

The Fed and Liquidity Markets

October 17, 2024

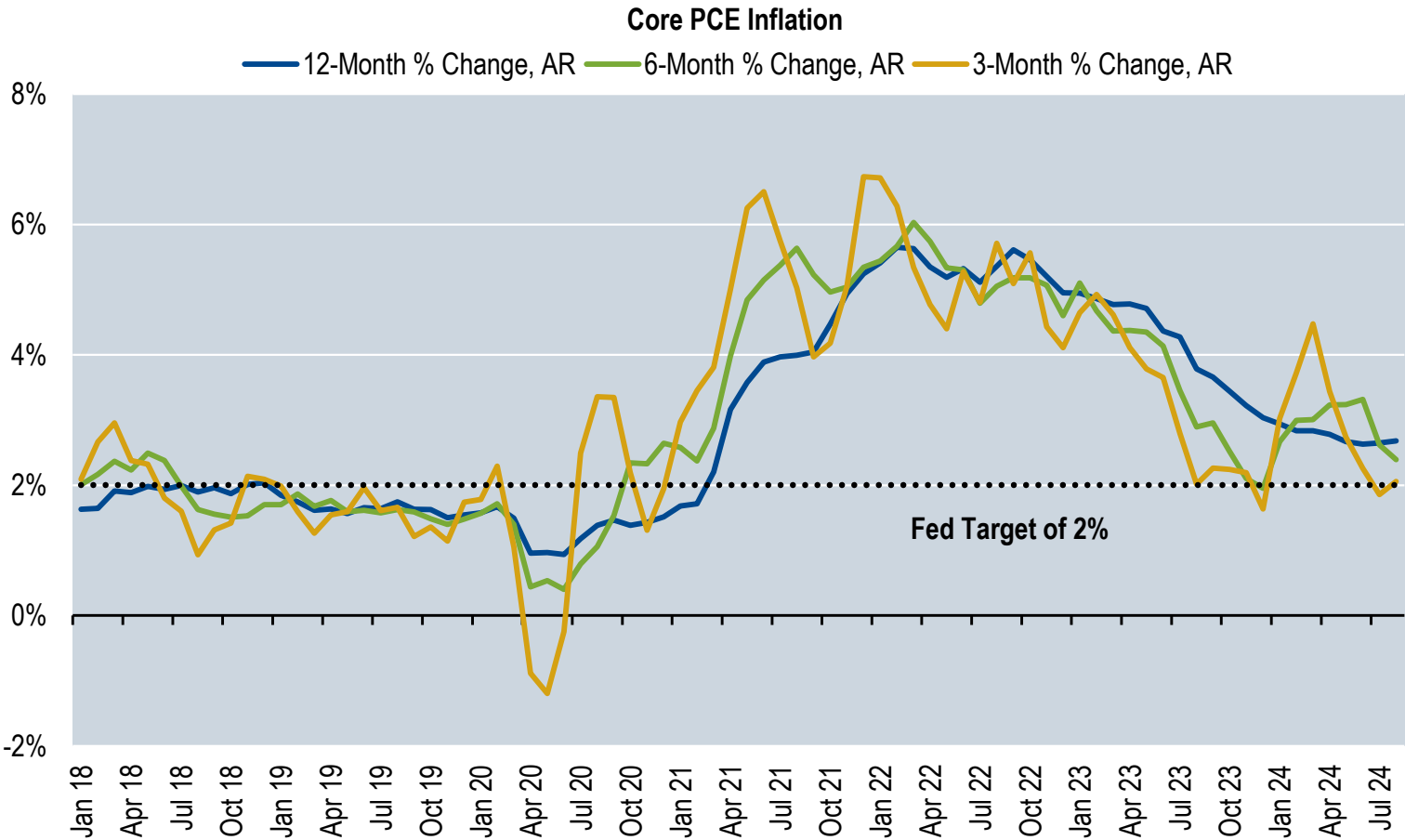
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“Inflation has eased, and my FOMC colleagues and I have greater confidence that it is on a sustainable path toward 2%”

