GLENMEDE
INVESTMENT MANAGEMENT

Q3 2024

ENHANCED CASH
QUARTERLY COMMENTARY

HIGHLIGHTS

- Bond yields rallied across the short end of the yield curve in the third quarter of 2024.
- The Glenmede Enhanced Cash strategy (“strategy”) underperformed for the quarter versus the ICE BofA 1-3 year US Treasury and Agency Index primarily because our sector weights tilted towards higher quality and our recent purchases of the treasury sector in the short end of the curve.
- As we enter the fourth quarter, labor market growth and inflation statistics will be scrutinized for possible further moves from the Federal Reserve.

Bond yields rallied across the short end of the yield curve in the third quarter of 2024. The Federal Reserve Open Market Committee (FOMC) met twice in the quarter, and at the conclusion of their September 18th meeting, lowered rates by 50 basis points. The current Fed funds target now stands at 4.75 to 5.0 percent. Fed Chair, Powell, also stated that officials would continue to reduce rates from a two-decade high to maintain solid economic growth. With inflation falling over the past year, officials have now begun to shift their focus towards preventing a weakening labor market and slower economic growth.

For the quarter, short and intermediate corporates with their attractive yield profile were the best performers returning 4.7%, short and intermediate treasuries returned 4.0%, mortgages returned 5.5%, and agencies returned 4.6%. The short end of the yield curve steepened in the third quarter, with the two-year treasury lower by 111 basis points to yield 3.6%, and the five-year treasury rallying 82 basis points to yield 3.6%. The yield spread between the two-year treasury and five-year treasury closed the quarter at negative 8 basis points. With our sector weights tilted towards higher quality and our recent purchases of the treasury sector in the short end of the curve, the Enhanced Cash Composite outperformed the benchmark for the quarter.

As we enter the fourth quarter, labor market growth and inflation statistics will be scrutinized for possible further moves from the Federal Reserve. Volatility should remain elevated. The Fed's pivot has most economists predicting several more cuts later this year. Adhering to our investment process, we will maintain liquidity and our high-quality bias. Positioning within the portfolios will remain duration neutral and our investments will remain in the short to intermediate part of the curve.

Sources: Glenmede Investment Management, LP, Bloomberg

1650 Market Street, Suite 1200 Philadelphia, PA 19103-7391
215-419-6662 | gimclientsupport@glenmede.com
glenmedeim.com

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