J.P.Morgan

April 2025

INVESTMENT INSIGHTS

THE Global Investment Strategy View

As of April 3rd incorporating initial reaction to the April 2nd news.

We will continue to evaluate the impact to our outlook ranges in the upcoming days.

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KEY TAKEAWAYS

Policy uncertainty remains elevated with trade policy top of mind for investors. Uncertainty has so far manifested mainly in sentiment and soft data rather than fundamentals and hard data. Our base case has been modest but positive growth in the U.S. economy as the consumer and corporate sectors remain in good shape. But, we acknowledge that recession risk is rising.

In light of elevated uncertainty, diversification remains one of the best defenses against market volatility. While focus has been on drawdowns in U.S. equity markets, non-U.S. stocks, core fixed income, and gold have delivered strong returns, largely insulating diversified portfolios this year. We are increasing our outlook for gold and upgrading our preference for core bonds mainly as a result of potential diversification benefits.

Investors with meaningful tilts to the U.S. after years of outperformance could consider rebalancing. European equities have performed well to start the year despite heightened uncertainty in the U.S. Expectations for the region, as reflected in valuations, were lower relative to the U.S. Recent shifts toward pro-growth policies in Germany were a welcome surprise for investors; the new stimulus should support stronger European growth moving forward. While we still prefer U.S. equity markets, the magnitude of that preference has narrowed, and we have neutralized our view on Europe.

OUR HIGH-CONVICTION TACTICAL INVESTMENT IDEAS INCLUDE:

EQUITIES

The S&P 500 looks attractive on an absolute and relative basis despite lowering our outlook. Diversify across our favored sectors: Financials, tech, utilities and industrials.

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

Diversified private equity exposure across new investment rounds and secondaries.

FIXED INCOME, CURRENCIES & COMMODITIES

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

Core fixed income. We see asymmetric returns to the upside given current market pricing. For U.S. taxpayers, municipal bonds may offer the best relative value.

Go-anywhere fixed income funds that can take advantage of opportunities across the globe and risk profile – for example in the securitized and hybrid markets.

BUILDING RESILIENT PORTFOLIOS

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

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

OPPORTUNISTIC TRENDS

Artificial intelligence. Global security. 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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THE GIS SNAPSHOT

A summary of high conviction views

April 2025

Equities

Geography	Negative				Positive	MoM Δ
US				●		-1
Europe			●			+1
Japan				●		
China		●				
EM ex-China		●				
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				●		+1
Extended Credit			●			
Duration			●			
Sub-Asset Class	**Negative**				**Positive**	**MoM Δ**
Government				●		+1
Securitized				●		
Munis				●		
Inv. Grade Credit			●			
High Yield			●			
Hybrids (Preferreds)				●		+1
EM Debt			●			

FX & Commodities

Asset Class	Negative				Positive	MoM Δ
DXY Dollar Index			●			-1
Brent Crude Oil		●				+1
Gold					●	+1

Opportunistic Trends

Artificial intelligence	Dealmaking/Regulatory relief
Global Security	Portfolio Resilience

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THE VIEW

**As of April 3rd, incorporating initial reaction to the April 2nd news.*

Post "Liberation Day" estimates suggest tariff rates in the U.S. have been raised ~20%ppts to levels not seen since the start of the 1900's, materially higher than investor expectations (Figure 1).

Why it matters: On April 1st the U.S. commerce secretary delivered a unified report to the president outlining actions to remedy the country's "large and persistent annual trade deficits in goods" such as global tariffs.[1] Only 65% of investors expected reciprocal tariffs going into the event (Figure 2) and only 10-15% of them anticipated they would be larger than a 15%ppt increase. Diversification – across assets and geographies – is our preferred strategy for a volatile Trump 2.0 . Here's how we got there:

1) **Lack of post 'Liberation' clarity.** The administration appears to be employing tariffs in an effort to remedy U.S. trade deficits, ensure reciprocity and fairness, and safeguard national security. Which goal is prioritized puts different countries in the cross-hairs (Figure 3). The methodology used on April 2nd focused on trade deficits but the statements from the administration touched on all these goals, leaving priorities uncertain. Clarity will take time, tariffs on Chinese goods in the prior 2018-2019 trade war took 326 days from investigation to enactment.[2]

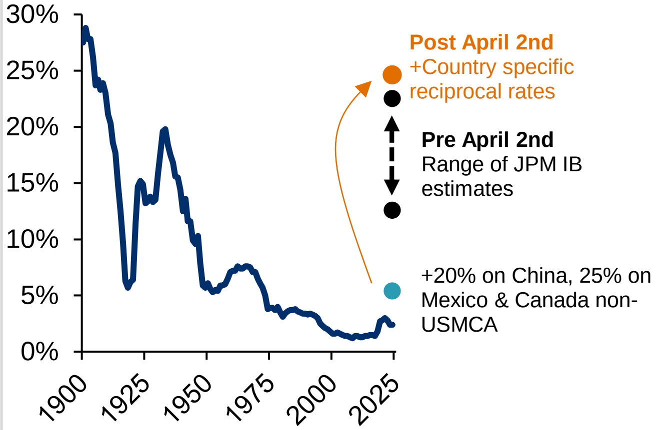
2) **This round of tariffs could be worse for U.S growth.** Initial tariffs, mainly targeting China, were estimated to have a modest effect on U.S. growth. However, the current, broader tariffs could have a larger negative impact on the U.S. compared to the rest of the world (RoW) (Figure 4). As the world's largest economy[3], the U.S. has a strong bargaining position with individual countries, but it is less influential against the collective RoW, which relies on U.S. exports for only 4% of GDP, compared to the U.S.'s 11% reliance on its own exports for growth.

3) **Diversify across asset classes and geographies.** Across 13 days dominated by tariff announcements post inauguration, gold has outperformed the U.S. dollar and S&P 500 by >6% (Figure 5). However, on any one event day, performance can be more varied, a case for diversification (Figure 6).

Bottom line: Trade policy remains the primary source of investor uncertainty. Lack of clarity coming out of "Liberation Day" leaves volatility elevated. Consider leaning into uncorrelated assets such as gold, hedge funds and structured products. We raise our gold outlook to $3400-$3500.

Figure 1: April 2nd tariffs exceeded expectations

U.S. effective tariff rate, %



Note: Estimates take tariffs at face value and do not adjust for potential negotiations or exclusions. Analysis ignores sector specific tariffs which have been carved out . Sources: Michael Cembalest "Eye on the Market"; Tax Foundation GS Global Investment Research, J.P.Morgan Global Economics. Data as of April 3, 2025.

[1] Source: The White House. "America First Trade Policy". As of January 20, 2025.

[2] Note: For Chinese goods tariffs levied in July 2018. Source: Wells Fargo. Data as of March 27, 2025.

[3] Source: International Monetary Fund. As of April 2, 2025.

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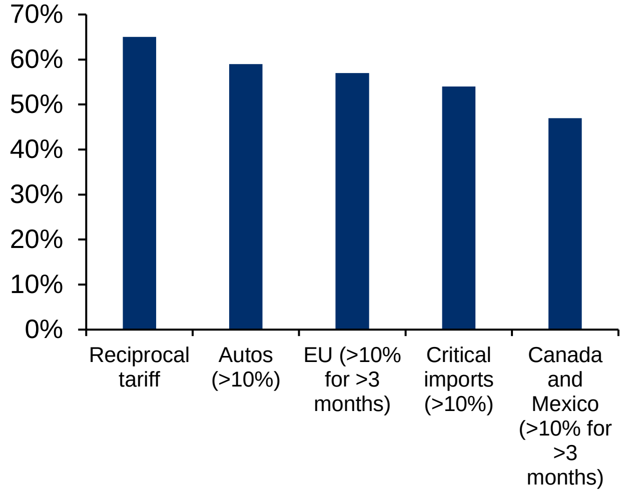
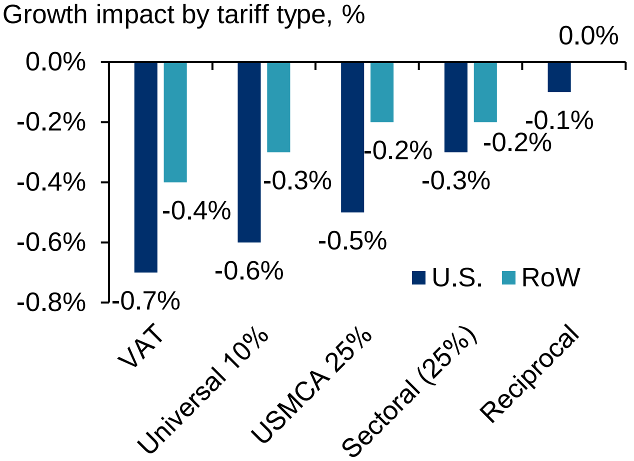
Figure 2: Lack of investor consensus on tariffs
Avg. probability of potential tariffs being implemented



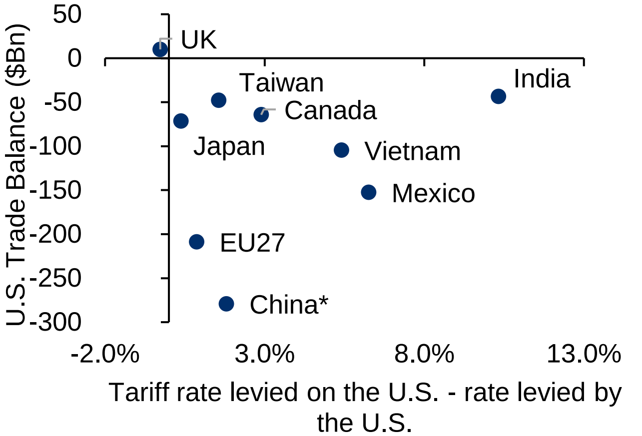
Note: Probability for implementation any time during President Trump's 2nd term. Source: GS survey of investment bank clients. Data as of March 20, 2025.

Figure 4: U.S. growth more impacted by tariffs currently under discussion
Growth impact by tariff type, %



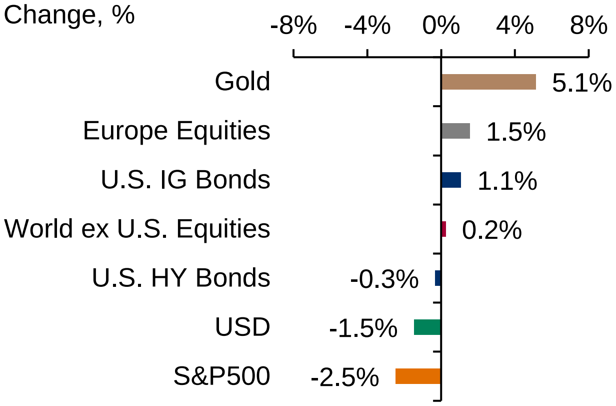
Note: Sectoral are steel and aluminum, autos, semiconductors, pharmaceuticals, and agricultural products. VAT is charging tariffs based on differentials including value added tax. RoW is the world ex U.S. Source: JPM Global Economics. Data as of March 7, 2025.

Figure 3: A focus on trade reciprocity impacts different countries than a focus on trade deficits



Sources: Census Bureau; Haver Analytics, UNCTAD, Peterson Institute for International Economics (PIIE). Data as of 2023. Note: Uses simple average of applied rates. Tariff rate differential = partner country's tariffs on U.S. goods - U.S. tariffs on partner country's goods *trade-weighted average computed by PIIE.

Figure 5: Cumulative performance across tariff event days
Change, %



Indices used: XAU Curncy; VG1 Index; LBUSTRUU Index; MXWOU Index; JHYRHYI Index; SPY US EQUITY; DXY Index. Tariff reductions show inverse performance. Events from PIIE post inauguration. Sources: PIIE; Bloomberg Finance L.P. Data as of March 28, 2025

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Figure 6: Percentage change across assets on tariff event days

1-Feb	4-Feb	5-Feb	10-Feb	13-Feb	21-Feb	25-Feb	1-Mar	4-Mar	6-Mar	12-Mar	25-Mar	26-Mar
Gold 0.6%	EU Eq 1.1%	USD 0.4%	Gold 1.6%	EU Eq 1.7%	US IG 0.4%	US IG 0.6%	EU Eq 1.7%	Gold 0.9%	US Eq 1.8%	EU Eq 1.0%	EU Eq 1.1%	USD 0.3%
USD 0.6%	DM ex US Eq 1.0%	EU Eq 0.1%	EU Eq 0.9%	DM ex US Eq 1.6%	USD 0.2%	US HY 0.1%	DM ex US Eq 1.4%	US HY -0.2%	Gold 0.3%	Gold 0.6%	DM ex US Eq 0.6%	US IG 0.0%
US IG 0.1%	Gold **1.0%**	US HY -0.2%	US Eq 0.7%	US Eq 1.1%	EU Eq 0.1%	DM ex US Eq 0.1%	Gold 1.2%	US IG -0.3%	USD 0.2%	DM ex US Eq 0.6%	Gold 0.3%	US HY 0.0%
US HY -0.3%	US Eq 0.7%	US Eq -0.4%	USD 0.3%	Gold 0.8%	US HY 0.0%	EU Eq -0.1%	US IG 0.2%	USD -0.9%	US HY 0.2%	US Eq 0.5%	US Eq 0.2%	DM ex US Eq 0.0%
US Eq -0.7%	US IG 0.2%	US IG -0.5%	DM ex US Eq 0.2%	US IG 0.6%	DM ex US Eq 0.0%	USD -0.3%	US HY -0.1%	US Eq -1.2%	US IG 0.1%	USD 0.2%	US IG 0.1%	Gold -0.1%
EU Eq -1.3%	US HY 0.1%	Gold -0.9%	US HY 0.1%	US HY 0.2%	Gold -0.1%	US Eq -0.5%	USD -0.8%	DM ex US Eq -1.2%	DM ex US Eq -0.5%	US HY 0.0%	US HY 0.0%	US Eq -1.1%
DM ex US Eq -1.9%	USD -0.9%	DM ex US Eq -1.1%	US IG 0.0%	USD -0.6%	US Eq -1.7%	Gold -1.2%	US Eq -1.8%	EU Eq -2.9%	EU Eq -0.5%	US IG -0.2%	USD -0.1%	EU Eq -1.6%

Note: Indices used: XAU Curncy; VG1 Index; LBUSTRUU Index; MXWOU Index; JHYRHYI Index; SPY US EQUITY; DXY Index. Tariff reductions show inverse performance. Events from PIIE post inauguration. Sources: PIIE; Bloomberg Finance L.P. Data as of March 28, 2025.

Resetting U.S. expectations. Year-to-date, sell-side estimates for the probability of a U.S. recession rose for the first time in almost 2 years…from 20% to 30% (Figure 7).

Why it matters: Expectations can lead reality. While "hard data" like payroll growth and retail sales remain robust, "soft data" like surveys of consumer and business sentiment have stepped down. We're curbing our enthusiasm when it comes to the U.S. outlook. Data this year was mostly a wane in post-election economic optimism, but the tariff-induced shock creates risk of a broader downturn. Under the hood, macro uncertainty is uncovering micro-opportunities:

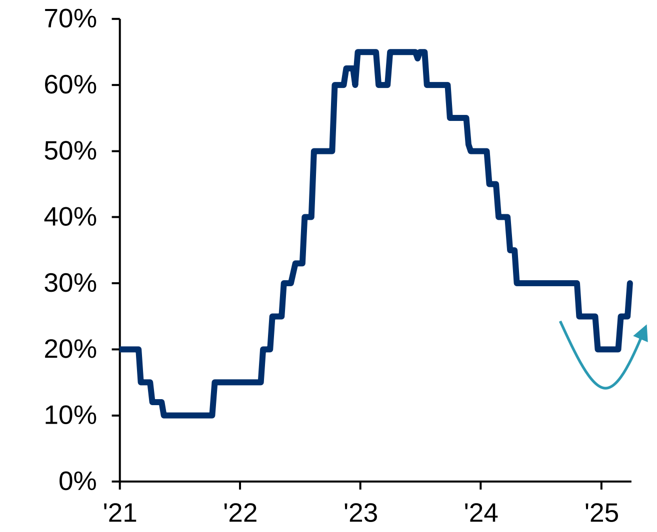
1) **The end of the election enthusiasm.** Major assets exposed to U.S. economic strength had simply retraced most of their gains since President Trump's odds of winning the U.S. election started to rise in September 2024. Post April 2nd, some of these support levels have begun breaking (Figure 8).

