



Michigan School Business Officials

The Market Impact of COVID-19

June 18, 2021

Prepared by PFM Asset Management LLC

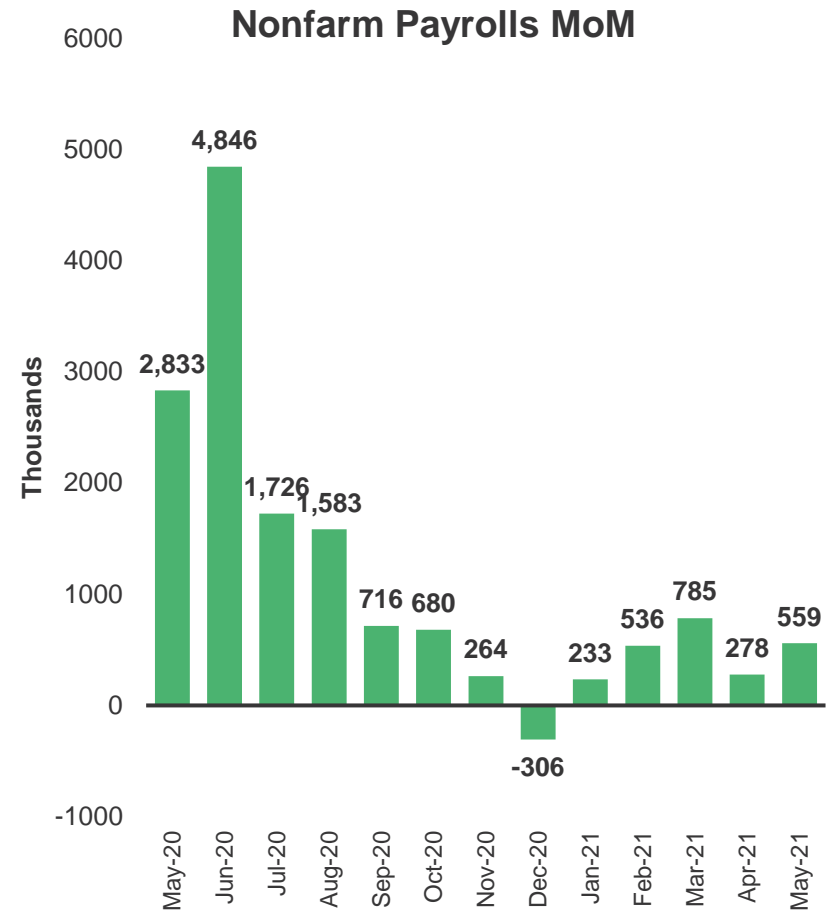
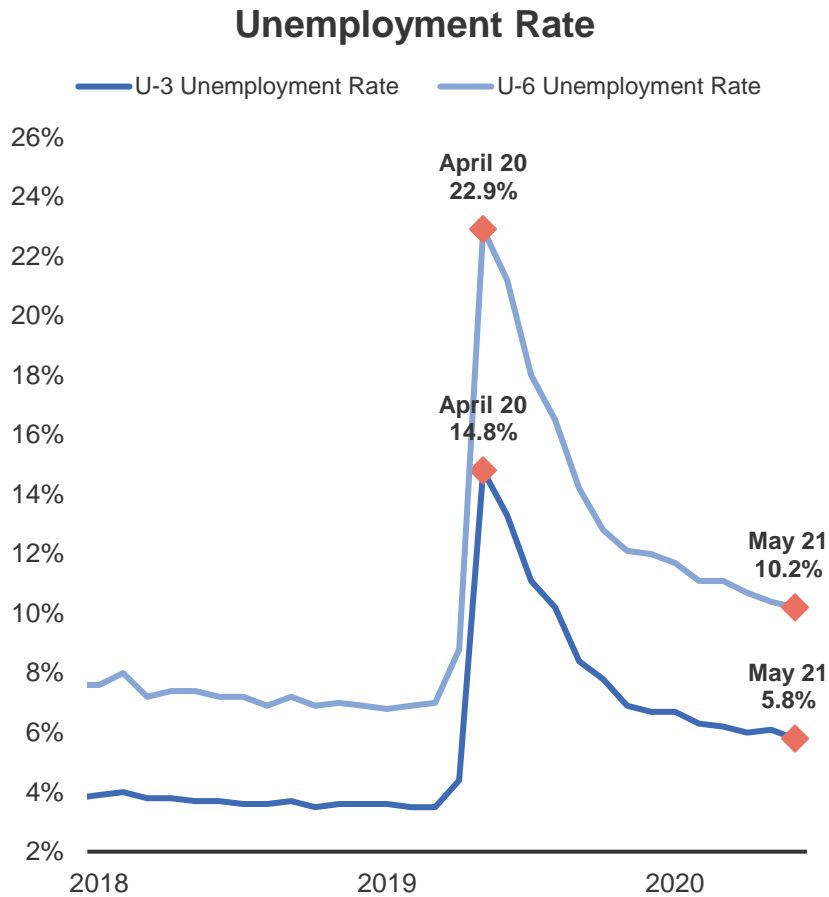
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Job Growth Picks Up in May



