J.P.Morgan

July 2025

INVESTMENT INSIGHTS

THE Global Investment Strategy View

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KEY TAKEAWAYS

Don't let politics get in the way of a plan. While politics and policy continue to dominate the headlines, market reaction has been more muted. The recent strikes on Iran's nuclear facilities remind investors that geopolitical events rarely have a lasting impact on markets. Despite rising uncertainty in the Middle East, oil prices have declined and stocks continue to push to new all-time highs. We continue to see upside in gold, both as a geopolitical hedge and as a beneficiary of a weakening U.S. dollar.

The disconnect between hard and soft data continues, but likely not for long. Real-time growth and inflation data remain encouraging, but it takes time for trade policy to work its way through the economy. We expect the impact of tariffs and the sentiment shock from "Liberation Day" (the April 2 announcement of U.S. tariffs) to have greater economic impact in the coming months. Our outlook anticipates a growth slowdown in the second half, but not a recession. We will keep a close eye on the resilience of the labor market as a key indicator of economic strength. Progress in trade negotiations has reduced global economic tail risks, and we have upgraded our growth expectation for China. In our view, the U.S. dollar will continue to weaken over the coming months.

Make your shopping list. Equity markets continue to rally, but history tells us that investing at all-time highs has proved to be a good strategy. While we are now approaching our year-end base case targets for the S&P 500, we still see compelling opportunities in high-conviction sectors such as technology and financials. The artificial intelligence (AI) story is once again center stage for investors. Hyperscalers continue to pursue aggressive spending plans to build AI infrastructure, and broader adoption is creating new possibilities in industries such as software and utilities. Financials should benefit from potential deregulation, which is expected to free up capital for lending, increased M&A and shareholder returns.

OUR HIGH-CONVICTION TACTICAL INVESTMENT IDEAS INCLUDE:

EQUITIES

U.S. tech, financials and utilities. As markets rally toward new highs, focus on opportunities that benefit from AI momentum and deregulation.

Close ex-U.S. developed market underweights. Look to Europe, where increased fiscal spending, discounted valuations and currency tailwinds create attractive opportunities.

Put/call writing strategies to monetize elevated volatility and enhance income potential.

FIXED INCOME, CURRENCIES & COMMODITIES

Gold. Our preferred diversifier for geopolitical tensions and U.S. deficit concerns.

Core fixed income. Maintain a high-quality bias with a preference for investment grade. For U.S. taxpayers, municipal bonds may offer the best relative value.

Preferreds. A top option in extended credit. Should be supported by expected deregulation of the banking sector.

BUILDING RESILIENT PORTFOLIOS

Infrastructure. Provides stable returns and inflation protection supported by secular trends.

Hedge funds. Multi-manager and multi-strategy solutions, especially uncorrelated strategies, can offer portfolio diversification and risk mitigation.

Structured notes to either get invested or stay invested during a potentially volatile Trump 2.0.

OPPORTUNISTIC TRENDS

Artificial intelligence. Dollar diversification. Dealmaking/regulatory relief. Powerful forces will likely drive potential returns over short-term and long-term investment horizons.

Our Global Investment Strategy View integrates the knowledge and analysis of our economists, investment strategists and asset class strategists. The View takes shape at a monthly Forum where the team debates and hones its views and outlooks.

All outlook estimates represent the midpoint of our range. Rates have a +/-25bps range, and all other outlooks are within the range that is provided**. Estimates, forecasts and comparisons are for illustrative purposes and are as of the dates stated in the material.** Please refer to "Definition of Indices and Terms" for important information. **Outlooks and past performance are no guarantee of future results and investors may get back less than the amount invested.** It is not possible to invest directly in an index.

THIS DOCUMENT

We explore the outlook for economies and markets and provide year-ahead views across asset classes.

OUR MISSION

The Global Investment Strategy Group provides industry-leading insights and investment advice to help our clients achieve their long-term goals. They draw on the extensive knowledge and experience of the Group's economists, investment strategists and asset-class strategists to provide a unique perspective across the global financial markets.

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There can be no assurance that any or all of the members will remain with the firm or that past performance or success of any such professional serves as an indicator of future success.

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THE GIS SNAPSHOT

A summary of high conviction views

July 2025

Equities

Geography	Negative				Positive	**MoM Δ**
US				●		
Europe				●		
Japan			●			-1
China			●			+1
EM ex-China			●			+1
US Size/Factor	Negative				Positive	**MoM Δ**
Large Cap				●		
Small/Mid Cap			●			
Growth			●			
Value			●			
US Sectors	Negative				Positive	**MoM Δ**
Staples	●					
Energy		●				
Financials				●		
Industrials			●			
Info Tech				●		
Utilities				●		
Materials		●				
Other: Consumer Discretionary, Healthcare, Comm Svcs, RE			●			

Fixed Income

Asset Class	Negative				Positive	**MoM Δ**
Core Aggregate				●		
Extended Credit			●			
Duration			●			
Sub-Asset Class	Negative				Positive	**MoM Δ**
Government			●			-1
Securitized				●		
Munis				●		
Inv. Grade Credit				●		
High Yield			●			
Hybrids (Preferreds)				●		
EM Debt			●			

FX & Commodities

Asset Class	Negative				Positive	**MoM Δ**
DXY Dollar Index		●				
Brent Crude Oil		●				
Gold					●	

Opportunistic Trends

Artificial intelligence	Dealmaking/Regulatory relief
Dollar Diversification	Portfolio Resilience

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THE VIEW

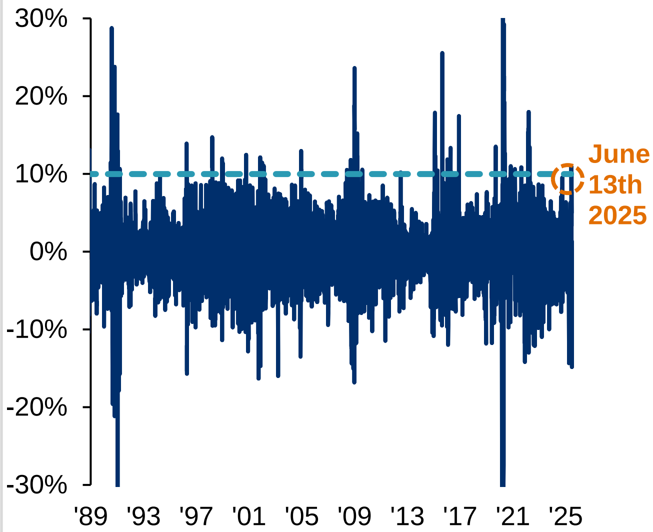
Since Brent crude oil futures began trading in 1988, they have registered one-hundred three-day rallies of over 10%, with the week ending June 13th being the latest (Figure 1). In the wake of U.S. and Israeli strikes on Iran's nuclear program, oil prices traded as much as 20% above where we expect them to settle by the end of the year, though have now largely retraced.

Why it matters: Current tensions in the Middle East risk further oil price spikes, particularly if there is a complete disruption of Iranian oil production and/or a closure of the Strait of Hormuz, which sees ~20% of global oil supply pass through it daily[1]. Nevertheless, provided the oil price remains south of $100/bbl (our base case sees prices easing below $60 by mid-2026) and inflation expectations remain well-anchored, the medium-term economic and market impact is likely to be muted. Here's how we got there:

1) **Lessons from history.** Looking across the 100 instances where oil prices spiked at least 10% in a three-day period, the S&P 500 declined on average by 3% in the lead up to the event. Twelve months later, the S&P 500 was higher 82% of the time, with a median return of more than 20% (Figure 2). Across military conflicts over the past 75 years, the S&P 500 was up on average 6% over the next 12 months, with the two most recent conflicts averaging even higher (Figure 3).
2) **This isn't the 1970's economy anymore.** The Arab-Israeli War of 1973 was one of the few military escalations that resulted in a significant and sustained downturn in equity prices as the series of oil shocks that followed led to a period of "stagflation" in the U.S. economy. Since then, the U.S. economy has become a net exporter of energy and its overall oil intensity[2] has declined over 60% (Figure 4).
3) **Simulations suggest limited impact on the Fed.** According to the Fed's own macroeconomic model[3], a $10 sustained oil price increase pushes headline inflation just ~20bps higher over the next three quarters (Figure 5). The implied drag on year-over-year GDP growth is less than 0.05%. Given these relatively muted impacts, the model-implied central bank response is virtually nil.
4) **Gold is our preferred geopolitical hedge.** Our research finds that in the window leading up to and including a geopolitical shock, gold has been the best tactical hedge for broader portfolios. Even absent heightened geopolitical risks, we expect the yellow metal to breach $4000/oz by mid-2026. An investor who allocated 5% to gold alongside a 60/40 portfolio a year ago outperformed a pure 60/40 portfolio by ~150 bps, with lower volatility and a smaller max drawdown (Figure 6).

Bottom line: The impact of geopolitics on financial markets tends to be short-lived. Equity market sell-offs around oil price spikes historically are good entry points, while gold can provide tactical protection from geopolitical escalation.

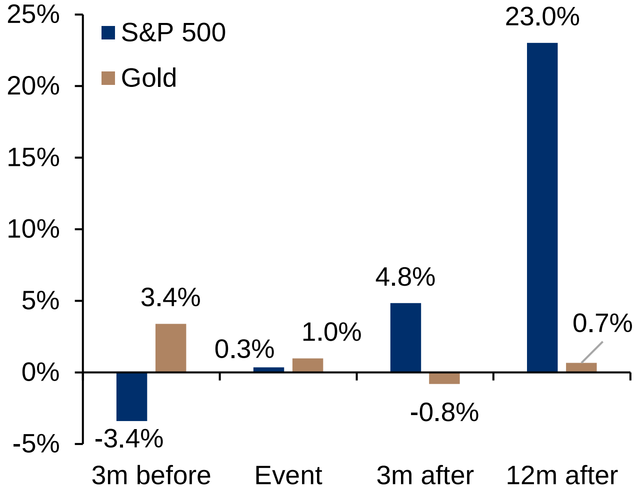
Figure 1: Crude oil has rallied >10% 100 times
3-day change, Brent price, %



Note: Brent crude futures, filtered for 3-day rise above 10%.
Source: Bloomberg Finance L.P. Data as of June 27, 2025.

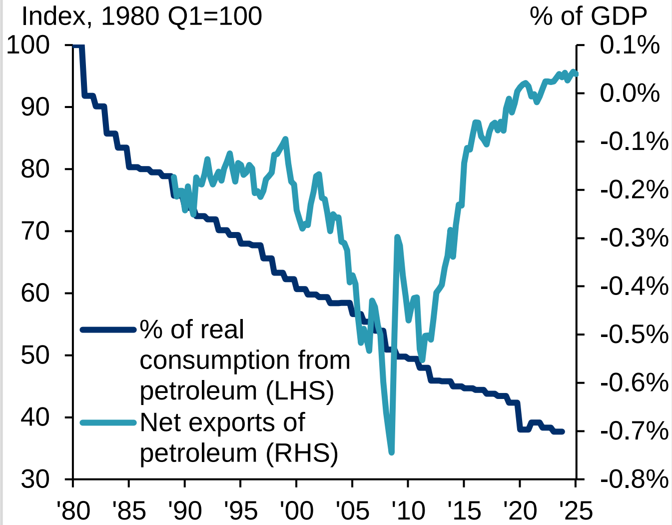
[1] Source: EIA. 'Amid regional conflict, the Strait of Hormuz remains critical oil chokepoint'. Published June 16 , 2025.
[2] Oil intensity refers to the amount of oil consumed per unit of economic output, typically measured as the ratio of oil consumption to Gross Domestic Product (GDP).
[3] The FRB/US model is a large-scale, semi-structural macroeconomic model developed by the Federal Reserve to simulate how policy changes and economic shocks, such as oil price movements, affect the U.S. economy over time. For this analysis we use Bloomberg Economics' slightly simpler proxy for FRB/US.

Figure 2: U.S. equity and gold around oil spikes
Median return around a 10% oil spike, %



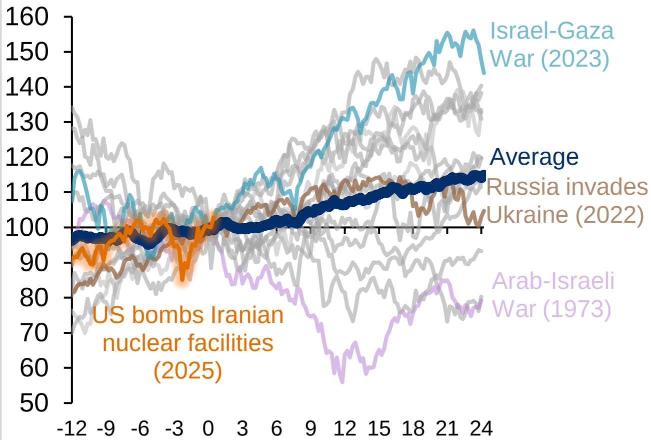
Note: Brent crude futures, filtered for 3-day rise above 10%.
Source: Bloomberg Finance L.P. Data as of June 24, 2025.

Figure 4: U.S. economy less sensitive to global oil prices



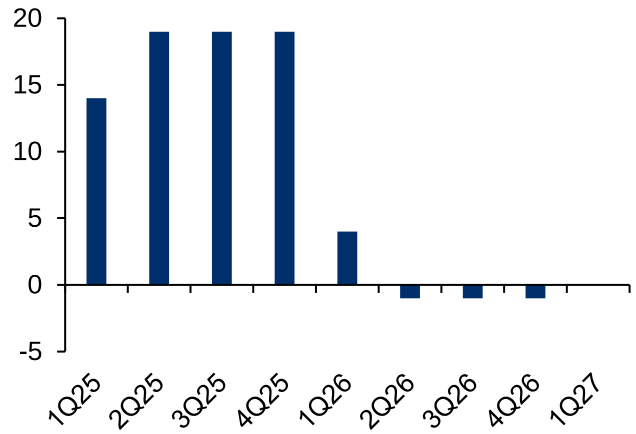
Sources: Haver Analytics; Census Bureau; BEA; EIA. Data as of March 31, 2025.

Figure 3: Impact of geopolitics tends to be short-lived
S&P 500 index around military invasions & conflicts, invasion month =100



Sources: Bloomberg Finance L.P.; J.P.Morgan ETOM. Data as of June 27, 2025.

Figure 5: Simulated impact of $10 oil price increase on U.S. headline inflation
bps



Source: Bloomberg Economics Forecast Models, Bloomberg Finance L.P. Data as of June 24, 2025. Figures represent deviation from prior baseline.

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Figure 6: Portfolio performance over past year

	60/40 portfolio	95% 60/40 + 5% gold
Return	8.3%	9.9%
Ann. Volatility	9.1%	8.8%
Max Drawdown	-10.9%	-10.3%
Sharpe ratio	0.44	0.63

Note: Risk free rate uses CME 3m Term SOFR rate. Metrics calculated from June 20, 2024. 60/40 rebalanced quarterly and uses MSCI World, Bloomberg Muni 1-15 Year Blend (1-17). Source: Bloomberg Finance L.P. Data as of June 24, 2025.

The tariff pig in the python. U.S. importers are paying three-times more in monthly customs duties than they were last year (Figure 7), and yet consumer price inflation is *lower* than at the start of the year.[4]

Why it matters: Much like when a python is digesting its food, the U.S. economy is slowly beginning to process the impact of higher tariffs. Customs revenue currently implies a U.S. effective tariff rate of ~8-9%, slightly less than the 10-15% range we ultimately expect, but multiples of the prevailing 2.4% rate coming into the year. Economic data has encouragingly shown few ill effects thus far, and we see less downside risks to the U.S. and global economies than a month ago. But, event risk still looms on the horizon and recent economic resiliency has been accompanied by growing market optimism, risking volatility once the (modest) economic deterioration we anticipate materializes.

1) **Reduced economic tail risk.** Since our last publication, tariff rates on China have been reduced from 145% to 30%, and high frequency indicators of the U.S. economy remain consistent with a growth rate of over 2%, little changed from early this year (Figure 8). Indeed, global trade remains resilient, even for countries facing the largest increases in trade barriers. China has been able to offset ~50% of the decline in its exports to the U.S. by increasing exports to the ASEAN region, which in turn seem to be finding their way to the U.S. anyway (Figure 9). With the U.S. and global economy finding ways to absorb higher tariff rates thus far, we see diminishing tail risks to the global economy and markets. Betting market odds of a U.S. recession in 2025 have more than halved since their peak to ~30%[5].
2) **…But most of the economic impact is still ahead.** Our base case is that current tariff rates endure, including beyond July 9th when the U.S.'s 90-day pause on the reciprocal tariffs announced April 2nd expires. We are monitoring the reconciliation bill making its way through Congress, though see the net impact along with tariffs as a drag on growth. In our base case, we see growth slowing to a non-recessionary 0.5-1.0% by the end of the year. We are beginning to see businesses report higher input and output prices, which historically has led consumer inflation by anywhere from 2 to 5 months (Figure 10). We expect core PCE inflation to rise to 3.3% by the end of the year, crimping consumer purchasing power and spending. Companies unable to pass on higher costs may counter resulting margin compression through layoffs. The stock of individuals claiming unemployment has been increasing since April (Figure 11).
3) **First sign of weaker data could result in market volatility.** We see the unemployment rate rising above 4.5%, underpinning our outlook for roughly 100bps of Fed rate cuts over the next 12 months. Historically, when the unemployment rate first rises 50bps in a cycle, the median 12-month return for the S&P 500 is -6%, compared to the median return across all periods of +11% (Figure 12). With global markets back near all-time highs, valuations could be tested when the unemployment rate starts to rise.

Bottom line: We see diminished tail risks amid signs of global economic resiliency and a reduction in tariff rates between the U.S. and China. We revise higher our growth expectation for China (and revise stronger our outlook for local asset prices), as well as remove a final rate cut into stimulative territory for the ECB and decrease the amount of spread widening we expect across global credit markets. Should macro deterioration induce volatility, structures, hedge funds and infrastructure can serve as key diversifiers.

[4] U.S. core CPI printed at 2.7% YoY for May, compared to 3.2% in December 2024.

[5] Question: Will the U.S. enter a recession in 2025? Sources: Bloomberg Finance L.P., Polymarket. Data as of June 25, 2025.

