

Carolina Cash Adventures Conference

May 2022

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Macroeconomic and Current Market Conditions

Past Peak Growth, but Global Expansion Should Persist

Business Cycle Framework

Cycle Phases EARLY

- Activity rebounds (GDP, IP, employment)
- Credit begins to grow
- Profits grow rapidly
- Policy still stimulative
- Inventories low; sales improve

MID

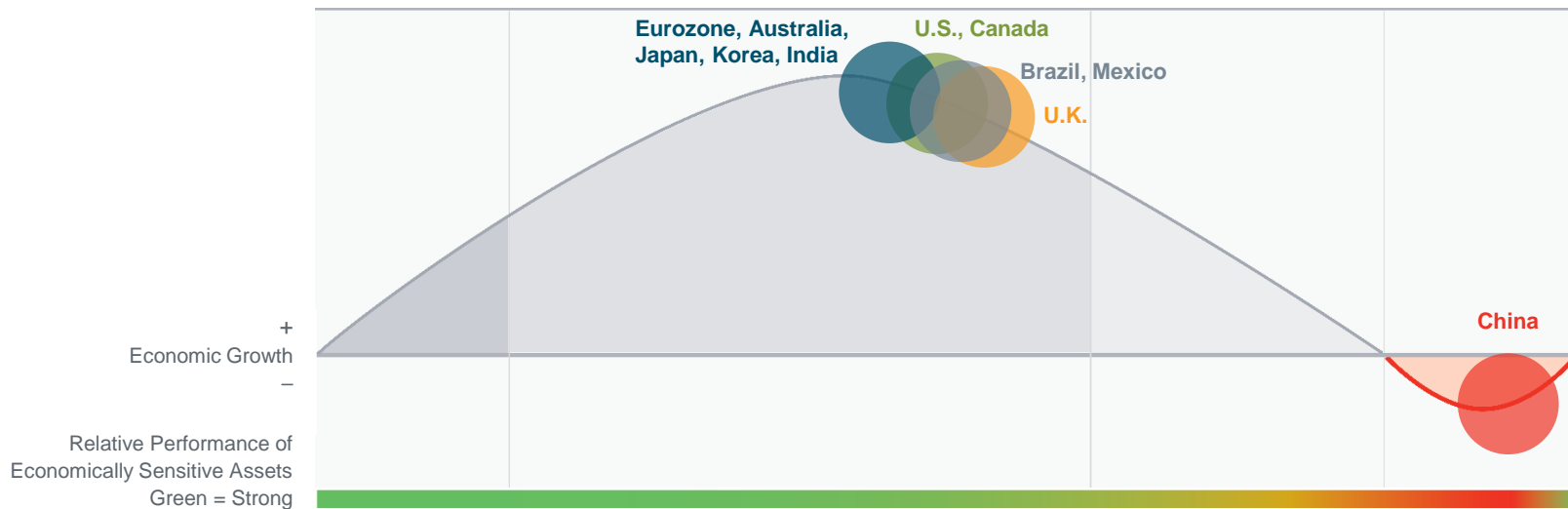
- Growth peaking
- Credit growth strong
- Profit growth peaks
- Policy neutral
- Inventories, sales grow; equilibrium reached

LATE

- Growth moderating
- Credit tightens
- Earnings under pressure
- Policy contractionary
- Inventories grow, sales growth falls

RECESSION

- Falling activity
- Credit dries up
- Profits decline
- Policy eases
- Inventories, sales fall

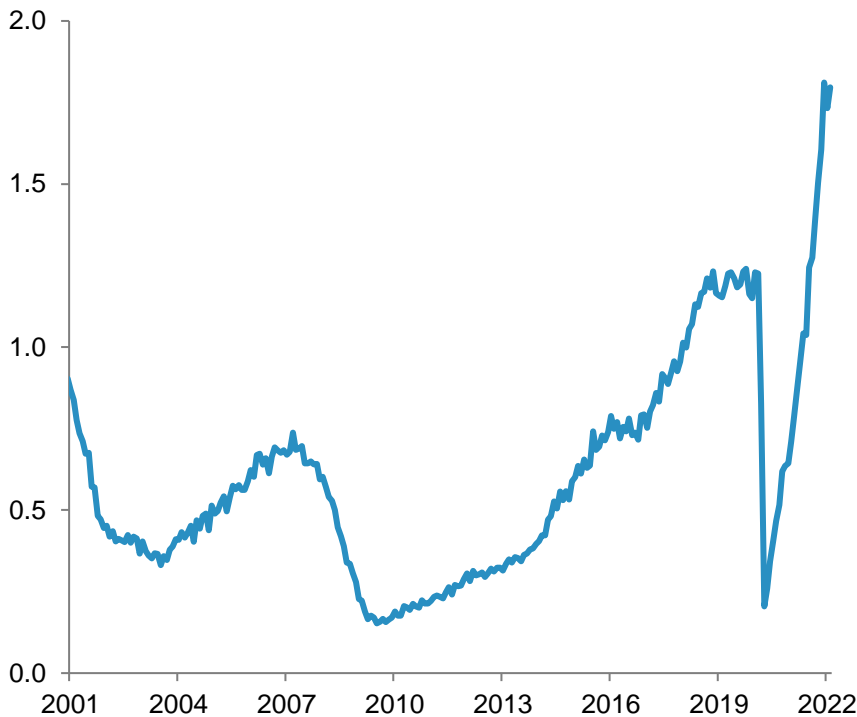


A growth recession is a significant decline in activity relative to a country's long-term economic potential. Note: The diagram above is a hypothetical illustration of the business cycle, the pattern of cyclical fluctuations in an economy over a few years that can influence asset returns over an intermediate-term horizon. There is not always a chronological, linear progression among the phases of the business cycle, and there have been cycles when the economy has skipped a phase or retraced an earlier one. Source: Fidelity Investments (AART), as of 3/31/2022.

