Investment Outlook

Craig Burelle | Global Macro Strategist, Credit

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Potential for change and negotiation related to US fiscal policy could keep investors skeptical near term.

US economic real growth is slowing toward a trend-like level of approximately 1.75%. In contrast, growth rates in the United Kingdom and developed economies within the euro zone are flat compared to 2024—if not slightly better. While aggregate emerging market growth will likely remain high in an absolute sense, we believe, it could slip about 0.50% from nearly 5.0% in 2024. Recession seems likely to be avoided across most regions.

With the global growth backdrop in reasonable shape, corporations should be able to operate near normal, in our view. Tariffs remain a country-dependent wild card. If aggressive tariffs are put in place, a higher cost of doing business poses risks to corporate profitability. Investors may see credit and equity market valuations under pressure while waiting for clarity on trade policy.

Investment Themes

PAGE 3 **Macroeconomic Drivers**

We believe bottom-up consensus expectations for US corporate profit growth are likely to slip from the current +10% rate. Consumers and businesses are pulling back on consumption and investment in the face of tariff uncertainty, which will hit earnings to some extent.

PAGE 4 **Corporate Credit**

We believe risk premiums across the corporate bond market will likely rise as markets digest tariffs and a US growth slowdown.

PAGE 5 **Government Debt & Policy**

Tariffs and potential trade partner retaliation are complicating the new administration's pro-growth agenda.

PAGE 6 **Currencies**

The Federal Reserve may be on pause, but it indicated cuts are coming later this year, which appears to be taking upside pressure off the US dollar.

PAGE 7 **Global Equities**

Earnings growth should support global equities in 2025, but US valuations may remain under pressure, in our view.

PAGE 8 **Potential Risks**

Odds of an economic downturn in the United States do not appear very high, but they are creeping up and making investors uncomfortable.

PAGE 8 **Asset Class Outlook**

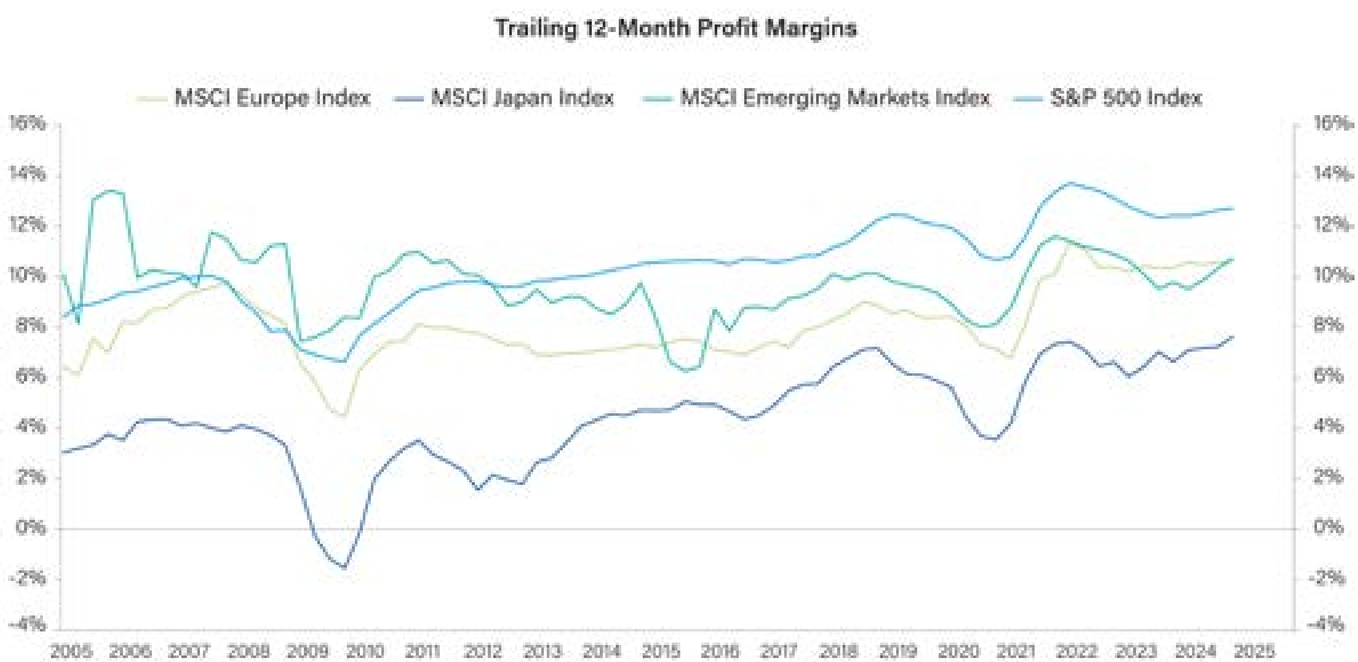
We see potential opportunities in non-US markets where valuations are compelling and sentiment is more muted, especially relative to the US.

