



TheECONOMY

Not There Yet

With measures of inflation remaining above its 2% target, the Federal Open Market Committee (FOMC) continued its approach to keep rates higher for longer at its June meeting. As widely anticipated, the FOMC maintained policy at its current target range of 5.25% to 5.50%, keeping rates at a two-decade high for the seventh consecutive meeting.

In the face of such restrictive policy, economic growth and the labor market have been resilient but are showing signs of moderation. Economic growth decelerated in the first quarter as gross domestic product increased by 1.3% versus 3.4% for the previous quarter. Nonetheless, spending continues to show strength as personal consumption and private fixed investment rose by 2.8%. Growth in nonfarm payrolls surpassed expectations for May with an increase of 272,000, but results from the household survey may suggest a more moderate pace of job creation. In addition, the unemployment rate increased to 4.0%, continuing to tick higher from its post-pandemic lows.

Alongside this moderation, recent releases on inflation have shown signs of further progress. The Consumer Price Index beat expectations and continued to cool in May as the core measure increased by 3.4% on a year-over-year basis, its slowest pace since inflation initially surged higher. In addition, the Producer Price Index for May also beat expectations declining by the most it has in seven months. But despite progress made to date, the FOMC continues to reiterate that it needs more confidence before reducing its target policy rate. To that end, additional positive inflation points will likely be an important precursor to the start of any shift towards easing policy.

So while recent developments may pave the way for the start of a rate-cutting cycle, the last mile in the battle against inflation may prove challenging. Therefore, the FOMC remains data dependent and the totality of incoming data will continue to be a key catalyst for monetary policy going forward.

Treasury Yields

MATURITY	6/14/24	5/14/24	CHANGE
3 Month	5.378%	5.379%	0.000%
6 Month	5.334%	5.369%	-0.035%
1 -Year	5.057%	5.163%	-0.105%
2 -Year	4.704%	4.815%	-0.110%
3 -Year	4.439%	4.610%	-0.171%
5 -Year	4.238%	4.454%	-0.216%
10 -Year	4.221%	4.439%	-0.219%
30 -Year	4.349%	4.586%	-0.237%

Source: Bloomberg

Agency Yields

MATURITY	6/14/24	5/14/24	CHANGE
3 Month	5.260%	5.270%	-0.010%
6 Month	5.200%	5.240%	-0.040%
1 -Year	5.000%	5.140%	-0.140%
2 -Year	4.750%	4.864%	-0.114%
3 -Year	4.511%	4.669%	-0.158%
5 -Year	4.318%	4.529%	-0.210%

Source: Bloomberg

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

MATURITY	6/14/24	5/14/24	CHANGE
1 Month	5.350%	5.360%	-0.010%
3 Month	5.450%	5.430%	0.020%
6 Month	5.450%	5.460%	-0.010%
9 Month	5.410%	5.460%	-0.050%

Source: Bloomberg

Current Economic Releases

DATA	PERIOD	VALUE
GDP QoQ	Q1 '24	1.30%
US Unemployment	May '24	4.00%
ISM Manufacturing	May '24	48.7
PPI YoY	May '24	2.20%
CPI YoY	May '24	3.30%
Fed Funds Target	Jun 17, 2024	5.25%-5.50%

Source: Bloomberg

Source: Bloomberg. Data as of June 17, 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.