

Economic & Market Update

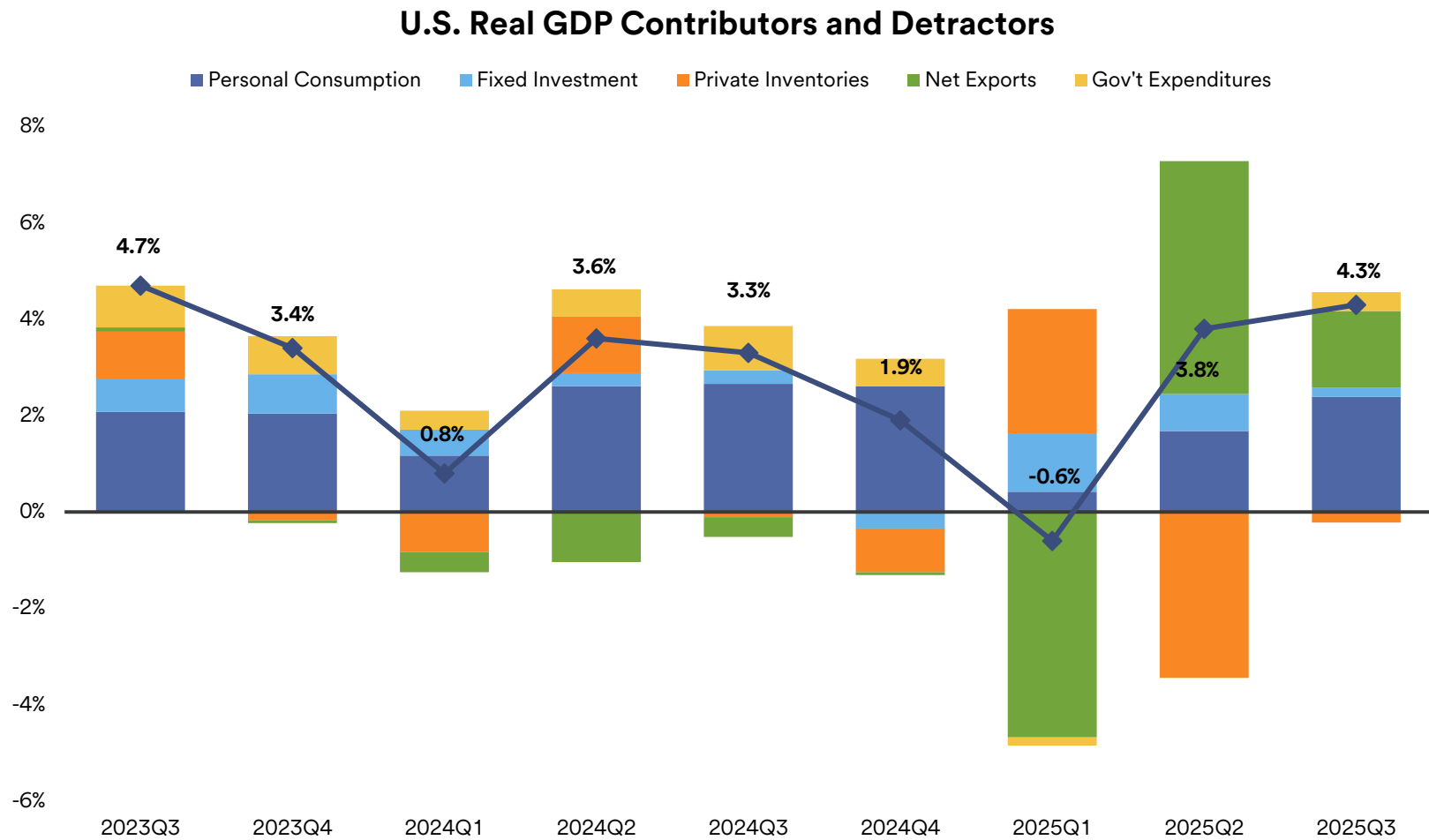
FGFOA Nature Coast Local Chapter Quarterly Seminar

January 14, 2026

*PFM Asset Management, a division of U.S. Bancorp Asset
Management, Inc.*

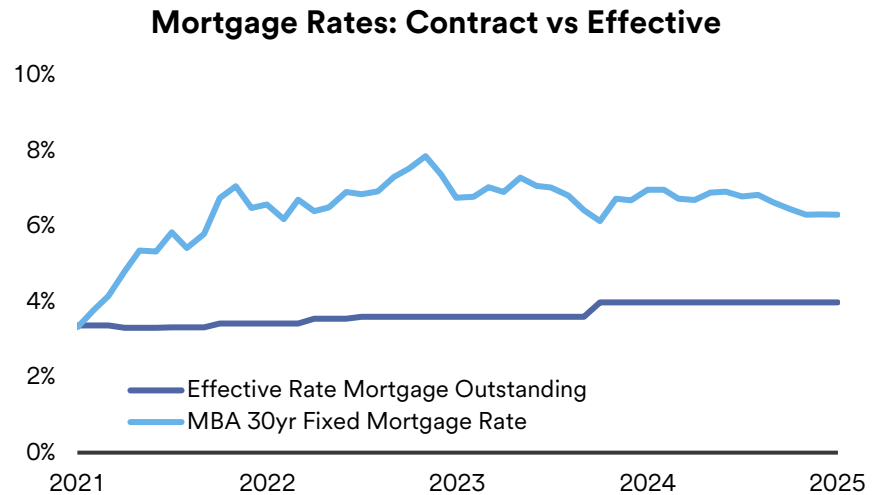
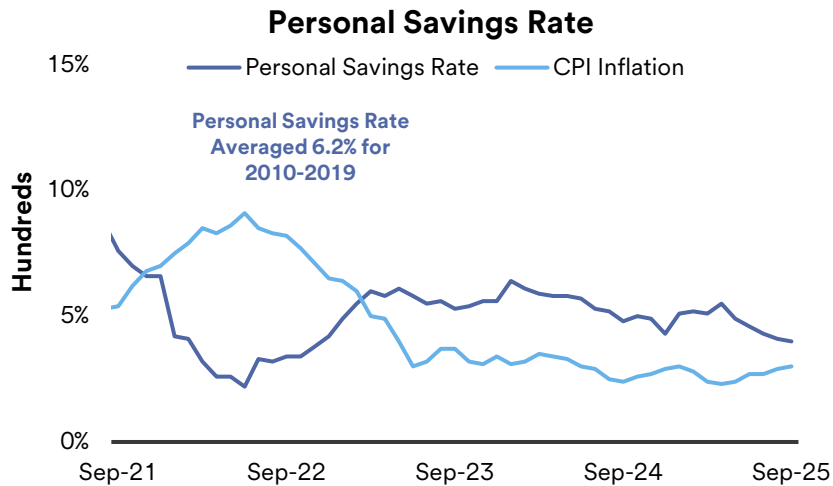
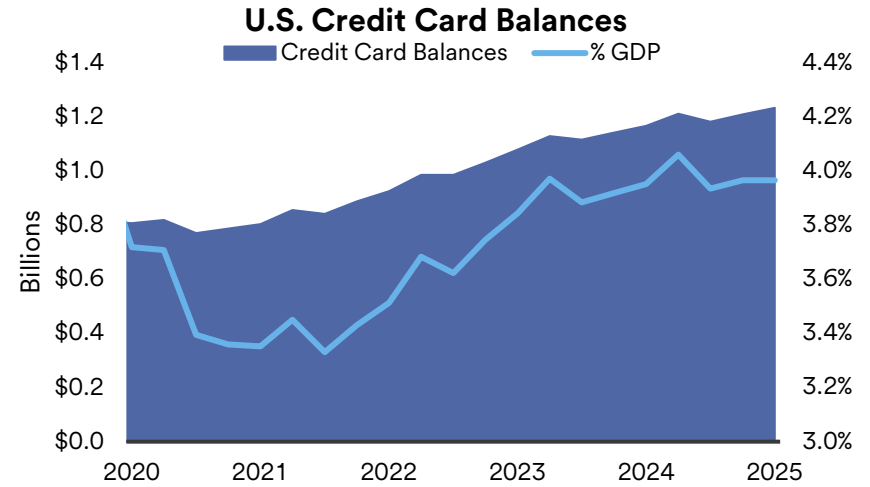
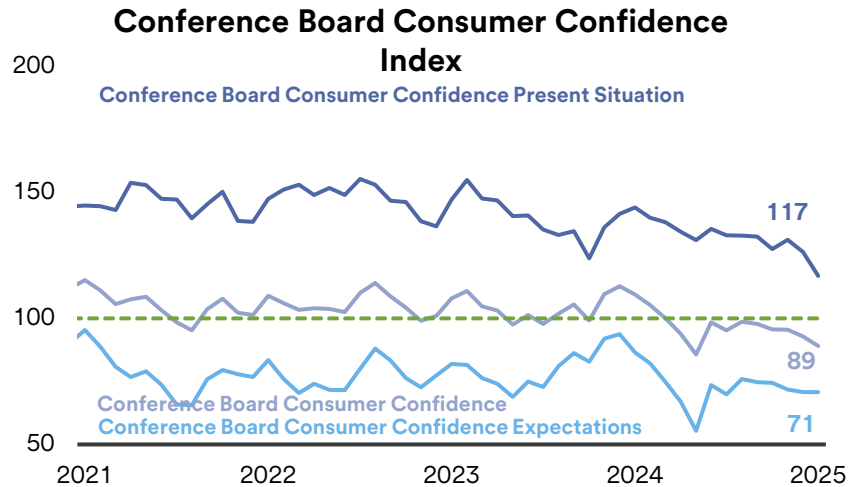
NOT FDIC INSURED : NO BANK GUARANTEE : MAY LOSE VALUE

U.S. Real GDP Contributors and Detractors



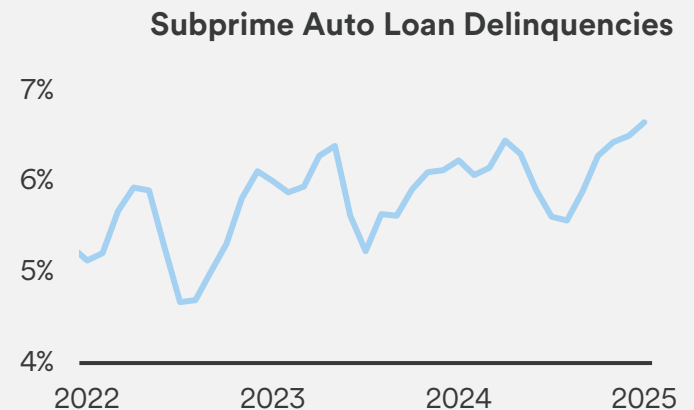
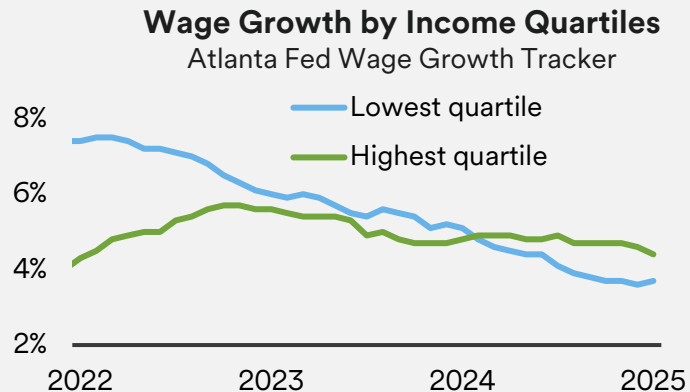
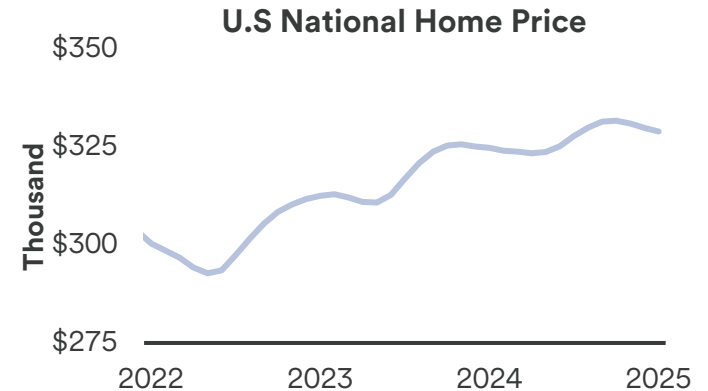
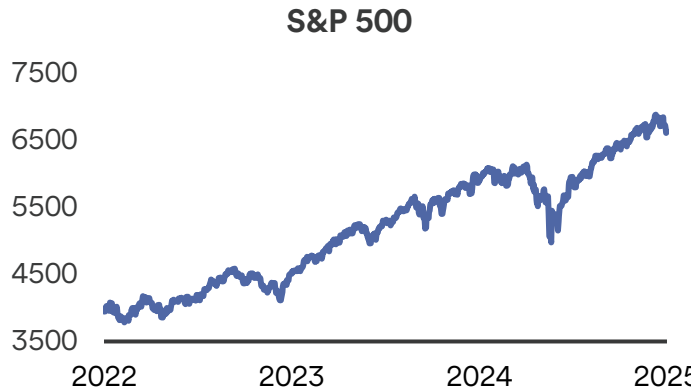
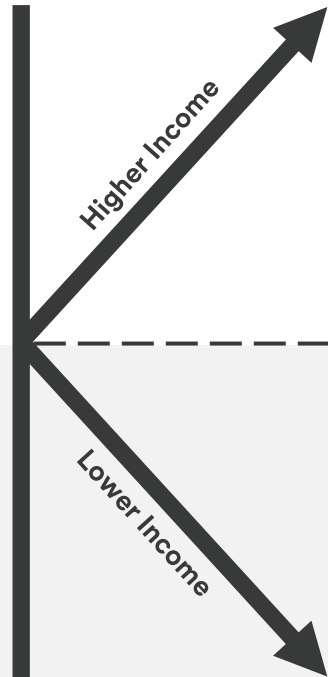
Source: Bloomberg Finance L.P., Bureau of Economic Analysis, as of September 2025.