2) **A policy-induced global growth shock.** Positive momentum for U.S. economic data coming into this year was at levels not seen since 2021 (Figure 9). Using sell-side estimates, a ~20%ppt hike in U.S. tariff rates translates to a 1.5-2.5% hit to U.S. economic growth and a similar rise in inflation (Figure 10); for context that's ~1/4 of the growth hit in the global financial crisis.

3) **Where to find resiliency.** In the search for quality, April 3rd, was the largest one-day drawdown in cyclicals relative to defensive stocks (Figure 11). Within the equity market look to defensive and domestically orientated equity sectors such as utilities as well as financials given the steeper yield curve.

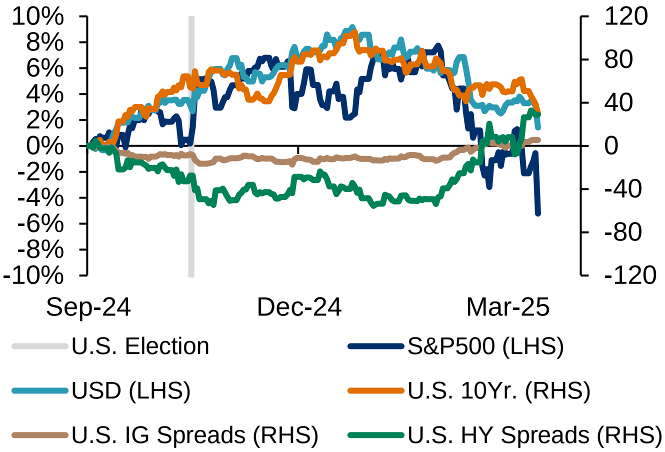
Bottom line: The U.S. economy is set to slow. For U.S. equities, we see the next area of technical support at levels of $5,180 to $5130. While many will claim this a "clearing event" for equities, we advise to add selectively over time through structures, derivatives, and defensive and domestic equities.

Figure 7: Rise in risk of a U.S. recession
Consensus U.S. recession probability, %



Source: Bloomberg Finance L.P. Data as of March 28, 2025.

Figure 8: The end of election enthusiasm
Change, % Change, bps



Note: Start date September 21, 2024 coincides with the start of Trump's election odds rise. Tickers used: SPX Index; DXY Curncy; USGG10YR Index; JULIS Index; .JHYSHYI Index Source: Bloomberg Finance L.P. Data as of April 03, 2025.

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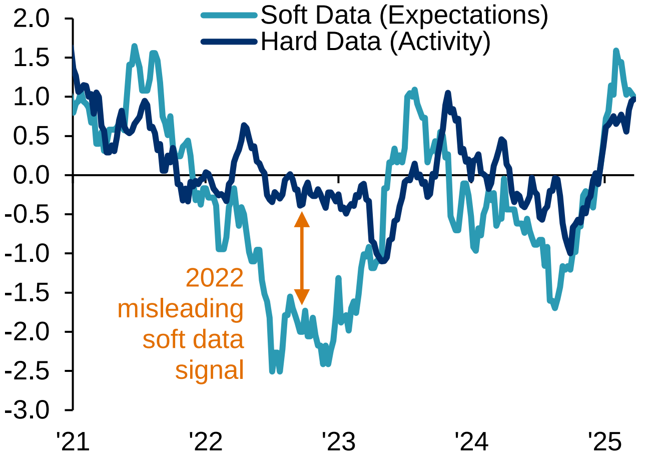
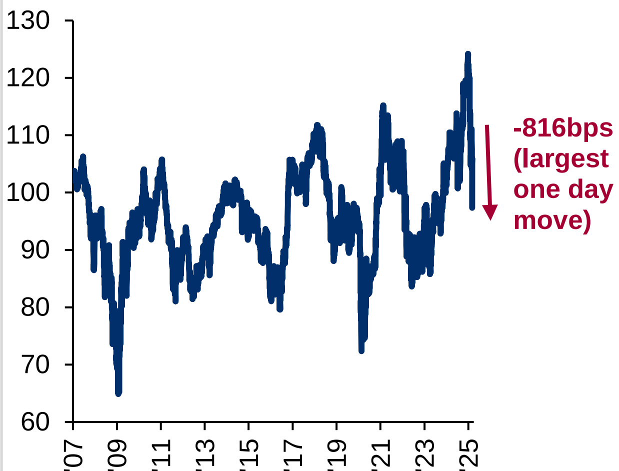
Figure 9: Economic momentum begins to wane
U.S. economic momentum, 26 week average



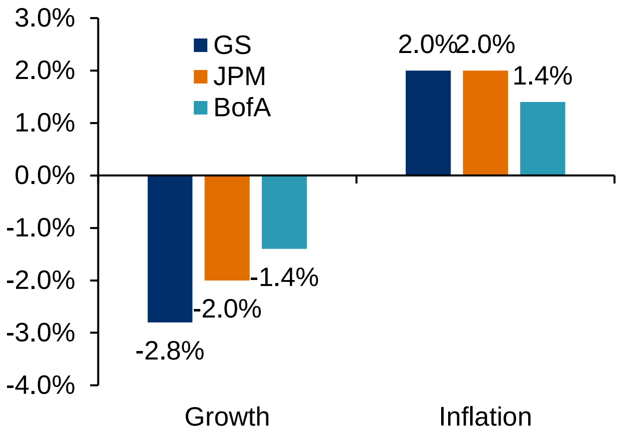
Source: Haver Analytics, Bloomberg Finance L.P., JPM PB. Data as of March 26, 2025. Data scored weekly when reported, each given a +1 if improved mom, otherwise it's -1 (or 0 for unchanged). Data inputs include 27 different economic variables for the U.S.

Figure 11: Largest one day move in U.S. cyclicals v.s. defensives
U.S cyclical vs. defensives (ex commodities) companies, index performance (100 = Jan 2007)



Sources: GS; Bloomberg Finance L.P. Data as of April 03, 2025.

Figure 10: Sell-side implied economic impact from tariffs
Implied change to 12m forecast for a 20%ppt increase in the U.S. effective tariff rate, %



Note: Based on most recent revision to U.S. economic forecasts from increased tariff rates. Source: GS; JPM; BofA. Data as of April 2, 2025.

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"What recession?" says fixed income. U.S. high yield credit has experienced 17 percent of a typical recessionary drawdown, more than 20 percentage points less than the U.S. equity market (Figure 12).

Why it matters: U.S. credit spreads are in the 37th percentile of observations going back 20 years (Figure 13). However, if a much weaker macroeconomic scenario were to materialize, we still see room for Treasury yields to decline by roughly 50-75bps across the curve and for credit spreads to widen from historically tight levels (Figure 14). Here's where we find opportunities:

1) **Attractive asymmetry in high grade fixed income.** Figure 15 shows indicative 12-month returns for core fixed income should Treasury yields end the period 1) in line with our outlook, or 2) in line with our estimates of fair value in a more severe growth slowdown. We expect high quality U.S. fixed income to deliver roughly the yield that's written on the tin – or better.

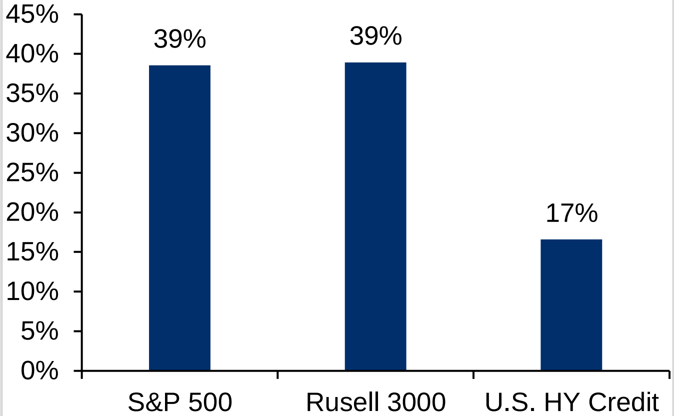
2) **The municipal (muni) opportunity**. After record supply, yields across the muni curve are at one-year highs, and 30-year municipal bonds offer the most relative value to Treasuries since 2023 (Figure 16).

3) **Preferred income.** Preferreds and hybrids typically offer high yield type returns from investment grade issuers (Figure 17). We favor enhancing yield by going lower in the capital structure with these instruments over taking extended credit risk in high yield given heightened uncertainty.

Bottom line: The bond market is pricing a less pessimistic view of the U.S. economy, compared to the U.S. equity market. High quality fixed income can potentially offer asymmetric returns to the upside as a result. Credit markets have a narrower path to tread given still tight spreads. Consider government, municipal and investment grade bonds for ballast. In our view, preferreds and corporate hybrids are the best opportunities for income.

Figure 12: Credit is pricing in lower recession risks

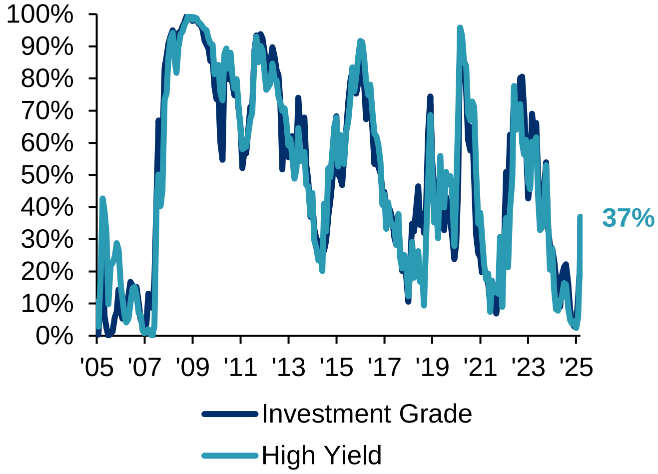
Implied recession probability, %



Note: Uses Current 12-month drawdown as a % of average max across recession years from 1984. Source: Bloomberg Finance L.P. U.S. HY Credit uses Bloomberg U.S. Corporate High Yield Index. Data as of April 3, 2025.

Figure 13: IG and HY spreads are lower than previous growth shocks

20Yr. percentile, (0=low)



Latest spreads use futures. Note: Investment grade uses JULI index; High Yield uses JHYS index. Source: Bloomberg Finance L.P. Data as of April 03, 2025.

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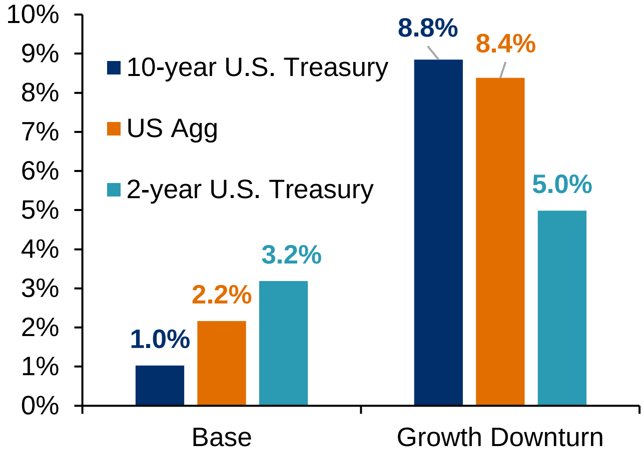
Figure 14: 12m Forward Treasury Yield Assumptions for Different Macro scenarios, %

U.S. Macro Scenario	2Yr. Yield	5Yr. Yield	10Yr. Yield
Higher for Longer	4.70	4.90	5.15
Base Case	3.95	4.15	4.45
Current market pricing	*3.70*	*3.74*	*4.04*
Growth Downturn	2.75	3.00	3.40

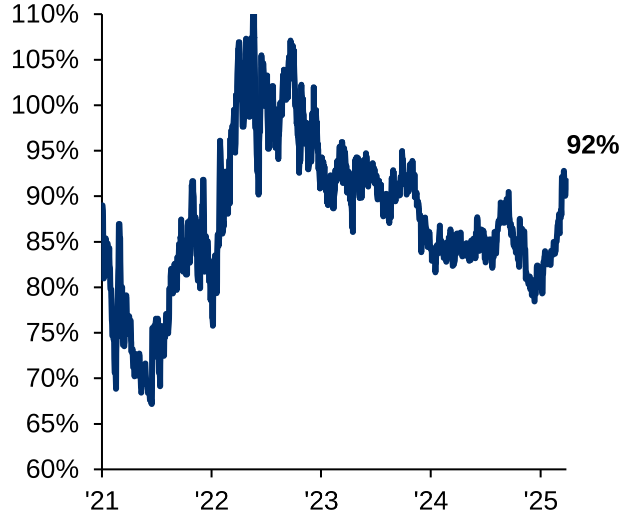
Source: Bloomberg Finance L.P. Data as of April 3, 2025.

Figure 15: Asymmetry in core fixed income
Expected 12 month return, %



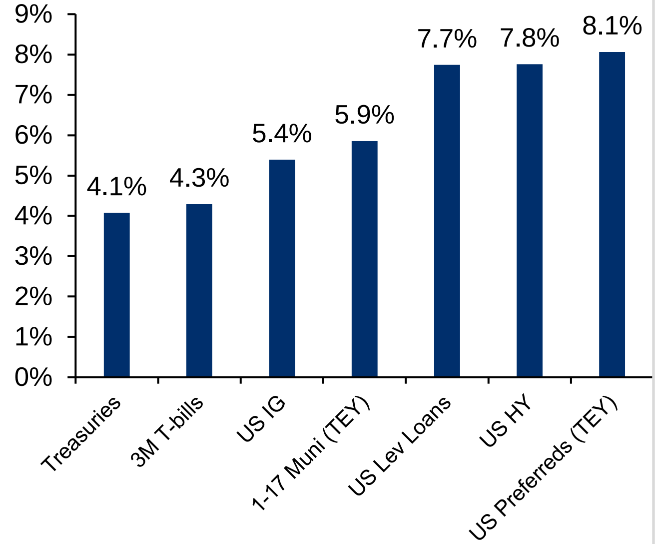
Note: E(Return) ≈ Coupon income +/− E (Δ Price due to JPM WM view of benchmark yields). Indices used: Bloomberg US Agg Corporate. Source: Bloomberg Finance L.P. Data as of April 3, 2025.

Figure 16: Highest relative value for munis since 2023
AAA Muni yield, % of 30Yr. Treasury



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

Figure 17: Attractive yields for preferreds
Yield, %



Source: Bloomberg Finance L.P. Data as of April 1, 2025.

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Achtung, European underweights! On March 5th, the incoming new head of the German government proclaimed he would do “whatever it takes” to ensure the European continent’s defense and address years of underinvestment in the economy. The 10-year German bund yield rose 30bps, the largest single-day increase since the fall of the Berlin Wall (Figure 18).

Why it matters: Over the past 20 years, European equities have underperformed the S&P 500 by approximately 4% annually.[4] But global investors have begun re-engaging with European risk assets; since the 10th of February, inflows to European equities each week have been roughly in line with or exceeded the previous *monthly* high going back two years (Figure 19). Our year-end outlook still favors U.S. equities, but our confidence in Europe has grown. Here's why:

1) **Frugal Europe no more.** Among others, Europe's tight fiscal policies have historically hindered growth compared to the U.S. (Figure 20). Yet, that sluggish growth, combined with recent uncertainty over U.S. security commitments, has prompted a groundbreaking fiscal package from Germany, which includes freeing defense spending from its debt brake and establishing a €500 billion infrastructure fund (that’s over 11% of Germany’s GDP).

