



MARKET FUNDAMENTALS

Revised
04/30/2026



LifetimeRetirementPartners.com

Monetary indicators help us understand the broader financial environment in which businesses and consumers operate. They show whether borrowing is becoming easier or harder, how much liquidity is flowing through the economy, and how actively the banking system is supplying credit. Because monetary conditions influence everything from mortgages to business investment, tracking these trends provides valuable context for understanding underlying economic momentum.

In our evaluation process, we break monetary analysis into two complimentary halves:

FEDERAL POLICY: reflects the Federal Reserve's efforts to guide the economy through interest rate decisions and balance sheet management. Changes in policy can encourage borrowing and investment, or they can slow activity in an effort to control inflation.

LENDING AND LIQUIDITY: captures how much real credit is being created by banks and how quickly money is circulating. Even when the Fed's stance is stable, shifts in bank lending or liquidity growth can indicate meaningful changes in financial conditions. Bank lending is often analogized as lubricant for the economic engine.

As with other parts of our dashboard, we place emphasis on forward-looking and momentum-based indicators. Monetary data often turns before the broader economy does, and trends—whether tightening or easing—can be more important than any single reading. By focusing on direction and consistency, rather than isolated monthly numbers, we aim to identify emerging shifts in financial conditions that may help signal turning points in the economic cycle.



Current Grade of
Monetary Indicators:

SCORE:
2
(SCALE -2 TO +2)

POSITIVE

QUICK LOOK

Federal Funds Rate

3.75%

Bank Credit Growth (YoY)

6.19%

M2 Money Supply (YoY)

4.18%

Yield Curve Margin

0.62%

KEY TAKEAWAYS

- Stocks historically tend to outperform in the six month period following Federal Reserve rate cuts. The old market adage is "don't fight the fed." We are in the midst of one of those cycles.
- Bank lending continues to be expansionary. One of the earliest signs of economic weakness is when banks become more cautious with lending. They begin to stem the flow of borrowing which acts as lubricant for economic expansion.
- The M2 money supply is currently growing at a rate typical of supporting an expansionary environment.
- While the yield curve remains in a narrow range, it is currently at the widest un-inversion since 2022.
- Business loans delinquencies are fractionally higher than they were one year ago.

Monetary Indicators track the overall stance of financial conditions by measuring how policy rates, liquidity, and credit creation interact to support or restrain economic growth. Together, they reflect both the Federal Reserve's intentions and the banking system's willingness to lend, offering insight into whether money is becoming easier or tighter to access. These indicators help identify shifts in the monetary environment that often precede broader economic turning points.

Federal Funds Rate (Upper Range)

Current	3.75%
One Year Ago	4.50%
Trend	Positive
Five Year Average	3.63%
Ten Year Average	2.44%

Total Bank Credit (Year-Over-Year Change)

Current	6.19%
One Year Ago	4.13%
Trend	Positive
Five Year Average	4.68%
Ten Year Average	5.36%

M2 Money Supply (Year-Over-Year Change)

Current (Billions)	4.18%
One Year Ago	3.68%
Trend	Positive
Five Year Average	3.21%
Ten Year Average	5.79%

Yield Curve

Current	0.62%
One Year Ago	-0.04%
Trend	Positive
Five Year Average	-0.04%
Ten Year Average	0.41%

Real Broad Dollar Index (Dollar Strength)

Current	-3.63%
One Year Ago	-5.40%
Trend	--
Five Year Average	1.47%
Ten Year Average	1.13%

Fed Balance Sheet (Quarterly Change)

Current	1.74%
One Year Ago	-0.54%
Trend	Positive
Five Year Average	-0.65%
Ten Year Average	1.34%

Real Fed Funds Rate (Fed Rate - CPE Inflation)

Current	0.44%
One Year Ago	1.66%
Trend	Neutral
Five Year Average	-0.4%
Ten Year Average	-0.5%

Bank Lending Conditions (% of Banks Tightening)

Current	8.1%
One Year Ago	18.50%
Trend	Neutral
Five Year Average	11.9%
Ten Year Average	8.8%

Business Loan Delinquency Rate

Current	1.34%
One Year Ago	1.27%
Trend	Neutral
Five Year Average	1.13%
Ten Year Average	1.19%

Federal Funds Effective Rate

DEFINITIONS

The **Federal Funds Effective Rate**, set by the Federal Reserve FOMC committee, reflects the actual market rate for interbank borrowing. In simplistic terms, this dictates the rates which are passed on to the consumer.

