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PUBLIC FUNDS

ECONOMIC UPDATE

2024 Year In Review

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Federal Reserve Cuts Rates

Fed Funds Rate Dropped from 5.5% to 4.5%

U.S. Economic Growth Was Better Than Economists Expected

U.S. Treasury Yield Curve **Uninverts**

U.S. Federal Debt Tops **$36 Trillion**

U.S. Unemployment Rate Climbs from 3.7% (Dec 2023) to 4.2% (Nov 2024)

The 3-month Treasury bill yielded **5.33%** in Dec 2023 and ended the year at **4.31%**

The 2yr Treasury note yielded **4.25%** in Dec 2023 and ended the year at **4.24%**

The 5yr Treasury note yielded **3.85%** in Dec 2023 and the year at **4.38%**

Republican Election Sweep in November

YOY CPI drops from 3.4% (Dec 2023) to 2.7% (Nov 2024)

S&P 500 Closes Near An All-Time High, Up 23% for the Year

SOURCE: MEEDER PUBLIC FUNDS

FIGEY Outlook and Commentary

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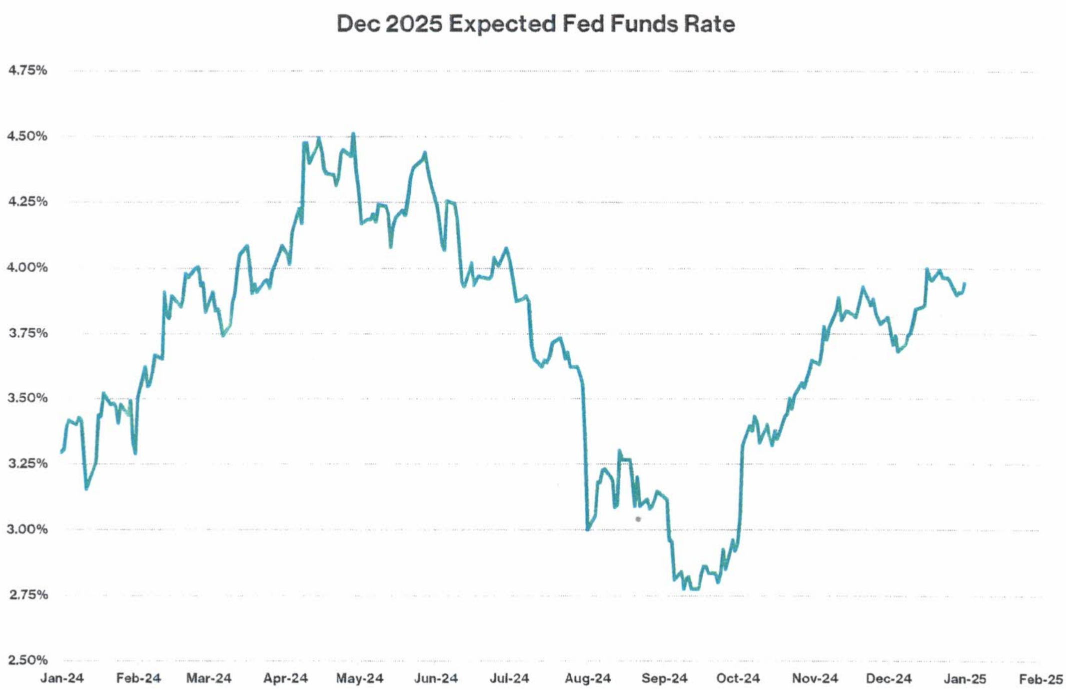
Metric	Analysis
Fed Funds Rate	The Federal Reserve is expecting to lower the Fed Funds rate 50 basis points (0.50%) in 2025. The Fed Funds futures market is pricing in approximately 0.44% of cuts for 2025 and end the year at 3.95%.
Inflation	The Consumer Price Index (CPI) has been rising the past few months and is currently at 2.7% on a YoY basis. Economists surveyed by Bloomberg expect CPI YoY to average 2.5% for 2025.
Growth	Gross Domestic Product (GDP) grew faster in 2024 than most economists expected (currently estimated at 2.7%). The Federal Reserve is expecting GDP to slow in 2025 and average 2.1% for the full year.
Employment	Weekly initial unemployment (jobless) claims remain near historically low levels but continuing jobless claims (those receiving ongoing unemployment benefits) continue to climb.
Yields	The 2-year Treasury yield has risen about 0.75% from last September's low of 3.54% but is still approximately 0.95% from the 5.22% cycle high of October 2023.

