



## TheECONOMY

### Spring Volatility Creeps Back Into the Financial Marketplace

The recent release of inflation data for February showed the fight against higher prices is far from over and while headline and core statistics moved slightly lower on a year-over-year basis, we noticed a slight uptick in the data on a month-over-month period. Core inflation, which excludes food and energy, notched its biggest advance in five months driven by an increase in housing costs. Although many economists are predicting shelter costs, which accounts for about a third of the overall consumer price index, to decline later this year, the near-term strength was not forecasted. The importance of the inflation data and its influence over the Federal Reserve's rate setting policy has been overshadowed recently by the market volatility driven by financial stability risks within the banking sector.

With both Silicon Valley Bank and Signature Bank now under the control of the FDIC and Credit Suisse receiving a lifeline from UBS in a government-orchestrated deal, market volatility has been elevated as investors reassess risk exposures. Swift policy responses by the FDIC, Federal Reserve, and U.S. Treasury have helped ease investor fears that the contagion impact can be contained and large moves in uninsured deposits out of regional banks has slowed. Will more public and private support of the sector be warranted? It is certainly plausible to think more is to come as the banking industry faces a bumpy road in regaining confidence from depositors and market participants.

Volatility has crept back into financial markets including interest rates, as focus has shifted from the Federal Reserve's policy actions to lower growth forecasts due to credit contraction as the banking sector faces increased regulatory and investor scrutiny. U.S. Treasury yields have moved lower by over 100bps in some tenors as markets re-evaluate risk. At the March FOMC meeting, the Federal Reserve increased interest rates by 25bps reaffirming its commitment to fight price pressures in an economy operating well beyond full employment. Economic projections have softened as policy makers noted the elevated economic risks that currently prevail.

### Treasury Yields

MATURITY	3/20/23	2/20/23	CHANGE
3 Month	4.550%	4.786%	-0.236%
6 Month	4.756%	5.008%	-0.253%
1-Year	4.311%	4.970%	-0.659%
2-Year	3.976%	4.617%	-0.641%
3-Year	3.811%	4.316%	-0.504%
5-Year	3.589%	4.029%	-0.440%
10-Year	3.485%	3.815%	-0.330%
30-Year	3.666%	3.869%	-0.204%

Source: Bloomberg

### Agency Yields

MATURITY	3/20/23	2/20/23	CHANGE
3 Month	5.021%	4.997%	0.024%
6 Month	4.892%	5.018%	-0.126%
1-Year	4.645%	5.038%	-0.393%
2-Year	4.191%	4.843%	-0.651%
3-Year	4.963%	4.634%	-0.671%
5-Year	4.795%	4.371%	-0.576%

Source: Bloomberg

### Commercial Paper Yields (A-1/P-1)

MATURITY	3/20/23	2/20/23	CHANGE
1 Month	4.97%	4.540%	0.430%
3 Month	5.110%	4.840%	0.270%
6 Month	4.940%	5.110%	-0.170%
9 Month	4.760%	5.310%	-0.550%

Source: Bloomberg

### Current Economic Releases

DATA	PERIOD	VALUE
GDP QoQ	Q4 '22	2.70%
US Unemployment	Feb '23	3.60%
ISM Manufacturing	Feb '23	47.7
PPI YoY	Feb '23	6.40%
CPI YoY	Feb '23	6.00%
Fed Funds Target	Mar 22, 2023	4.75% - 5.00%

Source: Bloomberg

Data as of March 20, 2023. Data unaudited. Many factors affect performance including changes in market conditions and interest rates and in response to other economic, political, or financial developments. Investment involves risk including the possible loss of principal. No assurance can be given that the performance objectives of a given strategy will be achieved. VIP is not a bank. An investment in VIP is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although VIP seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. Please review the VIP Information Statement before investing. All comments and discussions presented are purely based on opinion and assumptions, not fact. These assumptions may or may not be correct based on foreseen and unforeseen events. Information presented should not be used in making any investment decisions. This material is not a recommendation to buy, sell, implement, or change any securities or investment strategy, function, or process. Financial and/or investment decision should be made only after considerable research, consideration, and involvement with an experienced professional engaged for the specific purpose. Past performance is not an indication of future performance. Any financial and/or investment decision may incur losses.