— Chair Powell, September 30, 2024

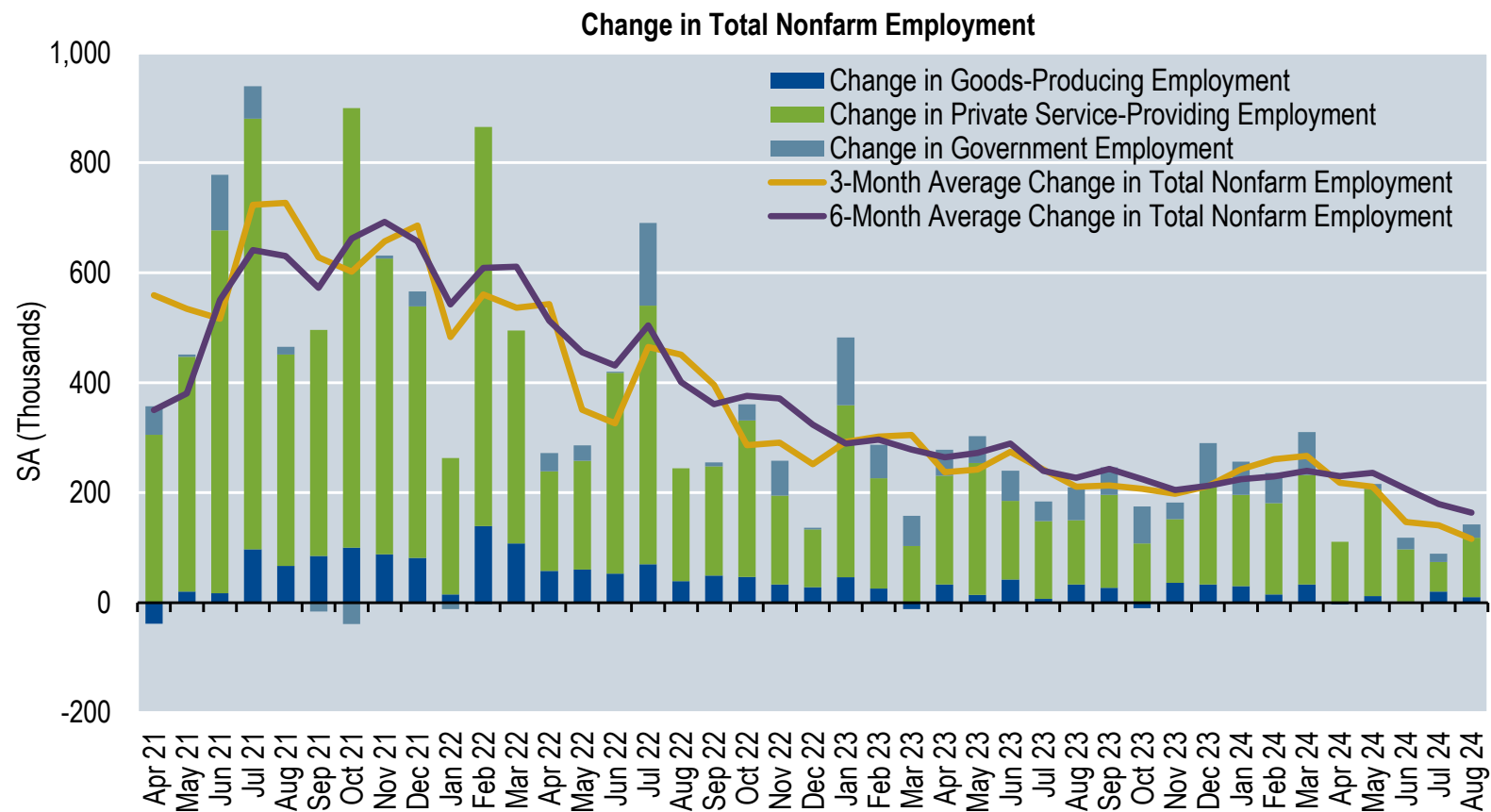


Source: BEA, Haver. As of 31 Aug 24

Employment

“We do not believe that we need to see further cooling in labor market conditions to achieve 2% inflation.”

