



Market and Economic Highlights

- ▶ The S&P 500 declined in October, breaking a five-month streak of gains
- ▶ The projected pace of Fed rate cuts slowed in October
- ▶ Bond returns turned negative as rates rose across the yield curve
- ▶ Third quarter corporate earnings coming in above expectations
- ▶ Bullish themes included a resilient consumer and positive economic outlook

Sources: FactSet, Bloomberg

Market Returns

Market Index	1-Month	3-Month	YTD	1-Year
Bloomberg 9-12 Month T-Bill	0.13%	1.46%	4.27%	5.66%
Bloomberg 1-5 Year Government	-1.09%	0.77%	3.02%	6.21%
Bloomberg Intermediate U.S. Gov/ Credit A or Better	-1.62%	0.53%	2.77%	7.58%
Bloomberg Intermediate U.S. Agg.	-1.98%	0.40%	2.56%	9.28%
S&P 500	-0.92%	3.66%	20.96%	37.99%
Russell 2000	-1.44%	-2.24%	9.56%	34.06%

Source: Bloomberg; As of 10/31/24

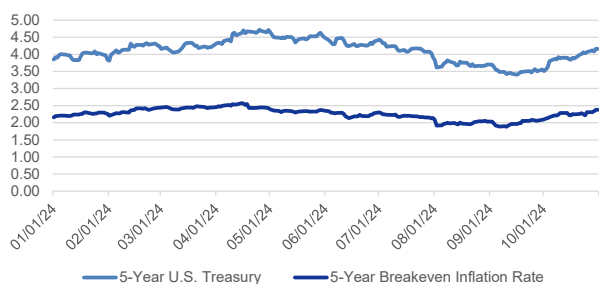
FEATURED MARKET DATA

Election Unease?

While the Fed did not meet in October, Treasury yields rose across the curve. The 5-year Treasury rose 60 basis points in October to close at 4.16% as market-based inflation expectations also increased. October began with a very strong employment number which knocked the market off the theme of further front-loaded Fed action. As the month progressed, the election took center stage and rhetoric on both sides of the aisle placed scrutiny on potential policy impacts on inflation as well as the national debt and deficit. Recent research from Wall Street firm MUFG shows the market is pricing in a Republican White House and divided government. The research indicated a Republican sweep could press rates higher while the Federal Funds rate and Treasury yields could move lower with Democrats holding the White House.

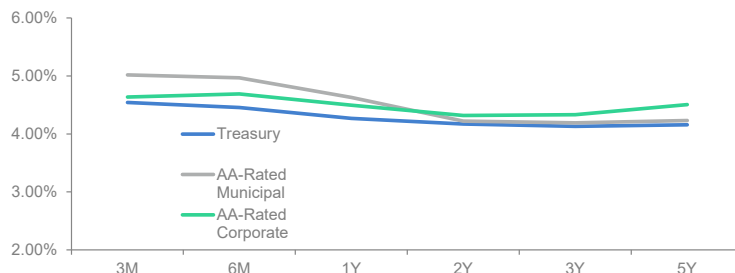
Sources: MUFG, Bloomberg

October Rise in Treasury Yields



Source: Bloomberg

Market Yields



Source: Bloomberg Finance L.P. 10/31/24

U.S. Economic Indicators

Event	Event Date	Period	Survey	Actual	Prior / Revised (R)
Consumer Price Index (YoY)	10/10/24	SEP	2.3%	2.4%	2.5%
Chicago Fed National Activity Index	10/24/24	SEP	0.50	-0.28	-0.01 (R)
Consumer Confidence	10/29/24	OCT	99.5	108.7	99.2 (R)
GDP Annualized QoQ	10/30/24	3Q A	2.9%	2.8%	3.0%
Personal Income	10/31/24	SEP	0.3%	0.3%	0.2%
Personal Spending	10/31/24	SEP	0.4%	0.5%	0.3% (R)
Core PCE (YoY)	10/31/24	SEP	2.6%	2.7%	2.7%
Change in Nonfarm Payrolls	11/01/24	OCT	100K	12K	223K (R)
Unemployment Rate	11/01/24	OCT	4.1%	4.1%	4.1%

Source: Bloomberg Finance L.P. 11/01/24.

