

Signal Pending



MARKET INSIGHTS | GLOBAL LIQUIDITY TEAM | March 2026

Federal Reserve Board

On March 18, the Federal Open Market Committee (FOMC) decided to maintain the federal funds rate at its target range of 3.50%-3.75%. Nearly all members supported the decision, with one dissenting vote in favor of a 25 basis point rate cut. The Committee noted that economic activity continues to expand at a solid pace, while job gains have been modest and the unemployment rate has shown little change in recent months. Inflation remains somewhat elevated. Policymakers emphasized that uncertainty around the economic outlook remains high, particularly in light of developments in the Middle East, whose implications for the U.S. economy are still unclear. The Committee reiterated its commitment to achieving maximum employment and returning inflation to its 2% target, stressing that future policy decisions will be guided by incoming data, the evolving outlook and the balance of risks.

European Central Bank

On March 19, the European Central Bank (ECB) Governing Council kept its three key interest rates unchanged, reaffirming its commitment to returning inflation to the 2% target over the medium term. The Council highlighted that the economic outlook has grown more uncertain due to the conflict in the Middle East, which is expected to lift near term inflation through higher energy prices—posing upside risks to inflation and downside risks to growth. While headline inflation has been hovering near the ECB’s 2% goal and longer term expectations remain well anchored, updated projections indicate higher inflation ahead, driven largely by elevated energy costs. At the same time, growth forecasts have been revised lower. The Governing Council reiterated that policy decisions will remain data dependent and taken on a meeting by meeting basis, without pre committing to a specific rate path.

Bank of England

At its March meeting, the Bank of England’s Monetary Policy Committee (MPC) voted unanimously (9-0) to hold the Bank Rate at 3.75%. The decision comes amid heightened uncertainty following a sharp rise in global energy prices driven by conflict in the Middle East. While domestic disinflation has been progressing, higher energy and commodity prices are expected to push inflation higher in the near term. The MPC noted that monetary policy cannot offset this external shock but must prevent it from feeding persistently into wages and broader price setting. At the same time, higher energy costs are likely to weigh on already subdued activity and add to economic slack. The Committee reiterated that it will continue to monitor economic developments closely and stands ready to take whatever action is necessary to return inflation to its 2% target over the medium term.

DISPLAY 1 Monthly Interest Rate Summary

As of 3/31/26

US TREASURY RATES	YIELD (%)	MOM CHANGE (%)
1M UST	3.6866	0.02
3M UST	3.6718	0.02
6M UST	3.6889	0.06
12M UST	3.6548	0.19
2Y UST	3.7930	0.27
5Y UST	3.9427	0.15
10Y UST	4.3166	0.08
30Y UST	4.9101	0.04

Source: Bloomberg

DISPLAY 2**MSILF Weighted Average Maturities (WAM) Summary²**

As of 3/31/26



Source: iMoneyNet

Portfolio Strategy**GOVERNMENT/TREASURY STRATEGY**

The conflict in the Middle East caused markets to respond chaotically to every headline as the world tried to anticipate the length of the conflict. Given this heightened volatility environment, we were careful in adding outright duration and only added pieces opportunistically. We still maintain the view that the Federal Reserve's (Fed) next decision is to cut rates and continue to add duration pieces opportunistically at levels that we believe can add value to the portfolios if cuts materialize. We used the volatility to sell some off-the-run legacy positions and reinvest in higher-yielding securities. Looking forward, we remain vigilant about flows in mid-April as we approach Tax Day.

The conflict in the Middle East and its uncertain timeline sparked market fears about the impacts on the global economy, causing the market to price out all interest rate cuts for the remainder of 2026. As expected, the FOMC held rates steady at the March FOMC meeting while also releasing a new dot plot and economic projections. There were no changes to the dot plot, with the median forecast still calling for one interest rate cut in 2026 and 2027. The updated economic projections saw an increase in the inflation outlook for 2026 as a result of the ongoing conflict in the Middle East, but the outlooks for 2027 and 2028 show inflation falling toward the Fed's 2% target. At the post-meeting press conference, Chair Powell spoke about uncertainty in the Middle East, while also acknowledging the risks to both sides of the Fed's dual mandate.

As largely anticipated, Treasury auction sizes have been reduced as tax receipts make their way through the system. Auction reductions coupled with the reserve management purchases (RMPs) have added even more cash into the system, quelling funding markets and any volatility on large statement dates. Quarter-end was a non-event in funding markets, with the

market able to easily absorb large-coupon settlements and reduced balance sheet capacity from primary dealers. We expect Treasury auction sizes to likely ramp back up in June and July to start rebuilding the Treasury General Account.

We have no concerns on liquidity to note. Importantly, though, the Federal Reserve Bank of New York published a comment about the future of RMPs, stating that their size and frequency are likely to be reduced in the coming months. This could potentially add more frequent funding pressure to the repo market, which can be beneficial for our portfolios.

PRIME STRATEGY

The conflict in the Middle East caused wholesale credit spreads to widen back to year-end levels while rates sold off as markets focused on inflation concerns and subsequently priced out the two cuts anticipated in 2026 as of February month-end. While starting yields in both fixed- and floating-rate securities remain attractive, we allowed our portfolios to roll down while building liquidity against a backdrop of heightened volatility, remaining defensively positioned to seek to ensure we meet our objectives of capital preservation and liquidity.

Fundamentals remain strong and the widening of credit spreads along with the backup in rates provides an attractive entry point for new capital. We've found value in both wholesale funding and secondary corporate bonds, focusing on structures that we believe provide diversification and yield benefits.¹ We continue to prefer fixed-rate securities, with current yields that now surpass floating-rate alternatives.

Looking at market liquidity, as rates fluctuate drastically with each geopolitical headline, and credit spreads remain at recent wides, dealers are defensively positioned and will likely utilize their balance sheets when compensated. Liquidity is less ample than a month ago, so we remain cautious and patient when deploying capital.

¹ Diversification neither assures a profit nor guarantees against loss in a declining market.² Weighted 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.

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Past performance is not indicative of future results.

One basis point = 0.01%

The index performance is provided for illustrative purposes only and is not meant to depict the performance of a specific investment.

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You could lose money by investing in the Fund. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. An investment in the Fund is not a bank account and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund's sponsor is not required to reimburse the Fund for losses, and you should not expect that the sponsor will provide financial support to the Fund at any time, including during periods of market stress.

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