SOURCE: MEEDER PUBLIC FUNDS AS OF 1/6/25

Fed Funds



SOURCE: BLOOMBERG AS OF 1/6/2025

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- The Federal Reserve executed the first lowering of the Fed Funds rate since 2020 at the September 18th meeting by .50%, followed by .25% cuts at both the November 7th and December 18th meetings.
- The Fed expects to cut the Fed Funds rate by .50% or 50 basis points by the end of 2025.
- The Fed Funds futures market rate for December 2025 dipped to a low near 2.75% last September.
- Futures market participants for the December 2025 rate are not pricing in as many cuts as the Federal Reserve.

Inflation

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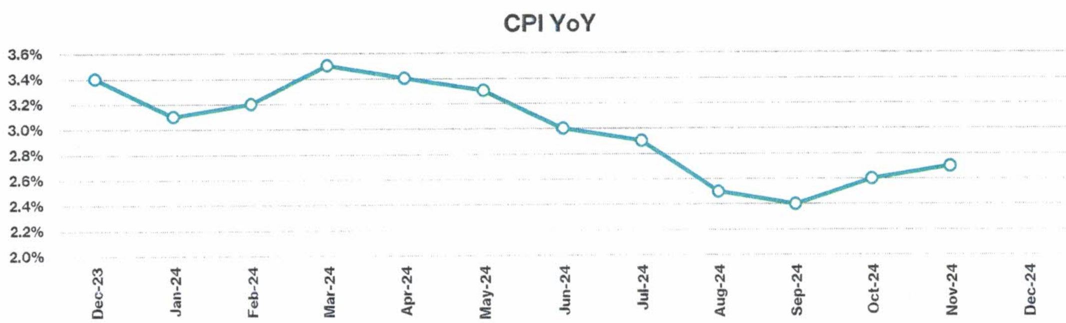

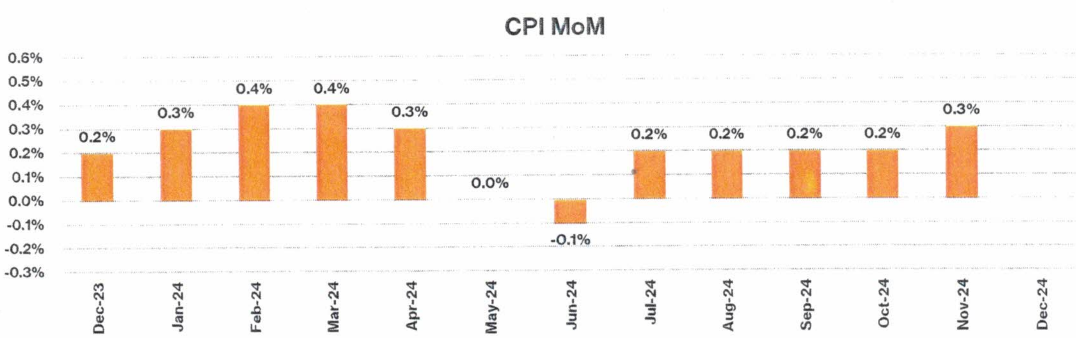

- Inflation has remained sticky the past few months with consumer prices trending slightly higher.
- The year-over-year Consumer Price Index may see declines during the first quarter of 2025 as higher month-over-month rates from early 2024 drop out.
- Housing and auto insurance prices have pushed inflation higher recently.

