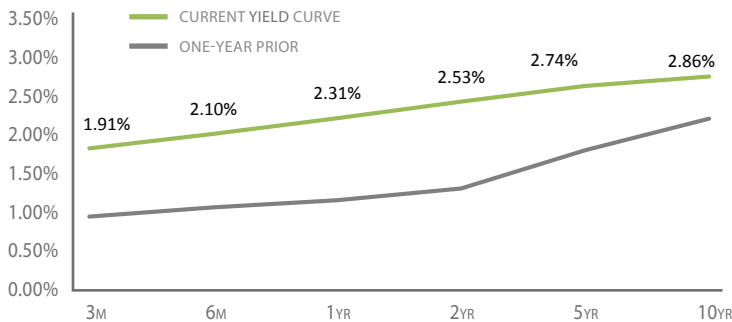
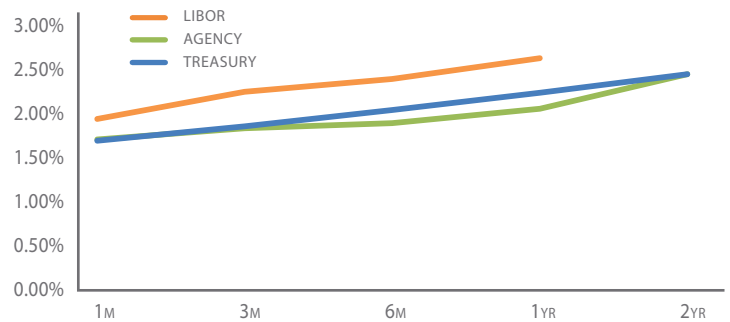


## Historical Yield Curve



Source: Bloomberg Finance L.P. 6/29/18

## Indicative Rates



Source: Bloomberg Finance L.P. 6/29/18

Rates do not reflect transaction fees.

## FEATURED MARKET DATA

### Inflation Expectations

The Federal Open Market Committee (FOMC) and the markets continue to provide divergent views on where short-term rates are headed. By 2020, FOMC projections show rates near 3.50% while the market expects overnight rates to rise only to about 2.50%. So what is making the Fed continue to tighten policy when growth remains well below pre-crisis levels? One explanation could be that the FOMC believes future inflation is a much bigger risk than what the market currently expects. The 5-Year, 5-Year Forward Inflation Expectation Rate (5yr/5yr) is a measure of expected inflation and shows that market expectations continue to hover near the Fed's target. It's important to note that we think market inflation expectations may be telling us something more. The 5yr/5yr might indicate the Fed will indeed follow through on their projected rate increases.

Source: www.fred.stlouisfed.org, Prudent Man Advisors, Inc.

### 5YR 5YR FORWARD BREAKEVEN



Source: Bloomberg

## RECENT NEWS

### Core PCE Reaches Fed Target

Core PCE is the Fed's preferred measure of inflation. The price index for personal-consumption expenditures, excluding food and energy costs, rose 2% in May from a year earlier. This is the first time in six years the measure has reached the Fed's 2% target. Economists have blamed weak economic demand as well as structural factors such as an aging population and cheap imports for low inflation. With signs of inflation rising, the FOMC has crafted its post-meeting statement to focus on its "symmetric" 2% objective suggesting that it is comfortable with inflation somewhat above its target level.

Source: Wall Street Journal

## U.S. Economic Indicators

Event	Event Date	Period	Survey	Actual	Prior / Revised (R)
Core PPI (YoY)	06/12/18	MAY	2.8%	2.8%	2.5%
Core CPI (YoY)	06/12/18	MAY	2.2%	2.2%	2.1%
Retail Sales Ex. Auto & Gas	06/14/18	MAY	0.5%	0.9%	0.4% (R)
Existing Home Sales	06/20/18	MAY	5.52m	5.43m	5.45m
Durable Goods Orders Ex. Transportation (MoM)	06/27/18	MAY	0.5%	-0.3%	1.9% (R)
GDP Annualized (QoQ)	06/28/18	1Q T	2.2%	2.0%	2.2%
ISM Manufacturing	07/02/18	JUN	58.5	60.2	58.7
Change in Nonfarm Payrolls	07/06/18	JUN	190K	--	218K
Unemployment Rate	07/06/18	JUN	3.8%	--	3.8%

Source: Bloomberg Finance L.P. 7/2/18

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