— Chair Powell, September 30, 2024



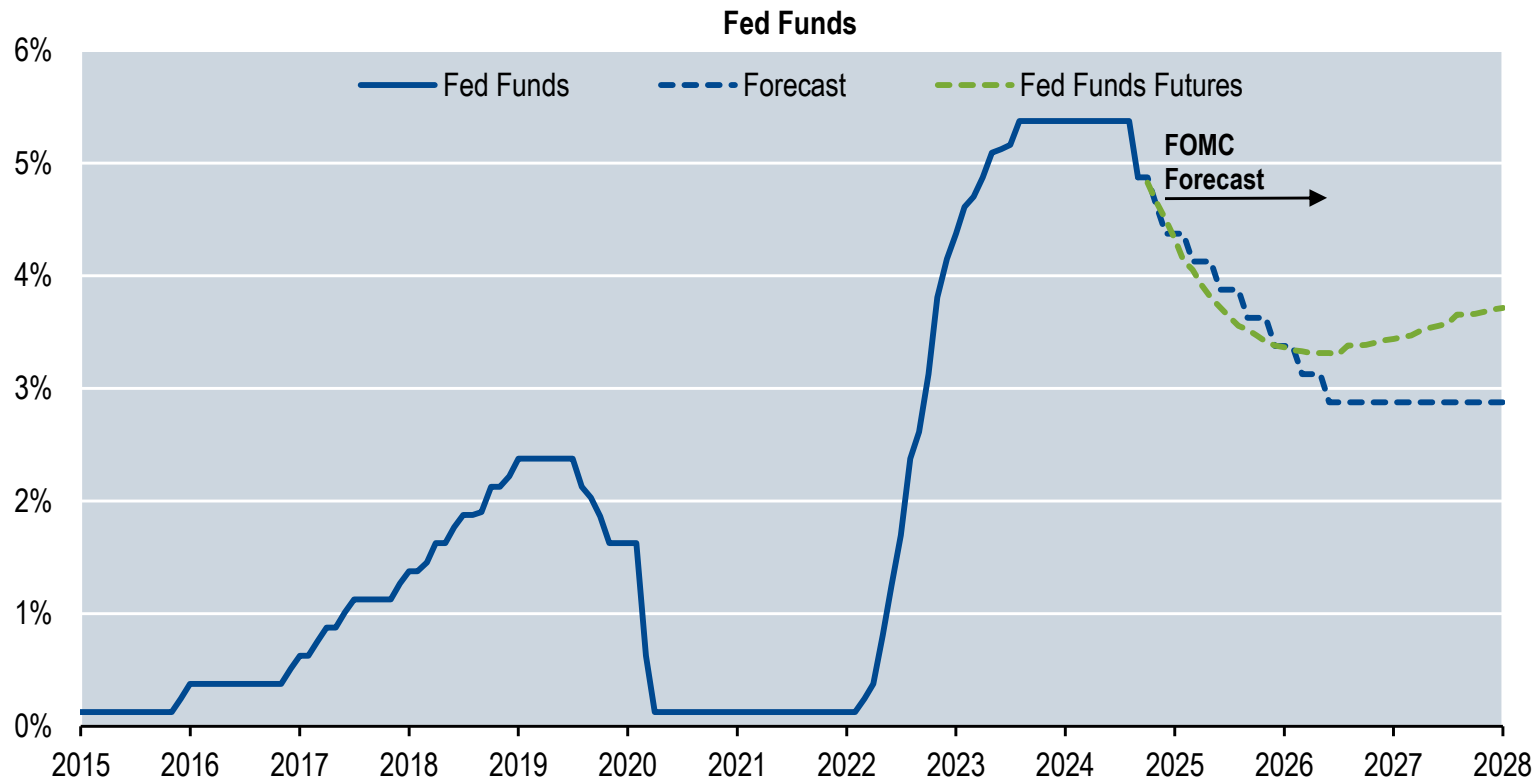
Source: Bureau of Labor Statistics. As of 31 Aug 24

US Federal Reserve

Fed now cutting, but by how much?

“Looking forward, if the economy evolves broadly as expected, policy will move over time toward a more neutral state.”