2) **A meaningful growth lift**. In the short term, the impact of Germany’s plan may be muted, given import-heavy defense spending and the gradual rollout of infrastructure investment. However, we see a more significant boost in 2026 and 2027. Ultimately, the combined spillover effects of Germany's plans and increased regional defense spending lead us to raise our Eurozone growth outlook by 25bps in 2025 and 50bps in 2026 (Figure 21).

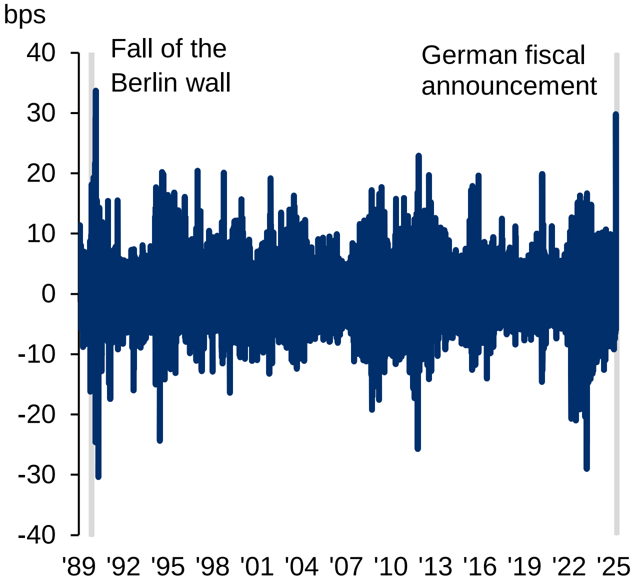
3) **Potential valuation catch-up:** Post-rally, Europe trades at a forward P/E just above 14.5x, a premium to its own historical average. But with higher growth potential suggesting a continued inflection in earnings, higher valuations could persist. Europe’s valuation discount to the U.S. is now around 30%, in line with its 5-year average but below averages over a longer time horizon that includes the pre-pandemic period (Figure 22).

Go deeper on the case for global diversification [here](#).

[4] Source: Bloomberg Finance L.P. Data as of February 28, 2025. In local currency terms.

Bottom line: Recent European developments are significant, reinforcing a need to invest globally – especially in times of higher uncertainty. We revise higher our outlooks for Eurozone growth, equity prices, bund yields, and the euro. In particular, we raise our Euro Stoxx 50 outlook to 5600-5700 and now expect the ECB to cut rates to 2.0%, up from 1.75% previously, with the 10-year German bund yield ending the year near 2.7%. EURUSD fair value and our outlook has shifted from 1.02-1.06 to 1.08-1.12.

Figure 18: Single day moves, 10Y Bund yield



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

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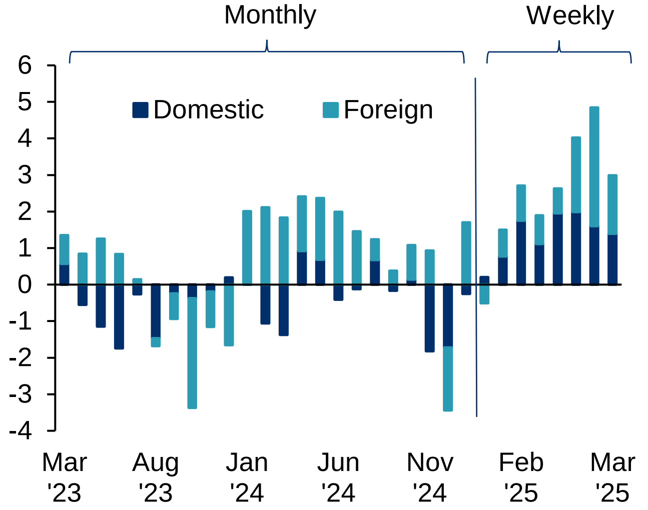
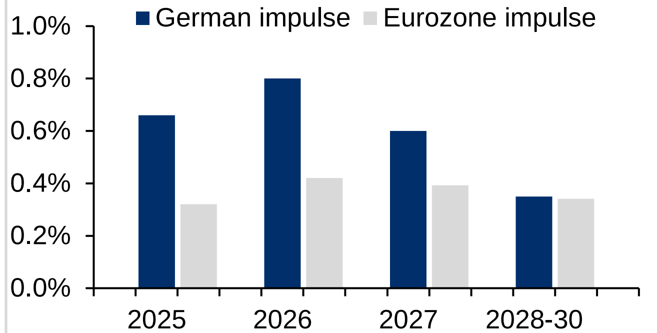
Figure 19: Flows to Euro Area Equity Funds
USD bn



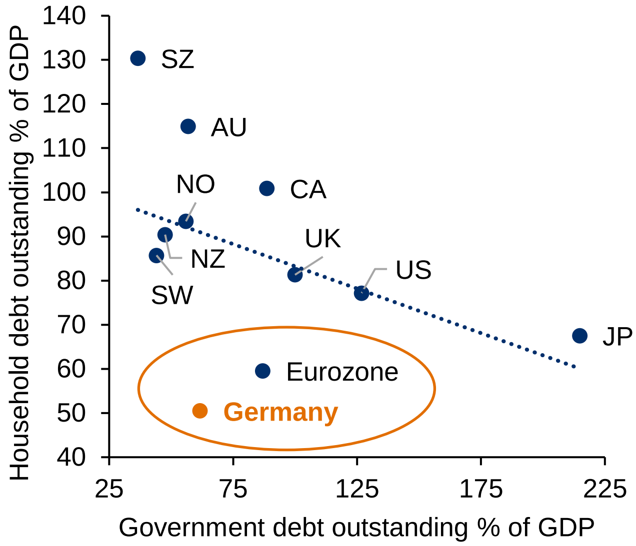
Note: Weekly data as of February 3rd, 2025. Source: Exante Data, EPFR. Data as of March 31, 2025

Figure 21: Increased public spending stands to accelerate growth in Germany and the Eurozone
%



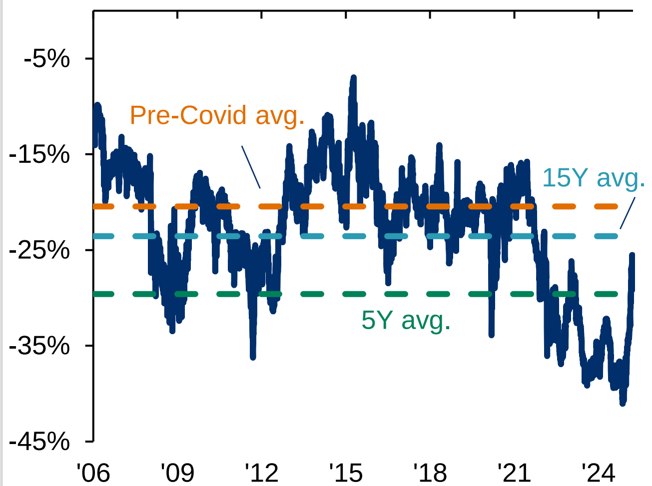
Note: Assumes a 0.2-0.8 multiplier on German and Eurozone defence spending, 0.7-1.0 on German infrastructure, and 0.8 on German state fiscal loosening. Eurozone spillover assumes a spillover elasticity of 0.25 (IMF estimate) to the rest of the region. Sources: J.P. Morgan Asset Management, J.P. Morgan Investment Bank, Bloomberg Finance L.P., BEA, Global Financial Stability Report, IMF, European Commission. Assumes full utilization of fiscal space by Germany. Data as of February 28, 2025.

Figure 20: European fiscal conservatism
% of GDP



Source: Deutsche Bank. Data as of January 22, 2025.

Figure 22: European discount narrows to U.S.
European equities valuation relative to U.S., %



Note: 12m forward P/E Source: Bloomberg Finance L.P. Data as of March 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	2.00	2.50	4.45	6,200
JPM IB	4.00	1.30	3.10	4.15	6,500
Bank of America	4.50	1.80	3.00	4.50	6,666
Morgan Stanley	4.25	1.50	2.80	3.55	6,500
Goldman Sachs	4.00	1.64	3.01	4.35	6,200
Wells Fargo	3.75	1.40	2.78	4.15	7,007
UBS	4.00	1.65	2.68	4.25	6,400
Average (ex-JPM WM)	4.08	1.55	2.90	4.16	6,596
FOMC	3.90	1.70	2.80	-	-

Sources: JPM; BoA; MS; GS; WF; UBS; Federal Reserve. Data as of March 28, 2025.

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2025 OUTLOOK NUMBERS

April 2025

Macro^

Inflation	2025 YE	Old 2025 YE	2026 YE	Old 2026 YE
U.S.	2.40-2.60%		2.10-2.30%	
Eurozone	2.10-2.30%		1.80-2.00%	
China	0.50-0.70%		1.30-1.50%	
Real GDP Growth				
U.S.	1.75%-2.25%		1.75%-2.25%	
Eurozone	0.25-0.75%	~~0.00-0.50%~~	1.00-1.50%	~~0.50-1.00%~~
China	4.20-4.70%		4.20-4.70%	

Equities

S&P 500	2025 YE	Old 2025 YE
Price	6,150-6,250	~~6,350-6,450~~
P/E forward multiple	21x	
Stoxx Europe 50		
Price	5,600-5,700	~~5,300-5,400~~
P/E forward multiple	14.5x	~~14x~~
TOPIX		
Price	3,075-3,175	
P/E forward multiple	15x	
MSCI Asia ex-Japan		
Price	770-800	
P/E forward multiple	13x	
MSCI China		
Price	73-77	
P/E forward multiple	11.5x	

Currencies

	2025 YE	Old 2025 YE
U.S. Dollar Index (DXY)	102 (100 – 104)	~~107 (105-109)~~
EUR/USD	1.10 (1.08 - 1.12	~~1.04 (1.02-1.06)~~
USD/JPY	144 (141 - 147)	~~155 (152-158)~~
GBP/USD	1.30 (1.28 - 1.32	~~1.25 (1.23-1.27)~~
USD/CNY	7.35 (7.25 - 7.45	~~7.40 (7.30-7.50)~~

Rates & Credit Spreads

U.S.	2025 YE	Old 2025 YE
Eff. Fed Funds rate	3.75-4.00%	
ON SOFR	3.85%	
2-year UST	3.95%	
5-year UST	4.15%	
10-year UST	4.45%	
30-year UST	4.70%	
2s/10s spread	0.50%	
JPM U.S. Investment Grade	135	~~100~~
JPM U.S. High Yield	425	~~330~~
Europe		
ECB deposit rate	2.00%	~~1.75%~~
5-year German Yield	2.45%	~~1.90%~~
10-year German Yield	2.70%	~~2.00%~~
BoE Bank Rate	3.75%	
10-year UK Gilt	4.25%	~~4.00%~~
EUR IG	115	
EUR HY	350	
EM		
EM Sovereign Index (EMBI)	350	~~325~~
EM Corporate Index (CEMBI)	250	~~235~~
JPM Asia IG (JACI IG)	95	~~90~~
JPM Asia HY (JACI HY)	675	

Commodities

	2025 YE	Old 2025 YE
Gold ($ / oz)	$3,400-$3,500	~~$3,100-$3,200~~
Brent ($ / barrel)	$63-$68	
Commodity Index (BCOM)	105-107	~~97-99~~
Natural gas ($/MMBtu)	$4.75-$5.75	~~$4.00-$5.00~~

^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

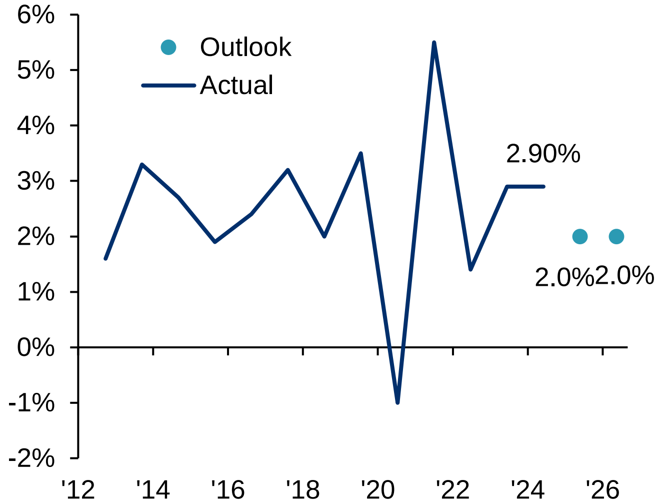
Now that the dust has settled on "liberation day", we can conclude that the tariff shock is turning out to be materially larger than we (and most economists) expected. Taken at face value the slew of tariff increases President Trump announced on April 2nd would have a direct impact on US GDP of -1.75%, according to our calculations. To put this into perspective, the prior two tariff announcements, China +20% and autos +25%, had direct GDP impacts of only -0.3% and -0.2%, respectively.

There are of course many caveats: potential legal challenges, whether trading partners will be able to negotiate levies down, and the full degree of subsector exclusions that may be granted from "reciprocal" tariffs. Nevertheless, one has to assume a meaningful portion of the tariffs announced on April 2nd will go into effect. The result will likely be weaker GDP growth and a higher chance the US economy falls into recession over the next 12 months. Tariffs impact growth through 3 main channels: The direct channel of rising prices and weaker consumer purchasing power, the uncertainty effect which can stall business investment, and the retaliation impact as trading partners respond to US tariffs. In the coming months we'll be tracking data closely related to these three channels. There will be inflation effects from tariffs, but we would discount these as we explain in the next section.

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

Our view: 1.75-2.25% (Q4 YoY) in 2025, 1.75-2.25% in 2026

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



Sources: Haver Analytics, Bureau of Economic Analysis. Data as of March 28, 2025.

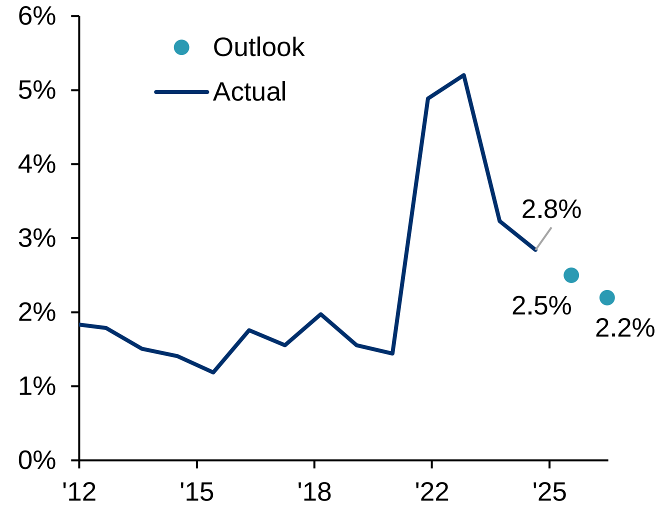
U.S. Inflation

We have received several questions regarding our inflation outlook in the context of tariffs. We think a meaningful portion of the tariff increases will pass through to consumer prices. However, a crucial point: tariff driven inflation is conceptually different than the type of inflation that hit the U.S. economy back in 2021/2022. Back then, inflation had a large demand component (due to fiscal stimulus), which coincided with a very tight labor market in the context of labor shortages and the Great Resignation. The risk of the 2021/2022 inflation shock was that it could have resulted in a generalized wage-price spiral, and it is this risk that caused the Fed to raise interest rates so aggressively in 2022. Today, the backdrop is very different; the labor market is much weaker across numerous metrics (job openings, quits, hiring trends, wage growth), and tariffs reduce supply rather than increase demand. In principle tariffs will raise inflation in the goods sectors that are tariffed, but that will weaken consumer purchasing power and result in less inflation in sectors not tariffed (e.g., services). In our view, the risk for the Fed in the context of tariffs does not pertain to rate hikes and a wage-price spiral; the risk is rather that the purchasing power effects of tariffs could weaken growth, raise the unemployment rate, and ultimately result in more rate cuts rather than hikes relative to our baseline GIS view.

