UBS

March 2023

Cautious hike

UBS Asset Management I The Fed raises rates for the ninth consecutive meeting

The Fed raises rates while acknowledging impact from recent events.

The Federal Open Market Committee (FOMC) of the US Federal Reserve hiked rates at their 22nd March meeting by 25 bps, moving the fed funds target range to 475 bps – 500 bps from 450 bps – 475 bps. The vote for the rate hike was once again unanimous at 12-0.

The meeting statement contained some notable changes relative to the last one in February. With respect to the current banking stress situation, the FOMC said that the "U.S. banking system is sound and resilient." However, the fallout from these recent developments "are likely to result in tighter credit conditions for households and businesses and to weigh on economic activity, hiring, and inflation." Looking ahead, the "extent of these effects is uncertain." On the outlook for future policy, the key change was that the Committee now "anticipates that some additional policy firming may be needed" versus "ongoing increases" in the February statement.

The FOMC also released the updated dot plot, which showed an unchanged end-2023 median dot for fed funds at 5.125%. For 2024, the median dot was revised slightly higher relative to December at 4.25% vs. 4.125%. The 2025 and longer-term median dots were unchanged. On real GDP, expectations for this year were marked down slightly with a median expectation of 0.4% versus 0.5% at the December dot plot with 2024 expectations revised lower to 1.2% from 1.6%. Median expectations for core PCE this year increased slightly to 3.6% versus 3.5% in December with next year also higher at 2.6% vs. 2.5%.

During his press conference, Fed Chair Jerome Powell noted that a pause was considered in the days leading up to the meeting, but ultimately there was a "strong consensus" for a 25 bps hike. Powell indicated that the recent banking stress could amount to the equivalent of a "rate hike or perhaps more," but acknowledged determining that with any precision wasn't possible. As for determining the need for future rate hikes, the Fed will continue to monitor the incoming data, and the actual realized effects from credit tightening. With the potential for rate cuts, Powell said that if the economy behaves as the FOMC expects, there won't be a need for rate cuts.

May fed funds futures are now pricing in 12 bps of hikes for the next FOMC meeting on 3rd May with a year-end rate of 4.18%, which is well below the Fed's median dot for this year as mentioned above. The S&P 500 finished the day -1.64% and, which the 2yr Treasury fell by 23bps to 3.94%.

We continue to position our UBS money market funds to take advantage of this rate hike and for the broader market environment.

You could lose money by investing in money market funds. Although certain money market funds seek to preserve the value of your investment at $1.00 per share, they cannot guarantee they will do so. Certain funds may impose a fee upon sale of your shares or may temporarily suspend your ability to sell shares if the fund's liquidity falls below required minimums because of market conditions or other factors. An investment in any money market funds is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Money market funds' sponsor has no legal obligation to provide financial support to them, and you should not expect that the sponsor will provide financial support to money market funds at any time.

For more information: Contact your financial advisor or UBS Asset Management at 888-793 8637 for a current Fund prospectus. Consider carefully the Fund's investment objectives, risks, charges, expenses and other matters of interest set forth in the prospectus. The prospectus contains this and other information about the Fund. Please read it carefully and consider it before investing. It is important you have all the information you need to make a sound investment decision. An investment in a fund is only one component of a balanced investment plan. Diversification and asset allocation strategies do not ensure gains or guarantee against loss.

Current and future portfolio holdings are subject to risk.

UBS Asset Management (US) Inc., the Fund's placement agent, is an affiliate of UBS-AM. UBS-AM is registered with the SEC as an investment advisor. UBS-AM is an indirect wholly owned subsidiary of UBS Group AG.

Not FDIC insured. May lose value. No bank guarantee.

For marketing and information purposes by UBS. Published March 2023. This document does not replace portfolio and fund-specific materials.

Americas
The views expressed are a general guide to the views of UBS Asset Management as of March 2023. The information contained herein should not be considered a recommendation to purchase or sell securities or any particular strategy or fund. Commentary is at a macro level and is not with reference to any investment strategy, product or fund offered by UBS Asset Management. The information contained herein does not constitute investment research, has not been prepared in line with the requirements of any jurisdiction designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. The information and opinions contained in this document have been compiled or arrived at based upon information obtained from sources believed to be reliable and in good faith. All such information and opinions are subject to change without notice. Care has been taken to ensure its accuracy but no responsibility is accepted for any errors or omissions herein. A number of the comments in this document are based on current expectations and are considered "forward-looking statements". Actual future results, however, may prove to be different from expectations. The opinions expressed are a reflection of UBS Asset Management's best judgment at the time this document was compiled, and any obligation to update or alter forward-looking statements as a result of new information, future events or otherwise is disclaimed. Furthermore, these views are not intended to predict or guarantee the future performance of any individual security, asset class or market generally, nor are they intended to predict the future performance of any UBS Asset Management account, portfolio or fund.

Separately Managed Accounts discussed herein are offered through UBS Financial Services Inc., which serves as the program sponsor. UBS Financial Services Inc. provides consulting, custody and execution services to clients invested in the UBS Asset Management separately managed account strategies.

There are fees associated with investing in separately managed accounts. For fees charged in connection with the UBS Financial Services program, please refer to the UBS Financial Services ADV Wrap Fee Program Brochure.

For more information, contact UBS Asset Management at 888-793 8637. Mutual funds are sold by prospectus, which includes more complete information on risks, charges, expenses and other matters of interest. Investors should read the prospectus carefully before investing. An investment in the Fund is only one component of a balanced investment plan.

UBS Asset Management (Americas) Inc., 787 Seventh Avenue , New York, NY 10019
The content of the discussion is not to be construed as legal, business or tax advice.

UBS Group AG has agreed to acquire Credit Suisse Group AG.

Follow us on LinkedIn

www.ubs.com/am
AMT-3916 C 3/23