Macroeconomic Drivers

So far this year, profit expectations have barely budged despite noisy headlines and tariff negotiations. Even if revised modestly lower, the US corporate sector is in a strong fundamental position with profit margins near all-time highs.

- We anticipate some softening in the US labor market with companies hiring at a slower pace, but unemployment should not move much above 4.3%.
- US interest rates are well off recent highs and should support domestic borrowers and the housing sector, in our view.
- Inflation has remained above target this year, but we believe that the Fed is likely to resume interest rate cuts to preserve the expansion.
- Most developed market central banks across continental Europe, Australia and New Zealand have a cutting bias versus the Bank of Japan who is likely to hike rates in 2025.

Investors face challenges as more tariffs go into effect, but the starting point for corporate health is solid.
US profit margins lead, but other markets are delivering margins near all-time highs too.



Source: MSCI, Bloomberg, as of 31 December 2024.

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Corporate Credit

While credit spreads may widen from historically tight levels, spreads could compress as monetary and fiscal policy uncertainty fades.

- Based on bottom-up fundamental analysis, our Credit Research Team suggests 89% of Bloomberg US Aggregate Index industries are in the expansion phase of the credit cycle.
- Our credit analysts held positive credit outlooks for 29% of industries under their coverage, compared to 36% in December 2024.
- Our analysts' upgraded outlooks were predominantly based on better expectations for profit margins and free cash flows.
- Our risk premium framework estimated investment grade and high yield credit losses to be near historical averages in expansion to late-cycle regimes.
- Our ranking of potential expected returns for our favored US credit markets is as follows: high yield, leveraged loans, investment grade, securitized assets and municipals.

Spread blowouts occur during economic and/or profits recessions. Neither are currently in our forecast.
Even in periods of high systemic risk, like economic downturns, sharp spikes in credit spread are often short lived.

Source: Bloomberg, JP Morgan, as of 14 March 2025.

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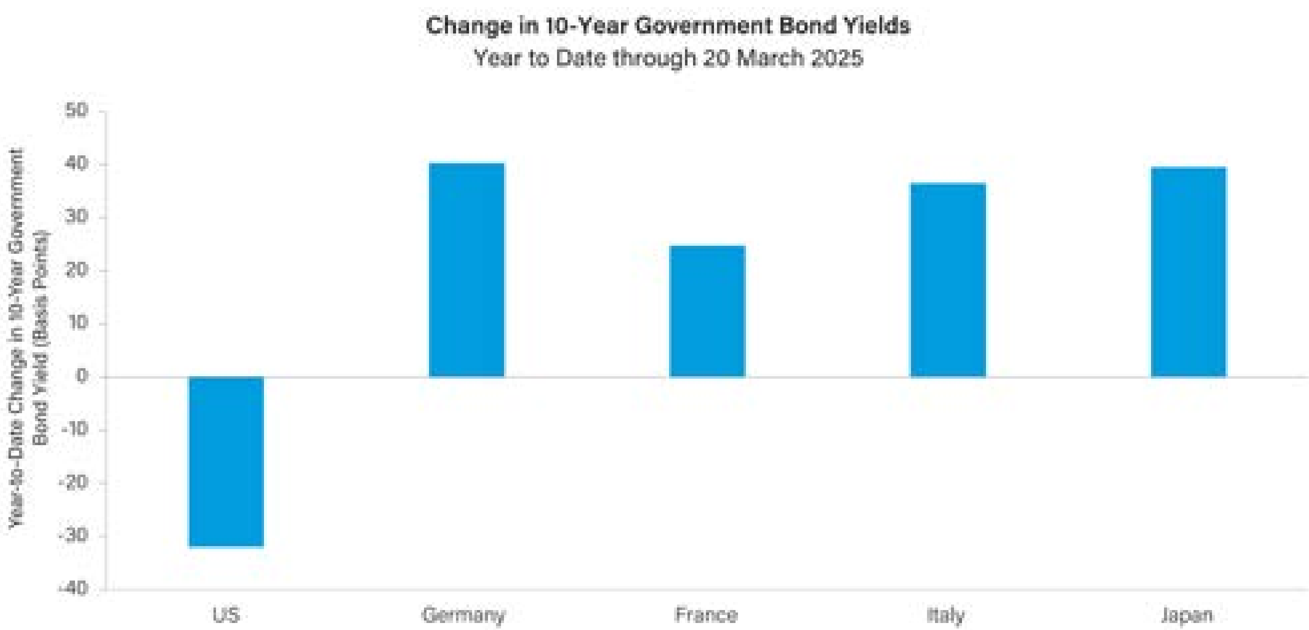
Government Debt & Policy