The Consumer: An Overview

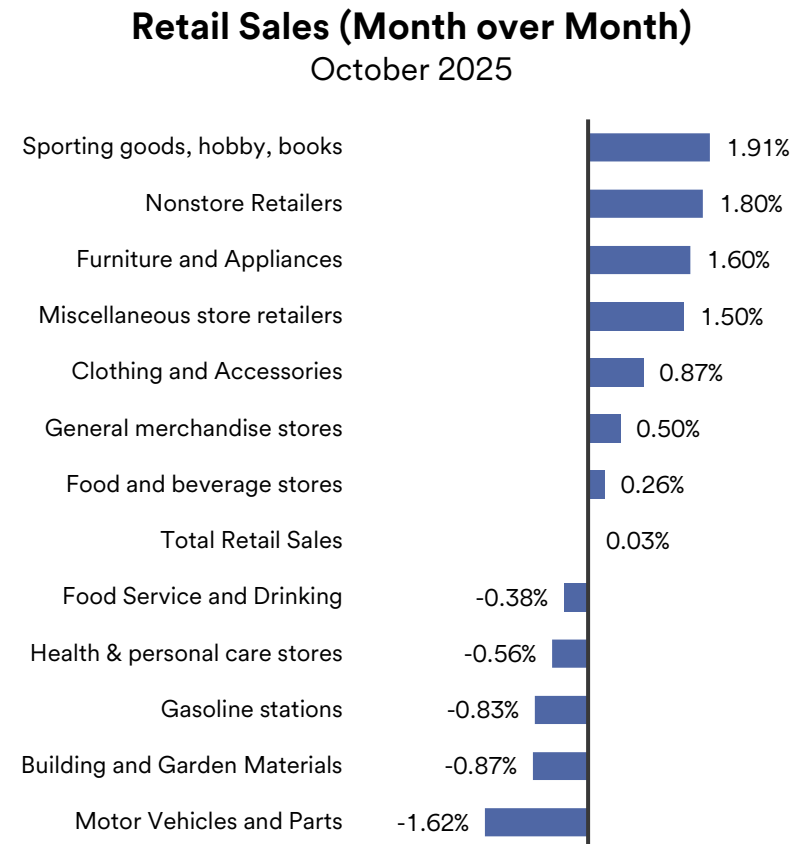
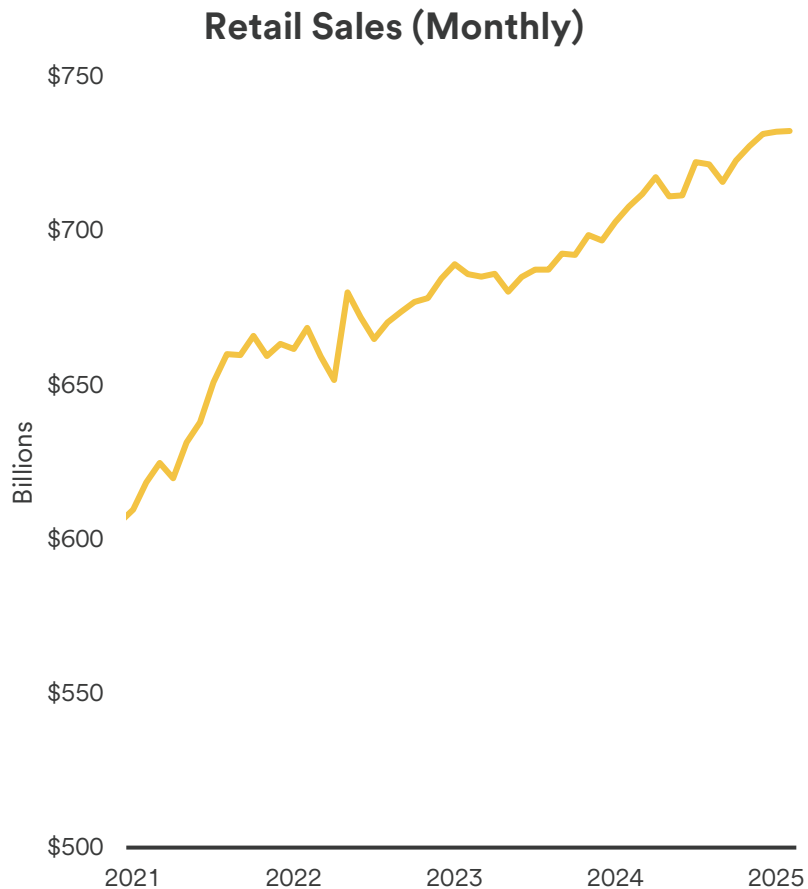


Source: Conference Board Consumer Confidence Index – Bloomberg CONCEXP Index, CONCCONF Index and CONCPST Index. U.S. Credit Card Balances – Bloomberg GDP CUR\$ Index, Board of Governors of the Federal Reserve System. Personal Savings Rate – Bloomberg PIDSDPS Index and CPI YOY Index. Mortgage Rates: Contract vs Effect – Bloomberg USMIRATE Index and MB30 Index.

K-Shaped Economy: Growing Dispersion Across Income Cohorts



Retail Sales Month over Month



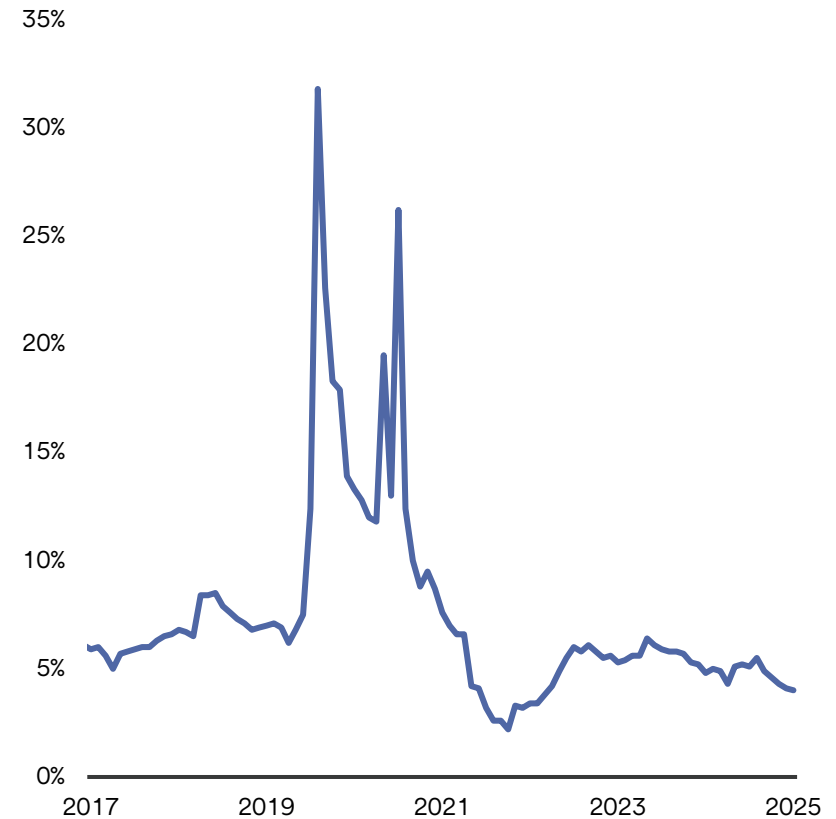
Source: Bloomberg Finance L.P., as of October 2025.

Spending and Savings

Retail and Food Service Sales Adjusted for Inflation



Personal Savings as % of Disposable Income



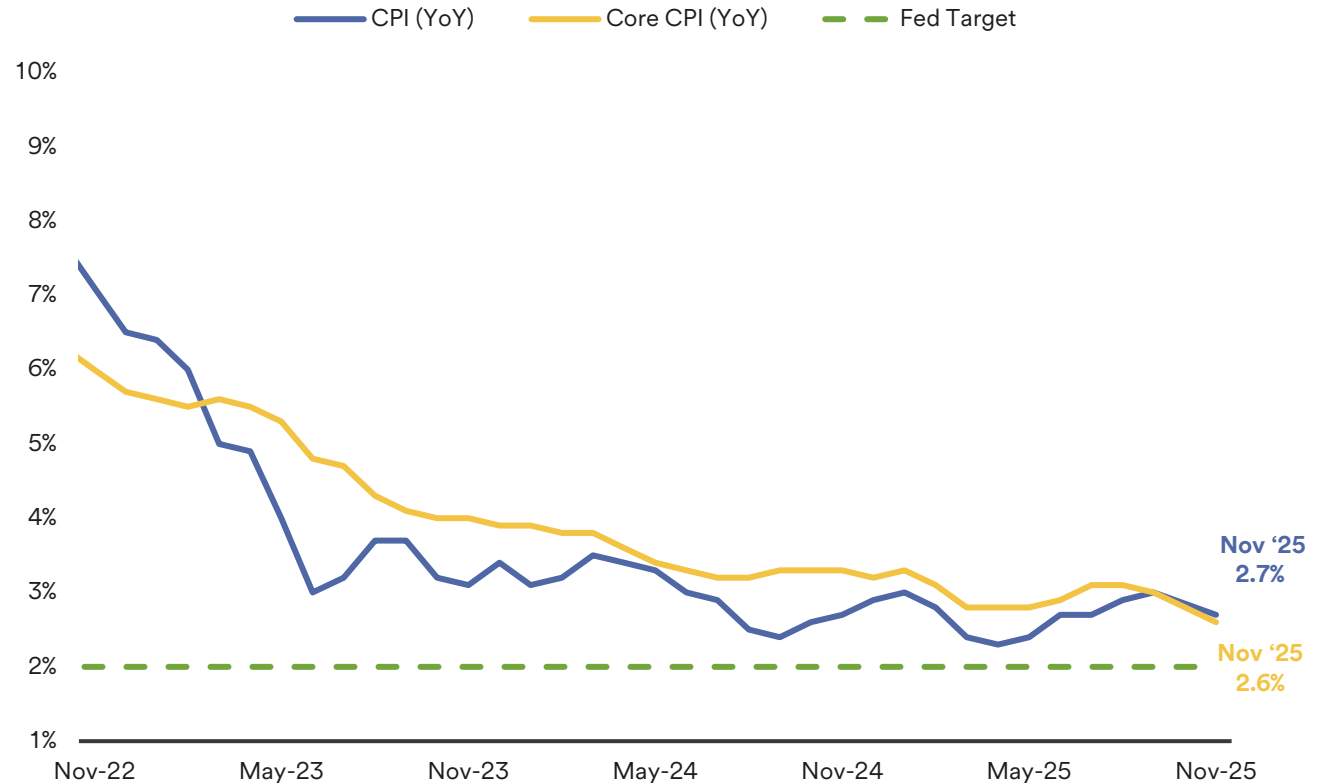
Source: U.S. Census Bureau, and FRED as of September 2025 (left). Bloomberg Finance L.P and Bureau of Economic Analysis as of September 2025 (right).

Inflation: Consumer Price Index

The Consumer Price Index (“CPI”), commonly referred to as the “headline inflation number”, measures the change in the cost of a representative basket of goods paid by consumers.

Core CPI strips out volatile food and energy components.

Consumer Price Index (CPI) Year-Over-Year Changes



Source: Bureau of Labor Statistics, Federal Reserve, and Bloomberg Finance L.P., as of November 2025.

Data Distortions Likely Skew November CPI Lower

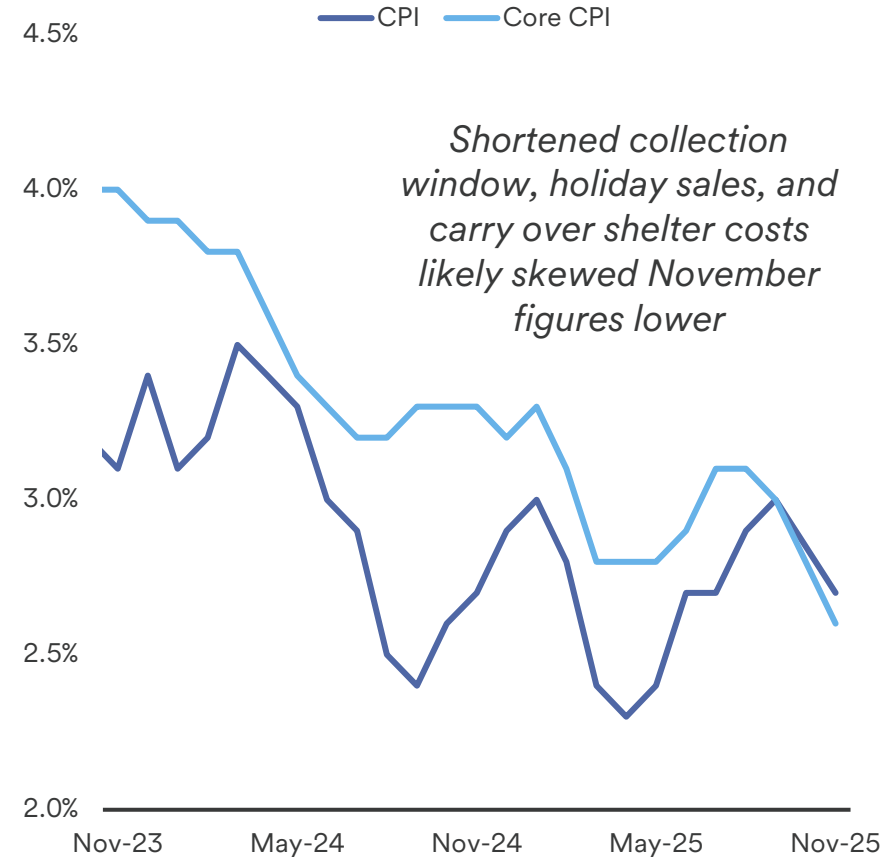
Table A. Percent changes in CPI for All Urban Consumers (CPI-U): U.S. city average

	Seasonally adjusted changes from preceding month							Un-adjusted 12-mos. ended Nov. 2025
	May 2025	Jun. 2025	Jul. 2025	Aug. 2025	Sep. 2025	Oct. 2025	Nov. 2025	
All items.....	0.1	0.3	0.2	0.4	0.3	-	-	2.7
Food.....	0.3	0.3	0.0	0.5	0.2	-	-	2.6
Food at home.....	0.3	0.3	-0.1	0.6	0.3	-	-	1.9
Food away from home ¹	0.3	0.4	0.3	0.3	0.1	-	-	3.7
Energy.....	-1.0	0.9	-1.1	0.7	1.5	-	-	4.2
Energy commodities.....	-2.4	1.0	-1.9	1.7	3.8	-	-	1.2
Gasoline (all types).....	-2.6	1.0	-2.2	1.9	4.1	-2.1	3.0	0.9
Fuel oil.....	0.9	1.3	1.8	-0.3	0.6	-	-	11.3
Energy services.....	0.4	0.9	-0.3	-0.2	-0.7	-	-	7.4
Electricity.....	0.9	1.0	-0.1	0.2	-0.5	-	-	6.9
Utility (piped) gas service.....	-1.0	0.5	-0.9	-1.6	-1.2	-	-	9.1
All items less food and energy.....	0.1	0.2	0.3	0.3	0.2	-	-	2.6
Commodities less food and energy commodities.....	0.0	0.2	0.2	0.3	0.2	-	-	1.4
New vehicles.....	-0.3	-0.3	0.0	0.3	0.2	0.1	0.2	0.6
Used cars and trucks.....	-0.5	-0.7	0.5	1.0	-0.4	0.7	0.3	3.6
Apparel.....	-0.4	0.4	0.1	0.5	0.7	-	-	0.2
Medical care commodities ¹	0.6	0.1	0.1	-0.3	-0.1	-	-	1.1
Services less energy services.....	0.2	0.3	0.4	0.3	0.2	-	-	3.0
Shelter.....	0.3	0.2	0.2	0.4	0.2	-	-	3.0
Transportation services.....	-0.2	0.2	0.8	1.0	0.3	-	-	1.7
Medical care services.....	0.2	0.6	0.8	-0.1	0.3	-	-	3.3

¹ Not seasonally adjusted.