Source: Bloomberg, as of 6/07/2021. Data is seasonally adjusted.



“Talking About, Talking About Tapering”

June

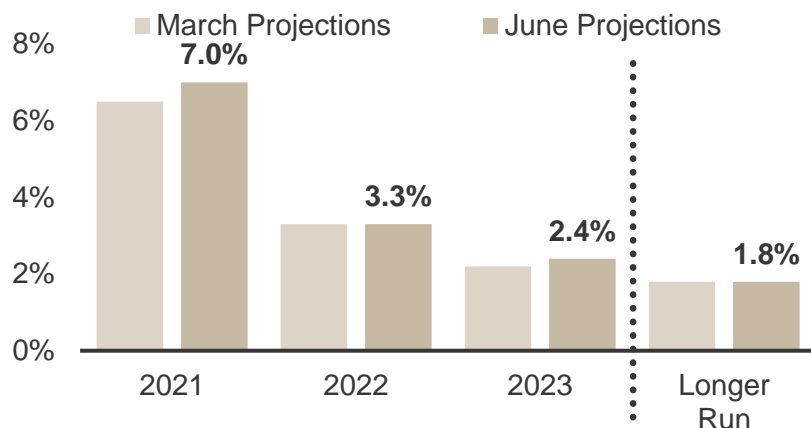
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- Progress on vaccinations has reduced the spread of COVID-19 in the United States. ***Amid this progress and strong policy support, indicators of economic activity and employment have strengthened.***
- ***Inflation has risen, largely reflecting transitory factors.*** Overall financial conditions remain accommodative, in part reflecting policy measures to support the economy and the flow of credit to U.S. households and businesses.
- ***Progress on vaccinations will likely continue to reduce the effects of the public health crisis on the economy,*** but risks to the economic outlook remain.
- With inflation having run persistently below [the Committee’s] longer-run goal, the Committee will aim to achieve inflation ***moderately above 2 percent for some time so that inflation averages 2 percent over time*** and longer term inflation expectations remain well anchored at 2 percent.
- The Committee **decided to keep the target range for the federal funds rate at 0 to 1/4 percent** and expects it will be appropriate to maintain this target range **until** labor market conditions have reached levels consistent with the Committee’s assessments of **maximum employment and inflation has risen to 2 percent and is on track to moderately exceed 2 percent for some time.**
- In addition, the Federal Reserve will **continue to increase its holdings of Treasury securities by at least \$80 billion per month and of agency mortgage-backed securities by at least \$40 billion per month** until substantial further progress has been made toward the Committee’s maximum employment and price stability goals.

