



The Global Investment Strategy View

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

October 2024

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KEY TAKEAWAYS

- **An investor’s guide to rate cuts.** What history has taught us about Fed rate cuts: 1) Cash underperforms. 2) For the past 40 years, investing after a rate cut when the S&P 500 was near all-time highs didn’t matter—the market was higher a year later. 3) For stocks and bonds, what mattered was why the Fed was cutting and today, the economy does not face an imminent emergency. 4) Historically, the rest of the world’s equities love a soft landing.
- **“Recalibrating” the Fed’s approach.** Fed Chair Jerome Powell said recalibrate nine times in his September press conference. The goal: keeping the economy as it already is—strong. We expect two more 25 basis point (bps) this year (but 50bps in November would not be surprising). We turn more optimistic on U.S. high yield credit, expecting mid-single-digit total returns for both investment grade and high yield bonds over the next 12 months.
- **After the heroic S&P 500 rally.** Across seven valuation metrics, the index is the most expensive since the turn of the century. The market has pulled forward gains we expected in 2025 into 2024; we increase our mid-2025 S&P 500 outlook to 5,925 with mid-single-digit total returns. In the search for alpha, look to the sector level and consider income-orientated strategies and structured notes for those clients/investors that qualify.
- **Watt’s next: AI sparks a power grid revolution.** We turn more optimistic on the utility sector. Much like infrastructure and industrials, we believe utilities stand to benefit significantly from grid expansion and modernization—a growth story! Further, as interest rates decline, utility stocks’ dividend yields (around 3%) can become even more appealing.
- **China policy blitz.** A slew of policy announcements offers meaningful support to a struggling Chinese economy. We turn tactically more positive on Chinese equities, although Chinese firms’ earnings will still generally not accrue to global investors. That makes it hard to consider Chinese stocks a long-term investment strategy.
- **Election angst?** This November is shaping up to be the most polarizing election in a century. So far, the market is pricing little concern. The election should not derail your long-term investment plans. For those suffering election angst, the markets’ sanguine response (so far) offers an opportunity to hedge your portfolio or make tactical bets on the election’s outcome.

OUR HIGH-CONVICTION TACTICAL INVESTMENT IDEAS INCLUDE:

EQUITIES

Potential for alpha in the United States. We favor the industrials, utilities, technology (though with tempered optimism), and healthcare.

Investors who qualify should consider **structured notes** to either get invested or stay invested during a potentially bumpy second half of 2024.

FIXED INCOME, CURRENCIES & COMMODITIES

Core fixed income. We advocate for a neutral duration, as we expect lower U.S. Treasury rates by mid-2025. For U.S. taxpayers, municipal bonds appear attractive relative to investment grade bonds.

Private credit. Seeking high absolute yields and attractive risk-reward in extended credit.

Gold.

OPPORTUNISTIC TRENDS

Artificial intelligence. Global security. Power infrastructure. 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.

THE GIS SNAPSHOT

A summary of high conviction views

October 2024



Note: MoM = Month over month

*This snapshot summarizes conviction across key GIS views. It is not meant to constitute portfolio management or to be used as a portfolio construction tool.

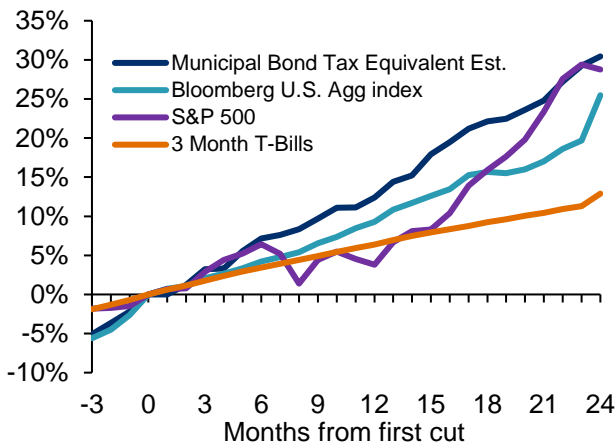
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THE VIEW

An investor's guide to rate cuts. What history has taught us about Fed rate cuts.

- 1) **Cash underperforms after the Fed starts cutting** (Figure 1).
- 2) **Investing at an all-time high didn't matter.** Over the past 40 years, the Fed has cut rates 12 times when the S&P 500 was within 1% of all-time highs. The market was higher a year later all 12 times, with an average return of around 15%. Take rate cuts out of the equation, investing at an all-time high hasn't notably impacted returns (Figure 2).
- 3) **For stocks and bonds, it matters why the Fed is cutting.** A soft landing is still our base case. Historically, in a soft landing: stocks > bonds > cash. In a hard landing: bonds > cash > stocks (Figure 3).
- 4) **Rest of world equities love a soft landing and hate a hard landing.** (Figure 3).

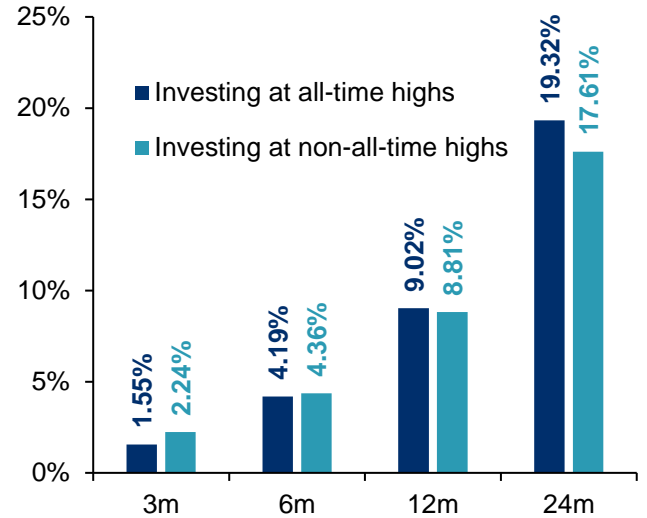
Figure 1: Cash underperforms after Fed rate cuts
Average total return from first Fed cut, %



Sources: J.P. Morgan, Bloomberg Finance L.P. Data as of July 31, 2024. Cumulative returns for the U.S. Aggregate Index and 3M T-bill Index in 1981, 1984, 1989, 1995, 1998, 2001, 2007, 2019. Muni tax equivalent return adjusts coupon income for the current top federal tax rate.

Figure 2: Investing at highs hasn't notably impacted returns

Average S&P 500 fwd. price return, 1970-present, %



Source: Bloomberg Finance L.P. Data as of September 26, 2024.

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Figure 3: Performance post first cut

		Soft landing		Hard landing	
		3 month	12 month	3 month	12 month
Equities	U.S.	9%	19%	-8%	-17%
	U.S. SMID	5%	7%	-6%	-6%
	Europe (USD)	4%	0%	-7%	-27%
	Europe (LC)	9%	14%	-6%	-24%
	Japan (USD)	8%	29%	-8%	-28%
	Japan (LC)	6%	21%	-4%	-25%
	EM (USD)	4%	21%	-1%	-18%
	EM (LC)	4%	21%	-1%	-18%
Fixed Income	Cash (3m T-Bill)	1%	4%	1%	4%
	US IG Corporates	2%	5%	3%	6%
	Global IG Corporates	2%	4%	1%	2%
	US HY Corporates	2%	5%	3%	-3%
	Leveraged loans	1%	4%	1%	-3%
	Munis	2%	4%	2%	2%
FX & Commodities	USD	0%	1%	3%	4%
	Commodities	-4%	2%	-2%	-14%
	Gold	1%	14%	3%	10%
Liquid proxies for alts	Hedge funds	5%	13%	2%	-1%
	Macro hedge funds	4%	11%	6%	8%
	Infrastructure	3%	-4%	3%	-19%
	Real estate	1%	-3%	-7%	-3%

Note: All performance is total return, unhedged in USD, except for local currency indices. Analysis period post 1990 given the advent of modern portfolio theory. 5 dates used in the analysis. Analysis only on the first cut in the cycle. Dates used: Jul 1995; Sep 1998; Jan 2001; Sep 2007; Jul 2019. Mar 2020 excluded from the analysis as we do not consider COVID a relevant data point. Color coding by relative performance per column. LC = Local currency. Munis not on a tax-equivalent basis. Source: Bloomberg Finance L.P. Data as of September 26, 2024.

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Recalibrating the Fed's approach. Chair Powell used the word “recalibrate” nine times in his September press conference to contextualize the Fed’s new policy stance. Remarkably, in the past 90 years, this word has never been used more than once in any FOMC policy statement, press conference, or meeting minutes.

Why it matters: Unlike past cycles, there is no imminent economic emergency. Rate cuts are intended to sustain the current economic expansion, rather than stimulate a struggling economy.

1) The Sahm rule recently triggered.¹ It has correctly predicted recession 100% of the time in the U.S. However, only 70% of the time across a wider sample of developed economies. The Sahm rule only correctly flags a recession when other indicators like employment, GDP, consumption, and retail sales are slowing and below trend, which is not the case today (Figure 4).

2) Inflation is close to mandate levels, allowing the Fed to focus on its maximum employment mandate (Figure 5). The Fed put is back in play.² Yes, the unemployment rate is rising, but that seems more due to an influx of people into the labor force rather than rapidly deteriorating labor demand. Meanwhile, layoffs remain low (Figure 6).

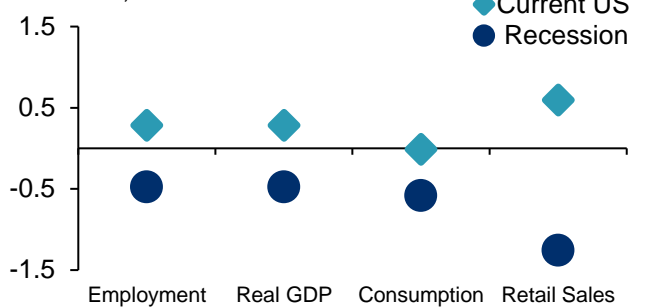
3) Restrictive rates are no longer necessary. Academic Fed policy rules – which estimate the “right” level of rates given where inflation and growth are relative to mandate – call for ~60bps of easing by the end of the year. From there, they signal continued gradual rate cuts to ~3% by year end 2025.

Go deeper on our view of the labor market [here](#).

Bottom line: The Fed is recalibrating rates to keep the economy where it already is – in a strong place. We expect two more 25bps cuts through year-end, but another 50bps move in November would not be surprising. We modestly lower our year-end 2024 Treasury rate outlook and no longer expect high yield to underperform other extended credit products. We expect mid-single digit total returns for both investment grade and high yield bonds over the next 12 months.

Figure 4: Activity indicators are not consistent with a recession

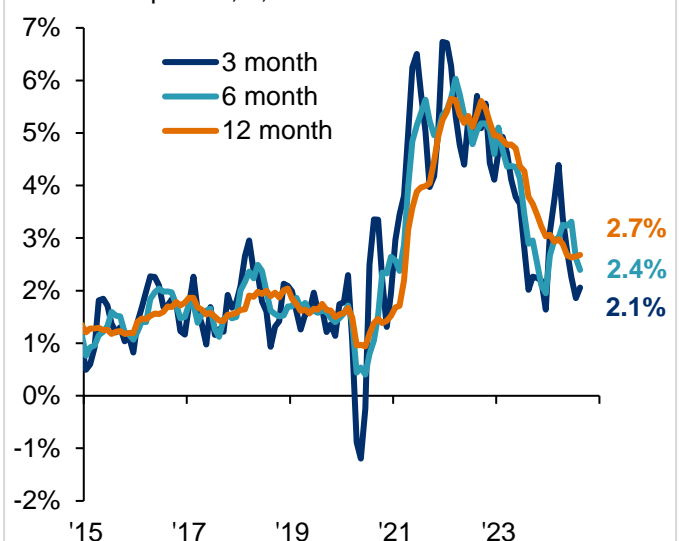
Activity indicators when Sahm rule crosses 0.5pp threshold, Z-score



Note: Averages z-scores of year-over-year growth rate relative to long-run trend. Countries included in the analysis: US, Japan, Switzerland, Italy, Netherlands, Germany, France, UK, Belgium, Canada, Australia and Sweden. Long-run trend used to calculate z-scores defined as the average annualized pace over the last 48 months. Current U.S. indicators de-trended based on 2015-2019 data. Sources: Goldman Sachs, Bloomberg Finance L.P. Data as of September 27, 2024.

Figure 5: Inflation is close to mandate levels

Core PCE price 3, 6, 12 month % annualized



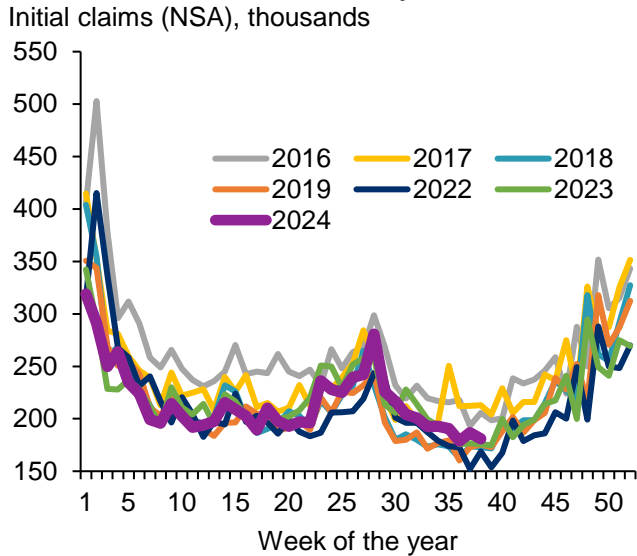
Source: Haver Analytics. Data as of August 31, 2024.

¹ The Sahm Rule is a simple economic indicator used to identify the start of a recession. The rule states that a recession is likely underway if the three-month moving average of the national unemployment rate rises by 0.5 percentage points or more relative to its lowest point in the previous 12 months.