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

Our view: 2.40-2.60% (Q4 YoY) in 2025, 2.10-2.30% in 2026

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



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Eurozone Growth

Europe is navigating rapidly shifting cross-currents. On balance, our growth outlook has grown more optimistic.

On the upside, Germany's historic spending plan, featuring changes to its debt brake and a €500 billion infrastructure fund, alongside the EU's increased defense spending, marks a significant shift from years of restraint. By tackling sluggish growth and rising security challenges, the moves are a start at addressing structural issues highlighted in the Draghi Report. Coupled with the ECB's measured rate cuts and a potential resumption of gas flows through Ukraine, the outlook for Europe's economy looks brighter than it did coming into the year.

That said, downside risks persist, with U.S. trade policy uncertainty at the forefront. While existing tariffs and proposed auto tariffs might not significantly alter Europe's path, the specifics and duration of reciprocal tariffs will be crucial.

Relative to our previous outlook, we expect a 0.25%pt boost to real GDP growth in 2025 (to 0.25-0.75% YoY) and 0.5%pt in 2026 (to 1.0-1.5% YoY).

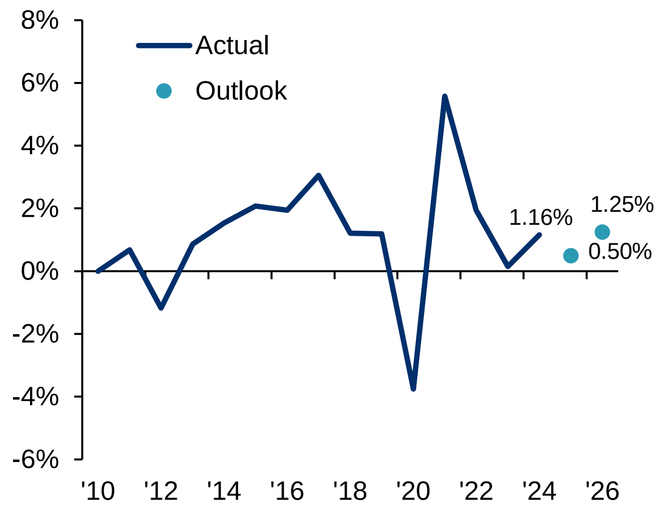
The UK is meanwhile navigating a more challenging fiscal backdrop, which required spending cuts at the Spring Budget. That keeps us cautious on the growth outlook.

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

Our view: 0.25-0.75% (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 March 28, 2025.

Eurozone Inflation

The latest data signaled that disinflation is ongoing. Core price pressures, excluding energy prices and a key focus for the ECB, have been modest this year. Stripping out one-off price resets, core prices are now running at a 2.4% pace. From here, cooling wage growth should spur further progress: The ECB's updated wage tracker, incorporating pay deals through mid-February, indicates a sharp slowdown this year.

When it comes to risks, stronger demand as a result of Germany's fiscal package could place some moderate upward pressure on inflation, but we do not think that derails the overall disinflationary path. And again, trade policy is key to monitor. Potential U.S. tariffs on EU goods could cause short-term price hikes, with more uncertain medium-term effects.

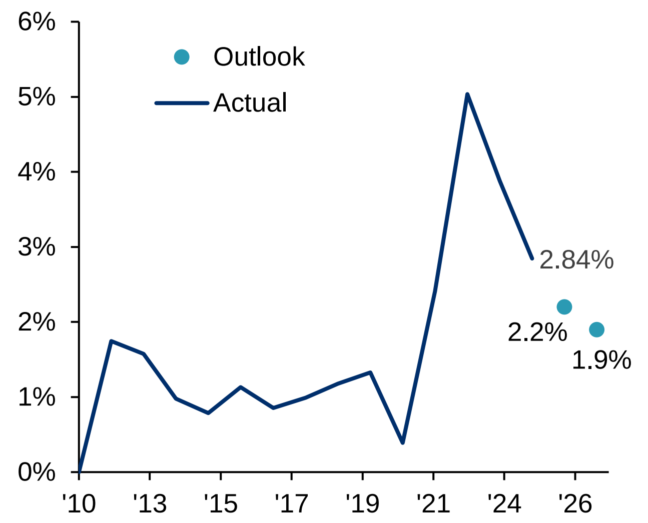
In the UK, inflation remains high but is edging closer to the BoE's target. Despite the progress, services prices remain sticky. April's annual price resetting by firms is key to watch.

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

Our view: 2.1-2.3% (Q4 YoY) core HICP in 2025

1.80-2.00% (Q4 YoY) in 2026

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



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China Growth

Data was released covering the start of the year, and it came in stronger than expected. The January-February combined activity data, released on March 17, showed that industrial production, retail sales, and fixed asset investment all exceeded consensus expectations. Although sequential growth in Q1 will likely decline from Q4, as the boosts from export front-loading and the consumer goods trade-in program fade, the moderation may not be as significant as initially assumed.

Overall, industrial activity and manufacturing investment continue to outperform, while property activity remains depressed. The structural shift in China's growth model from property to manufacturing persists. Inflation remains low, and labor market challenges continue.

Trade and tariffs will be a key factor. Coming into April, the impact looked subdued. Despite a 20 percentage point increase in U.S. tariffs on China, the trade policy uncertainty index had not risen significantly, suggesting a smaller-than-expected impact on domestic investment. Other factors are also turning more positive at the margin. President Xi's meeting with private entrepreneurs in February could mark a notable shift in the government's stance towards the private sector. Credit growth is accelerating, potentially leading to a positive credit impulse in Q2. Additionally, the government announced a "special action plan" to boost consumption, including raising the subsidy for the consumer goods trade-in program from RMB 150 billion to RMB 300 billion, though details remain sparse.

Although fundamentals remain fragile and domestic demand is weak, we are starting to see the potential for upside risks to our GDP outlook of 4.5% for 2025. Externally, investors are monitoring potential additional tariffs from the Trump administration following the phase-one trade deal review. Domestically, the key to China's macro outlook is whether policymakers will ease off the gas after a solid Q1 GDP print, as in previous years.

What we're watching: Tariffs from the US, domestic demand recovery

Our view: 4.2-4.7% in 2025 (Q4/Q4), 4.2-4.7% in 2026

China Inflation

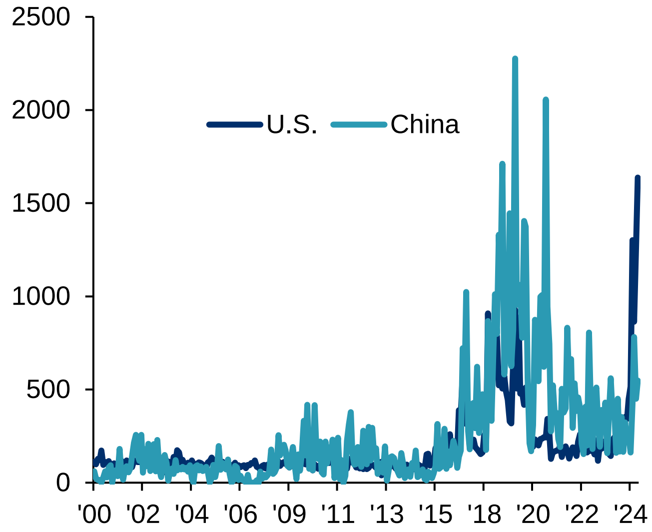
February's CPI fell 0.7% y/y, following a Lunar New Year-related rise of 0.5% in January, with the sequential trend remaining soft as headline CPI declined for the sixth consecutive month. Food prices dropped 3.3% y/y, and core CPI inflation fell 0.2% y/y, highlighting Lunar New Year-related price volatility, particularly in recreational, educational, and cultural services. Meanwhile, PPI remained in deflation, falling 2.2% y/y, with moderate easing in industrial metals and construction-related materials prices. The government's 2025 CPI inflation target of "around 2%" appears challenging due to persistent deflationary pressures and domestic demand-supply imbalances, potentially exacerbated by U.S. tariff hikes.

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.

Trade policy uncertainty index

Index level, 2000-2015 avg = 100



Source: Haver Analytics. Data as of January 2025.

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EQUITY VIEWS

U.S. Equities

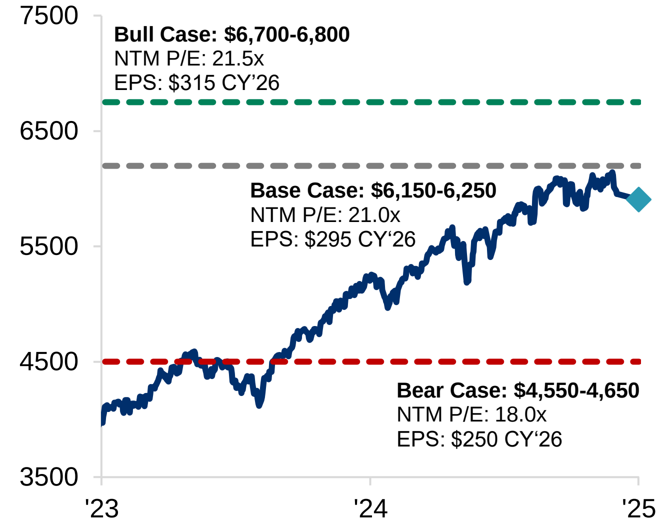
Negative revisions confirm the recent risk-off trading behavior in U.S. equities. March was not a good month for markets nor earnings revisions. Markets suffered a 2nd consecutive drop in monthly prices, touching correction territory just 28 days after hitting an all-time high. Meanwhile, earnings expectations are sliding due to a combination of weather, consumer, and corporate uncertainty and perhaps a little bit of "pull-in" of growth into Q4'24. The softness has been mostly felt by the Consumer Discretionary, Staples, Energy and Materials firms with some Industrial companies also feeling a pinch. Fortunately, the second largest sector by market cap, Financials, has witnessed mild increases to estimates while the largest sector, Tech, has seen just a modest decline. All in, we expect calendar year 2025 earnings growth to remain strong (+9%), just less strong than previously expected (+12%).

Risks are higher, prices lower. How would we invest now? Given current prices and what we are hearing from corporate America, we maintain an optimistic view on the broad U.S. markets while reducing our outlook by the 3% reduction from the earnings revisions cited above. Our base case end of 2025 outlook dips from $6,400 to $6,200. The outlook is driven by a 21x P/E on the new CY2026 EPS estimates of $295. From current levels, valuations are expected to be approximately unchanged versus the outlook rendered in December calling for a 6-7% reduction in valuation. We remain positive on buying the dips in the broader market, searching for alpha in sectors and individual securities and using structures to enhance risk-adjusted total returns.

Today, we recommend 4 sectors, unchanged from our prior view. While Financials have performed well, we see earnings momentum and revisions as favorable, especially for the banks. Given the weakness in the Technology sector the last few weeks and the high-teens EPS growth we anticipate, we reiterate our positive stance. The Mag-7 seem less risky at current prices while the "rest-of-tech", particularly software, look attractive. Utilities offer some defensiveness in the current environment where investors have taken a "glass half empty view". Being almost exclusively domestic, with rising growth rates, stable and high dividend yields, and low valuation should help the sector continue to outperform. The Industrial sector remains a diverse set of sub-sectors. Our favorites include defense, aerospace, machinery, and power & transmission equipment.

We see the S&P 500 reaching $6,200 by YE 2025

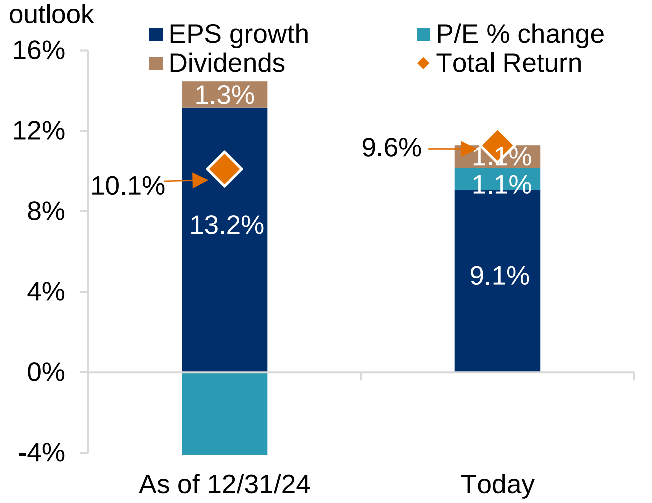
S&P 500 vs JPM WM Solutions Base, Bull and Bear



Source: Bloomberg Finance L.P., JPM WM Solutions. Data as of March 27, 2025.

Composition of expected returns

S&P 500 2025 total return, actual 2025 WM Solutions outlook



Note: E(Total Return) = EPS growth + P/E % change + Dividends.
Source: Bloomberg Finance L.P., FactSet, JPM WM Solutions.
Data as of April 02, 2025.

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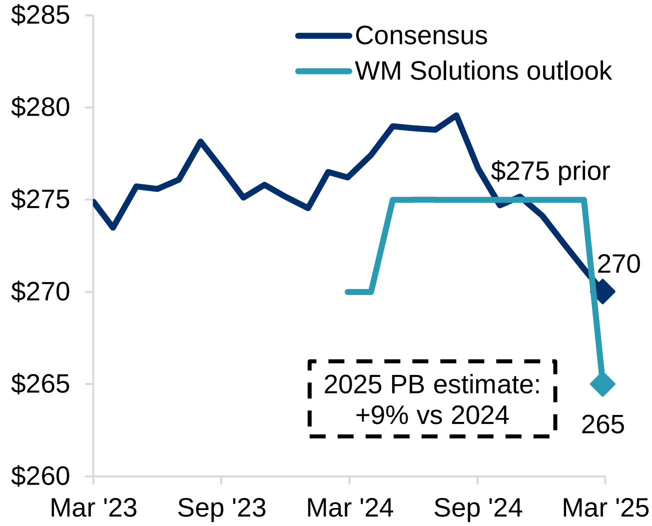
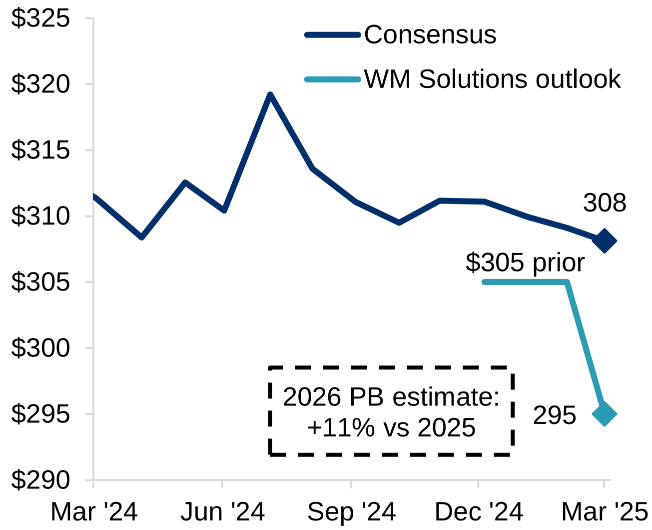
We are below consensus for 2025 earnings...
S&P 500 CY 2025 EPS



Source: Bloomberg Finance L.P., JPM WM Solutions. Data as of March 27, 2025.