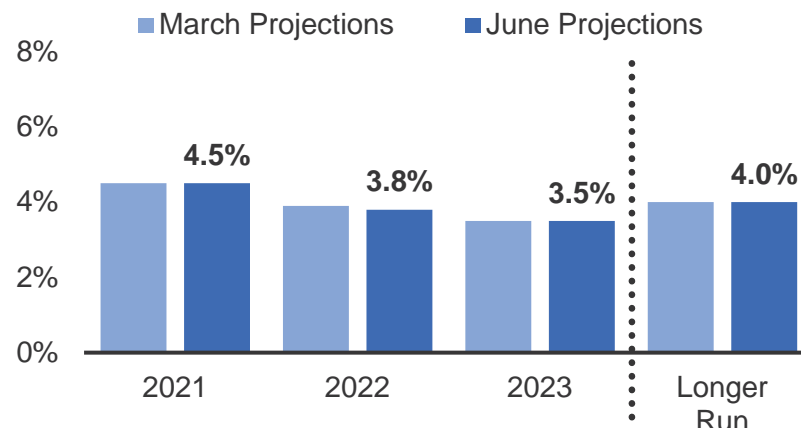


Fed's March Projections Reflect Expectation for Strong Near-Term Growth

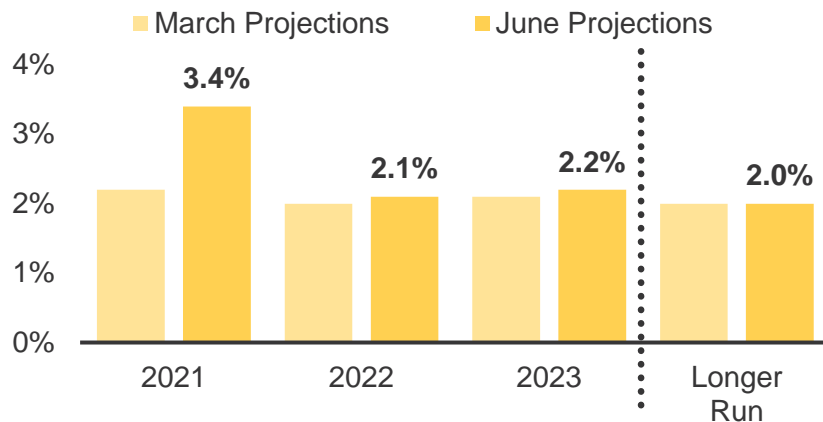
Change in Real GDP



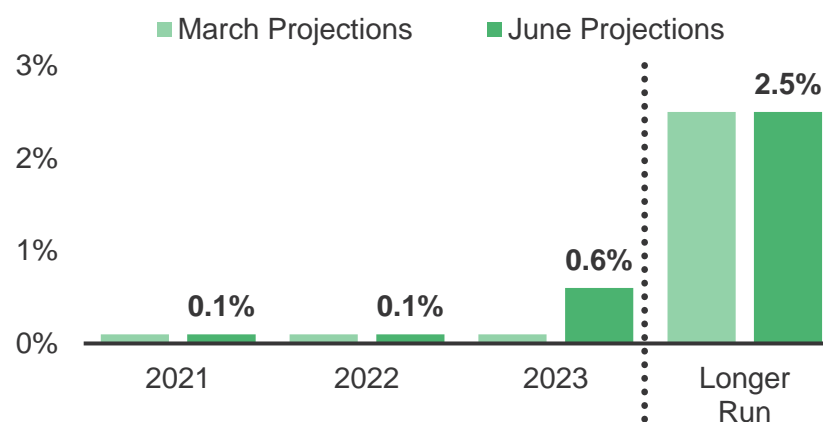