When rates are lower, it is intended to stimulate borrowing by increasing demand; typically done in a weakening economy. Rates are theoretically raised to slow an "overheated" economy or, as seen more recently, to combat inflation (by reducing demand for borrowing).

Forward estimates of Fed Rate activity are updated dynamically on the **CME FedWatch Tool**.

CONTEXT

One of the most repeated pieces of investment advice is "Don't fight the Fed", and for good reason. Historically, when the Fed enters a new rate cut cycle, stocks have rallied the majority of the time (the outliers include the recession years of 2001 and 2007, when a recession had begun *before* rate cuts). Since 1980, in the positive instances following the start of a Fed rate-cut cycle, the S&P 500 has gained an average of about 12% over the subsequent six months.

Historical Data Source:

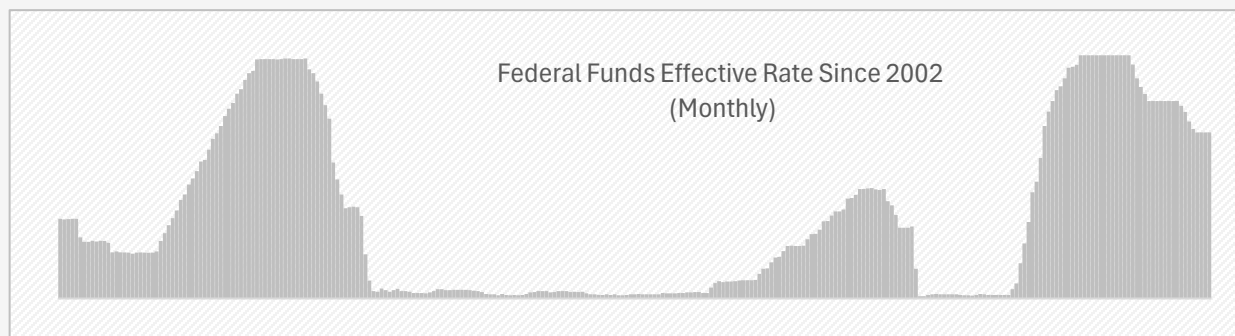
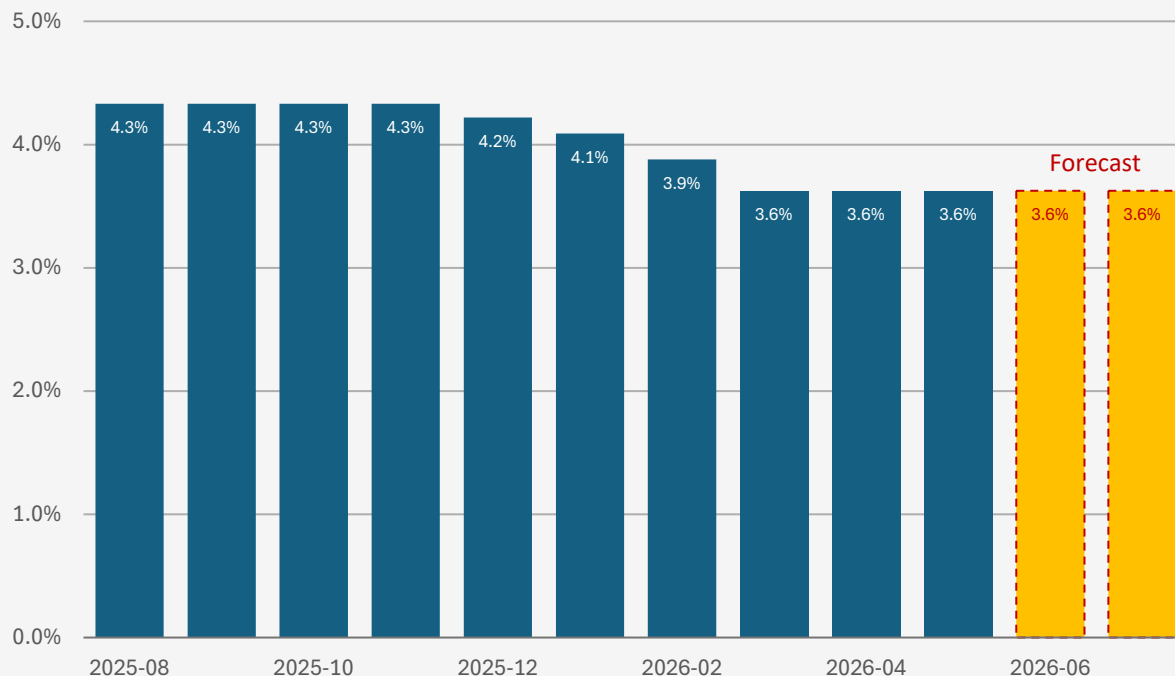
Bureau of Economic Analysis (FRED Database)