...And below consensus for 2026 earnings
S&P 500 CY 2026 EPS



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Europe Equities

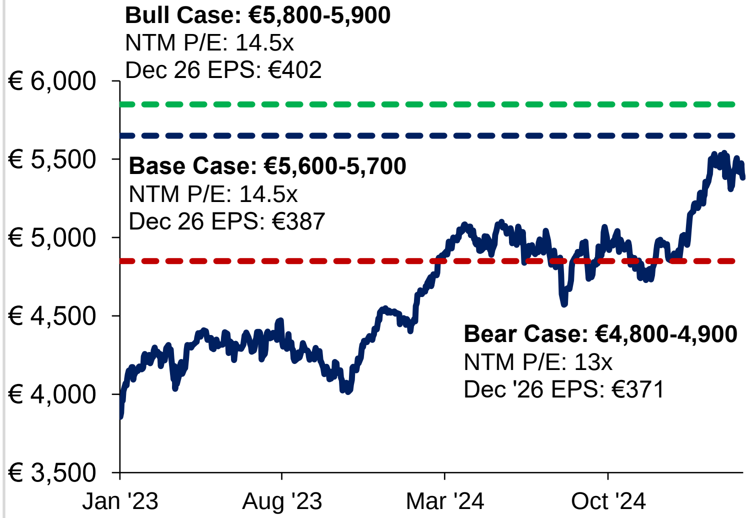
The Euro Stoxx 50 is up 10% year-to-date, marking a very strong start to the year. March was an eventful month for Europe, as Germany announced and approved a fiscal stimulus that allowed for a €500 billion infrastructure spend and additional defence spending. The news from Germany was unexpected, and the market reacted positively. This step by Europe suggests that the region's growth is likely to be higher in 2025 and 2026. As a result, we are increasing our Euro Stoxx outlook to €5,600-5,700 from €5,300-5,400 previously. We are also increasing our valuation assumption. The Euro Stoxx 50 is currently trading at a 14.7x multiple versus a 13.9x NTM P/E 10-year average. We believe the valuation can remain higher for longer given the fiscal support, and we pencil in a 14.5x multiple as a result. The discount to the U.S. is currently around 30%, and we think it should stay around these levels. To remind, at the end of last year, the discount was as high as 40%, which was also one of the reasons why European equities had a catch-up and a strong start to the year. A 30% discount is also the average over the last five years. On earnings, we now see €387 EPS in 2026 versus €382 expected before, indicating high single-digit growth. We believe the Industrial sector should benefit from infrastructure spending in Germany and increased defence spending. Importantly, European banks are in a different position now compared to the past; they have better asset quality, improved capitalization, and are facing higher interest rates. Financials is the largest sector in the Euro Stoxx 50.

We continue to favour Industrials and Technology. We believe European Industrials 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 centre spending. We continue to favour the Technology sector, focusing on software and semiconductor equipment companies that are benefiting from AI innovation and integration. We are optimistic about providers of information and analytics, given their recurring revenue streams and their exposure to the growing AI trend. We are downgrading Consumer Discretionary because the autos sector is exposed to tariff risks, while the entire sector is exposed to a slowdown in consumer demand in the U.S. Long-term, we still think luxury names are well-placed, especially those with leading market positions and strong brands in both soft and hard luxury

Our view: Base case €5,600-5,700 by end 2025, bull case €5,800-5,900, and bear case €4,800-4,900.

We see the Euro Stoxx 50 reaching €5,600-5,700 by YE-2025

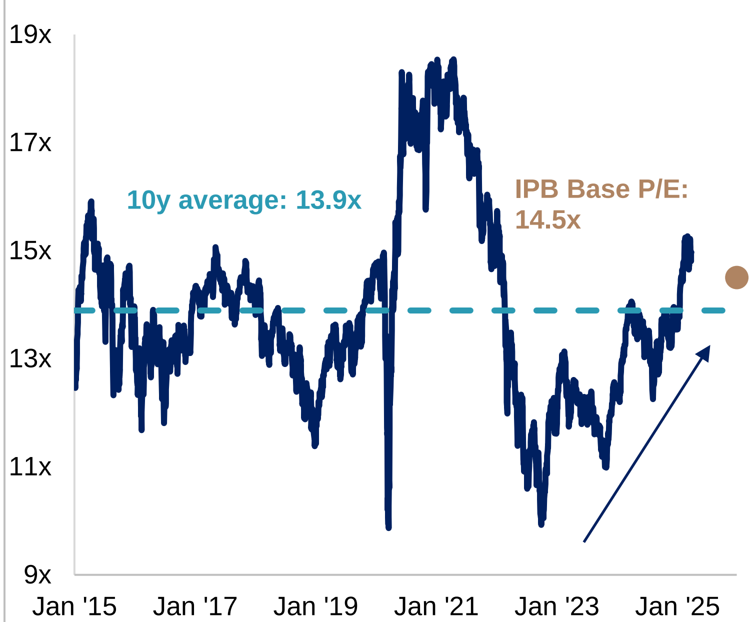
Euro Stoxx 50 vs JPM WM Solutions Base, Bull and Bear cases



Source: Bloomberg Finance L.P., J.P. Morgan WM Solutions. Data as of March 27, 2025.

We believe valuations in Europe can remain higher for longer

Euro Stoxx 50 NTM P/E and 2025 JPM WM Solutions outlook



Source: Bloomberg Finance L.P., J.P. Morgan WM Solutions. Data as of March 27, 2025.

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Asia Equities

In March, Chinese equities experienced increased volatility as solid earnings for the December 2024 quarter were met with profit-taking by investors. Additionally, several companies capitalized on multi-year highs in share prices to raise capital for expansion plans through sizable equity offerings. While there are some moderately positive earnings revisions in Offshore China equities, the rapid increase in share prices and valuation multiples, coupled with tariff concerns that appeared to be underpriced, have left the market vulnerable to a correction. This correction is currently unfolding, and we may witness another low to mid-single-digit market pullback from current levels. Although government policy continues to support consumption, we have yet to see new concrete measures that would significantly boost it. We remain selective, focusing on blue-chip companies capable of growing earnings faster than the broader market, even if the overall Chinese economy does not experience a significant upturn.

Japanese equities continue to be our top preference in the region. The persistent selling by foreign investors appears to be nearing exhaustion. Valuations remain attractive in this major developed market, which is uniquely experiencing earnings upgrades. Reflation seems increasingly sustainable, with another year of 4-5% wage increases likely. As the fiscal year ends in March, it is traditionally a time for companies to announce additional capital returns to shareholders and implement further governance changes ahead of the annual general meeting season in June. Our most preferred sectors include financials, domestic consumption, and industrials.

In India, the tight monetary and fiscal policies of 2024, which led to a cyclical economic downturn, are becoming more supportive. The Reserve Bank of India began cutting rates in February, and income tax cuts for the middle class, effective April 1, are expected to stimulate growth by mid-2025. In terms of the market, corporate earnings revisions remain decidedly negative, with consensus earnings appearing 2-3% too high. However, forward P/E valuations have corrected to below five-year averages. While we adjust our earnings and valuation assumptions and revise our MSCI India December 2025 target to 2,950-3,025 (down from 3,180-3,260), our positive medium-term outlook for Indian equities remains unchanged. We are increasingly confident that MSCI India at 2,600-2,650 represents an attractive level to increase exposure to Indian equities.

What we're watching: Tariff-related announcements, earnings season, China government policy announcements (if any), potential leadership change in Japan

Our view:

MSCI AxJ: YE 2025: 770-800 (P/E 13.0x)

Topix: YE 2025: 3,075-3,175 (P/E 14.75-15.25x)

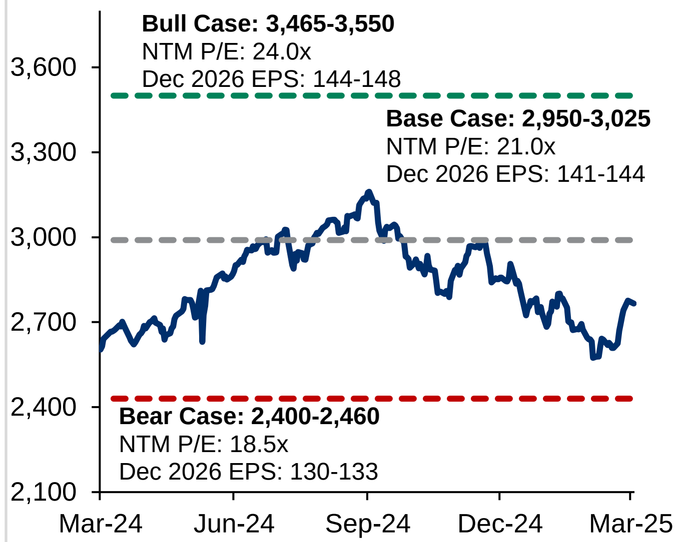
MSCI China: YE 2025: 73-77 (11.5x)

CSI 300: YE 2025: 3,900-4,100 (P/E 12.5x)

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

MSCI ASEAN: YE 2025: 685-705 (P/E 13.5x)

We see MSCI India reaching 2,990 by Dec-2025
Index



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

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RATES VIEWS

U.S. Rates

We continue to believe with high conviction that the FOMC has an asymmetric reaction function. If the economy remains strong and inflation sticky, policy rates will be held at current levels for longer; whereas policy rates will be reduced (swiftly) if the economy were to weaken unexpectedly. We continue to pencil in two cuts from the Fed by the end of 2025.

Treasury yields are below our base case outlook coming into April 2nd. That said, if a much weaker macroeconomic scenario were to materialize, we still see room for Treasury yields to decline by roughly 50-75bps across the curve and for credit spreads to widen from historically tight levels. Given current market pricing and near-term downside risks to the economy, we increase our conviction in core bonds this month.

What we're watching: Fiscal, immigration and trade policy, labor market indicators, consumer spending.

Our view: 10Y: 4.45% by year-end 2025

10-year U.S. Treasury
Yield, %

Source: Bloomberg Finance L.P. Data as of March 28, 2025.

Europe Rates

Financial conditions tightened following Germany's stimulus announcement in March. Although we expect a boost to growth from the package, most of that impulse is expected to come in 2026-27. As a result, recent inflation undershoots and tariff uncertainty will likely drive the ECB's decisions over near-term meetings. We see further measured cuts, but the balance of upside/downside risks reduces the urgency to cut below "neutral." We therefore revise our terminal rate expectation higher to 2% from 1.75%.

To pay for its fiscal package, Germany will need to issue more than twice as much federal debt in '25-'26 than previously expected. While this will likely start with short-term T-bills, it still means higher yields. Investors are already demanding a higher "term premium" for holding longer-term bonds. Combined with our expectation for stronger growth, we're raising our outlook for 5-year and 10-year German Bund yields to 2.45% (up from 1.90%) and 2.70% (up from 2.00%), respectively.

We similarly increase our UK Gilt yield outlook to 4.25% (vs. 4.00%) to reflect a higher premium for fiscal risks.

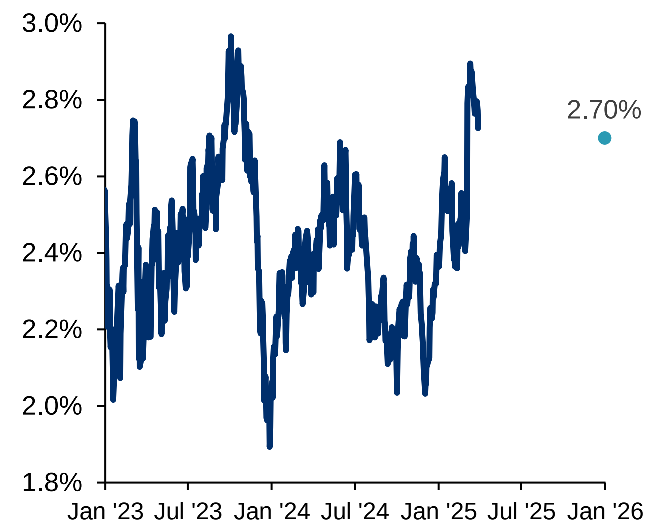
What we're watching: Germany fiscal package, U.S. trade policy, PMI surveys, and Budget plans.

Our view:

10Y Bund: 2.70% by year-end 2025

10Y Gilt: 4.25% by year-end 2025

10-year Bund
Yield, %



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CREDIT VIEWS

U.S. Credit

In the U.S. economic landscape under Trump 2.0, markets have navigated a shift from initial pro-growth optimism to grappling with the challenges of steadfast but still uncertain tariff policies, Department of Government Efficiency (DOGE) workforce disruptions, persistent inflation, and concerns about consumer confidence. A more bearish sentiment has permeated the economy from late February until now. High Yield (HY) spreads widened over 75bps from their Year-to-Date (YTD) low of 297bps on February 18th to 373bps on March 13th, retracing to 353bps as of March 27, 2025.

While we believe that growth will remain healthy with a structurally higher inflation rate than pre-pandemic levels, we recognize that spreads may progress towards their historical medians this year. We are raising our spread outlook to 425bps, which is 35bps below the non-recessionary median level of the past 25 years. This adjustment reflects an economic environment that remains supportive for credit, while also accounting for increasing uncertainty that has not yet been priced in. We are also increasing our spread outlook in Investment Grade (IG) to 135bps. Importantly, corporate fundamentals remain solid, with EBITDA growth and leverage in line with historical averages. Thus, the volatility in credit markets has created opportunities, particularly among underperformers we believe remain well positioned fundamentally.

Given yields that remain elevated historically, our outlook for a higher for longer rate environment, and our higher spread outlooks, we're focusing on the 3-7 year part of the curve which we find attractive. We expect a solid economy in 2025, and we anticipate that investors could generate positive returns from credit. Credit selection will remain key, given an evolving policy landscape. Idiosyncratic opportunities exist across the junior subordinated space (preferreds and hybrids) as well as some US HY issuers.

Overall, our preference in credit is to stay up-in-quality, with municipals in particular standing out. We still see Preferreds and Hybrids as our top choice in extended credit, but some idiosyncratic HY opportunities exist.

What we're watching:

- **Core Fixed Income:** We favor Investment Grade and Municipal bonds in the credit space. We see some opportunity in securitized products (MBS).
- **Extended Credit:** Preference is for hybrids and preferreds over high yield.
- **Duration:** We prefer shorter duration (3-7 years) in IG but find value in Municipals across the curve.

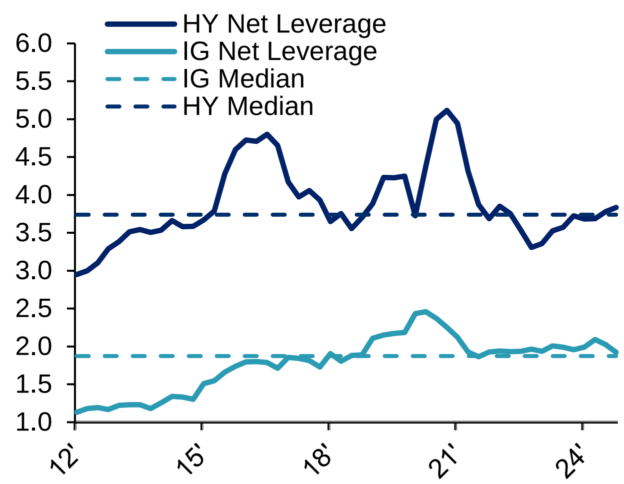
Our view:

US IG (Spread): Base 135bps, Recession 250bps, Stronger for longer 150bps +/- 25bps by 12/30/2025.

US HY (Spread): Base 425bps, Recession 700bps, Stronger for longer 525bps +/- 25bps by by 12/30/2025.