Disinflationary trends are in place, but a tariff-driven rise would slow the progress we've welcomed.

- Much of the downside that we anticipated in US Treasury yields in 2025 has already occurred.
- Upside risks to inflation and US long-term interest rates include increased tariffs, tax cut extensions and policy adjustments.
- We expect the Department of Government Efficiency (DOGE) to restrain spending, but are unsure the savings will decrease the US deficit.
- We believe the US administration should not prove so disruptive that it threatens the economic expansion, but equity markets are searching for that pressure point.

US Treasurys are pricing slowing growth in the US economy, while the bonds of global peers are doing the opposite.

Markets may be nearing the end of this highly dispersed outcome, but we do not expect a full reversal.



Source: Bloomberg, MSCI, as of 20 March 2025.

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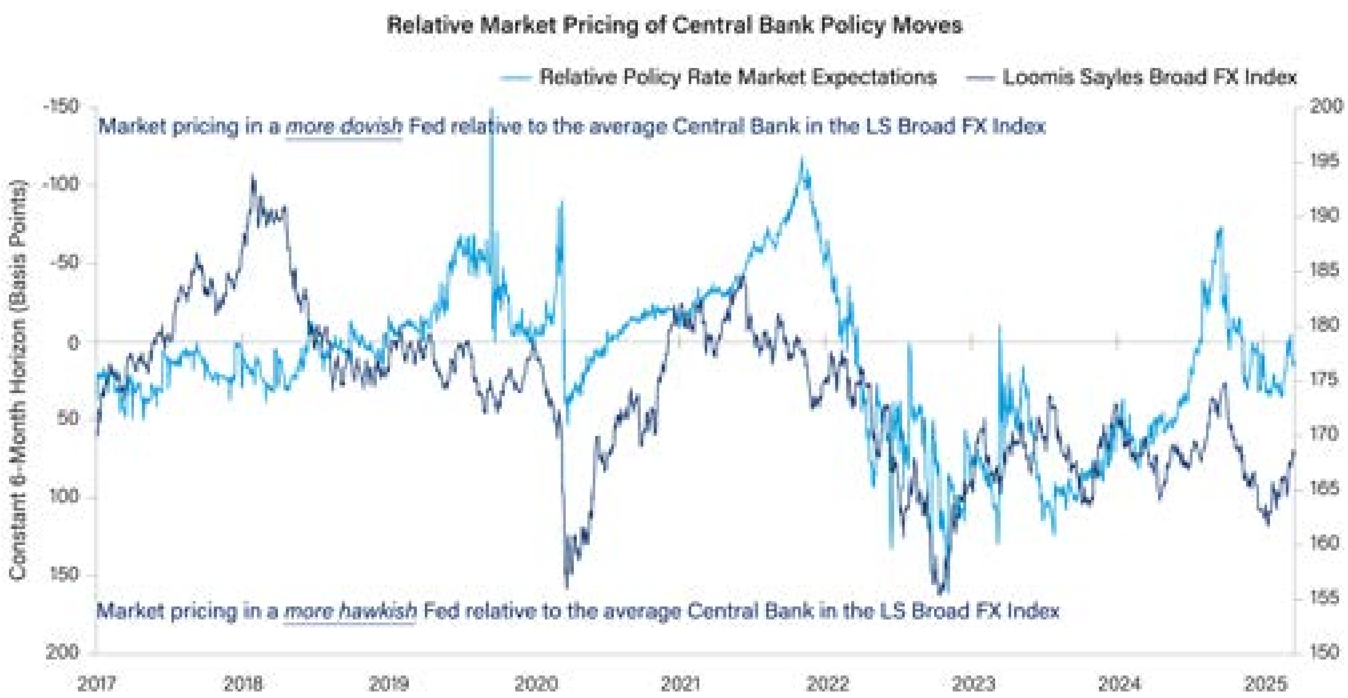
Currencies