SERIES: FEDFUNDS

Projection Source:

CME FedWatch Tool

Federal Funds Effective Rate (Monthly Average)



Total Bank Credit, All Commercial Banks

DEFINITIONS

Total Bank Credit, All Commercial Banks, is a Federal Reserve calculation of the dollar value of all loans and securities held by U.S. commercial banks. It reflects the total amount of credit extended through the U.S. banking system.

Bank lending has been described as oil in the gears of the economy. It is a primary leading indicator economic health. During positive economic conditions, banks are more apt to lend. During periods of economic concern, bank lending tightens through measures like increased borrower qualifications or interest rates.

CONTEXT

At \$19.4 trillion cumulative outstanding, bank lending is currently increasing at an annualized rate of over 6%.

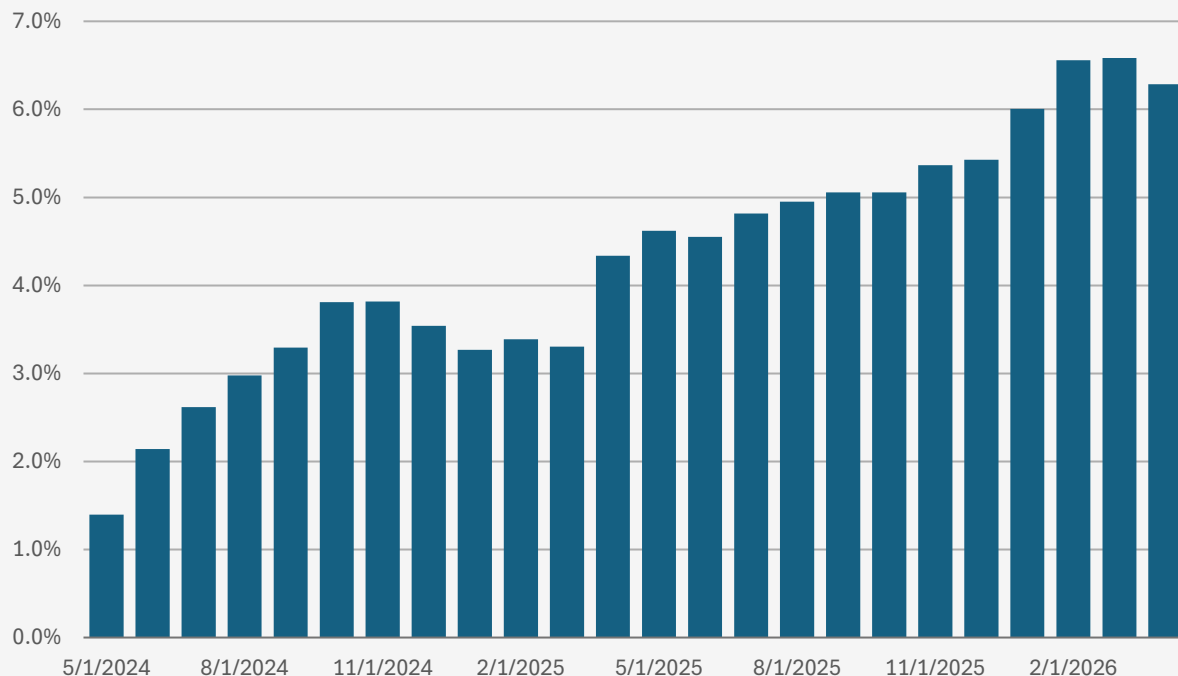
This type of lending is consistent with a normal economic expansion-- neither contractionary nor dangerously overheating. For reference, Total Bank Credit contracted during the Great Recession, surged as high as 12% during the early 2000's boom-and-bust cycle, and tends to pace around 3-6% during periods of economic expansion.

