Money Market Monthly Commentary

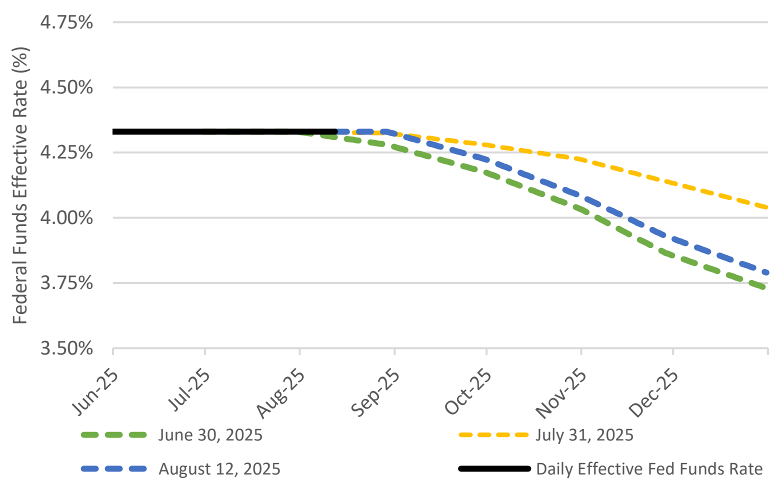
Revising the Future

July/Early August 2025

Market Drivers and Themes

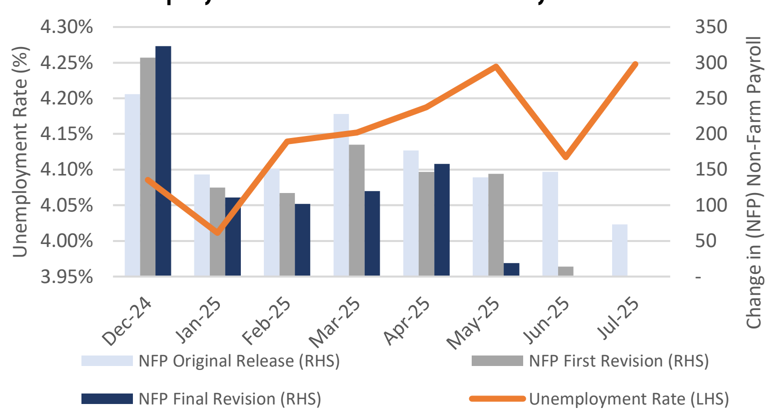
- The outcome of the July FOMC meeting was as expected with the FOMC electing to leave their policy rate unchanged at 4.25 - 4.50%. However, that decision did come with two dissenting votes as Federal Reserve Governors Bowman and Waller both advocated for a 25 basis point rate cut to have occurred. In the post meeting press conference, Chair Powell stated that in the coming months the committee would receive "a good amount of data that will help inform our assessment of the economy". Powell specifically mentioned that this was alluding to the two employment reports and the two inflation reports that would be released between their July and September policy meetings which the committee would use to determine the September meeting outcome.
- The July employment report, which was released in early August, has significantly changed the outlook for the labor market in the U.S. The latest report showed a total downward revision of 258,000 jobs created than what was previously reported for the months of May and June and represented the largest two-month downward revision of this data since April 2020. In addition, the unemployment rate increased during July from a rounded 4.1% to 4.2%. While this employment report is just the latest data point for the Federal Reserve to consider when it comes to the future path of their monetary policy, the negative revisions to the preceding months already creates a concerning trend of a softening labor market. As a result, the market has increased the totality of interest rate cuts that are expected to occur between now and year end from approximately 25 basis points to nearly 60 basis points.
- The CPI data for the month of July, which was released on August 12, was consistent with the market' s expectations. Month-over-month core CPI, which excludes food and energy, increased 0.3% during July which represented the highest monthly increase since January. Within the core CPI data, increases in airfare, medical care services and recreation services were to blame for the higher monthly inflation level. Meanwhile, the closely watched goods component of inflation rose 0.2% on a month-over-month basis which was only slightly higher than the data observed in the June CPI report. The lack of a further increase in goods inflation suggests that the enacted/proposed tariff policies by the administration have yet to fully materialize in the inflation data. The July monthly inflation data resulted in the year-over-year core CPI to be 3.1% compared to 2.9% in June.