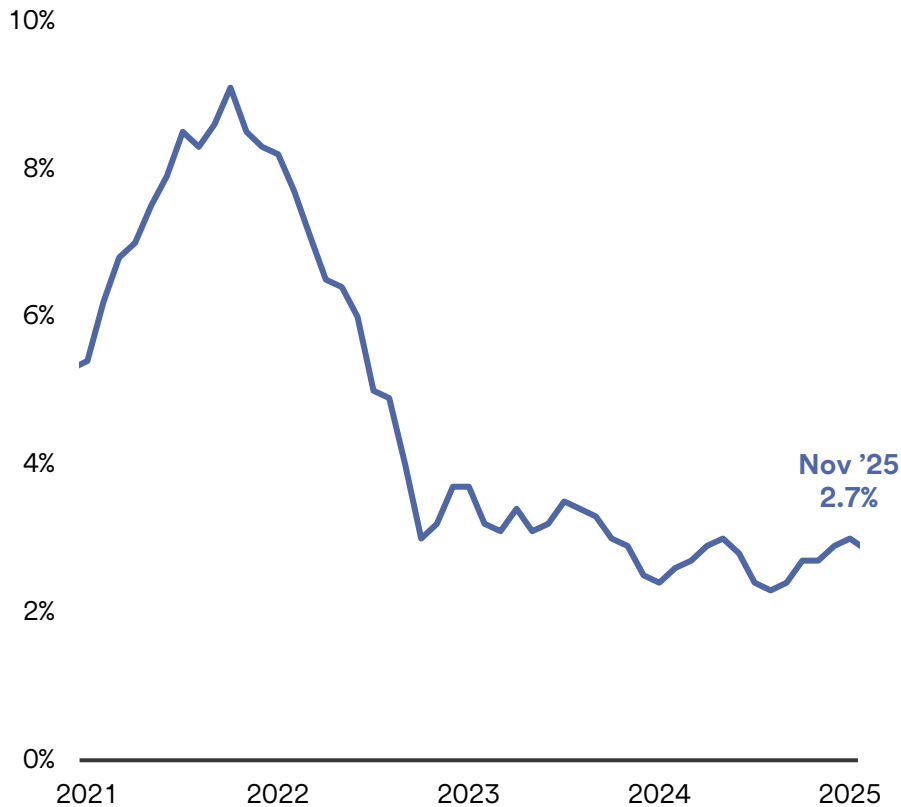
Note: The Oct and Nov 2025 data values are not available due to the 2025 lapse in appropriations.

Consumer Price Index Year-over-year Change

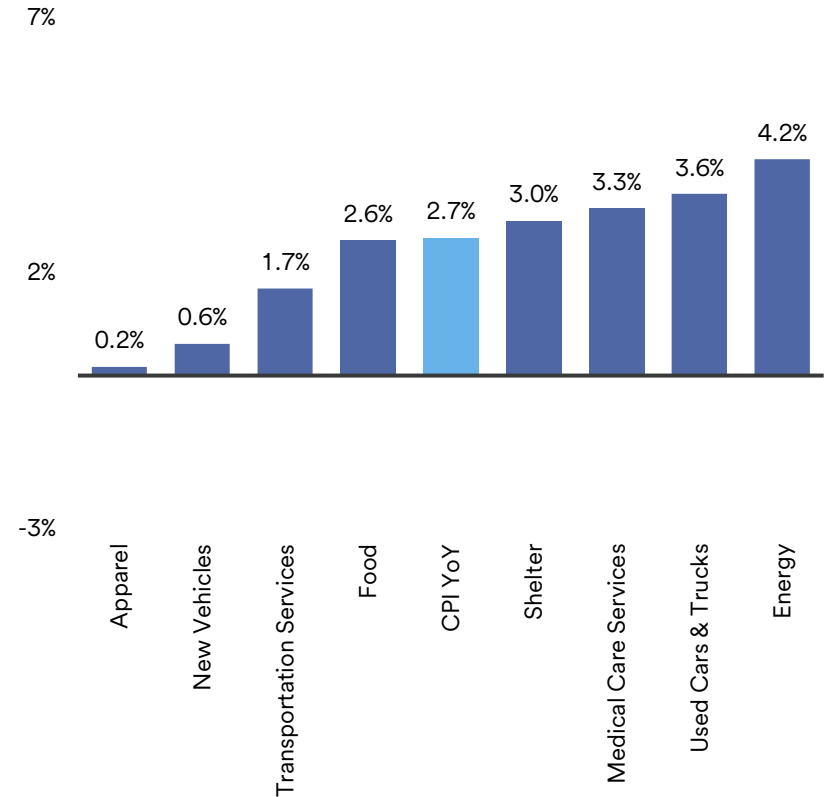


Consumer Price Index

Consumer Price Index
% Change YoY

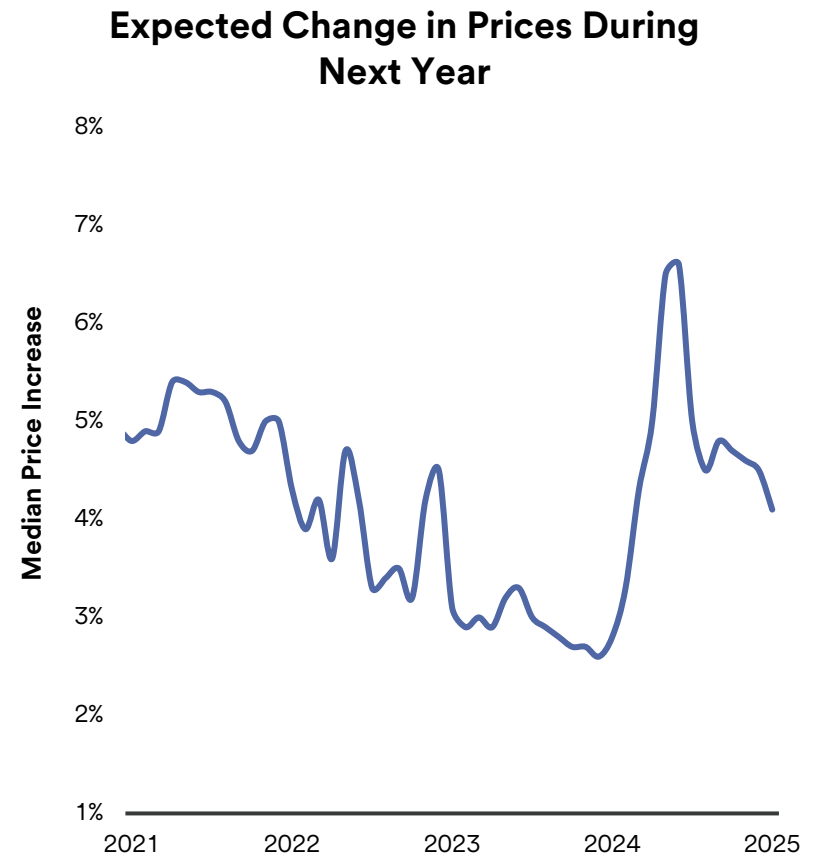
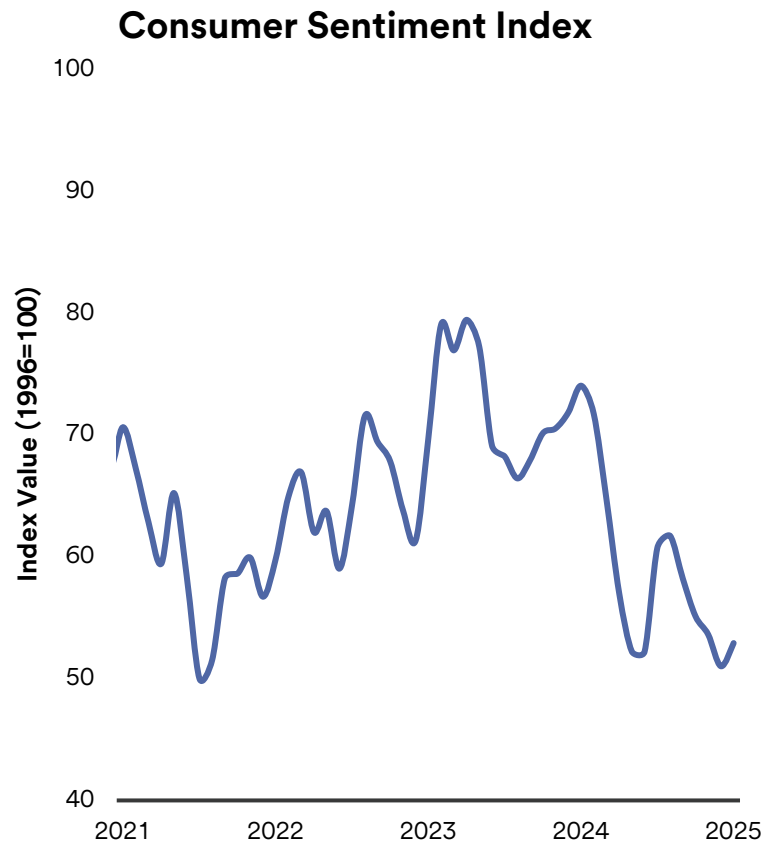


Key Consumer Price Index Components
% Change YoY



Source: Bloomberg Finance L.P., as of November 2025.

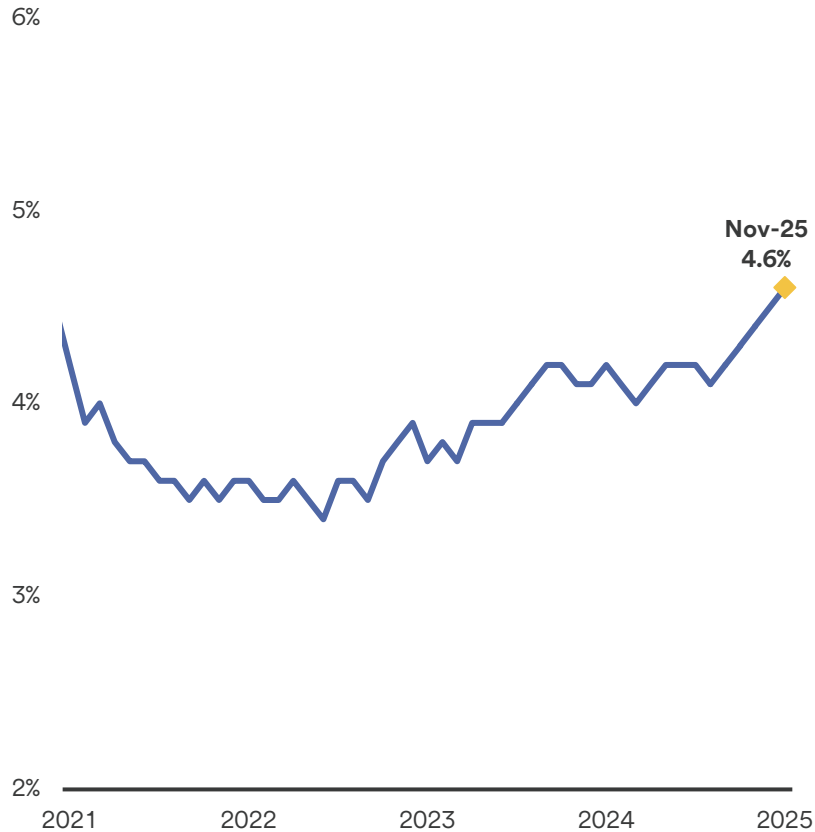
Consumer Sentiment



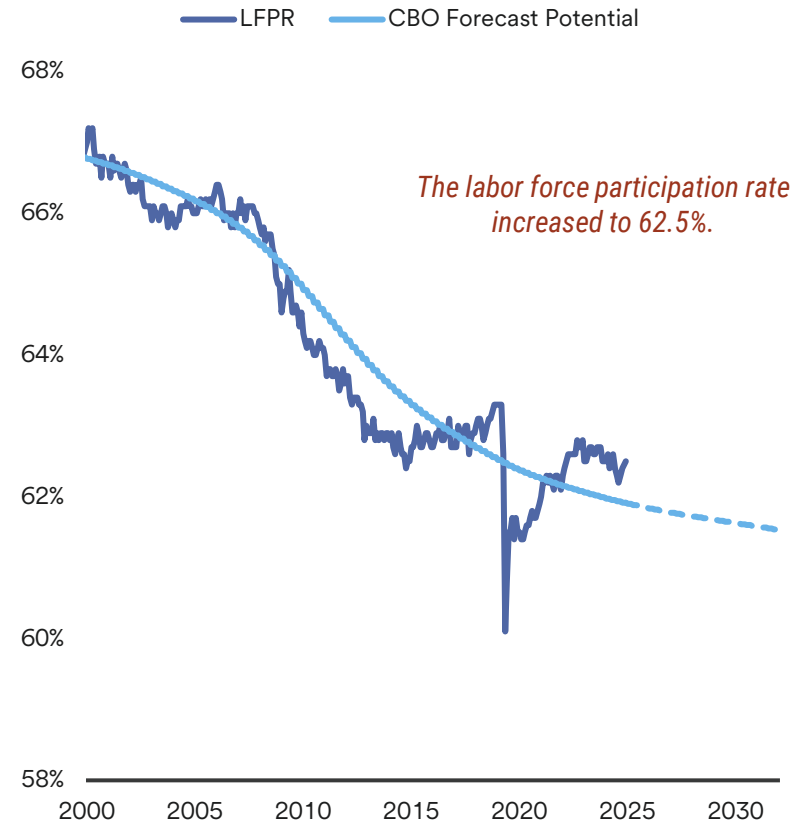
Source: Bloomberg Finance L.P., University of Michigan Consumer Sentiment and underlying index components, as of December 2025.

Labor Market: Unemployment and Labor Force Participation Rates

Unemployment Rate



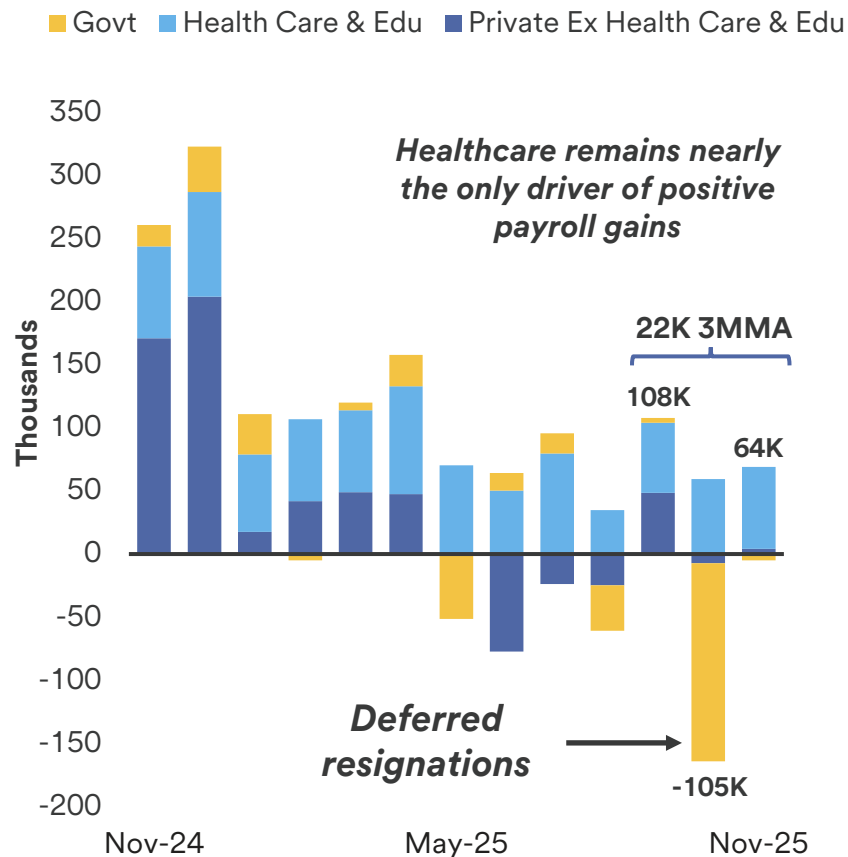
Labor Force Participation Rate



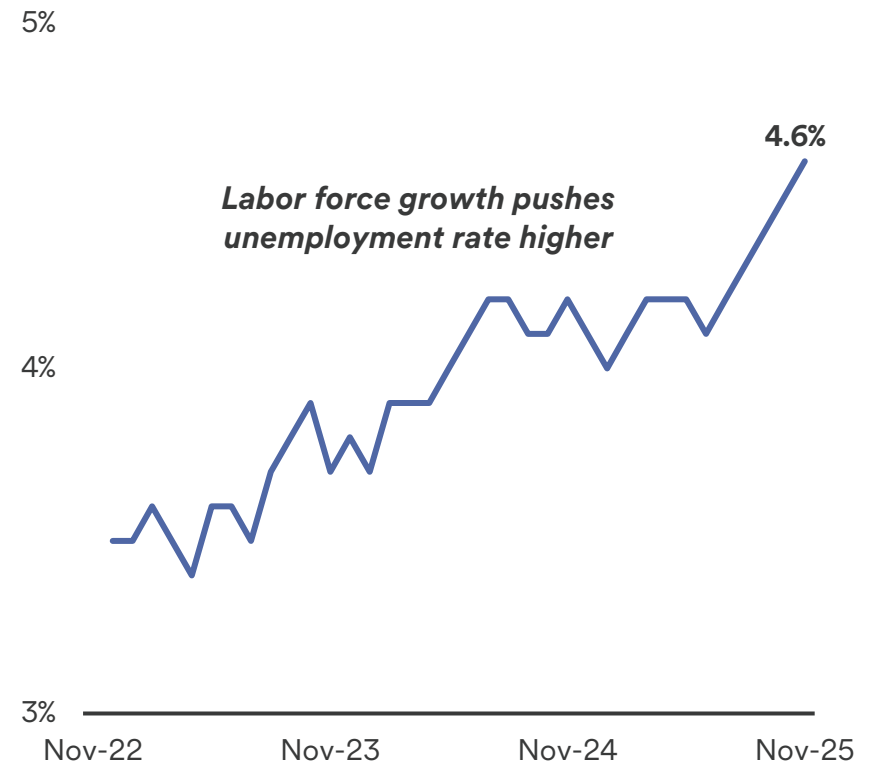
Source: Congressional Budget Office January 2025 economic projections, Bureau of Labor Statistics. Bloomberg Finance L.P., as of November 2025. Data is seasonally adjusted.

