



TheECONOMY

Not So Fast

In December, the Federal Reserve turned its focus towards potential rate cuts in 2024 as inflation continued its steady decline towards the policymaker's 2.00% target. While the Fed was forecasting three 25 basis-point rate cuts in 2024, the market was aggressively pricing in up to six such cuts. Fast forward to today, a string of disappointingly firm inflation reports in the face of a surprisingly strong economy supported by a vibrant labor market, the prospect of any rate cuts this year is rapidly disappearing.

At the start of the year, Fed officials were optimistic that inflation would continue to trend lower, needing just a few more months of data to gain confidence that the end game was in sight. However, recent comments from Fed Chair Jerome Powell clearly refute this outlook stating, "The recent data have clearly not given us greater confidence and instead indicate that it is likely to take longer than expected to achieve that confidence." The Consumer Price Index has topped forecasts in each of the first three months this year, evidence of an economy and labor market that have yet to buckle under the strain of higher rates.

While the market still anticipates one or two rate cuts from the Fed later this year, there are growing concerns that monetary policy may not be restrictive enough to reign in aggregate demand which has kept inflation elevated. In addition, financial conditions loosened last fall as the Fed signaled a willingness to cut rates, which in turn is a catalyst for growth. Now that the Fed is pushing back and showing more resolve, the market has taken notice. As a result, rates are higher along the yield curve. Whether or not they have peaked remains to be seen.

Treasury Yields

MATURITY	4/19/24	3/22/24	CHANGE
3 Month	5.372%	5.362%	0.010%
6 Month	5.366%	5.291%	0.075%
1 -Year	5.158%	4.959%	0.199%
2 -Year	4.986%	4.589%	0.397%
3 -Year	4.821%	4.352%	0.470%
5 -Year	4.670%	4.182%	0.488%
10 -Year	4.621%	4.198%	0.423%
30 -Year	4.711%	4.378%	0.333%

Source: Bloomberg

Agency Yields

MATURITY	4/19/24	3/22/24	CHANGE
3 Month	5.250%	5.230%	0.020%
6 Month	5.220%	5.160%	0.060%
1 -Year	5.170%	4.940%	0.230%
2 -Year	4.989%	4.636%	0.354%
3 -Year	4.835%	4.415%	0.419%
5 -Year	4.710%	4.257%	0.453%

Source: Bloomberg

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

MATURITY	4/19/24	3/22/24	CHANGE
1 Month	5.360%	5.340%	0.020%
3 Month	5.440%	5.410%	0.030%
6 Month	5.470%	5.390%	0.080%
9 Month	5.500%	5.350%	0.150%

Source: Bloomberg

Current Economic Releases

DATA	PERIOD	VALUE
GDP QoQ	Q4 '23	3.40%
US Unemployment	Mar '24	3.80%
ISM Manufacturing	Mar '24	50.3
PPI YoY	Mar '24	2.10%
CPI YoY	Mar '24	3.50%
Fed Funds Target	Apr 22, 2024	5.25%-5.50%

Source: Bloomberg

Source: Bloomberg. Data as of April 19, 2024. 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. 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. The 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. Any 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.