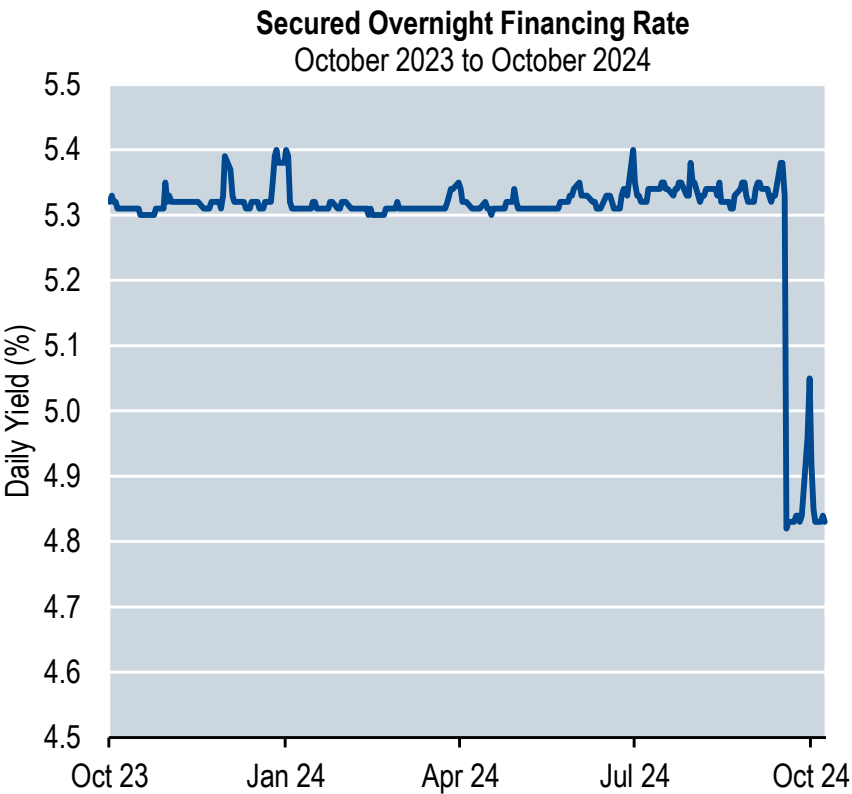
— Chair Powell, September 30, 2024



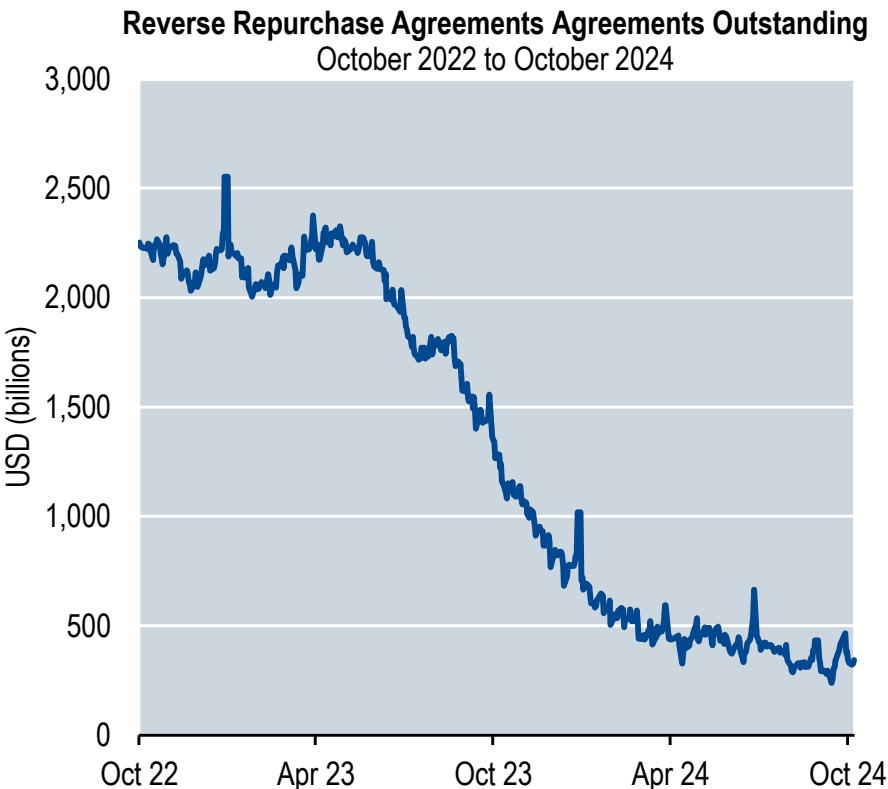
Source: Federal Reserve, Haver Analytics. As of 08 Oct 24
There is no assurance that any projection, estimate or forecast will be realized.