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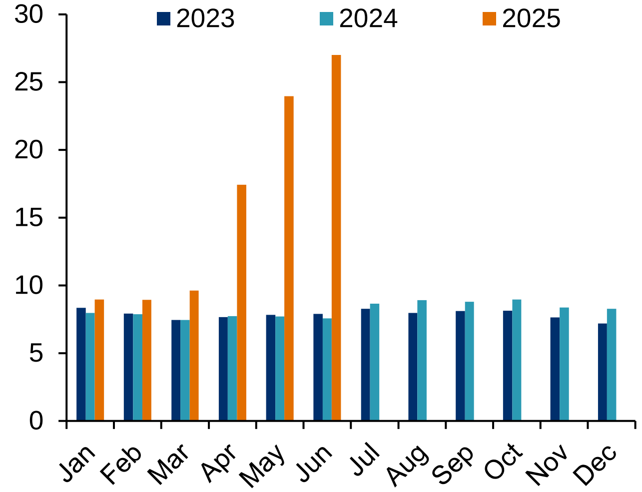
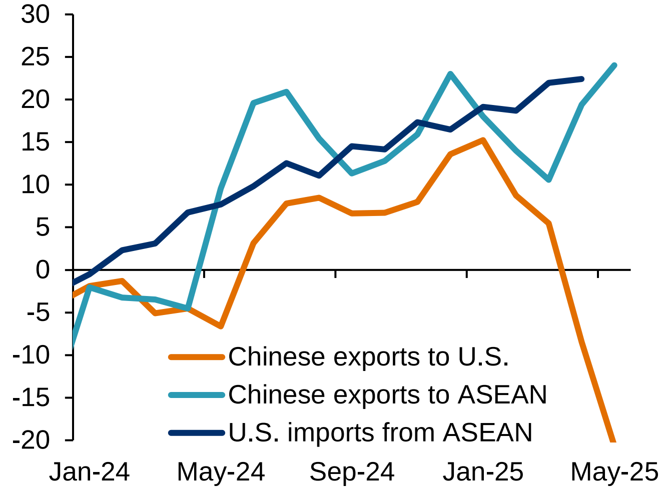
Figure 7: U.S. tariff collections on the rise
Treasury deposits, customs and certain excise taxes, $Bn



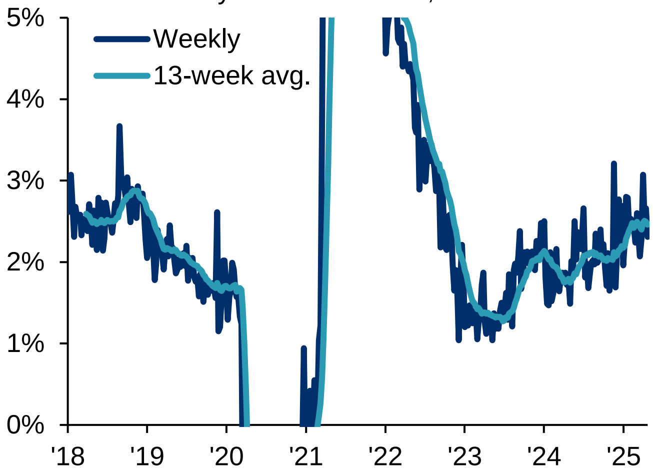
Sources: Haver Analytics; Daily Treasury Statement. Data as of June 25, 2025.

Figure 9: Transshipments between China and the U.S.
3m trailing YoY change, $bn



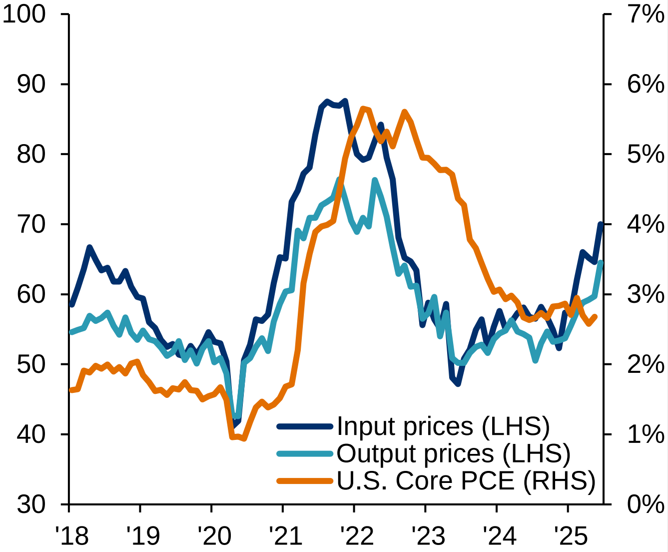
Sources: Haver Analytics; Census Bureau; General Administration of Customs, China. Data as of May 31, 2025.

Figure 8: Weekly U.S. economic activity gauge
Dallas Fed Weekly Economic Index, %



Note: Scaled to be comparable to GDP growth. 10 components with daily or weekly frequency across labor, consumer and production. Source: Bloomberg Finance L.P. Data as of June 14, 2025.

Figure 10: Manufacturing prices and inflation
PMI Manufacturing prices Core PCE, YoY, %



Sources: Bloomberg Finance L.P. Data as of June 30, 2025.

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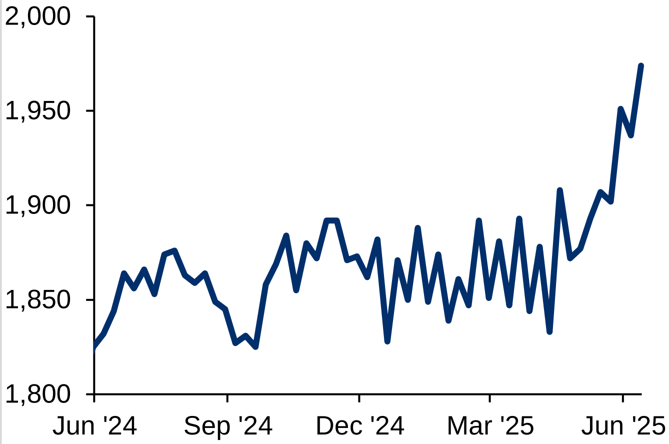
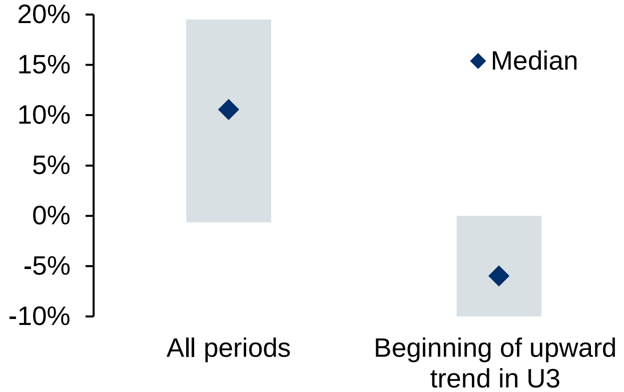
Figure 11: Growth in continuing unemployment claims since April
U.S. continuing unemployment claims, seasonally adjusted, thousands



Sources: Department of Labor; Bloomberg Finance L.P. Data as of June 13, 2025.

Figure 12: When unemployment rate starts to rise, market underperforms longer term trend
S&P 500 12m rolling returns, %



Note: Ranges 25th - 75th percentile. Time period analyzed from first reported U3, January 1948. U3 data filtered to periods where trailing 12m change in U3 was 50bps or greater. Market return uses S&P 500. Source: Bloomberg Finance L.P. Data as of June 23, 2025.

"Reports of my death have been greatly exaggerated," roars U.S. tech. The share of U.S. firms using AI has doubled over the past 12 months and year-to-date is growing at 4.5x the rate it did in 2024 (Figure 13).

Why it matters: Despite ongoing cyclical uncertainty, AI adoption continues apace. The MSCI World-ex US may be outperforming the S&P 500 by over 13%pts year-to-date, but global stocks have underperformed a basket of U.S. AI beneficiaries (Figure 14). Given economic uncertainty as we head into H2, we have higher conviction in the Mag-7's ability to deliver on expectations for double-digit earnings growth than the meaningful step-up already anticipated for the 493 (Figure 15). Here's why tech and utilities are two of our highest conviction sectors within the U.S. equity market.

1) **AI adoption accelerates.** AI revenue disclosures are hard to come by but Microsoft reports their AI business had an annual revenue run rate of $13 billion, which would rank their AI-only business at #272 in the S&P 500. Meanwhile evidence of productivity gains from AI is growing at the sector level, with a St. Louis Federal Reserve analysis finding a correlation between AI adoption and productivity growth across industries since 2019 (Figure 16).
2) **AI power spend unincumbered.** Despite efficiency gains such as DeepSeek's R1 model, the computing power required to train leading AI models has been doubling every 5.5 months (Figure 17). Power is the bottleneck the U.S. is rushing to ease; hyperscaler companies which build the infrastructure to run and train these models have continued to accelerate capital expenditures (CapEx). The 5 leading companies are now expected to make up over a quarter of the S&P 500's overall CapEx, and spend north of $350bn over the next two years (Figure 18).
3) **Mitigated risk of trade disruption.** China produces approximately 95% of the gallium and germanium that are critical raw materials for certain semiconductors[6]. As trade tensions escalated between the U.S. and China in April, risks of a bottleneck rose. Chinese exports of rare earth ore, metals and compounds declined 51% (Figure 19). This was likely a key factor that brought the U.S. to the negotiating table in May. As such, while the ongoing trade investigation into semiconductor tariffs is a risk to the AI trade, we think the risk of disruptive tariff escalation is greatly reduced since China's effective use of its leverage.

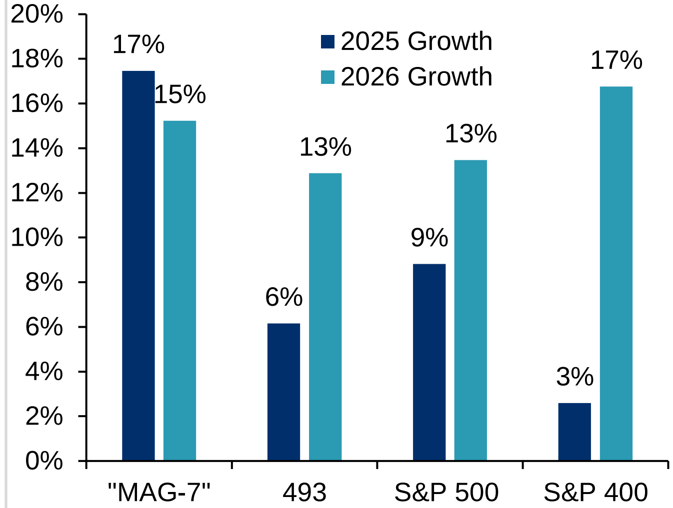
Bottom line: The U.S. continues to see exponential growth in AI revenues, usage and productivity gains. With the broad market within touching distance of our year-end outlook, we focus on the secular theme of AI adoption and infrastructure build-out via the tech and utilities sectors.

[6] Source: McKinsey & Company. 'Semiconductors have a big opportunity—but barriers to scale remain'. April 21, 2025.

Figure 13: AI adoption in the U.S.
% of firms using AI

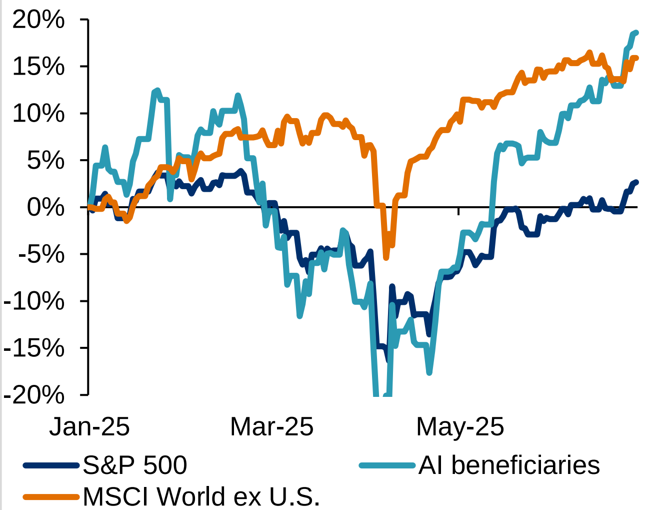
Question used: Have you used Artificial Intelligence to produce a good or service. Sample size: ~164,500 firms. Sources: Haver Analytics; Census Bureau. Data as of June 01, 2025.

Figure 15: Expected U.S. equity earnings growth
Consensus EPS growth rate, %



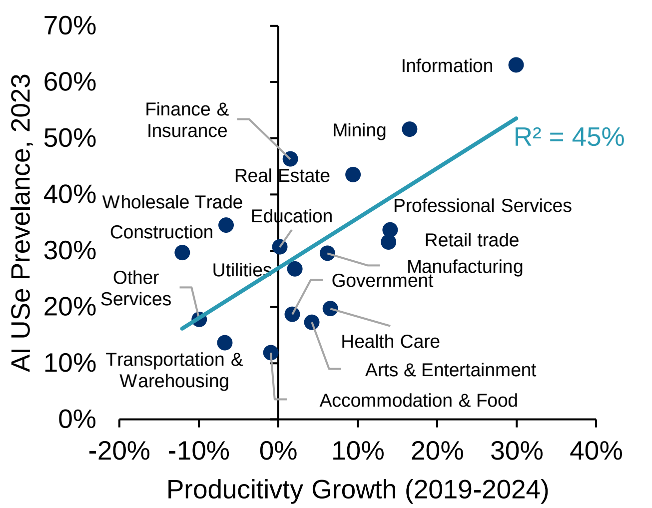
Note: EPS = earnings per share. Source: Bloomberg Finance L.P. Data as of June 25, 2025.

Figure 14: AI > Global > U.S. year-to-date
Cumulative return, %



Note: Uses GS baskets for AI beneficiaries and at risk companies. Sources: GS; Bloomberg Finance L.P. Data as of June 27, 2025.

Figure 16: Producitivty growth higher in industries with higher AI use



Sources: Federal Reserve Bank of St. Louis; Bick, Blandin and Deming (2025); BLS; BEA; authors' calculations.

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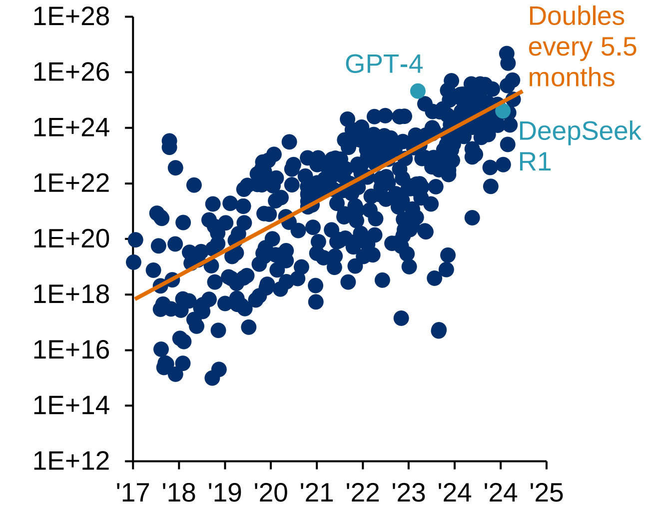
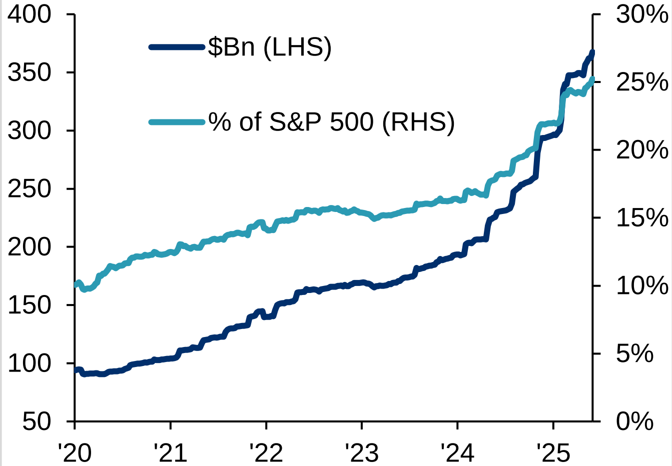
Figure 17:Models growing compute requirement
Training compute (FLOP)



Source: Epoch AI, 'Data on Notable AI Models'. Data as of June 23, 2025.

Figure 18: AI CapEx accelerates
Hyperscaler CapEx, $Bn — Hyperscaler CapEx, % of S&P 500 CapEx



Note: Bloomberg concensus expectations for the next 24 months. Hyperscalers are GOOG; ORCL; MSFT; META; AMZN. Source: Bloomberg Finance L.P. Data as of June 27, 2025.

Figure 19: Chinese rare earths exports diminish
Chinese exports: Rare earth ore, metal and compounds, $m

Sources: Haver Analytics; General Adimistration of Customs, China. Data as of May 31, 2025.

The top 20 U.S. banks currently hold approximately $200 billion in excess capital relative to existing regulatory requirements (Figure 20).

Why it matters: As regulatory requirements soften, banks are positioned to deploy significant excess capital towards loan origination, M&A activity, and buybacks. We see improved profitability for the banking sector through increased capital markets activity and reduced regulatory expenses. Bank preferreds and equities both stand to benefit. Here is how we got there:

1) **Deregulation is here**. Treasury Secretary Scott Bessent has repeatedly emphasized the administration's commitment to "responsibly deregulating the financial sector" in an effort to shift the economy's growth impulse from government spending to private sector activity, funded by banks (Figure 21). On June 25, the Federal Reserve proposed changes to the supplementary leverage ratio (SLR), specifically to lower bank holding companies' capital requirement to 3.5%-4.5% from the current 5%.
2) **SLR reform a "preferred" development**. Preferred stock enables banks to satisfy the SLR requirement, which is *essentially* tier 1 capital divided by assets[7]. After reform, we expect the supply of preferred securities to decline given they are less helpful for most banks in meeting other regulatory ratios, especially given the 2020 surge in 5-year callable bonds are reaching their exercise date (Figure 22).

[7] Supplementary Leverage Ratio (SLR) = Tier 1 Capital (Common Equity Tier 1 + Preferreds) / Total Assets + off balance sheet exposures. Off balance sheet exposures include items such as undrawn lines or derivative exposures.

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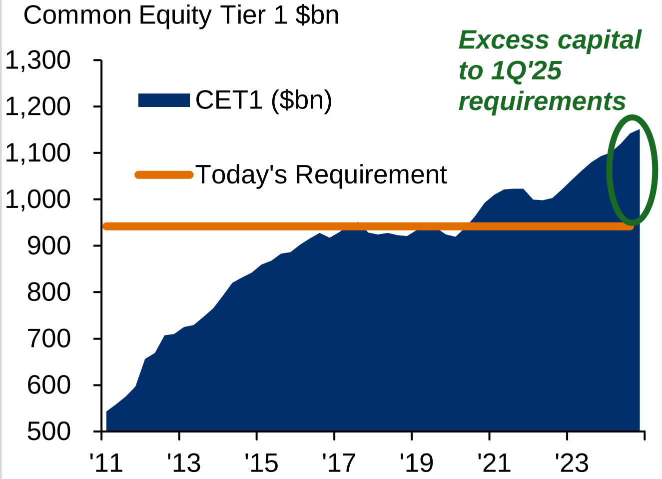
We see lower supply in the preferred market as a positive tailwind for existing securities.

3) **Larger buybacks.** In the wake of the March 2023 banking crisis and the proposed Basel III Endgame rules, U.S. banks built capital amid regulatory uncertainty. With requirements now being softened, we see a large share of the $200bn in excess capital accumulated being deployed toward stock buybacks. We have already seen these buybacks materialize in Q1 across the big 6 banks, with Goldman Sachs announcing a share repurchase plan worth 26% of its market capitalization.
4) **Improved bank profitability.** Loan growth is a key revenue driver for the banking sector. It drives net interest income, which in turn drives earnings. Bank loan growth has been relatively tepid over the past few years as the post-GFC regulatory burden shifted origination activity to the non-bank sector. As regulations ease, banks stand to recapture some of their prior market share, boosting earnings and profitability.