SOURCE: BLOOMBERG, BUREAU OF LABOR STATISTICS

Growth

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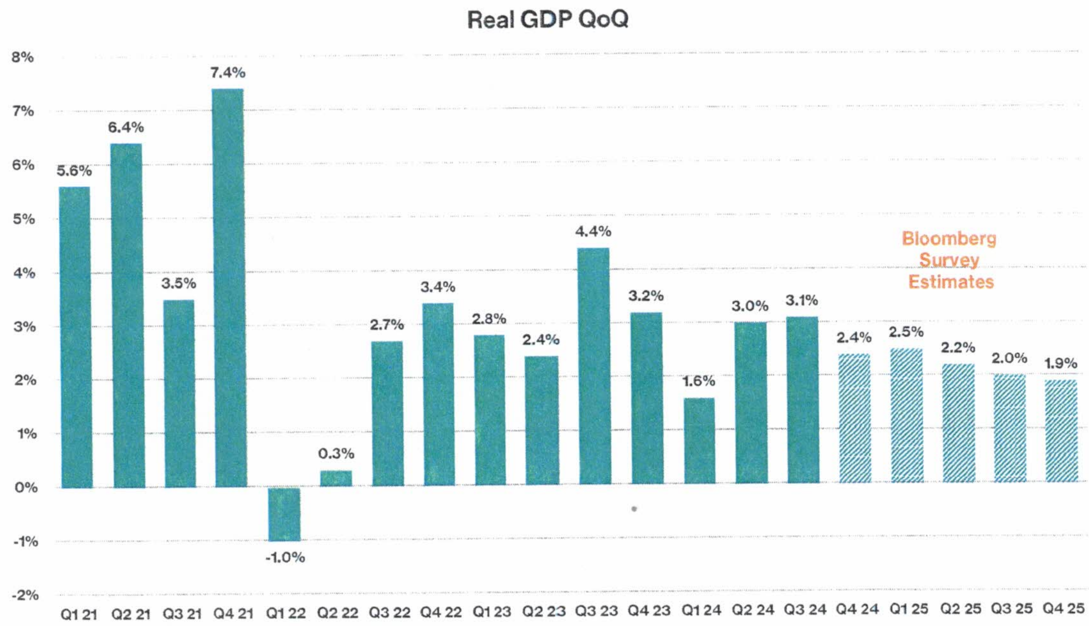

- U.S. economic growth for 2024 was substantially better than economists expected at the start of the year.
- Economists surveyed by Bloomberg are expecting GDP growth to slow during 2025.
- The uncertainty of what changes the Trump administration will enact has clouded economic forecasts.

SOURCE: BLOOMBERG, BUREAU OF ECONOMIC ANALYSIS

Employment

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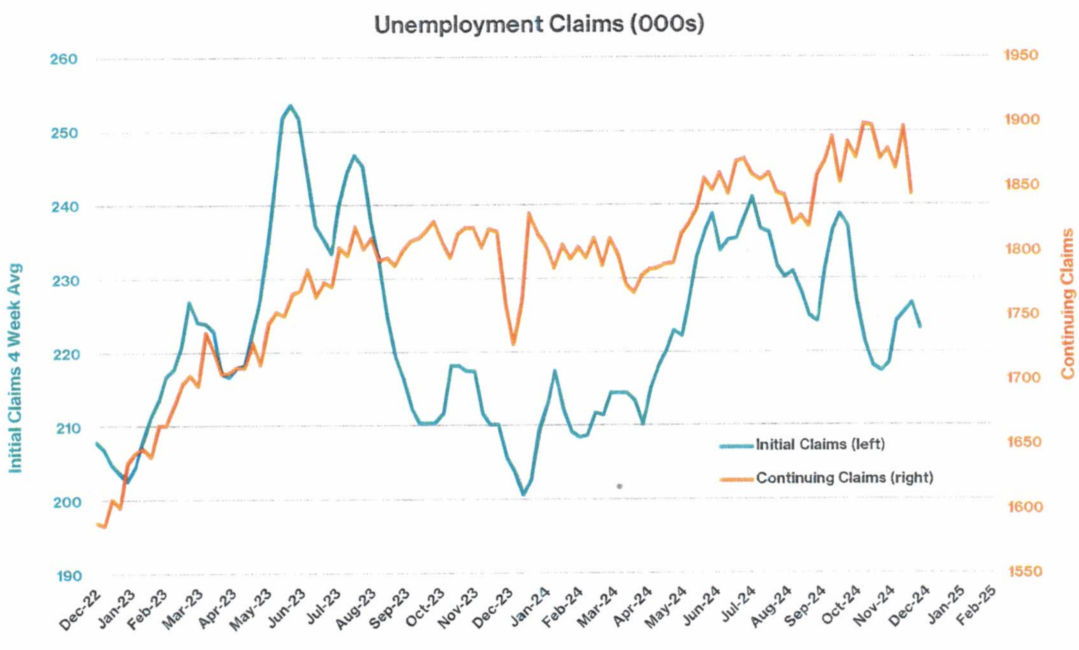

