



Monthly Market Review

“Stocks say go, bonds say slow.”

Market signals are contradictory: the strong stock market recovery and solid labor force indicators suggest an economy that will sustain and even expand recent growth, while falling bond yields and the Federal Open Market Committee's (FOMC) caution suggest the opposite.

Economic Highlights

- U.S. Gross Domestic Product (GDP) expanded at 3.2% in the first quarter, surprising to the upside. This was a full percent higher than the fourth quarter of 2018. Net exports plus inventory growth were responsible for 1.7% of the 3.2% reading. These components are quite volatile from quarter to quarter, while personal consumption expenditures generated only 0.8% - a sign that the sustainable pace of growth was quite a bit weaker than the headline. In other contributions, residential housing was a minimal subtraction (-0.1%), non-residential fixed investment was on the weaker side (+0.4%), federal government spending was flat, and state and local government spending was stronger than normal (+0.4%).
- At the FOMC meeting on May 1, the committee signaled once again that it had moved from a policy of tightening monetary conditions to one of watchful waiting. The Federal Reserve (Fed) noted that “on a 12-month basis, overall inflation and inflation for items other than food and energy have declined and are running below 2 percent,” and that “growth of household spending and business fixed investment slowed in the first quarter.” Fed Chair Jay Powell provided affirmation that “risks have moderated somewhat” and that a “patient” Fed is still warranted at this time, and surmised that lower inflation is “transitory.”
- The U.S. labor market remains robust, highlighted by the latest jobs report which indicated nonfarm payrolls increased 263,000 in April, outpacing March's increase of 189,000 and exceeding April expectations of 190,000. Moreover, the unemployment rate decreased to a 50-year low of 3.6%. Hourly earnings grew at an annual rate of 3.2%. This was more than one percent higher than core inflation for the period, giving consumers a bit more spending power than this time in 2018.
- Lower mortgage rates over the past several months helped strengthen the housing market as pending home sales and new home sales increased 3.8% and 4.5% respectively, month-over-month.

Bond Markets

- Yields moved in a narrow range in April, with most of the action in longer maturities. For example, the 2-year Treasury note increased 0.01%, the 5-year rose 0.05%, and the 10-year note was up 0.09%.

- As a result, the total return of longer duration indexes lagged their shorter-term counterparts. For example, the 1-year and 3-year Constant Maturity U.S. Treasury Indexes returned 0.22% and 0.17%, respectively. Meanwhile, the 10-year and 30-year indexes generated negative returns: -0.59% and -2.04%, respectively, for the month.
- While the intermediate-maturity portion of the yield curve remained inverted (one to seven years), fear that this signaled an imminent business downturn seemed to fade, reinforcing a more positive outlook for near-term U.S. economic growth.

Municipal Bond Market

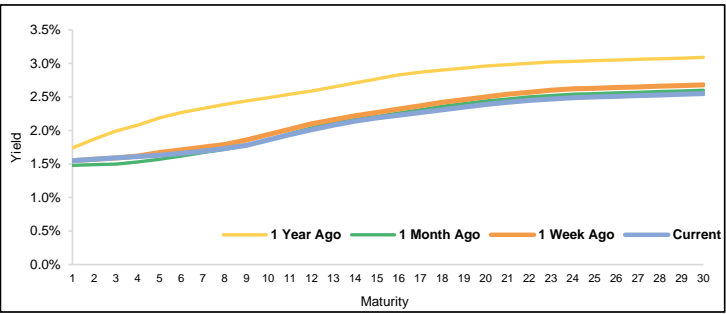
- Municipal new issuance fell in April by 23.8% to \$24.03 billion from \$31.52 billion the same month last year. Nevertheless, year-to-date municipal new issuance remains up 5.1% to \$102 billion for 2019 from \$97.09 billion during the same period last year, according to Municipal Market Monitor (TM3) data.
- April experienced positive bond flows throughout the month and ended with net inflows totaling \$6.26 billion, following March's net inflows of \$9.09 billion, according to Investment Company Institute (ICI) data.
- The Municipal Market Data (MMD) Index experienced rising rates across the short end of the curve and declining rates at the long end in April causing the yield curve to flatten. The one-year rate increased 7 basis points (bps) to 1.55% while the three-year rate rose 9 bps to 1.59%. The five-year rate moved up 6 bps to 1.63%. The 10-year rate remained unchanged at 1.86%. On the long end, the 30-year rate dropped 5 bps to 2.55%, according to TM3 data.
- Both the 10-year MMD Single-A General Obligation (GO) Index credit spread and the Double-A GO Index credit spread remained unchanged at 36 bps and 12 bps, respectively, according to TM3 data.
- In April, Municipal-to-Treasury ratios experienced an increase on the front end and a decrease in the intermediate and long-end of the curve. The two-year ratio increased to 69.2% from 65.7% in March, and the five-year ratio rose to 71.5% from 70.3%. The intermediate-term ratio decreased to 70.7% from 72.3%, while the 10-year ratio declined to 74.3% from 77.3%. The 30-year ratio decreased to 86.9% from 92.4%, according to TM3 data. Both the 10-year and 30-year ratios are at seven-year lows.
- The Municipal curve flattened in April with the AAA MMD 2-year/10-year slope falling to 29 bps from 37 bps in March, and the AAA MMD 2-year/30-year slope decreased to 98 bps from March's 111 bps.

