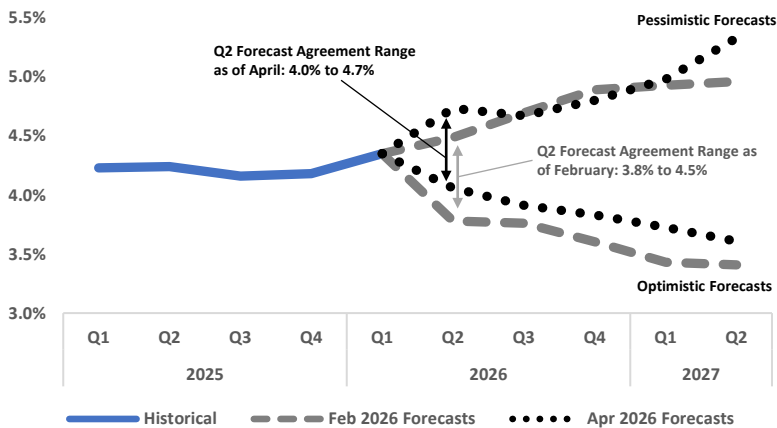


Briefing

- The Economic Policy Uncertainty (EPU) research group combines data from news coverage, changes in the tax code and disparity among economic forecasters to create measures of uncertainty surrounding economic policy for the U.S. and for individual states. By EPU's measure, uncertainty about economic policy peaked with the enactment of the 2025 tariffs and experienced a partial resurgence in the past month with the conflict in the Middle East (**Figure 1**).
- As of February 24, Fed funds futures markets were pricing in 25-basis-point-rate cuts in Q2 and Q3. A week later, markets had pushed back their expectations to Q3 and Q4. The closure of the Strait of Hormuz and the resulting oil price spike contributed to markets changing their estimates to only one rate cut and then, by March 24, to no rate cuts (**Figure 2**). The most recent forecast remains at no rate cuts for 2026.
- The Chicago Board Options Exchange volatility index (VIX) measures expectations of stock market swings over the next 30 days. A high volatility index implies coming fluctuations, not necessarily declines (**Figure 3**). Some events, like the AI stock sell-off, affect stock prices but don't represent changes in policy. These shocks show up in VIX but not EPU (**Figure 1**).

Chart of the Week

10-Year Treasury Yield Forecast Agreement Range



Commentary

People speak of forecasts as if the numbers were fixed knowns. For example, as of April, the consensus Blue Chip forecast was that the 10-year Treasury yield will be 4.28% by the end of Q2 2026. The reality is that uncertainties—such as unforeseen events and imperfections in data collection—conspire to almost guarantee that the actual yield won't be 4.28%. Forecasters hope it will be close.

Rather than citing a single forecast, it is more useful to cite a range of forecasts. The ranges above depict Treasury yields forecasted by 95% of forecasters (**Chart of the Week**). While it's anyone's guess what the yield will be come the end of Q2, it is probable that it will fall somewhere within this range.

In February, 95% of forecasters expected the 10-year yield to end Q2 between 3.8% and 4.5%. By April, the range moved to 4.0% to 4.7%. This change tells us two things. First, forecasters are just as unsure about their forecasts in April as in February (both agreement ranges are 70 basis points). Second, since February, the pessimists have become more pessimistic and the optimists have become less optimistic—both by 20 basis points. A 20-basis-point increase in a single forecast can be random noise, but an increase at both ends of an agreement range is more likely due to something real happening.