Relative monetary policy and economic growth differentials, rather than market volatility, typically direct the US dollar.

- Prospects for better global growth are attracting capital into non-US assets. We believe this trend could last for several quarters or even longer.
- Often, the US dollar performs very well when systemic risks outside the US are unfavorable. We see the opposite shaping up currently.
- We are optimistic on non-US currencies owing to relative monetary policy and growth dynamics.
- Policy regime shifts, particularly in Europe and Germany, should favor higher-trend growth in future years.
- We remain cautious on China, but view upside surprises as possible this year.

Foreign currencies tend to outperform the dollar as Fed expectations get incrementally more dovish than other central banks within the Broad FX Index.

The Loomis Sayles Broad FX Index is an equally weighted basket of 23 currencies measured relative to the US dollar.



Source: Bloomberg, as of 20 March 2025.

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Global Equities

The macro backdrop is more challenging for equity markets, particularly after a greater-than-35% two-year run.[1]

- Bloomberg bottom-up consensus earnings expectations suggest the MSCI Europe should rebound from flat growth to a mid-single-digit pace in 2025. The S&P 500 Index and MSCI Emerging Markets Index are expected to grow earnings by more than 10%.
- Effective tariff rates could be nearly double our expectation of 5% in December 2025. We suspect US earnings expectations are currently too rosy.
- US equity outperformance has been significant over recent years. We think the S&P 500 Index's forward-price-to-earnings (PE) multiple is done expanding for now. Positive total returns will depend on earnings growth.
- We believe global indices still have a chance to outperform because valuations are slightly beneath their own five-year averages.

US equities are in correction mode until more clarity on tariff magnitude and duration is established.

Non-US equities could break to new highs, and valuations do not look expensive in our view.

Source: Bloomberg, MSCI, as of 20 March 2025.

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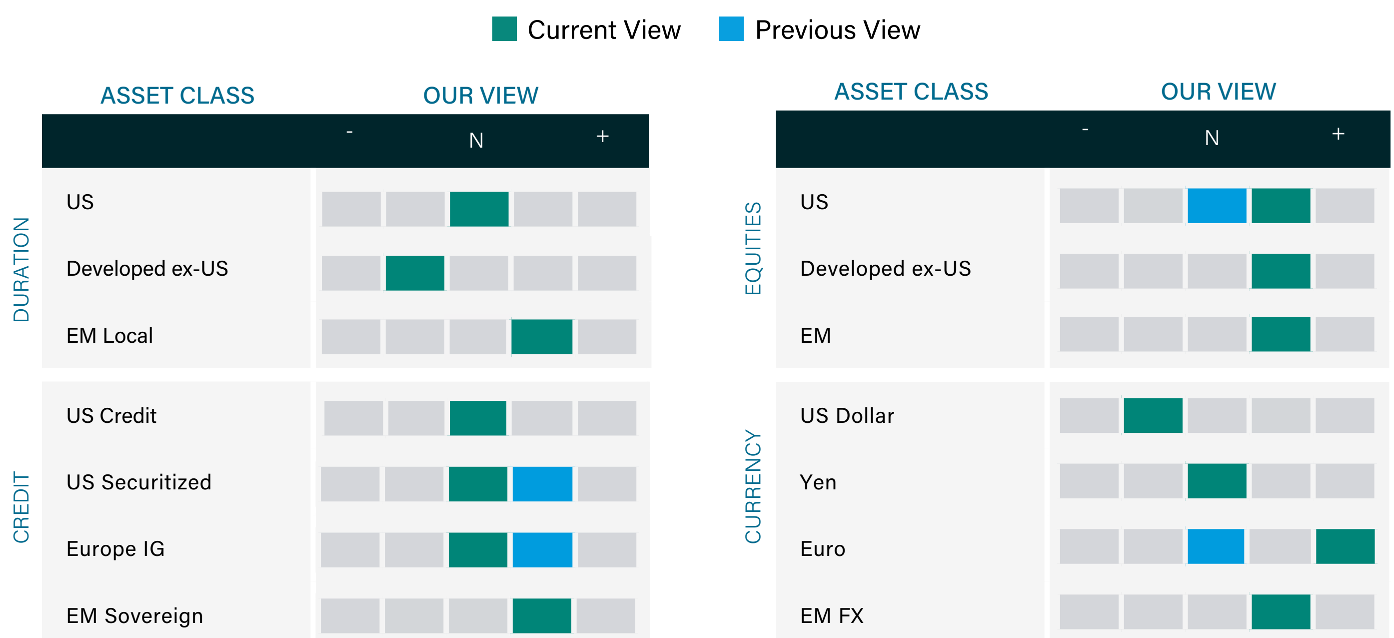
Potential Risks