Data Distortions In Latest Labor Release

Monthly Change In Nonfarm Payrolls

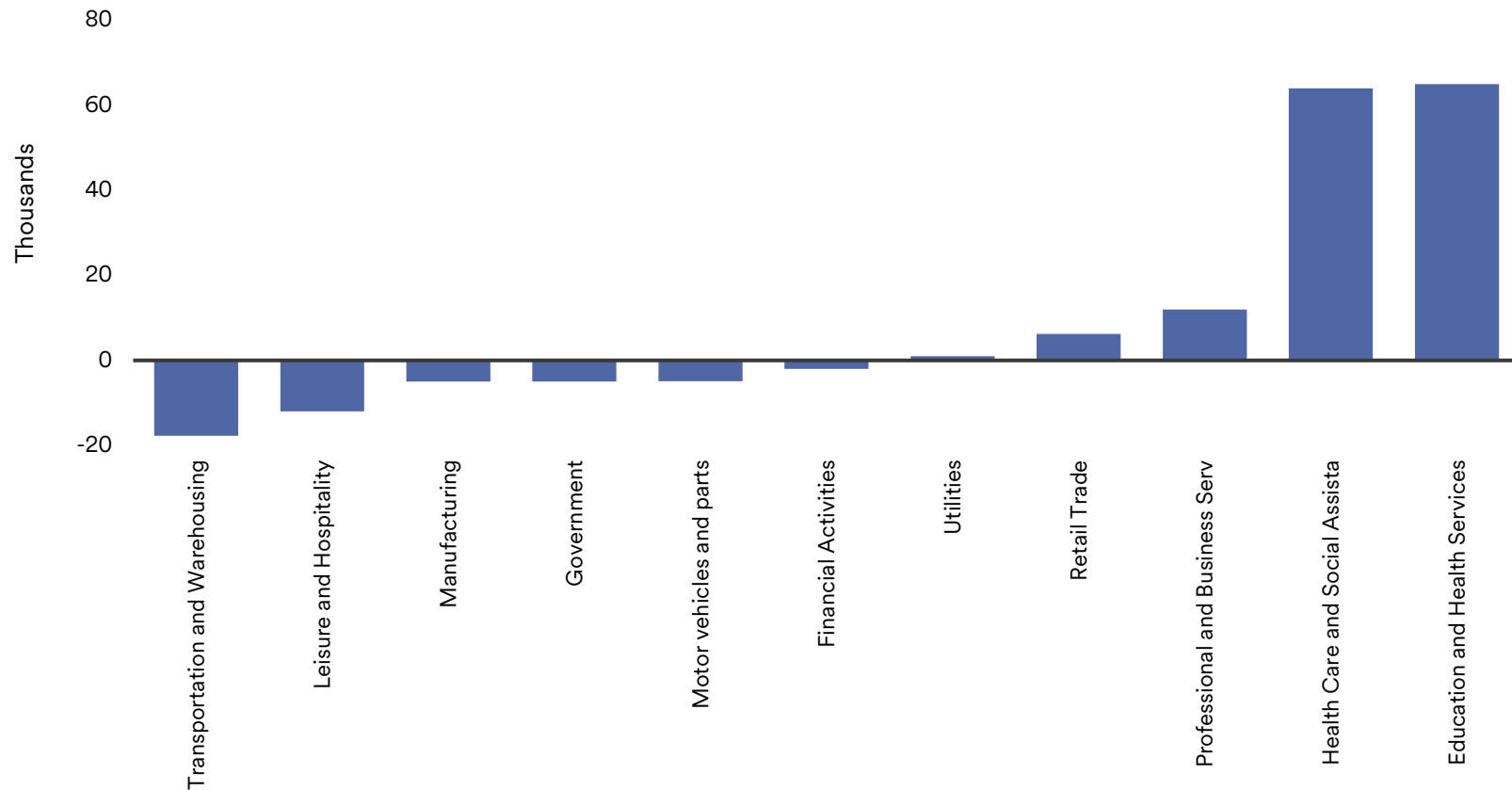


Unemployment Rate



Nonfarm Payrolls Employment Report

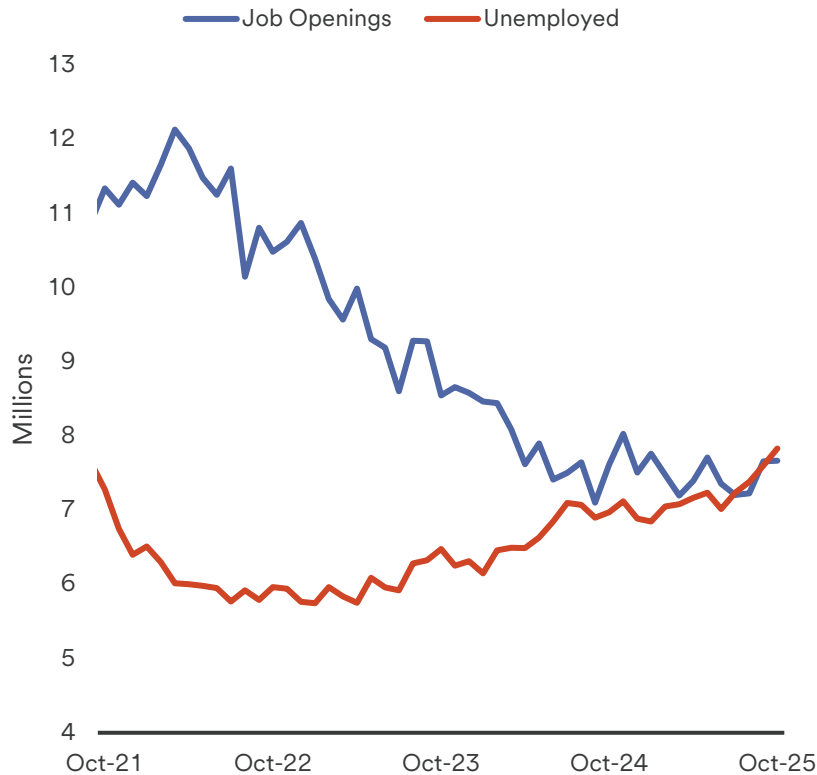
Change in Nonfarm Payrolls *November 2025*



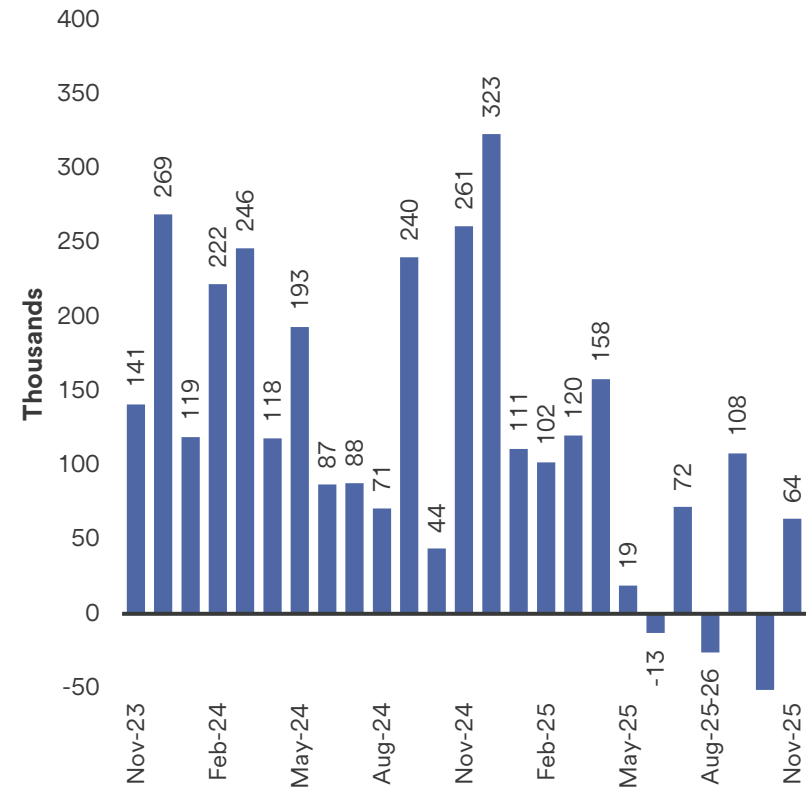
Source: Bureau of Labor Statistics, as of November 2025. Data is seasonally adjusted.

Labor Market: Job Openings and Changes to Nonfarm Payrolls

Job Openings vs. Unemployed Workers



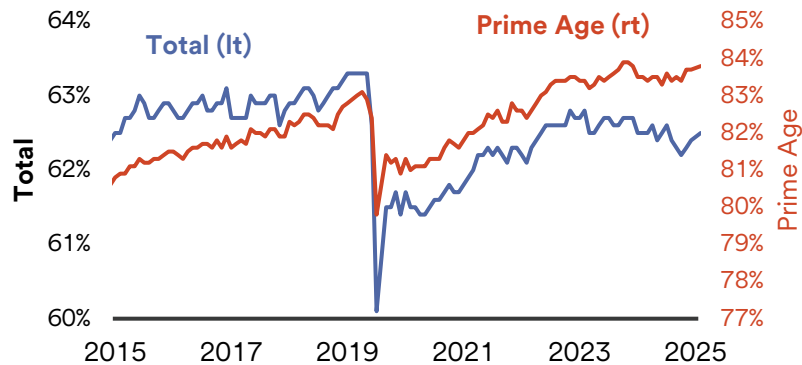
Monthly Change In Nonfarm Payrolls



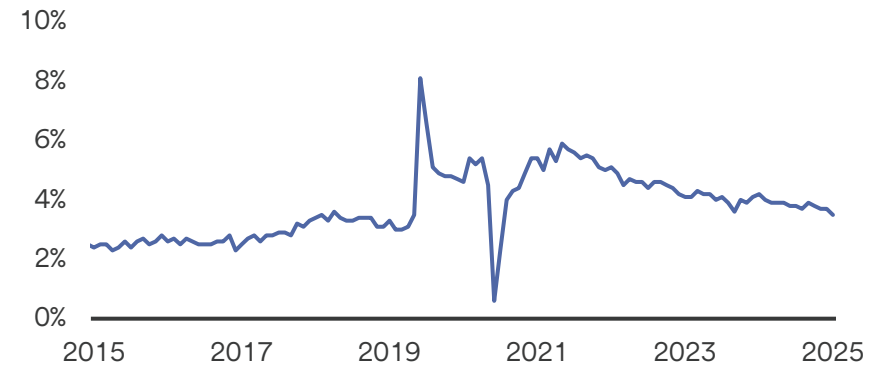
Source: Bureau of Labor Statistics and Bloomberg Finance L.P. Monthly change in nonfarm payrolls and unemployed workers as of November 2025. Job openings as of October 2025. Data is seasonally adjusted.

Employment Indicators

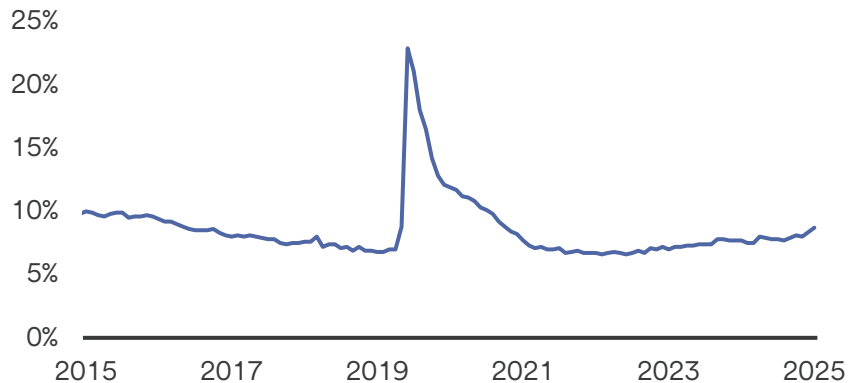
Labor Force Participation Rate



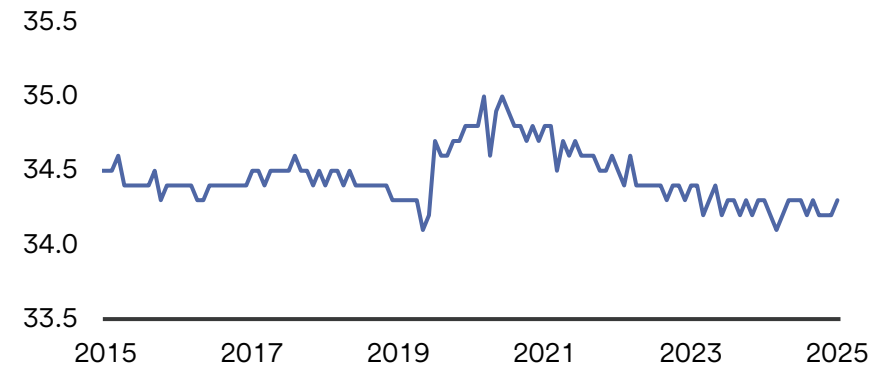
Avg. Hourly Earnings (YoY %)



U-6 Underemployment Rate (%)