Historical Data Source:

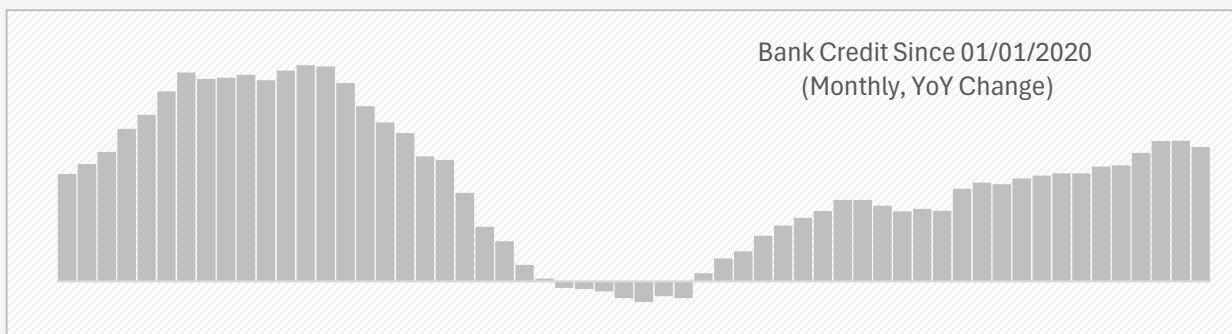
Bureau of Economic Analysis (FRED Database)

SERIES: TOTBKCRNSA

Total Bank Credit, YoY Change (Monthly, Last Two Years)



Bank Credit Since 01/01/2020 (Monthly, YoY Change)



Yield Curve (10-Year Minus 3-Month)

DEFINITIONS

While there are dozens of ways to formulate them, the primary **Yield Curve** measures the yield difference (spread) between the 10-year treasury note and 3-month bill. The normal state of affairs is for long-term money to pay more than short-term yields (you expect more return if you tie up your money for longer).

The yield curve is said to invert when short-term assets pay more than longer term ones, and is a major sign of economic tightening and a recession indicator. When the curve uninverts, it signals a return to normalcy.