² “Fed put” refers to the perception or expectation that the Fed will provide accommodative monetary policy to support financial markets if necessary. The closer inflation is to the 2% mandate the more the Fed put is in the money. For investors, a Fed put that is in the money suggests the probability of recession and significant stock market corrections is lower.

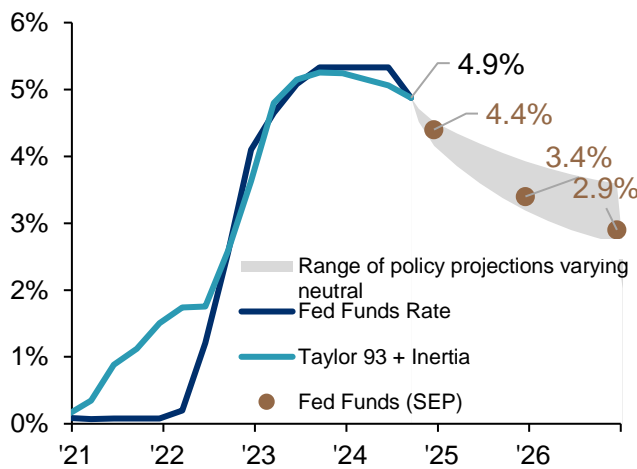
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Figure 6: Non-seasonally adjusted claims are in line with recent non-recession years



Source: Haver Analytics. Data as of September 21, 2024.

Figure 7: Policy rules point to cuts
%, Fed funds rate



Sources: Bloomberg Finance L.P., Federal Reserve. Core assumptions: Inertia = 0.8; Inflation = Core PCE; R^* from the SEP; NAIRU from SEP; $\pi^* = 2\%$. Inverse Okun = -1.1. Range varies R^* from 0.5 to 1.5. Data as of September 27, 2024.

After the heroic S&P 500 rally. Across 7 different valuation metrics, the S&P 500 is the most expensive it's been since the turn of the century (Figure 8).

Why it matters: Historically, expensive valuations have preceded periods of subdued total returns. However, uniquely to this cycle the Fed is cutting with earnings per share still growing (Figure 9). The Fed's bias to support the economy and markets leaves us comfortable with broad market exposure and buyers on dips. In the search for alpha:

1) Look to the sector level. We like healthcare, industrials, tech, and utilities (added this month – more below) where valuations are more reasonable and/or we see upside to earnings. The case for active management is rarely this compelling.

2) Consider income-oriented strategies. Gains in the 2010s were mostly from high growth stocks amid low to negative real rates. We think it is unlikely the Fed returns to the zero lower bound and going forward, income is likely to contribute a larger share of total returns (like it did before the Global Financial Crisis) (Figure 10).

3) Investors who qualify should consider structures. Equity index structured notes can generate positive contingent coupons in an environment where stocks are trending rangebound to slightly upwards (as we expect). In exchange for the high probability of receiving the coupon, the investor foregoes the possibility of uncapped upside and is subject to downside risk in the event of a large drawdown through the buffer level.

Go deeper on how derivatives help enhance your portfolio [here](#) and [here](#).

Bottom line: It's been a heroic equity rally. The market has pulled forward gains we expected in 2025 into 2024; we increase our mid-2025 S&P 500 outlook to 5,925 (mid-single digit total returns). In the search for alpha: 1) look to the sector level, 2) consider income orientated strategies and 3) consider structured notes.

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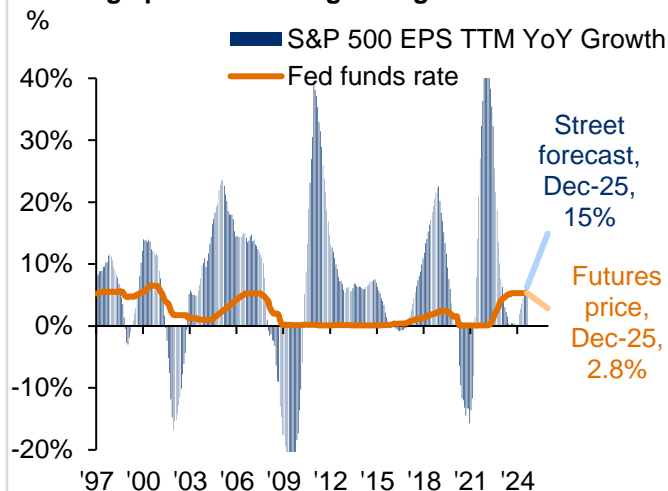
Figure 8. S&P500 valuation percentiles (100%=most expensive)

Dates	Market Cap/GDP	EV/Sales	EV/EVITDA	PENTM	Price to Book	FCF Yield	Earnings yield - 10Yr. UST	Median	Average
Sep-24	100%	98%	97%	90%	100%	82%	66%	97%	90%
Dec-23	94%	89%	86%	80%	90%	72%	63%	86%	82%
Dec-22	86%	73%	60%	60%	79%	40%	47%	60%	63%
Dec-21	99%	99%	95%	89%	99%	65%	34%	95%	83%
Dec-20	94%	96%	98%	94%	84%	64%	31%	94%	80%
Dec-19	86%	85%	77%	76%	76%	55%	29%	76%	69%
Dec-18	67%	45%	81%	27%	56%	23%	19%	45%	45%
Dec-17	81%	76%	72%	74%	67%	52%	38%	72%	66%
Dec-16	68%	53%	68%	65%	51%	31%	33%	53%	52%
Dec-15	60%	41%	48%	54%	37%	24%	20%	41%	40%
Dec-14	70%	39%	35%	55%	39%	30%	17%	39%	41%
Dec-13	59%	33%	32%	41%	31%	21%	25%	32%	35%
Dec-12	33%	19%	27%	6%	7%	10%	4%	10%	15%
Dec-11	26%	15%	4%	2%	3%	5%	3%	4%	8%
Dec-10	28%	28%	25%	9%	12%	7%	26%	25%	19%
Dec-09	23%	26%	39%	21%	13%	12%	57%	23%	27%
Dec-08	16%	11%	27%	2%	1%	1%	0%	2%	8%
Dec-07	51%	62%	52%	24%	38%	100%	37%	51%	52%
Dec-06	54%	55%	40%	32%	48%	38%	49%	48%	45%
Dec-05	44%	53%	55%	26%	42%	43%	50%	44%	45%
Dec-04	49%	77%	78%	48%	58%	59%	58%	58%	61%
Dec-03	42%	78%	83%	72%	64%	31%	62%	64%	61%
Dec-02	28%	52%	56%	48%	32%	16%	55%	48%	41%
Dec-01	65%	63%	62%	86%	71%	87%	75%	71%	73%
Dec-00	80%	84%	75%	90%	85%	94%	70%	84%	83%
Dec-99	85%	97%	84%	100%	100%	78%	99%	97%	92%
Dec-98	69%	85%	58%	99%	92%	95%	74%	85%	82%
Dec-97	41%	46%	39%	82%	80%	95%	76%	76%	65%
Dec-96	20%	33%	22%	58%	67%	73%	77%	58%	50%
Dec-95	15%	22%	15%	36%	54%	49%	64%	36%	36%
Dec-94	4%	8%	10%	10%	22%	71%	84%	10%	30%
Dec-93	9%	9%	12%	35%	30%	78%	93%	30%	38%
Dec-92	5%	13%	6%	42%	18%	84%	89%	18%	37%
Dec-91	8%	4%	2%	47%	18%	63%	91%	18%	33%

Source: Bloomberg Finance L.P. Data as of September 24, 2024.

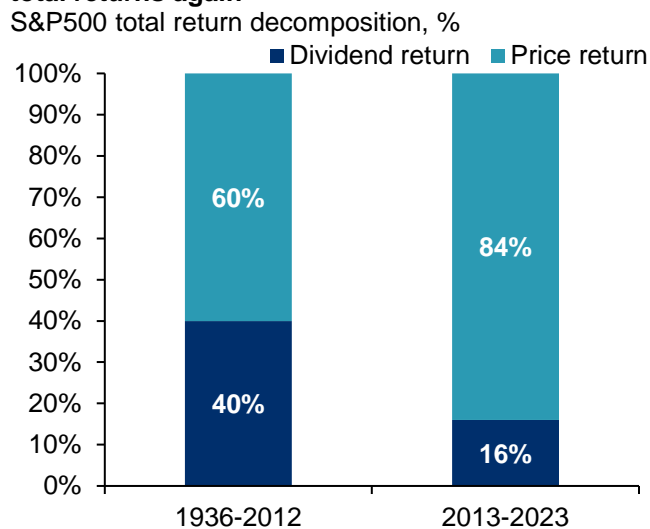
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Figure 9: Uniquely the Fed is cutting with earnings per share still growing



Note: EPS TTM YoY growth is the trailing 12m earnings per share growth rate. Sources: Factset; Bloomberg Finance L.P. Data as of September 27, 2024.

Figure 10: Income likely to be a bigger driver of total returns again



Sources: Bloomberg Finance L.P., Bofa US Equity & Quant Strategy. Data as of September 2024.

Watt's next: AI sparks a power grid revolution. Data centers currently consume about 4.5% of total U.S. energy. Some Wall Street analysts project that this demand could soar to as much as 21% of total energy consumption by 2030 (Figure 11).

Why it matters: The rapid growth of AI and data centers urgently requires the modernization and expansion of the power grid. Beyond the investment opportunities in technology, infrastructure, and renewable energy, we believe this presents a potential opportunity for utilities and infrastructure. Here's our view.

- 1) A poor state of grid affairs.** The U.S. electric grid, an interconnected system that enables power to flow from generation to distribution, is aging rapidly. About 70% of transmission lines are over 25 years old, and structural underinvestment is catching up.³ The U.S. power grid has seen a 64% increase in major power outages from 2011-2021 compared to the previous decade.⁴
- 2) Multi-year tailwind of data center expansion.** 40% of data centers are in Northern Virginia ("data center alley") and demand is already outstripping supply (Figure 12). PJM, who manages energy distribution for data center alley, recently announced that developers will have to wait 7 years to add a large capacity data center to the grid (up from 4 years prior). Further, 2025 wholesale energy prices for the region increased by over 800% relative to 2024.
- 3) Attractive valuation.** Despite strong performance in 2024 and a secular tailwind for earnings, the sector trades at a 14% discount to the S&P 500 and roughly in line with its own 5- and 10-year P/E ratio average (Figures 13 and 14).

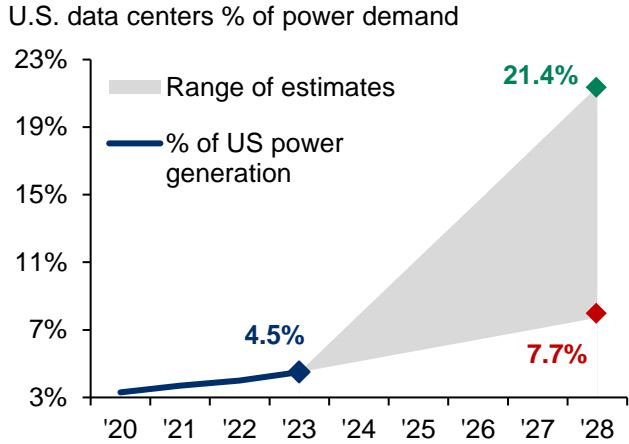
Bottom line: We turn more optimistic on the utility sector. Much like infrastructure and industrials, the sector stands to benefit significantly from grid expansion and modernization – a growth story! Further, as interest rates decline, utility stocks' dividend yields (~3%) can become even more appealing.

³ Source: The White House. Data as of November 18, 2022.

⁴ Note: Major outages are considered events that affected at least 50,000 consumers. Source: Department of Energy; Climate Central. Data as of September 14, 2024.

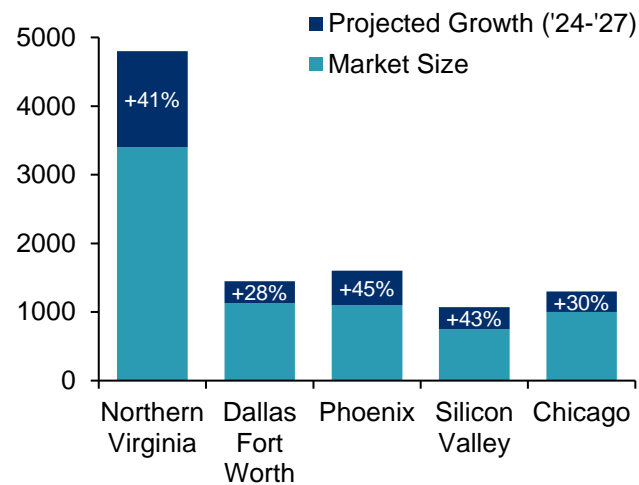
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Figure 11: Range of estimates for data centers % of U.S. power demand



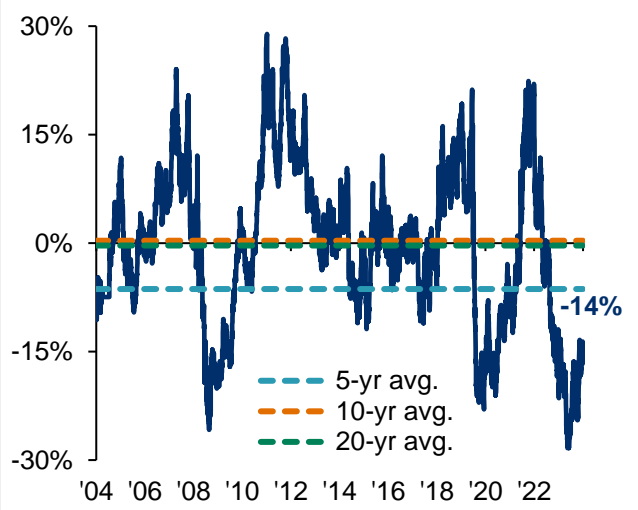
Note: Estimates from J.P.Morgan database sourced from companies (327 projects). Estimates are combined to single forecasts using consistent assumptions.
Source: WellsFargo, J.P.Morgan, SemiAnalysis, Bank of America. Data as of July 22, 2024.