US consumer and business sentiment is extremely negative. Perhaps we are reaching a point where attitudes can improve.

- We believe global credit and US equity markets are priced for solid economic and corporate earnings growth, which could disappoint investors.
- We believe the extent of slowing US growth and its impact on labor markets will guide already weaker risk appetites.
- Frothy consumer and business sentiment measures have sunk, but they could fall further in a global trade war.
- Stalled progress on disinflation may prevent further central bank rate cuts in 2025. At this late stage of the cycle, we believe markets and economies could benefit from lower rates.
- Investor sentiment could improve quickly if a solution is found for Russia and Ukraine while US growth only slows to long-term trend levels.

Asset Class Outlook

We see potential opportunities in non-US markets where valuations are compelling and sentiment is more muted, especially relative to the US.



First Quarter Review

INDEX RETURNS BY SECTOR
as of 31 March 2025

INDEX				
US BROAD MARKET	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG US AGGREGATE BOND	0.04	2.78	-0.37	4.88
BBG US GOVERNMENT/CREDIT	0.05	2.70	-0.46	4.66

The US fixed income market performed well this quarter as investors relied on the asset class during a period of souring growth expectations. While spreads widened as risk appetite shrunk, US Treasury rates fell which were the primary driver of the positive returns.

US GOVERNMENTS	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG US TREASURYS	0.23	2.92	-0.31	4.51
3-MONTH T-BILLS	0.34	1.04	2.23	5.02
2-YEAR TREASURY	0.46	1.59	1.40	5.20
5-YEAR TREASURY	0.60	3.00	0.23	5.05
10-YEAR TREASURY	0.25	3.99	-1.40	3.93
30-YEAR TREASURY	-1.39	4.28	-5.50	-0.11
BBG US TIPS	0.64	4.17	1.17	6.17
BBG US AGENCY	0.28	2.11	1.02	5.25

Treasurys performed well this quarter. Given that they are perceived to have no credit risk, they outperformed the broader fixed income market. Treasury prices increased as rates fell given elevated recession worries by the market.

US MUNICIPALS	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG US MUNICIPALS	-1.69	-0.22	-1.44	1.22

Municipal bonds fell in value this quarter. This was an interesting and somewhat rare divergence from Treasurys. The biggest reason for this divergence was the story that the Trump administration may pursue removing the tax exemption for municipal bond income that which is unique to the bonds and benefitted the sector.

US SECURITIZED	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG MBS	-0.02	3.06	-0.20	5.39
BBG ABS	0.23	1.53	1.48	5.90
BBG CMBS	0.26	2.57	1.05	6.46

The US securitized market was able to post sizable returns, as it is perceived to have only a very minor amount of credit risk (similar to Treasurys). MBS and CMBS outperformed the asset-backed securities market, owing to their longer durations.

Data Sources: Bloomberg indices from Bloomberg Live; currency returns, JPMorgan and Citigroup indices from Bloomberg; bank loans from S&P Global Market Intelligence.

All returns in US dollars, unless noted.