SOFR Lower, RRP Steady

Front-end rates reset to the new Fed Funds target rate, while Treasury supply, along with modestly higher repo rates, may allow RRP levels to trend gradually lower

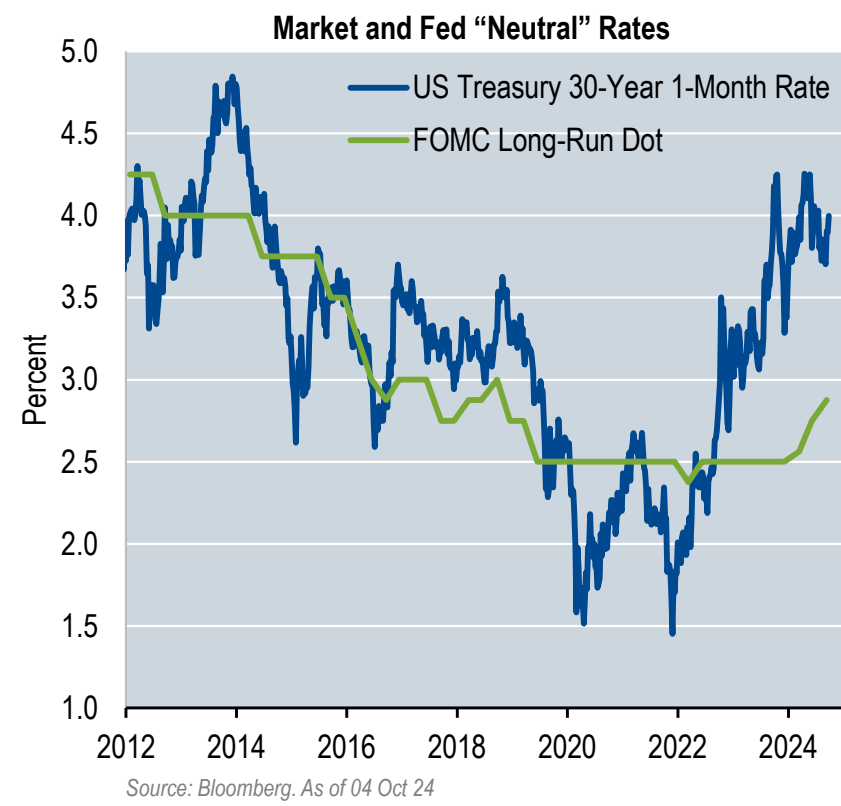
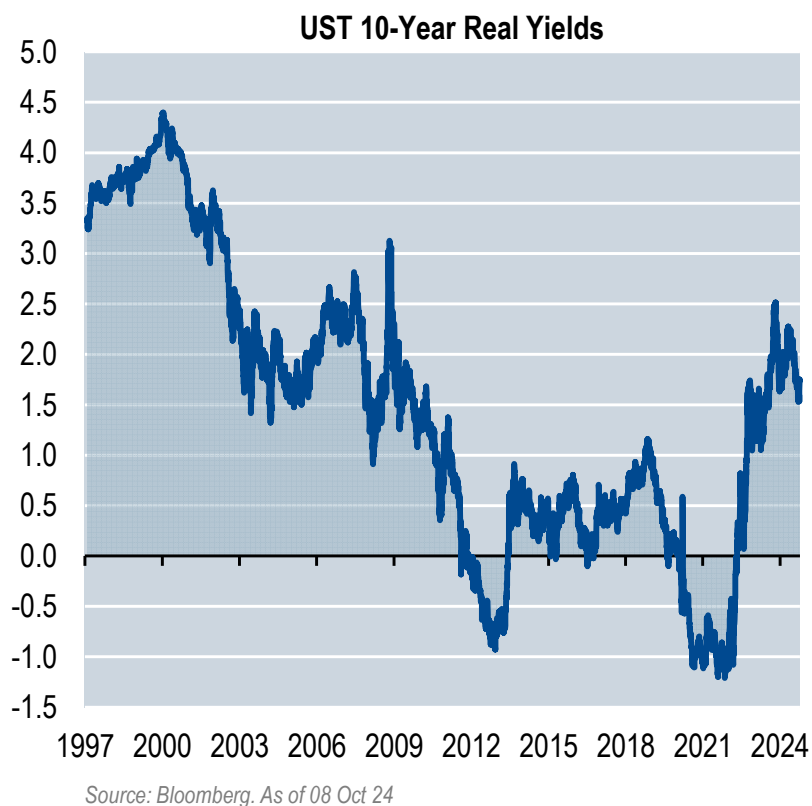