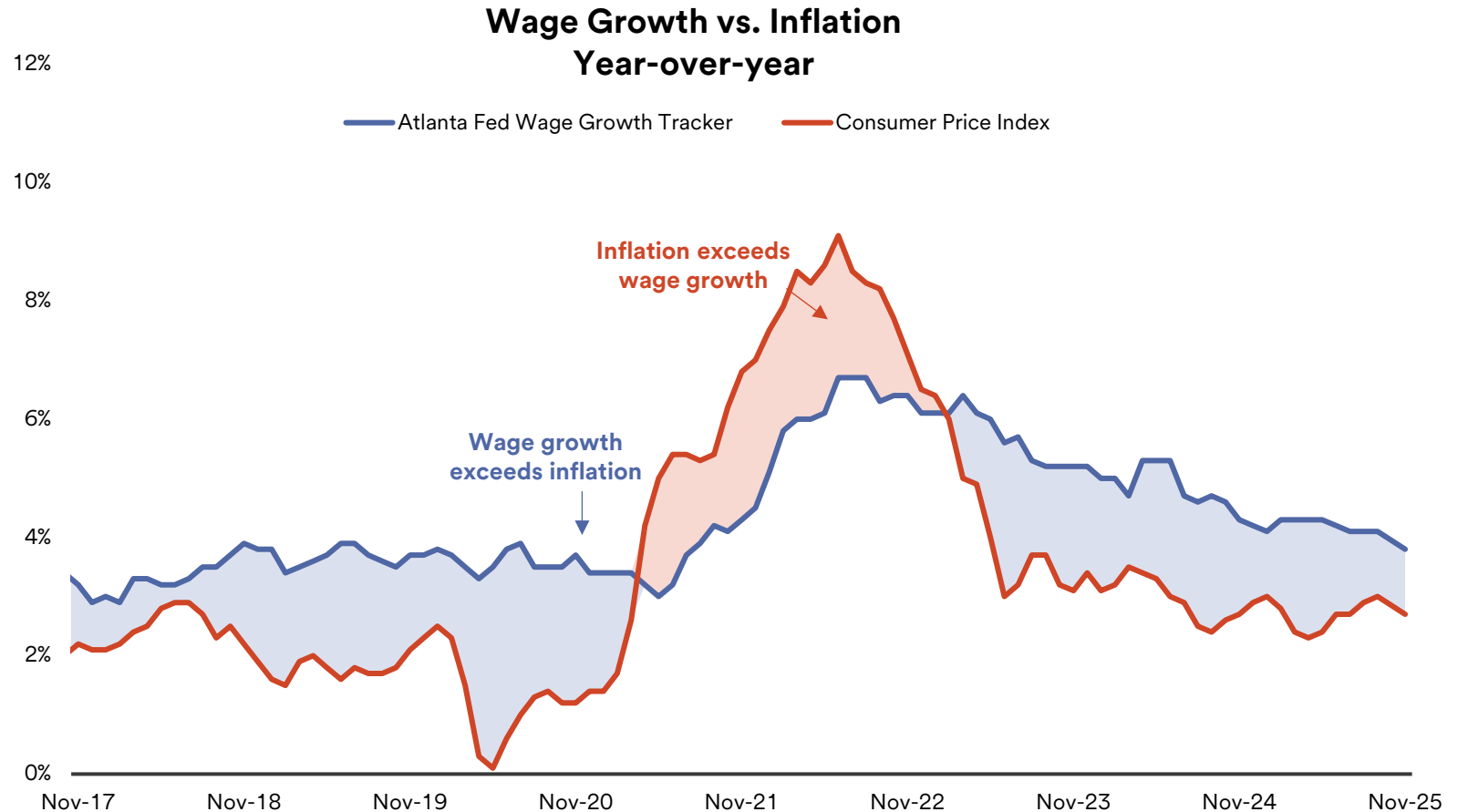


Total Private Sector Average Weekly Hours



Source: Bloomberg Finance L.P., as of November 2025. BLS defines "prime-age" as individuals ranging from 25 – 54 years of age.

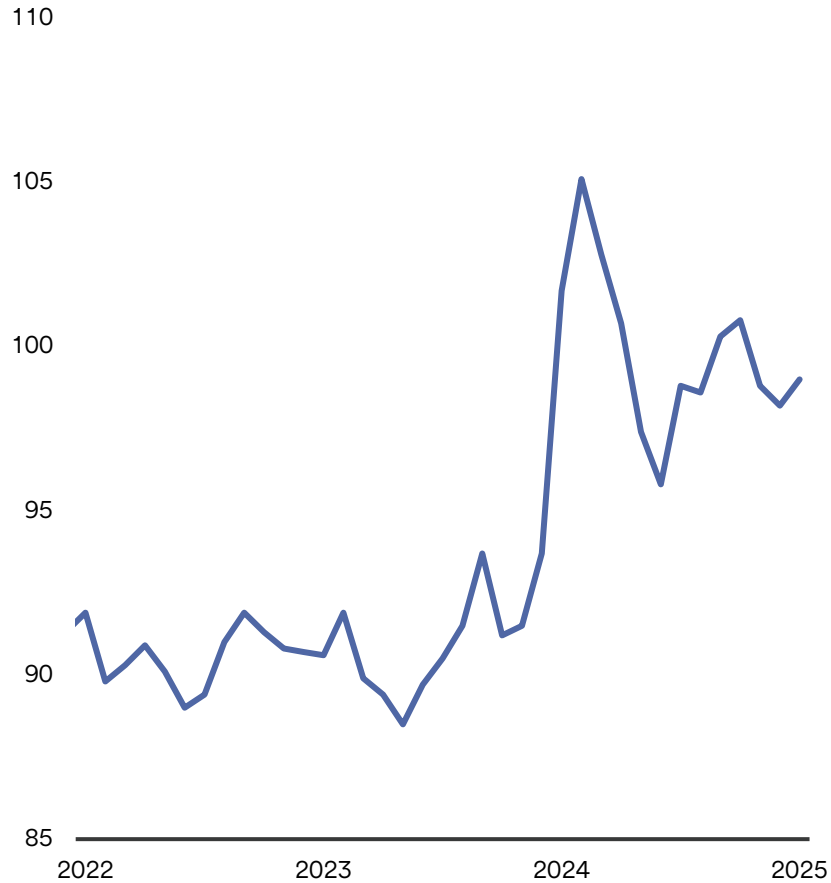
Wage Growth and Inflation



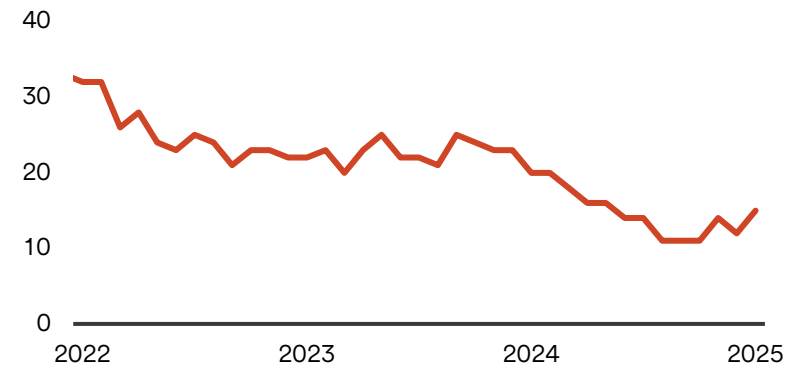
Source: Bloomberg Finance L.P., Bureau of Labor Statistics, and Atlanta Federal Reserve Economic Data, as of November 2025.

Business Optimism Index

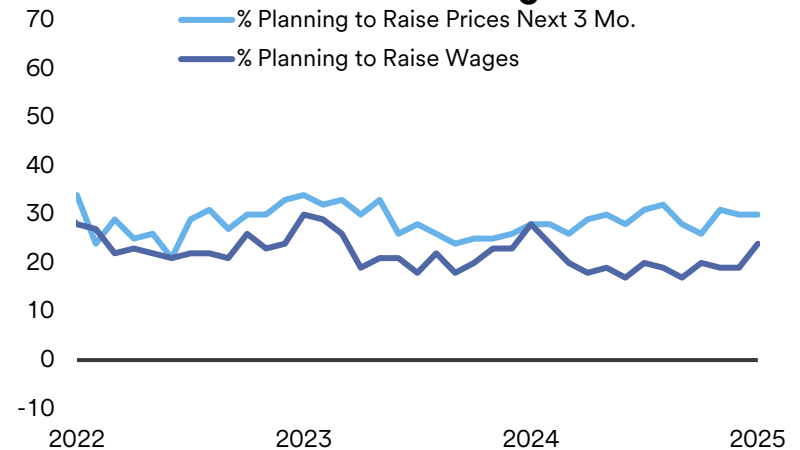
NFIB Small Business Optimism Index



Inflation Single Most Important Problem



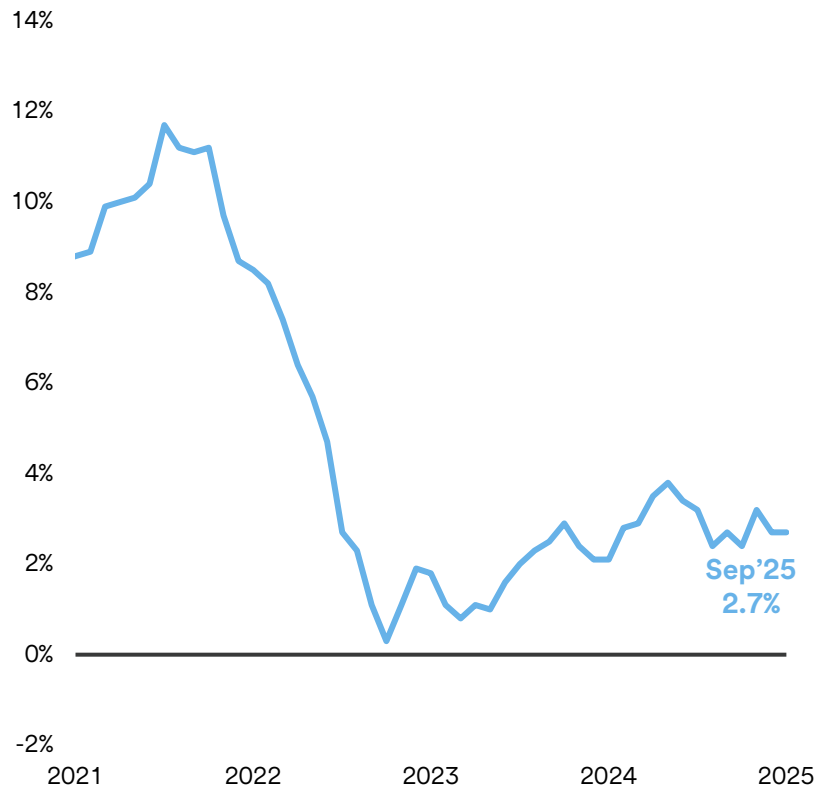
Small Business Selling Prices



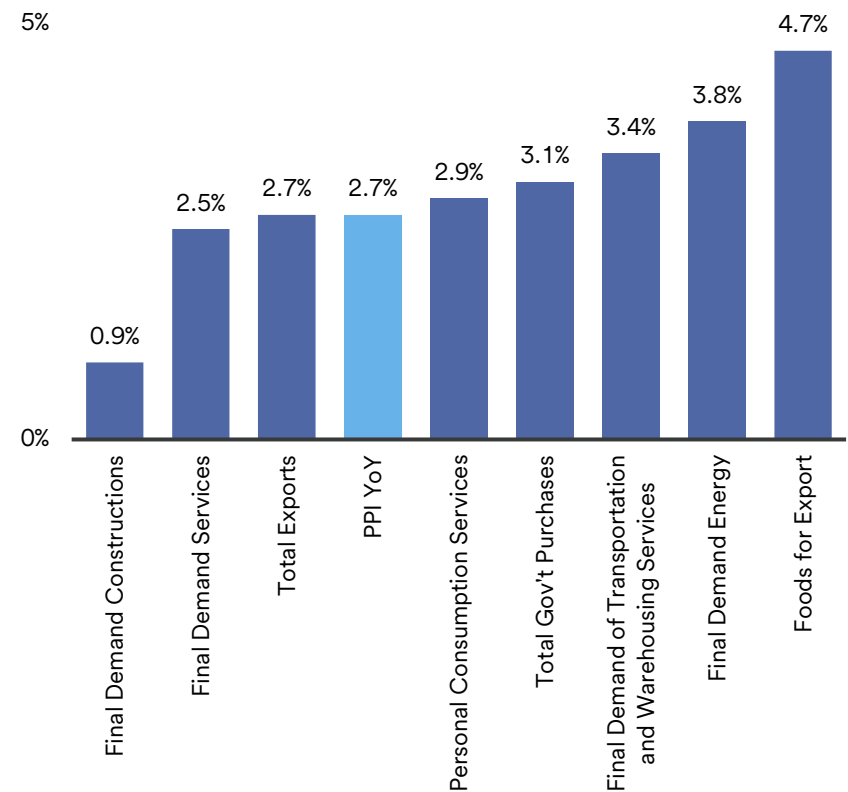
Source: NFIB Small Business Survey, as of November 2025.

Producer Price Index

Producer Price Index % Change YoY



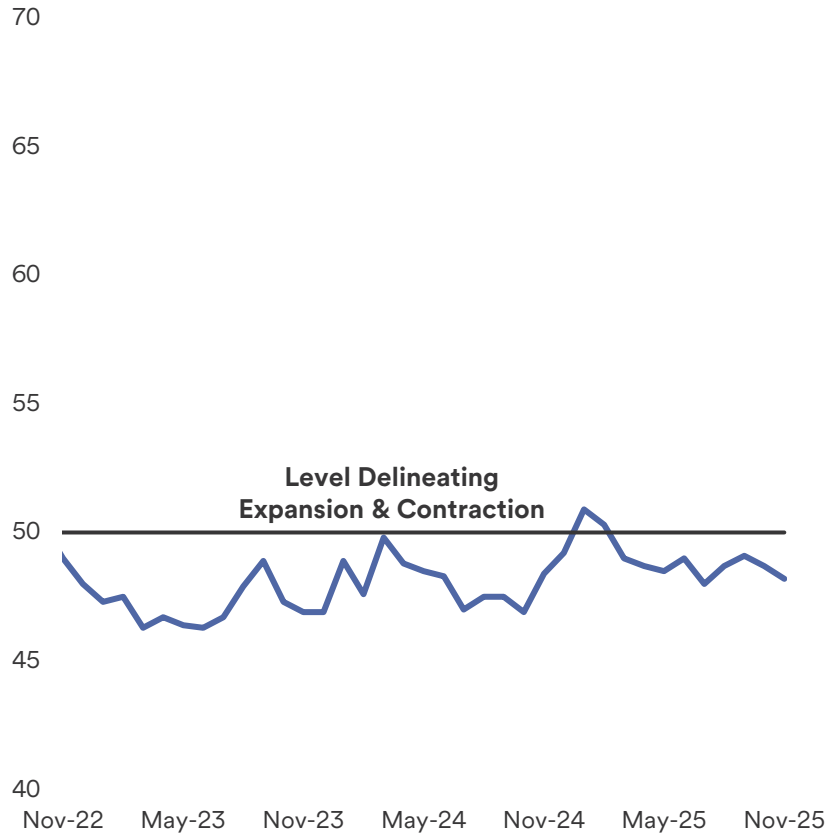
Key Producer Price Index Components % Change YoY



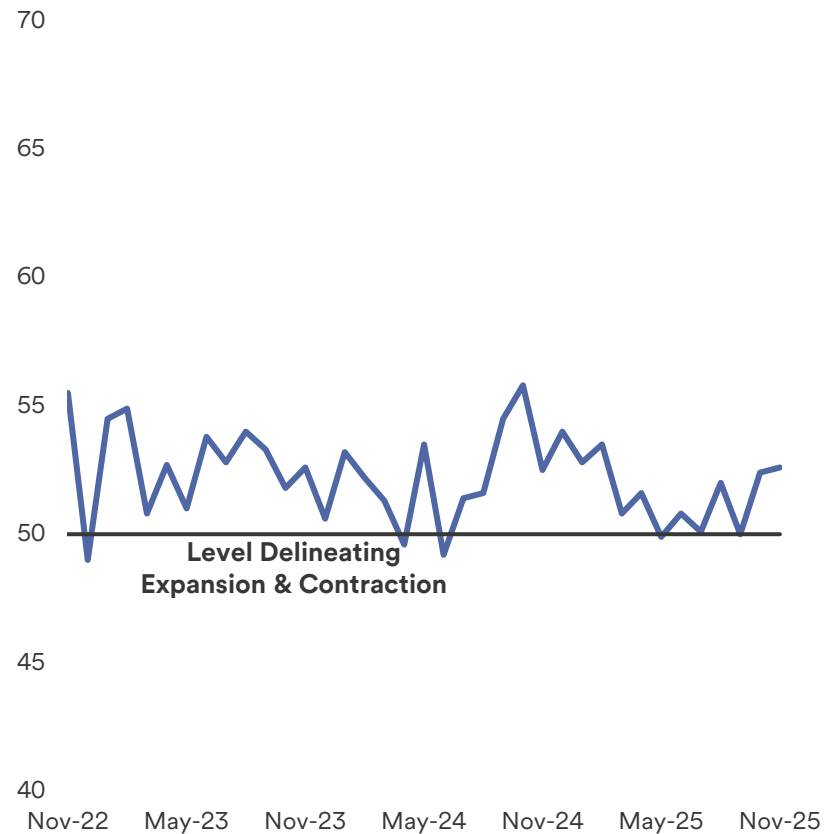
Source: Bloomberg Finance L.P., as of September 2025.