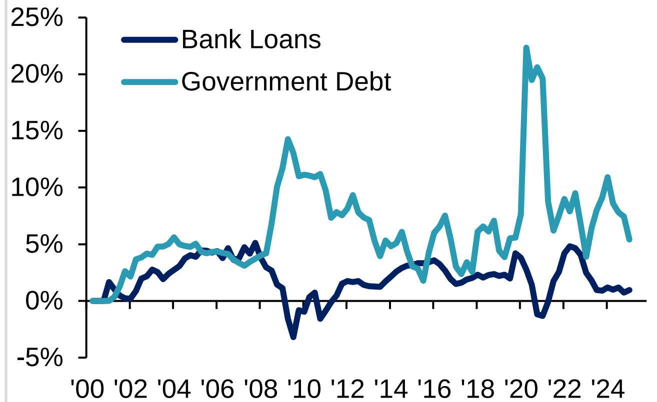
Bottom line: The ongoing dialogue around bank deregulation presents a multifaceted opportunity for the U.S. banking sector. With concrete deregulatory developments on the horizon, consider allocating to bank equities and preferreds.

Figure 20: Banks built capital given regulatory uncertainty and now have $200bn of excess capital, relative to requirements
Common Equity Tier 1 $bn



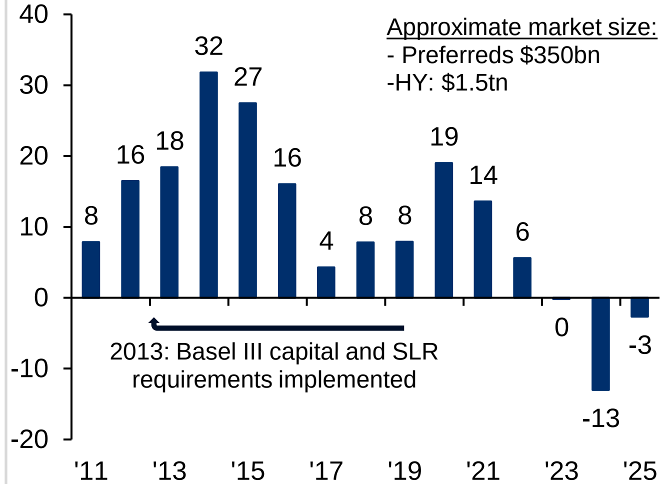
Sources: Morgan Stanley, company reports. Data as of 1Q25. Data includes: JPM, BAC, C, GS, MS, PNC, RF, TFC, USB, WFC, BK, NTRS, STT.

Figure 21: Government debt growth has exceeded bank lending since the Global Financial Crisis



Sources: Bloomberg Finance L.P., S&P Global Market Intelligence and FRED Economic Data, Data as of March 31, 2025. Bank loans and government debt from 'All Commercial Banks' - an estimated weekly aggregated balance sheet for all commercial banks in the United States.

Figure 22: Preferred bank net issuance is likely to remain muted after SLR reform
Bank net issuance (issuance-calls), $Bn



Source: Bloomberg Finance L.P.; CreditSights. Data as of May 27, 2025.

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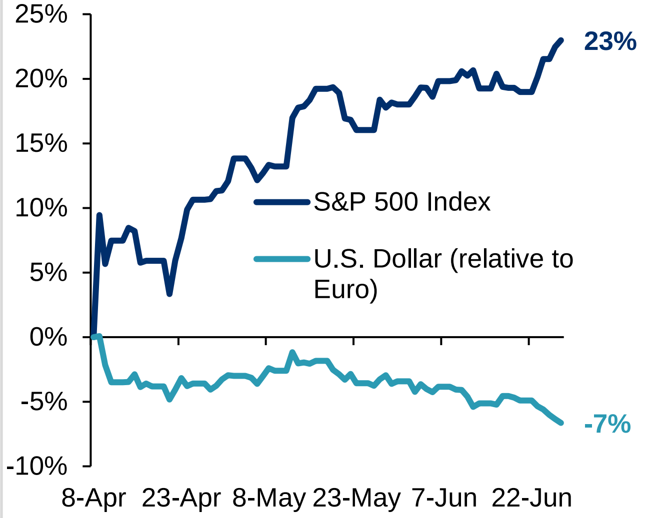
Since the pause of Liberation Day tariffs on April 8th, the S&P 500 is up over 20% yet the U.S. dollar is making new lows for the cycle (Figure 23).

Why it matters: Despite signs of economic resilience, we continue to expect further declines in the dollar. Long-term valuation models suggest the U.S. dollar is still between 5-15% overvalued vs. major peers like the euro and Japanese yen (Figure 24). Below we check in on the pillars of our U.S. dollar view:

1) **Global asset re-allocation.** **On track** The U.S. runs the largest trade deficit in the world of ~$1 trillion annually, meaning it requires roughly that amount in other types of inflows (portfolio, FDI, etc) to offset depreciation pressure on the dollar. Foreign inflows to U.S. capital markets over the past three months are consistent with an annualized pace of just $100bn, and lower than foreign inflows to ex-US markets (Figure 25).
2) **Increasing FX-hedge ratios among foreign investors.** **On track.** Recent years of persistent U.S. dollar strength and negative correlation between the greenback and risk assets saw foreign investors reduce the degree to which they FX-hedged their holdings of U.S. assets. Those prior trends are now in question (Figure 26) and the longer they are in doubt, the more foreign investors are likely to increase the degree to which they FX-hedge their USD asset holdings. Though backward looking, Figure 27 shows the optimal FX-hedge ratio for foreign investors in U.S. assets is on the rise. We are already seeing some of the quicker-moving institutional funds in Europe take action; the Danish pension fund and insurance industry, for example, has increased its U.S. dollar hedge ratio by 12%pts year-to-date, back to near the highest levels seen over the past 10 years (Figure 28).
3) **Cyclical convergence.** **On track.** Historically, the U.S. dollar's performance has been highly correlated with the difference in interest rates between the U.S. and the rest of the world (Figure 29). That relationship has been less stable since April as the asset allocation and FX-hedging decisions of global investors have become more important drivers. However, U.S. yields have resumed their convergence toward those of major peers in recent weeks, providing another impetus to drive the dollar lower.

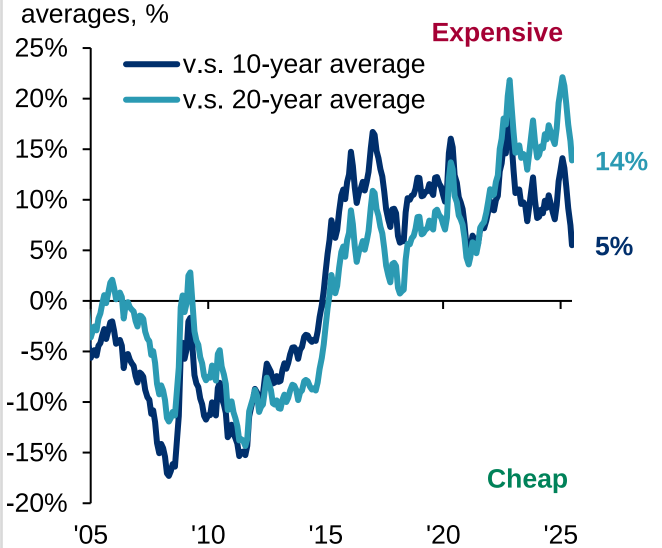
Bottom line: Even as the U.S. dollar makes new lows for the cycle, it remains 5-15% overvalued on long-term valuation metrics. Less dominant U.S. cyclical outperformance vs. rest of world, ongoing signs of a slowdown in foreign investor allocations to U.S. assets, and an increase in FX hedging activity underpin our expectation for further U.S. dollar weakness against its major peers. We continue to recommend international diversification for U.S. investors and appropriate management of long U.S. dollar exposure for those outside of the U.S.

Figure 23: U.S. Dollar divergence from equity markets
Cumulative return, %



Source: Bloomberg Finance L.P. Data as of June 27, 2025.

Figure 24: U.S. dollar's long-term overvaluation
U.S. real effective exchange rate versus historical averages, %



Source: Bloomberg Finance L.P. Data as of June 27, 2025.

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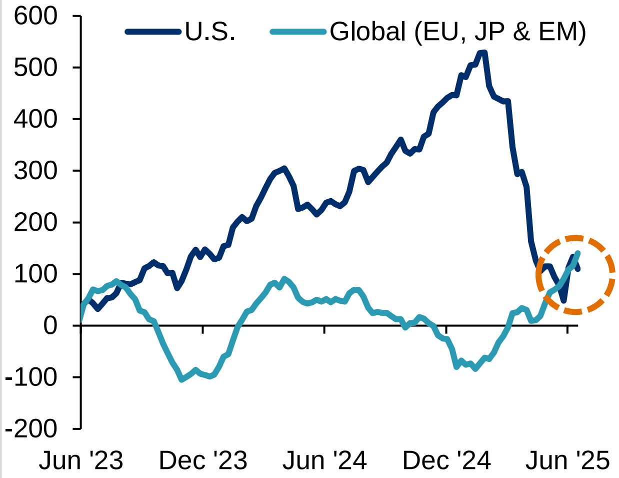
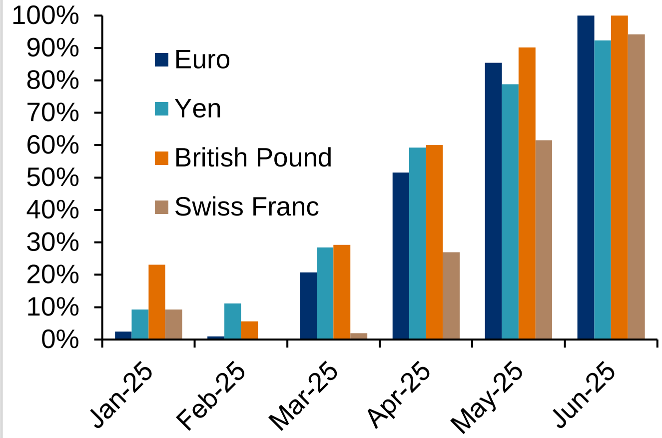
Figure 25: Ex-U.S. markets receiving more foreign inflows than the U.S.
Foreign flows into assets, 12-week annualized, $Bn



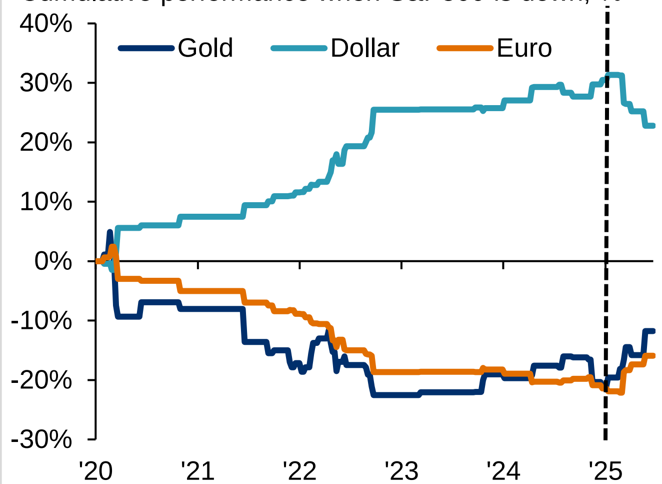
Note: Fixed income and equities. Source: Exante Data; EFPR. Data as of June 16, 2025.

Figure 27: Foreign investors are incentivized to FX hedge
Investors optimal hedge ratio for investing in S&P500 to maximize risk/reward, %



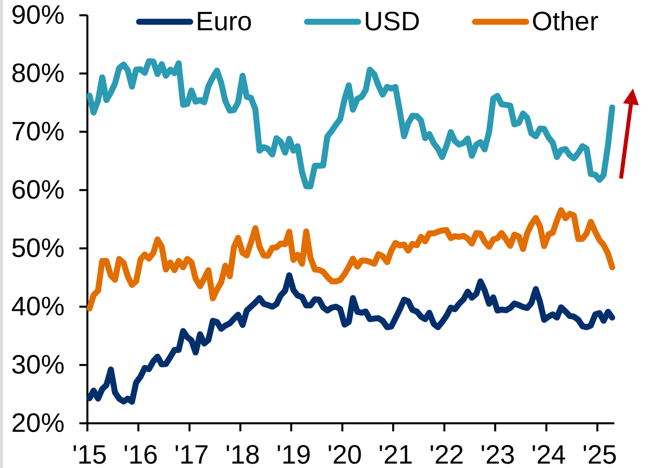
Note: Optimal hedge ratio is the one which maximnizes Sharpe ratio over the last 3-months. Source: Bloomberg Finance L.P. Data as of June 27, 2025.

Figure 26: Reversal in U.S. dollar diverisfication benefits
Cumulative performance when S&P500 is down, %



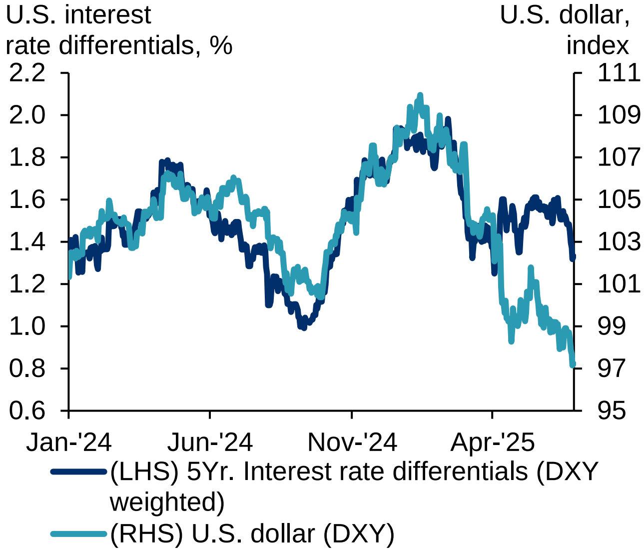
Note: S&P500 sell offs greater than or equal to 1 standard deviation. Source: Bloomberg Finance L.P.. Data as of June 27th, 2025.

Figure 28: Danish pension funds and insurance companies have increased USD hedge ratios
Hedge ratio (% of invested assets currency hedged) %



Source: Exante Data, Macrobond, Danmarks Nationalbank. Data as of April 1, 2025.

Figure 29: Interest rate differentials typically drive the dollar



Source: Bloomberg Finance L.P. Data as of June 27, 2025.

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Here's a summary of Wall Street views for 2025

Street Outlook Year-End 2025					
	Fed Funds Q4 '25	Real GDP Q4 '25	Core PCE Q4 '25	10Y Q4 '25	SPX $ YE 2025
JPM WM	4.00	0.75	3.30	4.10	5,950
JPM IB	3.75	0.20	4.00	3.65	6,000
Bank of America	4.50	1.00	3.60	4.50	5,600
Morgan Stanley	4.50	0.60	3.30	4.00	6,500
Goldman Sachs	4.25	0.50	3.50	4.00	6,100
Wells Fargo	3.50	0.03	3.33	4.00	7,007
UBS	3.50	-0.20	3.35	3.80	5,300
Average (ex-JPM WM)	4.00	0.36	3.51	3.99	6,085
FOMC	3.90	1.70	2.80	-	-

Sources: JPM; BoA; MS; GS; WF; UBS; Federal Reserve. Data as of June 27, 2025.

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2025 YEAR-END & MID-2026 OUTLOOK NUMBERS

July 2025

Macro^				
Inflation	**2025 YE**	Old 2025 YE	**2026 YE**	Old 2026 YE
U.S.	3.20-3.40%		2.30-2.50%	
Eurozone	2.10-2.30%		1.80-2.00%	
China	0.50-0.70%		1.30-1.50%	
Real GDP Growth				
U.S.	0.50-1.00%		1.50-2.00%	
Eurozone	0.00-0.50%		1.00-1.50%	
China	4.35-4.85%	~~4.05-4.55%~~	4.20-4.70%	

Equities				
S&P 500	**2025 YE**	Old 2025 YE	**2026 Mid-Year**	Old 2026 Mid-Year
Price	5,700-6,200		5,900-6,300	
P/E forward multiple	20.75x		20.5x	
Stoxx Europe 50				
Price	5,300-5,800		5,400-6,000	
P/E forward multiple	15x		15x	
TOPIX				
Price	2650-2850		2750-2950	
P/E forward multiple	14x		14x	
MSCI Asia ex-Japan				
Price	735-765	~~710-735~~	760-795	~~737-769~~
P/E forward multiple	12.5x		12.5x	
MSCI China				
Price	71-77	~~65-71~~	75-81	~~68-74~~
P/E forward multiple	10.7x	~~10.1x~~	10.7x	~~10.1x~~

Currencies				
	2025 YE	Old 2025 YE	**2026 Mid-Year**	Old 2026 Mid-Year
U.S. Dollar Index (DXY)	96 (94-98)		95 (93-97)	
EUR/USD	1.18 (1.16-1.20)		1.20 (1.18-1.22)	
USD/JPY	139 (137-141)		135 (133-137)	
GBP/USD	1.35 (1.33 - 1.37)		1.36 (1.34 - 1.38)	
USD/CNY	7.20 (7.10 - 7.30)	~~7.35 (7.25 - 7.45)~~	7.15 (7.05 - 7.25)	~~7.35 (7.25-7.45)~~

Rates & Credit Spreads				
U.S.	**2025 YE**	Old 2025 YE	**2026 Mid-Year**	Old 2026 Mid-Year
Eff. Fed Funds rate	3.75-4.00%		3.25-3.50%	
ON SOFR	3.83%		3.33%	
2-year UST	3.50%		3.55%	
5-year UST	3.80%		3.75%	
10-year UST	4.10%		4.10%	
30-year UST	4.55%		4.55%	
2s/10s spread	0.60%		0.55%	
JPM U.S. Investment Grade	110	~~150~~	110	~~135~~
JPM U.S. High Yield	450	~~550~~	450	~~475~~
Europe	**2025 YE**	Old 2025 YE	**2026 Mid-Year**	Old 2026 Mid-Year
ECB Deposit rate	1.75%		1.75%	~~1.50%~~
5-year German Yield	2.10%		2.15%	~~2.05%~~
10-year German Yield	2.40%		2.40%	~~2.35%~~
BoE Bank Rate	3.50%		3.00%	
10-year UK Gilt	4.25%		4.15%	
EUR IG	105	~~150~~	105	~~125~~
EUR HY	360	~~450~~	360	~~375~~
EM	**2025 YE**	Old 2025 YE	**2026 Mid-Year**	Old 2026 Mid-Year
EM Sovereign Index (EMBI)	330	~~450~~	330	~~375~~
EM Corporate Index (CEMBI)	240	~~350~~	240	~~275~~
JPM Asia IG (JACI IG)	105	~~150~~	105	~~125~~
JPM Asia HY (JACI HY)	650	~~750~~	650	~~700~~

Commodities				
	2025 YE	Old 2025 YE	**2026 Mid-Year**	Old 2026 Mid-Year
Gold ($ / oz)	$3,600-$3,700		$4,050-$4,150	
Brent ($ / barrel)	$63-$68		$55-$60	
Commodity Index (BCOM)	107-108		110-112	
Natural gas ($/MMBtu)	$4.75-$5.75		$3.75-$4.75	

^GDP and core inflation estimates represent Q4 year over year growth rates. Core inflation in the US is core PCE.
Indices are not investment products and may not be considered for investments.