Figure 12: By 2027, the five largest data center markets are set to add ~40% more capacity
Megawatts, thousands



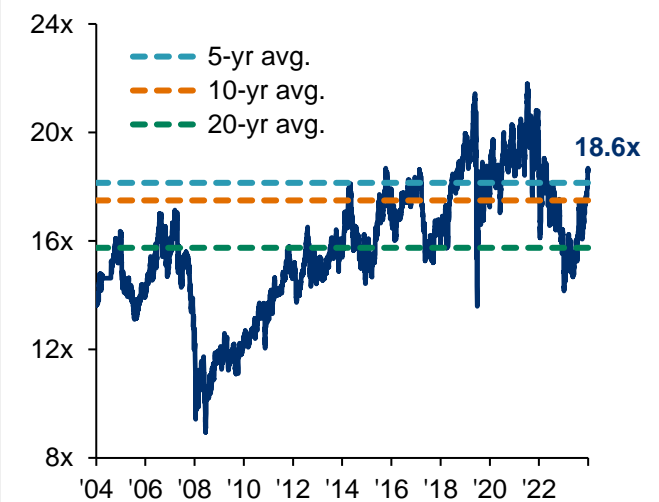
Source: Newmark, Bernsein Societe Generale Group. Market size as of 4Q23. As of June 2024.

Figure 13: Utilities are trading at a much deeper discount to the S&P 500 than historically
S&P 500 Utilities discount vs. S&P 500, NTM P/E



Source: Bloomberg Finance L.P. Data as of September 16, 2024.

Figure 14: Utilities are trading roughly in line with its 5- and 10-year average
S&P 500 Utilities NTM P/E



Source: Bloomberg Finance L.P. Data as of September 27, 2024.

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Chinese policy blitz. Following a slew of Chinese policy announcements, the onshore China equity market rallied over 15% last week, the best week since 2008.

Why it matters: Until now, policy moves have been incremental, and largely ineffective. These coordinated announcements of rate cuts, direct support for equities, and increased fiscal support indicate a greater sense of urgency to support the economy and markets (Figure 17). Our three favorite charts to show why this stimulus is so important:

- 1) **Deflation is now.** While the rest of the world has battled inflation, China has seen price levels decline for 5 straight quarters (Figure 15).
- 2) **Deflation is at risk of becoming entrenched.** China doesn't release much labor market data, but new economy average entry level salaries are declining, indicative of a very weak labor market (Figure 16).
- 3) **The housing bubble is still deflating.** Home sales have been cut in half since just prior to the pandemic and they are still falling (Figure 18).

Bottom line: These policy shifts offer meaningful support to a struggling Chinese economy. We turn more positive on Chinese equities and increase our outlook numbers. In FX, these events temper U.S. dollar upside.

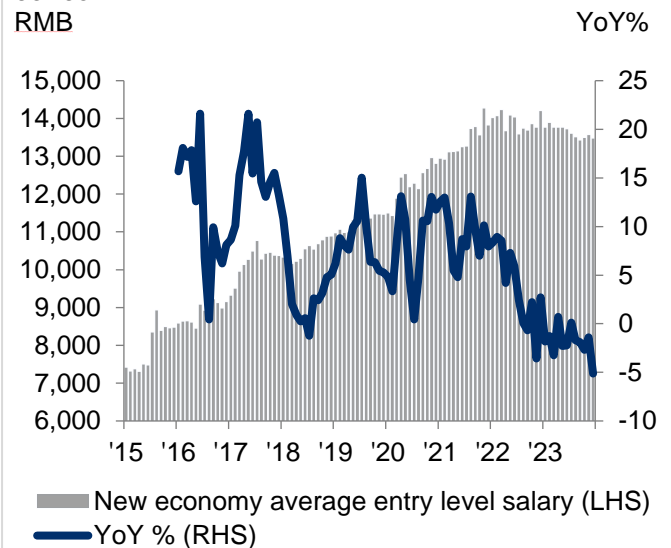
That said, these policy actions do not address the fact that earnings from Chinese firms generally do not accrue to global investors, which makes it hard to consider Chinese stocks a long-term investment solution (Figure 19). For investors with overweights to China, we recommend considering trimming. For those looking to tactically trade China, consider A shares or European stocks that can benefit from a rebound in cyclical Chinese activity.

Figure 15: China has seen price levels decline for 5 straight quarters



Source: Bloomberg Finance L.P. Data as of June 30, 2024.

Figure 16: A weakening labor market is a key concern



Sources: Business Big Data Co, Bloomberg Finance L.P. Data as of July 31, 2024.

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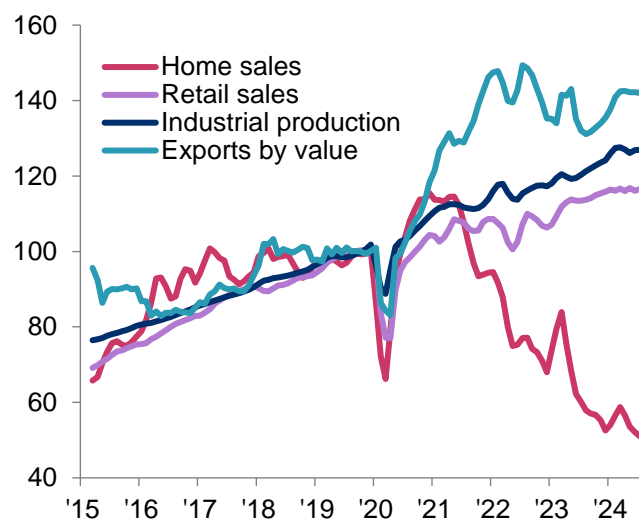
Figure 17

Primary Target	Lever	Details	
Economy	Monetary	50bp cut to the reserve ratio requirement	
		20bp cut to the short-term policy rate (PBoC 7d repo)	
		30bp cut to the mid-term policy rate (MLF)	
Economy	Fiscal	One-off cash transfer to people living in poverty	
		Macro	-50bp cut to the interest rate on existing mortgages
			Expand loan guarantees for a program that subsidizes state-owned enterprises to buy vacant homes for conversion to social housing
Markets	Market Regulation	Lower down payment requirement on 2nd home purchases to 15% (previously 25%)	
		Expand the availability of loan extensions to more business	
		Set up securities, funds and insurance company swap facility to allow more funding for equity purchases	
Markets	Market Regulation	Set up relending program for stock repurchases and holding increases	
		Advocate and refine the regulation for more mid- to long-term capital to invest in the stock market	
		Encourage mergers, acquisitions and restructuring	
Markets	Market Regulation	Request listed companies to perform market value management (e.g. encourage buybacks)	

Source: Bridgewater, JPMAM, 2024

Figure 18: The housing bubble is still deflating

Indexed level, September 2019 = 100



Sources: China National Bureau of Statistics, Haver Analytics. Data as of July 31, 2024.

Figure 19: China equities have historically struggled to keep pace with the economy

Indexed to Q2 2010 = 100



Sources: National sources, Bloomberg Finance L.P., Haver Analytics. Data as of August 2024.

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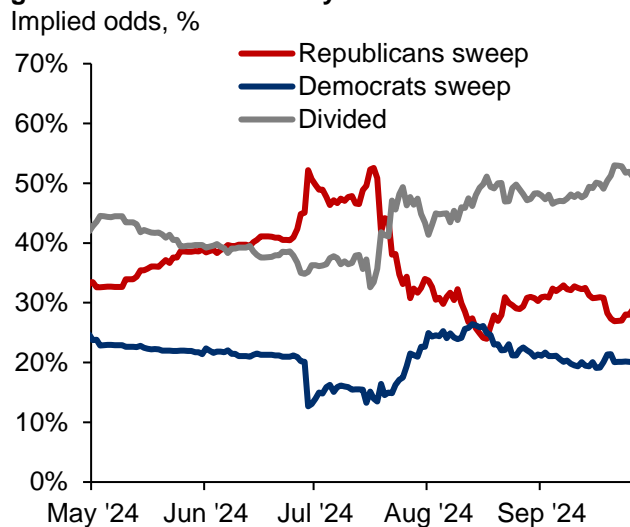
Election angst(?) “2024 is shaping up to be the most polarizing election in the last 100 years”. *Cembalest Oct 2024*.

Why it matters: In the long run, elections don’t drive financial assets, but you’d be forgiven if you thought this time is different. With just weeks until the election, it is shaping up to be another close race. Betting odds suggest a divided government is most likely (currently 52% odds); such an outcome would significantly narrow the policy outcomes post-election (Figure 20). Here’s four things investors should know heading into the election:

- 1) **Implied volatility is very low.** Despite how polarizing this election is, 2024 VIX implied equity volatility has been lower than average for election and non-election years (Figure 21).
- 2) **Tariff risk has had minimal impact on stocks.** Trump is advocating for a much tougher tariff policy than Harris. Interestingly, companies perceived to be at risk from tariffs have shown minimal correlation with Trump’s odds of winning (Figure 22).
- 3) **Tax reform has had minimal impact on stocks.** 23 of the key provisions from 2017’s Tax Cuts and Jobs Act are set to expire at year end 2025. However, stocks that are perceived to benefit from the Act continue to outperform those which do not (Figure 23).
- 4) **The largest US immigration surge in over 100 years is largely over.** Apprehensions at the southwest land border and new immigration court cases are back to 2021 levels (Figures 24 and 25). The biggest divergence between parties now relates to deportation. However, history shows this is hard to do. Trump called for deporting 11 million immigrants in 2016, but deportations averaged only 300,000 per year between 2017 and 2020.

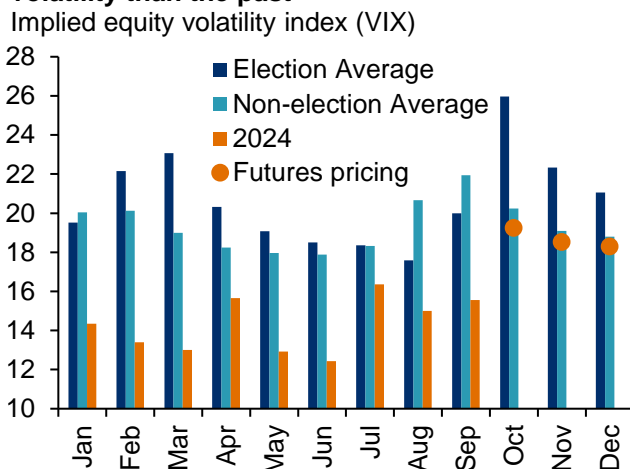
Bottom line. The election should not derail your long-term investment plans. For those with election angst, the markets so far sanguine approach offers an opportunity to hedge your portfolio or make tactical bets on the election outcome.

Figure 20: Betting odds suggest a divided government is most likely



Note: Betting odds normalized to equal 100. Source: Polymarket. Data as of September 27, 2024.

Figure 21: This election year is set to have lower volatility than the past

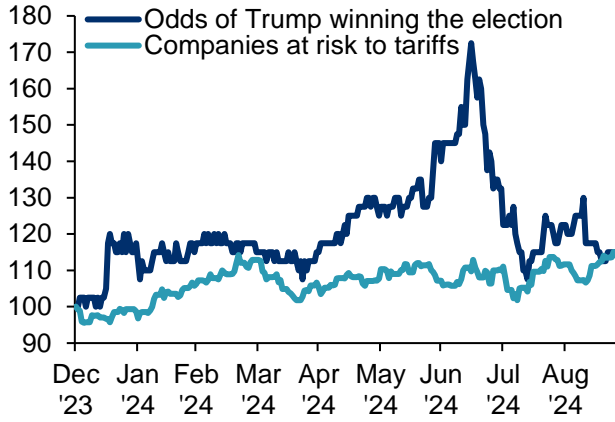


Note: VIX options used to estimate future VIX levels. VIX option contracts strike on 09/18; 10/16; 11/20 to cover the implied volatility for the next 30 days. Analysis begins in 1990. Source: Bloomberg Finance L.P. Data as of September 29, 2024.

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Figure 22: Equity markets are not pricing tariff risk

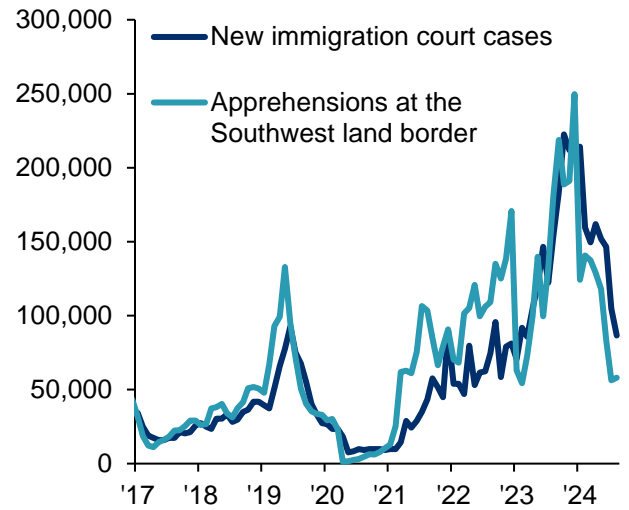
Growth (100= December 31, 2023)



Note: Basket of equities comprised by GS for companies perceived to be at risk to tariffs if Republican policies are implemented. Source: PredictIt, Bloomberg Finance L.P. Data as of September 25, 2024.