Spot Rates				
	Current 4/30/2019	1 Week Ago 4/23/2019	1 Month Ago 3/29/2019	1 Year Ago 4/30/2018
2-Year	1.57	1.57	1.49	1.87
3-Year	1.59	1.59	1.50	1.99
5-Year	1.63	1.67	1.57	2.19
7-Year	1.69	1.75	1.67	2.33
10-Year	1.86	1.94	1.86	2.49
30-Year	2.55	2.68	2.60	3.09

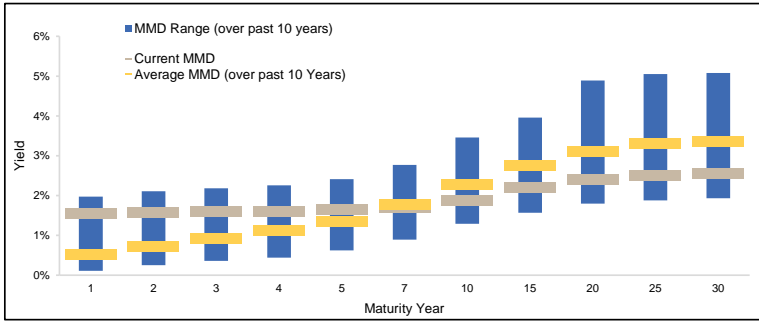
Change in Spot Rate (basis points)			
	1 Week Ago 4/23/2019	1 Month Ago 3/29/2019	1 Year Ago 4/30/2018
2-Year	0	8	-30
3-Year	0	9	-40
5-Year	-4	6	-56
7-Year	-6	2	-64
10-Year	-8	0	-63
30-Year	-13	-5	-54

Market Rates			
Term	MMD AAA GO	U.S. Treasury	Muni Swap Rate
2-Year	1.57%	2.27%	1.54
3-Year	1.59%	2.24%	1.53
5-Year	1.63%	2.28%	1.59
7-Year	1.69%	2.39%	1.68
10-Year	1.86%	2.50%	1.82
30-Year	2.55%	2.93%	2.17

