Money Market Monthly Commentary

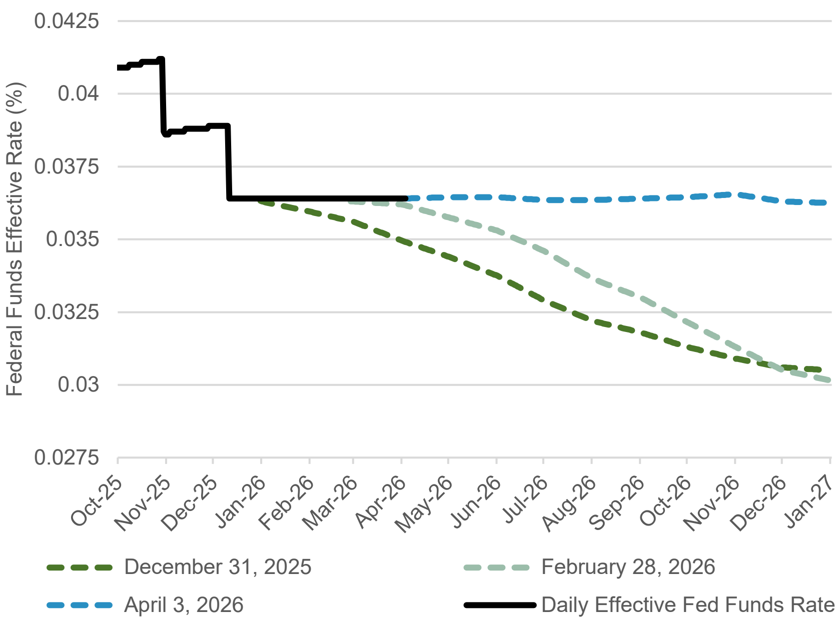
The Next Move is Data's

April 2026

Market Drivers and Themes

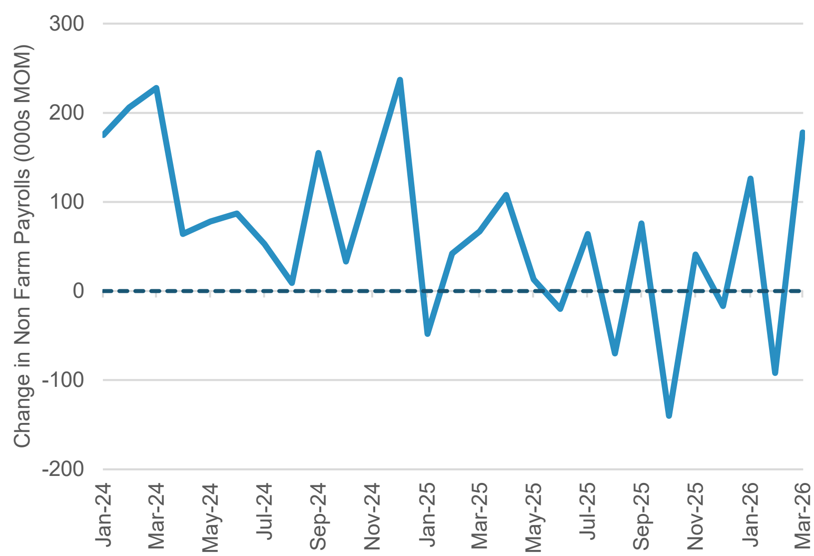
- During the month of March, the geopolitical landscape grew increasingly fraught as a wider regional confrontation in the Middle East caused oil prices to surge, with Brent crude at times nearing $120 a barrel. The Federal Reserve, at its March meeting, decided to maintain the federal funds rate at a steady 3.5%–3.75%, citing the uncertain economic outlook stemming from the conflict. This has created a challenging environment where the risk of resurgent inflation weighs against the potential for a slowdown in economic growth. While acknowledging that the spike in energy prices would likely lead to a near-term increase in inflation, the Fed's future policy path has become less certain..
- Recent employment reports have painted a volatile picture of the U.S. labor market. The February report was notably weak, with payrolls ultimately revised to a loss of 133,000 jobs, pushing the unemployment rate up to 4.4%. That decline, driven in part by strike activity and adverse weather, marked a sharp downturn from consensus expectations. In contrast, the March report showed a strong rebound: the economy added 178,000 jobs, significantly exceeding forecasts, while the unemployment rate edged lower to 4.3%.
- The Personal Consumption Expenditures (PCE) report for January, released on March 13th, confirmed that underlying inflation pressures remain sticky. Headline PCE eased to 2.8% down from 2.9% year-over-year, while core PCE, which excludes food and energy, ticked higher to 3.1% from 3.0%. The core measure continues to run well above the Federal Reserve's 2% target. On a month-over-month basis, core PCE rose 0.4%, matching expectations and signaling ongoing firmness in underlying inflation. While headline inflation showed modest improvement, the uptick in core inflation highlights uneven progress toward price stability.
- Following the Federal Reserve's decision to hold rates steady in March, combined with the inflationary pressures from the Middle East conflict, and surprisingly positive jobs report on April 3rd, market expectations for monetary policy have decisively shifted. As of the close of business on April 6, the futures market implies less than a 25% chance of a rate cut occurring by the end of 2026. This is a significant change from before the conflict when market pricing implied a total of 50 basis points of rate cuts were anticipated before the end of the year. The once-held expectation for a potential summer rate cut has now been pushed out indefinitely, with some market participants even pricing in a chance of a rate hike in 2026. While some analysts believe fears of a rate hike are overblown and maintain a forecast for a cut later in the year, the dominant market sentiment has clearly moved to a more hawkish stance, bracing for a prolonged pause from the Fed.

