



Global Fixed Income Outlook & Strategy

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Market Recap & Outlook

As we monitor how current US tariff policies are affecting the markets, we have not seen a significant spike in inflation within the Consumer Price Index (CPI). May CPI rose 0.1%, at both core and headline levels, to stand at 2.8% core and 2.4% headline year-on-year.

The labor markets continue to move forward, where private payrolls added 140,000 new jobs in May, in line with April and above its two year monthly average. The unemployment rate remained unchanged at 4.2%.

We expect a modest narrowing of the US federal deficit to 6.5% of GDP or a bit less this year, widening to approximately 7% in Fiscal Year 2026. Bond vigilantes have influenced bond yields by pricing a 50bp risk premium into the 10-year yield.

Nothing to see here? Equity markets have bounced back since "Liberation Day." Credit Spreads are near historic tights and the 10-year Treasury yield is fluctuating between 4.3%-4.5% so far this month in June.

Our Strategy

We believe that complacency is not a good strategy. Some increase in costs and decrease in economic momentum remains our base case for the remainder of the year. In particular, we believe the labor force growth is set to weaken from reduced immigration, capital expenditure strength is very narrowly concentrated on AI and data centers, and export orders are vulnerable to trading partner retaliation. The market that is least complacent is the US dollar, which has remained near its 2025 lows. We believe that foreign investors may increasingly choose to diversify US-overweight equity and bond positions, and hedge US currency risk, which may help to keep the US dollar bear market intact.

Source: Bloomberg, as of June 11, 2025.

AUTHOR

DAVID ROLLEY, CFA

Portfolio Manager

Important Disclosures

Key Risks: Credit Risk, Issuer Risk, Interest Rate Risk, Liquidity Risk, Non-US Securities Risk, Currency Risk, Derivatives Risk, Leverage Risk, Counterparty Risk, Prepayment Risk and Extension Risk. Investing involves risk including possible loss of principal.

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