Tight Labor Market as Participation Continues to Improve

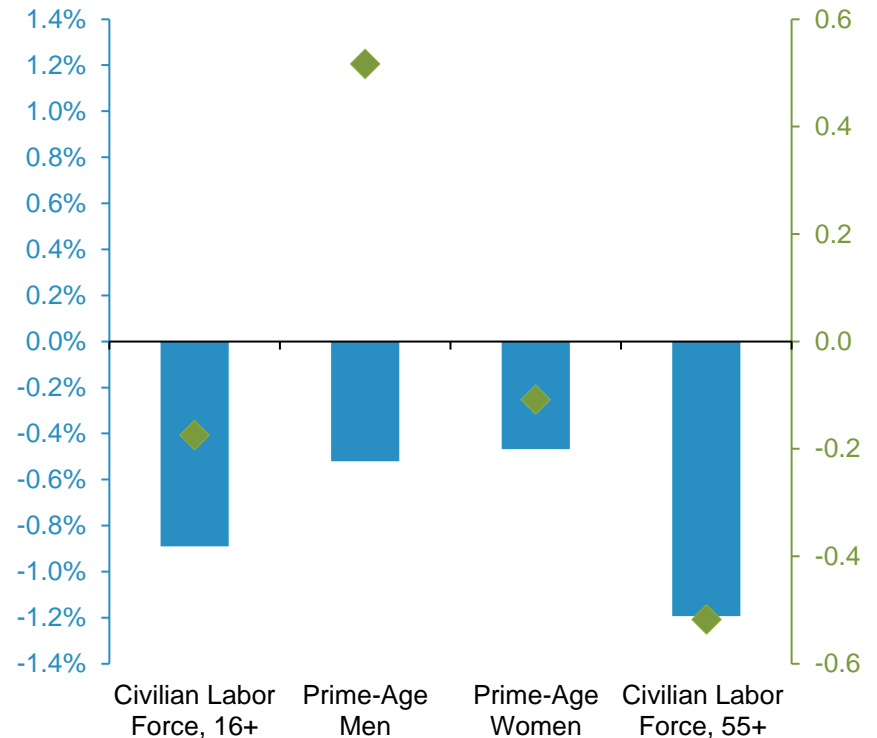
Job Openings

Jobs Per Unemployed Person



Change in Labor Force Relative to Feb. 2020

■ Participation Rate ◆ People



LEFT: total job openings divided by total unemployment. Source: Bureau of Labor Statistics, Haver Analytics, Fidelity Investments (AART), as of 2/28/22. **RIGHT:** Ppts: Percentage points. Seasonally adjusted data. Prime age comprises individuals 25 to 54 years old. Source: Bureau of Labor Statistics, Haver Analytics, Fidelity Investments (AART), as of 3/31/2022.

Wage Pressures Hurt, but Businesses Show Pricing Power

U.S. Small Business Wage and Price Survey

— Raised Wages — Raised Prices

Prices and Wage Survey Highlights

Fidelity Analyst Survey: Over 85% of analysts expect higher wages and prices

Fed Wage Tracker at multi-decade high of 6.5%

Negative Real Wage Growth at -1.4%

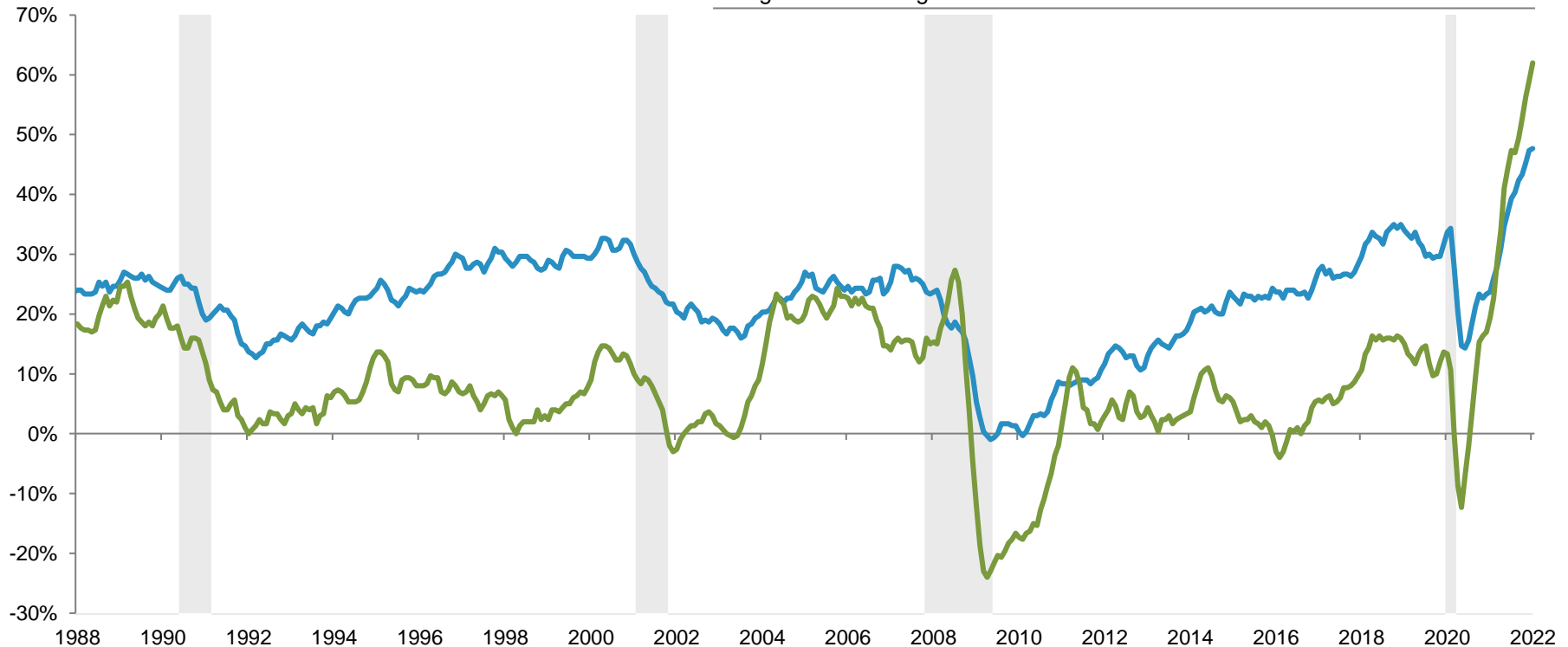
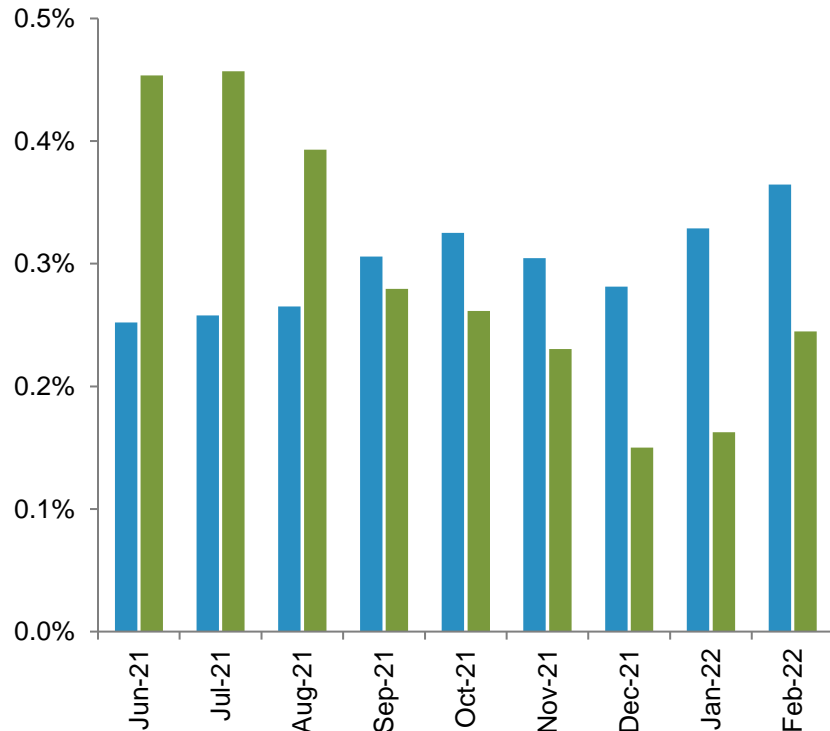


CHART: Net Percentage: Raising wages/prices minus not raising wages/prices over past three months. Gray bars represent recessions. Source: National Federation of Independent Business, NBER, Haver Analytics, Fidelity Investments (AART), as of 2/28/22. **TABLE:** Fidelity Analyst Survey: Quarterly survey of equity and fixed income analysts who cover different sectors and regions. Fed Wage Tracker: Atlanta Fed overall year-over-year weighted. Real Wage: Wage tracker growth minus CPI-U year-over-year change. Source: Federal Reserve Bank of Atlanta, Bureau of Labor Statistics, Haver Analytics, Fidelity Investments (AART), as of 3/31/2022.