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MACRO VIEWS

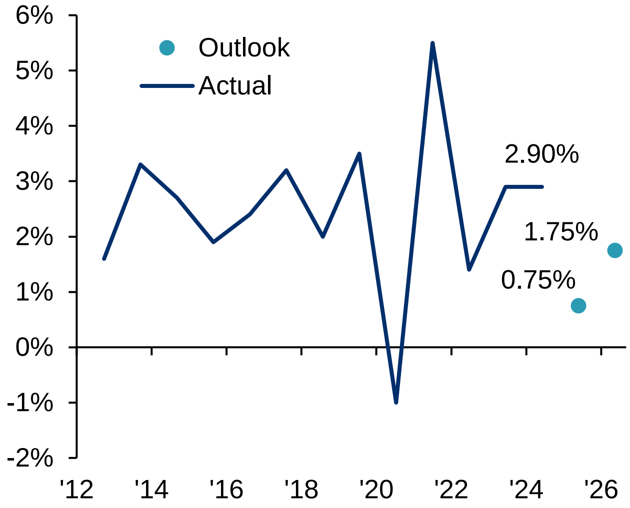
U.S. Growth

Our U.S. macroeconomic outlook remains unchanged. We continue to monitor data closely, with our forecast predicting a slowdown in growth to 0.5-1% from the 2.5-3% GDP momentum observed at the beginning of the year. Throughout much of this year, there has been a disparity between soft and hard economic data. However, recent signs indicate emerging weaknesses in pockets of the hard data. With the conclusion of tariff-related front-running purchases, retail sales have softened. May's retail sales were weak, with spending only 0.3% higher than in January. Housing data also remains weak due to ongoing affordability issues, exerting modest downward pressure on home prices in March and April (the first MoM home price declines since 2022). And most importantly, initial and continuing jobless claims, which track labor market layoffs and unemployment, have risen markedly. We do not interpret the current claims data as signaling the onset of a recession; in fact, we believe recession risks have decreased since Liberation Day, as the Trump administration's tariffs have been reduced to more manageable levels. Nonetheless, the recent weakness in claims is a crucial indicator of softening domestic demand. If this trend continues, as we anticipate, with the unemployment rate rising to 4.5-5.0%, it should prompt further monetary policy easing by the Federal Reserve this year. We still expect two additional 25 basis point rate cuts by year-end.

What we're watching: Consumer & business sentiment, high frequency data on inflation, retail sales and job openings, details on tariffs/taxes/regulations, overall financial conditions

Our view: 0.50-1.00% (Q4 YoY) in 2025, 1.50-2.00% in 2026

U.S. historical and expected growth
Q4/Q4 real GDP growth, %



Sources: Haver Analytics, Bureau of Economic Analysis. Data as of June 27, 2025.

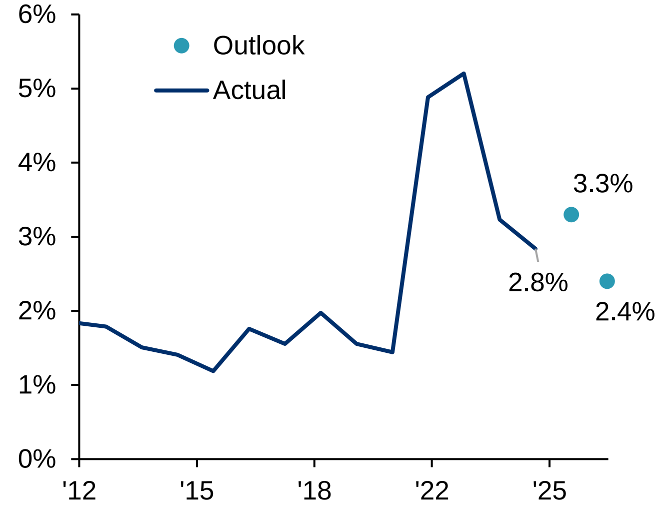
U.S. Inflation

There is a growing mystery as to why tariffs haven't yet visibly increased U.S. inflation. We've noted that corporate profit margins are higher now than during the 2018-2019 tariff hikes, which may be limiting the impact of tariffs on consumer inflation. Also, it should be noted that although tariffs haven't moved aggregate U.S. inflation much yet (as of May data) there is evidence of higher inflation from tariffs in certain select CPI categories, including automobile parts and equipment and home appliances. We still anticipate that tariffs will lead to higher aggregate inflation in the 2nd half of 2025. Many businesses are reportedly hesitant to raise prices due to uncertainty about where tariff levels will ultimately settle. Additionally, pre-tariff inventory accumulation may be delaying the impact on consumer inflation. We expect to see a more noticeable passthrough from tariffs to consumer inflation in the June and July CPI data. Despite the expected rise in inflation from tariffs, we believe, from an investor risk perspective, it won't compare to the 2021/2022 inflation shock driven by labor, housing, and energy. As long as these key inflation drivers remain stable, we don't think higher inflation from tariffs will prevent the Fed from continuing to lower its policy rate in 2025 and 2026.

What we're watching: Goods inflation, wage growth, JOLTS data, tariff changes from the Trump Administration, commodity prices, home prices.

Our view: 3.20-3.40% (Q4 YoY) in 2025, 2.30-2.50% in 2026

U.S. historical and expected inflation
Q4/Q4 core PCE, %



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Eurozone Growth

Fast-moving cross currents have kept European growth in low gear this year, but we see the outlook as 'half full.'

Germany's approved 2025 budget included more front-loaded spending than previously expected. That could bring forward some of the growth impulse from the €500 billion infrastructure package that we had initially expected to mostly come in 2026 and 2027. This marks a major shift from years of fiscal restraint, and highlights the urgency of policymakers to address structural gaps highlighted in the Draghi Report—security, innovation, and resilience.

Yet risks are still in play. Geopolitical tensions, volatile energy markets, and U.S. trade uncertainty continue to cloud sentiment. Therefore, we expect fairly weak GDP growth of 0.0–0.5% YoY in 2025, followed by an improvement to 1.0–1.5% in 2026.

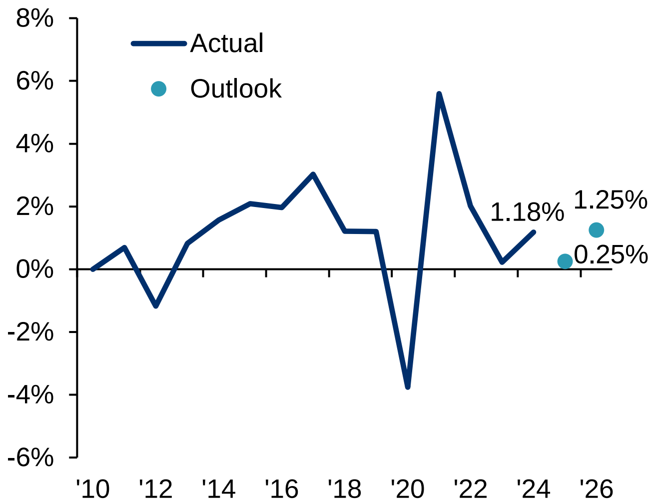
Meanwhile, recent UK data has shown weakness in labor markets and consumption–and fiscal challenges likely mean that tax rises are in store for the Autumn Budget. The good news? We expect the BoE to pick up its pace of cuts, and the government's 5% of GDP defense commitment by 2035 also sets stronger long-term foundations.

What we're watching: Real wage growth, trade policy.

Our view: 0.00-0.50% (Q4 YoY) real GDP growth in 2025

1.00-1.50% (Q4 YoY) in 2026

Eurozone historical and expected growth
Q4/Q4 real GDP growth, %



Sources: Haver Analytics, Statistical Office of European Communities. Data as of June 27, 2025.

Eurozone Inflation

Euro area inflation has notably cooled. Headline inflation fell below the ECB's 2% target for the first time since late 2024, driven by slowing services inflation and lower energy prices. Core inflation is set for more progress; wage dynamics point to further cooling, with the ECB's latest wage tracker signaling a sharp slowdown this year. In turn, while the ECB has signaled it is nearing the end of its rate-cutting cycle we see little reason for hesitation should the economic backdrop call for additional cuts.

We see balanced, two-sided risks to our inflation outlook. Disinflationary forces may take further root as the Euro's strength makes imports cheaper, trade tensions stall growth, or China exports excess capacity at lower prices. On the upside, inflationary pressures could stem from geopolitical tensions and rising oil prices, Germany's fiscal expansion, or tariff tit-for-tat causing short-term price hikes.

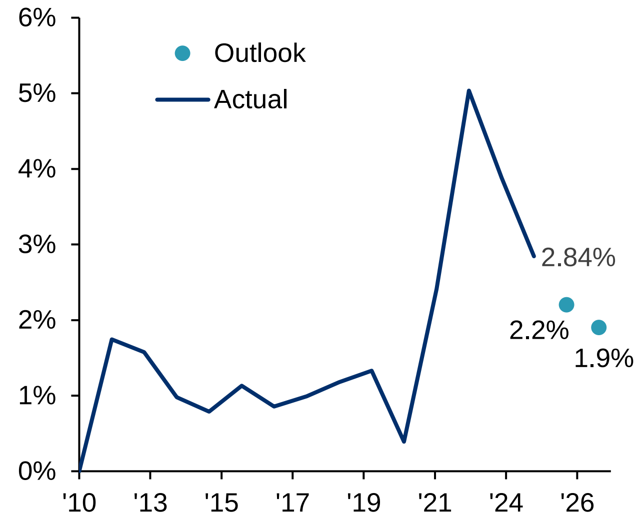
In the UK, one-off factors that boosted prices in April largely look to have reversed in May. Underlying inflation remains sticky but is now tracking below the BoE's forecast. Services inflation and global oil prices key to watch.

What we're watching: Wage growth, energy prices, services inflation, business surveys.

Our view: 2.10-2.30% (Q4 YoY) core HICP in 2025

1.80-2.00% (Q4 YoY) in 2026

Eurozone historical and expected inflation
Q4/Q4 core HICP, %



Sources: Haver Analytics, Statistical Office of European Communities. Data as of June 27, 2025.

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China Growth

China's economic outlook continues to remain quite mixed. On the positive side, the property sector is becoming less of a drag (although still a negative), consumer sentiment is beginning to inflect higher (see chart), and exports remain a surprising bright spot. On the other hand the economy is still suffering from entrenched deflation, property isn't showing signs of bottoming, and exports will likely urn into a headwind. The April/May period was a rollercoaster with U.S. tariffs on China reaching over 150% before coming down to just under 50%, data is likely to remain volatile reflecting export and production front-loading with the risk of a 'give back' later in the year.

Going through the May data in more detail: Retail sales emerged as a bright spot, exceeding market expectations with a 6.4% year-over-year increase. This was largely driven by the government-subsidized consumer goods trade-in. However, the sustainability of this growth remains questionable as payback effects loom in June. Fixed asset investment growth slowed, particularly in infrastructure and property sectors, while manufacturing investment remained robust. Exports showed resilience, with exports growing despite geopolitical tensions and increased US tariffs.

With regards to policy, stable growth should alleviate immediate stimulus pressures, though challenges in the property sector and labor market may necessitate further policy adjustments.

What we're watching: Tariff talks, policy response, tariff impact on employment

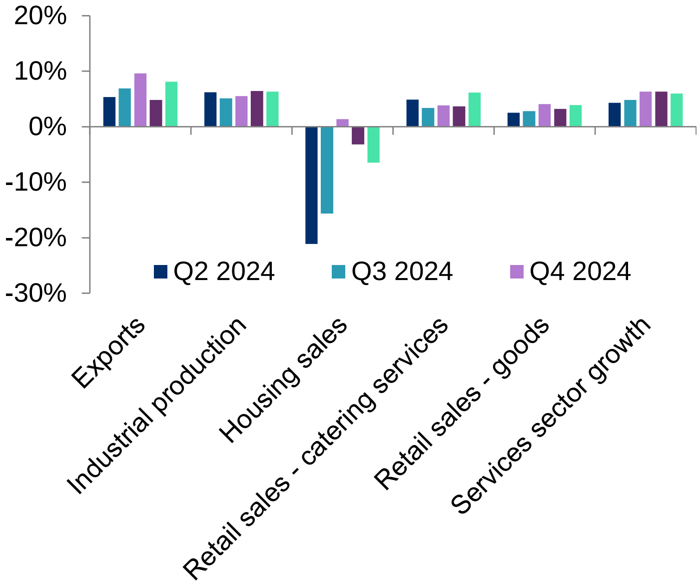
Our view: 4.35-4.85% in 2025 (Q4/Q4), 4.20-4.70% in 2026

China Inflation

In May, China's inflation data painted a picture of a sluggish pricing environment. Headline CPI dipped 0.1% compared to last year, mirroring the declines seen in April and March. Core CPI, , rose 0.6% year-over-year, with service prices inching up as well. Meanwhile, the Producer Price Index (PPI) showed intensified deflation, with notable declines in both consumer and producer goods prices, underscoring the challenges in the pricing landscape.

What we're watching: domestic demand, trade tensions.

Our view: 0.5%-0.7% (Q4 Y/Y) Core CPI in 2025, 1.3%-1.5% in 2025.



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EQUITY VIEWS

U.S. Equities

Don't call it a comeback. Despite many reasons for the S&P 500 to decline, (tariff uncertainties, DeepSeek, weak dollar, middle east war, valuation) the market has recovered strongly in May and June. The rally has driven the SPX to within a few points of all-time highs as Tech and Tech+ led the price action. Confidence in the AI opportunity increased as the largest buyers of technology either reiterated or raised capex commitments while also reducing labor costs due to their investments. Not inconsequentially, late reporting leadership firms like Nvidia and Broadcom produced strong quarters despite semiconductor shipment restrictions to China while new, large commitments from the middle east added visibility to growth into 2027.

What's next? Earnings drive markets and we are just two weeks from bank earnings. We expect upside to the sell-side estimates for Q2'25 calling for sub-4% growth. A lack of tariff impact that had drifted into estimates, combined with steady and solid consumption trends across industries should lead to upside. We believe there is upside to 2H 2025 Magnificent-7 estimates but downside to the "other 493", supporting our large cap bias. We are anticipating many potential outcomes from the ongoing trade negotiations, recognizing some impacts are direct and some secondary. We "hope" to get some resolution as we near the arbitrary July 8th imposition date. As of now, our range of outcomes are wider than normal with our 1-year target range of $5,900-$6,300, due to our wide EPS estimate range. As wide as this range is for the S&P 500, the range of outcomes is greater for small caps. We don't believe the equity market will become preoccupied with softer macro data this summer unless tariff rates jump meaningfully above the recent expected range. Supporting valuation is the belief that America's best companies are much more flexible, profitable and resilient than many realize.

Where to invest? We recommend 3 S&P 500 sectors after removing Industrials post YTD outperformance. The Technology sector is poised to benefit from AI investments and capex. We like the software segment, which does not have a direct overhang from tariff negotiations, but also semis that support AI compute and cyclical end markets with easy growth comparisons. Utilities are among the top performing sectors of the S&P 500 year-to-date, but we expect further gains due to rising growth rates, low cyclicality, high dividend yields, and still modest relative valuations. Financials have also performed well, and we see positive earnings momentum and favorable revisions, especially for the banks.

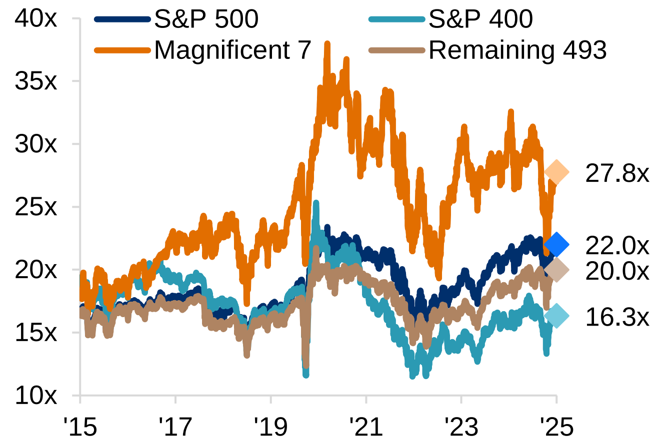
Our view:

Base case $5,700-6,200, bull case $6,700-6,800, and bear case $4,450-4,550 by year-end 2025.

Base case $5,900-6,300, bull case $7,000-7,100, and bear case $4,700-4,800 by mid-year 2026.

Valuations are nearing their 5-year averages, but are reasonable if they can maintain expected levels of growth

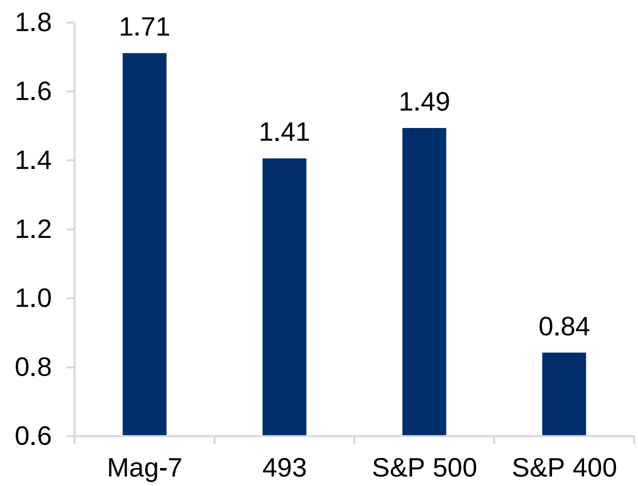
Next-twelve-months price-to-earnings (NTM P/E)



Source: Bloomberg Finance L.P. Data as of June 26, 2025.

The Mag-7 appears relatively inexpensive if earnings growth reach estimates

'26 price-to-earnings/'26 EPS growth (PEG)



Source: FactSet, Bloomberg Finance L.P. Data as of June 26, 2025.

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Europe Equities

We are not making changes to our Euro Stoxx 50 targets. In our base case, the year-end target is in the range of €5,300-5,800 and the mid-2026 Euro Stoxx 50 target is €5,400-6,000. Our targets are a bit wider than usual, as we price in tariff uncertainty and FX moves. Our base case assumes tariffs settling between 10-20%. In our base case, we expect 2025 earnings to be in the range of -4% to +3% to account for tariff risk and a strong Euro that is impacting European exporters. Excluding FX impact, organic growth could have been higher this year. Earnings expectations for this year are already going down due to FX moves and ongoing uncertainty around trade tariffs. The market already expects earnings to decline by 2% this year, down from the +3% expected at the end of March. We expect a recovery in 2026 with 6-8% earnings growth followed by another strong year in 2027 with 5-6% earnings growth. The earnings season starts in less than a month, and we will be watching how companies are dealing with tariff uncertainty and the impact it has had on their businesses. The key for us will observing what companies will say about the year-end guidance.

