

IPAIT BULLETIN

JULY 2017

FED CONTINUES TO TIGHTEN AS ECONOMIC INDICATORS MODERATE

Economic indicators have lagged optimistic expectations but continue to trend positively. The Fed has continued tightening monetary policy by raising the Fed Funds rate and outlining their plan for the normalization of the balance sheet. The jobs market continues to show its strength, creating ample jobs to drive the unemployment rate down to 4.3 percent, the lowest reading since 2001. The lower unemployment rate and increasing number of job openings should put upward pressure on wages, pushing inflation from the current 1.4 percent, as measured by Personal Consumption Expenditures (PCE), towards the Fed's 2 percent target.

The Federal Reserve met twice during the second quarter and continued their steady pace of increasing the Fed Funds rate, doing so for the third time since December. In addition to the rate hike, the committee also released details regarding the normalization of the balance sheet. The outline illustrated that the committee plans to begin tapering the reinvestment of principal and interest slowly, starting in late 2017. The most recent dot plot also indicated that members' opinions have remained steady, forecasting one additional rate increase this year and three in 2018.

The current dot plot, the chart that illustrates the Fed's projections of the Fed Funds rate, is currently signaling one additional increase this year. The market is pricing in a 55% probability of an additional rate hike. The short end of the Treasury curve steepened during the month as the 30-day T-bill rate rose by 0.04 percent while the 12-month T-bill rose by 0.08 percent.

Interest rates spent much of the quarter drifting lower as mixed economic data, weaker energy prices, and lower inflation indicators left investors less concerned about rising rates and negative returns. Rates, as measured by the 10-year U.S. Treasury yield, declined most of the quarter and reached lows for the year in mid-June after which they rebound somewhat to end the quarter at 2.31 percent.

The outlook for interest rates and fixed income markets will be heavily influenced by whether the recent economic sluggishness continues or if the data shows improvement through the summer. We believe the latter is more likely which will gradually pressure interest rates higher for the second half of 2017. A few themes worth watching are how and when the Fed reduces their \$4.5 trillion portfolio of securities and if the markets can regain confidence that Washington D.C. can work and get some positive reform completed.

SCOTT MCEACHRON, CFA
Senior Portfolio Manager, Fixed Income
(515) 224-2719 | smceachron@miles-capital.com

INVESTMENT YIELD SUMMARY

(7-Day Average)
AS OF 06/30/17
0.669%

For current rates, a 12-month history of our daily rates, or investment assistance, please visit our website or call us toll free. The above daily rate is calculated based on a 365-day annualized factor.

Past performance does not guarantee future results.

UPDATES: PMA NAMED IPAIT MARKETER & FTA PROVIDER

IPAIT INTRODUCES PMA AS MARKETER AND FTA PROGRAM PROVIDER

Effective July 1st, PMA Financial Network, Inc. and PMA Securities, Inc. ("PMA") became the marketing services provider and the Fixed Term Automated ("FTA") program provider for the Iowa Public Agency Investment Trust (IPAIT) Fund.

While several PMA specialists will service IPAIT, with continued support from Dan Zomerma and Iowa Marketing Consultant, the primary contact and marketer for IPAIT Participants will be Paul Kruse-PMA's Senior Vice President and Director of PMA's Iowa branch. Paul will serve as liaison between Participants and the IPAIT Program including support with fixed term investments. Many Participants know Paul through his years of service to Iowa public entities, his conference involvement and his prior position marketing the IPAIT program from 1992 to 2003.

PMA has been a leading provider of financial services to public entities since 1984 and currently serves over 2,400 local governments in eleven states and serves in various capacities to eleven local government investment pools similar to IPAIT. PMA has built a reputation as a reliable, professional financial organization offering unique products and services to public sector clients. We are excited to bring these offerings to the Participants of IPAIT!

Contact Paul Kruse at (515) 554-1555 or pkruise@pmanetwork.com.



EVENTS

August 2
ISAC Scholarship Golf Fundraiser
August 23-25
ISAC Annual Conference
September 26-29
Iowa League of Cities Conference

HOLIDAYS

Fund closed to transactions and participant inquiries.
Labor Day
Monday, September 4
Columbus Day
Monday, October 9
Veterans Day
Saturday, November 11
Thanksgiving Day
Thursday, November 23
Christmas Day
Monday, December 25

IPAIT'S SPONSORING ASSOCIATIONS

Iowa Association of Municipal Utilities
1735 NE 70th Avenue
Ankeny, IA 50021-9353
www.iamu.org



**Iowa Association
of Municipal Utilities**

Iowa League of Cities
500 SW 7th Street, Suite 101
Des Moines, IA 50309
www.iowaleague.org



Iowa State Association of Counties
5500 Westown Parkway, Suite 190
West Des Moines, IA 50266
www.iowacounties.org



IPAIT DISCLOSURES

IPAIT was established in 1987. IPAIT's unique, internet-based proprietary reporting system offers real-time account inquiry, and transaction capabilities via the internet. Participants may invest, withdraw funds, check balances and transaction history, and make vendor payments with this service. There is also toll-free phone access to experienced administrators who can personally assist you with any IPAIT-related inquiry.

There is no limit on the number of individual accounts, no minimum balance requirement, and no limits on the number of transactions per month. Please contact us today to learn more about the additional benefits IPAIT has to offer you.

An investment in the Fund is not insured or guaranteed by the FDIC or any other government agency. Although the Fund seeks to preserve the value of your investment at \$1.00/share, it is possible to lose money by investing in the Fund. This newsletter must be accompanied by the Information Statement prior to investing. The Information Statement is available at www.IPAIT.org.

Market commentary presented herein reflects our opinion as of the date of this material, is subject to change without notice, and is provided for information purposes only.

CONTACT



PAUL KRUSE
Senior Vice President, Director-Iowa Office
PMA Financial Network, Inc.
6000 Grand Ave. | Des Moines, Iowa 50312
P (515) 554-1555
pkruise@pmanetwork.com

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