Inflation Pressures Becoming More Persistent

Persistent vs. Transitory Inflation Contribution

■ More Persistent ■ Less Persistent

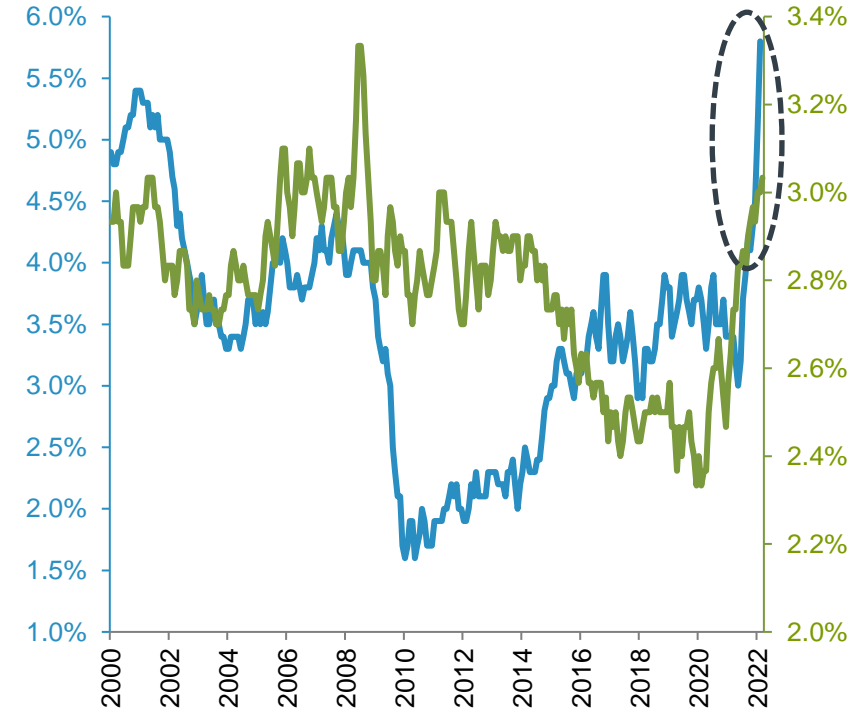


Wages and Price Expectations

— Wage Growth — Inflation Expectations

Year-over-Year

Annual Average

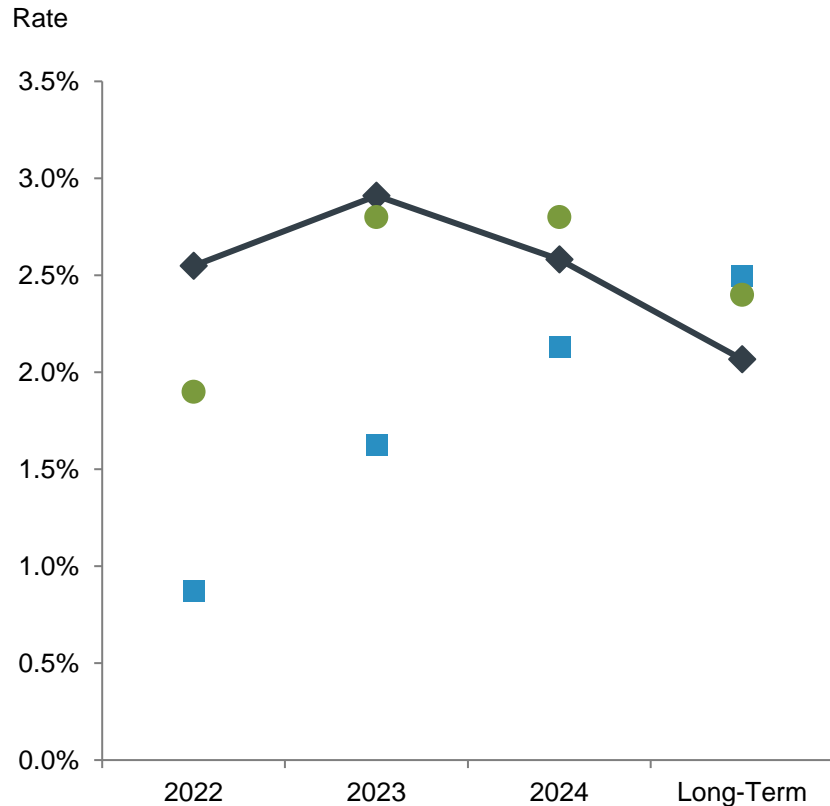


LEFT: CPI: Consumer Price Index. More Persistent Categories include areas where, historically, inflation has taken longer to dissipate, such as Housing and Food & Beverages. Source: Bureau of Labor Statistics, Haver Analytics, Fidelity Investments (AART), as of 2/28/22. **RIGHT:** Inflation expectations are measured by a 3-month moving average of the University of Michigan's 5-10Y inflation expectations survey. Wage growth is represented by the Atlanta Fed's 3-month moving average of median wage growth (annualized). Source: Bloomberg, Haver Analytics, Fidelity Investments (AART), as of 2/28/2022.

The Federal Reserve “Lifted Off”; More Hikes Signaled

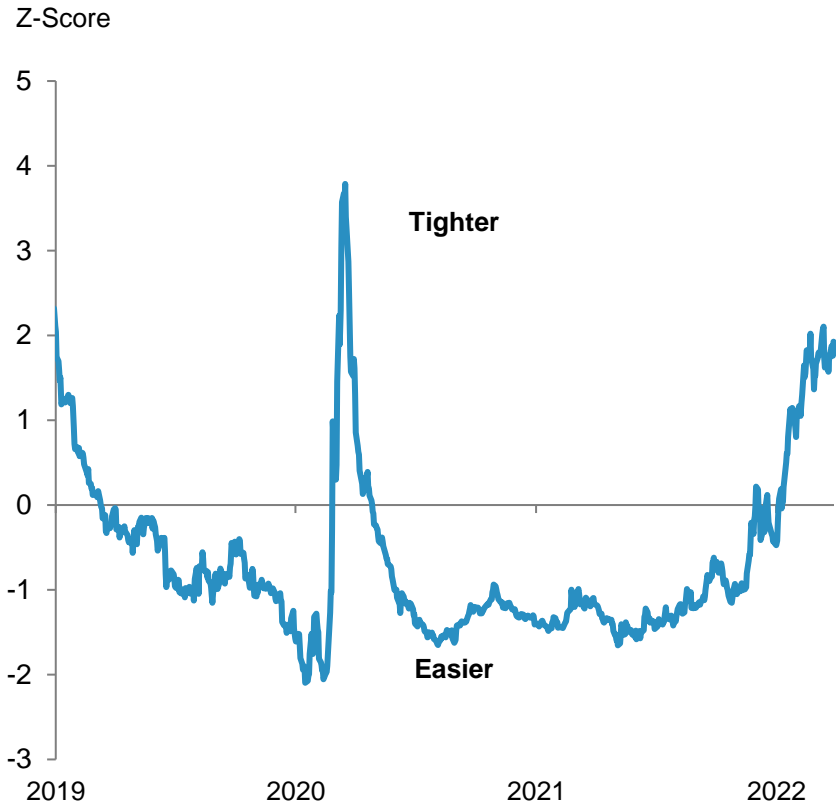
Fed Rate Guidance vs Market Expectations