Figure 24: The once in a generation surge is over

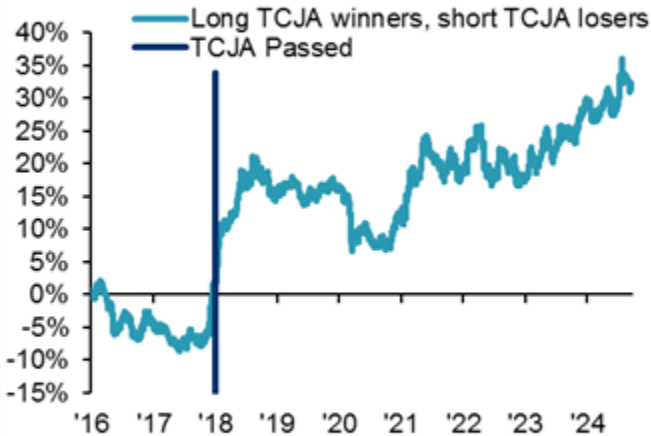
Number of people



Sources: Customs and Border Protection, Haver Analytics, TRA. Data as of August 31, 2024.

Figure 23: Equity markets are not pricing a change to the Tax Cuts and Jobs Act (TCJA)

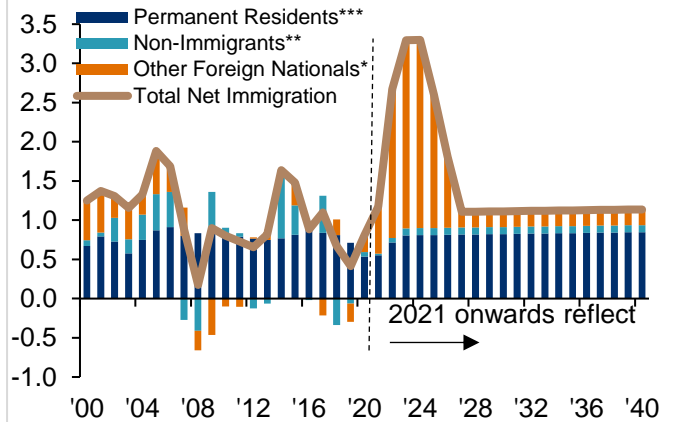
Performance, %



Note: Basket of equities comprised by GS for companies who out/underperformed the market on a beta adjusted basis after TCJA in 2017 and have a corporate tax rate higher/lower than 25%. Source: Bloomberg Finance L.P. Data as of September 30,

Figure 25: CBO estimates unauthorized and humanitarian immigration flows surged in 2022 and 2023, will plateau in 2024, and then decline

Million, CBO net immigration estimates by category



Source: Congressional Budget Office. Data as of January 18, 2024. *Unauthorized & those awaiting court proceedings. **E.g., students & temporary workers. ***Includes those eligible to apply.

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Here's a summary of Wall Street views for 2024 & 2025.

Street Outlook Year-End 2024					
	Fed Funds	Real GDP	Core PCE	10Y	SPX \$
	Q4 '24	Q4 '24	Q4 '24	Q4 '24	YE 2024
JPM WM	4.50	2.00	2.70	3.80	5,700
JPM IB	4.25	2.00	2.60	3.55	4,200
Bank of America	4.25	2.20	2.70	3.50	5,400
Morgan Stanley	4.50	2.20	2.60	4.10	5,400
Goldman Sachs	4.50	2.40	2.60	3.85	5,600
Wells Fargo	4.50	2.00	2.70	3.60	5,535
UBS	4.50	1.80	2.70	4.00	5,600
Average (ex-JPM WM)	4.42	2.10	2.65	3.77	5,289
FOMC	5.25	2.10	2.80	-	-

Street Outlook 2025					
	Fed Funds	Real GDP	Core PCE	10Y	SPX \$
	Mid-2025	Q4 '25	Q4 '25	Mid-2025	Mid-2025
JPM WM	3.50	1.75	2.20	3.75	5,925
JPM IB	3.25	1.90	2.10	3.45	
Bank of America	3.50	1.60	2.30	3.60	
Morgan Stanley	3.50	2.10	2.10	3.75	5,400
Goldman Sachs	3.50	2.40	2.10	4.00	5,700
Wells Fargo	3.50	2.20	2.30	3.45	
UBS	3.50	1.50	2.10	3.90	
Average (ex-JPM WM)	3.46	1.95	2.17	3.69	5,550
FOMC	-	2.00	2.30	-	-

Sources: JPM, BoA, MS, GS, WF, UBS, Federal Reserve. Data as of September 27, 2024.

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YEAR END (YE) 2024 & MID-2025 OUTLOOK NUMBERS

October 2024

Macro [^]				
Inflation	2024 YE	Old 2024 YE	2025 YE	Old Mid-25
U.S.	2.60-2.80%		2.10-2.30%	
Eurozone	2.60%-2.80%	2-20%	2.00-2.20%	
China	1.00-1.20%		0.80-1.00%	
Real GDP Growth				
U.S.	1.75%-2.25%	1-75%	1.50%-2.00%	2-00%
Eurozone	0.50-1.00%		1.00-1.50%	
China	4.00-4.50%		4.20-4.70%	
Equities				
S&P 500	2024 YE	Old 2024 YE	Mid-2025	Old Mid-25
Price	5,650-5,750	5,450-5,550	5,875-5,975	5,700-5,800
P/E forward multiple	20.6x	20x	20.6x	20x
Stoxx Europe 50				
Price	4,950-5,050		5,050-5,150	
P/E forward multiple	13.25x		13.25x	
TOPIX				
Price	2,700-2,800		2,770-2,870	
P/E forward multiple	15x		15x	
MSCI Asia ex-Japan				
Price	700-720		720-745	
P/E forward multiple	12.5x		12.5x	
MSCI China				
Price	65-66	58-59	67-68	60-64
P/E forward multiple	11.5x	10-3x	11.5x	10-3x

Currencies				
	2024 YE	Old 2024 YE	Mid-2025	Old Mid-25
U.S. Dollar Index (DXY)	103 (101-105)		103 (101-105)	
EUR/USD	1.09 (1.07-1.11)		1.09 (1.07-1.11)	
USD/JPY	145 (143-147)		140 (138-142)	
GBP/USD	1.30 (1.28-1.32)		1.30 (1.28-1.32)	
USD/CNY	7.10 (7.00-7.20)	7-30	7.10 (7.00-7.20)	7-25

Rates & Credit Spreads				
U.S.	2024 YE	Old 2024 YE	Mid-2025	Old Mid-25
Eff. Fed Funds rate	4.25%-4.50%	4-75%	3.25%-3.50%	4-00%
ON SOFR	4.35%	4-65%	3.35%	3-90%
2-year UST	3.65%	3-80%	3.50%	
5-year UST	3.60%	3-70%	3.60%	
10-year UST	3.80%	3-90%	3.75%	
30-year UST	4.20%	4-30%	4.00%	
2s/10s spread	0.15%	0-10%	0.30%	
JPM U.S. Investment Grade	115		115	
JPM U.S. High Yield	400		400	
Europe				
ECB deposit rate	3.25%		2.75%	
5-year German Yield	2.00%		2.00%	
10-year German Yield	2.25%		2.15%	
BoE Bank Rate	4.75%		4.25%	
10-year UK Gilt	4.00%		3.80%	
EUR IG	125		125	
EUR HY	450		400	
EM				
EM Sovereign Index (EMBI)	325	350	325	
EM Corporate Index (CEMBI)	275	325	275	
JPM Asia IG (JACI IG)	110	125	100	110
JPM Asia HY (JACI HY)	750	1,200	750	1,000

Commodities				
	2024 YE	Old 2024 YE	Mid-2025	Old Mid-25
Gold (\$ / oz)	\$2,700-\$2,800		\$2,700-\$2,800	
Brent (\$ / barrel)	\$72-\$77	\$81-\$86	\$71-\$76	\$81-\$86
Commodity Index (BCOM)	105.5-107.5		105.5-107.5	
Natural gas (\$/MMBtu)	\$3.50-\$4.50		\$3.30-\$4.30	

[^]GDP and core inflation estimates represent Q4 year over year growth rates. Core inflation in the US is core PCE.

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MACRO VIEWS

U.S. Growth

We make a few tweaks to our GDP outlook this month. We revise up our estimated growth range for 2024 to 1.75-2.25%, on the back of stronger than expected activity data of late, in particular the most recent retail sales data. Q3 consumer spending growth is now likely to come in at or above 3% annualized, and GDP growth on the quarter is now likely to come in at or above 2.5%. It's an odd moment to revise up the near-term path for GDP, given we recently raised our estimated odds of recession in the next 12 months after the weaker than expected jobs report in July. But there has been a disconnect between the GDP data and labor market data in recent months (which implies stronger productivity growth in the economy), and this is what we are primarily responding to. We believe the signal being sent by the labor market is a true signal of where growth will ultimately trend to, which is why we also revised down slightly our estimate for 2025 growth to a range of 1.5-2.0%. We have left our estimated odds of recession unchanged at 25% and we now see a balance of risks around this number on the back of the Fed's recent 50bps rate cut and the easing of financial conditions response to it. We noted previously that our soft-landing outlook was dependent on the Fed making a pivot toward prioritizing the labor market, so the recent September FOMC meeting was indeed a healthy step in that direction.

What we're watching: Job and income growth, unemployment dynamics, layoff-related data, business sentiment, retail sales, risks related to the 2024 US elections.

Our view: 1.75-2.25% (Q4 YoY) real GDP growth in 2024
1.50-2.00% in 2025



U.S. Inflation

The inflation outlook remains unthreatening. Core CPI is now running just above 2% on a 3-month annualized basis, which implies core PCE running below 2% over this period. To be sure, some of this cooling is likely related to payback for the higher-than-expected inflation outturn in Q1 driven by distortions in the seasonal adjustment process. Nevertheless, on an annual basis inflation continues to cool with core PCE running around 2.6% over the last year and in the 2-2.5% range if one were to consider real-time measures of shelter inflation rather than the lagged official estimates. Furthermore, the labor market has continued to move in an unthreatening direction from an inflation standpoint. When it comes to estimating the degree of slack in the labor market, we now think the labor market is somewhat less tight than it was back in 2018-2019, when the labor market wasn't a significant source of inflationary pressure. We often get asked about inflation in the context of the Fed beginning to cut its policy rate, and while we think there's some risk of the Fed cutting too much in a way that reignites inflationary pressures, we aren't concerned about this in the near term. If this risk shows up, it's likely to take considerable time, on the order of 12 months or more assuming no new inflationary shocks from politics or geopolitics.

What we're watching: Wage growth, services ex-shelter inflation, shelter inflation, JOLTS hiring, quits and layoff rates, inflation risks related to the 2024 US elections.

Our view: 2.60-2.80% (Q4 YoY) core PCE in 2024
2.10-2.30% in 2025



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Eurozone Growth

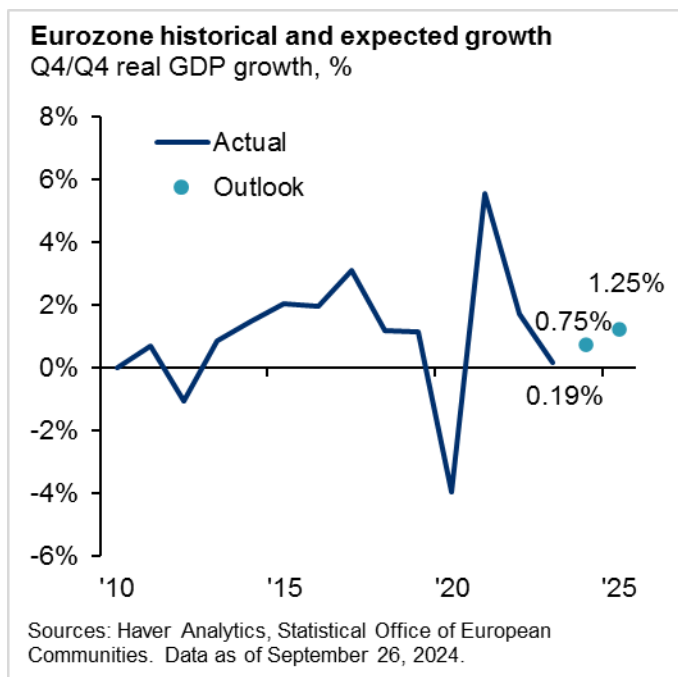
Euro area activity data continues to undershoot expectations. PMI data is now consistent with growth near the bottom end of our 0.5-1.0% range, and we think that risks skew lower.

Manufacturing in Germany remains deeply in contractionary territory and France’s services sector looks to be suffering a worse-than-expected Olympics hangover. Although consumers are still in solid shape for now, we are wary of signs of labor market weakness arising in Germany. Expect below-trend growth to persist until the effects of ECB easing start to filter through to the economy in the second half of 2025. Recent stimulus announcements from China pose upside risks given the potential for increased demand for the manufacturing sector, but only time will tell.

The UK has also shown some initial signs of slowing, but looks to be on more stable footing than the eurozone. Real income growth remains supportive, but the upcoming Budget on October 30th will likely influence consumer and business confidence. Medium-term growth potential hinges on Labour’s ability to address the UK’s structural limitations.

What we’re watching: Real wage growth, geopolitical conflict, manufacturing weakness, China fiscal measures.

Our view: 0.50-1.00% (Q4 YoY) real GDP growth in 2024
1.00-1.50% (Q4 YoY) in 2025



Eurozone Inflation

European inflation has fallen in line with expectations, with core CPI now having been below 3% since March. Despite the progress, the last mile of disinflation is proving challenging. Services prices are still running hot at around a 4% pace, and moderation in wage growth has been slow to materialize. As it stands, core inflation looks likely to end the year a few tenths above 2.5%, rather than a few tenths below, as we had previously expected. Still, real-time measures of price pressure and employment point to further cooling, which keeps us confident that inflation is on track to return to 2% in the second half of 2025.

In the UK, headline inflation staged a sharp decline in the first half, but underlying price pressures are proving stickier than most other regions. Services inflation has started to come in below BoE forecasts, but further progress will be needed to sustainably return inflation to target. Expect inflation to rebound in the coming months before disinflation resumes in 2025.

What we’re watching: Wage growth, energy prices, services inflation.

Our view: 2.60-2.80% (Q4 YoY) core HICP in 2024
2.00-2.20% (Q4 YoY) in 2025



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China Growth

Just prior to the 75th anniversary of the founding of the People's Republic of China, policymakers surprised markets with a blitz of monetary, fiscal, and regulatory support measures aimed at boosting growth.