Manufacturing and Non-Manufacturing Activity

ISM Manufacturing PMI

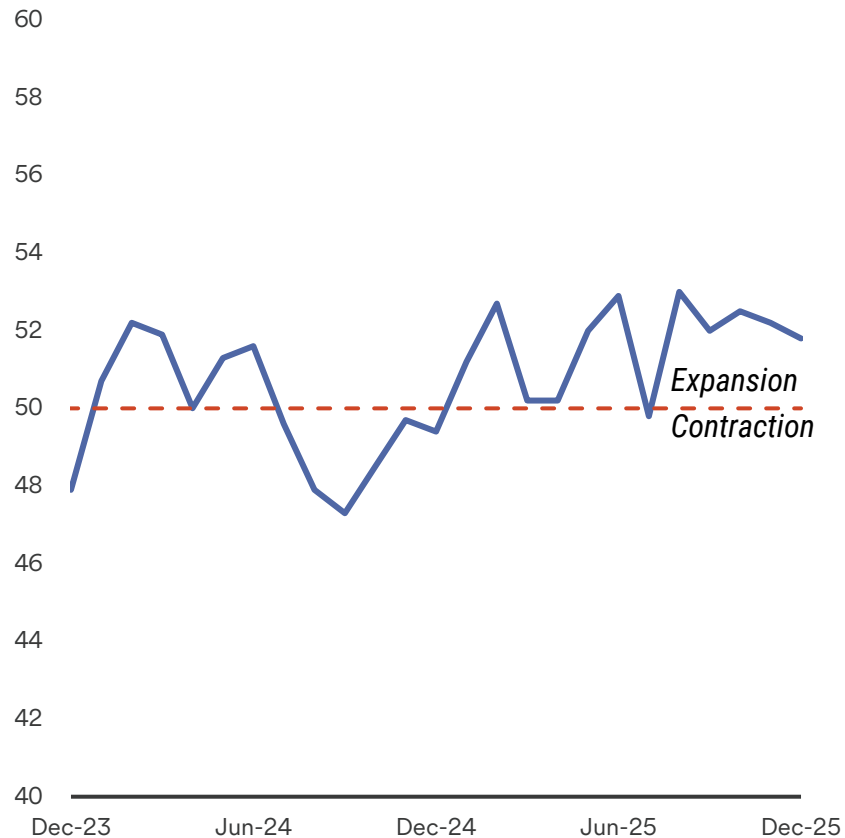


ISM Non-Manufacturing PMI

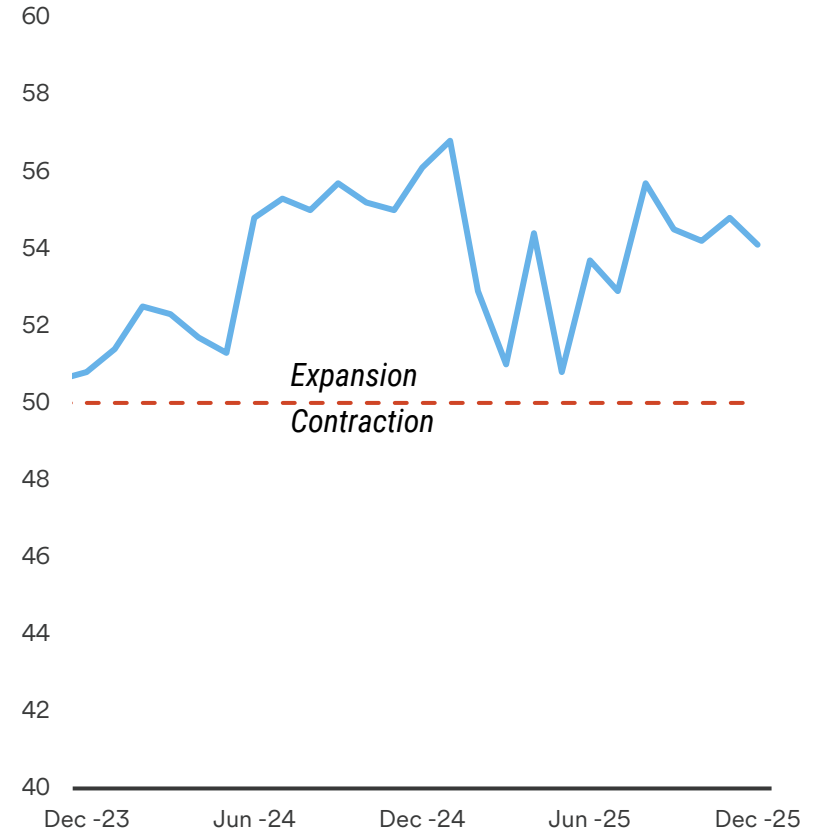


Markit Manufacturing and Services Activity

Markit Manufacturing PMI



Markit Services PMI





Latest FOMC Meeting

FOMC Statement (edits purposely identified):

Available indicators suggest that economic activity has been expanding at a moderate pace. Job gains have slowed this year, and the unemployment rate has edged up ~~but remained low~~ through ~~August~~; ~~September~~. Inflation has moved up since earlier in the year and remains somewhat elevated.

In considering ~~the extent and timing of~~ additional adjustments to the target range for the federal funds rate, the committee will carefully assess incoming data, the evolving outlook, and the balance of risks.

FOMC Press Conference:

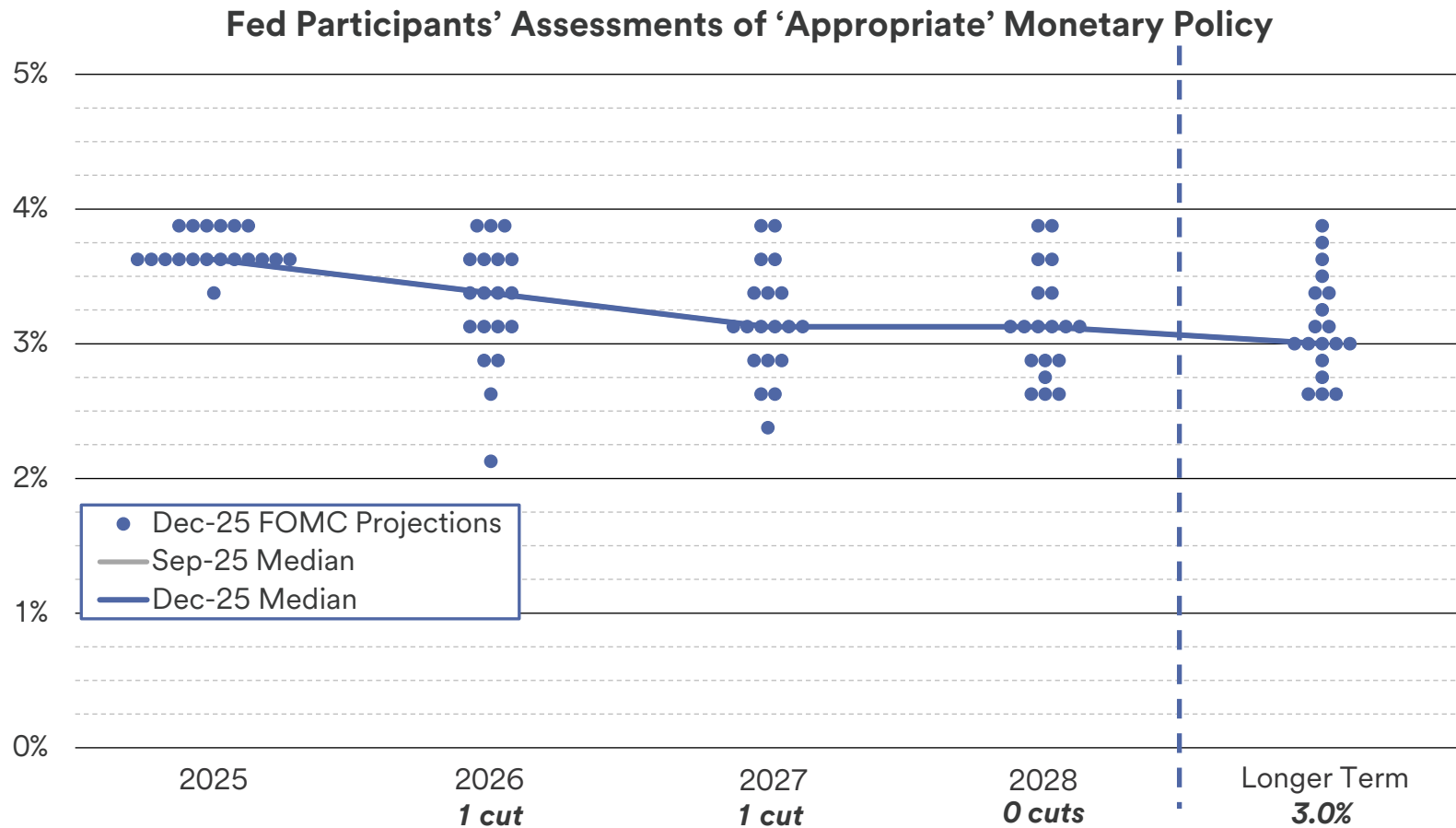
“I would note having reduced our policy rate by 75 basis points since September, and 175 basis points since last September, the Fed funds rate is now within a broad range of estimates of its neutral value...”

“...risks to inflation are tilted to the upside and risks to employment to the downside—a challenging situation. There is no risk-free path for policy as we navigate this tension between our employment and inflation goals”

“Supply of workers has also gone way down, so the unemployment rate hasn’t moved that much. It is a labor market that seems to have significant downside risks. ... If you had a world where there is just no growth in workers and you really don’t need a lot of jobs to have full employment, some people argue that is what we are looking at.”

“What you see is some people feel we should stop here and that we are at the right place and just wait. Some people feel we should cut once or more this year and next year...”

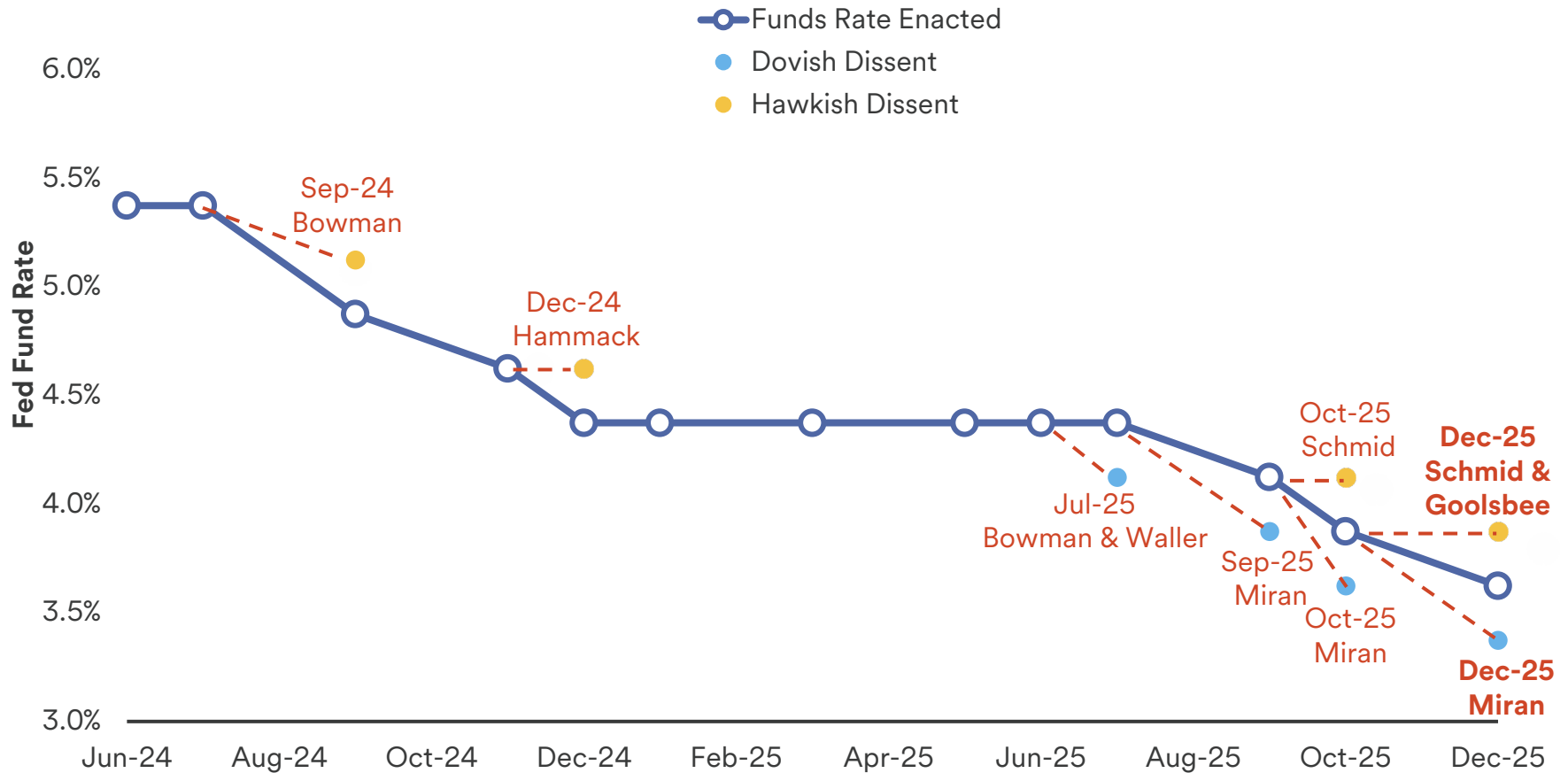
The Latest Fed “Dot Plot”



Source: Federal Reserve; Bloomberg Finance L.P.. Individual dots represent each Fed members' judgement of the midpoint of the appropriate target range for the federal funds rate at each year-end. As of December 2025.