■ Fed Dots (Dec) ● Fed Dots (Mar) ◆ OIS Swaps (3/31/22)



Financial Conditions

— AART Proprietary Fed Financial Conditions Indicator



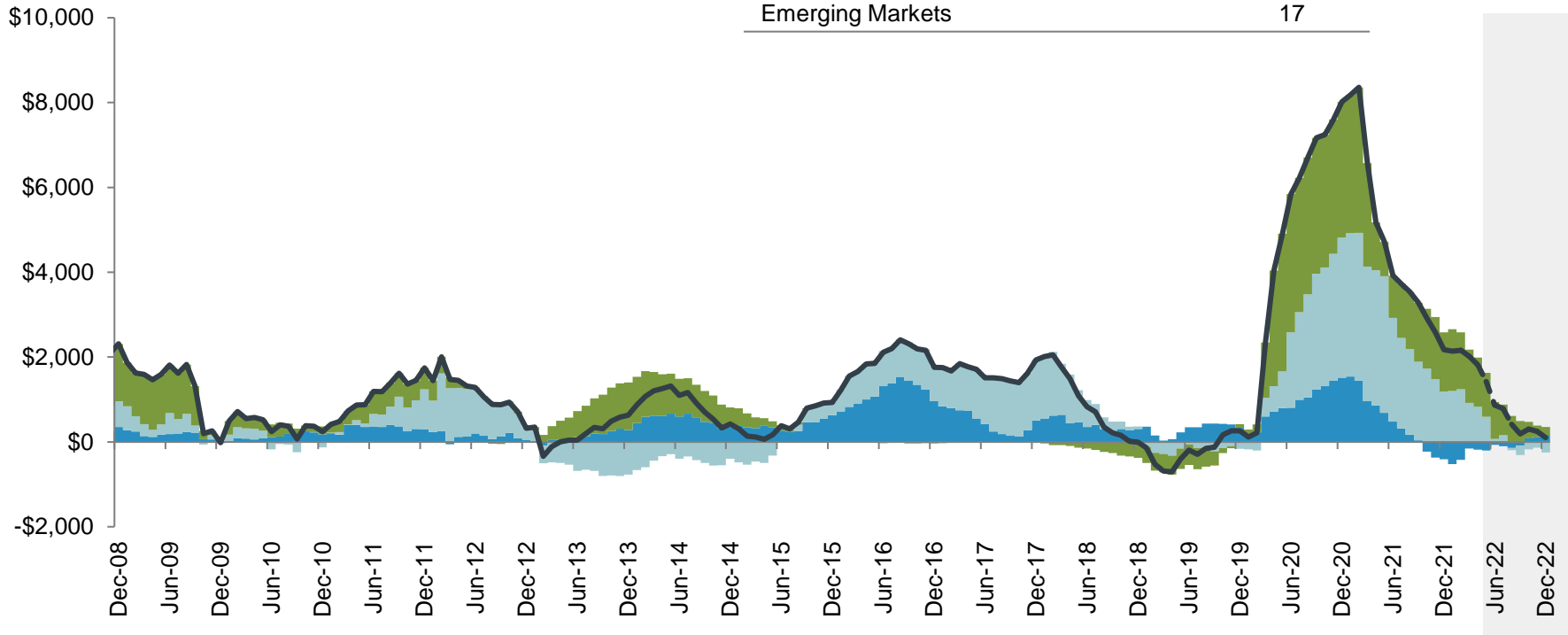
LEFT: Dots: Federal Open Market Committee members' median projection. OIS: Overnight Index Swaps Source: Federal Reserve Board, Bloomberg Financial L.P., Fidelity Investments (AART), as of 3/31/2021. **RIGHT:** AART Proprietary index: looks at a number of different financial conditions indicators through a Fed lens. Sources Bloomberg Financial L.P., Fidelity Investments (AART), as of 3/31/2022.

Central Bank Tightening Implies a Liquidity Headwind

Central Bank Balance Sheets

U.S. Eurozone Japan Total

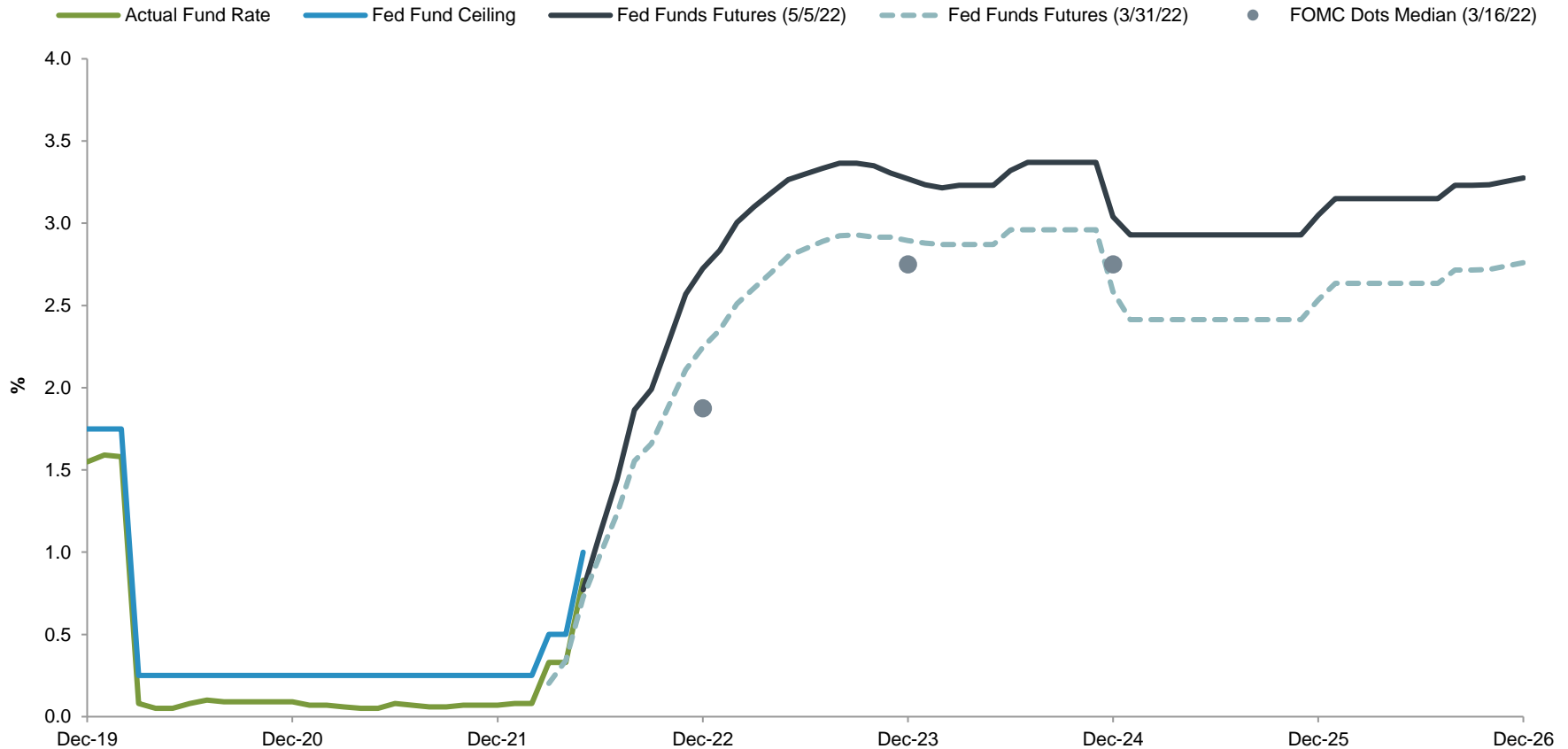
Billions (12-Month Change)