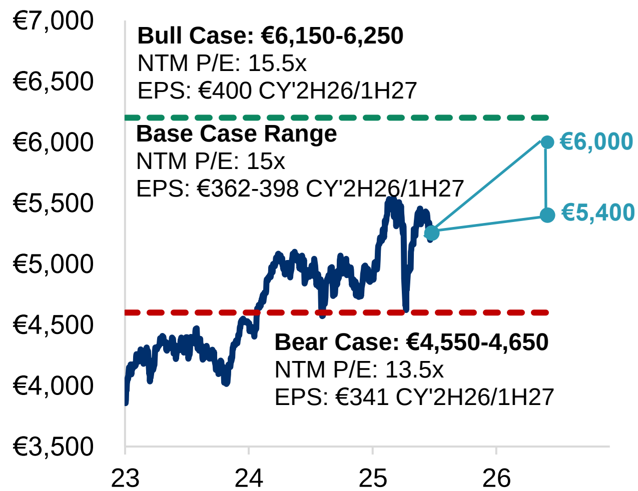
We continue to believe that European equities are attractive for a number of reasons. We are observing an improving domestic story, which is quite encouraging after the last couple of years when Europe has been relying on either China stimulus or a strong US economy. The German €500 billion stimulus over the next 12 years is significant when compared to the size of the German economy. However, we are likely to see the impact from it starting next year. European defence spending is also expected to continue to rise, addressing years of underspending. At the NATO summit (24-25 June), its European members made strong commitments to increase defence spending in the coming decade to 5% (3.5% core defence requirements and 1.5% on infrastructure)

Importantly, we think European valuation can stay higher at 15x next 12 months' price-to earnings ratio versus the long-term average of 14x, given all the tailwinds the European market is facing. We have been recently focusing on domestically oriented companies that are more insulated from tariffs, have less FX risk, and are more exposed to the improving domestic story. This is a slightly different narrative compared to the last few years, where European multinational companies were more preferred. Domestically oriented companies can be found in the financial, industrials, materials, and utilities sectors. We continue to believe European Industrials in particular are well-placed given the secular themes. European defence spending should continue to rise, addressing years of underspending. The German infrastructure stimulus adds another positive driver for the sector. Other reasons to be positive on Industrials include their exposure to electrification and data center spending. We also continue to like the technology sector given its exposure to AI.

Our view: Base case €5,300-5,800 by year-end 2025, bull case €5,900-6,000, and bear case €4,300-4,400. Base case €5,400-6,000 by mid-year 2026, bull case €6,150- 6,250, and bear case €4,550-4,650.

We see the Euro Stoxx 50 reaching €5,400-6,000 by mid-year 2026

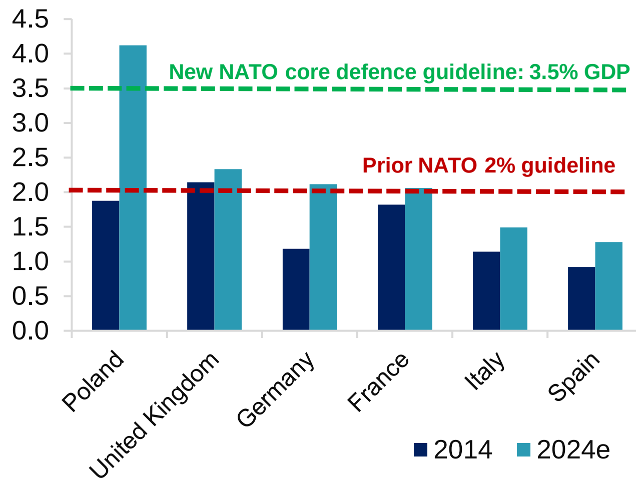
Euro Stoxx 50 vs JPM WM Solutions Base, Bull and Bear cases



Source: Bloomberg Finance L.P. Data as of June 25, 2025.

European countries are increasing defence committments, addressing years of underspending

Country defence spending as a share of GDP



Source: NATO, data as of June 2024 and June 2025.

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Asia Equities

The de-escalation of US/China tariff tensions in May was better than market expectations in terms of both timing and magnitude. This significantly reduces the left tail risk of an abrupt slowdown in manufacturing and export activity in China. Consequently, Chinese equities have rightly repriced higher. We increase our MSCI China target for YE25 / June 2026 to 71-77 / 75-81 due to earnings being positively revised 2-3%, and a higher multiple at 10.7x (10.1x previously). **With valuation back to five-year averages and modest upside to our targets, we remain neutral towards Chinese equities.** Select opportunities in innovative technology leaders in China remains preferable to the broader market. Communication services remains a favored sector.

With Japanese equities having outperformed US equities (in USD terms) year-to-date, modest upside to our base case index targets, and continued uncertainty with regards to US tariffs, we tactically lower our rating for Japan to neutral. Our medium term constructive view towards Japan remains unchanged due to: a) structural changes and efforts by management teams to raise return on equity and hence valuation, b) foreign equity participation remains very low (underweight) with significant scope for higher allocations, especially if currency diversification gains greater significance, and c) regime change as the economy sustainably reflates. Valuation multiples have normalized back to historical average levels and TOPIX is less compelling at these levels. Industrials, banks, and select high quality semiconductor equipment companies are preferred sectors/industries.

India remains amongst the most attractive domestic growth opportunities in Emerging Markets. Equities benefit from limited export exposure, supply chain diversification, increasing domestic policy support, and USD weakness. The Reserve Bank of India recently front-loaded rate cuts with a further 50bp cut to further support the economy. Earnings estimates declined sufficiently at the start of the year such that **earnings beats in the March quarter were at the highest level in four years**. Valuations are slightly above five-year averages, but we do not view this as problematic with earnings near a trough and growth rates likely to accelerate in 2H25**. Small dips in MSCI India at 2,800-2,850 present buying opportunities.**

What we're watching: Tariff-related announcements, earnings season, China government policy announcements.

Our view:

MSCI AxJ: YE 2025: 735-765 / June 2026: 760-795 (P/E 12.5x)

Topix: YE 2025: 2650-2850 / June 2026 2750-2950 (P/E 14x)

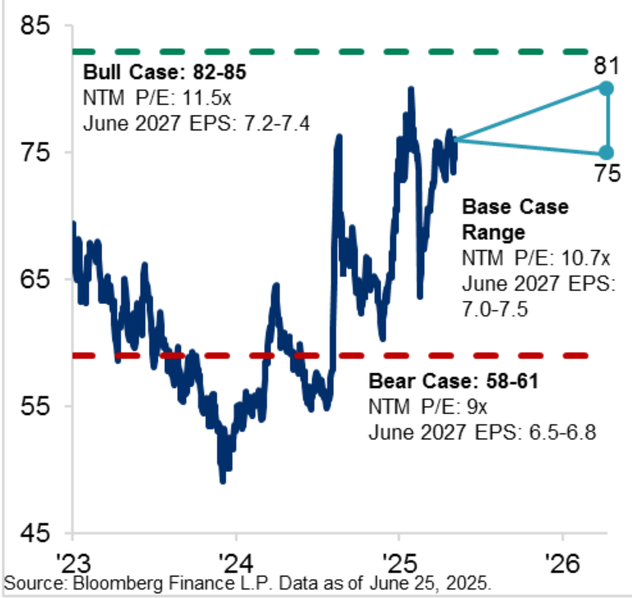
MSCI China: YE 2025: 71-77 / June 2026 75-81 (P/E 10.7x)

CSI 300: YE 2025: 3,715-3,915 / June 2026: 3,870-4,120 (P/E 12.2x)

MSCI India: YE 2025: 2,950-3,025 / June 2026: 3,130-3,225 (P/E 21.0x)

MSCI ASEAN: YE 2025: 685-705 / June 2026: 710-730 (P/E 13.5x)

We see MSCI China reaching 78 by June 2026



Source: Bloomberg Finance L.P. Data as of June 25, 2025.

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RATES VIEWS

U.S. Rates

The Fed is likely to wait for concrete signs of economic weakness before resuming rate cuts. Moving too early risks long-dated inflation expectations shifting higher and threatening progress already made toward the 2% inflation objective. Faced with an unemployment rate rising above 4.5% later in the year as we expect, the Fed is likely to take action. We pencil in 100bps of rate cuts over the next 12 months. In the event of a more material growth slowdown we see the Fed cutting closer to 2.0-2.5%; but we see less risk of that occurring compared to a month ago. We recommend focusing fixed income exposure in 5- to 7-year maturities – or shorter – as longer-dated tenors exhibit less correlation with near-term economic fundamentals and Fed policy expectations. We expect 10-year yields will remain buoyant near 4.0% as end-users demand more compensation to own long-duration Treasuries given macroeconomic uncertainty, a potential reduction in global investor allocations to U.S. assets and persistent U.S. fiscal deficits.

What we're watching: Fiscal and trade policy, labor market indicators, inflation expectations.

Our view: 10Y: 4.10% by year-end 2025 and mid-year 2026

10-year U.S. Treasury
Yield, %

Source: Bloomberg Finance L.P. Data as of June 27, 2025.

Europe Rates

After eight rate cuts over the past year, the ECB is nearing the end of its cutting cycle. At 2%, ECB policy rates are no longer clearly restrictive and are now in a "good place" to take a pause, according to Governing Council members. In other words, economic deterioration from here is needed to generate substantially more cuts.

We now see just one further 25bps rate cut, which would bring the deposit rate to the lower end of the ECB's estimated range for the "neutral" rate of 1.75%-2.25%. This nudges up our 10-year Bund forecast to 2.4% through mid-2026, but Germany's front-loading of infrastructure spending (including a €19bn increase in issuance in Q3 alone) poses some upside risks.

The Bank of England is meanwhile sticking to its cautious guidance amid an uncertain backdrop. However, given growing downside pressures in the economy, we see three further rate cuts this year (vs. market pricing for two), followed by two more in 2026 to a terminal rate of 3.0%.

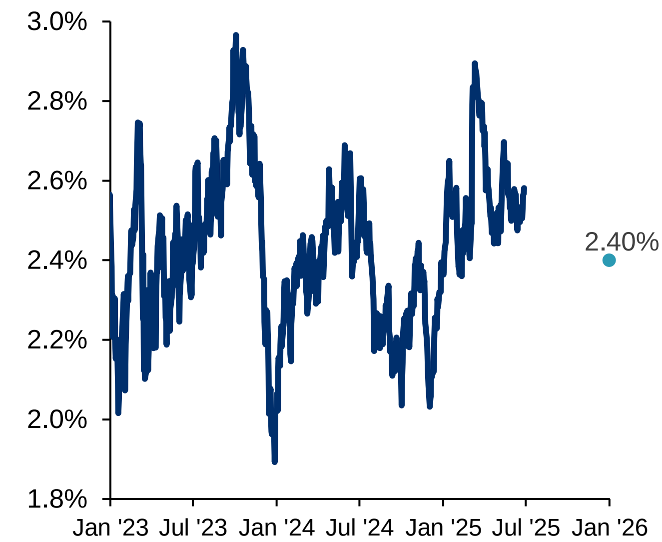
What we're watching: U.S. trade policy, energy prices, activity surveys, fiscal stimulus, and UK budget plans.

Our view:

10Y Bund: 2.40% by year-end 2025; 2.40% by mid-2026

10Y Gilt: 4.25% by year-end 2025; 4.15% by mid-2026

10-year Bund
Yield, %



Source: Bloomberg Finance L.P. Data as of June 27, 2025.

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CREDIT VIEWS

U.S. Credit

Over the past two months we have seen a reduction of volatility, as investors' worst fears post Liberation Day failed to materialize. Investment Grade (IG) and High Yield (HY) spreads tightening by ~20bps and ~70bps, respectively, since the end of April. Muni 10y ratios have declined by 13 percentage points (pp) and fund flows have been positive for eight consecutive weeks, an indicator of positive municipal market sentiment. Despite this, uncertainty persists, with risks around growth, inflation, trade, and geopolitics top of mind for investors.

Given the uncertainty and expectations of a growth slowdown later in the year, we believe that IG and HY spreads should incorporate more risk premium and widen from their current levels. However, we expect this widening to be more modest from our previous projections, as we believe recessionary risks are lower and fundamentals and technicals are supportive. We now forecast spreads targets at 110 bps (+15) and 450 bps (+100) by the end of 2025 for IG and HY respectively.

Our expectations for return from here are driven by carry. We expect mid-single digit one year total returns across US fixed income, supported by higher starting yields and expectations for lower rates, offsetting modestly wider spreads. Overall, macroeconomic risks still remain and we acknowledge the potential for volatility through year-end. We continue to prefer a high quality bias, including municipal and investment grade bonds which provide ballast to a portfolio and have demonstrated resilience in a turbulent year. In extended credit, we focus on corporate hybrids and preferreds, but some idiosyncratic HY opportunities exist. We expect de-regulation to be supportive for preferreds. Looking out to next year, our macro expectations suggest a solid environment for credit, with stronger growth and lower inflation.

What we're watching:

Core Fixed Income: We favor Investment Grade and Municipal bonds in the credit space.

Extended Credit: Preference is for hybrids and preferreds over high yield.

Duration: We prefer shorter/intermediate duration (3-7 years) in IG given a flat spread curve beyond 10 years, but find value in Municipals across the curve

Our view:

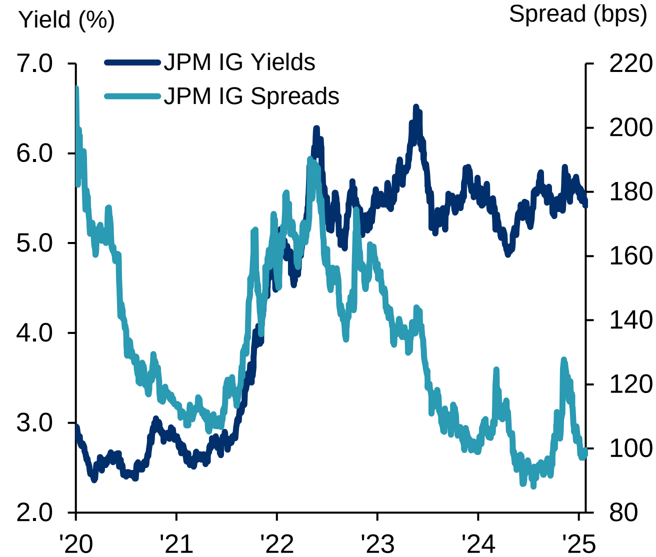
U.S. IG (Spread): Base 110bps by YE'25, 110bps by MY'26.

US HY (Spread): Base 450bps YE'25, 450bps by MY'26.

Municipal 10YR Index: Base 3.40% by YE'25 and 3.39% by MY'26.

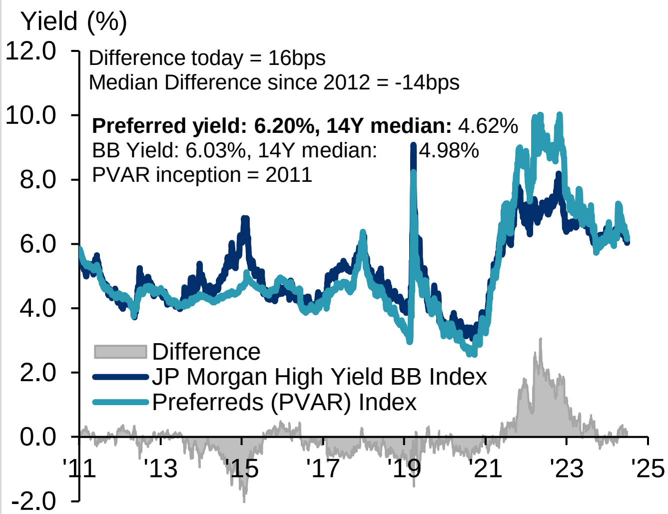
Preferreds: Base 260bps by YE'25, 260bps by MY'26

Yields remain elevated while spreads near all-time tights



Source: Bloomberg Finance L.P. Data as of June 25, 2025.

Preferreds and corporate hybrids provide BB like returns



Source: Bloomberg Finance L.P. Data as of June 25, 2025. Preferreds and hybrdis as measured by the PVAR Index. PVAR yield to worst does NOT account for qualified dividend income tax equivalent yield.

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EUR Credit

European Credit Markets have delivered 1H'25 returns in line with our expectations at the start of the year – carry-like returns, +1.8% in EUR Investment Grade and +2.8% in EUR High Yield. EUR IG index spread is now almost 10bps tighter vs. the start of the year, EUR HY index spread is approximately at the same level – thus fully erasing >100bps of widening seen in early April on peak trade- and economic growth uncertainties.

We do acknowledge current tight credit spreads levels and believe they will remain broadly supported – with some potential for periods of decompression, we would be keen to add to fixed income further on occasions of spread volatility.

European credit spreads have been underpinned by **healthy European issuers' fundamentals**, as demonstrated by Q1'25 earnings results, that we expect to be supported further by the eventual read-through from the infrastructure spend. Interest Coverage, albeit lower vs. its historical peak, remains high at >12x, Net Leverage remains below historical medians.

Yield-based demand remains an important technical in historically starved-for-yields EUR credit markets, we also expect a certain degree of recalibration of investors' appetite/ overweights in USD assets to be supportive for EUR credit markets, particularly with current starting yields at above 3%.

Given the steeper EUR Senior IG yield curve now vs. a couple months ago, we see best risk-reward in adding to 7-8 years to maturity part of the curve – combining our view on optimal duration exposure and taking advantage of the steepness of the credit spreads' curve up to ~8y to maturity.

What we are watching:

We continue monitoring the developments for **European Automotives** in light of the **ongoing trade negotiations and increased Chinese competition**. Q1 results came broadly in line with expectations and the effect of tariffs on US sales and supply chains is only expected to present itself in Q2 numbers. We remain comfortable with **select Investment Grade/ Upper-Tier High Yield national champions that operate with negative net leverage** given large amounts of liquidity held on their balance sheets.

European Corporate Hybrids: BB-like Returns from Investment Grade Issuers

We remain selective, focusing on robust credit metrics and strong operating results, favoring structures with lower extension risk. IG-rated hybrids offer 120-150bps of spread pick-up to issuers' respective senior curves.

Subordinated European Insurance: very high credit quality even at Tier2

Solvency metrics are expected to remain strong despite significant upticks in losses from LA wildfires (20-40% of FY2025 catastrophe budgets for European Reinsurers, according to Fitch) – driven by effective underwriting and increased investment income.

We particularly favor AA-rated at Senior level Insurers, whose Tier2 papers fall within single-A credit quality segment and trade ~80bps wider to A-rated non-financials.

European Banks: we continue to see best value across Senior curves

Q1'25 European Banks' earnings demonstrated continuous solid operational performance – strong commissions & fees performance, robust capital ratios, low cost of risk and improving health of the loan books with declining NPL ratios. We remain comfortable with European Banks across the capital structure, but given the continuous trend of compressing spread pick-up from Senior Bail-In to Tier2 – just ~50bps on average now – **on relative value basis we continue to favor Senior Unsecured/ Non Preferred** bank paper for any additional exposure.

Our View:

EUR IG (spread): 105bps (+/- 25bps) by YE'2025
EUR HY (spread): 360bps (+/- 25bps) by YE'2025
EUR IG (spread): 105bps (+/- 25bps) by mid-2026
EUR HY (spread): 360bps (+/- 25bps) by mid-2026

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EM Credit

EM Credit performed well in the first half of 2025, delivering returns of 3.8% in EM IG and 4.2% in EM HY. This is broadly in line with US IG and US HY, which delivered 1H'25 returns of 3.7% and 4.3%, respectively. Looking ahead to the second half, we expect EM to deliver carry like returns, given attractive all-in yields of 5.6% in EM IG and 8.6% in EM HY. We do expect to see wider spreads by year end and a theme of decompression, although only marginally, as tail risks have been receding.