Source: Federal Reserve Bank of St. Louis. As of 09 Oct 24



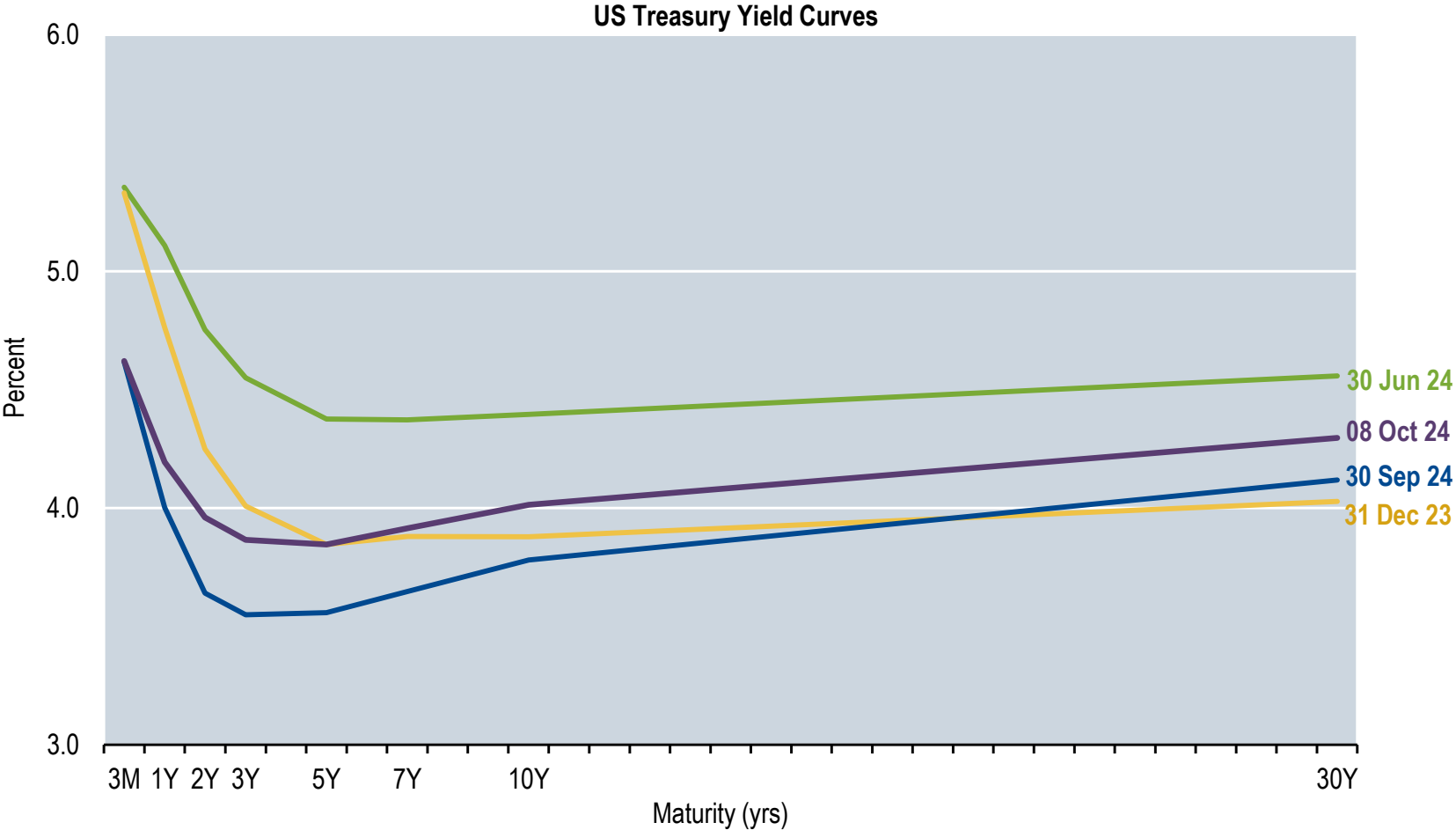
Source: Federal Reserve Bank of St Louis. As of 09 Oct 24