SOURCE: BLOOMBERG, DEPARTMENT OF LABOR

- Weekly Initial Jobless (unemployment) Claims remain at historically low levels. This is typically a sign of a balanced labor market.
- However, continuing unemployment claims have generally been climbing since 2022.
- The Federal Reserve members and economists will be keeping a keen eye on the labor market for clues of weakening.

Yields

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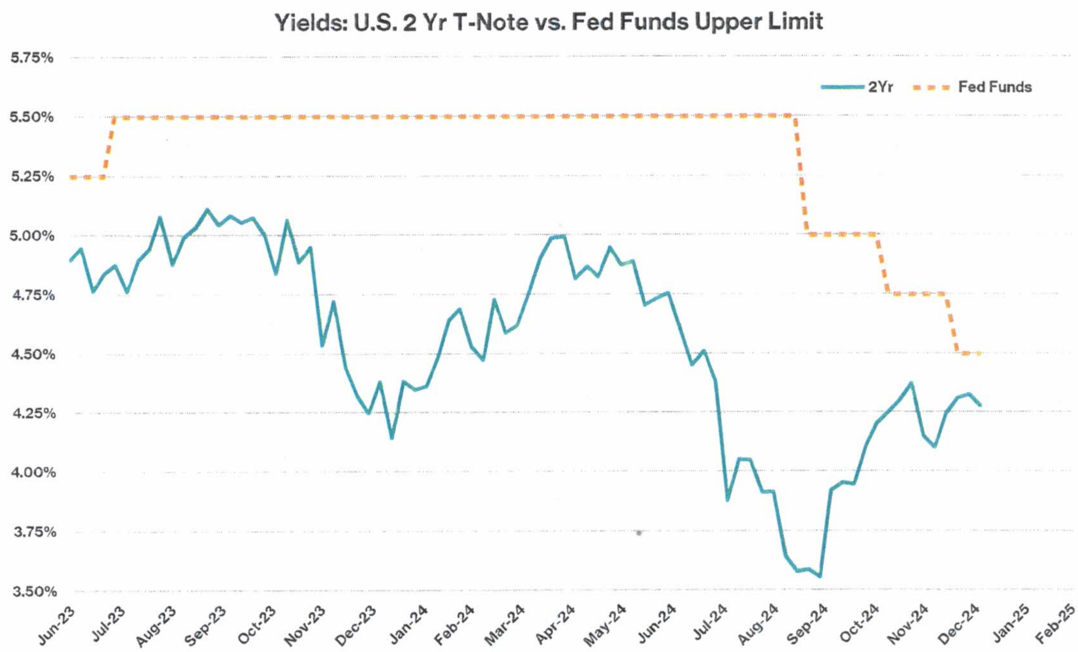

- The 2-year Treasury note's yield peaked in October 2023 when the Fed Funds rate was at the top of its cycle.
- Intermediate-term and longer-term rates have increased since September of last year with sticky inflation, election results, and an improving job market.
- Even though intermediate-term interest rates have declined from cycle highs, they are still materially higher than the average the past 20 years.

SOURCE: BLOOMBERG AS OF 1/6/25