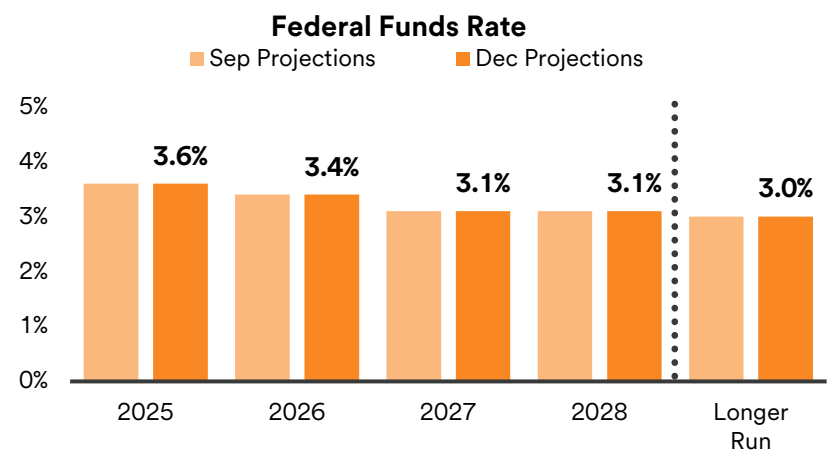
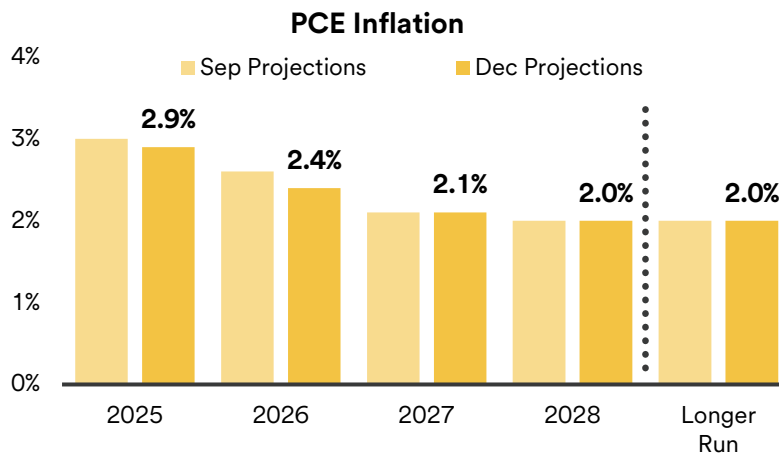
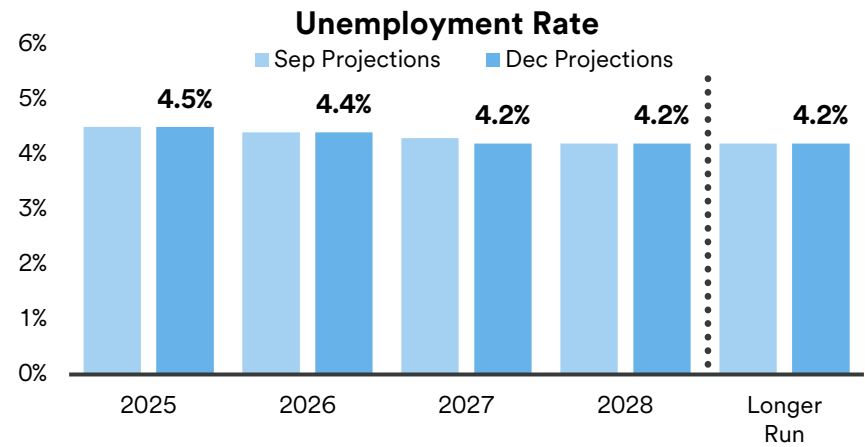
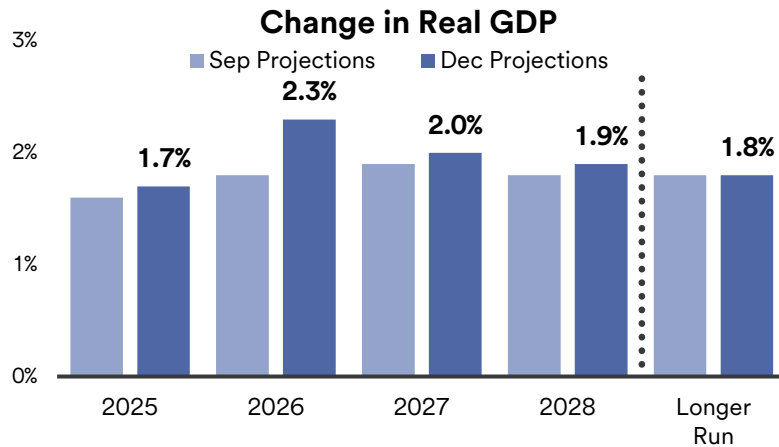
“Dueling Dissents” Highlight Divergent Views

Federal Reserve Dissents



Source: Federal Reserve and Bloomberg Finance L.P., as of December 2025.

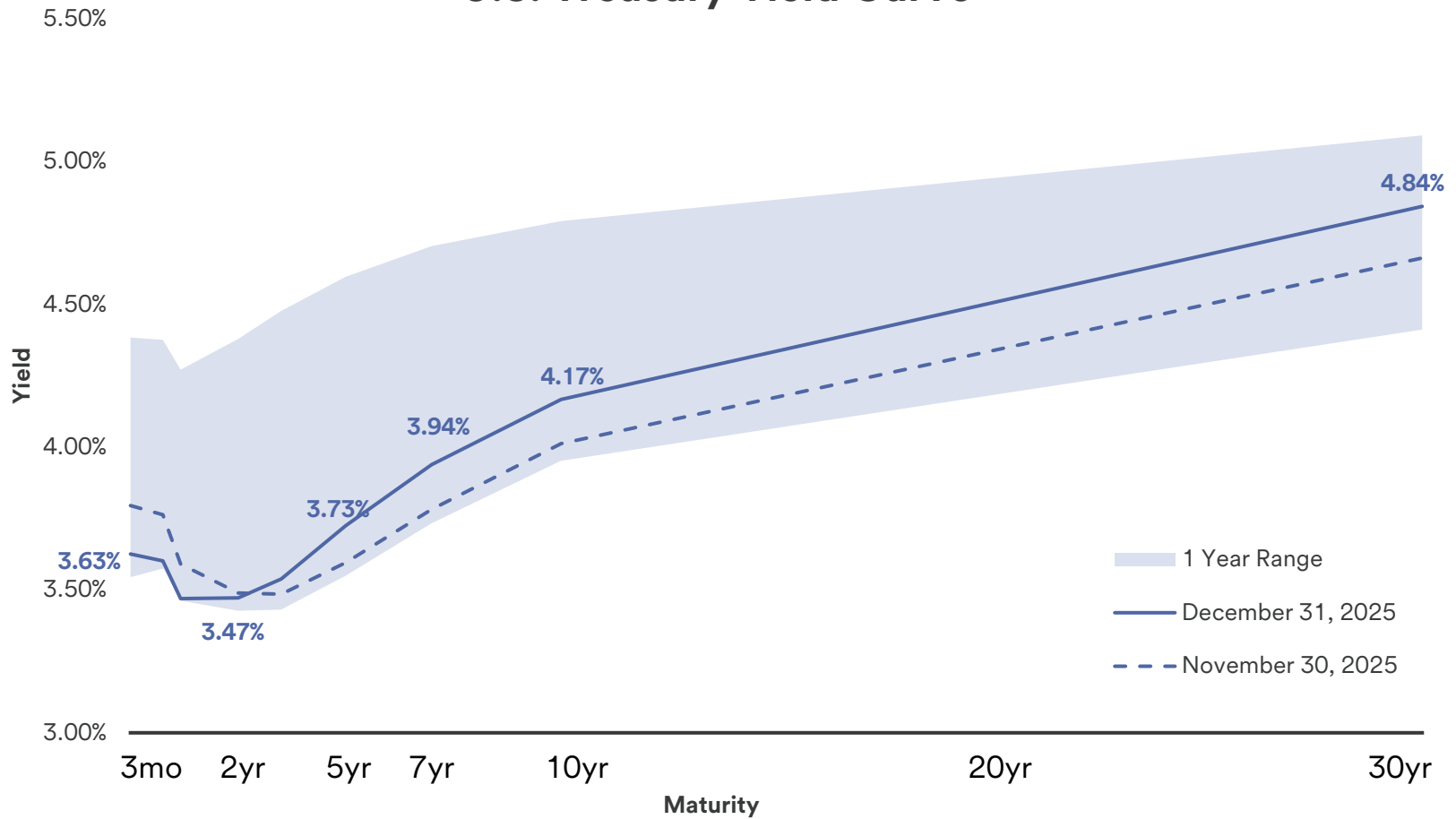
Fed's Updated Summary of Economic Projections



Source: Federal Reserve, latest median economic projections, as of December 2025.

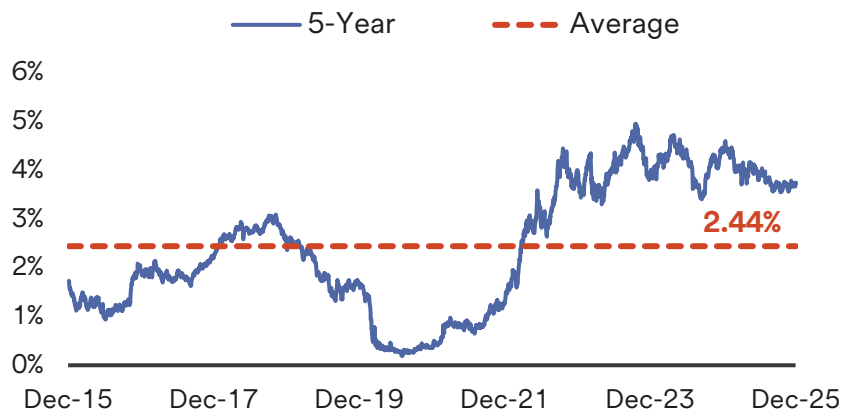
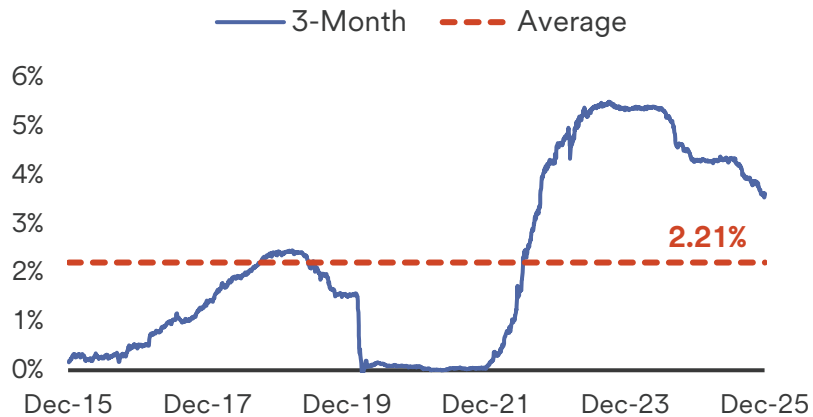
Treasury Curve

U.S. Treasury Yield Curve



Source: Bloomberg Finance L.P., as of 12/31/2025.

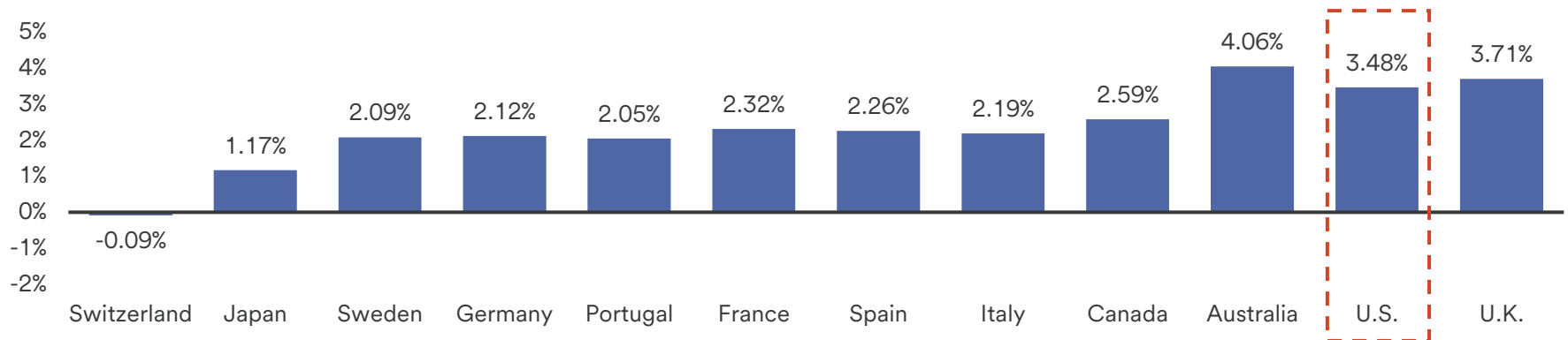
U.S. Treasury Yields



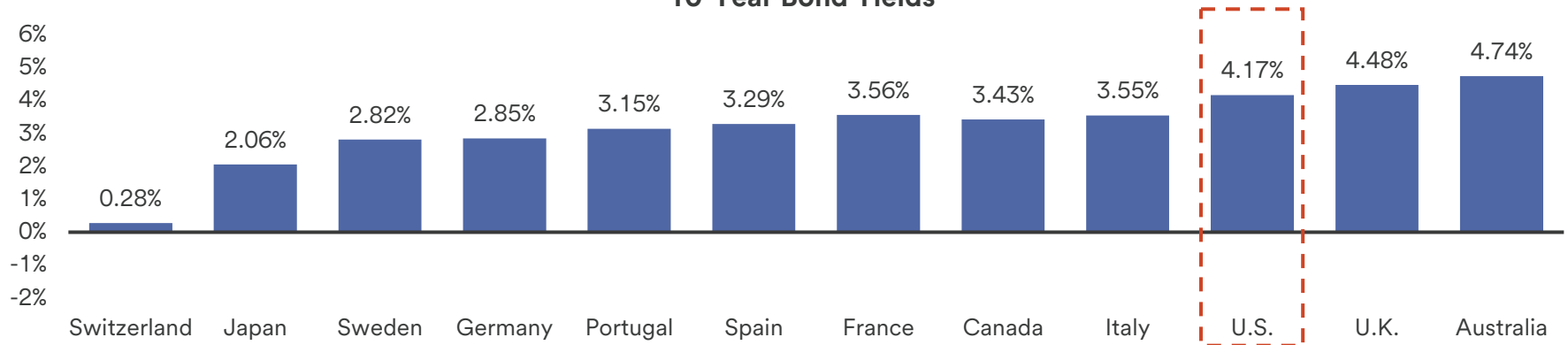
Source: Bloomberg Finance L.P., as of 12/31/2025.