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INDEX RETURNS BY SECTOR

as of 31 March 2025

INDEX				
CORPORATES	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG US INVESTMENT GRADE	-0.29	2.31	-0.80	4.90
AAA	-0.52	2.69	-3.35	1.95
AA	-0.29	2.43	-1.61	3.68
A	-0.20	2.38	-1.01	4.63
BBB	-0.37	2.21	-0.43	5.39
BBG EUROPEAN INVESTMENT GRADE *-LOCAL CURRENCY RETURNS*	-1.04	-0.01	0.86	4.24
AAA	-2.22	-1.71	-1.30	1.63
AA	-0.90	-0.11	0.36	3.40
A	-1.10	-0.13	0.61	3.76
BBB	-1.00	0.12	1.16	4.79
BBG STERLING INVESTMENT GRADE *-LOCAL CURRENCY RETURNS*	-1.32	0.32	0.01	1.93
AAA	-1.69	0.09	-1.28	-0.86
AA	-1.58	-0.10	-1.12	0.61
A	-1.25	0.24	-0.51	1.32
BBB	-1.32	0.47	0.71	2.79

US investment grade corporates posted positive returns, just slightly lower than what Treasurys gained. Spreads increased about 20 basis points off of very tight levels in response to the market's lower risk appetite. The US was able to outperform its counterparts across the Atlantic, given that the risk-free government yields rose in the Eurozone and the UK.

CORPORATES	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG US HIGH YIELD	-1.02	1.00	1.18	7.69
BB	-0.51	1.49	1.00	6.68
B	-1.26	0.74	1.06	6.73
CCC	-2.24	-0.44	1.82	12.18
BBG PAN-EURO HIGH YIELD *-LOCAL CURRENCY RETURNS*	-1.14	0.54	2.56	7.78
BB	-0.98	0.34	2.23	6.65
B	-1.28	0.67	2.96	9.10
CCC	-1.74	3.01	6.14	15.33

US high yield debt posted positive returns as well, though they were muted compared to higher quality assets. The sector's lower duration profile (longer duration outperformed) and increased risk aversion within the marketplace lifted high yield spreads considerably from their recent lows. Similarly, the US outperformed European assets given government bond yields fell in the US but rose in the Eurozone.

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INDEX RETURNS BY SECTOR
as of 31 March 2025

INDEX				
BANK LOANS	1 MONTH	3 MONTH	6 MONTH	1 YEAR
S&P/LSTA LEVERAGED LOAN	-0.31	0.48	2.76	6.86
BB	0.09	0.93	3.17	7.03
B	-0.41	0.35	2.87	7.31
CCC	-1.84	-0.57	-0.39	2.93

Bank loans posted barely positive returns this quarter. Given that bank loans have much lower durations owing to their floating coupons, they underperformed this quarter given the fall in rates.

DEVELOPED COUNTRIES	1 MONTH	3 MONTH	6 MONTH	1 YEAR
CITIGROUP WGBI -*LOCAL CURRENCY RETURNS*	-0.59	0.64	-0.78	2.27
CITIGROUP NON-USD WGBI	-1.21	-1.02	-1.21	0.52
UNITED STATES	0.23	2.90	-0.29	4.61
CANADA	-0.16	2.28	1.57	6.88
JAPAN	-1.42	-3.06	-4.63	-6.53
AUSTRALIA	0.01	1.30	0.00	2.05
UNITED KINGDOM	-1.22	0.35	-3.23	-2.04
EUROPEAN GBI	-1.80	-1.31	-1.44	1.12
FRANCE	-1.79	-0.89	-1.51	-0.41
GERMANY	-2.02	-1.96	-2.44	0.00
IRELAND	-2.41	-2.42	-2.41	0.94
ITALY	-1.47	-0.74	-0.23	3.62
SPAIN	-1.49	-1.10	-0.82	2.48

Many European markets rates underperformed this quarter given the European response to increase military support for Ukraine. This will require significant fiscal actions, and this aggressive borrowing will likely lead to more bond issuance. Despite Europe's new fiscal positioning, the WGBI was able to post a mildly positive headline return.