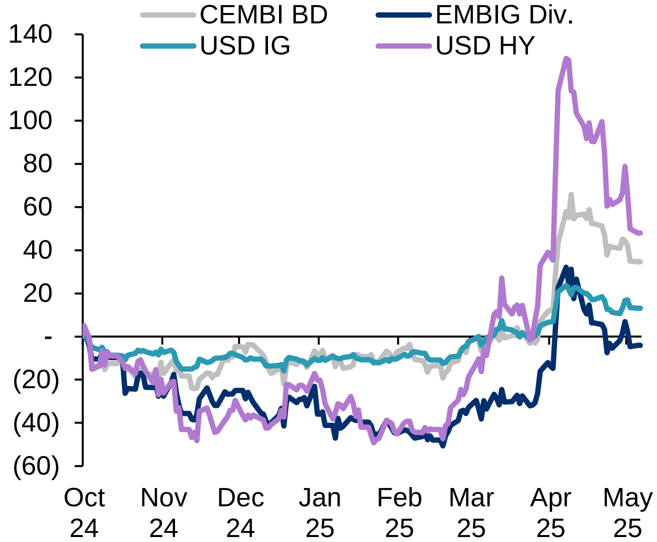
As we have previously mentioned, there are reasons to be more positive in EM. In particular, strong fundamentals and resilient technicals are key supportive factors for the asset class. However, uncertainty at the macro level – continued unresolved tariff negotiations – make us continue to expect EM credit indices to normalize vs U.S. and European credit indices as the spread premium continues to trade at multiyear tights.

How strong are EM Corporate fundamentals? EM corporate fundamentals have been fairly stable over the last few years as global growth has been resilient post covid. 1Q25 results were on a whole positive and expectations for 2025 are for the asset class to experience mid-single digit revenue growth and double-digit EBITDA growth. With a positive global growth backdrop, albeit slowing, positive earnings momentum and given that EM IG leverage is at ~1.0x and EM HY leverage is at ~3.3x, we find little reason to be concerned about the overall health of the EM asset class. This is further supported by a benign default outlook, with defaults at 1.8% YTD. EM Corporate defaults remain below the long-term average, whilst also being adversely impacted by continued defaults in China Real Estate, an area of the market that has become less impactful. Taken together, the above presents a compelling argument for resilience in EM credit spreads during the second half of 2025.

To put that into context – EM spreads have undone 100% of the widening that we experienced in April following the historic tariff announcement. We are yet to hear any firm details on trade deals with China and Europe, growth is expected to slow into the end of the year likely taking oil prices lower, and the recent flare up in geopolitical tensions in the Middle East remind us that unforeseen risks do remain. So even though we expect spreads to remain resilient on the back of solid fundamentals, we do expect to see continued volatility and see spreads marginally wider from here into the end of year.

Overall, we maintain a neutral stance on the complex, with a preference for up in quality trades. While U.S. tariff policy, ongoing commercial tensions between China and the U.S., and the renewed geopolitical tensions in the Middle East are areas of caution, the growth potential within EM remains supportive. We believe select EM economies can stand to benefit from the current trade negotiations e.g., Latin America and India. We also think that renewed geopolitical tensions can strengthen the investment case for the remaining EM regions e.g., Latin America, Africa, and Asia.

8-Month Indices Spread Change
(bps)



Source: J.P. Morgan, Bloomberg Finance L.P., 21st May 2025.

Corporate hybrids: As with the developed world, some of the corporate hybrids in EM from investment-grade issuers offer HY-like yields with less cyclical fundamental risk and solid balance sheets.

Contrarian trades: Sometimes buying the best house in a bad neighborhood gives above-expected returns. We see opportunities in certain Turkish corporates that might offer outsized returns for the quality of the business and strength of the balance sheets.

Resilient credits: Issuer's that have stable to improving fundamental stories and that exhibit consistent positive free cash flow, providing flexibility to deal with macroeconomic uncertainty.

Our view:

EMBI (Spread): Base 330bps, +/- 25bps by YE'2025.
EMBI (Spread): Base 330bps, +/-25bps by mid-2026
CEMBI (Spread): Base 240bps, +/- 25bps by YE'2025.
CEMBI (Spread): Base 240bps, +/- 25bps by mid-2026.

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Asia Credit

Asia credit performed well in the first half of 2025, achieving returns of over 3% in both Asia Investment Grade (IG) and High Yield (HY).

Although spreads widened initially due to the headlines surrounding Liberation Day, there was a significant recovery following the tariff pause. Looking ahead to the second half, our expectation is a full year return north of 6%, as we expect an attractive all-in yield of 5.2% for IG and 9.6% for HY to be offset by wider spreads, though not as wide as initially expected as tail risk is receding. We prefer Asia IG over Asia HY and focus on higher quality bonds after the recent rebound.

Asia Investment Grade (IG): We expect Asia IG to continue offering stable carry for investors. Our top picks in Asia IG include Japanese life insurers, Asia Global Systemically Important Banks (G-SIBs), and China TMT. We maintain a neutral stance on Hong Kong, India, and Indonesia IG due to balanced risk-reward dynamics. We view valuations for Chinese State-Owned Enterprises (SOEs) and Korean credits as tight.

Asia High Yield (HY): Credit selection in Asia HY is important, especially after the record defaults in recent years. Our top picks in Asia HY include Indian financial and renewables sectors due to their long-term growth potential and Macau gaming given its stable credit profile. In contrast, we anticipate continued volatility in Hong Kong's real estate sector, driven by elevated spreads and ongoing headlines. However, potential interest rate cuts by the Federal Reserve and Chinese stimulus could provide support. We remain selective in Chinese property, as this sector is likely to experience the majority of defaults.

What we're watching:

Japan Lifers Hybrids: With an average rating of A, an approximate yield of 6%, attractive valuation, relatively low volatility, and a strong call history, these continue to be a focal point.

G-SIBs in Asia: Solid IG credit with global business, minimal US commercial real estate exposure, wide range of selection across tenor and capital structure.

India Growth: Long-term growth prospects, supportive infrastructure policy, and strong technical support make this a key area of interest.

Our View:

FY 2025:

Asia IG (Spread): Base 105bps, Recession 150bps, Rebound 90bps +/- 25bps by 12/30/2025.

Asia HY (Spread): Base 650bps, Recession 800bps, Rebound 550bps +/- 25bps by 12/30/2025.

Mid-Year 2026

Asia IG (Spread): Base 105bps, Recession 150bps, Rebound 90bps +/- 25bps by 12/30/2025.

Asia HY (Spread): Base 650bps, Recession 800bps, Rebound 550bps +/- 25bps by 12/30/2025.

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FX VIEWS

U.S. Dollar

Our bearish view on the dollar is predicated on: 1) moderation in U.S. growth outperformance and 2) re-balancing of U.S. dollar overweights and low FX-hedge ratios. Those pillars are in the process of playing out; the dollar is at its weakest level in over three years. We expect slowing U.S. growth alongside improving prospects in Europe and China to drive further dollar weakness going forward, albeit at a more moderate pace than the first half of 2025. We will also be watching for signs of changing behavior within the institutional investing community (adjustments to U.S. holdings and hedge ratios have so far been limited but are in flux), which could indicate the potential for a longer-term downtrend.

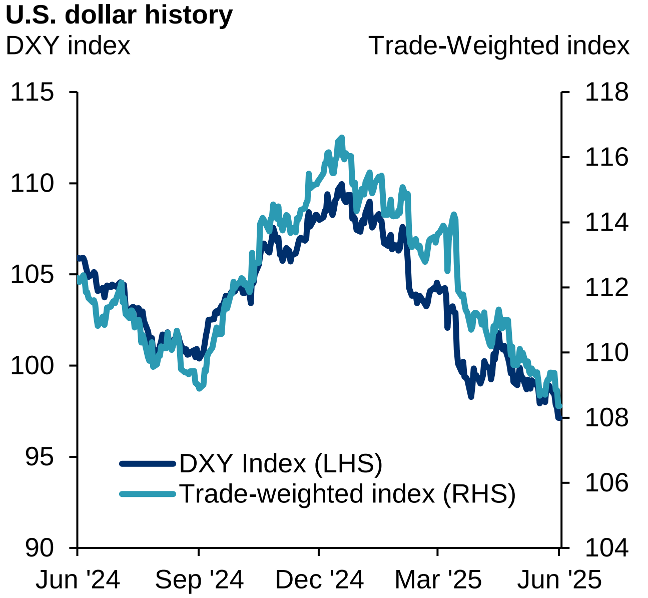
The key beneficiaries in this environment are likely to be alternate reserve currencies like EUR, JPY, and Gold. However, we think that investors broadly should consider ways to either hedge against (non-USD based investors) or enhance returns from (USD-based investors) a more persistent USD weakening.

What we're watching: U.S. growth momentum vs. rest of world, Fed policy expectations, risk sentiment.

Our view: 96 (94-98) by year-end 2025, 95 (93-97) by mid-2026

U.S. dollar history

DXY index



Source: Bloomberg Finance L.P. Data as of June 27, 2025.

Euro

We turned constructive on the euro in March due to a significant shift in Europe's economic prospects following Germany's historic fiscal package. Since then, the details of the German 2025 Budget over the last month have suggested a more front-loaded fiscal boost than previously expected. ECB rates are also no longer restrictive for activity. That, along with some softening in U.S. data, is leading to a narrowing in relative growth expectations, boosting the prospects for EURUSD. Geopolitical uncertainty and tariffs are the main risks to that.

These cyclical factors alone pose upside risks to our targets. However, the potential for a continued rotation into domestic assets and increased currency hedging from European asset managers could further support more material upside over the coming year. Long EURUSD remains our preferred expression of the bearish dollar view, and we recommend EUR-based assets make up around 20% of global investment portfolios.

What we're watching: Eurozone vs. U.S. growth momentum. Fiscal Policy, Trade tensions, Geopolitics.

Our view: 1.18 (1.16-1.20) by year-end 2025

1.20 (1.18-1.22) by mid-2026

Euro history

EURUSD

Source: Bloomberg Finance L.P. Data as of June 27, 2025.

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British Pound:

The pound has benefited from its correlation to risk assets as equity markets have rebounded strongly from April lows. That is likely to continue to be a support for the currency, but there are several other forces that are keeping us more cautious on the outlook for GBP relative to other reserve currencies like EUR, JPY, and CHF.

Three key developments limit the extent of further GBP gains in our view: 1) recent economic data – especially on the labor market – has been pointing to a faster slowdown in growth and inflation in the UK; 2) the Bank of England meeting in June suggested more support for a cut than expected, and we think GBP's carry advantage could soon diminish; and 3) fiscal constraints on government spending remain a big overhang for the UK economy and markets.

Therefore, while broad dollar weakness keeps us in the camp of buying dips in GBPUSD, we expect the pound to underperform most other G10 currencies.

What we're watching: BOE trajectory, global risk sentiment, Gilt yields, fiscal concerns.

Our view: 1.35 (1.33-1.37) by year-end 2025

1.36 (1.34-1.38) by mid-2026

Pound history
GBPUSD

Source: Bloomberg Finance L.P. Data as of June 27, 2025.

Swiss Franc:

CHF is among the major beneficiaries of global investors diversifying away from the USD. However, deeply negative carry and European growth improvement may restrain its strength relative to EUR. The SNB cut rates to zero in June as headline CPI fell below zero. Should deflationary pressure sustain, the central bank may either adopt negative interest rate policy, or exercise FX intervention i.e. weakening the currency – though this would require currency strength against the EUR rather than USD in our view. In addition, EURCHF is usually positively correlated with European growth momentum. Therefore, we expect CHF to moderately weaken against the Euro. That said in a weak dollar backdrop, CHF could remain on the strong end against the USD. This outlook supports using CHF as a funder for EUR-based clients, while being less favorable for USD-based clients in a weak USD environment.

What we're watching: European growth, broader risk sentiment, Fed policy expectations.

Our view:

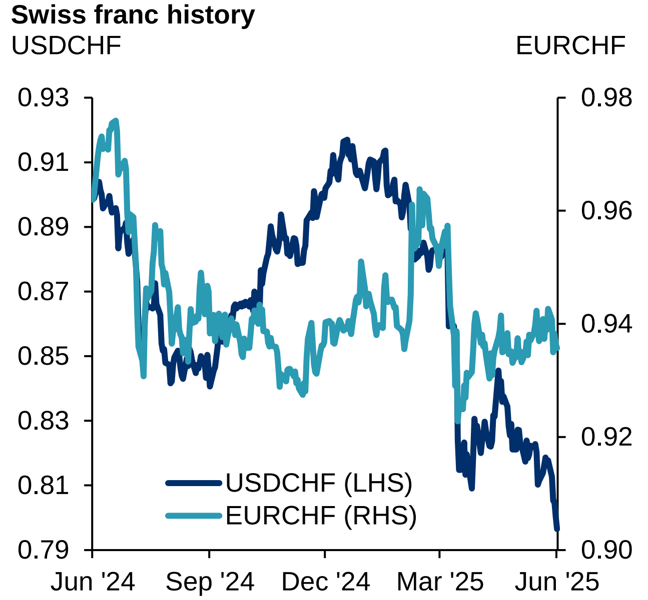
USDCHF: 0.81 (0.79-0.83) by year-end 2025

0.80 (0.78 - 0.82) by mid-2026

EURCHF: 0.96 (0.94-0.98) by year-end 2025

0.96 (0.94-0.98) by mid-2026

Swiss franc history



Source: Bloomberg Finance L.P. Data as of June 27, 2025.

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Japanese Yen

We remain bullish on the yen over the medium-term. Long-end JGB yields have risen significantly, reaching a 15-year high. This upward trend began in 2022 when the BOJ incrementally lifted yield curve control measures, but it has meaningfully accelerated in recent months. We expect further increases in long-end yields as part of the interest rate normalization process—currently, the 30-year yield at 3% barely aligns with inflation. The global implication is that fixed income repatriation could increasingly become a bigger theme.

Against that backdrop, we expect gradual yet structural strengthening of the yen. Historically, USDJPY movements are primarily driven by interest rate differentials, and higher JGB yields may increasingly provide support. While we advise caution on speculative bets on yen appreciation due to still punitive carry, a long JPY position could be considered as a hedge against risk-off macro outcomes. We are also comfortable with investing in Japan equities without an FX hedge as a way of USD diversification.

What we're watching: USD yields, Japan inflation, BoJ policy guidance.

Our view: 139 (137-141) by year-end 2025

135 (133-137) by mid-2026

Source: Bloomberg Finance L.P. Data as of June 27, 2025.

Chinese Yuan

Since April, sharp weakening of the dollar led to a 2% decline in USDCNH. The PBOC continues to uphold its FX stabilization policy, only allowing the onshore fixing rate to gradually decline so as to mitigate appreciation pressures.

We lower our USDCNH outlook this month to reflect reduced tail risks in the tariff outlook post the U.S.-China Geneva agreement. We expect USDCNH to trade within a range of 7.1 to 7.3, while we see CNH weakening against a basket of currencies is expected to weaken. Trade weighted CNY has fallen by ~6% year-to-date. The PBOC may continue to loosen conditions and prioritize FX stability against the USD. To address the potential tariff impact on exports, it may not welcome a significant decline in USDCNH. For investors seeking USD diversification, RMB assets may not be the most effective - we'd prefer Euro and Yen denominated assets. As a funder, CNH still offers low volatility and attractive funding costs. However, FX risk is worth watching - despite low likelihood of significant CNH appreciation, Asia FX vol may spill over. Investors sensitive to short-term FX volatility may consider switching into HKD as a funding currency.

What we're watching: U.S.-China trade tensions, China policy moves, capital flows.

Our view: 7.20 (7.10-7.30) by year-end 2025, 7.15 (7.05 - 7.25) by mid-2026

Source: Bloomberg Finance L.P. Data as of June 27, 2025.

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G10 Commodity FX

The commodity bloc has seen the smallest gains against the dollar within G10 this year. The currencies even saw limited upside from the spike in oil prices in June given the coincident negative impact on risk sentiment.

CAD: Neutral. Tariff risks and potential spillover from weaker U.S. growth may restrain near-term CAD strength. Given that further BoC cuts are likely in store, we think that CAD can act as a lower carry proxy for tactical USD shorts.

AUD: Constructive. Reserve Bank of Australia started rate cuts but tones remained hawkish, and the easing cycle could be one of the shallowest in G10. That said correlation to China and spillover effect of potential universal tariffs on commodities could weigh on AUD.

NZD: Neutral. The NZD may bottom out as food inflation rises and growth stabilizes after prolonged weakness. Despite trade tensions, the NZD has shown resilience, and the RBNZ's dovish stance is largely priced in.

What we're watching: Commodity prices, global growth outlook, central bank divergence

Our view:

CAD: 1.32 (1.30-1.34) by mid-2026*

AUD: 0.68 (0.66-0.70) by mid-2026

NZD: 0.63 (0.61–0.65) by mid-2026*

Broad commodity history
Bloomberg Commodity Index (BCOM)

Source: Bloomberg Finance L.P. Data as of June 27, 2025.

Scandi FX

Among the best performing currencies this year, Scandis have benefited from risk-on sentiment and improving European growth prospects. Our expectation to avoid a global recession and for equities to make new highs should provide support, along with more favorable fiscal dynamics.

NOK: Neutral. A surprise Norges Bank cut in June led to some weakness. However, we think that strong domestic conditions and ample fiscal space should benefit NOK – especially as stagflation concerns grow for other higher carry currencies like GBP.

SEK: Neutral. Riksbank's earlier and deeper cutting cycle should benefit SEK via the growth channel, especially as European growth prospects improve. That, along with adjustments to equity allocations among domestic money managers, leaves us generally positive going forward.

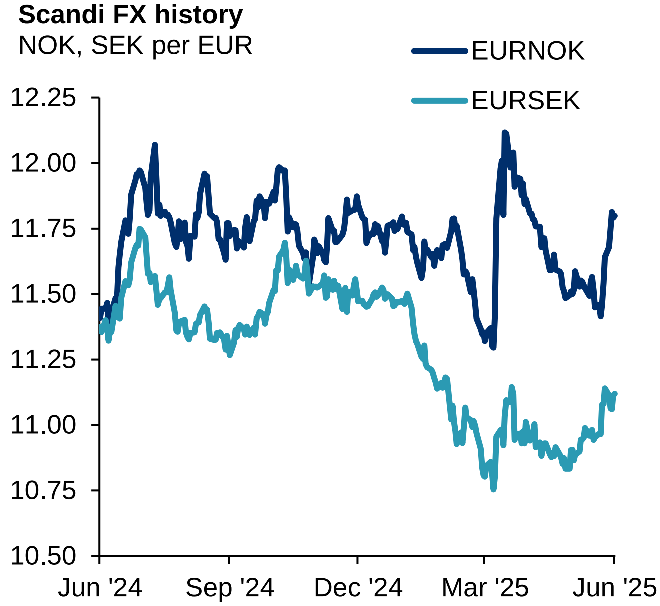
What we're watching: European growth, domestic growth, commodity prices, and central bank developments.

Our view:*

EURNOK: 11.10 (10.90–11.30) by mid-2026

EURSEK: 10.40 (10.20–10.60) by mid-2026

Scandi FX history
NOK, SEK per EUR



Source: Bloomberg Finance L.P. Data as of June 27, 2025.

* JPM Investment Bank Outlook

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Emerging Market FX

EM FX performance may diverge on repatriation potentials as well as local political and growth risks.

