



TheECONOMY

Wait and See

The outlook for the U.S. economy this year has become significantly more uncertain amid the escalating conflict in Iran. Prior to these developments, economists generally expected inflation to gradually decline toward the Federal Reserve's 2 percent target, while the labor market remained somewhat constrained by structural shifts in the workforce. However, with oil prices rising by approximately 30 percent - driven largely by evolving geopolitical developments - the likelihood of inflation easing this year has diminished. As a result, expectations for Federal Reserve rate cuts later in the year have also been scaled back.

While it may be tempting to attribute current market conditions to temporary factors, both the duration of the conflict and its broader economic impact remain highly uncertain. At this stage, it is difficult to assess how long these pressures will persist or the extent of the damage already inflicted on the global economy. Heading into the conflict, the U.S. labor market was already showing signs of weakness, with February nonfarm payrolls declining by 92,000 and the unemployment rate rising to 4.4 percent. Inflation had been considered stable to slightly cooling; however, as noted above, early signs suggest it could reaccelerate as energy prices continue to rise.

For its part, the Federal Reserve remains in a challenging position, as its dual mandates of promoting maximum employment and maintaining price stability have increasingly come into tension. The labor market appears to be softening just as another exogenous price shock - similar to COVID-19 and tariffs, and beyond the Fed's control - threatens to push inflation higher.

Most economists agree that the longer this conflict persists, the greater its impact will be on the global economy. However, the path forward remains highly uncertain; the conflict could be resolved quickly, allowing conditions to stabilize, or it could become prolonged, requiring a sustained adjustment to heightened risks. Fed Chair Jerome Powell captured this uncertainty succinctly, stating, "We just don't know how big this will be or how long it will last. It may or may not be something that leaves a significant imprint on the U.S. economy - we will simply have to wait and see."

Treasury Yields

Maturity	3/18/26	2/18/26	CHANGE
3 Month	3.696%	3.686%	0.010%
6 Month	3.701%	3.615%	0.086%
1-Year	3.681%	3.480%	0.201%
2-Year	3.773%	3.460%	0.313%
3-Year	3.776%	3.494%	0.282%
5-Year	3.876%	3.650%	0.226%
10-Year	4.265%	4.083%	0.182%
30-Year	4.881%	4.706%	0.175%

Source: Bloomberg

Agency Yields

Maturity	3/18/26	2/18/26	CHANGE
3 Month	3.590%	3.570%	0.020%
6 Month	3.550%	3.510%	0.040%
1-Year	3.450%	3.310%	0.140%
2-Year	3.680%	3.497%	0.183%
3-Year	3.630%	3.525%	0.105%
5-Year	3.750%	3.684%	0.066%

Source: Bloomberg

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

Maturity	3/18/26	2/18/26	CHANGE
1 Month	3.730%	3.659%	0.072%
3 Month	3.862%	3.747%	0.115%
6 Month	3.919%	3.744%	0.175%
9 Month	3.940%	3.726%	0.214%

Source: Bloomberg

Current Economic Releases

Data	Period	Value
GDP QoQ	Q4 '25	0.70%
U.S. Unemployment	Feb '26	4.40%
ISM Manufacturing	Feb '26	52.4
PPI YoY	Feb '26	3.40%
CPI YoY	Feb '26	2.40%
Fed Funds Target	Mar 19, 2026	3.50% - 3.75%

Source: Bloomberg

Source: Bloomberg. Data as of Mar 18, 2026. 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.

PMA Financial Network, LLC, PMA Securities, LLC, PMA Asset Management, LLC, and Public Trust Advisors, LLC, (collectively "PTMA") are under common ownership. Public Trust Advisors, LLC and PMA Asset Management, LLC, are both SEC registered investment advisers. PMA Securities is a broker-dealer and municipal advisor registered with the SEC and MSRB and is a member of FINRA and SIPC. Registration with the SEC does not imply a certain level of skill or training. Marketing, securities, institutional brokerage services and municipal advisory services are offered through PMA Securities, LLC. Public Trust Advisors and PMA Asset Management provide investment advisory services primarily to local government investment pools ("Funds") and separate accounts. All other products are provided by PMA Financial Network, LLC. For more information, please visit us at <http://www.ptma.com/>.