Interest Rates Remain Elevated



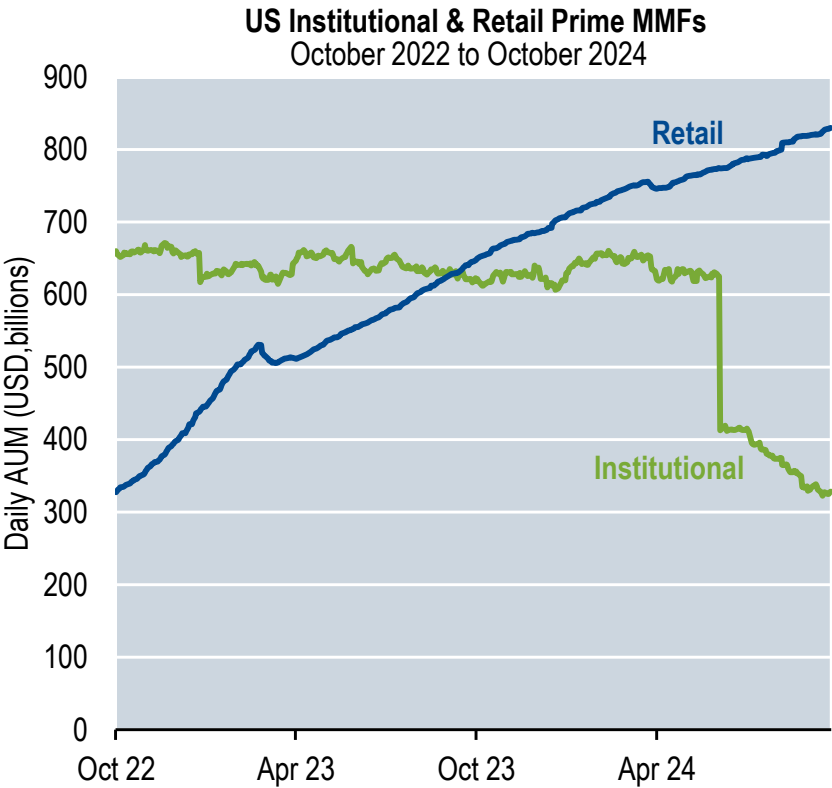
US Treasury Yield Curves

High volatility over the last few months



Changes in Prime MMFs & Commercial Paper Supply

Retail Prime MMFs' growth due to higher rates, Institutional Prime MMFs' decrease due to regulation



