



TheECONOMY

One Step Closer

Inflation has finally shown signs of cooling, with the month-over-month consumer price index declining 0.1% in June, bringing the year-over-year figure to 3.0%, a decrease from the 3.3% YoY figure in May. This is the slowest pace of inflation since 2021, and was fueled by lower housing costs, groceries, and gasoline. Americans can breathe a tentative sigh of relief, as the Federal Reserve Chair Jerome Powell and his colleagues gain more confidence in cutting rates before the end of the year. It has been a strenuous battle bringing inflation back to the Federal Reserve's 2% target, and the June figures show a promising step in the right direction.

On the housing front, U.S. mortgages are in lockstep with the Fed's rate-cut expectations. Rates have finally broken below the 7% barrier, with the average for a 30-year fixed loan coming in at 6.89% in the first week of July. Although the cost of rent may be coming down, home prices continue to climb. As mortgage rates have remained elevated for years, those lucky enough to have locked in the low rates during the pandemic were reluctant to sell. Falling rates have been outweighed by the lack of housing supply that continues to heat the housing market. The median existing home value reached a record \$419,300 in May, according to the National Association of Realtors. In 2019, that figure was \$270,000. This increase could lead to a changing of the guards, encouraging homeowners now flush with equity to go house hunting, resulting in new homebuyers seeing more options come to market.

In his July 9th appearance before the Senate Banking Committee, Jerome Powell said that labor-market conditions have cooled "considerably." In June, the six-month moving average of workers entering unemployment climbed to the highest level since January of 2022. June's unemployment rate climbed to 4.05%, slightly above the 3.96% in May. With inflation and the job market cooling, the Federal Reserve may have a clearer picture of the U.S.' rate path moving forward.

Treasury Yields

MATURITY	7/10/24	6/10/24	CHANGE
3 Month	5.369%	5.377%	-0.008%
6 Month	5.284%	5.368%	-0.084%
1 -Year	4.999%	5.174%	-0.175%
2 -Year	4.620%	4.880%	-0.260%
3 -Year	4.386%	4.672%	-0.286%
5 -Year	4.237%	4.482%	-0.245%
10 -Year	4.284%	4.467%	-0.183%
30 -Year	4.477%	4.596%	-0.119%

Source: Bloomberg

Agency Yields

MATURITY	7/10/24	6/10/24	CHANGE
3 Month	5.240%	5.270%	-0.030%
6 Month	5.150%	5.250%	-0.100%
1 -Year	4.930%	5.120%	-0.190%
2 -Year	4.686%	4.922%	-0.236%
3 -Year	4.466%	4.721%	-0.254%
5 -Year	4.326%	4.563%	-0.238%

Source: Bloomberg

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

MATURITY	7/10/24	6/10/24	CHANGE
1 Month	5.350%	5.350%	0.000%
3 Month	5.440%	5.440%	0.000%
6 Month	5.420%	5.460%	-0.040%
9 Month	5.350%	5.460%	-0.110%

Source: Bloomberg

Current Economic Releases

DATA	PERIOD	VALUE
GDP QoQ	Q1 '24	1.30%
US Unemployment	Jun '24	4.05%
ISM Manufacturing	Jun '24	48.5
PPI YoY	Jun '24	2.60%
CPI YoY	Jun '24	3.00%
Fed Funds Target	Jun 17, 2024	5.25%-5.50%

Source: Bloomberg

Source: Bloomberg. Data as of July 11 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.