



TheECONOMY

Geopolitical Uncertainty Reigns

The conflict in the Middle East has now dragged on for more than six weeks with no immediate signs of a resolution. This remains a fast-moving situation with seemingly new and sometimes conflicting headlines daily. While fighting persists, the impact on global energy prices and subsequent readthrough to inflation and interest rates remain highly uncertain.

Rate cut expectations have been dialed back significantly since the start of the conflict, with fed funds futures contracts now implying zero cuts through the remainder of 2026. This is down from more than 50 bps of implied cuts in late February before the initial airstrikes.

The headline CPI reading for March illustrates the impact of the war on energy prices and inflation, with headline CPI gaining +0.9% month-over-month (MoM) and nearly three-fourths of that increase driven by higher gas prices alone. This pushed headline CPI up 3.3% year-over-year (YoY). Core CPI remained free from war-related impacts for now with the MoM reading coming in at +0.2% and the YoY reading coming in at +2.6%.

Nonfarm payrolls surprised to the upside for March, coming in at +178k versus expectations for +65k jobs. While one month of data is hardly a trend, this positive readout pushes back against the overriding narrative of a weakening labor market, at least for now.

With the labor market seemingly hanging in there and progress towards the Fed's 2% inflation target delayed, the Federal Open Market Committee is likely to keep the federal funds rate steady at 3.50% - 3.75% in the near-term until the economic picture is clearer.

Treasury Yields

Maturity	4/13/26	3/13/26	CHANGE
3 Month	3.683%	3.684%	0.000%
6 Month	3.712%	3.651%	0.061%
1-Year	3.667%	3.625%	0.042%
2-Year	3.772%	3.717%	0.055%
3-Year	3.792%	3.736%	0.055%
5-Year	3.910%	3.858%	0.052%
10-Year	4.293%	4.227%	0.017%
30-Year	4.897%	4.904%	-0.007%

Source: Bloomberg

Agency Yields

Maturity	4/13/26	3/13/26	CHANGE
3 Month	3.570%	3.580%	-0.010%
6 Month	3.570%	3.540%	0.030%
1-Year	3.550%	3.460%	0.090%
2-Year	3.680%	3.739%	-0.059%
3-Year	3.630%	3.775%	-0.145%
5-Year	3.750%	3.913%	-0.163%

Source: Bloomberg

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

Maturity	4/13/26	3/13/26	CHANGE
1 Month	3.714%	3.719%	-0.004%
3 Month	3.843%	3.830%	0.013%
6 Month	3.919%	3.885%	0.035%
9 Month	4.009%	3.912%	0.097%

Source: Bloomberg

Current Economic Releases

Data	Period	Value
GDP QoQ	Q4 '25	0.50%
U.S. Unemployment	Mar '26	4.30%
ISM Manufacturing	Mar '26	52.7
PPI YoY	Mar '26	4.00%
CPI YoY	Mar '26	3.30%
Fed Funds Target	Apr 14, 2026	3.50% - 3.75%

Source: Bloomberg

Source: Bloomberg. Data as of Apr 13, 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.

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