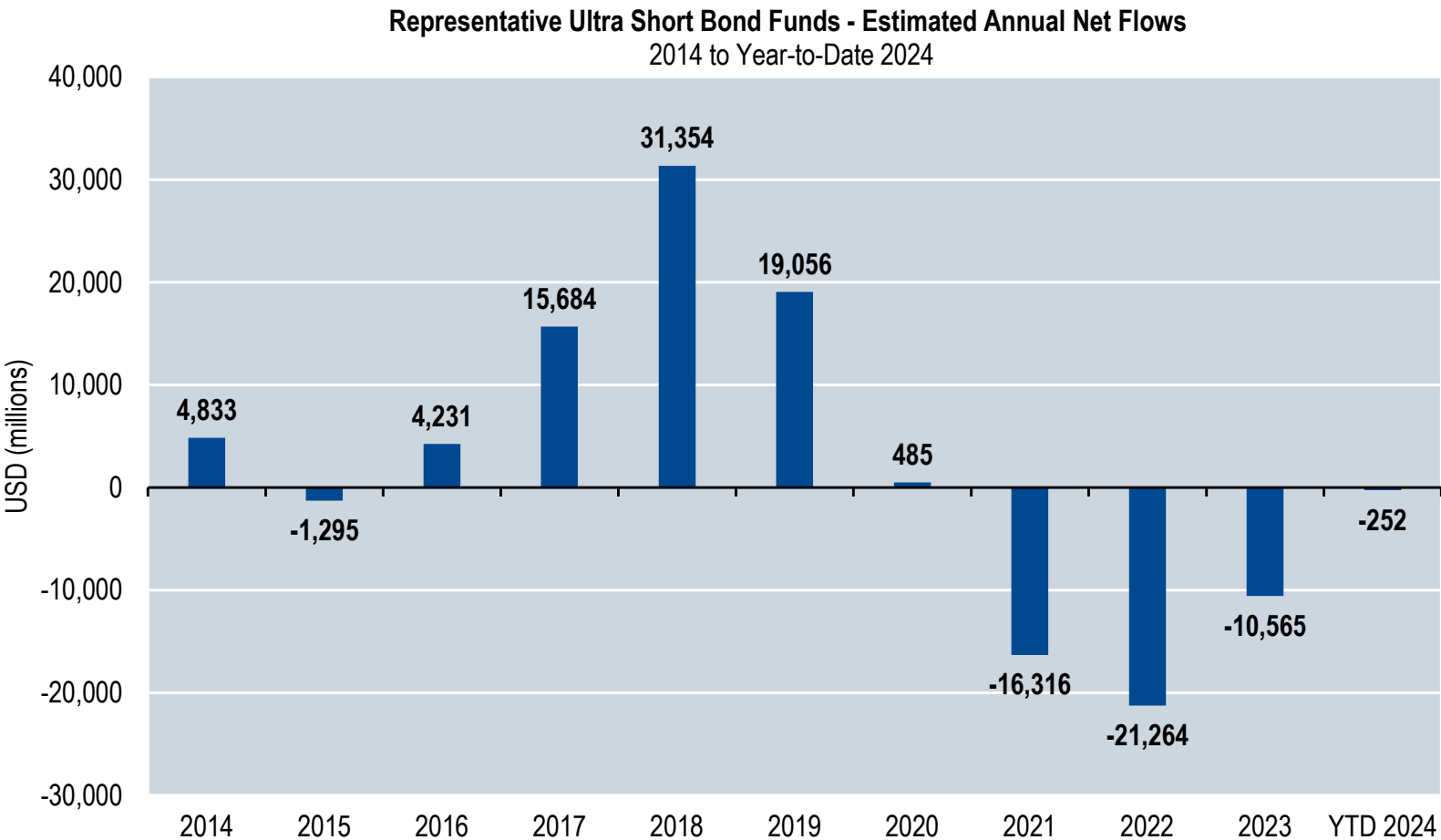
Source: Crane Data. As of 10 Oct 24



Source: Federal Reserve Bank of St. Louis. As of 09 Oct 24

Ultra-Short Bond Funds Stage a Comeback

A representative sample of ultra-short bond funds highlights the opportunity to extend



Source: Morningstar. As of 30 Sep 24

Peak Policy Rates Are Historically Good For Fixed-Income Returns

US Aggregate Index returns after Fed pause

Bloomberg U.S. Aggregate Index Returns						
Period	Rate Hike	Event	+6mo	+1yr	+3yr	+5yr
Mar 1988 - Feb 1989	3.25%	Savings and Loan Crisis	9.4%	12.9%	12.3%	11.0%
Feb 1994 - Feb 1995	3.00%	Bond Market Massacre	8.9%	17.1%	10.2%	7.3%
Jun 1999 - May 2000	1.75%	Dot-com Bubble	7.7%	13.7%	11.1%	7.8%
Jun 2004 - Jun 2006	4.25%	Housing Bubble	5.4%	6.5%	6.6%	6.6%
Dec 2015 - Dec 2018	2.25%	Oil Price Collapse	6.0%	8.8%	5.0%	1.0%
Average	2.90%		7.5%	11.8%	9.0%	8.2%
Mar 2022 - Jul 2023	5.25%	Inflation Spike Post COVID-19	1.8%	3.9%	-	-

Source: Bloomberg. Past performance does not predict future returns.



Thank you.

Risk Disclosure

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