Exhibit 1: Market Implied FOMC Rate Path



Source: Bloomberg as of 4/3/26

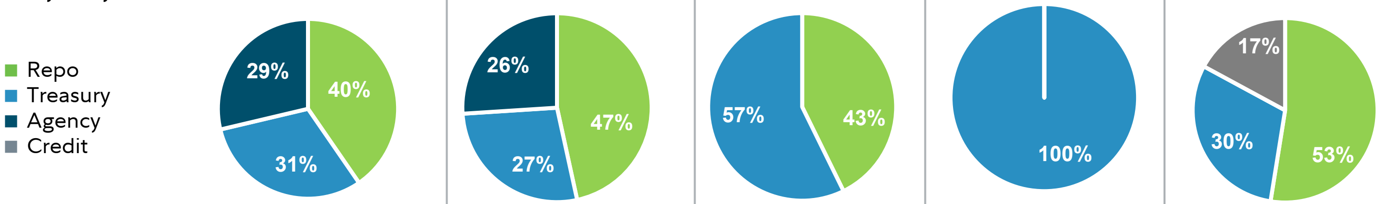
Exhibit 2: Change in Monthly Non-Farm Payrolls (in Thousands)



Source: Bureau of Labor Statistics via Bloomberg as of 4/3/26

FIDELITY TAXABLE MONEY MARKET FUND COMPOSITION
AS OF 3/31/26

	SPAXX Retail Government	FIGXX Inst. Government	FISXX Inst. Treasury Repo	FSIXX Inst. Treasury Only	FMPXX Retail Prime
7-day net yield	3.29%	3.53%	3.55%	3.53%	3.58%
WAM/WAL (days)	44 (+4) / 109 (+5)	37 (+6) / 86 (+7)	40 (+9) / 111 (+9)	55 (+1) / 111 (+0)	32 (+1) / 33 (+1)
Total portfolio AUM	$451B (+12)	$260B (-8)	$78B (-1)	$120B (+1)	$162B (0)



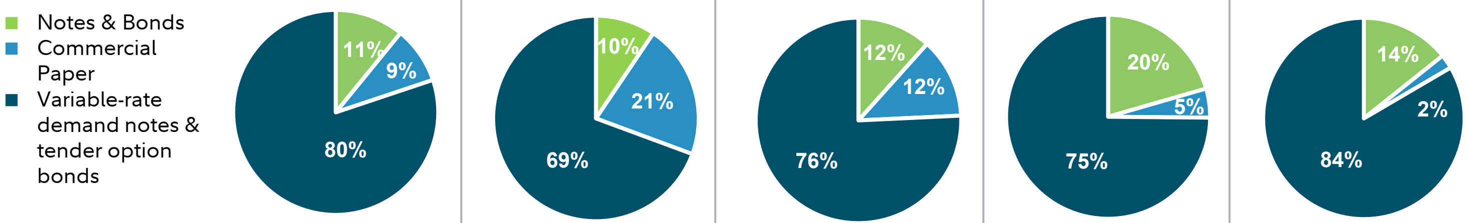
Data is of 3/31/26 compared to fund positioning as of 2/27/26. WAM: Weighted Average Maturity. WAL: Weighted Average Life. AUM: Assets Under Management. **Past performance is no guarantee of future results.**