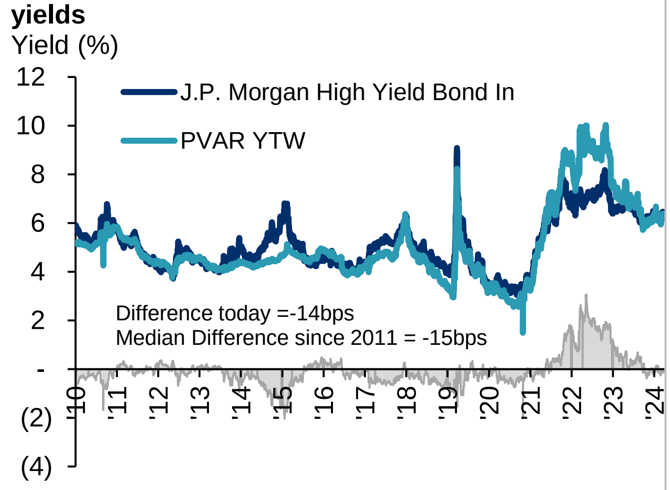
Municipal (Ratio): Base 75bps, Recession 115bps, Stronger for longer 85bps +/- 25bps by 12/30/2025.

Company fundamentals still look solid



Source: BofA Global Markets, Data as of March 27, 2025

Preferreds and Corporate hybrids provide BB like yields



Source: Bloomberg Finance L.P. Data as of March 5, 2024. Preferreds and corporate hybrids 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 Fixed Income underperformed most global credit markets in March – on the repricing of the Bund curve after Germany's historic fiscal spending package announcement (5Y Bund yield +20bps MoM, 10Y: +40bps). EUR IG market is flat YTD, with the rate move partially offset by ~10bps credit spread tightening YTD. In March, EUR HY credit spreads erased almost all of the ~40bps of credit spread tightening seen over Jan-Feb, in sympathy with volatile US risk markets on deterioration in US soft data and the new administration's policy uncertainty.

Although we are more positive on the European macroeconomic outlook now than at YE'24, given the approval of Germany's €500bn Infrastructure fund, increased defense spending, and expected stabilization of the geopolitical backdrop in the region, **we still expect some spread widening for both EUR IG and HY spreads**. Tariff uncertainties that have been weighing on consumer and business sentiments, risks of trade wars escalating, and potential impacts on supply chains remain potential headwinds for global economic growth and risk markets. On the positive side, we have **healthy European issuers' fundamentals**, as demonstrated by FY'24 results, that we expected to be supported further by the eventual read-through from infrastructure spend. We also **expect technicals to remain supportive** given the higher all-in yield levels.

Given the steeper EUR yield curves, we see 4-5y duration part of Investment Grade to have the most attractive risk-reward.

What we are watching:

We are monitoring the developments for **European Automotive** space in light of the **25% US tariff** announced, weaker global demand, low capacity utilization and increased Chinese BEVs competition. This month **European Commission relaxed the CO2 emission compliance rule** – instead of annual compliance starting this very year, companies have three years instead to meet the CO2 emission targets. This provides a breathing space for the industry and **supports issuers' liquidity profiles**. We remain comfortable with select Investment Grade national champions, given the negative net leverage they are operating with and significant amounts of liquidity held on their balance sheets.

European Corporate Hybrids: BB-like Yields from Investment Grade Issuers, >4% yields in EUR
Dominated by strong IG-rated national champions, that use hybrid capital to support credit ratings and improve their overall cost of capital, **Corporate Hybrids offer on average a spread pick-up of ~100bps** compared to their senior curves. We remain selective, focusing on robust credit metrics and strong operating results, favouring structures with lower extension risk to comfortably earn a pick-up in yield through subordination.

Subordinated European Insurance: very high credit quality even at Tier2, >4% yields in EUR
Insurance companies issue limited amounts of Senior debt given their “self-funded” business models (policy premiums), most of their publicly traded debt is comprised of Tier2, which enables them to comply with capital requirements. **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 ~90bps wider to the broader A-rated Senior EUR Index.

European Banks: we see best value across Senior curves, high-3% yields in EUR

FY'24 European Banks' earnings demonstrate 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, and see further support for EU banks' profitability given policy rates expectations repricing higher and steeper EUR yield curves.
Given the trend of compressing spread pick-up from Senior Bail-In to Tier2 – albeit slightly wider MoM, ~45bps on average now – on relative value basis we broadly favour Senior Unsecured/ Non Preferred bank paper for any additional exposure.

Our View:

EUR IG (spread): 115bps (+/- 25bps) by YE'2025

EUR HY (spread): 350bps (+/- 25bps) by YE'2025

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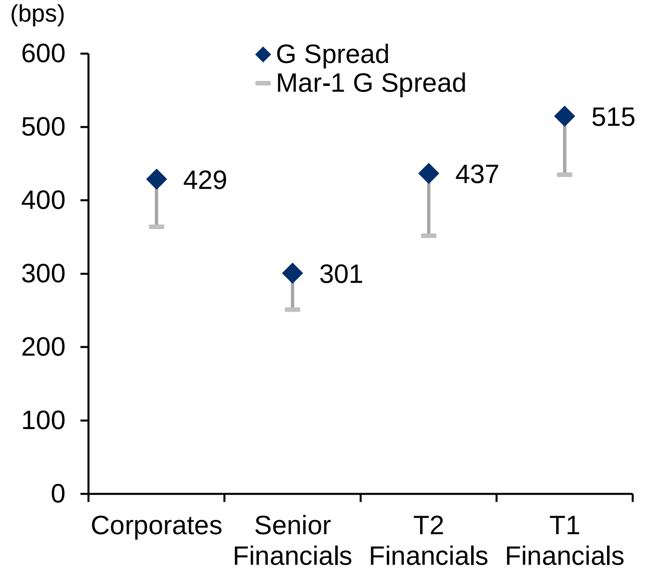
Emerging Markets (EM) Credit

Emerging Markets have remained resilient despite heightened policy uncertainty from the US and renewed country-specific developments within EM. EM credit indices changed MoM by less than 5bps in both IG and HY credit quality segments, respectively. This has been a stark outperformance compared to US and European credit indices, and we should expect some level of normalization to occur. This also highlights the lack of direct tariff impact on EM outside of Mexico and the relatively strong starting point of corporate fundamentals.

Türkiye has been in the news with a series of surprise investigations and arrests of primary opposition candidates ahead of the 2028 presidential elections. Markets quickly priced in a growing political risk premium, with TRY weakening by 4% to 38 and CDS widening by 70bps to 320, levels last seen in March 2024. Turkish USD corporate spreads widened by 50-85bps due to heightened uncertainty. As long as orthodox policy remains in place, we remain comfortable with select Turkish issuers given their strong domestic presence and a good track record of managing local macroeconomic volatility.

Turkey Spreads by Sector and MTD Change

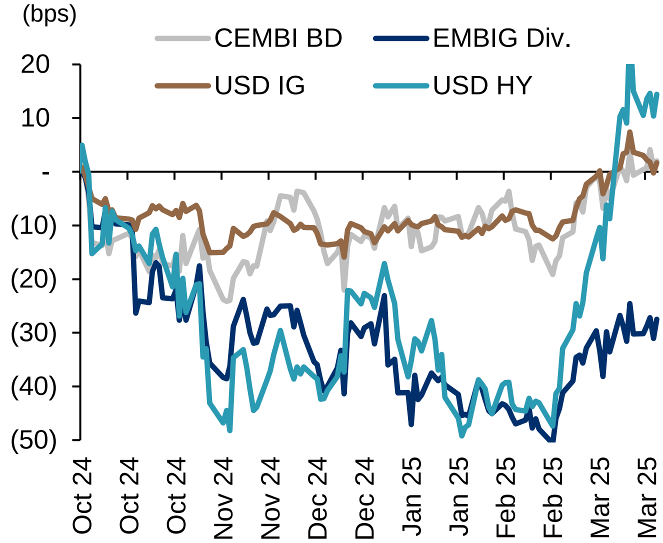


Source: J.P. Morgan, Bloomberg Finance L.P., 21st March 2025.

Tariffs uncertainty has created opportunities in select EM sovereign USD bonds, such as Mexico and Panama, where we believe the risks are reflected in wider spreads.

Overall, we maintain a neutral stance on the complex. While the US interest rate environment and the ongoing commercial tensions between China and the US pose risks, the growth potential within these markets remains supportive, albeit less so than previously expected. This has led us to revise our EM spread outlooks for YE'25 upward by an additional +25bps.

6-Month Indices Spread Change



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

What we're watching:

Energy credits: EM continues to offer some of the best spread pickups in Energy, given the overall aversion to the region during a financial conditions tightening cycle. The challenge is that sovereign control of energy producers limits upside; however, we still see spreads as compensating for these risks.

Corporate Hybrids: Similar to the developed markets, some corporate hybrids in EM from IG 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 may provide above-expected returns. We see opportunities in certain Turkish corporates that offer outsized yields for the quality of the businesses and strengths of their balance sheets.

Our View:
CEMBI (Spread): 250bps (+/- 25bps) by YE'2025
EMBI (Spread): 350bps (+/- 25bps) by YE'2025

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Asia Credit

Asia credit had a relatively balanced month compared to the rest of the world, with IG spreads widening by 6bps while HY spreads remained unchanged. The outperformance was due to strong technical factors in the Asia market and a relatively shorter duration in Asia credits. Risk sentiment in China remains decent, and stimulus in India helped the spreads to stay resilient. We continue to see Asia credit offering good carry for income-oriented investors.

Asia Investment Grade (IG): While we see Asia IG continuing to offer carry for investors, we see the potential for spread widening when risk sentiment weakens. As a result, we have changed the spread outlook on Asia IG from 90bps to 95bps (current spread 81bps). The technical landscape remains robust, underpinned by Chinese investors' preference for higher yields in USD compared to lower onshore yields, in addition to issuers' refinancing onshore maturities due to the lower local yield environment, creating a supply-demand imbalance.

Our top picks in Asia IG include Japanese life insurers, Asia Global Systemically Important Banks (G-SIBs), and China technology media and telecom (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): We anticipate a modest widening of spreads; however, the risk-reward profile in Asia's high-yield (HY) market is becoming more balanced following record defaults in recent years. The index's exposure to Chinese property has significantly decreased from over 40% pre-2020 to 8.9% currently, leaving a higher quality cohort of issuers. Consequently, we expect the default rate in Asia HY to decline further in 2025, with carry being the primary source of returns.

Our top picks in Asia HY include Indian HY credits across the commodity, financial, and renewables sectors due to their long-term growth potential. The recent stimulus by the Indian government, including rate cuts and easing in the Non-Bank Financial Company (NBFC) sector, reinforced our view. Additionally, we favor Macau gaming, given its balanced credit profile. We also see select opportunities across Indonesia and Japan High Yield. 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 5.76%, attractive valuation, relatively low volatility, and a strong call history, these continue to be a focal point.

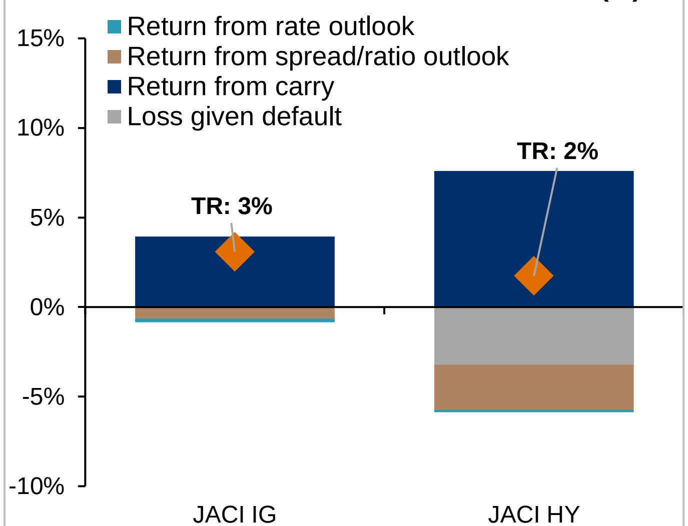
G-SIBs in Asia: Solid IG credit with global business, minimal US commercial real estate exposure, wide range of selection across tenor and capital structure.

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

Our View:

- Asia IG (Spread): Base 95bps, Recession 275bps, Stronger-for-longer 200bps +/- 25bps by 12/30/2025.
- Asia HY (Spread): Base 675bps, Recession 1000bps, Stronger-for-longer 900bps +/- 25bps by 12/30/2025.

Total Return Outlook Breakdown for YE 2025 (%)



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

E(R) ≈ Carry (coupon income for the remainder of the year) +/− E (Δ Price due to JPM WM view of benchmark rates) +/− E (Δ Price due to JPM WM view of spreads) +/− E (Δ Price due to any loss given default).

*TR results from JPM PB assumptions including 2025 year end rate outlook 5Y UST = 4.15%, spread outlook assumptions of Asia IG = 95bps and Asia HY = 670bps, Loss given default (for Asia HY) of expected default rate (4%) *(1-recovery rate (40%)) = -3.2%

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FX VIEWS

US Dollar

We are shifting to a neutral stance on the dollar, prompted by indications of converging global growth momentum. Indications of a slowdown in soft U.S. data (PMI surveys, consumer sentiment) at the same time that Europe and China are stimulating to support growth is not a USD-bullish mix. That has quickly moved macro dynamics from the upper right of the USD smile towards the middle.

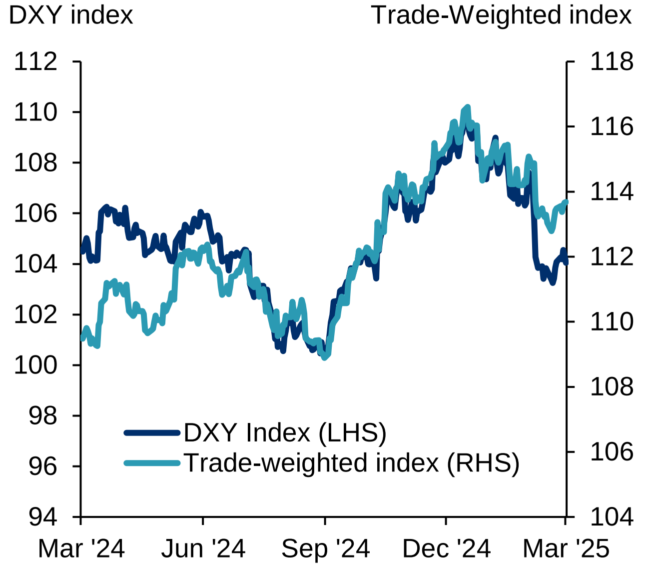
Despite our tempered optimism on the dollar's prospects, we think it's premature to turn outright bearish, as risks appear more balanced at this juncture. The 5% decline in the DXY year-to-date has already captured a substantial portion of this shift. While a continued weakening of the dollar is possible over the next month or two, especially if US sentiment remains weak, stabilization is likely if hard economic data remains robust.

From a positioning perspective, you should consider limiting dollar shorts selectively towards currencies with clear idiosyncratic support, such as the EUR and JPY.

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

Our view: DXY: 102 (100-104) by year-end 2025

U.S. dollar history



Source: Bloomberg Finance L.P. Data as of March 28, 2025.

Euro

We turn constructive on Euro, driven by a significant shift in the European growth prospects. Eurozone PMIs rebounded into expansionary territory in Q1 and tariff concerns did not turn out to be as negative for the European economy as expected. More significantly though, Germany's historic fiscal package announced in March has led us to raise our outlooks across European GDP growth, interest rates, equity markets.