EMERGING MARKET BONDS	1 MONTH	3 MONTH	6 MONTH	1 YEAR
JP MORGAN EMBIG -*SOVEREIGN/QUASI-SOVEREIGN, USD*	-0.54	2.35	0.18	6.72
JP MORGAN CEMBI BROAD DIVERSIFIED -*CORPORATES, USD*	0.06	2.42	1.60	7.74
JP MORGAN GBI-EM GLOBAL DIVERSIFIED -*GOVERNMENTS, LOCAL CURRENCY*	0.33	2.15	1.76	6.87

EM bonds, no matter their currency denomination or whether they were corporate or government, were also able to post positive gains for the quarter. US-dollar-denominated bonds also benefitted from falling US rates, which overcame rising spreads, while local EM bonds benefitted both from lower yields and foreign exchange appreciation.

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INDEX RETURNS BY SECTOR
as of 31 March 2025

INDEX				
CURRENCY MARKETS	1 MONTH	3 MONTH	6 MONTH	1 YEAR
DOLLAR BLOC				
CANADIAN DOLLAR	0.51	-0.02	-5.99	-5.89
AUSTRALIAN DOLLAR	0.61	0.95	-9.63	-4.20
NEW ZEALAND DOLLAR	1.43	1.50	-10.57	-5.05
WESTERN EUROPE				
EURO	4.25	4.46	-2.86	0.24
NORWEGIAN KRONE	7.11	8.34	0.36	3.01
SWEDISH KRONA	7.39	10.28	1.20	6.16
SWISS FRANC	2.13	2.61	-4.38	1.93
BRITISH POUND	2.71	3.21	-3.42	2.34
EMERGING EUROPE & AFRICA				
CZECH KORUNA	4.70	5.52	-1.84	1.40
HUNGARIAN FORINT	4.19	6.74	-4.22	-2.00
POLISH ZLOTY	4.34	6.64	-0.67	2.73
RUSSIAN RUBLE	7.58	36.51	11.84	11.19
SOUTH AFRICAN RAND	2.01	2.84	-5.75	3.05
TURKISH NEW LIRA	-3.89	-6.83	-9.88	-14.68
ASIA				
JAPANESE YEN	0.45	4.83	-4.22	0.93
CHINESE RENMINBI	0.30	0.58	-3.28	-0.48
INDONESIAN RUPIAH	0.12	-2.77	-8.57	-4.26
MALAYSIAN RINGGIT	0.55	0.76	-7.09	6.46
PHILIPPINE PESO	1.33	1.07	-2.07	-1.76
SINGAPORE DOLLAR	0.65	1.71	-4.30	0.49
SOUTH KOREAN WON	-0.86	-0.06	-10.74	-8.52
LATIN AMERICA				
ARGENTINE PESO	-0.88	-3.92	-9.73	-20.08
BRAZILIAN REAL	3.13	8.27	-4.49	-12.12
CHILEAN PESO	1.28	4.61	-5.51	2.97
COLOMBIAN PESO	-0.69	5.33	0.57	-7.90
MEXICAN PESO	0.39	1.74	-3.81	-19.11
PERUVIAN NEW SOL	0.40	1.72	0.73	1.10

Given the fall in US yields, interest rates became less competitive compared to the rest of the world. With few exceptions, this led to foreign exchange appreciation across the world. The biggest negative outlier was Turkey, where Erdogan jailed an opposition leader, leading to significant protests and a sell off in the currency.

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GLOBAL EQUITY MARKETS
as of 31 March 2025

INDEX TOTAL RETURNS (%)

INDEX	3 MONTH	1 YEAR	3 YEAR	5 YEAR
S&P 500®	-4.27	8.22	9.04	18.53
MSCI ALL COUNTRY WORLD	-1.22	7.60	7.40	15.66
MSCI EUROPE	10.64	7.50	7.98	13.78
MSCI JAPAN	0.50	-1.74	5.66	9.17
MSCI EMERGING MARKETS	3.01	8.61	1.90	8.36

The S&P 500 Index posted its first quarterly decline since the third quarter of 2023. US growth prospects have been called into question mostly as a result of worry over the unknown impact from potential new tariffs. The rest of the world markets were able to outperform as a result.

