

# Thank you for joining!

Market Update Call | February 10, 2023



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**Have a question?** Please use the Q&A function!

## **Save the Date:**

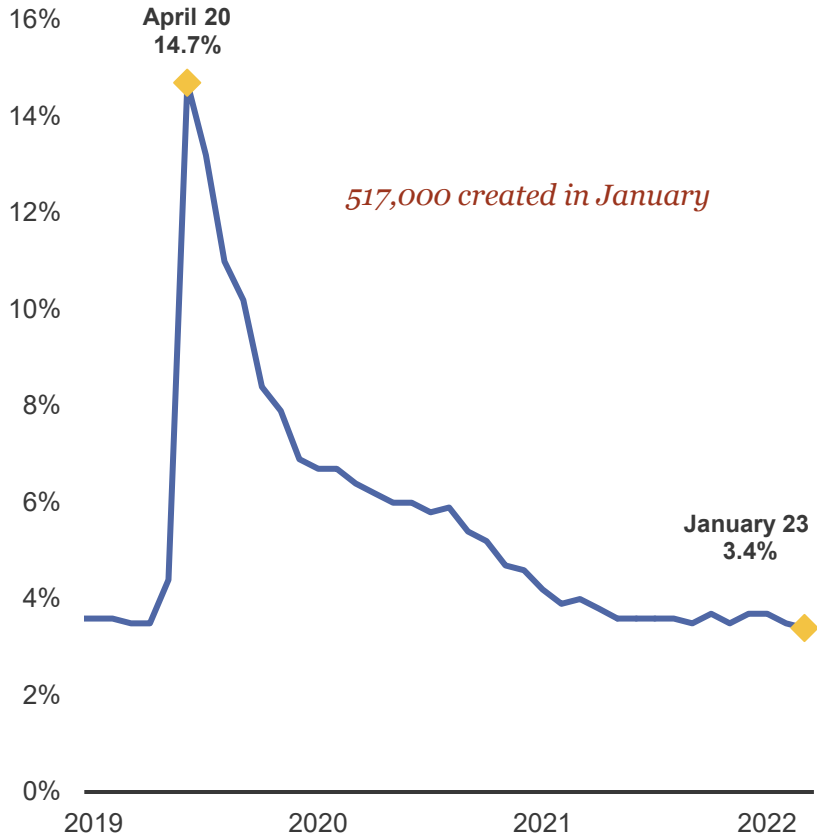
Friday, March 10, 2023

8:30 a.m. Eastern

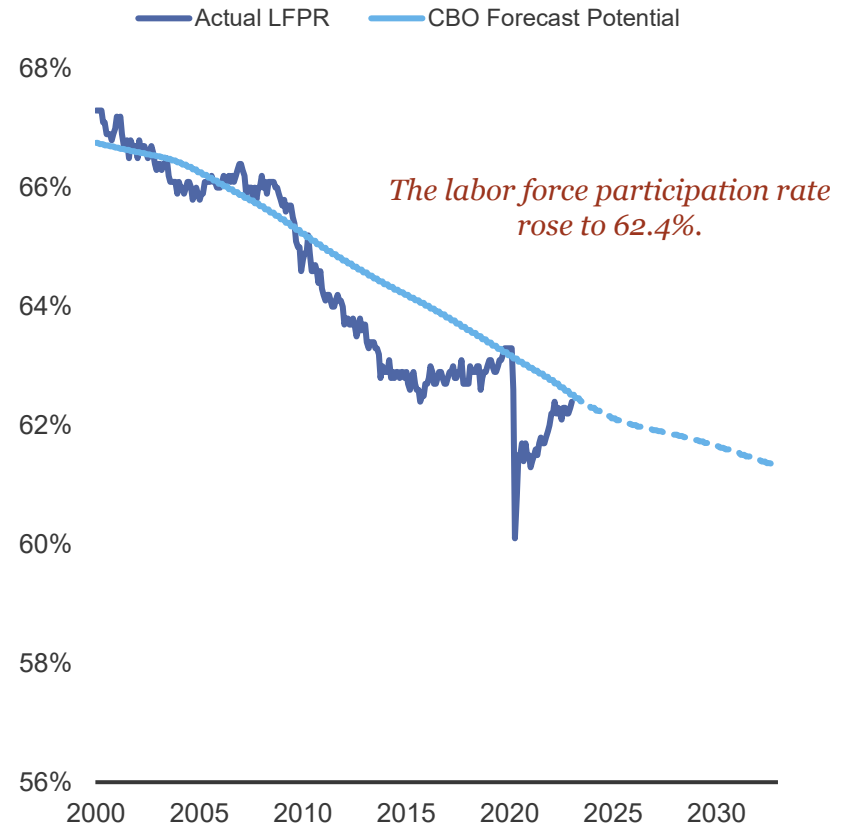
**pfm**  **asset  
management**

# U.S. Labor Conditions Remain Tight

## Unemployment Rate



## Labor Force Participation Rate

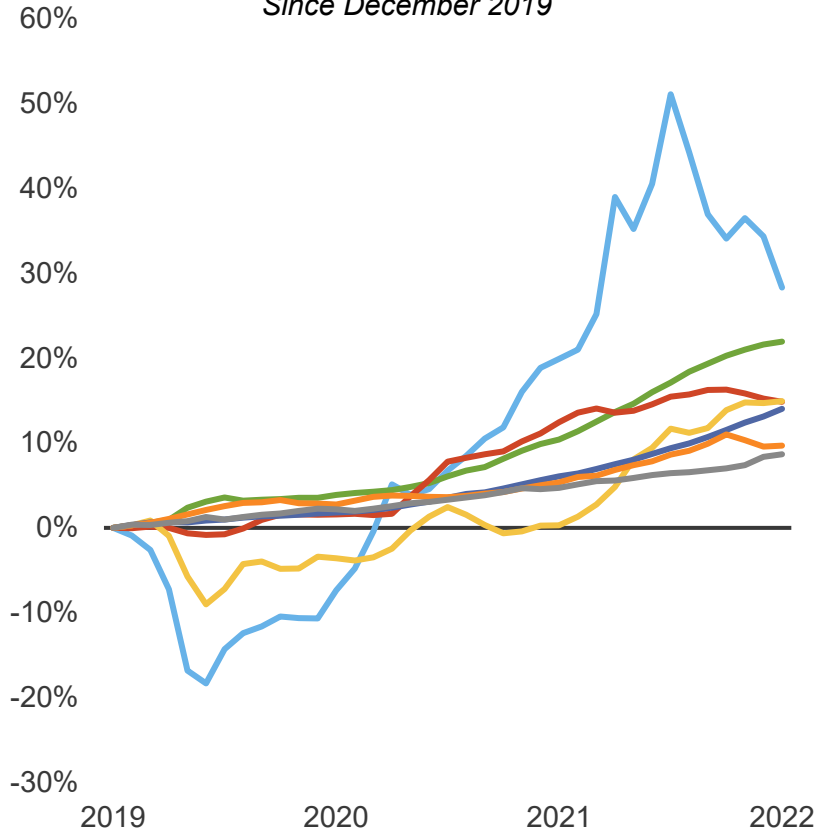


Source: Congressional Budget Office January 2023 economic projections, Bureau of Labor Statistics. Bloomberg, as of January 2023. Data is seasonally adjusted.

