



# Monthly Market Review

## Economic Highlights

- The recent hurricanes led to volatility in U.S. economic data, but historically weather-related effects are short-lived. Unemployment claims spiked to a two-year high. The labor market experienced a net decline of 33,000 jobs in September, the first negative reading since 2010. Employment in food service and drinking establishments were particularly affected. Retail fuel prices rose due to supply chain disruptions.
- Despite hurricane-induced job losses, the unemployment rate dropped to 4.2% in September, a new 16-year low, while average hourly earnings accelerated to a 2.9% year-over-year (YoY) growth rate. But, the impact of weather on the data may overstate the apparent strength.
- The final estimate of second quarter gross domestic product (GDP) showed the U.S. economy expanded at a healthy pace of 3.1%, but estimates for the third quarter are closer to the 2% trend.
- Inflation remained subdued as the core personal consumption expenditures (PCE) price index – the Federal Reserve's (Fed) preferred measure of inflation – rose only 1.3% YoY in August, which was short of the 2% target and the weakest reading since 2015.
- In more positive news, both the manufacturing and services sectors expanded in September, according to the Purchasing Managers' Index (PMI). Home prices and sales activity indicate a solid housing market, while general sentiment indicators confirm continued confidence.

## Bond Markets

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- Interest rates rose across all maturities as the market responded to continued growth in the U.S. economy, the Fed's indication that more rate hikes are coming, and the potential economic boost from tax reform.
- The yield on two-year Treasury notes rose 16 basis points (bps) to 1.49%, its highest level since 2008. The yield on 10-year Treasury notes rose 21 bps to 2.33%, its steepest monthly increase of the year; but the current level is still short of peak yields in early 2017.
- Yield spreads on federal agency and corporate bonds narrowed during the month, buoyed by strong demand for yield on high grade investments. As a result, both sectors outperformed comparable-maturity Treasuries.
- Expected Fed balance sheet tapering, which will reduce the pace of FOMC reinvestment in mortgage-backed securities (MBS) is a negative for the sector.
- Asset-backed securities (ABS) yield spreads remain narrow, but the incremental yield of these securities led to modest out-performance vs. Treasuries.

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## PFM Outlook

- We expect the distortions from the season's hurricanes to be further reflected in upcoming economic indicators, especially GDP growth for the third quarter. Home and auto sales may also exhibit some transitory weakness. However, we consider this a short-term interruption in the trend of steady and moderate long-term growth.
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# Monthly Market Review

NEBRASKA  
LIQUID  
ASSET FUND

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# Monthly Market Review

pfm FUNDS

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# Monthly Market Review



MISSOURI SECURITIES INVESTMENT PROGRAM

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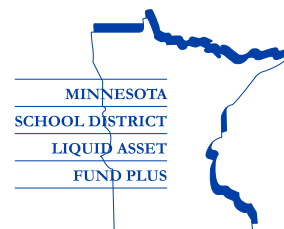
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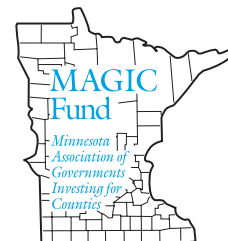
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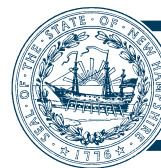
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**NEW HAMPSHIRE  
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