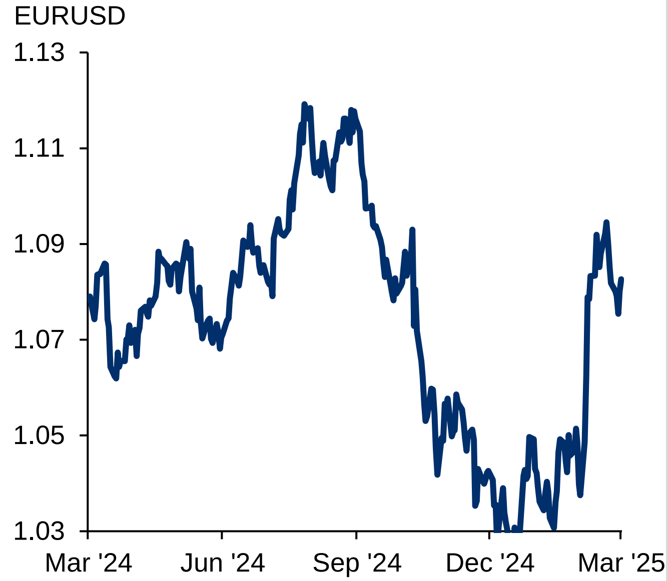
Given these adjustments, our model based upon 2-year interest rate differentials between the U.S. and EU suggests a fair value for the EURUSD slightly above the 1.10 level. We are therefore revising our expected range for EURUSD higher to 1.08–1.12.

Looking ahead, potential progress in Ukraine peace talks could further bolster sentiment, although tariff uncertainties remain a concern. Tactically, in our opinion, you should consider positioning for moderate upside (especially on dips below 1.08) and fading the move if EURUSD rises significantly above 1.12.

What we're watching: Eurozone vs. U.S. growth momentum. Fed vs. ECB policy. Trade tensions.

Our view: 1.10 (1.08-1.12) by year-end 2025

Euro history



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British Pound

Sterling has strengthened over the past month, benefiting from European optimism spillover and broad USD weakness. UK economic data has also shown signs of stabilization – albeit at weak levels.

Although we believe the risks are skewed towards more rate cuts than currently priced in, GBP is expected to remain one of the highest-yielding currencies within the G10. The pound also continues to trade with a high beta to global equity markets, which we expect to be supportive over a 12 month time frame. This justifies the upward revision to our GBPUSD outlook range to 1.28–1.32.

Despite our view that the trading range is higher over the course of the year, near-term volatility across risk assets and the UK government's fiscal sustainability concerns suggest the near-term risks are lower in our view. We would position for moderate downside over the coming months.

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

Our view: 1.30 (1.28-1.32) by year-end 2025

Pound history
GBPUSD

Source: Bloomberg Finance L.P. Data as of March 28, 2025.

Swiss Franc

We continue to expect the Franc to remain range-bound against the dollar for much of the year. Short-end USD rates above 4% vs. near-zero rates in Switzerland creates a high bar for CHF strength vs. USD.

The SNB delivered another rate cut to 0.25% this month, citing a weak inflation outlook and rising global uncertainty. As headline CPI trending towards zero, further policy adjustment is still possible, i.e. another rate cut to 0% in June. Should deflationary pressure sustains, FX intervention i.e. weakening the currency is not off the table.

Historically, the CHF's exchange rate against the Euro is negatively correlated with European growth momentum, as the Franc is perceived as a European safe haven. Thus improved growth outlook in Europe implies limited support for the Franc.

We continue to like using CHF as a tactical funder for USD, EUR and GBP based investors with entry levels around 0.86-0.88.

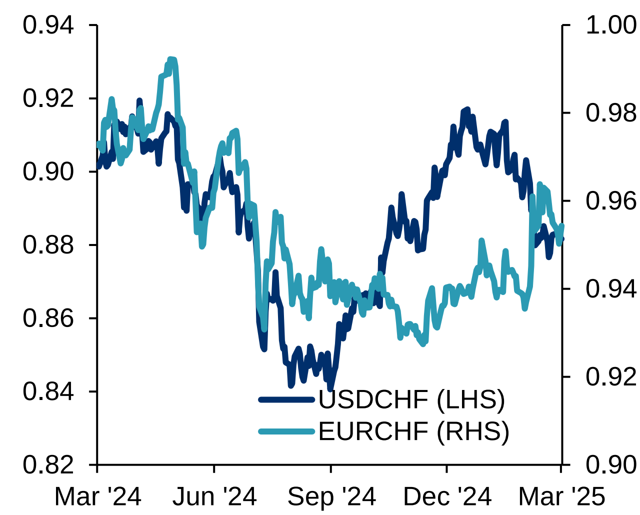
What we're watching: European growth, broader risk sentiment, Fed policy expectations.

Our view:

USDCHF: 0.87 (0.85-0.89) by year-end 2025

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

Swiss franc history
USDCHF EURCHF



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Japanese Yen

The yen outperformance year-to-date narrowed on the month as BOJ held interest rates unchanged and provided a balanced guidance. While Governor Ueda emphasized the potential for future rate hikes, he cited evolving trade and policy dynamics as risks.

In the background, 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. BOJ officials have defended the yield increase, asserting that improvements in real wages and consumer spending justify higher rates.

We expect gradual yet structural strengthening of the yen. Historically, USDJPY movements are primarily driven by interest rate differentials (except for periods of significant carry trade distortions). Higher JGB yields may increasingly provide support. While we advise caution on speculative bets on yen appreciation due to punitive carry, a long JPY position could be considered as a hedge against risk-off macro outcomes. We are also increasingly comfortable with investing in Japan equities without an FX hedge.

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

Our view: 144 (141-147) by year-end 2025

Japanese yen history
USDJPY

Source: Bloomberg Finance L.P. Data as of March 28, 2025.

Chinese Yuan

Despite the decline in the USD, the USDCNH exchange rate remained largely flat over the month, underperforming other major currencies. It has been proven true that the positive spillover from equities was short-lived, as inflows were concentrated in AI beneficiaries in the offshore market.

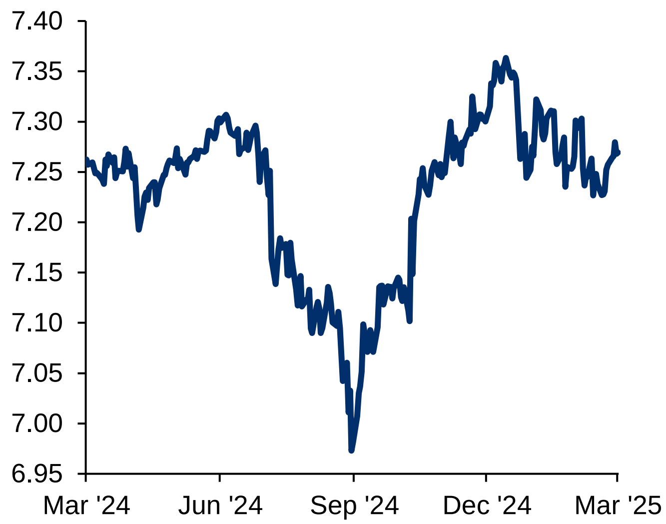
While we maintain a bearish outlook on the CNH, some tail risks have been mitigated. Unlike Trump 1.0, tariff initiatives are expected to be more universal than targeting solely China, potentially limiting the competitive disadvantage of Chinese exports. Additionally, rising downside risks to the US economy may prompt portfolio rebalancing away from US assets towards the rest of the world, and Chinese assets continue to offer an attractive discount.

We still encourage investors with long CNH exposure to hedge. Its low vol and low yielding nature also make it an attractive funding currency for opportunities elsewhere.

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

Our view: 7.35 (7.25-7.45) year-end 2025

Chinese yuan history
USDCNH



Source: Bloomberg Finance L.P. Data as of March 28, 2025.

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G10 Commodity FX

The commodity bloc came under pressure into 2025 given USD strength and central bank divergence.

CAD: Bearish. Weak domestic conditions and significant tariff risks to keep CAD under pressure in the near-term. Hopeful for recovery on potential scale back of tariffs from negotiations, but reluctant to position that way just now.

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: 1.40 (1.36-1.40) by year-end 2025*

AUD: 0.65 (0.63-0.67) by year-end 2025

NZD: 0.60 (0.58–0.62) by year-end 2025*

Broad commodity history
Bloomberg Commodity Index (BCOM)

Source: Bloomberg Finance L.P. Data as of March 28, 2025.

Scandi FX

Scandis have strengthened 3-4% against EUR and 7-8% against USD in March, benefiting from their high beta to European growth expectations. That extends already strong outperformance within G10 since the US election. Domestic dynamics are also supported by ample fiscal space. That keeps fundamentals supportive, but we would be reluctant to chase this rally given the magnitude of recent moves.

NOK: Neutral. NOK remains supported by strong domestic conditions, Norges Bank's hawkish tone, and overall European risk sentiment. We position it as a major beneficiary of recovery in Europe, but think that the recent rally could lose some steam over the near-term.

SEK: Neutral. Riksbank's earlier and larger cuts, along with Sweden's fiscal space, paint a constructive backdrop for SEK via the growth channel. Potential for tactical headwinds after a sizeable rally in February, but we are generally positive over the measure of 2025.

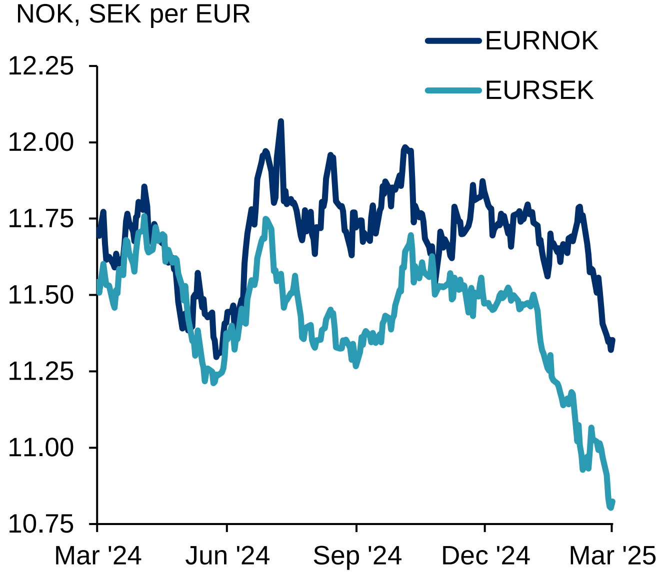
What we're watching: European growth, domestic growth, commodity prices, and central bank developments.

Our view:*

EURNOK: 10.70 (10.50–10.90) by year-end 2025

EURSEK: 10.50 (10.30–10.70) by year-end 2025

Scandi FX history
NOK, SEK per EUR



Source: Bloomberg Finance L.P. Data as of March 28, 2025.

* JPM Investment Bank Outlook

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Emerging Market FX

Even as we turn more neutral on the U.S. dollar, EM FX is unlikely to be a main beneficiary given heightened local political and trade 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 shekel weakened in March as geopolitical tensions sparked investor concerns. We expect near-term noise around geopolitical risk to remain in the driver's seat for now. However, provided that there isn't further escalation in conflict, the removal of key tail risks (including Hezbollah risk, Iran risk, judicial reform risk) and local institutional investor positioning (extreme long USD) make us moderately constructive on the currency. Still, you should consider hedging a portion of ILS exposure at levels below 3.60 to hedge against tail risks.

Asia: We see tariff sensitive as well as low yielding currencies under pressure. **INR**: Neutral from current levels. While RBI has started cutting rates, its carry advantage, healthy growth outlook and isolated tariff risks still lend support. **TWD:** Cautious on correlation with CNH and carry disadvantage. **SGD:** Remain on the weak side of the long term range as inflation eased faster than expected and MAS moved to easing.

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

Our view:*

BRL: 6.00 (5.90–6.10) by end-2025

MXN: 20.00 (19.80–20.20) by end-2025

ILS: 3.40 (3.30–3.50) by end-2025

INR: 89.00 (88.00 – 90.00) by end-2025

TWD: 32.60 (31.60–33.60) by end-2025

SGD: 1.32 (1.30–1.34) by end-2025

EM currency history
J.P. Morgan EM Currency Index

Source: Bloomberg Finance L.P. Data as of March 28, 2025.

*JPM Investment Bank Outlook

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COMMODITY VIEWS

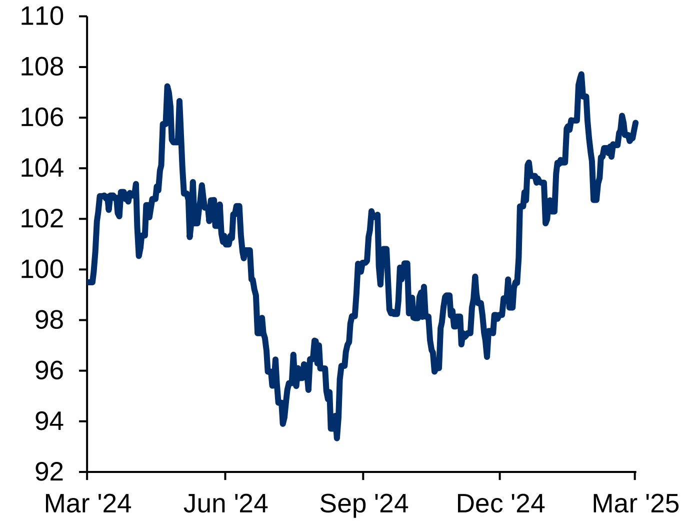
BCOM Index

Commodities moderated their advance in March, rising +0.6% as tariff uncertainty buffeted prices. The big winners were precious metals, with Silver +10.7% on the month and Gold +7.7%. Gasoline was however the largest gain +14.25% on larger than expected refinery outages. On the losing side, Diesel dropped -3.8% and Sugar reversed course, losing -2.9%. However, the outlook is improving as we revise higher Gold, Copper and Nat Gas and so our wider BCOM outlook is moving higher.

What we're watching: Tariff uncertainty is creating large swings in prices. We will try to stay ahead of a very fluid situation.

Our view: We revise our outlooks higher and we now look for the Index to trade flattish into year-end. Our new outlook is 105-107 up from 97-99.

BCOM index 1-year price history
Index



Source: Bloomberg Finance L.P. Data as of March 28, 2025.

Gold

We wrote last month that the 9% YTD advance seemed excessive. We spoke too soon. In a world of uncertainty around trade tariffs and equity market stress, gold jumped another +7.7% to record yet another all-time high of $3085. Central Banks continue to buy, and the market is reporting heavy demand from Asia, with a premium now emerging in Shanghai. The premium is only about $5-$10, so like the persistent NY premium, but its emergence is indicative of strong onshore China demand. We note the pace of the advance is increasing in speed and yet ETF flows remain below the highs seen in 2022. We think there could be another 20% jump in volume before we would be concerned around crowding.

What we're watching: There is a lot of risk around the April 2nd tariff date. The potential for retaliation may boost gold further.

Our view: Gold is likely to further appreciate in 2025. We are raising our outlooks to account for the strong pace seen in Q1. We now see Gold at $3400-$3500 at YE 2025.

Gold 1-year price history
$/oz

Source: Bloomberg Finance L.P. Data as of March 28, 2025.

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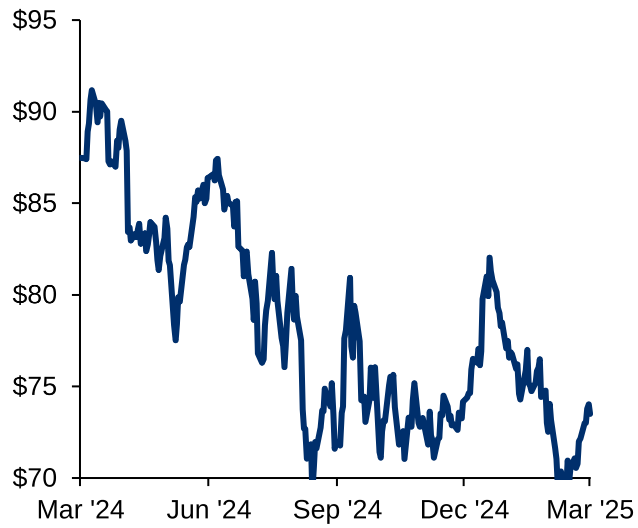
Crude Oil

Crude oil was flat on the last month after recording a new four year low in the opening week. The bounce back is on increasing Middle East tension as the US has begun bombing Iran backed Houthi proxies in Yemen. The White House (WH) has also ratcheted up pressure on Iranian shipments of crude alongside a threat to tariff any nation that buys Venezuelan oil. This has taken some oil off the market and traders are watching to see how Iran will respond. A number of Stealth Bombers were recently transferred to Diego Garcia, in range of Iran, and although we see this as more symbolic, it encourages short covering of oil positions.