Gray bar represents projected balances. QE: Quantitative easing. Dashed line and shaded area represent estimates based on the U.S. Federal Reserve maintaining a constant balance sheet during 2022, the European Central Bank tapering ordinary QE and its Pandemic Emergency Purchase Program in Q2 2022 and redemptions of Targeted Long-Term Refinancing Operations throughout 2022 based on the March 2022 ECB Survey of Monetary Analysts, and the Bank of Japan purchasing assets at an average of prior 6 months. Source: Federal Reserve, Bank of Japan, European Central Bank, Haver Analytics, Fidelity Investments (AART), as of 2/28/22. TABLE: Emerging-market countries include Brazil, Peru, Poland, Russia, South Africa, and others, as of 3/31/2022.

Fed Fund Futures are Pricing in the Fed's Terminal Rate of Near 2.5% by Year End

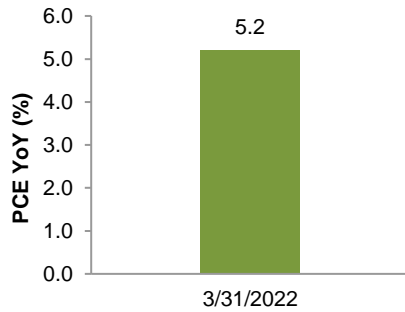
FED FUNDS TARGET, MARKET AND FOMC FORECASTS



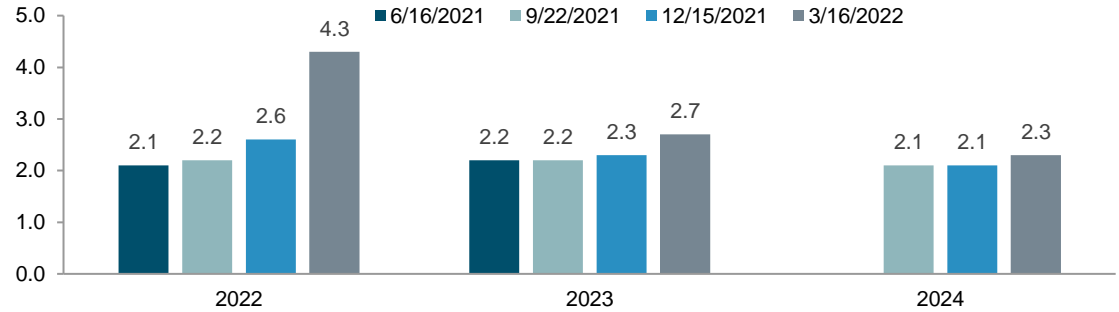
Source: Federal Reserve and Bloomberg as of 5/5/2022.