Why now? It appears policymakers have shifted from a focus on avoiding moral hazard to one focused on avoiding the political risks of a deepening slowdown. It's certainly no coincidence the announcements came shortly before China's National Day holiday. Authorities did not want to go into the holiday with markets limping along, and there is a well-trodden record of market support around key events. Beyond this, the policy shift is a clear recognition of the downside risks the economy is facing -- deflation, weak investment, falling housing sales, and perhaps most crucially signs the labor market was deteriorating. Many investors have been asking when the slowdown would cross Beijing's redlines and it appears we are there, and we suspect labor market weakness was a key trigger.

How effective will these measures be? The combination of monetary and fiscal is important. Monetary stimulus alone would be less effective because the problem is not a lack of lending supply but rather a lack of lending demand. The addition of fiscal support can boost demand and potentially induce the private sector to increase spending and investment. It's likely too early to know how effective these policies will be, but we think there are three things to watch. First, actual details of the fiscal stimulus. So far the pronouncements of increased fiscal support are lacking concrete details in terms of size or implementation. These details will be important. Second, it's important for investors to understand China today is not the same China as when we saw previous rounds of large-scale stimulus in 2008 or 2015. Debt levels are higher, overcapacity is worse, and rates are lower, all this means there is less scope to stimulate and fewer policy levers to pull. There is less low hanging fruit for the government to build their way out of this slowdown and few policy levers that can stimulate household consumption. Lastly, much of the post-Covid slowdown is marked by rapidly declining sentiment. Overall measured confidence among households and businesses are at historical lows. There are a lot of complicated reasons behind this and it's unclear if this jolt will be enough to restore confidence in the overall direction of the economy. The bottom line is this is a meaningful positive shift, but we are not yet changing our GDP forecasts until we can assess the total size and effectiveness of the new policies.

What we're watching: Details on fiscal. The reaction from households and private businesses.

Our view: 4.00-4.50% (Q4 YoY) real GDP growth in 2024
4.20-4.70% in 2025

China Inflation

Core CPI inflation remained soft, rising 0.3% YoY in August, compared to 0.4% oya in July.

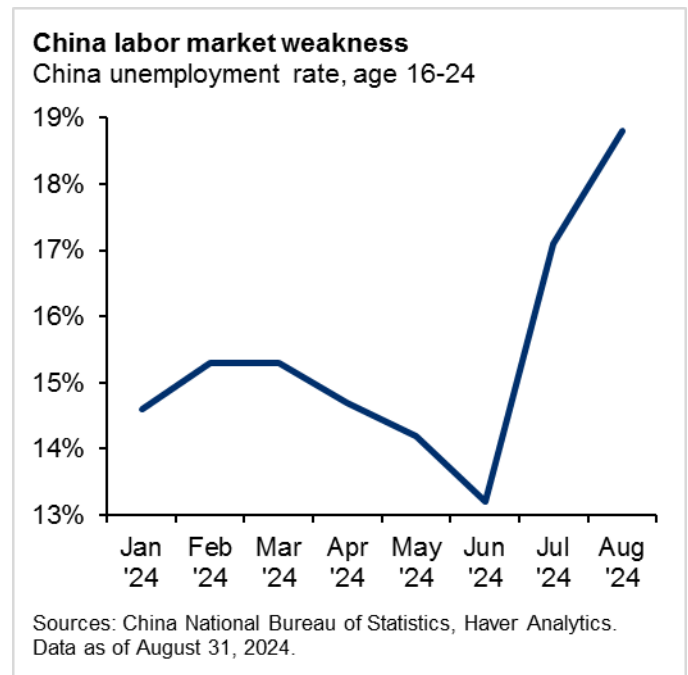
Overall, general pricing power for goods and services has remained soft amid sluggish domestic demand and weak private-sector confidence, with core CPI staying flat (0.0% MoM) for four consecutive months through August.

PPI deflation intensified in August, as headline PPI fell 1.8% YoY. Details suggest a broad-based weakening across prices of industrial metals, construction-related materials, as well as energy-related PPI.

Overall, this deflationary backdrop is a key reason policymakers responded with more forceful stimulus. The effectiveness of the stimulus policies in increasing aggregate demand will be the key factor impacting the inflation outlook.

What we're watching: Policy effectiveness, supply-demand imbalances.

Our view: 1.00-1.20% (Q4 YoY) core CPI in 2024
0.80-1.00% in 2025



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EQUITY VIEWS

U.S. Equities

Moving toward the bull case. Expectations for lower rates and yet, firming 2024 macro implies equity valuations can stay closer to the current elevated levels than what we had assumed in our prior base case. With the recent decision of the Fed to move the Fed Funds rate of 5.5% (upper bound) down 50 basis points and toward the long-term neutral rate of ~3%, investors believe monetary policy will be a positive going forward. While a lower rate environment has been mostly expected, helping to propel S&P 500 index up ~20% and valuations higher by 10% year-to-date, the recent mix of news is valuation positive for equities.

Forward valuations for the S&P 500 have increased to ~21.5x, levels that are full relative to history on a top-down basis. To account for the change in index constituency over time toward growth (more Tech), we look at the index on a bottom-up basis (through a sum-of-its-parts by sector). Although we expect 8 of 11 sectors to witness a decline in valuation over the next year, we have reduced the amount of the assumed decline. As such, we have valuation fading to 20.6X versus 20x in our prior estimate. This hike is consistent with our move toward the bull case. As we enter Q3 earnings season, we have not changed estimates and note sell-side estimates have also remained stable. We raise the mid-point of our year-end 2024 view to \$5,700 and mid-2025 view to \$5,925. Despite this increase, our key message remains the same: within a positive longer-term view, shorter-term upside is limited. We prefer to buy dips, find alpha opportunities (including the use of active managers), exploit periods of volatility to strike structured notes and consider income-oriented strategies for more conservative clients.

In pursuit of alpha, we believe the potential for sector outperformance is high in two sectors. The Industrial sector should be supported by mega project growth, stemming from policy initiatives and multi-year thematic opportunities. Data center construction to support AI will strain power generation capabilities and lead to an acceleration of capex from Utilities. Near-shoring will remain a theme for years due to shortages of available labor but will be incremental to the trend toward automation of industrial facilities throughout developed economies. Add-in the upgrade cycle in military and defense to the still recovering aerospace market and top-line drivers remain plentiful. Short term, we expect inventories to be rebuilt after declining in the 2023-1H24 period. The dip in commodity costs should support sector margins. Our work on

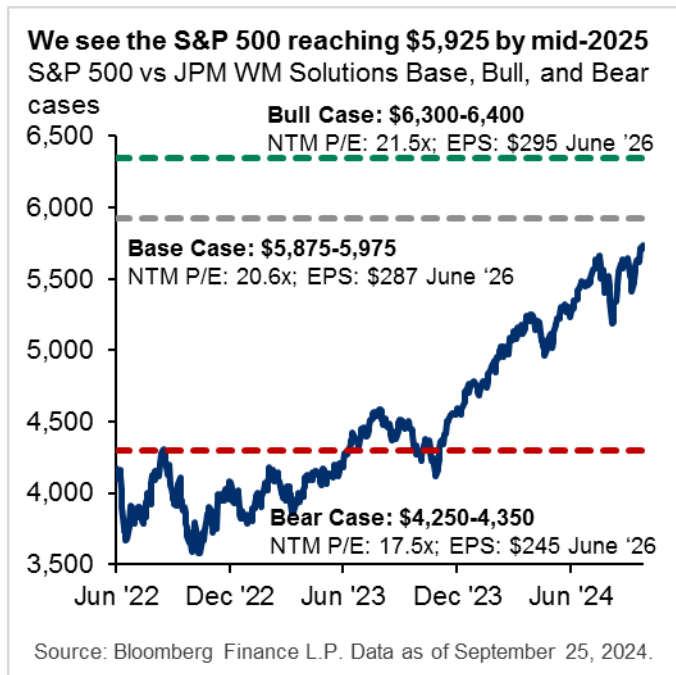
Industrials has led to our upgrade of Utilities. We see the group as a reasonably-priced, defensive sector with earnings growth acceleration stemming from electricity demand. For years, demand growth was flattish, with utilities generating modest growth through regulated price hikes. We anticipate an acceleration in demand from AI data centers and the multi-year growth of hybrids and EVs leading to an improved earnings profile. The lower interest rate environment that we are now factoring in, helps the Utility sector as they are heavily indebted and maintain ~3% yields, which look more appealing after the two-year Treasuries dropped 1.5% the last 4 months.

What we are watching: We continue to look for signs that the macro is changing from the assumed soft-landing. As we enter October, we look forward to the earnings season and initial management guidance for 2025.

Our view: S&P 500 \$5,650-\$5,750 by year-end 2024
\$5,875-\$5,975 by mid-25



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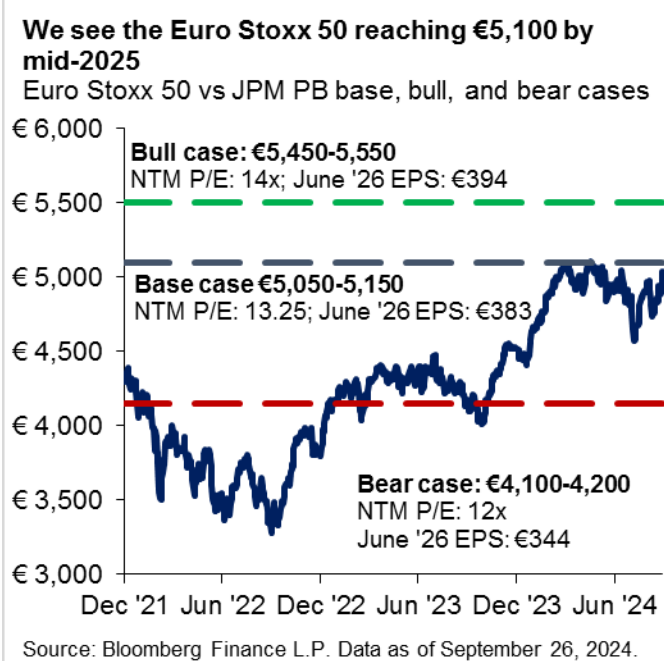
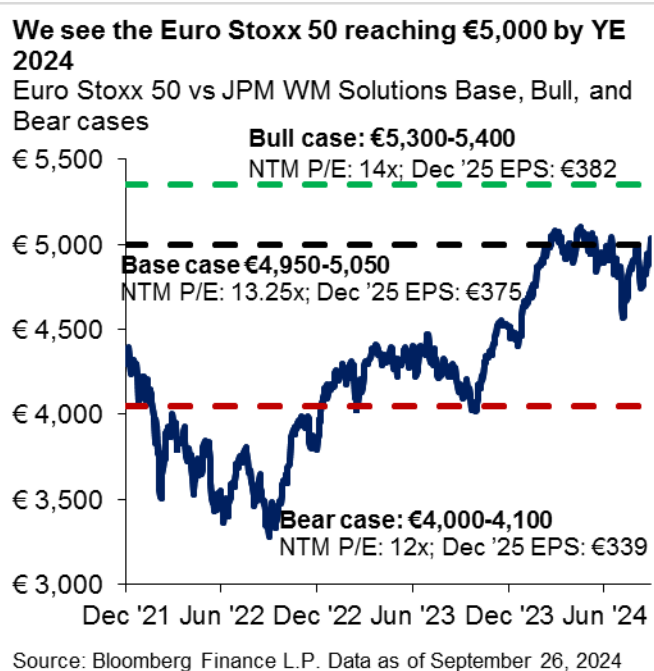
Europe Equities

We are not making any changes to our 2024 year-end or mid-2025 outlook for the Euro Stoxx 50. Our year-end view is EUR 4,950-5,050 (EUR 5,000 in the middle), and mid-2025 view is EUR 5,050-5,150 (EUR 5,100 in the middle). On one hand, the recent news out of China is positive for Europe. On the other hand, the growth momentum in Europe has been slowing recently and we continue to see negative earnings revisions. Our earnings expectations remain the same: we foresee 2-3% earnings growth in 2024, and 3-5% in both 2025 and 2026, with valuation around 13.25x NTM P/E. As we don't see a lot of upside on the index level into the year-end, we think investors should consider focusing on alpha generation in the region. Especially after recent underperformance of many of the European "National Champions" - multinational companies that have large competitive moats and market-leading positions, based out of Europe. We think there are many opportunities in the sectors like Industrials, Technology, Luxury and Healthcare sectors. The luxury sector looks particularly interesting after the positive news out of China. Luxury stocks are still below their recent highs, analysts are too bearish on the sector, valuation is attractive and structural story is intact. Thematically, we like exposure to aerospace, electrification, semiconductors/artificial intelligence, and weight loss drugs.

What we're watching: US elections, global macro-economic data, global consumer sentiment, geopolitical tensions in the Middle East and Eastern Europe

Our view: €4,950-5,050 by year-end 2024

€5,050-5,150 by mid-2025



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Asia Equities

September continued to be a relatively choppy month for equities in the region as all eyes were focused on the Fed rate cut decision. The 50bp cut helped allay investor fears that the Fed was ‘behind the curve’, USD weakened, and Asia equities recovered and generally had a good month.

Chinese equities were boosted by a cohesive set of monetary and fiscal loosening policies announced in September that were ahead of expectations. These new measures provide an immediate boost to sentiment and liquidity. Increased policy support leads us to upgrade China mildly to NEUTRAL. We raised our Offshore China YE 2024/June 2025 outlook by 12% to 65-66/67-68, and Onshore China YE2024/June 2025 outlook by 12% to 3,900-3,970/4,050-4,150. The strong rally in end-Sept has likely front-loaded a lot of the forthcoming growth. Hence risk of market consolidation is escalating, especially ahead of the Golden Week holiday. If there is a 10%+ correction, we believe this could represent a good trading opportunity given the strong policy put. With a clear directive for a potential RMB800bn facility being deployed into the onshore equity market, we see a tactical buying opportunity for the China onshore market. China has now moved out of historic policy model and started a new pattern of stimulus. The trend is very encouraging from equity investors’ viewpoint.