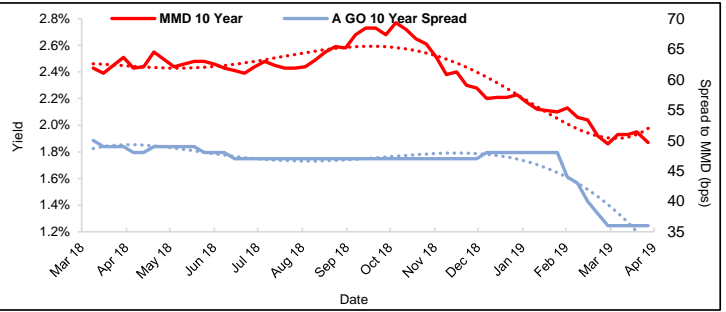
MMD AAA GO Curve



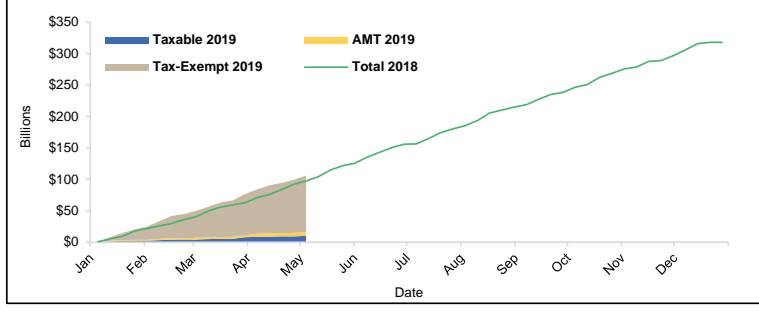
MMD Rates Over Time



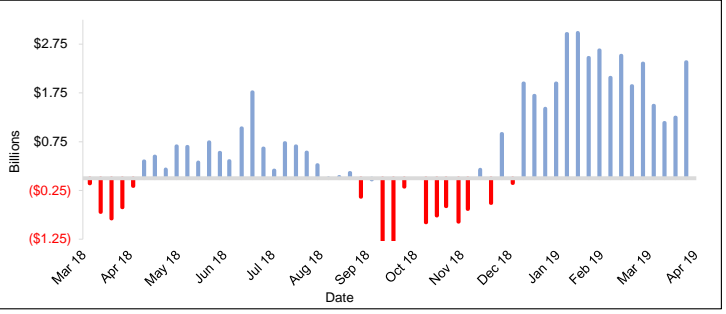
Rate and Spread Movement



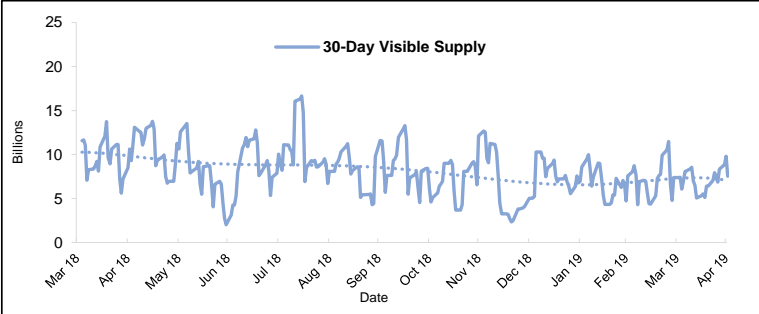
2019 Cumulative Issuance



Weekly Mutual Fund Inflows (Outflows)



30-Day Visible Municipal Supply



Economic Calendar

Date	Time	Statistic	Date	Time	Statistic	Date	Time	Statistic
05/09/2019	09:45 AM	Bloomberg Consumer Comfort	05/15/2019	04:00 PM	Total Net TIC Flows	05/24/2019	08:30 AM	Cap Goods Orders Nondef Ex Air
05/09/2019	10:00 AM	Wholesale Trade Sales MoM	05/16/2019	08:30 AM	Housing Starts & Building Permits	05/24/2019	08:30 AM	Cap Goods Ship Nondef Ex Air
05/09/2019	10:00 AM	Wholesale Inventories MoM	05/16/2019	08:30 AM	Housing Starts	05/28/2019	09:00 AM	House Price Purchase Index QoQ
05/10/2019	08:30 AM	CPI MoM	05/16/2019	08:30 AM	Housing Starts MoM	05/28/2019	09:00 AM	FHFA House Price Index MoM
05/10/2019	08:30 AM	CPI Ex Food and Energy MoM	05/16/2019	08:30 AM	Building Permits	05/28/2019	09:00 AM	S&P CoreLogic CS 20-City MoM SA
05/10/2019	08:30 AM	CPI YoY	05/17/2019	10:00 AM	U. of Mich. 5-10 Yr Inflation	05/28/2019	09:00 AM	S&P CoreLogic CS 20-City YoY NSA
05/14/2019	06:00 AM	NFIB Small Business Optimism	05/20/2019	08:30 AM	Chicago Fed Nat Activity Index	05/28/2019	09:00 AM	S&P CoreLogic CS 20-City NSA Index
05/14/2019	08:30 AM	Import Price Index MoM	05/21/2019	10:00 AM	Existing Home Sales	05/28/2019	09:00 AM	S&P CoreLogic CS US HPI YoY NSA
05/14/2019	08:30 AM	Import Price Index ex Petroleum MoM	05/21/2019	10:00 AM	Existing Home Sales MoM	05/30/2019	09:45 AM	Bloomberg Consumer Comfort
05/14/2019	08:30 AM	Import Price Index YoY	05/22/2019	07:00 AM	MBA Mortgage Applications	05/30/2019	10:00 AM	Pending Home Sales MoM
05/14/2019	08:30 AM	Export Price Index MoM	05/22/2019	02:00 PM	FOMC Meeting Minutes	05/30/2019	10:00 AM	Pending Home Sales NSA YoY
05/14/2019	08:30 AM	Export Price Index YoY	05/23/2019	08:30 AM	Initial Jobless Claims	05/31/2019	08:30 AM	Personal Income
05/15/2019	07:00 AM	MBA Mortgage Applications	05/23/2019	10:00 AM	New Home Sales	05/31/2019	08:30 AM	Personal Spending
05/15/2019	08:30 AM	Retail Sales Advance MoM	05/23/2019	10:00 AM	New Home Sales MoM	05/31/2019	08:30 AM	Real Personal Spending
05/15/2019	08:30 AM	Empire Manufacturing	05/23/2019	11:00 AM	Kansas City Fed Manf. Activity	05/31/2019	08:30 AM	PCE Deflator MoM

Sources: Bloomberg, Thomson Reuters and ICI. Unless otherwise noted, all data is presented as of April 30, 2019.

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