Federal Reserve's Economic Projections

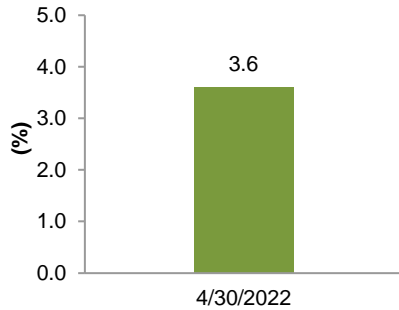
INFLATION



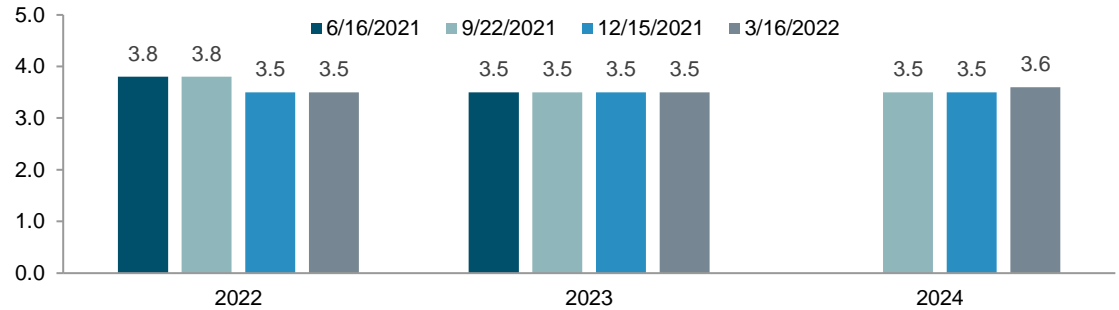
FOMC FORECAST



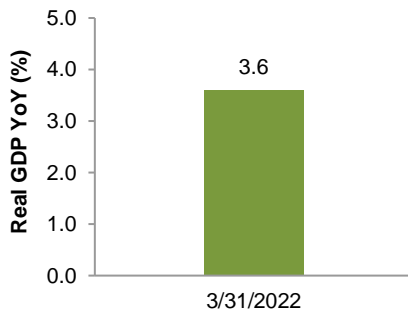
UNEMPLOYMENT RATE



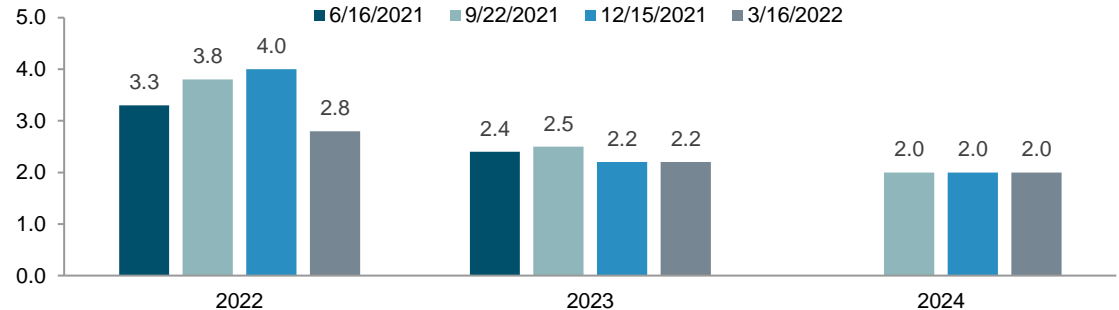
FOMC FORECAST



GDP

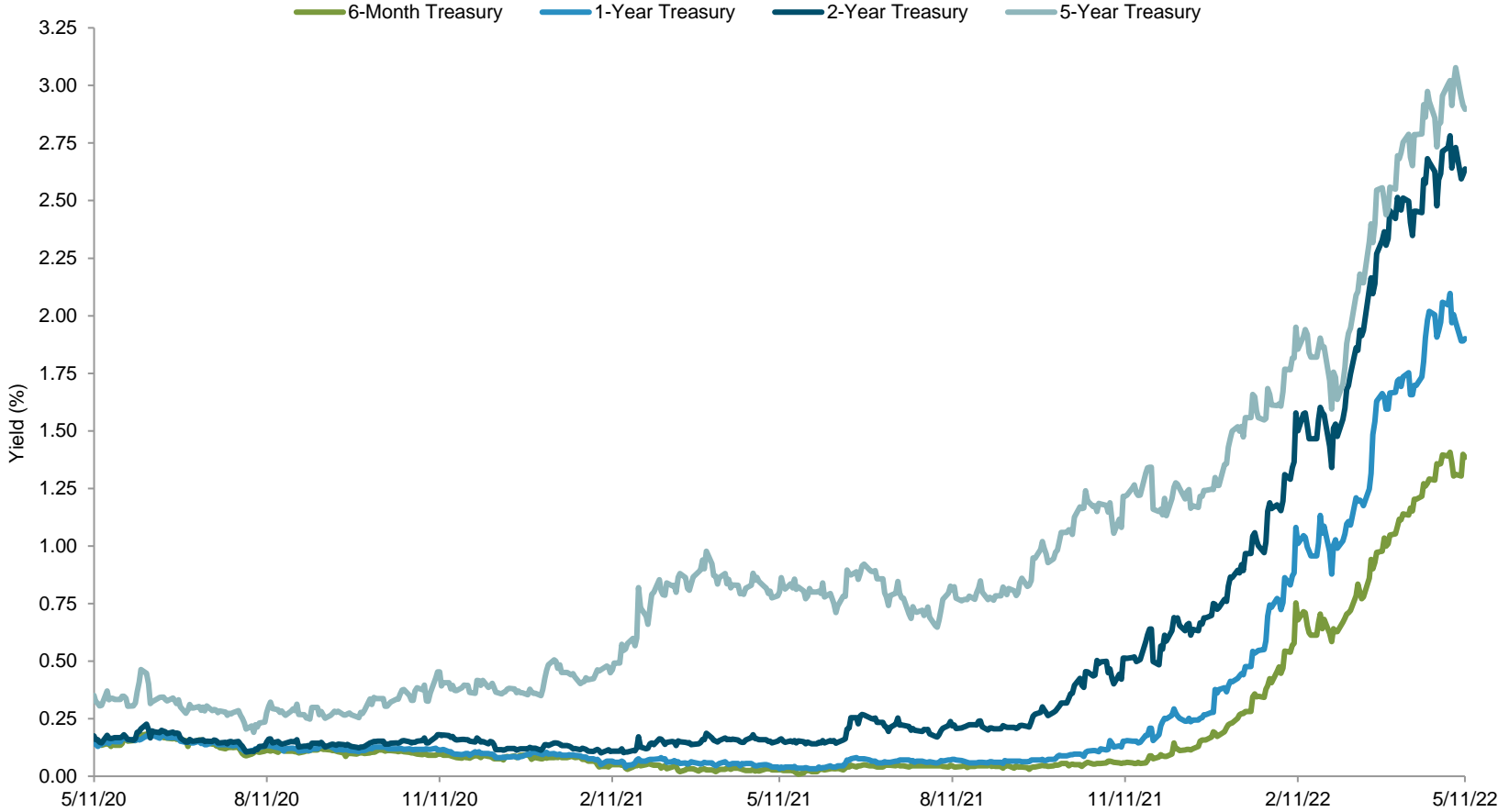


FOMC FORECAST



Source: Bloomberg and Federal Reserve.

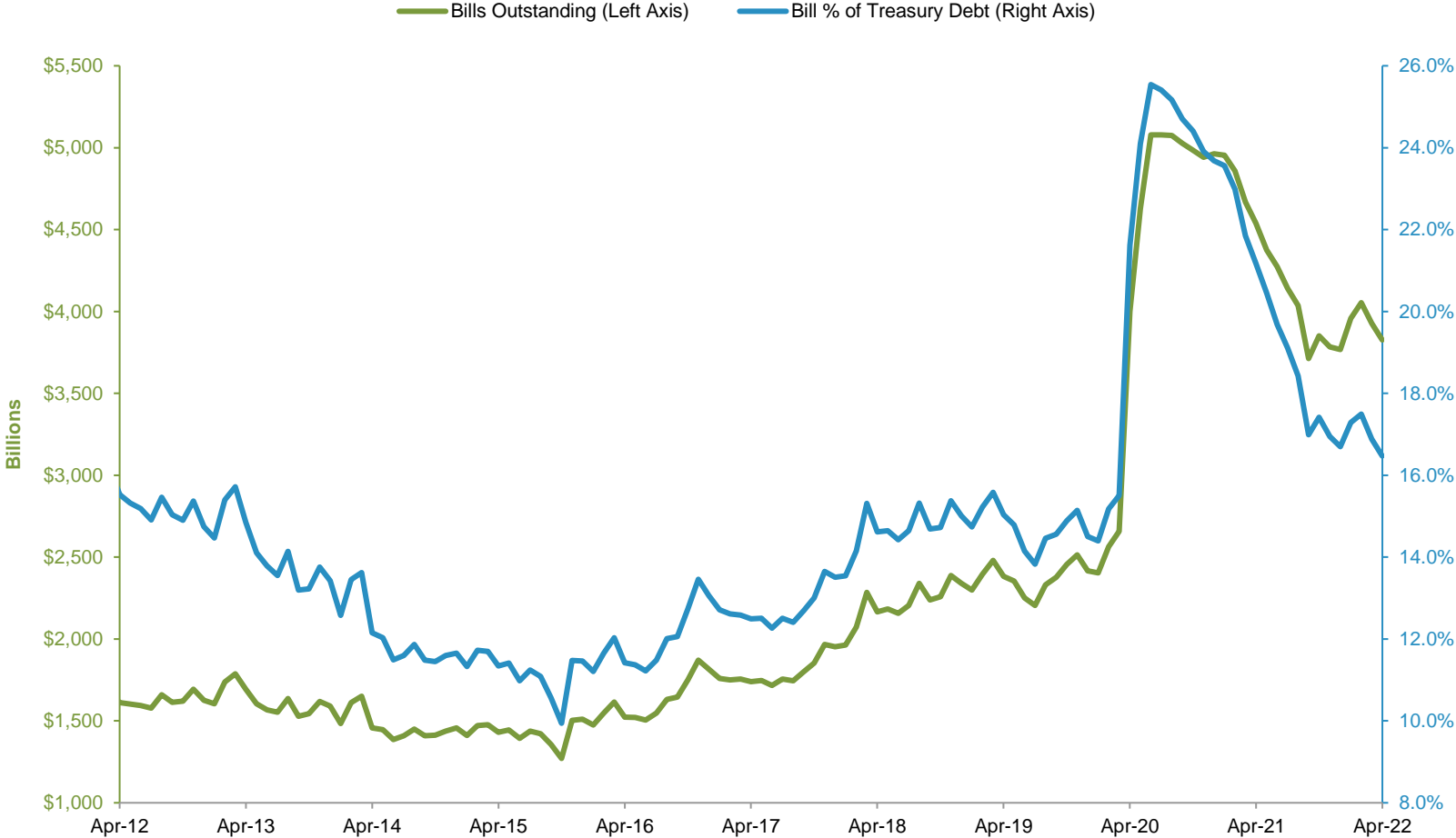
Treasury Yields



Source: Bloomberg as of 5/11/2022.