We remain constructive towards Japanese equities and would be particularly aggressive at 2,400-2,450. Medium term structural factors such as reflation and corporate governance reform remain intact. Domestically oriented exposures in real estate, retail, and financials remain particularly attractive.

With excess inventory of memory in PC and mobile end markets, this is likely to weigh on sentiment for memory-heavy equity markets. We lower our view towards South Korea to neutral, but retain our positive view towards Taiwan.

While we remain constructive towards the medium-term prospects for Indian equities, we acknowledge valuations are stretched in the near term. We would consider adding on 5-7% pullbacks. Indian equities provide a unique exposure to attractive domestic high-growth opportunities that could translate into sustainable low-teens earnings growth over the next few years.

What we’re watching: 3Q24 earnings results. October political events in China that could bring further policy announcements. US Election news flow.

Our view:

TOPIX: 2,700-2,800 by year-end 2024

2,770-2,870 by mid-2025

MSCI AxJ: 700-720 by year-end 2024

720-745 by mid-2025

MSCI China: 65-66 by year-end 2024

67-68 by mid-2025

CSI 300: 3,900-3,970 by year-end 2024

4,050-4,150 by mid-2025

MSCI India: 2,630-2,740 by year-end 2024

2,800-2,950 by mid-2025

MSCI ASEAN: 650-670 by year-end 2024

660-680 by mid-2025

Recent Chinese stimulus combo beats expectation		
	New measures	vs. Market expectations
Monetary policies	RRR cut by 0.5% (vs expectation 0.25%), with room for a more significant rate cut	Beat
	7-day reverse repo cut 20bp to 1.5% (vs expectation 10 bp), and likely another 20bp in Nov	Slight Beat
Fiscal policies	Highlight urgency to ensure: 1) necessary fiscal expenditure , and 2) issuance and proceeds utilization of ultra-long CGB and special LGB	Beat
	Stressed to support people’s livelihood, including employment and consumption . Launching one-off direct cash allowance to those in extreme poverty.	Beat
Housing policies	PBOC to provide up to 100% of the principal of bank loans to buy unsold housing (up from 60% when the program announced in May)	Beat
	Downpayment ratio for second home purchase lowered to 15% (from 25%)	Beat
	A clear target to “ stop the decline of the housing market and achieve a stabilization”	Beat
	Existing mortgage rate cut by ~50bps	In line
Stock market	RMB 500bn swap facilities allowing qualified securities firms, funds, and insurance companies to borrow directly from the PBOC to buy stocks	Strong Beat
	RMB 300bn relending facilities with interest rate at 1.75% to listed companies for share repurchase	

Source: Bloomberg Finance L.P. Data as of Sep 27, 2024.

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RATES VIEWS

U.S. Rates

The rise in the unemployment rate with inflation now near target has put the employment side of the Fed’s dual mandate squarely into focus. They kicked off the rate cutting cycle with a larger than expected 50bps move in September. Our base case calls for two more 25bps cuts by year end but there is clear risk for more than that if additional labor market data show even slight weakness.

To account for a slightly faster pace of cuts in the near-term, we lower our year-end outlook for Treasury yields by 10-15bps across the curve. We leave our mid-2025 outlook unchanged as we generally agree with current market pricing of a terminal rate of about 3% by year-end 2025. Much lower Treasury yields from here would require markets to price in materially higher recession odds, in our view. Therefore, we expect to see a rangebound Treasury market with some further potential steepening led by the front end over the next twelve months.

Treasury supply continues to have no major bearing on price action. It’s all about monetary policy for now.

What we’re watching: Whether alternative labor market data confirm a rise in unemployment.

Our view: 10Y: 3.80% by year-end 2024

3.75% by mid-2025



Europe Rates

We have been penciling in a quarterly cutting pace from the ECB, which sees them reach a terminal rate of 2% by the end of 2025. This is the most likely path according to the most recent ECB communications, which continue to stress a cautious path with disinflation taking time to play out. We keep that path as our base case, but we increasingly think emerging pockets of weakness in the European economy will eventually call the ECB to action at a faster pace.

We continue to see an attractive risk-reward profile for European fixed income, given downside risks to the economy and still relatively shallow cutting paths priced for the ECB and BoE. That thinking recently saw our core portfolios rotate some core duration exposure from the U.S. into the UK.

What we’re watching: Federal Reserve, currency fluctuations, wage growth and monetary policy, incoming activity data, and election outcomes.

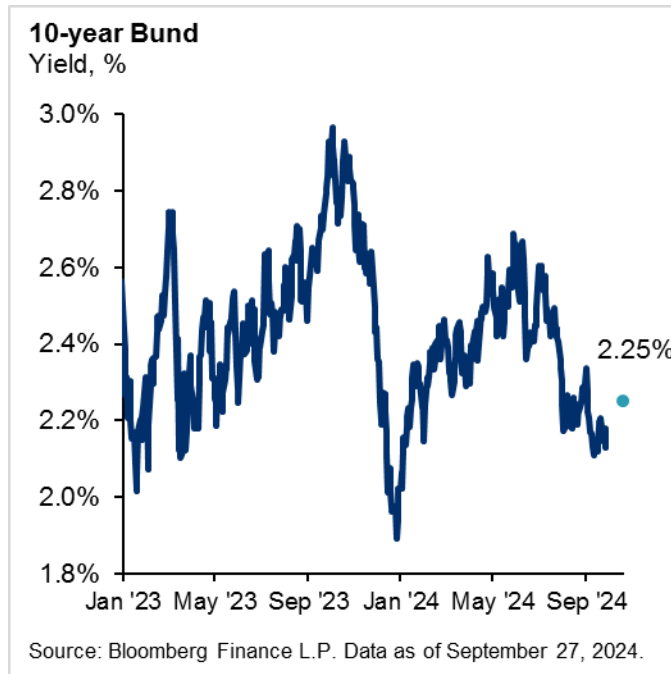
Our view:

10Y Bund: 2.25% by year-end 2024

2.15% by mid-2025

10Y Gilt: 4.00% by year-end 2024

3.80% by mid-2025



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CREDIT VIEWS

U.S. Credit

The rate-cutting cycle has commenced, with a steepening preceding the September 18th FOMC meeting where a more dovish Fed stance was revealed, delivering a 50-basis point cut and sparking a market rally. Inflation concerns at the Fed have taken a seat next to unemployment even as the labor market, despite some signs of weakness, has remained relatively stable. Overall economic data, including a robust 3% quarter-over-quarter annualized growth in second-quarter GDP and solid corporate earnings, does not suggest a clear economic downturn.

Given this optimism, Investment Grade (IG) spreads have tightened back to just 5bps wide of the all-time tights seen in May, and a dramatic normalization of the yield curve means elevated short end yields are no longer achievable. However, tight credit spreads lend us to maintain our preference for short and intermediate-duration IG bonds and long-duration Municipals as strategies to potentially enhance Fixed Income exposure.

In extended credit, Hybrids and Preferreds have outperformed High Yield, delivering year-to-date returns of +11% versus +8% for High Yield. We now expect carry-like returns for both. Given the spread compression and strong outperformance seen in Preferreds and Hybrids we re-configure our view in extended credit to a neutral stance on both asset classes. As such, we are now neutral on High Yield, supported by our outlook for positive total returns despite potential spread widening.

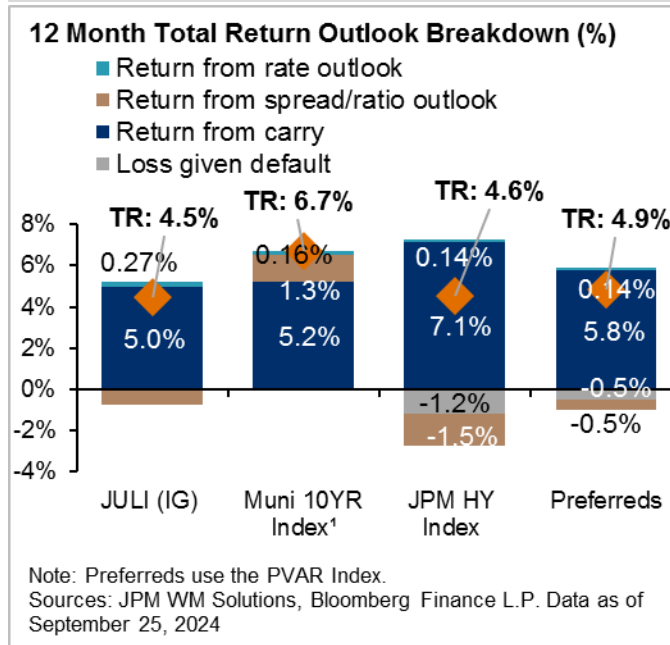
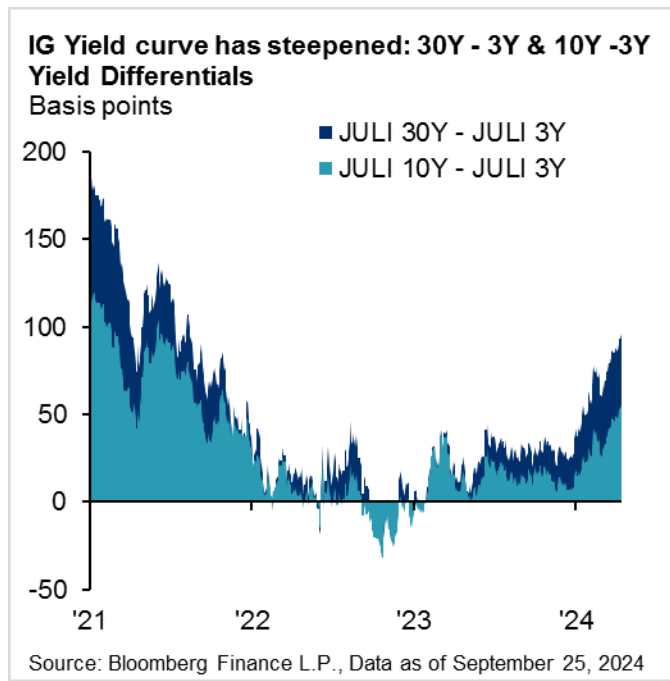
For Municipal bonds, which are correlated with Treasuries and offer Tax Equivalent Yields around ~6.8% at the long end, duration remains attractive, and we like considering adding exposure. For U.S. taxpayers, the potential tax advantages of owning long-end Municipals now surpasses those of Preferreds, following the spread compression in the latter space.

What we're watching: In Core Fixed Income, we favor Investment Grade and Municipal bonds in the credit space. In Extended Credit, we expect carry like returns of ~6% going forward. We prefer short-intermediate duration in IG but find value in Municipal duration given overall Tax Equivalent Yields.

Our view:

US IG (spread): 115bps by year-end 2024.
115bps by mid-25

US HY (spread): 400bps (+/- 25bps) by year-end 2024.
400bps by mid-25
Municipal (Ratio): 75bps by year-end 2024
75bps by mid-25



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E.U. Credit

European Investment Grade spreads remain close to the tight end of their recent range, following a temporary widening in response to the ECB meeting. The EUR IG Index yields comfortably over 3% remains attractive, surpassing the yields available on 80% of trading days over the past decade. In September, EUR credit markets broadly underperformed US, Asia and EM: IG posted carry-like returns of +0.95% MoM, HY returned +0.81% MoM.

EUR IG continues to exhibit very healthy fundamentals, as well as robust technicals. Flows into EUR IG have remained strong over the past few months, and we may also see less issuance through Q4 ahead of both the US elections and usual end of year slow down. This should help to support spreads through the remainder of 2024, and underpins our preference to move out of cash into higher spread products. EUR HY spreads are near cycle lows at ~340bps. While fundamentals remain close to their strongest in recent history, supply has been dominated by refinancing and within BB's, we observe a slight increase in net leverage and mildly weakening interest coverage.

Careful credit selection remains crucial. Following the European Central Bank's second rate cut in September and market pricing in favor of another in October, we believe investors should consider reducing outsized cash positions and lock in attractive yields in high conviction, high credit quality segments of the market.

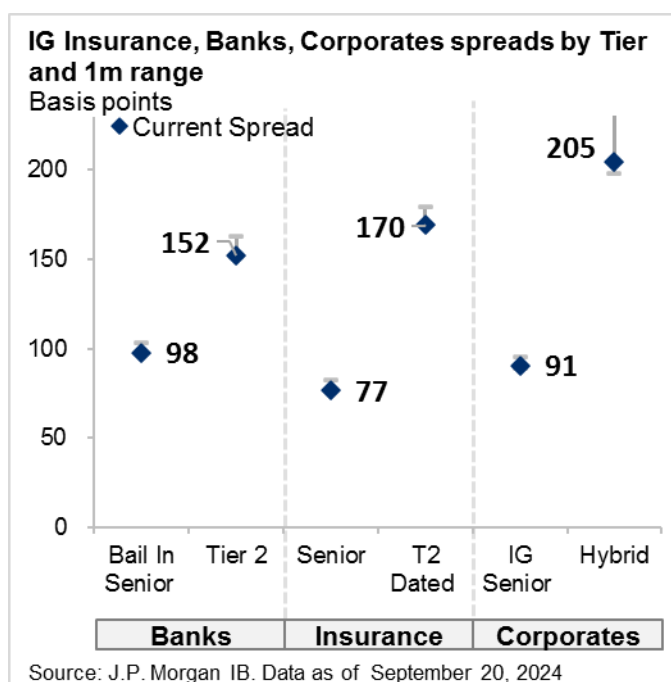
What we're watching: European Corporate Hybrids: Potential for High-Yield-Like Returns from Investment Grade Issuers. We believe corporate Hybrids can be considered for locking BB-like yields without increasing credit risk, staying within solid Investment Grade companies. Dominated by strong IG-rated national champions, these issuers use hybrid capital to support credit ratings and improve cost of capital. EUR Corporate Hybrids currently offer a spread pick-up of over 100bps compared to senior curves. We remain selective, focusing on robust credit metrics and strong operating results, favoring structures with lower extension risk to comfortably take on subordination risk for yield pick-up. Subordinated European Insurance: very high credit quality even at subordination. Insurance companies issue limited amounts of Senior debt given their "self-funded" business models (policy premiums), their debt is comprised of Tier 2 debt which enables them to comply with capital requirements. Solvency metrics remain strong with Q2 2024 earnings, driven by effective underwriting, low losses, 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 over 60bps wider to EUR IG Senior Index. Subordinated European Banks: European Banks offer value at both Senior and Tier 2 levels.