Unemployment Rate



Core PCE Inflation



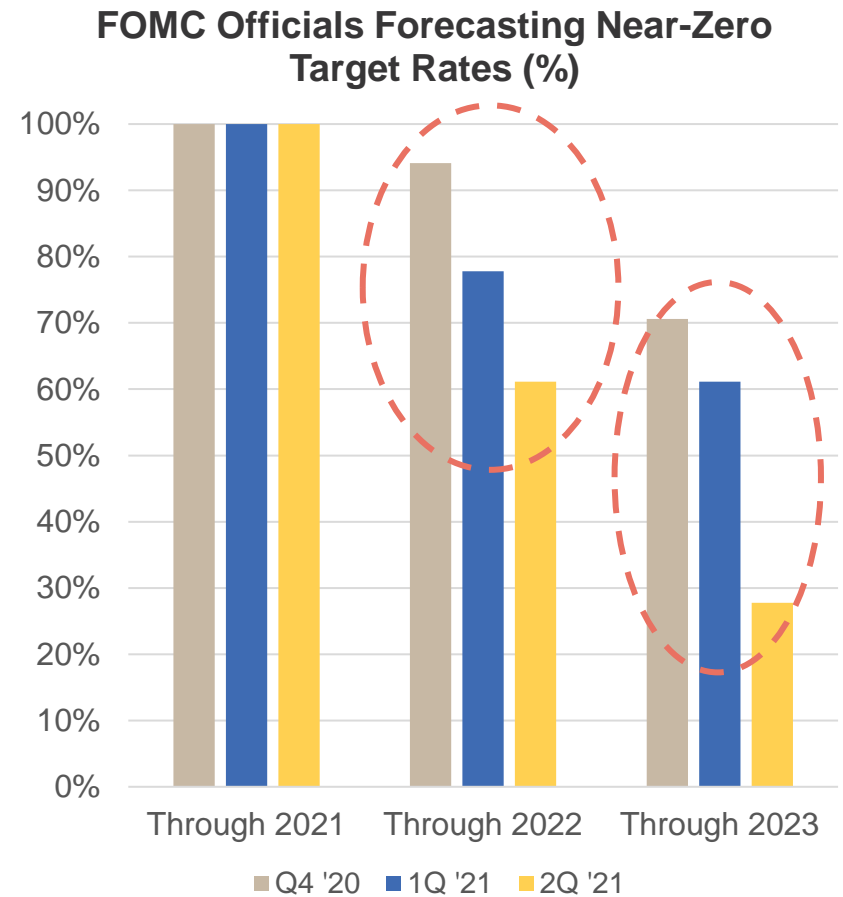
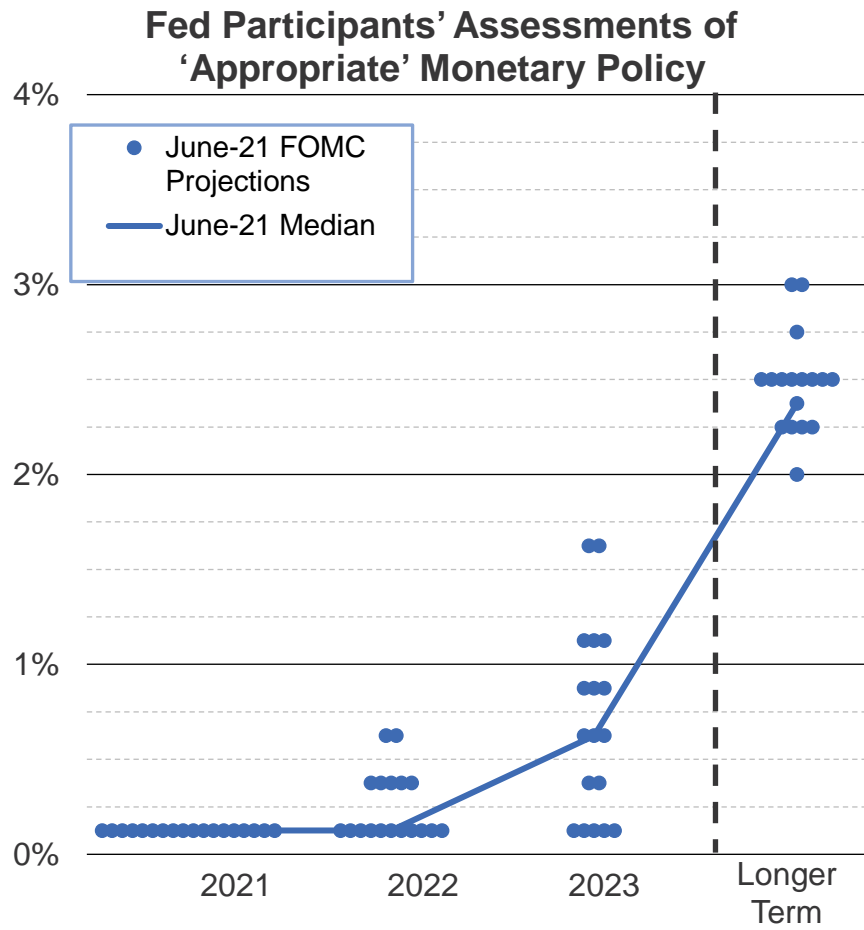
Federal Funds Rate



Source: Federal Reserve, latest economic projections as of June 2021.