# Growing Disinflation in Goods Sectors Helps Drag Inflation Against Shelter and Transportation

## Price Change of Major CPI Components

Since December 2019



CPI Component	12-mo. Change	Weight <sup>1</sup>	Contribution to YoY CPI
Energy	7.0%	7.9%	0.6%
Food	10.4%	13.8%	1.4%
Goods	2.1%	20.9%	0.4%
Transportation	14.6%	6.0%	0.9%
Shelter	7.5%	32.9%	2.5%
Medical services	4.1%	6.8%	0.3%
Other Services <sup>2</sup>	3.8%	11.7%	0.4%
<b>Overall</b>	<b>6.5%</b>		

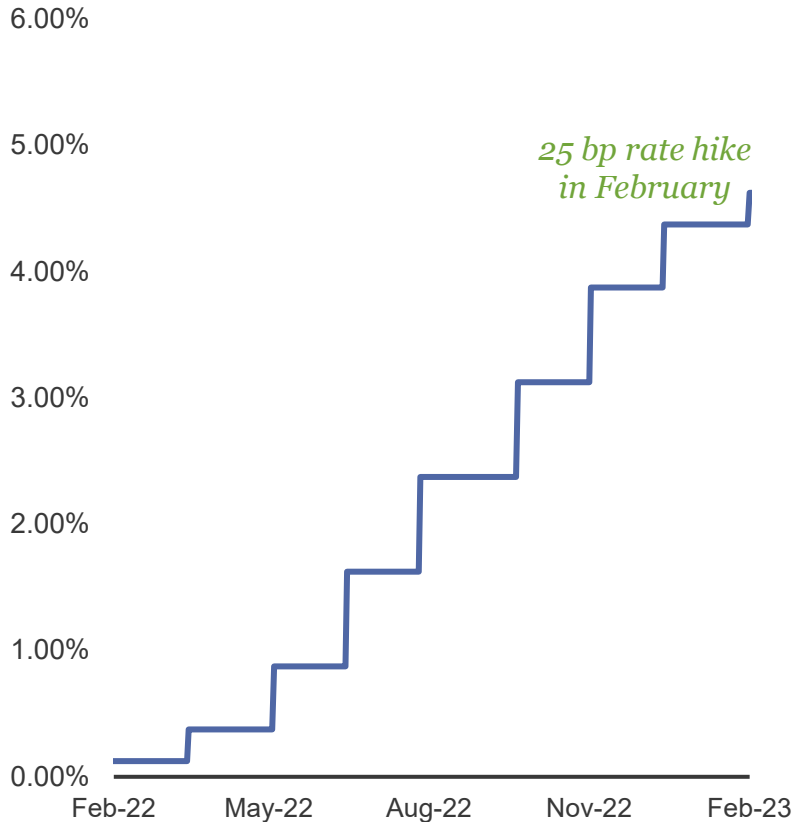
Source: Bloomberg, Bureau of Labor Statistics as of December 2022.

