

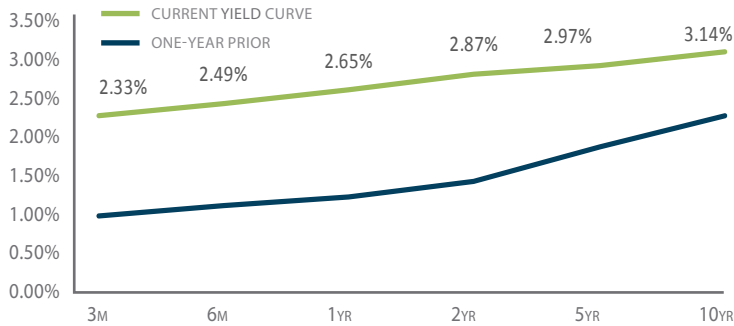


MN TRUST MARKET UPDATE

Prepared by Prudent Man Advisors, Inc.

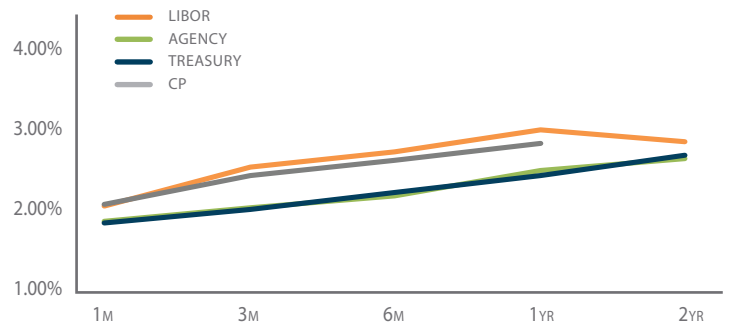
DECEMBER 2018

Historical Yield Curve



Source: Bloomberg Finance L.P. 12/4/18

Indicative Rates



Source: Bloomberg Finance L.P. 12/4/18
Rates do not reflect transaction fees.

FEATURED MARKET DATA

Credit Market Concerns

The low interest rate environment has encouraged stock buy-backs and debt issuance resulting in higher leverage ratios. As the credit cycle turns, this increased leverage could trigger concerns regarding credit quality trends. Widening corporate bonds spreads have signaled real or perceived risk by the market. Single A rated corporate spreads over the 10 year Treasury Index hit its 5 year low of 73 bps. This spread has since widened slightly above the 5 year average of 103 bps. While the market is re-pricing risk premiums required for credit, here at PMA, we remain committed to conducting thorough due diligence and credit analysis for our clients' portfolios.

Source: Bloomberg, Prudent Man Advisors, Inc.

Corporate Bond Spreads



Source: Bloomberg

U.S. Economic Indicators

Event	Event Date	Period	Survey	Actual	Prior / Revised (R)
Consumer Price Index (YoY)	11/14/18	OCT	2.5%	2.5%	2.3%
Core CPI (YoY)	11/14/18	OCT	2.2%	2.1%	2.2%
Housing Starts	11/20/18	OCT	1228K	1228K	1210K (R)
Chicago Fed National Activity Index	11/26/18	OCT	0.18	0.24	0.14 (R)
Consumer Confidence	11/28/17	NOV	135.7	135.7	137.9
GDP Annualized (QoQ)	11/28/18	3Q S	3.5%	3.5%	3.5%
Core PCE (QoQ)	11/28/18	3Q S	1.6%	1.5%	1.6%
Change in Nonfarm Payrolls	12/08/17	NOV	198K	-	250K
Unemployment Rate	12/08/17	NOV	3.7%	-	3.7%

Source: Bloomberg Finance L.P. 12/4/18

RECENT NEWS

Fed Expectation

As expected, the Fed maintained its target range at 2.00-2.25% following their November 7-8th meeting. Meeting minutes show officials noted headwinds including a slowdown in global growth and softness in the housing market. In a recent speech, Fed Chair Jay Jerome said "We will be paying very close attention to what incoming economic and financial data are telling us." We believe this statement implies that if growth slows more than expected in 2019, we should expect to see fewer rate increases than anticipated. On the contrary, if the labor market, wage and price gains remain strong, rate increases will likely continue.

Source: Wall Street Journal, Prudent Man Advisors, Inc.

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