Exhibit 1: Market Implied FOMC Rate Path



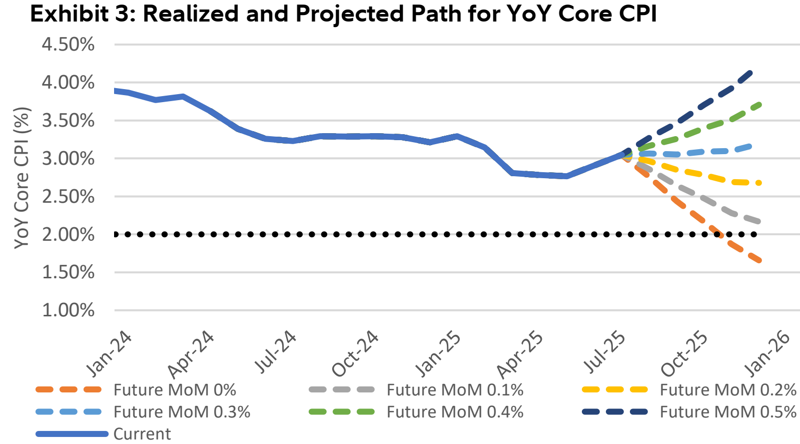
Source: Bloomberg 8/12/25

Exhibit 2: Unemployment Rate and Non-Farm Payrolls w/Revisions



Source: Department of Labor via Bloomberg 8/4/25

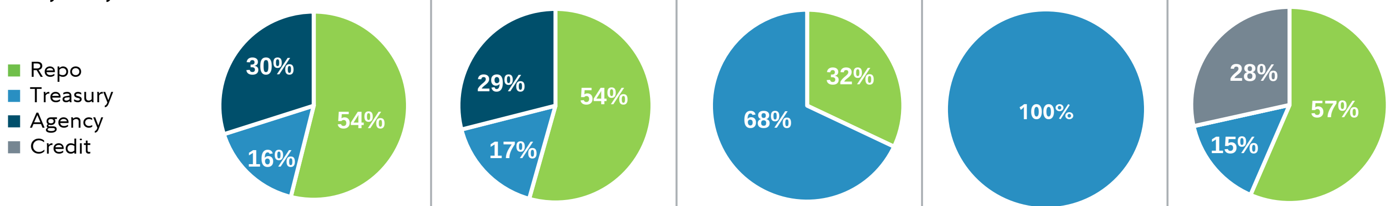
Exhibit 3: Realized and Projected Path for YoY Core CPI



Source: Department of Labor via Bloomberg 8/12/25

FIDELITY TAXABLE MONEY MARKET FUND COMPOSITION
AS OF 7/31/25

	SPAXX Retail Government	FIGXX Inst. Government	FISXX Inst. Treasury Repo	FSIXX Inst. Treasury Only	FMPXX Retail Prime
7-day net yield	3.98%	4.22%	4.19%	4.17%	4.27%
WAM/WAL (days)	31 (+6) / 81 (+8)	31 (+6) / 81 (+5)	42 (+11) / 108 (+2)	55 (+6) / 106 (-2)	21 (+9) / 25 (+8)
Total fund AUM	$406B (+$1B)	$245B (+$10B)	$70B (-$1B)	$105B (+$4B)	$155B (+$2B)



Data is of 7/31/25. 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

- July proved to be a productive month for our money market funds as the post-debt ceiling return of Treasury supply, combined with the market reducing the expectation of interest rate cuts this year (prior to the July employment report), created a favorable environment to extend the weighted average maturity of our funds. With a further increase of Treasury supply on the horizon, we anticipate additional opportunities for our funds, both in the form of outright purchases of securities as well as from a cheapening of the repurchase agreement market as the rebuild of the Treasury general account (TGA) reduces the level of bank reserves available in the system.
- At their quarterly refunding meeting, the Treasury reiterated their desire to "rebuild the cash balance over time to a level more consistent with its cash balance policy". To achieve this, the Treasury stated that they "anticipate further marginal increases in short-date Treasury bill auction sizes" and to "maintain sizes at or near those levels through the end of September" before increasing Treasury Bill supply further in October. During the month of July, Treasury Bills outstanding increased by ~$200 billion to $5.995 trillion, with the market anticipating another net increase of ~$300 billion of Treasury Bills outstanding by year-end.
- Even with the extension that occurred during the month of July, we continue to be positioned shorter than our respective peer groups. According to the Crane data at the end of July, Government institutional funds had an average WAM of 37 days and an average WAL of 93 days while Government retail funds had an average WAM of 36 days and an average WAL of 88 days. Prime institutional funds ended the month with an average WAM of 30 days and an average WAL of 51 days while Prime retail funds had an average WAM of 30 days and an average WAL of 52 days.
- Fixed rate CD/CP volumes increased in July and in early August we saw a further inversion in fixed rate yields after the weaker than expected employment report. Three-month yields decreased by about 5 bp to 4.35-4.40% while six-month yields declined by about 10 bp to the 4.25-4.30% range. Volumes in the 1 yr tenor were extremely light after the further richening of the curve, with posted yields declining to 4.10%-4.15%. The spread for floating rate securities relative to SOFR were largely unchanged with the 6-month tenor at SOFR +20-23 bp, the 9-mo tenor at SOFR +27-30 bp and the 1yr tenor at SOFR +31-36 bp.
- According to the ICI data, during the month of July, total money market fund assets decreased by ~$2 billion to $7.076 trillion. During this time, Government money market funds decreased by ~$11 billion to $5.758 trillion and Prime money market funds increased by ~$12 billion to $1.181 billion.

Please read this information carefully. Speak with your relationship manager if you have any questions.

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Prime and Municipal Money Market Funds:
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. The fund may impose a fee upon the sale of your shares. 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. Fidelity Investments and its affiliates, 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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The fund will not impose a fee upon the sale of your shares.

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