Global Interest Rate Environment

2-Year Bond Yields

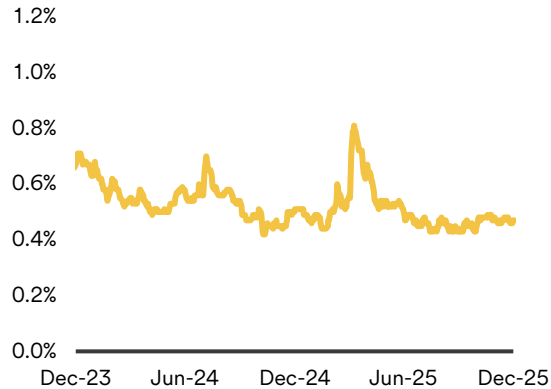


10-Year Bond Yields

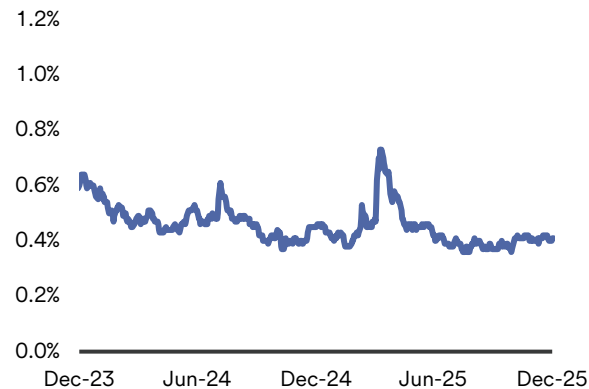


Sector Yield Spreads

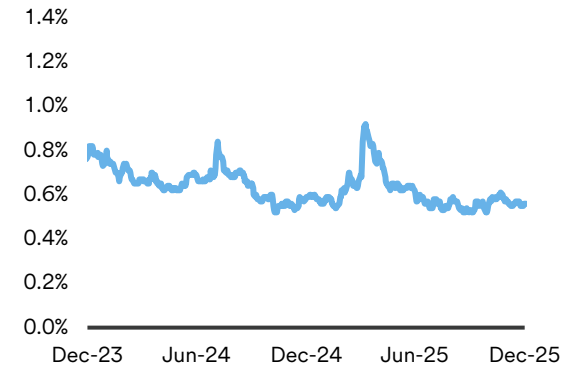
1-5 Yr. AAA-A Corp



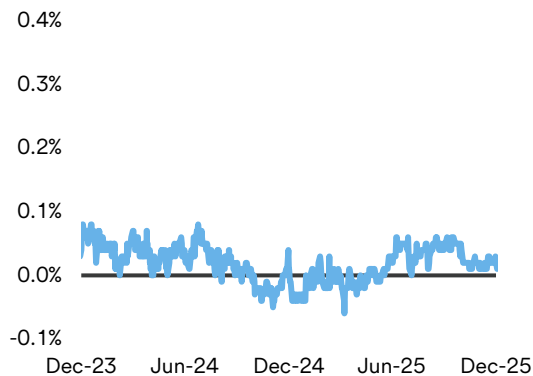
1-3 Yr. AAA-A Corp



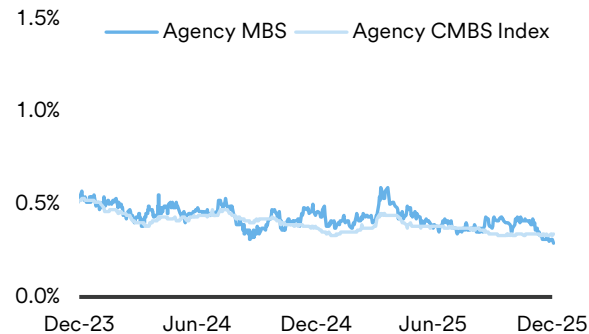
1-10 Yr. AAA-A Corporate



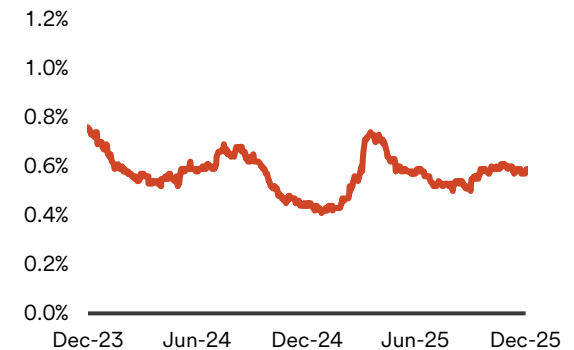
Federal Agency Yield Spread



Mortgage-Backed Securities Yield Spreads

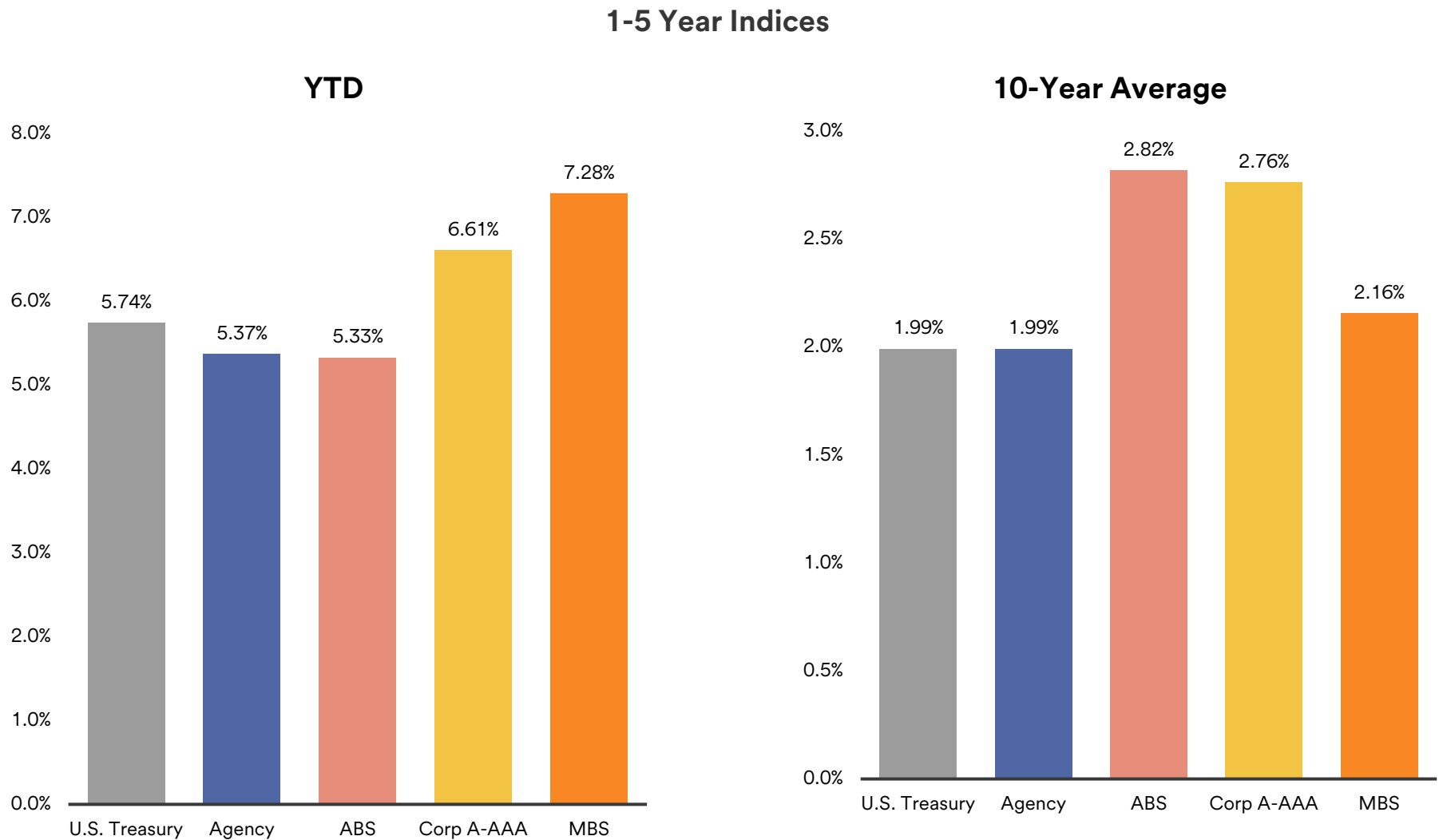


Asset-Backed Securities AAA Yield Spreads



Source: ICE BofA Indices via Bloomberg Finance L.P., MarketAxess and PFMAM as of 12/31/2025. Spreads on Agency, 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.

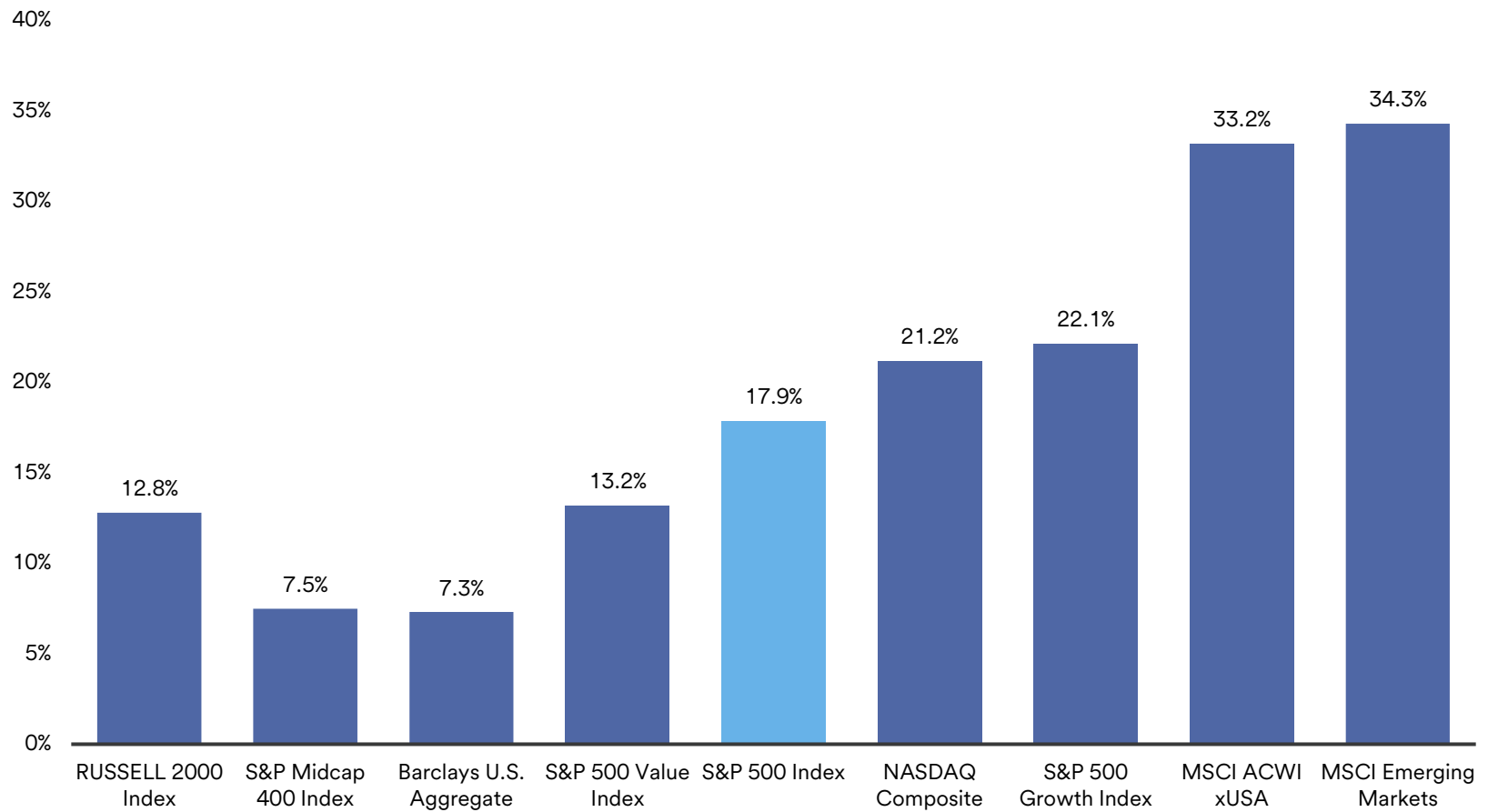
1-5 Year Indices Return



Source: ICE BofA Indices. ABS indices are 0-5 year, based on weighted average life. As of 12/31/2025.

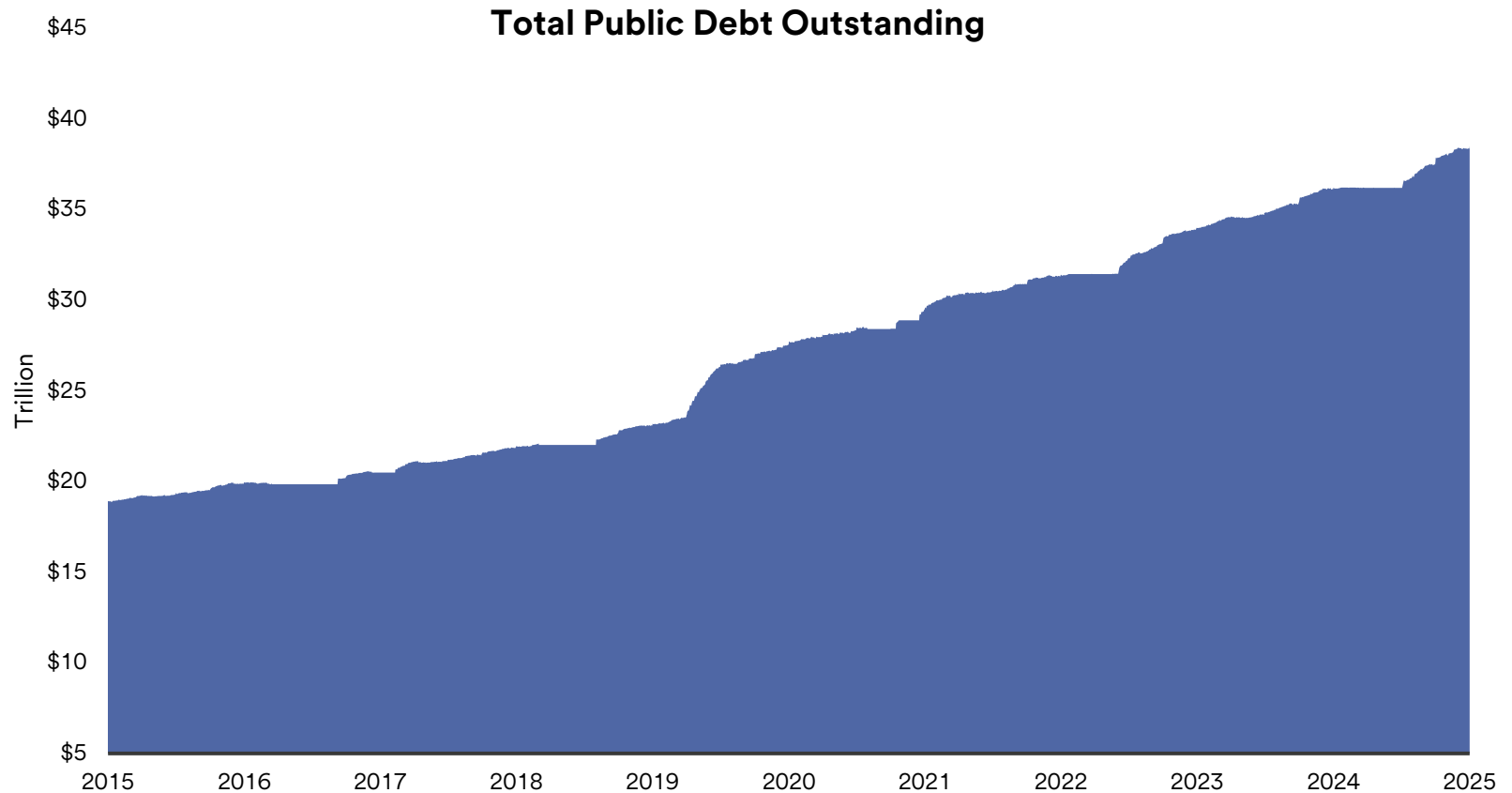
Total Return

YTD Total Return



Source: Bloomberg Finance L.P., as of 12/31/2025.

U.S. National Debt Surpasses \$38 Trillion



Source: Bloomberg Finance L.P., U.S. Department of Treasury, as of 12/31/2025.

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