<sup>1</sup>Index weights are as of November 2022 as they are published on a one-month lag.

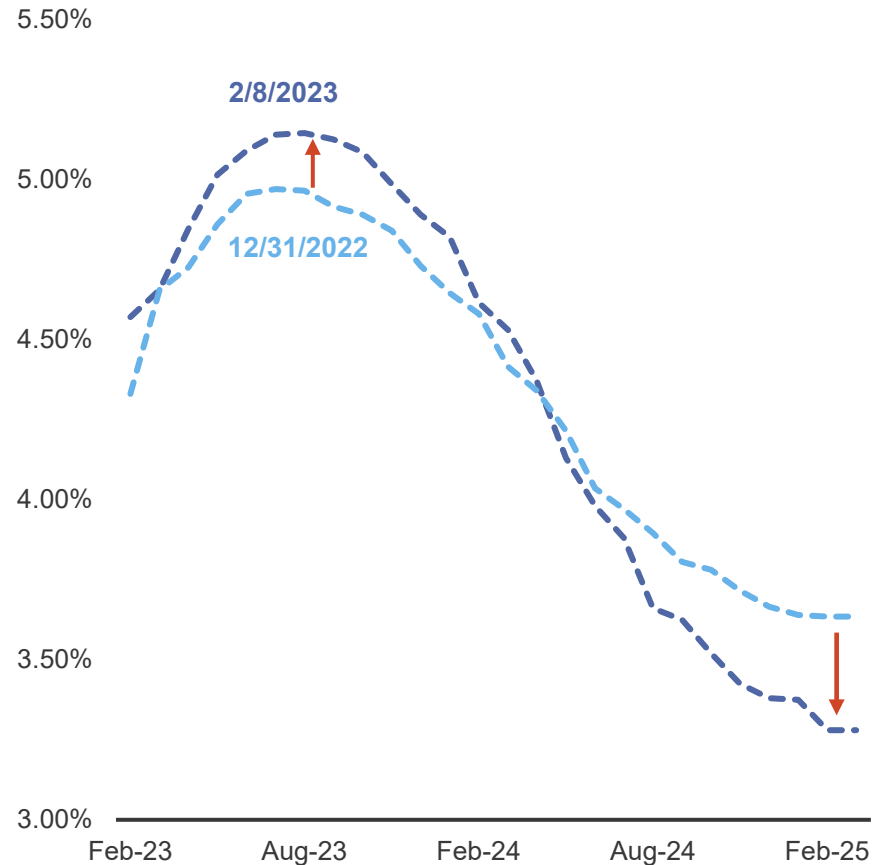
<sup>2</sup>Other services is a weighted blend of Water/Sewer/Trash, Household Operations, Recreation, and Education and Communication services.

# The Fed Raised Rates in February... But Where Do We Go from Here?

## Federal Reserve Target Overnight Rate



## Fed Funds Futures



Source: Bloomberg, as of 02/08/2023.