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Checkmate: Protecting Against the Prevalence of Check Fraud



Even in today's digital age, check fraud remains a significant concern for individuals and institutions alike. Recent trends indicate a troubling uptick in checks being stolen from mailboxes, leading to increased instances of fraud that can potentially impact an individual or institution's financial stability. As such, it's crucial for an organization to prioritize effective check fraud prevention measures, particularly through systems like Positive Pay. By having these protections in place, along with strong internal controls and strict due diligence, you are more likely to protect your organization from these potential threats.

The Rising Threat of Check Fraud

In recent years, the banking industry has witnessed a notable rise in check fraud incidents. Criminals are becoming increasingly sophisticated, using various tactics to manipulate checks once they have been intercepted. The Federal Bureau of Investigation (FBI) and other financial regulatory bodies have highlighted the importance of vigilance in combating this growing threat. According to the US Treasury Department, check fraud has increased nationwide by 385% since the pandemic.

The 2024 Association for Financial Professionals (AFP) Payments Fraud and Control Survey reports:

- ▶ Checks continue to be the payment method most vulnerable to fraud, with 65% of respondents reporting their organizations were affected.
- ▶ 20% of respondents reported interference with the United States Postal Service, up 10 percentage points from the previous year.
- ▶ Of the organizations who were victims to payment fraud in 2023, 30% were unsuccessful in recovering any funds lost. 41% of organizations were successful in recovering at least 75% of funds lost.

Understanding Positive Pay and Payee Positive Pay

Positive Pay is a widely adopted fraud prevention tool that allows banks to match the checks presented for payment against a list of checks that an institution has issued. This proactive approach helps in identifying discrepancies and unauthorized transactions before they are processed.

Within this framework, Payee Positive Pay adds an extra layer of protection by validating not just the check number and dollar amount, but also the payee's name. When a check is presented for payment, the bank verifies all three elements against the issuer's records. If any details do not match, the bank can flag the check for review, providing an opportunity to prevent fraudulent transactions.

Diligence is Critical

Even with systems like Positive Pay in place, diligence is critical. Institutions must ensure that they thoroughly review any exception items. An exception item is a check that does not match the data provided by the issuer, triggering the bank's fraud detection protocol. Here are key elements that should be scrutinized:

1. **Dollar Amount:** Verify that the amount on the check matches the amount that was originally issued. Alterations can be easily made, and if an institution overlooks discrepancies, it can lead to significant losses.
2. **Check Number:** Each check issued should have a unique number. Fraudsters often attempt to cash checks with altered numbers, so it's crucial to confirm that the check number corresponds with the issuer's records.
3. **Payee Name:** The payee's name must also match exactly. Fraudsters can change the name on a stolen check to divert funds into their own accounts.



Institutions should always err on the side of caution; if any of these elements appear questionable, they should reject the check. While this may create temporary inconvenience for an employee or a vendor, it is far more prudent than allowing fraudulent transactions to proceed.

Moreover, the cost associated with reissuing checks is minimal compared to the potential financial losses incurred from fraud. Organizations that are proactive in ensuring that their payment systems are secure can save themselves from the lengthy and often expensive process of dealing with fraud claims.

Best Practices

In addition to implementing robust systems like Positive Pay, it is essential to follow best practices for check issuance and management. Banks should encourage their customers to:

- **Monitor Accounts Regularly:** Frequent monitoring of bank statements can help identify unauthorized transactions early.
- **Use Secure Mailing Options:** Use secure mailing methods when sending checks, such as certified mail or secure drop-off boxes.
- **Be Cautious with Sensitive Information:** Remember to protect your check stock and sensitive financial information to prevent theft. Keep it locked up!

As the threat of check fraud continues to grow, institutions must prioritize the implementation of effective fraud prevention measures. Positive Pay and Payee Positive Pay are invaluable tools in this fight, but their effectiveness hinges on diligence and thorough review processes.

By fostering a culture of caution and education around these practices, we can collectively reduce the risk of fraud and protect our organizations from this increasingly pervasive threat.



Sources:

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