Following strong Q2 2024 earnings, we believe investors should consider select banks' Tier 2 structures for potential extra yield without compromising credit quality. Q2 results showed solid performance, with stabilizing NIIs, strong fee generation, and notable outperformance in Equities divisions. Cost of Risk remained low, and capitalization was strong, demonstrating significant organic capital generation.

Our view:

EU IG (spread): 125bps by year-end 2024
125bps by mid-25

EU HY (spread): 450bps by year-end 2024
400bps by mid-25



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Asia Credit

Asia credit markets enjoyed another positive month, driven primarily by the Federal Reserve's rate cut, which led to curve steepening and benefited Asia Investment Grade (IG) bonds. Additionally, China's stimulus measures provided a boost to higher beta names. For the month, Asia IG delivered a return of +1.08%, bringing the year-to-date (YTD) return to +5.91%. Asia High Yield (HY) posted a monthly return of +0.61%, with a YTD return exceeding 10%. Asia IG continues to be a compelling carry story, offering consistent returns with shorter duration.

In China, the People's Bank of China (PBOC) announced a comprehensive stimulus package that surpassed market expectations. Key measures include lower interest rates, reduced reserve requirement ratios (RRR), relaxed mortgage policies, and new instruments to support the stock market. While these measures have limited direct impact on the fundamentals of China credit, which were already trading at fair value, banks stand to benefit from the government's plan to inject more equity. This should offset any negative effects of thinner interest margins and SME loan forbearance. For the property sector, the measures are mildly positive but not transformative. We prefer China TMT over financials due to better valuations and remain cautious on China real estate bonds given the elevated default risk.

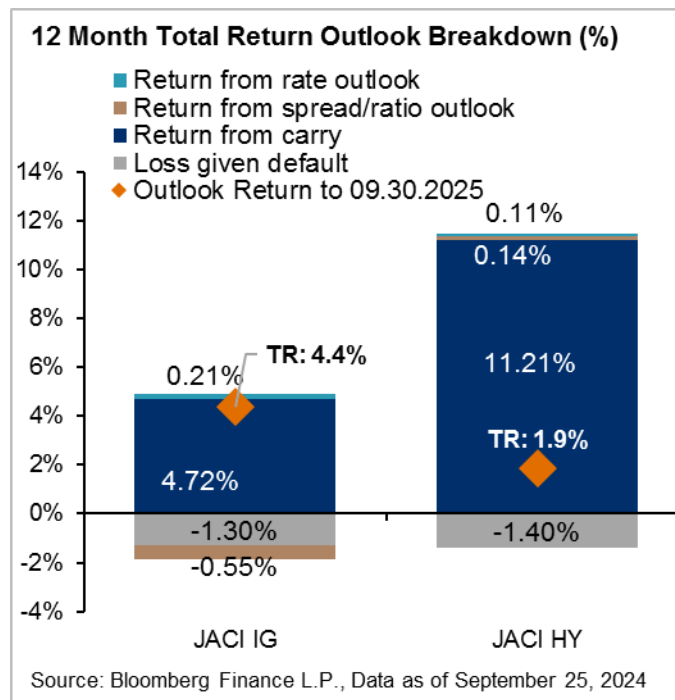
Our overall preference for Asian credits is to prioritize Investment Grade (IG) over High Yield (HY), with a strong emphasis on credit selection. We expect Asia IG to deliver stable returns, supported by technical factors, shorter duration, and high carry. In Asia IG, we like Global Systemically Important Banks (G-SIBs) in Asia and Japanese life insurers. In the Asia HY space, we remain highly selective due to potential defaults but see attractive carry opportunities in Indian and Macau gaming credits.

What we're watching: Japan Lifers Hybrids: Average rating A, ~5.2% average yield, attractive valuation, relatively low volatility, good call history. 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 technical support; search for value in India High Yield.

Our View:

Asia IG (spread): 110bps by year-end 2024.
100bps by mid-25

Asia HY (spread): 750bps by year-end 2024.
750bps by mid-25



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EM Credit

Emerging Market (EM) credit has had strong performance so far in 2024, with corporates (CEMBI) year-to-date return of ~8% (~7% in Investment Grade and ~11% in High Yield) surpassing returns in US credit.

In September, CEMBI spreads saw some volatility but are flat month-to-date while Sovereigns (EMBI) tightened ~10bps. Both indices remain in "unattractive" territory on a spread basis but continue to offer better relative value as an extended credit play compared to U.S. High Yield, thanks to higher overall quality given the stronger fundamentals of EM issuers compared to similarly rated developed market (DM) credits.

Year-to-date supply in CEMBI and EMBI exceeded the full-year number from 2023 but continues to be absorbed in an orderly manner. This is supported by the fundamental backdrop for EM corporate issuers which remains stable, with leverage and other credit metrics on the stronger side of their historical range.

U.S. elections remain topical and there is uncertainty around how the outcome will affect the complex as tariff policy may come back as a headwind. Mexico being the closest to the potential risk of a policy shift. The combination of external pressures with Mexico undergoing political reforms could lead to potentially worsening the fiscal outlook in the long run. We continue to expect a modification in the legal framework of Pemex⁵ and CFE⁶ that could lead to a more explicit guarantee of its debts. For this reason, value is particularly evident in certain Quasi-Sovereigns, where clarity around government support could lead to significant spread compression.

What we're watching: Energy credits: EM continues to have some of the best spread pickup in energy given the overall aversion to the region in a financial conditions tightening cycle. The challenge is Sovereign control of Energy producers limits upside; however, we still see as spreads compensating for these risks. Corporate Hybrids:

As with developed world, some of the corporate Hybrids in EM from Investment Grade issuers offer HY-like yields with less cyclical fundamental risk and solid balance sheets. Contrarian trades: Sometimes buying the best house in a bad neighborhood gives above expected returns. We see opportunities in certain Turkey corporates that offer outsized returns for the quality of the business and strength of the balance sheets.

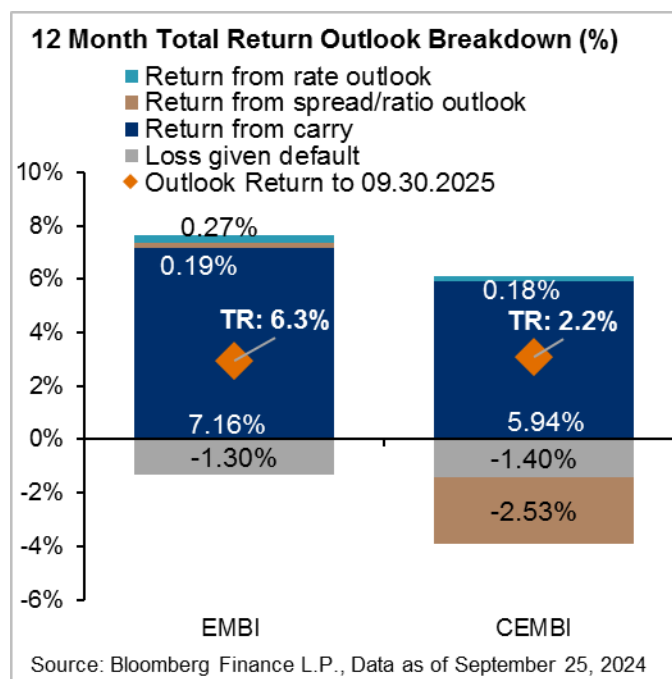
Our view:

EMBI (spread): 325bps (+/- 25bps) by year-end 2024.

325bps by mid-25

CEMBI (spread): 275bps (+/- 25bps) by year-end 2024.

275bps by mid-25.



⁵ Mexican state-owned petroleum company

⁶ State-owned electric utility of Mexico

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FX VIEWS

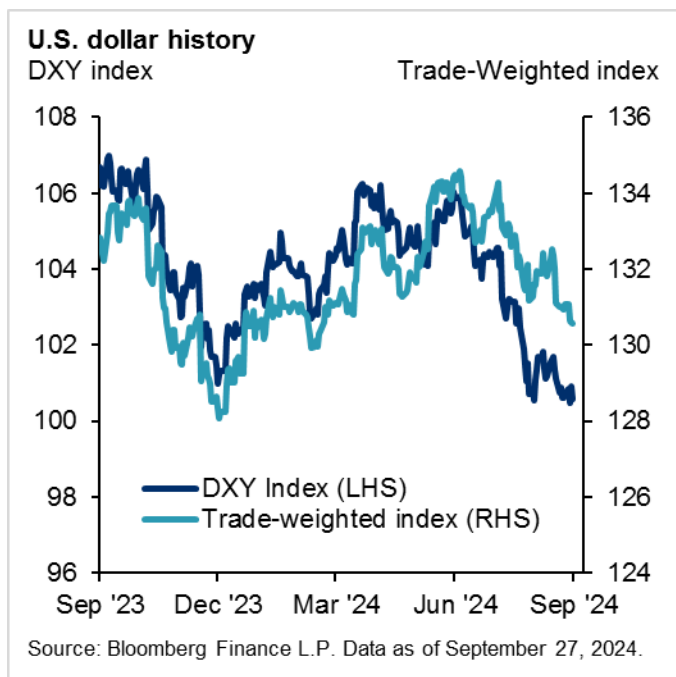
US Dollar

In line with the J.P. Morgan Asset Management’s Long Term Capital Market Assumptions (LTCMAs), we’ve long expected the USD to unwind its overvaluation over the medium term. We’ve been focused on three main ingredients for that weakness to play out though: 1) realization of Fed cuts, 2) bullish risk sentiment, and 3) global growth (ex-US) improvement. We haven’t quite had all three line up just yet, but it is hard to ignore the progress that has been made on each. We are getting closer to the bottom of the USD smile.

While we do think the time will come for dollar weakness to play out, the recent selloff looks to have overshot fundamentals. That could pave the way for a firmer dollar over the near-term – particularly given the bullish risks around the U.S. election. However, we prefer to express that tactical view selectively against currencies with weak domestic growth backdrops, like EUR. With an eye on the medium-term, buying high carry, high-beta currencies (GBP, AUD) and select low yielders (JPY, XAU) on dips makes sense in this economic environment.

What we’re watching: U.S. growth momentum vs. RoW, Fed policy expectations, risk sentiment.

Our view: DXY: 103 (101-105) by year-end 2024
103 (101-105) by mid-2025



Euro

While we can make a less bullish case for the dollar in the current macro environment (Fed cutting, bullish risk sentiment, stimulus measures in China), we are skeptical of expressing that view against EUR.

We revised our outlook up to 1.07-1.11 last month as a faster pace of Fed rate cuts warrants a higher floor on the EURUSD range. However, we continue to see pockets of vulnerability in the currency. Eurozone growth momentum further weakened recently as shown in the latest PMI data, while inflation continues to trend lower, opening the door for a more dovish ECB in the months ahead.

We would trade EUR from the short side from current levels. Our fair value model based on interest rate and economic growth differentials shows that the current level on EURUSD looks to be overshooting to the upside and not representative of underlying economic conditions. Another bout of risk asset volatility could also contribute to a more material correction against the dollar.

What we’re watching: Eurozone vs. U.S. growth momentum. Fed vs. ECB policy. Middle East tensions.

Our view: 1.09 (1.07-1.11) by year-end 2024
1.09 (1.07-1.11) by mid-2025



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British Pound

Sterling has been the standout performer in the G10 space this year in what has been a perfect storm for the currency. Resilient growth in the UK and stickier core inflation has supported the pound through a more hawkish outlook for the Bank of England vs. RoW, and solid risk sentiment has given a boost given GBP’s high beta nature.

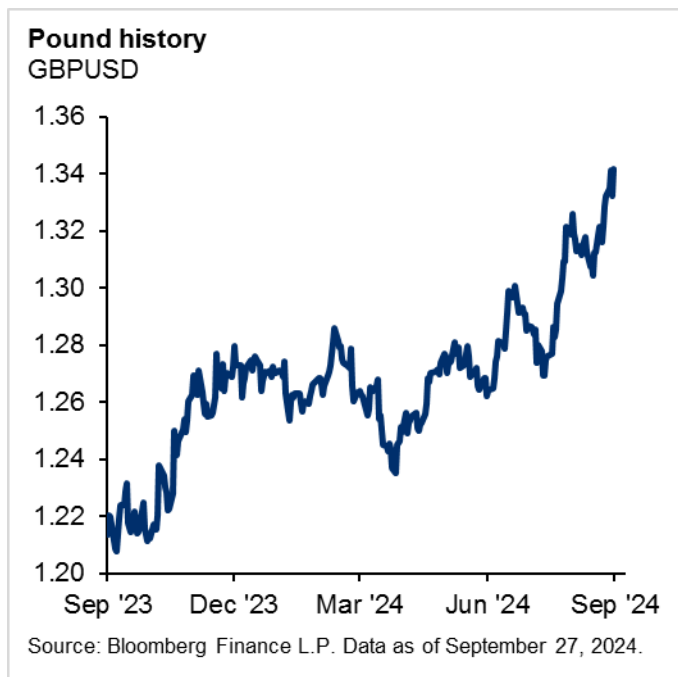
Those fundamentals remain in place as we head towards the end of the year, and GBP looks to be the preferred carry alternative to the dollar for investors. The potential for a new Labour government to address structural issues in the UK also paints a more optimistic medium-term picture.