# FOMC Slows Rate Hikes, Signals Further Increases Are Coming at February Meeting

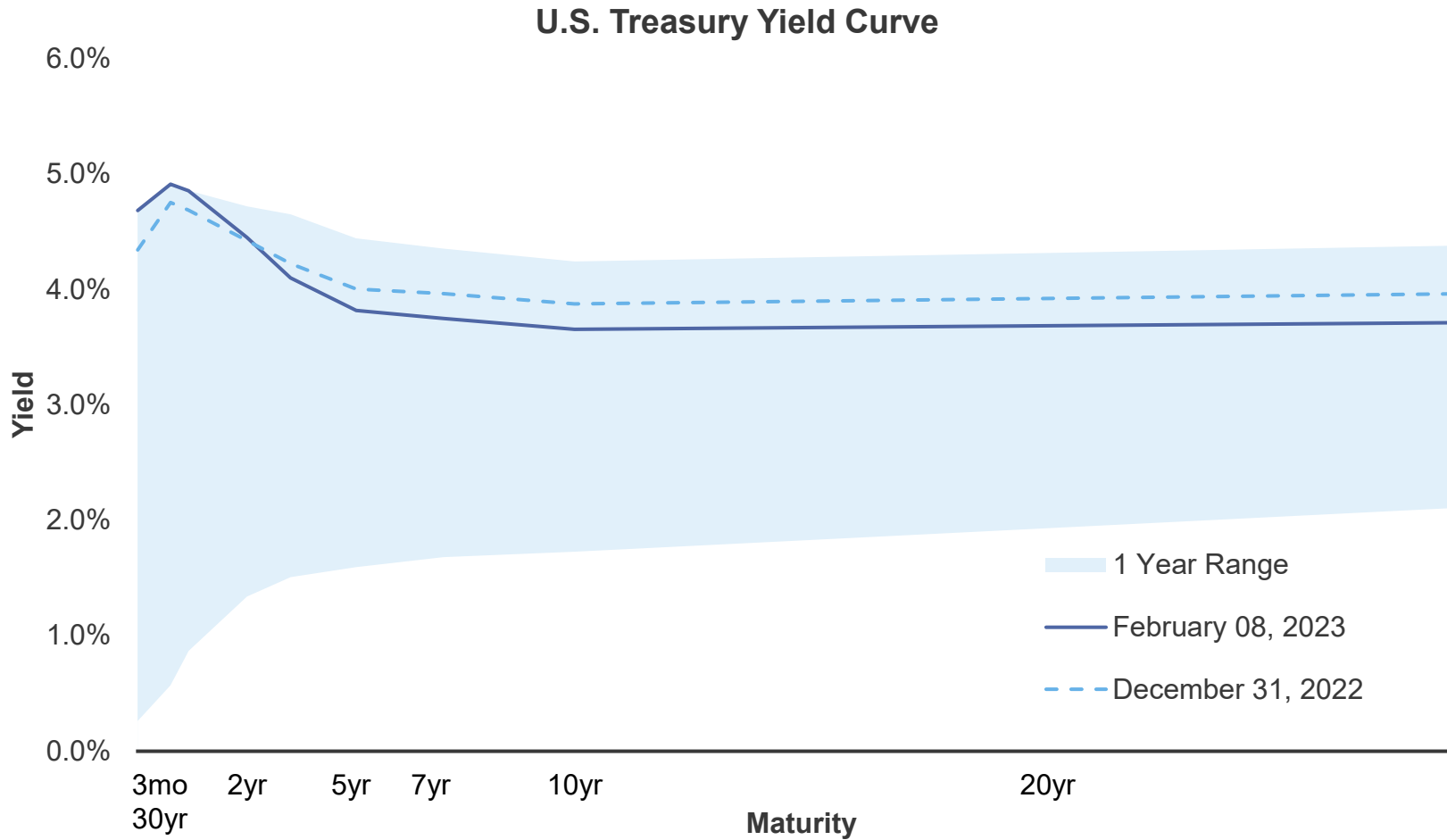
## From the Feb. 1 FOMC Meeting

- ▶ The Federal Reserve slowed its drive to rein in inflation and said further **interest-rate hikes are in store** as officials debate when to end their most aggressive tightening of credit in four decades.
- ▶ The Committee decided to raise the target range for the federal funds rate to **4.50%-4.75%** percent and anticipates that “**ongoing increases**” would be needed to bring inflation under control.
- ▶ Powell indicated **that rate cuts in 2023 aren't as likely** as the market believes by reiterating that restrictive policy will be maintained.
- ▶ "There is only one way forward here, and that's for Congress to **raise the debt ceiling**," Powell said in response to a question at his press conference following the Fed's latest interest-rate-setting meeting.

## Powell Remarks on Feb. 7

- ▶ Chair Jerome Powell said the labor market's surprising strength underscores why bringing inflation down will **take longer** and require **higher interest rates** than many investors have been anticipating.
- ▶ The expectation that inflation “will go away quickly and painlessly... is **not the base case**,” he added. “The base case for me is that... we'll have to do **more rate increases**, and then we'll have a look around and see whether we've done enough.”

# Yield Curve Inversion Deepens



Source: Bloomberg, as of 02/08/2023.

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