Treasury Bills Outstanding

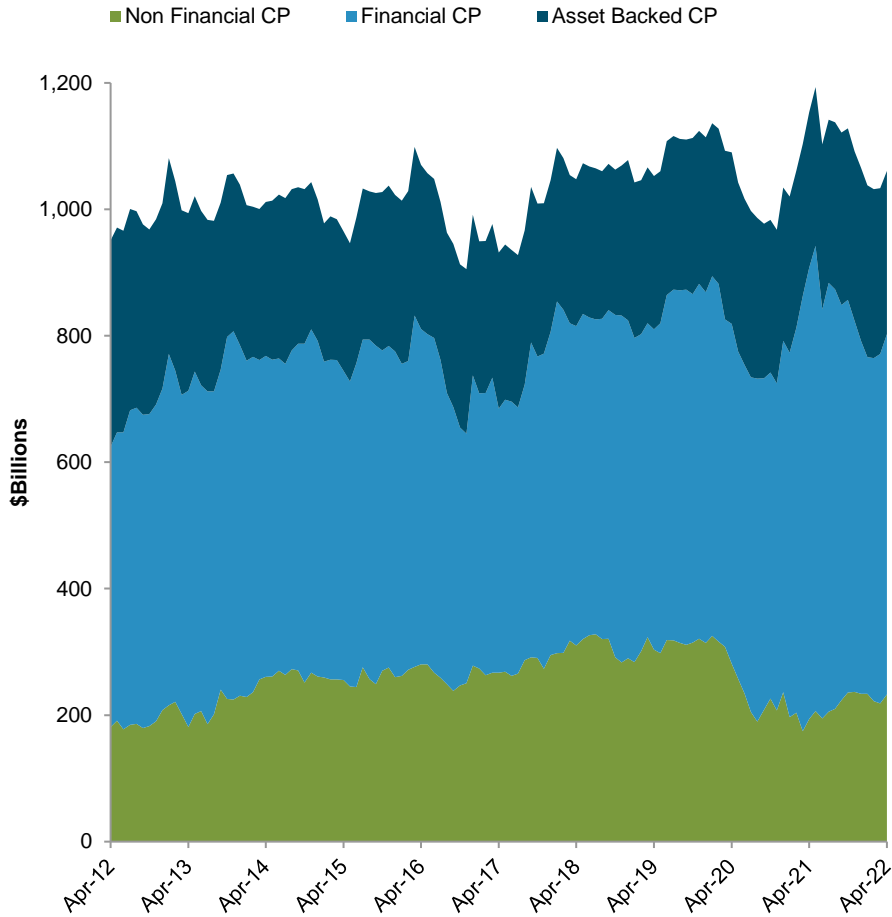


Source: U.S. Treasury and Bloomberg as of 4/30/2022.