US EQUITY MARKETS
as of 31 March 2025

INDEX TOTAL RETURNS (%)

INDEX	3 MONTH	1 YEAR	3 YEAR	5 YEAR
RUSSELL 1000®	-4.49	7.79	8.63	18.40
GROWTH	-9.97	7.73	10.07	20.02
VALUE	2.14	7.15	6.63	16.10
RUSSELL MIDCAP®	-3.40	2.58	4.60	16.22
GROWTH	-7.12	3.56	6.15	14.81
VALUE	-2.11	2.26	3.77	16.65
RUSSELL 2000®	-9.48	-3.99	0.52	13.23
GROWTH	-11.12	-4.84	0.78	10.74
VALUE	-7.74	-3.11	0.05	15.26

Despite the significant underperformance by the "Mag-7" stocks, large caps in general outperformed small cap stocks. Value stocks outperformed growth stocks, a result of the decidedly risk-off environment.

Data Source: FactSet. All returns quoted in US dollars. Performance for one and multi-year periods is annualized. Sorted by index quarterly returns. Due to rounding, sector totals may not equal 100%.

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S&P 500 SECTORS
as of 31 March 2025

SECTOR PERFORMANCE ATTRIBUTION (%)

INDEX	3 MONTH	1 YEAR	3 YEAR	5 YEAR
ENERGY	10.21	2.49	11.08	31.58
HEALTHCARE	6.54	0.40	3.93	12.37
CONSUMER STAPLES	5.23	12.43	6.73	12.63
UTILITIES	4.94	23.87	5.27	10.82
FINANCIALS	3.52	20.18	12.07	22.01
REAL ESTATE	3.47	9.49	-1.21	9.87
MATERIALS	2.81	-5.66	1.30	16.07
INDUSTRIALS	-0.19	5.66	10.27	19.25
COMMUNICATION SERVICES	-6.21	13.56	11.82	17.38
INFORMATION TECHNOLOGY	-12.66	5.89	14.26	24.61
CONSUMER DISCRETIONARY	-13.79	6.88	3.45	15.66

Performance by sector varied significantly this quarter. Consumer discretionary and information technology were the underperformers with double-digit losses, while energy was able to lead the pack with double-digit gains.

Data Source: FactSet. All returns quoted in US dollars. Performance for one and multi-year periods is annualized. Sorted by index quarterly returns. Due to rounding, sector totals may not equal 100%.

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AUTHORS

CRAIG BURELLE

Global Macro Strategist, Credit

MATTHEW NOVAK, CFA

Sovereign Analyst

Endnote

[1] Source: MSCI All Country World Index.

Disclosure

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Any investment that has the possibility for profits also has the possibility of losses, including the loss of principal.

Diversification does not ensure a profit or guarantee against a loss.

Market conditions are extremely fluid and change frequently.

Commodity, interest and derivative trading involves substantial risk of loss.

Indices are unmanaged and do not incur fees. It is not possible to invest directly in an index.

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Index Definitions

***Bloomberg US Aggregate Bond Index** represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the US investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.*

***Bloomberg US Government/Credit Index** includes securities in the government and credit indices. The government index includes treasuries -i.e., public obligations of the US Treasury that have remaining maturities of more than one year and agencies -i.e., publicly issued debt of US Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the*

US Government. The credit index includes publicly issued US corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements.

***Bloomberg US Treasury Index** includes public obligations of the US Treasury with at least one year until final maturity, excluding certain special issues such as state and local government series bonds -SLGs, US Treasury TIPS and STRIPS.*

***Bloomberg US Treasury Inflation Protected Securities Index** consists of inflation-protection securities issued by the US Treasury that have at least one year to maturity and at least $250 million par amount outstanding.*

***Bloomberg US Agency Index** includes agency securities that are publicly issued by US Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the US Government -such as USAID securities.*

***Bloomberg US Municipal Index** is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market. The index has four main sectors: general obligation bonds, revenue bonds, insured bonds -including all insured bonds with a Aaa/AAA rating, and prerefunded bonds.*

***Bloomberg Mortgage-Backed Securities -MBS Index** is a component of the Bloomberg Aggregate Index covering mortgage-backed pass-through securities of Ginnie Mae -GNMA, Fannie Mae -FNMA and Freddie Mac -FHLMC. The MBS Index is formed by grouping the universe of over 600,000 individual fixed rate MBS pools into approximately 3,500 generic aggregates.*

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