What we're watching: No indication yet of increasing US oil supply. We would however be sellers of a rally above $75.

Our view: We maintain our outlook for WTI $59-$64 by year end 2025. Brent $63-$68 by year end 2025.

Brent crude oil 1-year price history
$/bbl



Source: Bloomberg Finance L.P. Data as of March 28, 2025.

Natural gas

Natural Gas took a breather in March rising +1% as of time of writing. We had expected a supply response to the surge in prices seen last month, but so far, the response has been disappointing. The discipline is impressive, and we wonder if Haynesville producers are wary of bringing new rigs to market in what has been a roller coaster ride so far in 2025. Discussions with producers suggest a focus on free cash flow (FCF) rather than production and our bull thesis is improving. LNG demand remains strong and we expect this to increase through the summer. Tightness persists and therefore we are revising our year-end outlooks.

What we're watching: LNG demand, AI electricity demand and as always, the weather. Will the Haynesville respond?

Our view: Our outlook is revised higher. We now see year-end 2025 at $4.75 - $5.75.

Henry Hub 1-year price history
$/MMBtu

Source: Bloomberg Finance L.P. Data as of March 28, 2025.

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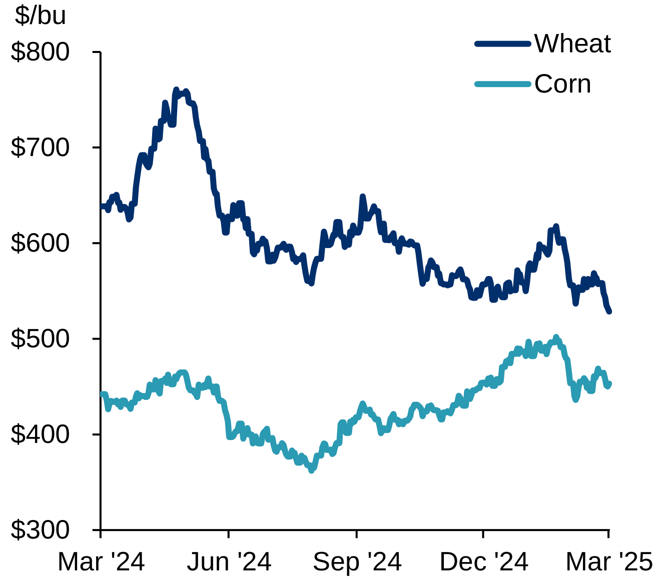
Agricultural commodities

Corn and Wheat declined in March, losing -2.2% and -3.4% respectively. The outlook is very unclear with so much now riding on United States–Mexico–Canada Agreement (USMCA) negotiations. We believe USMCA line items will be exempt from tariffs. This has proven true thus far and this should be bullish for prices. However, it would be fair to say that anything is possible. On plantings, it appears US farmers will be increasing corn plantings by 4.2% and reduce soybean plantings by 4.3%. The Sugar decline last month seems surprising given tightening deficit levels.

What we're watching: Tariffs.

Our view: We expect a range of 500-600 for Corn and 650-750 for Wheat by year end 2025**.**

Agricultural 1-year price history



Source: Bloomberg Finance L.P. Data as of March 28, 2025.

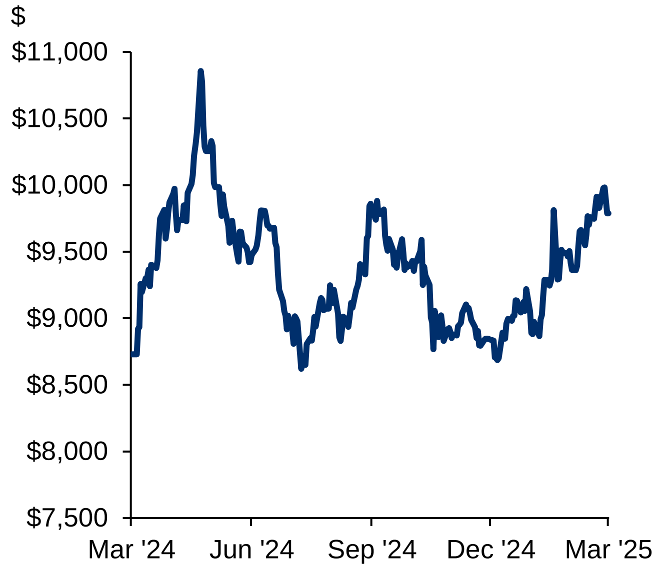
Copper

Copper advanced again in March, rising +5%. We have been wrong with our view on copper this year, largely because of the incredible announcement to tariff US copper imports at 25%. We did not anticipate this development and had been expecting China tariffs to dominate copper demand. We are at a loss to understand why the US would tariff a metal that we do not produce domestically. Over 50% of US copper demand is met with imports and this cannot change in the near future. Demand in the US has surged ahead of the tariff date, which remains unknown. Copper in NY is trading at a $1700 premium over London prices and imports have surged to meet this premium. It is estimated that 500,000 tons are heading to the US vs 70,000 in a typical month.

What we're watching: Tariffs.

Our view: We revise our outlook range higher, with low levels of confidence, to $10,400 - $10,500.

Copper 1-year price history



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ALTERNATIVES VIEWS

Private Credit

We continue to see opportunities in direct lending, though we expect yields 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.

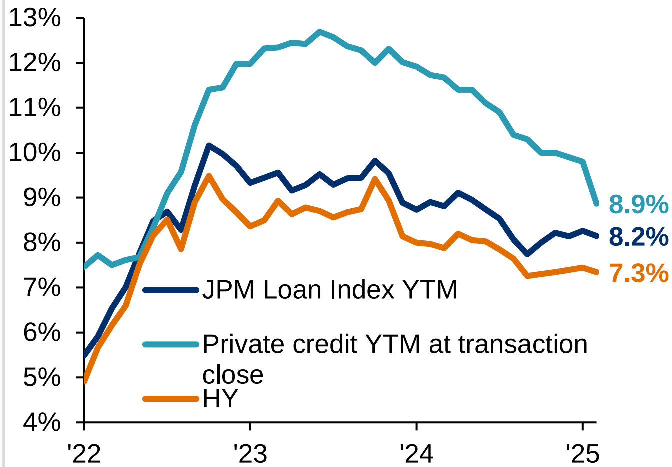
Approximately 50% of all private credit lending to asset managers is facilitated by JPMorgan's Investment Bank. When JPMorgan lends to these asset managers, we gain visibility into the individual loans being issued (which serve as collateral). Here is what direct lending individual loan fundamentals 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. 3) The tech/software sector was the most active, accounting for 35% of deals. 4) 29% of deals were covenant-lite, a slight increase from the percentage of covenant-lite deals in Q1 2024. Recall, most broadly syndicated loans are covenant-lite.

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: private credit remains one of our preferred ways to add extended credit exposure.

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



Source: J.P. Morgan. Data as of February 28, 2025. *Note: YTM includes OID.

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Private Infrastructure

In recent months, 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).

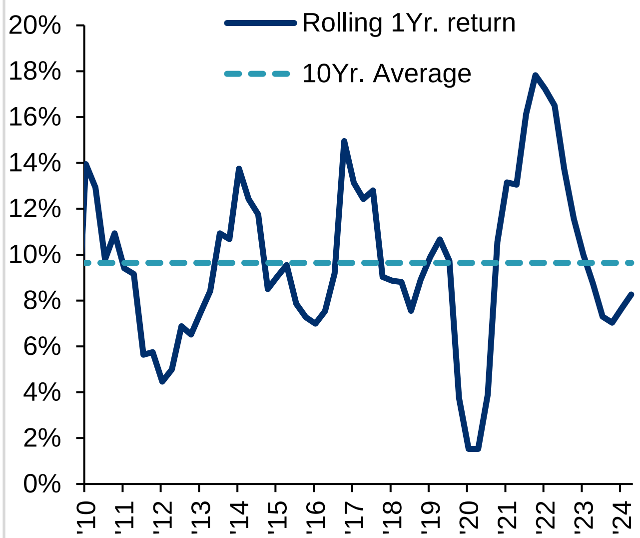
The rise of data centers and AI technologies is reshaping the global infrastructure landscape. Data centers currently consume about 4.5% of total U.S. energy, and some Wall Street analysts project that this demand could soar to as much as 21% by 2030. DeepSeek and the notion that AI models can be trained with less energy demand reduces the need for energy demand somewhat, but even the most pessimistic analysts see energy demand increasing by 16% over the next 4 years. As This underscores the critical need for grid modernization, as US power demand is driven by more than just AI alone.

Between 2000 and 2023, 80% of U.S. power outages stemmed from weather events and the US has experienced 2x more weather-related outages in the last decade than the one prior, highlighting the grid's vulnerability. ~260GW of US coal/nuclear supply is retiring in the next decade+, necessitating replacement.

Significant 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, data centers, fiber optic cables and cell tower. Despite Fed cuts, interest rates are expected to remain elevated compared to pre-COVID – making financing more expensive for infrastructure projects and pressuring valuations. 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.

Our view: For private investors, infrastructure presents a unique opportunity, particularly given the attractive valuations compared to public investments. The deal premium on private infrastructure, currently at approximately 1x, is substantially below the historic average of around 1.4x, making private infrastructure investments particularly compelling. Furthermore, the very 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.

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Private Real Estate

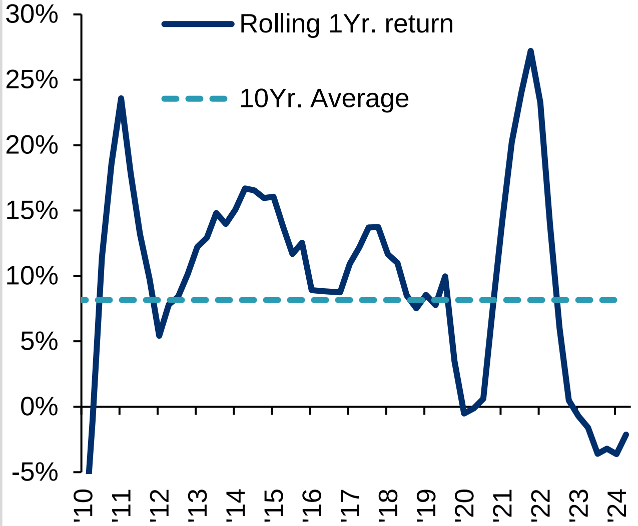
Real estate prices have already bottomed and the next bull market for real estate is underway. Since their peak in 2022 to trough in May of 2024, aggregate property valuations have declined by almost 15%, marking the third correction in U.S. CRE property prices in the last 30 years. Despite this, cash 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 have and 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 fundamental, 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, %



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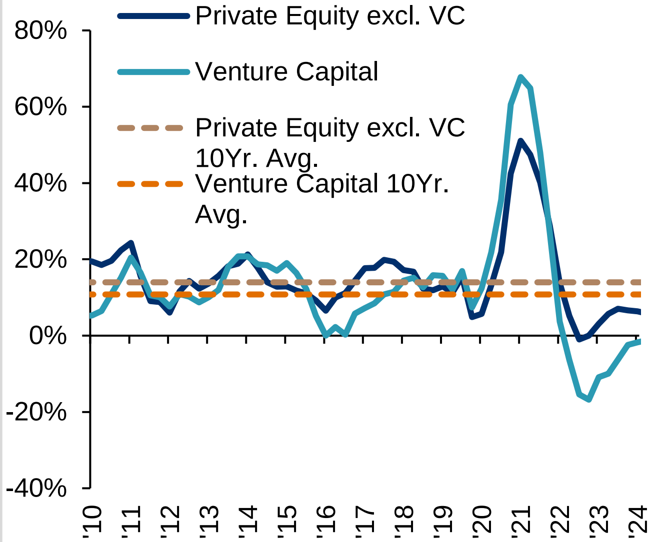
Private Equity

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.

That's set to change. 1) **Private equity is the last major private market valuation still trading at a discount**. The constant struggle with private markets is the slow valuation process. Listed markets give a perspective on private market valuations – net asset values (NAV) of listed private credit and private REITs are *above* book value suggesting that private market valuations may be too low. Meanwhile, NAV on listed PE remains ~20% *below* book value. This suggests book values still have not been marked down enough on legacy PE vintages. 2) **Higher quality businesses, with less leverage, in recent vintages**. 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. 3) **Distributions are still suppressed, but we expect improvement.** Global liquidity as a percent of GDP, as proxied by high yield and leverage loan issuance and IPOs, has been picking up (though still below historic averages). In our opinion, president Trump's deregulation agenda is a tactical tailwind and secondary activity is already picking up suggesting confidence in valuations is building.

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
Annualized return, %



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

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VOLATILITY VIEWS

Equities

In March, the U.S. stock market experienced heightened volatility, driven by concerns over the U.S. economic outlook and escalating trade tensions. The VIX Index, which measures expected volatility of the S&P 500, exhibited unusual behavior. Typically, the VIX futures curve is upward sloping, as prices for longer-dated contracts are higher than the present (spot), reflecting greater uncertainty about the long-term. However, in times of stress, the curve can invert if the level of immediate uncertainty is so extreme that it outpaces the market's expectation for future uncertainty. The VIX curve spent most of March inverted, meaning the spot price was valued higher than subsequent future(s) contracts. While inversions can happen from time to time, they tend to reverse quickly as the environment calms. For an inversion to last multiple weeks, as it did this past month, is relatively unusual, and shows the extent of turmoil digested by markets.

The market has been slower to reprice volatility lower after a spike, as macro uncertainty is keeping risk premia sustained in equities. Looking across asset classes, implied volatility on the S&P 500 is the most elevated when compared to its typical range over the last year.

Our view: We anticipate short-term volatility in the S&P 500 will remain elevated as investors navigate a challenging macro environment. Focus on building portfolio resiliency using investment tools such as structured investments and yield enhancement strategies that may take advantage of a potentially more volatile market environment.

Interest Rates

As markets shift toward the potential for lower rates, so has risk priced into the volatility surface. Intermediate term swaptions on short tenor swaps (e.g. 1y into 1y) have seen demand, reflecting the market pricing in a wider range of Fed outcomes in the next 1-2 years.

Our view: Interest rate volatility is stabilizing at historically elevated levels, with two much-anticipated catalysts in next month: "Liberation Day" on April 2nd followed by the US jobs report on April 4th We see some opportunities to tactically own rates volatility. For example, to position for a larger downside scenario of potential Fed easing over the coming years, buying a receiver swaption could potentially add positive convexity to portfolios.

Cross Asset Volatility Monitor

Underlier	Vol	MoM Change	1 Year Range
Equities - 3 Month 100% Strike Implied Volatility			
S&P 500 Index	16.20	+1.15	
EURO STOXX 50 Index	15.55	+1.45	
Tokyo SE (TOPIX) Index	16.43	-0.67	
Rates – SOFR Swaptions ATMF Strike Implied Volatility (BP, Annualized)			
3M Expiry Into 1Y Swap	83.40	+6.14	
1Y Expiry Into 5Y Swap	104.89	+3.40	
1Y Expiry Into 10Y Swap	98.20	+2.95	
Commodities - 3 Month ATMF Strike Implied Volatility			
Oil (Brent)	24.55	-1.25	
Gold	14.23	-0.29	
Currencies - 3 Month ATMF Strike Implied Volatility			
EUR/USD	6.93	-0.18	
USD/JPY	9.82	-0.40	
USD/CNH	4.95	-0.02	

1) Source: J.P. Morgan. Data as of March 27, 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

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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

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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

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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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- 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.
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