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TheECONOMY

Say Goodbye to Forward Guidance

Over the past month, economic data has continued to paint a picture of a resilient but weakening U.S. economy. The June Employment Report showed non-farm payrolls increasing by approximately 57,000, below consensus expectations, while the unemployment rate remained near 4.2%. June's CPI report also came in cooler than expected, suggesting that inflationary pressures may be easing. Headline CPI declined 0.4% month over month, bringing the annual inflation rate down to 3.5% from 4.2% in May, while core CPI was unchanged for the month slowing to 2.6% year over year. The moderation was driven largely by lower energy prices, reinforcing expectations that the Federal Reserve may have greater flexibility to keep interest rates on hold in the near term. Even so, policymakers are likely to remain cautious given ongoing geopolitical risks and the potential for renewed inflationary pressures.

The June 17th FOMC meeting marked Kevin Warsh's first as Federal Reserve Chair and signaled a notable shift in the Committee's communication. While policymakers unanimously left the federal funds rate unchanged, they placed greater emphasis on restoring price stability. Minutes released since the meeting indicated that several members see a stronger case for tighter policy if inflation remains elevated. Warsh has also reiterated that the Federal Reserve remains firmly committed to its dual mandate of price stability and maximum employment while emphasizing that the Committee has "no tolerance" for persistently high inflation. At the same time, he has avoided providing explicit forward guidance, reinforcing that future policy decisions will remain data dependent as the Fed heads into its July meeting. This marks a notable departure from the Powell era, when the Federal Reserve frequently used forward guidance to help shape market expectations.

Geopolitical developments remain an important driver of financial markets. Renewed military tensions between the United States and Iran have heightened concerns about the security of global energy supplies, particularly through the Strait of Hormuz. As a result, Brent crude has climbed above \$80 per barrel, adding a geopolitical risk premium to energy markets and raising concerns that higher fuel costs could slow the recent progress in reducing inflation.

Treasury Yields

Maturity	7/15/26	6/15/26	CHANGE
3 Month	3.777%	3.701%	0.075%
6 Month	3.882%	3.794%	0.089%
1-Year	3.960%	3.836%	0.125%
2-Year	4.135%	4.066%	0.068%
3-Year	4.181%	4.111%	0.070%
5-Year	4.262%	4.190%	0.073%
10-Year	4.547%	4.473%	0.074%
30-Year	5.079%	4.979%	0.101%

Source: Bloomberg

Agency Yields

Maturity	7/15/26	6/15/26	CHANGE
3 Month	3.650%	3.600%	0.050%
6 Month	3.710%	3.610%	0.100%
1-Year	3.800%	3.660%	0.140%
2-Year	4.171%	4.072%	0.100%
3-Year	4.218%	4.134%	0.084%
5-Year	4.309%	4.231%	0.078%

Source: Bloomberg

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

Maturity	7/15/26	6/15/26	CHANGE
1 Month	3.706%	3.696%	0.010%
3 Month	3.876%	3.818%	0.058%
6 Month	4.069%	3.939%	0.130%
9 Month	4.196%	4.070%	0.126%

Source: Bloomberg

Current Economic Releases

Data	Period	Value
GDP QoQ	Q1 '26	2.10%
U.S. Unemployment	Jun '26	4.20%
ISM Manufacturing	Jun '26	53.3
PPI YoY	Jun '26	5.50%
CPI YoY	Jun '26	3.50%
Fed Funds Target	July 15, 2026	3.50% - 3.75%

Source: Bloomberg

Source: Bloomberg. Data as of July 14, 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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