CONTEXT

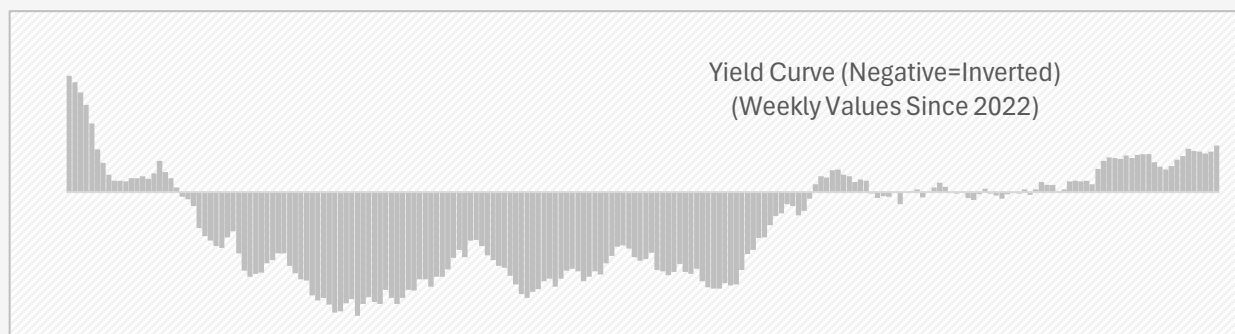
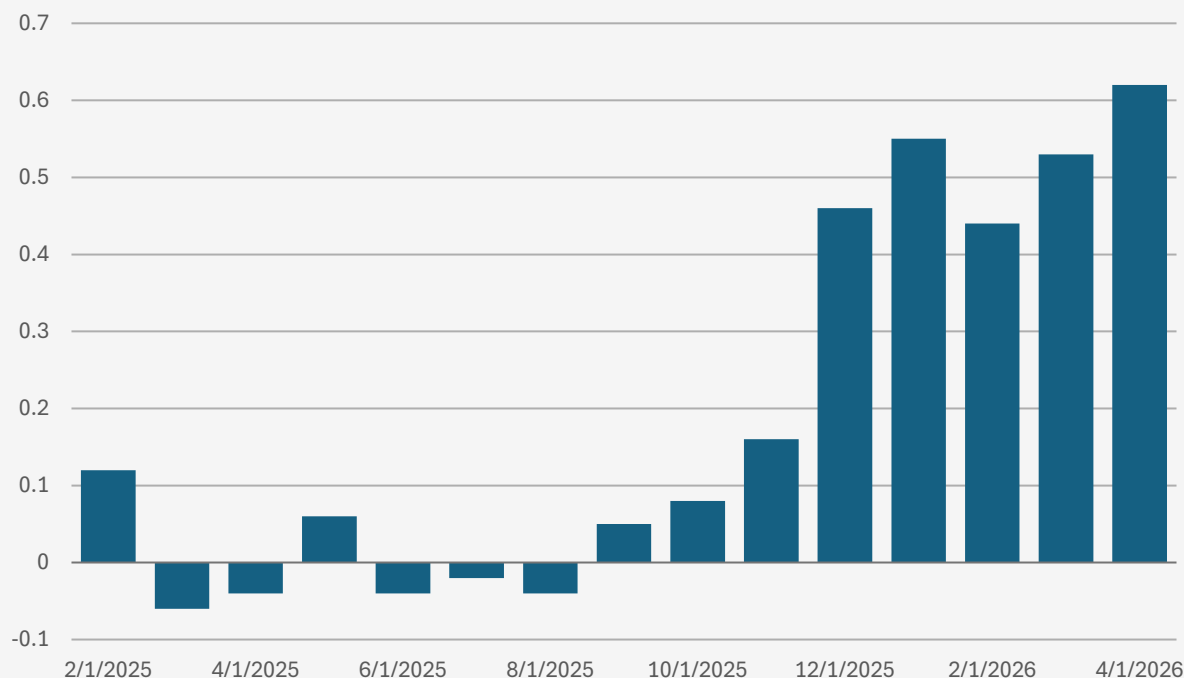
For a period of two years, beginning in late-2022, the yield curve remained steeply inverted. The "recession that wasn't" was one of the few failings of the indicator to predict a downturn, and was likely caused by the historically-steep hiking of rates by the Federal Reserve on top of a strong economy.

In 2025, the yield curve inverted and then uninverted over two dozen times (also a historical anomaly). Moving into 2026, the yield curve is at its widest state of normalcy in nearly four years (since early-2022).

Historical Data Source:

Federal Reserve Bank of St. Louis (FRED Database)
SERIES NAME: T10Y3M

Yield Curve (10YR-3MO) (Monthly Average, Last Fifteen Months)



M2 Money Supply

DEFINITIONS

M2 (Money Supply), is a measure of the outstanding money supply that includes cash, checking deposits, and easily accessible near-money assets such as savings deposits, retail money market funds, and small time deposits.

The Federal Reserve influences the amount of money in circulation through adjustments to interest rates and, bank reserve policy, and its own lending (or tightening) programs.

For fiscal equilibrium, economists generally expect the supply of money in circulation to increase slowly along with GDP growth. While a contracting money supply is often associated with economic contraction, an exploding money supply is expected to be inflationary.

