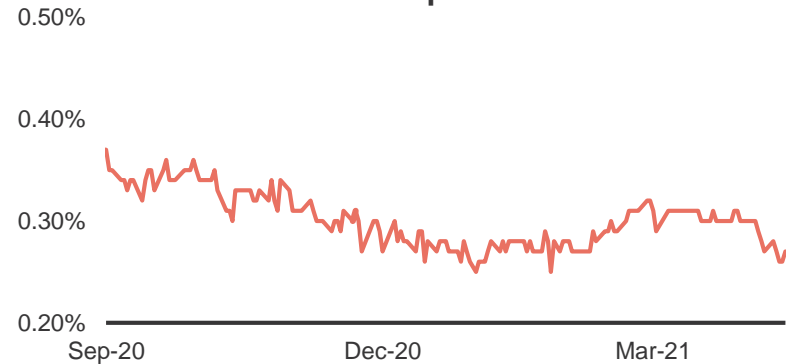
Mortgage-Backed Securities (MBS) Yield Spreads



Corporate Notes A-AAA Yield Spreads



Asset-Backed Securities (ABS) Yield Spreads

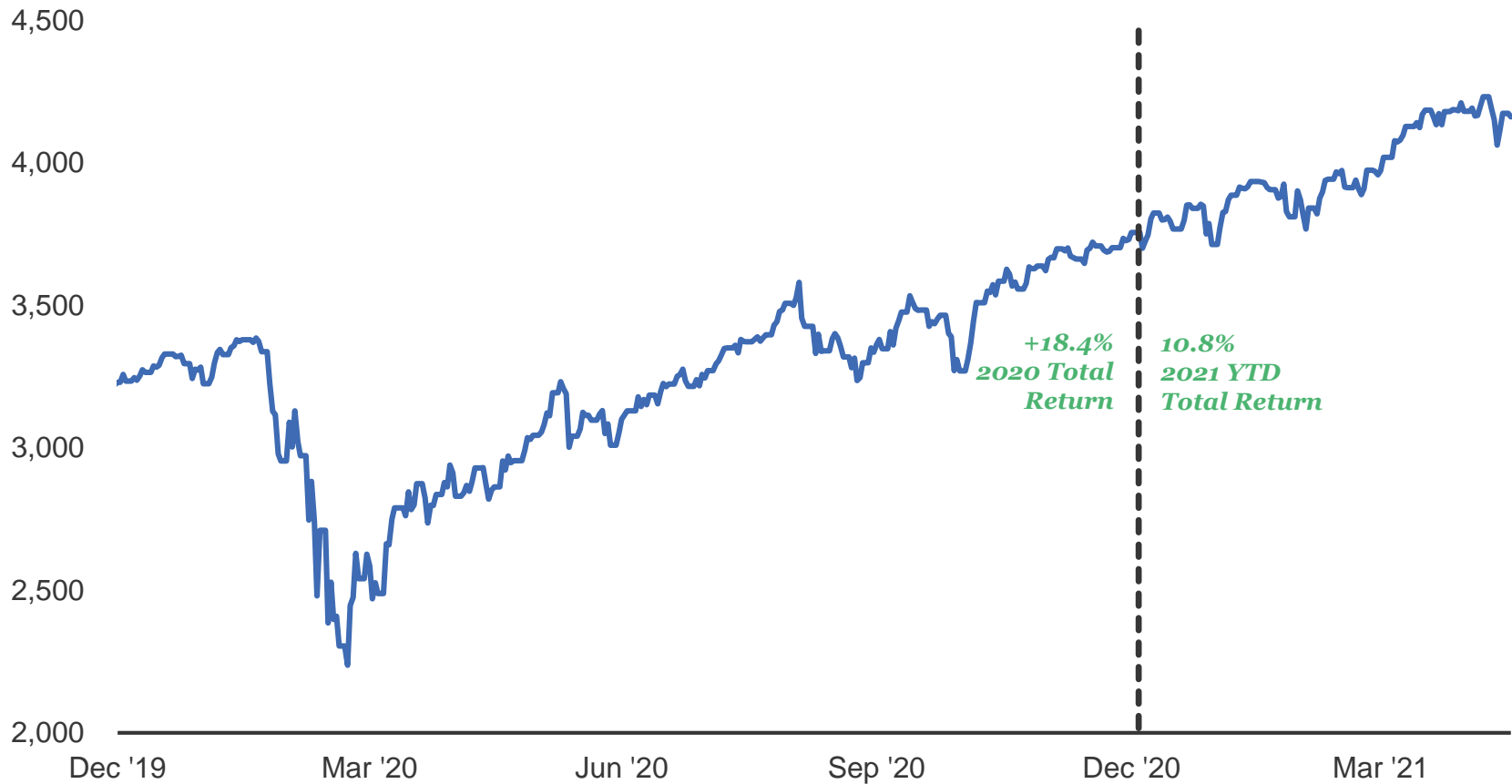


Source: ICE BofAML 1-5 year Indices via Bloomberg, MarketAxess and PFM as of 5/17/21. Spreads on ABS and MBS are option-adjusted spreads of 0-5 year indices based on weighted average life; spreads on agencies are relative to comparable maturity Treasuries. CMBS is Commercial Mortgage-Backed Securities.



Equity Market Seem to Rebound after Every Selloff

S&P 500 Closing Price



Source: Bloomberg, as of 5/17/2021.



Economic Data – This Week

	Date	Time	C	F	Event	Period	Surv(M)	Actual	Prior	Revised
21)	05/17	08:30	US	.	Empire Manufacturing	May	23.9	24.3	26.3	--
22)	05/18	08:30	US	.	Housing Starts	Apr	1705k	--	1739k	--
23)	05/18	08:30	US	.	Building Permits	Apr	1770k	--	1766k	1759k
24)	05/19	07:00	US	.	MBA Mortgage Applications	May 14	--	--	2.1%	--
25)	05/20	08:30	US	.	Philadelphia Fed Business Outlook	May	41.5	--	50.2	--
26)	05/20	08:30	US	.	Initial Jobless Claims	May 15	450k	--	473k	--
27)	05/20	08:30	US	.	Continuing Claims	May 8	3630k	--	3655k	--
28)	05/20	10:00	US	.	Leading Index	Apr	1.3%	--	1.3%	--
29)	05/21	09:45	US	.	Markit US Manufacturing PMI	May P	60.2	--	60.5	--
30)	05/21	09:45	US	.	Markit US Services PMI	May P	64.5	--	64.7	--
31)	05/21	09:45	US	.	Markit US Composite PMI	May P	--	--	63.5	--
32)	05/21	10:00	US	.	Existing Home Sales	Apr	6.08m	--	6.01m	--
33)	05/21	10:00	US	.	Existing Home Sales MoM	Apr	1.2%	--	-3.7%	--
34)	05/24	08:30	US	.	Chicago Fed Nat Activity Index	Apr	--	--	1.71	--

Source: Bloomberg, as of 5/17/2021.



Questions?



Disclosures

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