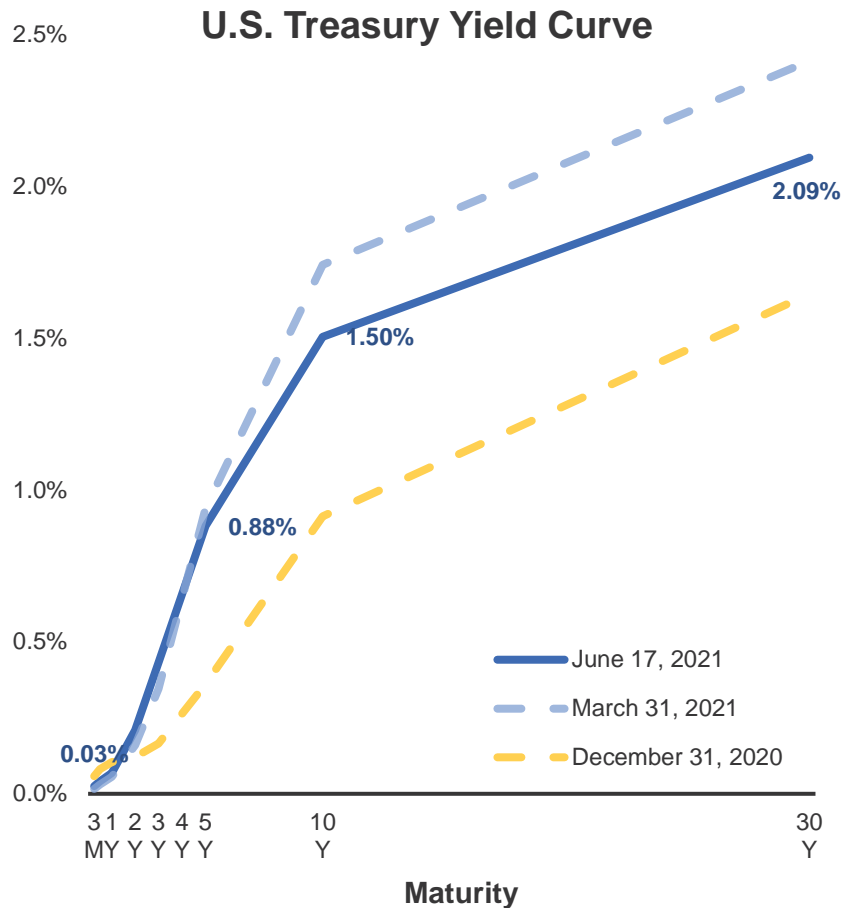
Fed's "Dot Plot" Reflects Evolving Monetary Policy Views



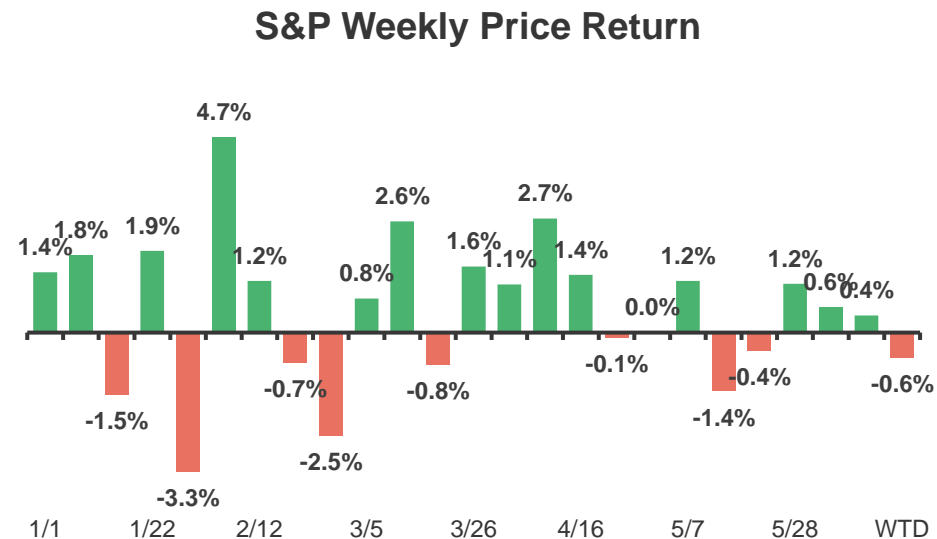
Source: Federal Reserve and Bloomberg. Left Chart: Individual dots represent each Fed members' judgement of the midpoint of the appropriate target range for the federal funds rate at each year-end. Right Chart: Based on projections of 17 officials in Q4 2020 and 18 in Q1 and Q2 2021.



Capital Markets React to Economic, Inflation and Fed Expectations



Source: Bloomberg, as of 6/17/21.





Disclosures

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