Latam: Pressure could be prolonged as tariff and political risks flare up in the region causing a high degree of volatility. **BRL:** The sharp devaluation due to fiscal concerns partially reversed. We remain cautious until we see clarity over commitment to fiscal remedy. **MXN**: Cautious for now given tariff risks and domestic political turmoil. Volatility will likely remain elevated until we see further clarity on trade.

EMEA: We are neutral on this part of the complex. **ILS**: The apparent easing in tensions between Iran and Israel has opened the door for USDILS to break below 3.50, and is now at its lowest level since January 2023. Provided that geopolitical tensions remain somewhat muted, we expect the next leg lower for USDILS to be driven by institutional investment flows. Israeli institutional money managers are among the most exposed to USD risks globally, and we anticipate higher FX hedge ratios to support ILS strength.

Asia: We see FX of economies with larger USD holdings via portfolio allocation and exporter deposits outperform. **INR**: Constructive from current levels. While RBI has started cutting rates, its carry advantage, healthy growth outlook and isolated tariff risks still lend support. **TWD:** Neutral following the sharp rally. Hedging activities will continue but CBC may take actions to smoothen the moves. **SGD:** Likely trade on the strong side of the USDSGD long term range as USD weakens. The MAS may ramp up easing as inflation stabilizes.

What we're watching: Overall risk sentiment, global trade outlook, central bank divergence.

Our view:*

BRL: 5.75 (5.55 – 5.95) by mid-2026

MXN: 19.40 (19.20–19.60) by mid-2026

ILS: 3.25 (3.15–3.35) by mid-2026

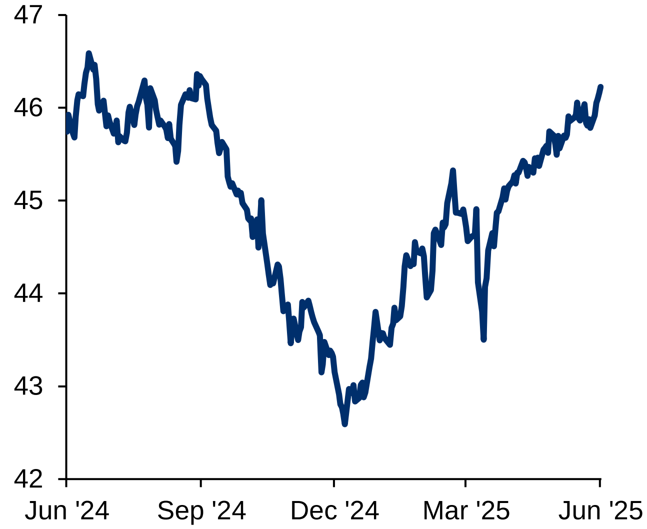
INR: 82.50 (81.50 – 83.50) by mid-2026

TWD: 30.20 (29.20–31.20) by mid-2026

SGD: 1.26 (1.24–1.28) by mid-2026

EM currency history

J.P. Morgan EM Currency Index



Source: Bloomberg Finance L.P. Data as of June 27, 2025.

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COMMODITY VIEWS

BCOM Index

Commodities had a volatile month, driven by the Israel/Iran War, eventually settling +2.5% at time of writing. At one point the index was +7.4% on fears that supplies of Crude Oil and Natural Gas would be interrupted and buying of Gold on safe-haven fears. June volatility was surprisingly less than April, largely because of Crude Oil specifics that helped to cap price moves. The BCOM Index dropped back on the announcement of a ceasefire and is now +3% YTD. The biggest gain was seen in Diesel +17%, Silver +11% and WTI +7.3%. The biggest losers were Coffee -9.6%, Sugar - 8.2% and Corn – 7.9%

What we're watching: We still see a lot of uncertainty around tariffs, which will likely roil markets in July, and any resumption of Israel/Iran hostilities will also affect pricing.

Our view: War and tariffs are a dangerous cocktail to throw at price forecasts. We maintain our outlook for now, with low levels of confidence, at 107-108 YE and 110-112 to mid-year 2026.

BCOM index 1-year price history

Source: Bloomberg Finance L.P. Data as of June 27, 2025.

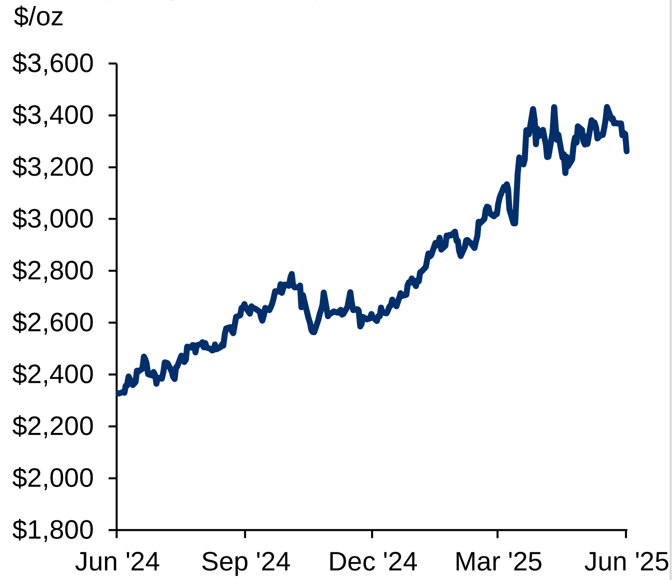
Gold

Gold finally took a breather in June, Trading unchanged. We saw a high at $3432 after the US strike on Iran, but once it became clear that the Iranian response would be measured, the metal quickly dropped over $140, now trading below $3300. Gold is currently +25% YTD and we expect sideways to lower price action for the next few weeks until US interest rates start moving lower. The World Gold Council announced that 95% of Central Bank respondents expect gold reserves to increase over the next year and 43% expect growth in their own reserves. Retail buyers added a decent amount of flow for the first time since mid-April, adding 2m ozs or approx. +2.3%

What we're watching: We wrote in the last GIS View that we felt the upside scenario looked a little too perfect and so the sideways price action makes a lot of sense. The retail buying is a concern, but we expect this to reverse or at least abate if Israel/Iran remain quiet.

Our view: We still look for Gold to further appreciate in 2025. We maintain our outlook at $3600-$3700 for YE 2025 and see mid-year 2026 at $4050 - $4150.

Gold 1-year price history



Source: Bloomberg Finance L.P. Data as of June 27, 2025.

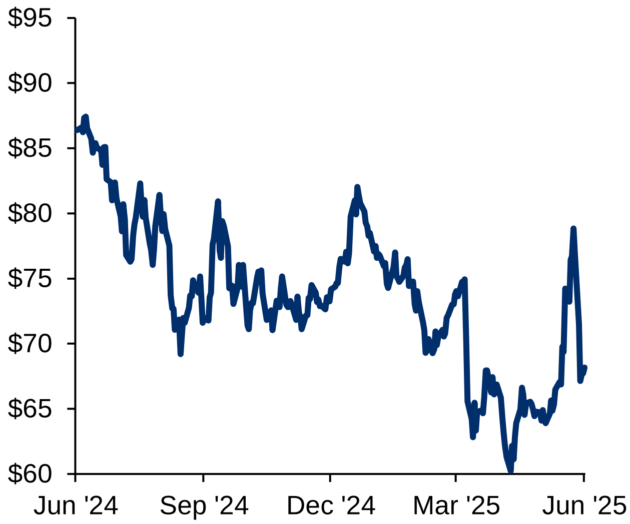
Crude Oil

Crude oil had a very volatile month. This is to be expected, given fears that Iran would attempt to close the Straits of Hormuz and/or strike Saudi oil infrastructure. Much has been written on these topics, but eventually nothing came to pass, and oil found a very solid ceiling at $81 the Monday after the US launched air strikes on Iranian nuclear facilities. The reality is that the world is awash with oil at this point, and more is scheduled to come online in the 2H. Producers sold heavily into the rally this month and hedging strategies have put most in strong position to weather a prolonged period of lower prices. We are growing more concerned that we could see a test of $50 soon.

What we're watching: Uncertainty remains on the Iranian nuclear question. How badly has Fordow been damaged and where is the Uranium. Potential exists for volatility until these questions are answered.

Our view: We maintain our outlook for WTI $59-$64 by year end 2025. Brent $63-$68 by year end 2025. We hold our mid-year 2026 outlook at $52-$57 for WTI and $55-$60 for Brent.

Brent crude oil 1-year price history
$/bbl



Source: Bloomberg Finance L.P. Data as of June 27, 2025.

Natural gas

Nat Gas extended its volatile Spring into early summer with wild price swings, driven by fears over interruptions to Qatari LNG supplies and a period of high temperatures that turned into a heatwave in the US. As of writing Nat Gas is +5% on the month, but at one point was up +16% ahead of the US airstrike and then dropped over -20% as markets realized Qatar would continue to ship LNG cargoes. Very hard to predict a path from here, although in the US, summer temperatures are forecast to rise again into July and indications suggest wind generated electricity will decline, putting greater calls on NG for power generation.

What we're watching: Iran, trade deals and any indication of LNG demand upticks. Summer temperature trends.

Our view: We see year-end 2025 at $4.75 - $5.75 and hold our mid-year 2026 outlook at $3.75 - $4.75.

Henry Hub 1-year price history
$/MMBtu

Source: Bloomberg Finance L.P. Data as of June 27, 2025.

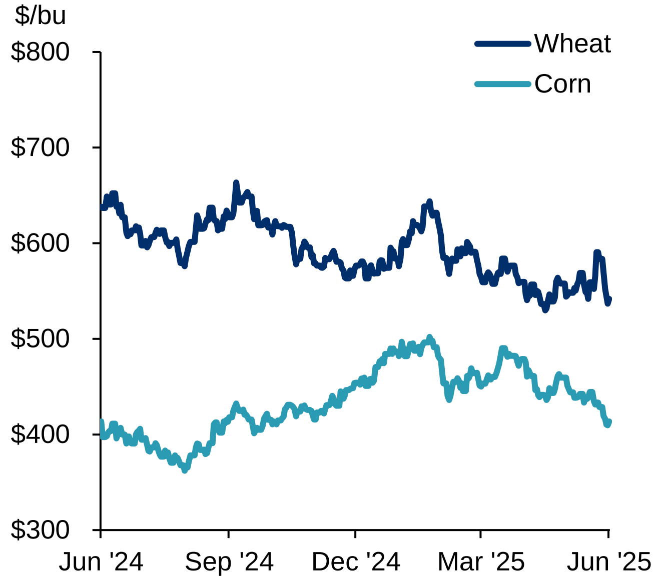
Agricultural commodities

Corn and Wheat both had a difficult month with Corn losing -6% and Wheat declining -1.25%. The culprit has been significant new crop production growth, and we now feel prices are trading too low. Our view suggests Chinese demand, although weak in 1H2025, should pick up in 2h although we accept that Corn demand growth may be small.

What we're watching: Ukraine peace negotiations and China demand into 2H 2025.

Our view: We revise our targets lower and now expect a range of 425-525 for Corn and 550-650 for Wheat by year end 2025**.** Our mid-year 2026 remains at 450-550 and Wheat 575 – 675.

Agricultural 1-year price history



Source: Bloomberg Finance L.P. Data as of June 27, 2025.

Copper

Copper gained on the month, rising +3.75% and is now +12.4% YTD. We feel the price move is explained by aggressive stock demand in a world of tariff uncertainty and we look for prices to decline in the 2H2025. Although the trade deal announcement between China and the United States is a positive, President Trump is still threatening a 25% tariff on Copper imports. For now, we think this tariff has a high probability of coming into effect in July. The market had previously forecast November for the tariff and the shift in thinking explains the buying. In a world now holding high copper stocks we are cautious on potential for greater demand going forward.

What we're watching: Tariffs.

Our view: We maintain our lower forecasts, with low levels of confidence, to $9100 - $9200 at year-end and mid-year 2026 at $9300 - $9400.

Copper 1-year price history

Source: Bloomberg Finance L.P. Data as of June 27, 2025.

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ALTERNATIVES VIEWS

Private Credit

We expect yields in senior direct lending to continue moving lower as base rates decline. We've seen this in recent quarters as yields on new direct lending deals have declined and the yield differential between private and public markets has narrowed. Specifically, recent direct loan deals are yielding less than 300 basis points wider than public markets, down from ~400 basis points in the middle of 2023.

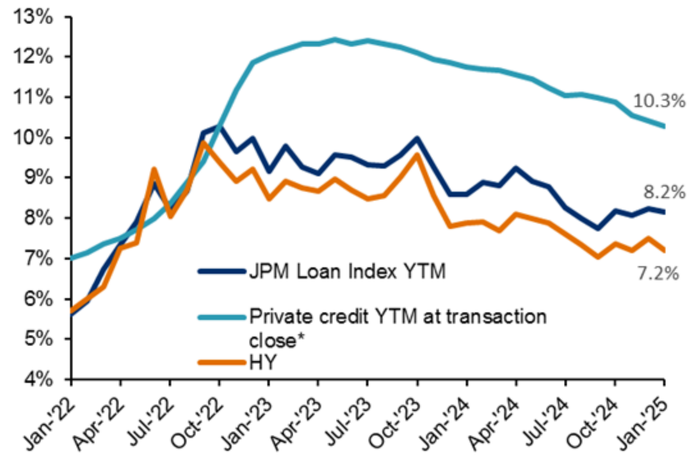
Approximately 50% of all private credit lending to asset managers is facilitated by JPMorgan's Investment Bank. When JPMorgan lends to these asset managers, we gain visibility into the individual loans being issued (which serve as collateral). Here is what direct lending individual loan fundamentals look like as of January 2025: 1) Newly originated direct loans seem to be finding an equilibrium. New issue spreads were 500bps; down from 675bps at the start of 2023, but unchanged compared to summer 2024. 2) Contrary to 2023 narrative that private credit lenders were indiscriminately issuing loans, 2023 saw wide spreads and declining net leverage, indicating prudent risk-taking. Over the last 3 months, newly issued direct loans were to companies with a debt to EBITDA ratio of 4.8x., roughly unchanged over the last year.[8] 3) Revenues and EBITDA expanded for the 16th straight quarter.

While default rates in extended credit markets have remained relatively muted, elevated interest rates are straining liquidity and making refinancings more difficult in some segments, particularly for companies with floating rate debt. Distressed exchanges have reached their highest levels since the Great Financial Crisis, and there's been a notable uptick in payment-in-kind coupons in direct lending. We anticipate that stress in extended credit markets should remain relatively constrained but will present a broader opportunity for flexible capital providers (junior debt, preferred & structured equity) and for special situations and distressed managers.

What we're watching: the macro-economic cycle to gauge the default outlook (including payment-in-kind), base rate expectations in the Fed's *No Guidance* phase, shifts in market equilibrium, and the relative yields in public vs. private credit, sector-specific activity, and the ongoing evolution of lending standards.

Our view: while we still believe that the diversification that high quality senior direct lending managers have, as well as the seniority of their loans in the capital structure and high starting yields, will provide a cushion for returns should we see a meaningful economic slowdown, we believe it is critical for private credit portfolios to be diversified across managers as well as segments of the universe like opportunistic and asset-backed credit.

Recent direct loan deals yield <300bps wide of public markets



Source: J.P. Morgan. Data as of February 2025. *Note: YTM includes OID.

[8] Source: J.P. Morgan. Data as of April 10, 2025. Note: leverage for loan borrowers has remained stable over the last two+ years, remaining in a range between 4.89x and 5.09x from mid-2022 through 3Q (avg. 4.99x). That said, leverage ended 4Q noticeably lower at 4.78x, compared with 4.99x (4.87x current cohort), 5.00x, 4.96x, 4.94x, 4.89x, and 4.96x in 3Q, 2Q, 1Q, 4Q, 3Q, and 2Q23, respectively.

Private Infrastructure

Despite expectations that base rates will move lower, inflation and interest rates will likely be higher in the next decade than the one prior. We believe infrastructure can serve as a critical complement to a traditional 60/40 portfolio as core fixed income alone may not be enough of a stabilizer in this new regime.

Infrastructure provides two key characteristics to investors: stable returns (supported by long-term, inflation-resilient, contractual cash flows) and exposure to secular growth backed by multi-year trends (acceleration in demand for power, revitalization of U.S. infrastructure). Let's double click into the multi-year trends supporting the transformation of the infrastructure ecosystem.

Acceleration in demand for power. Over the past couple of years, the infrastructure sector has garnered substantial attention as the need for significantly more power has become more widely recognized. Integral to this transformation are infrastructure assets across the power spectrum – from power users (data centers) to power generation (renewables and traditional energy) to power distribution and storage (utilities, midstream assets, transportation, and battery storage). Indeed, power now represents ~60% of the global infrastructure ecosystem.[9]

Investments in AI and data centers are being driven by large, profitable companies with substantial free cash flow, ensuring that these projects are well-funded and sustainable. This influx of capital is expected to accelerate the modernization of power infrastructure including traditional and renewable energy sources, fiber optic cables and cell towers.

The demand for power is likely to persist over the long-term. U.S. power demand is estimated to grow by ~2.4% CAGR through 2030 vs. near-zero CAGR from 2005-2020[10]. We expect this growth to be driven by multiple levers, including industrialization (reshoring, resurgence of US manufacturing), data centers (driven by growth in AI), and electrification (building electrification, EV growth & charging infrastructure).

Revitalization of U.S. infrastructure: In their annual report card on U.S. infrastructure, the American Society of Civil Engineers (ASCE) estimates that the US needs ~$9.1T in investment over the next decade to get U.S. infrastructure to reach a state of good repair, resulting in a $3.7T funding gap based on current spending levels. Infrastructure in the U.S. continues to age; much of the energy infrastructure was built in the 1960s/1970s and ~70% of the grid is over 25 years old. What's more, ~40% of major roads are in poor condition.

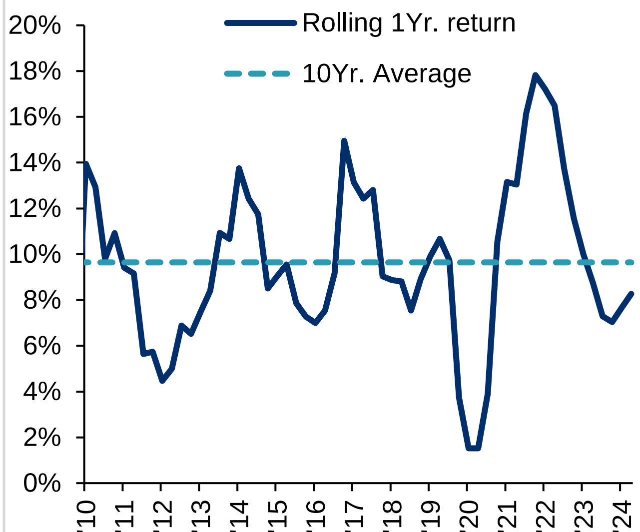
Aging infrastructure at a time of extreme weather events has led to vulnerability in the ecosystem. The U.S. has experienced 2x more weather-related power outages during the last 10 than during the prior 10 years.

Within infrastructure, our focus remains on sectors with strong growth and supply/demand fundamentals, and assets with consistent, contracted cash flows – particularly those with step-ups tied to inflation.

Moreover, investors have historically had low allocations to infrastructure. The JPM Private Bank Family Office Report found that infrastructure represented less than 1% of assets under supervision in 2024. As the need for consistent, inflation-resilient income becomes a top priority in this cycle, we believe there is potential for investor allocations to infrastructure shift higher.