Money Market Environment and Strategy Update

- Geopolitical risks increased dramatically over the course of the past month and with that came a corresponding increase of market volatility. To date, the market has interpreted the events in the Middle East to be an inflationary shock as energy prices have soared. While Fed speak leads us to believe that the Fed may be willing to look past this temporary inflationary impact, it remains unclear just how temporary the conflict will be and thus ultimately how temporary the impact the conflict will have on an already elevated level of inflation.
- It is during these times of market turmoil that our balanced investment approach of prioritizing both liquidity and NAV stability for our shareholders is essential. For the most part, we began the month positioned shorter than our respective peer groups and while the money market curve cheapened and offered opportunities for our funds, the corresponding heightened levels of uncertainty resulted in a conservative approach to our purchase activity throughout the month. According to the Crane data, in the Government fund space at the end of March, Government institutional funds had a WAM of 40 days and an average WAL of 94, while Government retail funds had an average WAM of 38 days and an average WAL of 89, Treasury institutional funds had an average WAM of 47 days and an average WAL of 95. In the Prime fund space, Prime institutional funds ended the month with an average WAM of 32 days and an average WAL of 53 days while Prime retail funds had an average WAM of 35 days and an average WAL of 55 days.
- During 1Q'26, Treasury Bill supply grew by $272 billion to reach a total outstanding amount of $6.82 trillion. However, the seasonal pattern of a decline of Treasury Bill supply has begun as the Treasury enters a period of robust tax receipts. From the middle of March through the end of April, the market is anticipating a decline of nearly $400 billion of total Treasury Bills outstanding.
- Fixed rate CP/CD volumes remained stable in March with a tilt toward floating over fixed. Volume was stable sequentially despite the volatility, but this belied the fact that the cadence of the buying was very sporadic and heavily influenced by geopolitical headlines. The fixed rate yield curve both steepened and cheapened as compared to the end of February when the curve was flat and ranged from 3.71%-3.77% across all tenors. At the end of March, three-month yields were in the range of 3.90%-3.95%, six-month yields were 3.95%-4.00% and one-year yields ranged from 4.10%-4.15%. The spread for floating-rate securities relative to SOFR experienced a similar trend with the six-month tenor at SOFR +30-35 bp (as compared to +17-20 bp in February), and the one-year tenor at SOFR +38-40 bp (as compared to + 27-32 bp at the end of February).
- According to the ICI data, from February 25 to March 25, total money market assets increased by approximately $6.5 billion to $7.803 trillion. During this time, Government money market funds decreased $736 million to $6.411 trillion, and Prime money market funds increased by roughly $7.3 billion to $1.248 trillion.

FIDELITY TAX-EXEMPT MONEY MARKET FUND COMPOSITION
AS OF 3/31/26

	FTCXX Fidelity Investments (FIMM) Tax Exempt	FSBXX California Municipal	FMAXX Massachusetts Municipal	FSKXX New Jersey Municipal	FNKXX New York Municipal
7-day net yield	2.33%	2.10%	2.22%	2.15%	2.32%
Tax equivalent yield	3.94%	4.59%	4.42%	4.44%	5.09%



	FTCXX	FSBXX	FMAXX	FSKXX	FNKXX
WAM/WAL (days)	31 (+1) / 31 (+1)	28 (+1) / 29 (+1)	34 (+1) / 34 (+1)	49 (+1) / 50 (+1)	28 (+3) / 28 (+3)
Total portfolio AUM	$11.6B (+1)	$5.9B (-.03)	$3.6B (+.07)	$1.3B (+0)	$4.9B (-.1)

Data is of 3/31/26 compared to fund positioning as of 2/27/26. Tax equivalent yield based on highest federal tax bracket and includes Medicare surtax. WAM: Weighted Average Maturity. WAL: Weighted Average Life. AUM: Assets Under Management. **Past performance is no guarantee of future results.**

Tax-Free Money Market Update

Rising geopolitical tensions had a significant impact on the municipal market in March. The benchmark yield of 1-year AAA municipal bonds jumped from 2.02% to 2.40% during the month, and the ratio to 1-year Treasuries increased from 58% to 65%. The yields on tax-exempt variable rate securities were less affected. The ratio of the weekly Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA) to the Effective Fed Funds rate averaged 60% for a second consecutive month, compared to the full-year average of 64% in 2025. Municipal money market industry assets remained stable, ending the month at $144.7 billion, unchanged from the beginning of March. Year to date, the supply of short-term tax-exempt notes has reached $4.9 billion, a 6% increase year-over-year.

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