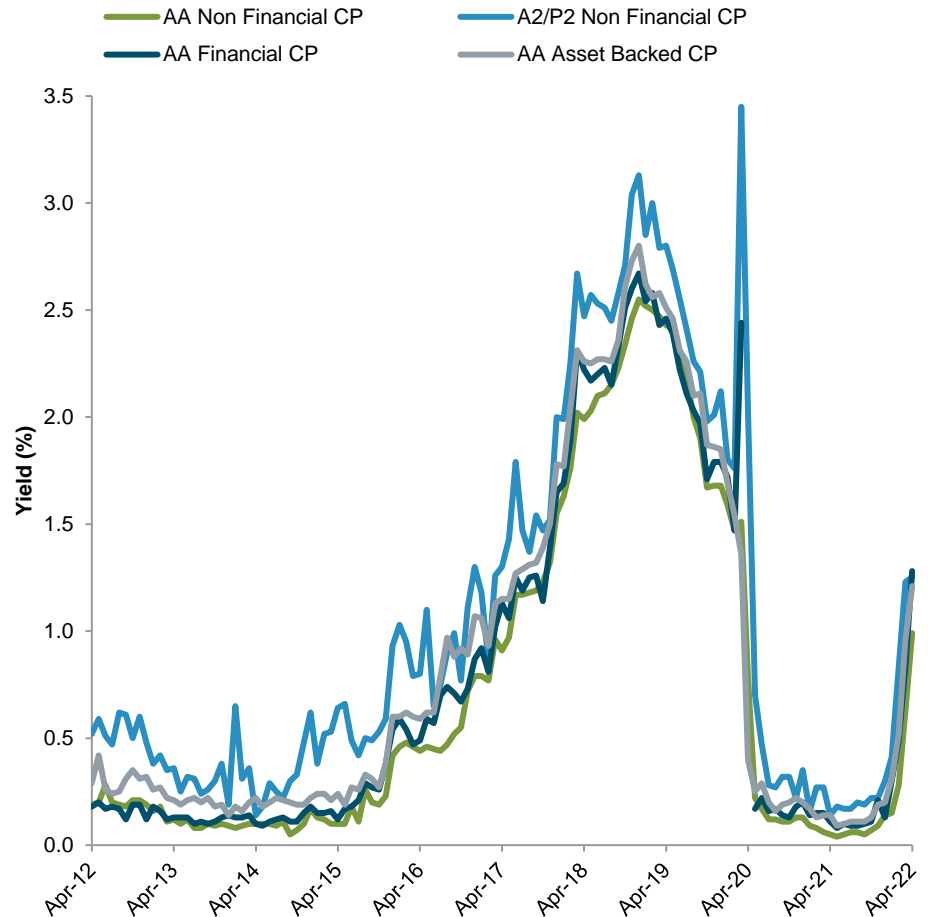


Commercial Paper Supply and Yields

COMMERCIAL PAPER OUTSTANDING



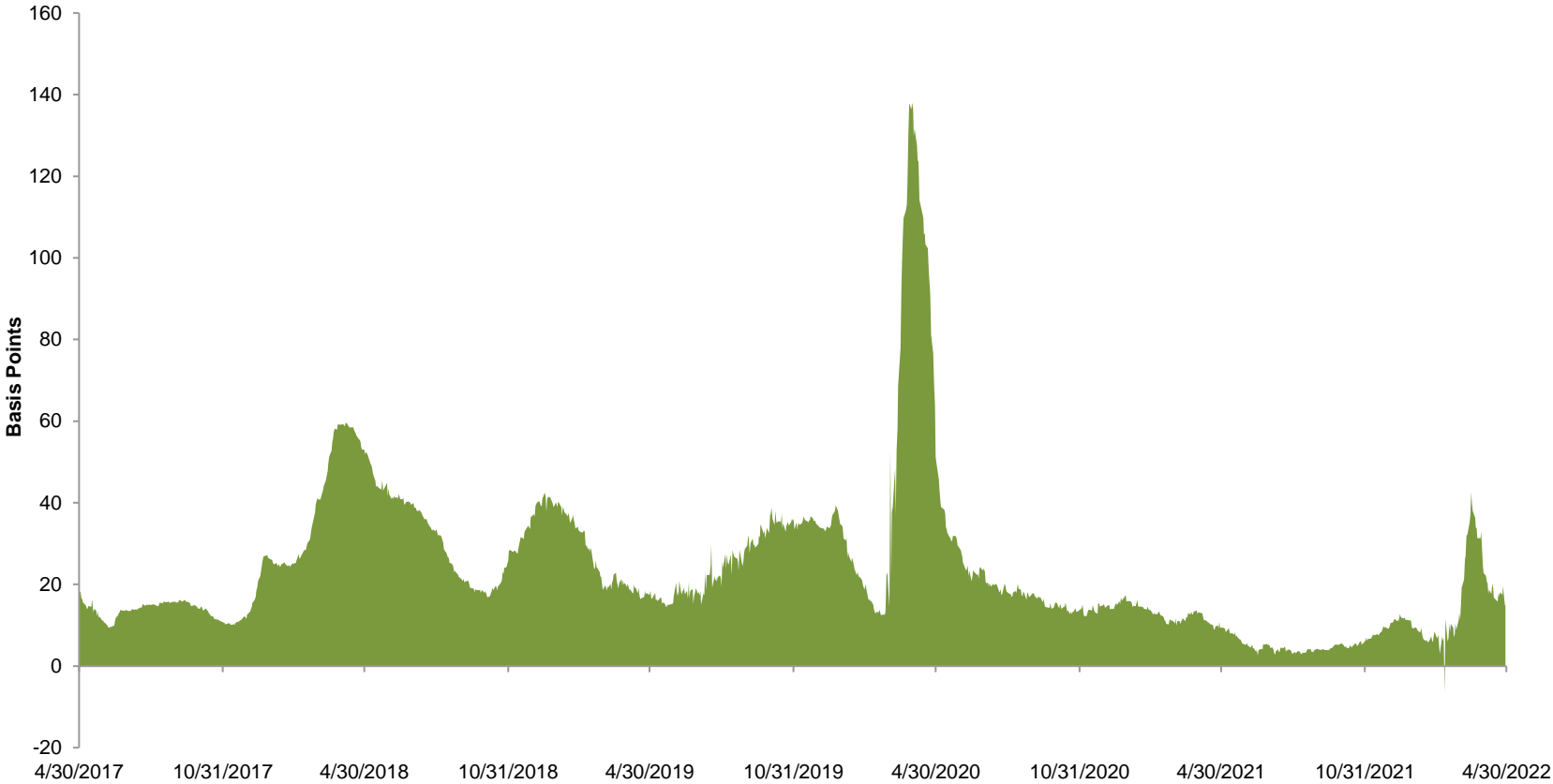
COMMERCIAL PAPER 90-DAY YIELDS



Source: Federal Reserve & Bloomberg Finance L.P., as of 4/30/2022.



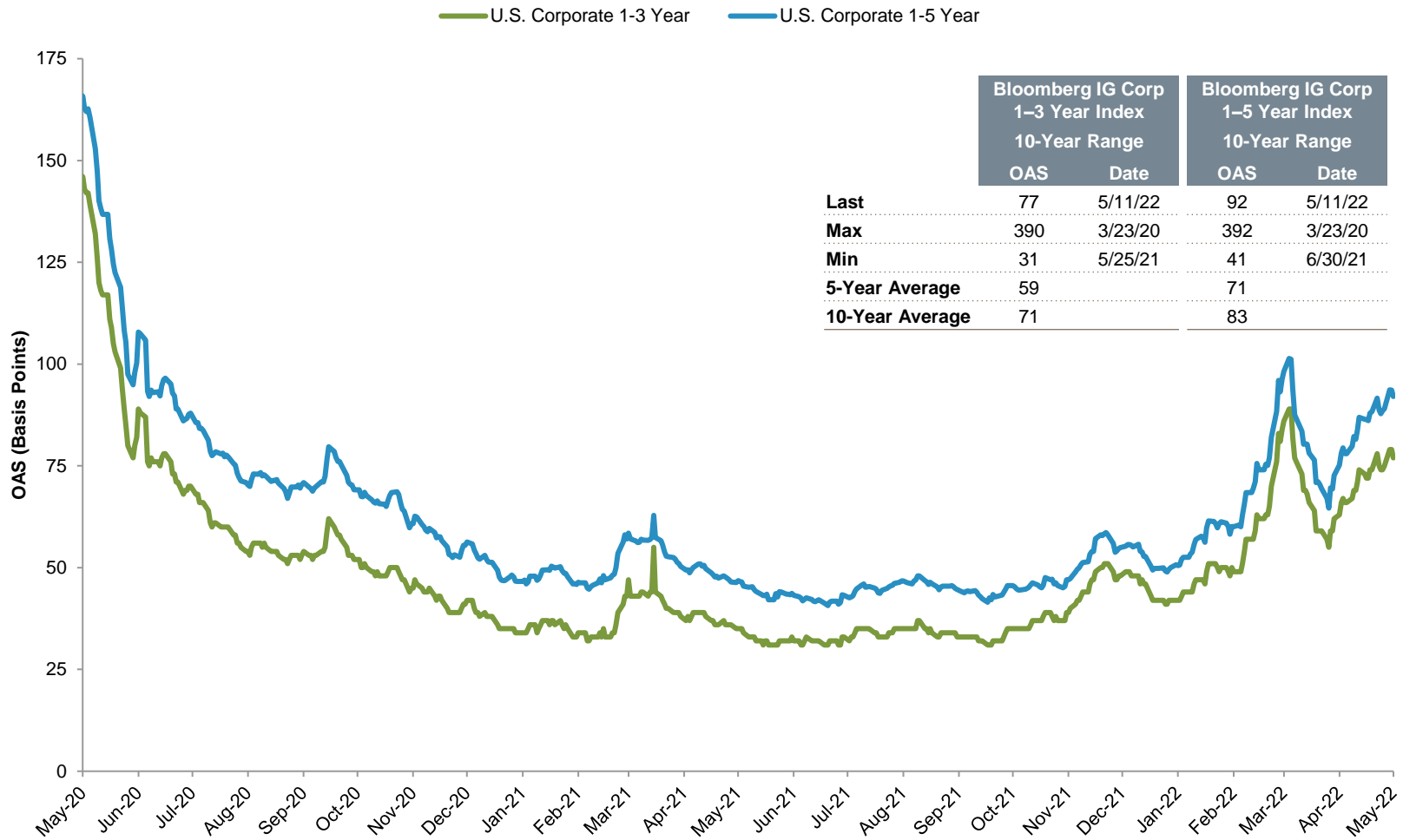
3-Month US LIBOR OIS Spread



Note: Spread represents the difference between 3-Month Libor and the 3-Month USD Overnight Indexed Swap. Overnight Indexed Swap (OIS) is a fixed/float interest rate swap where the floating leg is computed using a published overnight index rate. The index rate is typically the rate for overnight unsecured lending between banks, for example the Federal funds rate for US dollars, Eonia for Euros or Sonia for Sterling.
Source: Bloomberg as of 4/30/2022.



Credit Spreads



Source: Bloomberg as of 5/11/2022. Chart depicts the Option-Adjusted Spread (OAS) of the Bloomberg U.S. Investment Grade Corporate 1-3 Year Index and the Bloomberg U.S. Investment Grade Corporate 1-5 Year Index.

Appendix

Important Information

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