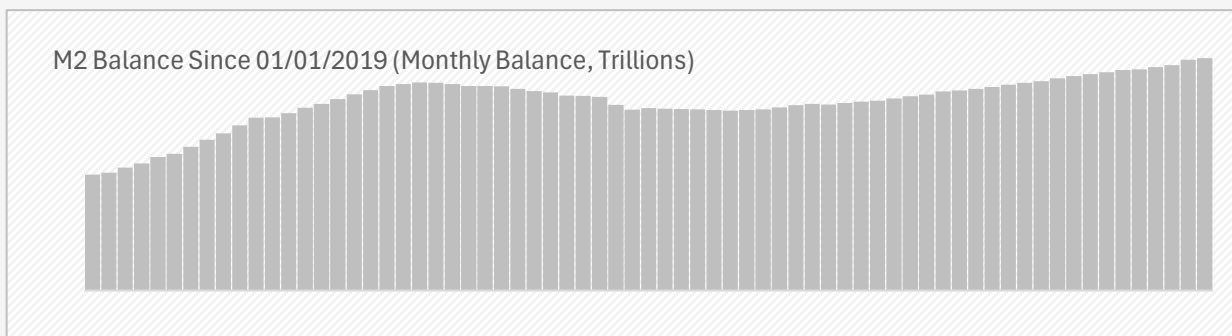
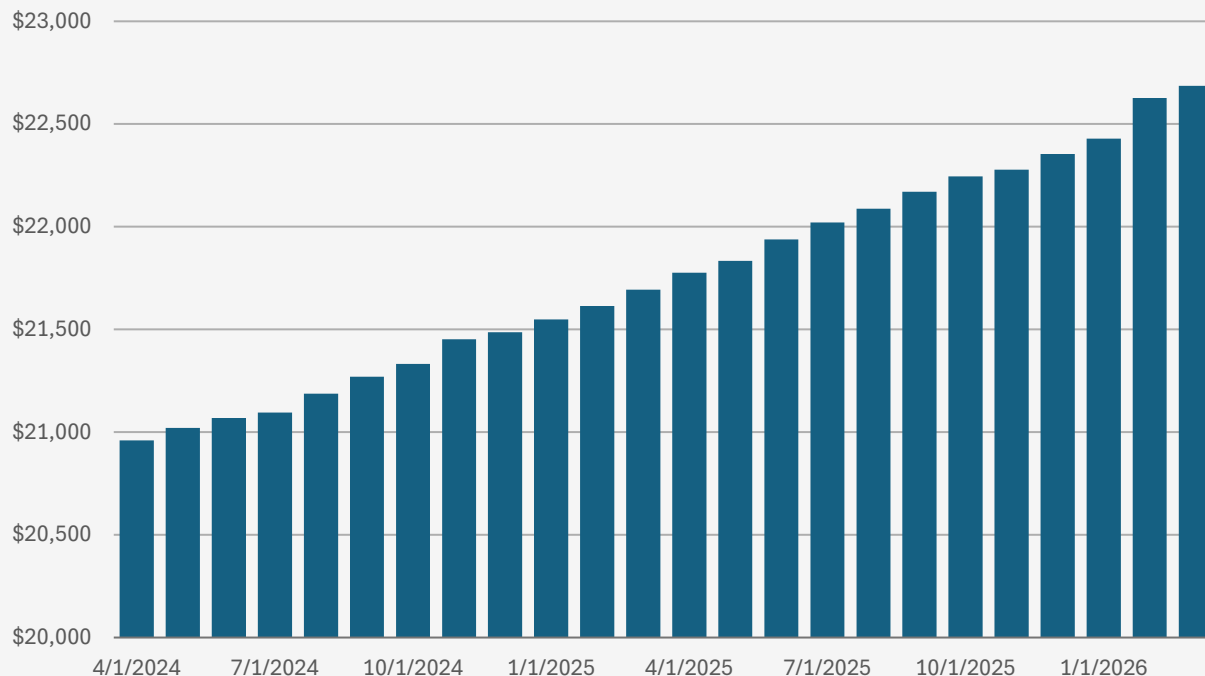
CONTEXT

M2 surged at an unprecedented level following the Covid pandemic, contributing to an explosion in inflation (more dollars were chasing the same quantity of goods). The Fed then embarked on a campaign to tighten the money supply. Since 2024, supply has resumed expanding. The money supply is currently increasing at a rate of 4.3%. This is a historically typical rate.

Historical Data Source:

Board of Gov. of the Federal Reserve (FRED Database)
SERIES: M2

M2 Money Supply, Trillions (Monthly, Last Two Years)





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