

Holding Steady



MARKET INSIGHTS | GLOBAL LIQUIDITY TEAM | April 2026

Federal Reserve Board

On April 29, the Federal Open Market Committee (FOMC) decided to maintain the federal funds rate at its target range of 3.50%-3.75%. The Committee's message was more nuanced, retaining language consistent with an easing bias and keeping the door open to future rate cuts, while continuing to emphasize persistent inflation pressures, elevated energy prices, and heightened geopolitical risks tied to developments in the Middle East. The decision highlighted a notably divided Committee, with four officials dissenting—one favoring an immediate 25 basis point rate cut and three objecting to the continued easing bias in the statement. Chair Powell emphasized a patient, "wait-and-see" approach, noting that policy is well positioned and that the Committee can monitor incoming data on inflation, growth and financial conditions before making adjustments.

European Central Bank

On April 30, the European Central Bank (ECB) Governing Council held the deposit rate at 2.00% and signaled a patient approach amid a global energy shock. The Council acknowledged that the Iran war has lifted near-term inflation risks while weakening growth momentum, reinforcing a data-dependent stance rather than a pre-set rate path. The ECB highlighted the Middle East conflict as a key driver of higher energy prices, which are pushing headline inflation higher and weighing on confidence, with the medium-term outlook dependent on the duration of the shock and potential second-round effects. At the same time, incoming data point to a resilient but slowing economy, with modest gross domestic product growth and a still-supportive labor market. President Lagarde emphasized that there is not yet sufficient evidence of second-round effects, and that policy is well positioned to navigate uncertainty, with future decisions to be taken meeting by meeting based on incoming data and evolving conditions.

Bank of England

On April 30, the Bank of England's Monetary Policy Committee (MPC) voted 8-1 to hold the Bank Rate at 3.75%, as the Iran war raises near-term inflation risks while growth and the labor market continue to cool. One member dissented in favor of a 25 basis point rate hike, underscoring sensitivity to the risk that higher energy costs could become embedded in wages and prices. The Committee characterized the shock as primarily an energy supply issue that monetary policy cannot directly offset, with the key concern being whether it generates persistent "second-round" inflation effects. Governor Bailey described the decision as an "active hold," signaling that policy is appropriate while allowing time to assess incoming data. The MPC emphasized that future policy would depend on how inflation, wages and broader economic conditions evolve, and reiterated that it stands ready to act as necessary to ensure inflation returns to its 2% target over the medium term.

DISPLAY 1 Monthly Interest Rate Summary

As of 4/30/26

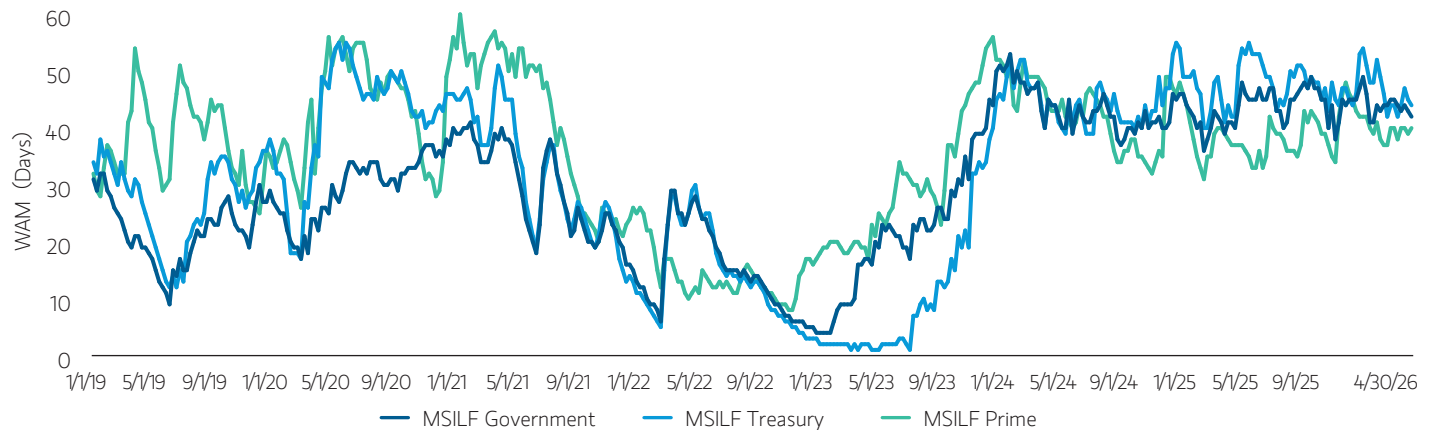
US TREASURY RATES	YIELD (%)	MOM CHANGE (%)
1M UST	3.6386	(0.05)
3M UST	3.6604	(0.01)
6M UST	3.6869	(0.00)
12M UST	3.7066	0.05
2Y UST	3.8689	0.08
5Y UST	4.0055	0.06
10Y UST	4.3706	0.05
30Y UST	4.9657	0.06