Snapshots

Figure 1. Economic Policy Uncertainty Index

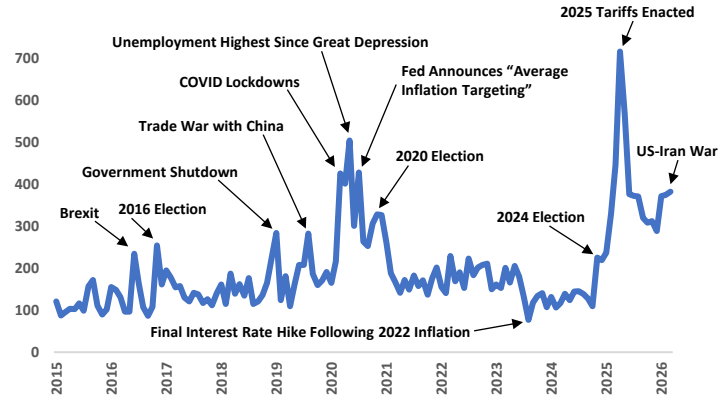


Figure 2. Evolution of Fed Funds Rate Forecasts for 2026

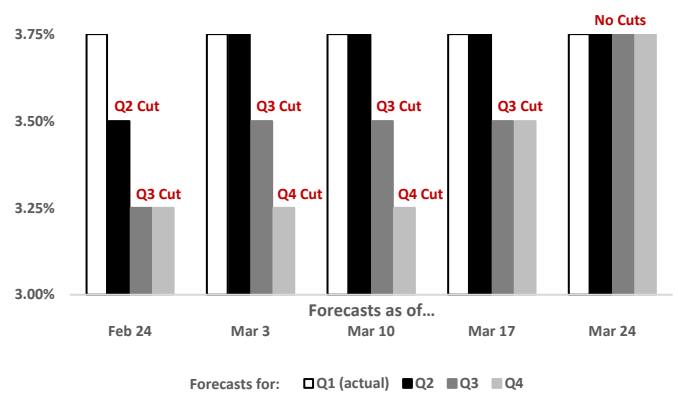
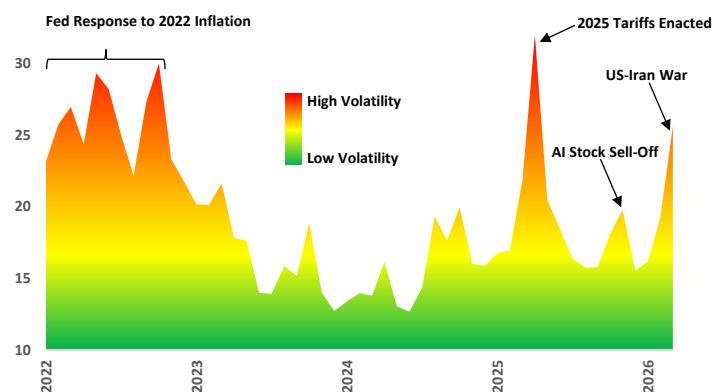


Figure 3. Chicago Board Options Exchange Volatility Index



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Key Indicators

INTEREST RATES ¹	2026				2027	
	Current	Q2	Q3	Q4	Q1	Q2
Fed Funds Target ² (%)	3.75	3.75	3.75	3.75	3.75	3.75
SOFR (%)	3.66	3.52	3.42	3.36	3.32	3.26
2Y UST (%)	3.80	3.63	3.58	3.56	3.53	3.51
5Y UST (%)	3.93	3.83	3.80	3.79	3.79	3.80
10Y UST (%)	4.32	4.28	4.24	4.23	4.22	4.23
30Y UST (%)	4.92	4.86	4.83	4.81	4.79	4.79

ECONOMY	2026				2027	
	Current	Q2	Q3	Q4	Q1	Q2
PCE Inflation (YoY %)	2.8	3.9	2.3	2.4	2.4	2.2
CPI Inflation (YoY %)	3.3	4.7	2.2	2.5	2.5	2.2
Real GDP (QoQ %)	0.5	1.8	1.8	2.0	2.1	2.1
Unemployment (%)	4.3	4.5	4.5	4.4	4.4	4.4
Consumer Spending (QoQ %)	1.9	1.5	1.7	1.8	2.0	2.0
Industrial Production (YoY %)	0.7	1.2	1.1	1.9	1.8	1.8

Equities & Currency

	Current	Year ago	YoY Δ
DJIA	49,237	40,228	22.4%
Nasdaq	24,773	17,366	42.7%
S&P 500	7,160	5,529	29.5%
US Dollar Index	\$1,193.77	\$1,219.82	(2.6%)

Commodities

	Current	Year ago	YoY Δ
Crude Oil (Per Barrel)	\$96.20	\$62.05	54.8%
Natural Gas (Per MMBtu)	\$2.61	\$3.34	(21.8%)
Coal (Per Short Ton)	\$13.02	\$9.56	36.6%
Gold (Per Ounce)	\$4,695.80	\$3,337.50	40.7%
Corn (Per Bushel)	\$4.58	\$4.76	(3.8%)
Soybean (Per Bushel)	\$11.70	\$10.52	11.3%

Industry

	Current	Year ago	YoY Δ
Natural Gas Storage (Billion Cubic Feet)	2,063	1,921	7.4%
U.S. Daily Power Consumption (MWh)	9,527,226	9,851,460	(3.3%)
World Container Index (Per 40ft)	\$2,232	\$2,157	3.5%

¹ Unless otherwise indicated, forecasts are from the Blue Chip Professional Forecasters.
² Target rate forecast is based on futures market contracts.

Sources: © Oxford Economics, Blue Chip Financial Forecasts, Trading Economics, Moody's Analytics, Statista, Oxford Economics, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, U.S. Energy Information Administration, U.S. Treasury Department, Federal Reserve Bank of Atlanta, Federal Reserve Bank of New York, Federal Reserve Bank of St. Louis, International Monetary Fund, World Bank, University of Michigan, The Conference Board.

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Forecasts