Our view: For private investors, infrastructure presents a unique opportunity, particularly given the consistent historical returns from contractual, often inflation adjusted cash flows makes them even more attractive today given the elevated volatility in markets, particularly fixed income.

Private Infrastructure returns
Annualized return, %



Source: Preqin. Data as of September 30, 2024.

[9] Based on weight in the MSCI Global Private Quarterly Infrastructure Asset Index.

[10] Goldman Sachs, "Generational Growth: AI, Data Centers and the Coming US Power Demand Surge", April 2024.

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Private Real Estate

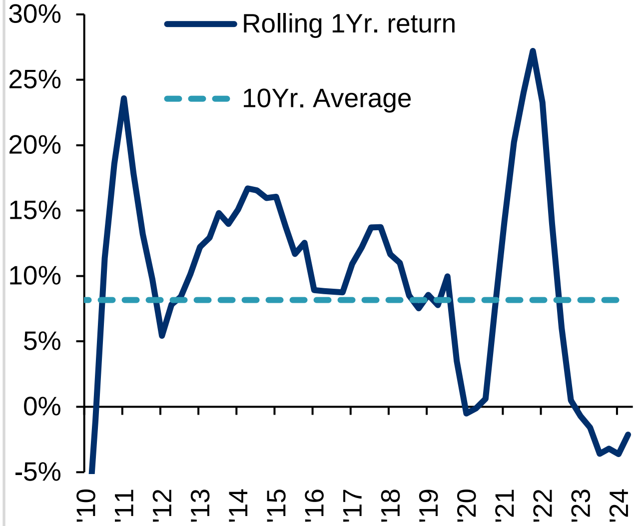
Real estate prices have already bottomed and the next bull market for real estate is underway. Since their peak in 2022 to trough in May of 2024, aggregate property valuations have declined by almost 15%, marking the third correction in U.S. CRE property prices in the last 30 years. Despite this, cash flows across most property sectors have remained resilient, with net operating income (NOI) now in line with prior cycle peaks, double that of previous troughs. The private real estate market is diverse, with significant variation across property types, regions, and asset quality. For instance, industrial properties experienced 9% NOI growth in the past year with vacancies below 3%, while office NOI growth has been -1% with vacancies around 18%. This dispersion offers investment opportunities.

Current market dynamics present a unique environment. Cap rates, a key metric for assessing value, have increased in recent years, as property values have declined. However, the U.S. economy remains resilient, with unemployment near 4%, supporting demand for housing and commercial spaces. As interest rates have moderated and could continue to, financing challenges are expected to ease, supporting property values. Sectors with strong NOI growth potential, such as industrial and logistics, data centers, and supply-constrained housing, are particularly attractive and we expect NOI growth to be the dominant driver of total returns going forward.

Even the most hated sector, office, is seeing green shoots. Net absorption of office space turned positive last year for the first time in years. Return to office activity is catalyzing activity with big names like JP Morgan, Amazon, and Federal U.S. workers being called back to office. Commuter traffic in New York City's Long Island Railroad is already back to pre-Covid levels.

Our view: Our preferred implementation includes targeting strategies focused on property sectors with strong fundamentals, minimal legacy assets and ample dry powder to capitalize on current market conditions. A significant focus will also be on strategies that help address the housing shortage in the U.S., where undersupply of new homes has led to an estimated shortage of ~3 million homes. Additionally, strategies with long-term contractual leases or real estate debt has the potential to provide steady income and may cushion against potential losses.

Private real estate returns
Annualized return, %



Source: Preqin. Data as of September 30, 2024.

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Private Equity

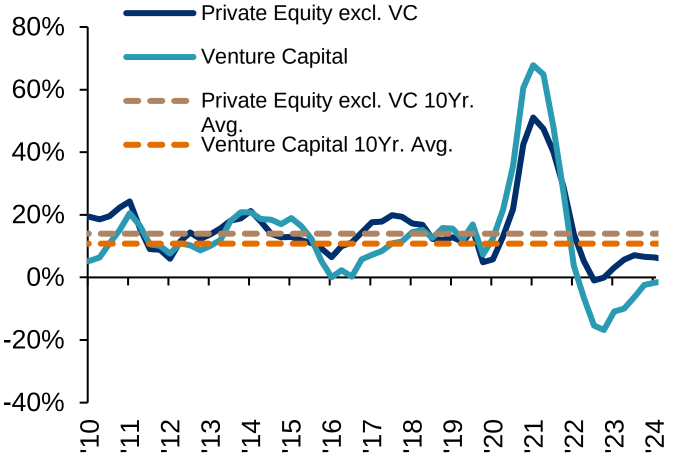
Higher interest rates have been tough for the private equity industry. Debt has been more expensive, making leveraged buyouts more difficult, and capital markets (IPOs and bond and loan issuance) have been more muted – so transaction volumes and exit volumes have been low.

A couple points to highlight. 1) The underlying business in recent vintages have been higher quality businesses with less leverage. In response to higher rates, PE sponsors have reduced the median debt to enterprise value in new investment rounds. Less levered companies are better positioned for the higher interest rate environment. 2) Distributions are still suppressed, with global buyout distributions as a % of NAV hitting the lowest levels we've seen since the Global Financial Crisis. However, encouragingly, 2024 (based on available data through Q3) saw the industry breakeven with capital distributions roughly in-line with capital calls.

Traditional dealmaking activity (IPOs, strategic M&A) has been unexpectedly muted with the rise in economic uncertainty, equity market volatility, and still-elevated rates. While we do see green shoots for dealmaking activity in 2H25 on the back of momentum around bank capital reform and lower rates, we believe private equity managers' desire to work through a multi-year backlog to spur distributions will catalyze limited partners (LPs) and general partners (GPs) to consider exiting some investments through non-traditional avenues such as secondary markets.

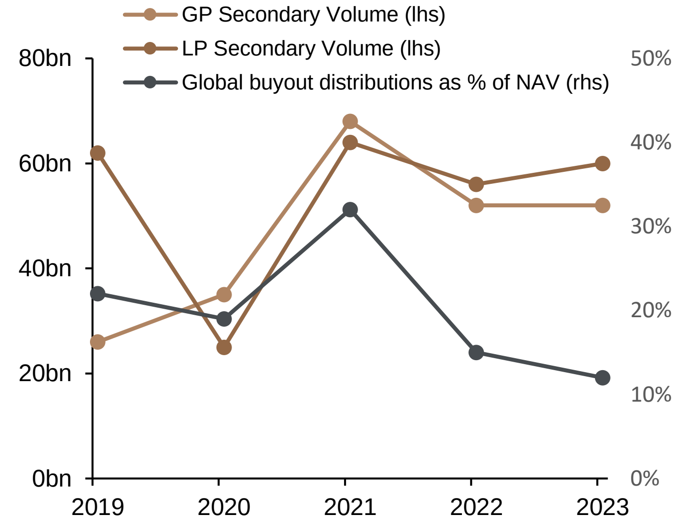
Our view: We're focused on managers who drive most of their returns through operational improvements – revenue growth and margin expansion – rather than leverage or higher multiples. We also seek a balance of sector exposures with good fundamentals and opportunities – including tech, industrials, financials, and defense. Finally, secondary private equity investment should continue to see above-average activity, as the industry continues to work through a liquidity backlog.

Private Equity and venture returns



Source: Preqin. Data as of September 30, 2024.

Secondary markets have grown amidst aging PE assets and lower distributions



Source: Bain PE Annual Report, Jefferies Secondaries Report, 2025

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VOLATILITY VIEWS

Equities

Equity markets have shown resilience despite geopolitical tensions, particularly in the Middle East. The S&P 500 experienced a brief dip following the onset of the conflict, but quickly recovered, demonstrating the market's ability to shrug off geopolitical escalations.

The S&P500 has rallied 20% off the April lows back toward all-time highs, notably with elevated implied volatility despite low realized volatility. As a reminder implied volatility is a measure of how much market participants expect asset prices to fluctuate in the future, while realized volatility measures actual price fluctuations. Typically, they tend to move together over time, however ongoing uncertainty in the macro environment has kept implied volatility high relative to actual turbulence experienced. The divergence between implied and realized volatility reflects the risk premium priced equity into markets, as well as the high dispersion seen across sectors.

Our view: Investors can consider using hedge overlays such as S&P put spreads or “appearing” put spreads, to manage downside risk while maintaining long exposure. These strategies may help mitigate the impact of a potential sell-off, to a point, and spreads can carry better than owning puts outright in a low realized volatility environment.

Macro

Oil has been at the center of investor’s focus as a proxy for global tension amid the conflict between Israel and Iran. Short-dated implied volatility on Brent call option spiked in mid-June, reaching levels not seen since early 2022. Part of this move was likely driven by extreme short positioning from levered investors in oil before the conflict, which may have exacerbated demand for call options to cover tail risk as prices rallied aggressively from mid-$60s / barrel to nearly $80 / barrel at the height of tensions. Just as geopolitical conflict sparked the spike in oil prices and volatility, the retreat has been equally aggressive on the announcement of a ceasefire on June 23rd.

Our view: Volatility across asset classes remains a key theme, with geopolitical tensions and macroeconomic factors influencing market dynamics. Investors should focus on building portfolio resiliency through strategic overlays and structured investments that capitalize on current market conditions. We continue to like gold as a ballast to portfolios amid macro-induced volatility. Maintaining a diversified approach can help navigate the complexities of the current environment.

Cross Asset Volatility Monitor

Underlier	Vol	MoM Change	1 Year Range
Equities – 3 Month 100% Strike Implied Volatility			
S&P 500 Index	15.35	-3.66	
EURO STOXX 50 Index	15.43	-2.08	
Tokyo SE (TOPIX) Index	17.04	-0.57	
Rates – SOFR Swaptions ATMF Strike Implied Volatility (BP, Annualized)			
1Y Expiry Into 1Y Swap	105.54	-5.30	
1Y Expiry Into 5Y Swap	101.93	-6.50	
3M Expiry Into 10Y Swap	93.60	-10.96	
Commodities – 3 Month ATMF Strike Implied Volatility			
Oil (Brent)	33.95	+0.40	
Gold	16.19	-3.04	
Currencies - 3 Month ATMF Strike Implied Volatility			
EUR/USD	7.95	-0.38	
USD/JPY	10.39	-1.20	
USD/CNH	4.35	-0.60	

1) Source: J.P. Morgan. Data as of June 25, 2025
2) ATMF refers to “At the Money Forward”
3) In the illustration, the red X signifies current levels & the green line represents the median for the time period
4) Historical 1 year window observed for the range

DEFINITIONS OF INDICES AND TERMS

Currencies and Central Banks

- USD – US dollar
- DXY – U.S. Dollar Index indicates the general initial value of the USD. The index measures this by averaging the exchange rates between the USD and major world currencies.
- EUR – Euro
- JPY – Japanese yen
- GBP – British pound
- CHF – Swiss franc
- CAD – Canadian dollar
- AUD – Australian dollar
- NOK – Norwegian krone
- MXN – Mexican peso
- BRL – Brazilian real
- CNH – Offshore deliverable renminbi
- CNY– Onshore non-deliverable renminbi
- RMB – Chinese renminbi
- KRW – Korean won
- INR – Indian rupee
- SGD – Singapore dollar
- SEK – Swedish krona
- XAU – Gold
- RUB – Russian ruble
- TRY – Turkish lira
- BCB – Central Bank of Brazil
- BoC – Bank of Canada
- BoE – Bank of England
- BOJ – Bank of Japan
- CBR – Central Bank of Russia
- CBRT – Central Bank of the Republic of Turkey
- CBRA – Central Bank of the Republic of Argentina
- ECB – European Central Bank
- Fed – Federal Reserve
- SNB – Swiss National Bank

Additional abbreviations

- Bbl – Barrel
- Bps – Basis points
- Bcf – Billion cubic feet
- BoP – Balance of Payments
- BTP – Italian government bonds
- Bund – German government bonds
- CFTC – Commodity Futures Trading Commission
- COVID-19 – Coronavirus disease 2019
- DM – Developed Markets
- EM – Emerging Markets
- EMEA – Europe, Middle East and Africa
- FDI – Foreign Direct Investment
- FX – Foreign Exchange
- G10 – The Group of Ten is made up of 11 industrial countries that consult and cooperate on economic, monetary and financial matters
- GDP – Gross Domestic Product
- HY – High yield
- IG – Investment grade
- JGB – Japan government bond
- LATAM – Latin America
- OPEC – Organisation of the Petroleum Exporting Countries
- Oz. – Ounce
- REER – Real Effective Exchange Rate
- SPX – S&P 500
- UK – United Kingdom
- UST – U.S. Treasury note
- WTI – Western Texas Intermediate
- YTD – Year-to-date

Note: Indices are for illustrative purposes only, are not investment products, and may not be considered for direct investment. Indices are an inherently weak predictive or comparative tool.
All indices denominated in U.S. dollars unless noted otherwise.
All data sourced from Bloomberg Finance L.P. as of March 28,2025, unless noted otherwise.

The **Bloomberg Commodity Index (BCOM)** is calculated on an excess return basis and reflects commodity futures price movements. The index rebalances annually weighted 2/3 by trading volume and 1/3 by world production and weight-caps are applied at the commodity, sector and group level for diversification. Roll period typically occurs from 6th-10th business day based on the roll schedule.
The **Bloomberg US Agg Index** is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).
The **JPM Corporate Emerging Market Bond Index (CEMBI)** series was launched in 2007 and was the first comprehensive USD corporate emerging markets bond index. There are two root versions of the CEMBI with a Diversified overlay for each version: the CEMBI and the CEMBI Broad. The CEMBI Broad Diversified version is the most popular among the four versions largely due to its issuer coverage and diversification weighting scheme.
The **CSI 300 Index** is a free-float weighted index that consists of 300 A-share stocks listed on the Shanghai or Shenzhen Stock Exchanges. Index has a base level of 1000 on 12/31/2004. * Due to our agreement with CSI, shares in the index are restricted, please visit SSIS<go> for more information and access. This ticker holds prices fed from Shenzhen Stock Exchange.
The Citi **Economic Surprise Indices** measure data surprises relative to market expectations. A positive reading means that data releases have been stronger than expected and a negative reading means that data releases have been worse than expected.
The **Emerging Market Bond Index Global (EMBI Global)** was the first comprehensive EM sovereign index in the market, after the EMBI+. It provides full coverage of the EM asset class with representative countries, investable instruments (sovereign and quasi-sovereign), and transparent rules. The EMBI Global includes only USD-denominated emerging markets sovereign bonds and uses a traditional, market capitalization weighted method for country allocation.
The **J.P. Morgan Asia Credit Index (JACI)** aids in evaluating investment opportunities in fixed rate USD denominated bonds issued in Asia ex Japan region. It follows a traditional market capitalization technique similar to the EMBI and the CEMBI Index series.
The **MSCI All World Index** is a free-float weighted equity index. It was developed with a base value of 100 as of December 31, 1987. MXWD includes both emerging and developed world markets.
The **MSCI AC Asia ex Japan Index** captures large and mid-cap representation across two of three Developed Markets countries (excluding Japan) and eight Emerging Markets countries in Asia. With 609 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. Developed Markets countries in the index include: Hong Kong and Singapore. Emerging Markets countries include: China, India, Indonesia, Korea, Malaysia, the Philippines, Taiwan and Thailand.

The **MSCI China Index** is a free-float weighted equity index. It was developed with a base value of 100 as of December 31, 1992. This index is priced in HKD. Please refer to M3CN Index for USD.

MSCI AC ASEAN Index (former: MSCI South East Asia Index) captures large and mid-cap representation across 4 Emerging Markets countries and 1 Developed Market country.

The **MSCI India Index** is a free-float weighted equity index. It was developed with a base value of 100 as of December 31 1992.

The **MSCI World Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The index consists of 23 developed market country indexes.

The **Nikkei**-225 Stock Average is a price-weighted average of 225 top-rated Japanese companies listed in the First Section of the Tokyo Stock Exchange. The Nikkei Stock Average was first published on May 16, 1949, where the average price was ¥176.21 with a divisor of 225. *We are using official divisor for this index

The **Russell 2000 Index** is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

Standard and Poor's Midcap 400 Index is a capitalization-weighted index which measures the performance of the mid-range sector of the U.S. stock market. The index was developed with a base level of 100 as of December 31, 1990. See MDY US Equity <GO> for the tradeable equivalent.

The **Standard and Poor's 500 Index** is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The index was developed with a base level of 10 for the 1941–43 base period.

The EURO **STOXX 50 Index**, Europe's leading blue-chip index for the Eurozone, provides a blue-chip representation of supersector leaders in the region. The index covers 50 stocks from 11 Eurozone countries. The index is licensed to financial institutions to serve as an underlying for a wide range of investment products such as exchange-traded funds (ETFs), futures, options and structured products.

The **STOXX Europe 600 Index (SXXP Index):** An index tracking 600 publicly traded companies based in one of 18 EU countries. The index includes small cap, medium cap, and large cap companies. The countries represented in the index are Austria, Belgium, Denmark, Finland, France, Germany, Greece, Holland, Iceland, Ireland, Italy, Luxembourg, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom.

TOPIX, also known as the Tokyo Stock Price Index, is a capitalization-weighted index of all companies listed on the First Section of the Tokyo Stock Exchange.

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KEY RISKS

- Small capitalization companies typically carry more risk than well-established "blue-chip" companies since smaller companies can carry a higher degree of market volatility than most large cap and/or blue-chip companies.
- Investments in commodities may have greater volatility than investments in traditional securities. The value of commodities may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. Investing in commodities creates an opportunity for increased return but, at the same time, creates the possibility for greater loss.
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- The price of equity securities may rise or fall due to the changes in the broad market or changes in a company's financial condition, sometimes rapidly or unpredictably. Equity securities are subject to "stock market risk" meaning that stock prices in general may decline over short or extended periods of time.
- Investing in fixed income products is subject to certain risks, including interest rate, credit, inflation, call, prepayment and reinvestment risk. Any fixed income security sold or redeemed prior to maturity may be subject to substantial gain or loss.
- Preferred securities are typically long dated securities with call protection that fall in between debt and equity in the capital structure. Preferred securities carry various risks and considerations which include: concentration risk; interest rate risk; lower credit ratings than individual bonds; a lower claim to assets than a firm's individual bonds; higher yields due to these risk characteristics; and “callable” implications meaning the issuing company may redeem the stock at a certain price after a certain date.
- Investors should understand the potential tax liabilities surrounding a municipal bond purchase. Certain municipal bonds are federally taxed if the holder is subject to alternative minimum tax. Capital gains, if any, are federally taxable. The investor should note that the income from tax-free municipal bond funds may be subject to state and local taxation and the Alternative Minimum Tax (AMT).
- Holders of foreign securities can be subject to foreign exchange risk, exchange-rate risk and currency risk, as exchange rates fluctuate between an investment’s foreign currency and the investment holder’s domestic currency. Conversely, it is possible to benefit from favorable foreign exchange fluctuations.
- International investments may not be suitable for all investors. International investing involves a greater degree of risk and increased volatility. Changes in currency exchange rates and differences in accounting and taxation policies outside the U.S. can raise or lower returns. Some overseas markets may not be as politically and economically stable as the United States and other nations. International investing can be more volatile.
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