Source: Bloomberg

DISPLAY 2

MSILF Weighted Average Maturities (WAM) Summary¹

As of 4/30/26



Source: iMoneyNet

Portfolio Strategy

GOVERNMENT/TREASURY STRATEGY

With the ongoing uncertainty from the conflict in the Middle East coupled with Tax Day flows, we remained careful in adding outright duration, but did add some pieces opportunistically across a range of security types. We also used the heightened volatility to sell some off-the-run legacy positions and reinvest in higher yielding securities. Looking ahead, we expect flows to recover following Tax Day but will remain cautious in adding outright duration as the situation in the Middle East evolves.

With the conflict in the Middle East showing few signs of resolution, markets continue to hold off pricing any rate cuts for the remainder of 2026. At the April FOMC, the Federal Reserve (Fed) held rates steady, citing that inflation is elevated and that the unemployment rate has been little changed. Notably, three voting members supported maintaining the target rate but “did not support inclusion of an easing bias in the statement.” During his final press conference as Chair, Jerome Powell commented on the language dissenters, noting that amid the elevated uncertainty, they felt there was not a compelling argument to change the language in the statement. Kevin Warsh’s confirmation as the next Chair of the Federal Reserve was advanced by the Senate Banking, Housing and Urban Affairs Committee, clearing the way for him to chair the June FOMC meeting pending the full Senate’s final vote in mid-May. Jerome Powell announced he will stay on as a governor “for a time” to help protect the Fed’s independence from political attacks. While we expect the Fed’s next move is to lower rates, we anticipate it will remain on hold for the foreseeable

future amid uncertainty surrounding the impact of the Middle East conflict on the U.S. and global economies.

As the market headed toward Tax Day, large Treasury bill paydowns and reserve management purchases (RMPs) helped absorb cash leaving the system as the Treasury General Account (TGA) balance took in tax receipts, making Tax Day a non-event in funding markets. As the Treasury pays out income tax refunds in the coming weeks, we expect that bill issuance will start to ramp up in June and July to help re-build the TGA balance. We believe continued bill paydowns and RMPs should continue to quell volatility in funding markets in the upcoming weeks.

Currently, we have no concerns on liquidity to note. The Federal Reserve Bank of New York did reduce the amount of RMPs from \$40 billion per month to \$25 billion per month, which was a larger decrease than expected. This reduction does come in the midst of bill paydowns and tax refund receipts, so volatility in funding markets could be muted for the time being.

PRIME STRATEGY

To kick off the second quarter, credit spreads remained resilient despite ongoing geopolitical tension and Fed path uncertainty. The April FOMC meeting reinforced the Fed’s patient, data-dependent approach as policymakers continued to monitor inflation trends and labor market resilience. While the sentiment around the Fed’s path still leans towards easing, the market expects no policy movement through the next year. While tensions remain elevated overseas and there are fears of sticky inflation, fundamentals have been strong. Steady investor demand continues to support spread stability, even as markets

¹Weighted Average Maturity (WAM): Measures the weighted average of the maturities of the portfolio’s individual holdings, taking into account reset dates for floating rate securities.

The views and opinions expressed are those of the Portfolio Management team as of April 30, 2026 and are subject to change based on market, economic and other conditions. **Past performance is not indicative of future results.**

remain sensitive to incoming economic data and shifting macro expectations. During the month, front-end investment grade bond spreads tightened further amid continued demand for high quality spread products. We took advantage of this by selling into the tightening trend and rotated into longer-dated wholesale instruments. As a result of our active management, weighted average maturity (WAM) and weighted average life (WAL) are positioned on the longer end of the peer group.

With rate cuts being priced out in the near term, we believe deploying cash into mostly fixed-rate wholesale structures

further out the curve offers attractive opportunities given roll-down and yield pickup versus their floating-rate equivalents. In the corporate bond sector, financials are trading tight to their wholesale equivalents, so we've taken opportunities to reallocate into wholesale funding structure, realizing gains and picking up yield. Bonds continue to offer opportunities to diversify into high quality non-financials that are unavailable in commercial paper format.²

Market liquidity remains healthy as dealers continue to competitively bid paper when liquidity needs arise.

²Diversification neither assures a profit nor guarantees against a loss in a declining market.

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One basis point = 0.01%

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