However, long GBP is now the most subscribed currency trade on the Street, and leaves it vulnerable to a pullback in the event of a risk asset selloff or weakening domestic conditions. We would not look to chase the recent moves higher in sterling, but think that any pullbacks should be bought. We would look to buy dips below 1.32 in GBPUSD, and would be converting euros to pounds on moves back above 0.84 in EURGBP.

What we’re watching: Global and UK growth revisions, equity markets, UK Budget in late-October, risk sentiment.

Our view: 1.30 (1.28-1.32) by year-end 2024

1.30 (1.28-1.32) by mid-2025



Swiss Franc

CHF stabilized in September as the SNB delivered another 25bps rate cut. Now that the aftermath of carry trade unwind largely behind us, the currency is tracking fundamentals more closely with less short positioning.

Our base case is for the franc to trade relatively rangebound against the dollar. While the currency is getting support from lower US rates and a weak European growth outlook, SNB’s cautious approach to currency strength given weak domestic growth and deflationary pressure in Switzerland indicates further rate cuts and higher likelihood of FX intervention (to prevent material currency strength).

Over the medium term, the franc could see more support from narrower rate differentials as the SNB cutting cycle is set to be shallower and European growth stabilizes in 2025. In addition, CHF offers attractive diversification benefits for global investors, being one of the most insulated for recession risks and geopolitics.

What we’re watching: European growth dynamics, broader risk sentiment, Fed policy expectations, U.S. election polls.

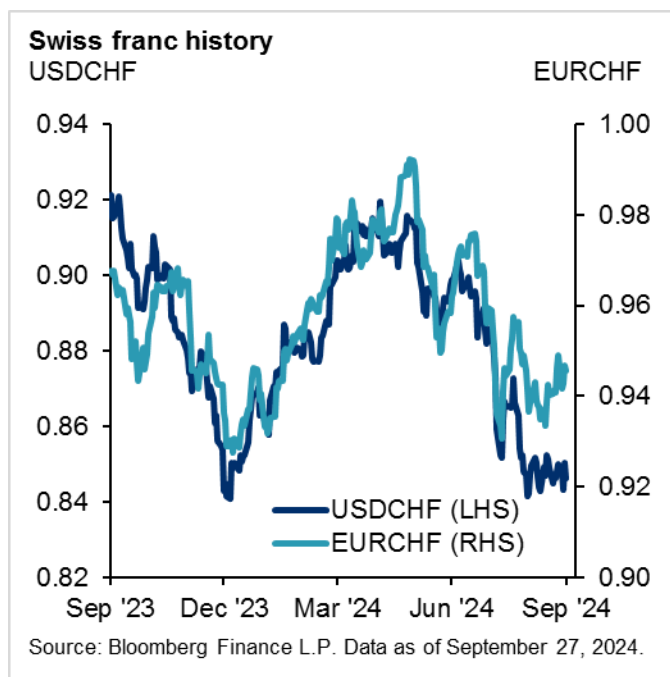
Our view:

USDCHF: 0.87 (0.85-0.89) by year-end 2024

0.87 (0.85-0.89) by mid-2025

EURCHF: 0.95 (0.93-0.97) by year-end 2024

0.95 (0.93-0.97) by mid-2025



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Japanese Yen

After a big bullish run, the yen stabilized on the month on dovish BOJ communications and stabilization in global yields.

We revised our USDJPY outlook down last month as we believe the chance of a resurgence in JPY carry trade positions is low, and the pair will likely return to its fundamental driver – interest rate differentials – which point to medium-term downside in the pair. Historically, the spread in interest rates between Japan and the US explains 80-90% of the movement in USDJPY.

Among the low yielders, we expect the yen to be one of the clearest beneficiaries of narrower interest rate differentials globally. As the Fed embarks on rate cuts and the BOJ continues on policy normalization (albeit at a gradual pace), we see moderate downside in USDJPY over the next 12 months. We are biased to trade the yen from the long side vs the USD and on crosses with a medium-term lens.

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

Our view: 145 (143-147) by year-end 2024

140 (138-142) by mid-2025



Chinese Yuan

CNH strengthened on the month on stimulus optimism and broad USD weakness.

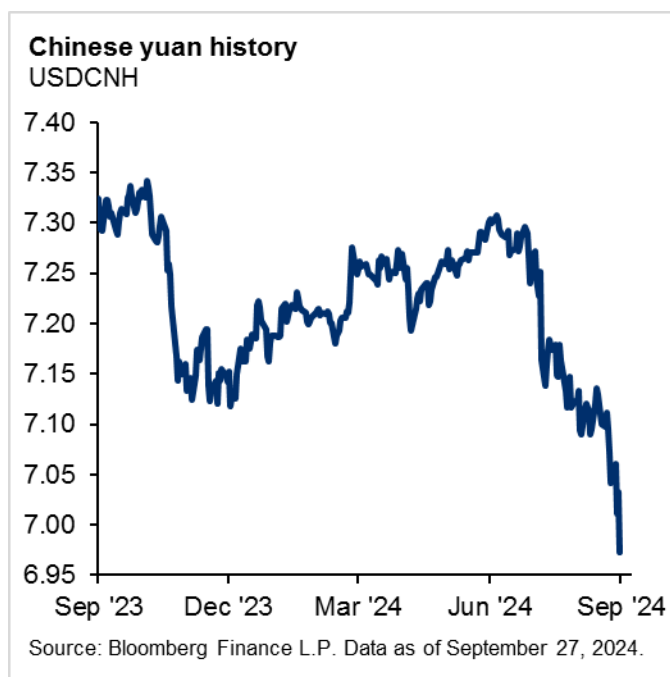
Implications of the latest stimulus news seem more mixed on the currency than on risk assets. On one hand, better risk sentiment and potential improvement in cyclical growth (if enough fiscal follow-through) is a positive. We will closely monitor capital inflows. On the other hand, more aggressive monetary easing means lower CNH yields. The FX market in this cycle has been generally more sensitive to interest rate differentials given how divergent rates are. In addition, the PBOC has clearly warned against one-way appreciation in the Yuan, and it's reasonable to expect a ramp up in interventions (to push against currency strength) if USDCNH strengthens materially below 7.00.

On balance, we see mitigated depreciation risks but remain cautious on CNH's prospects. The next key to watch is outcomes of the US election and associated tariff risks.

What we're watching: US election, China fiscal policy moves, capital flows.

Our view: 7.10 (7.00-7.20) by year-end 2024

7.10 (7.00-7.20) by mid-2025



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.

G10 Commodity FX

The commodity bloc continued to strengthen on the month given China stimulus optimism and rebound in global risk assets in general.

CAD: Bearish. Domestic conditions remain weak and the Bank of Canada is intent on lowering rates. Any spillover from further signs of U.S. weakness is another tail risk.

AUD: Bullish. AUD fundamentals remain solid and improved China sentiment lends additional support, even if the strong rally indicates limited upside relative to our outlook range. RBA held rate this month as expected and reiterated focus on fighting sticky inflation. Remain medium term constructive.

NZD: Bearish. While RBNZ's tones remain hawkish, labor market weakness and continued disinflationary trend should keep policymakers in easing mode.

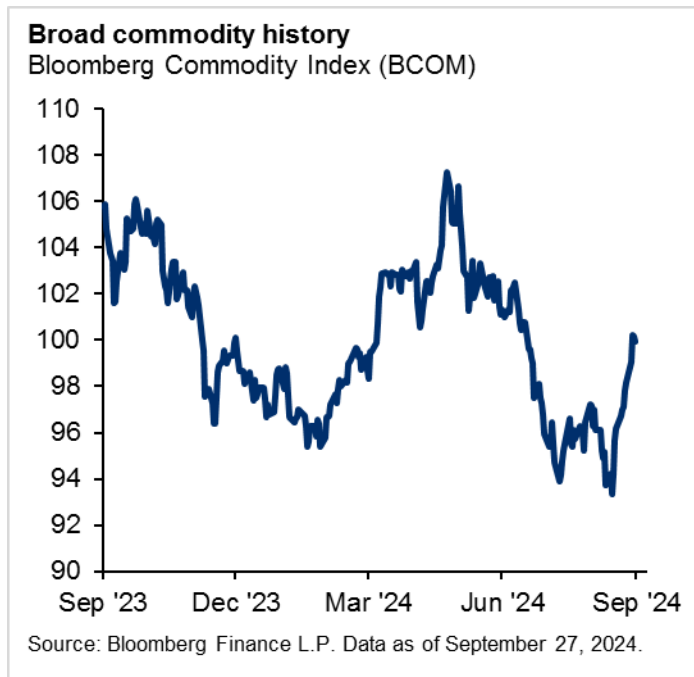
What we're watching: Commodity prices, global growth outlook, central bank divergence

Our view:*

CAD: 1.34 (1.32-1.36) by mid-2025

AUD: 0.69 (0.67-0.71) by mid-2025

NZD: 0.62 (0.60-0.64) by mid-2025



Scandi FX

Scandis lagged the broader high-beta FX space in September as oil prices sold off sharply and European growth momentum continued to slow. Those factors keep pressure on the bloc in the coming months:

NOK: Neutral. NOK remains supported by the cautious approach of the Norges Bank, who signaled that rate cuts might not come until 2025. That, along with positive risk sentiment, keep us positive despite the negative spillover from European growth.

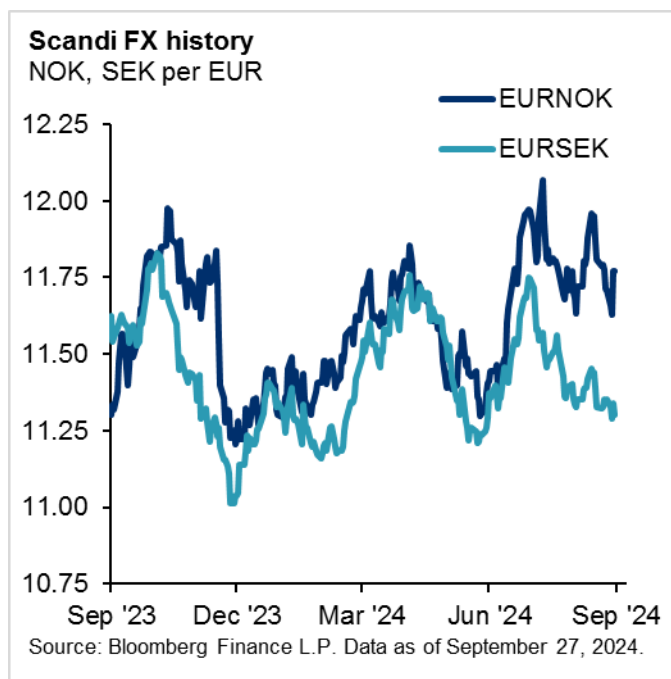
SEK: Neutral. Cuts keep on coming from the Riksbank, and it is looking as though the pace of cuts could step up soon. That poses bearish risks, but some green shoots in domestic sectors like housing are worth monitoring into 2025. Over the medium-term, we think SEK is an underperformer.

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

Our view:*

EURNOK: 11.20 (11.00-11.40) by mid-2025

EURSEK: 10.90 (10.70-11.10) by mid-2025



* JPM Investment Bank Outlook

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Emerging Market FX

In H1, we favored select Latam FX vs. defensive low-yielders given attractive carry, improving global growth dynamics and a low-volatility environment. But summer saw a very sharp underperformance of these positions given unexpected political developments, which look likely to persist and moves us tactically to the sidelines for now.

Latam: High carry FX in the region underperformed as election-related developments led to an increase in vol, reducing the stability of carry trades. **BRL:** A sharp increase in political noise and concerns around the fiscal situation of Brazil are likely to pose significant headwinds for the foreseeable future. We are neutral. **MXN:** MXN hasn't been this weak against USD since 2022. Volatility will likely remain elevated through the U.S. election campaign, but rallies in USDMXN above 20 could provide an attractive buying level – particularly with the carry advantage.

EMEA: We are neutral on this part of the complex. **ILS:** The shekel has unwound all of the sell-off seen at the outbreak of the Israel-Hamas war. Market participants appear to respect the willingness and ability of the Bank of Israel to defend the currency, and there has been a lack of broader regional escalation. It takes a lot for the currency to meaningfully weaken from here, but it still makes sense to hedge against tail risks, given reasonable pricing of options.

Asia: Improved outlook on EM Asia low yielders on earlier than expected Fed easing and improved China sentiment. **INR:** Constructive on carry advantage and healthy growth outlook. **TWD:** Neutral on narrowing carry, resilient semiconductor cycle and exports. Risks biased to the downside given sensitivity to China risks and geopolitical overhang. **SGD:** Neutral against USD and constructive against the basket. The Monetary Authority of Singapore (MAS) is expected to follow Fed policies.

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

Our view:*

BRL: 5.35 (5.25–5.45) by mid-2025

MXN: 18.30 (18.10–18.50) by mid-2025

ILS: 3.50 (3.30–3.70) by mid-2025

INR: 83.40 (82.40 – 84.40) by mid-2025

TWD: 30.50 (31.60–32.60) by mid-2025

SGD: 1.27 (1.25–1.29) by mid-2025

EM currency history

J.P. Morgan EM Currency Index



Source: Bloomberg Finance L.P. Data as of September 27, 2024.

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COMMODITY VIEWS

BCOM Index

Commodities finally managed a good month gaining +4.1% after an early sell-off that saw the Index bottom out at 93.35 on oil weakness. Off the lows on September 10th, commodities have gained +7.7% which is a very impressive recovery. The gains are on the back of a Fed rate cut, that was at the larger end of expectations and then a bout of China stimulus that has bulls hopeful demand will recover. The best performer last month was Natural Gas which jumped an astounding +25%. Sugar also rallied +21% and Wheat finally rallied +11.6%. On the downside, the biggest losers were all oil related with Gasoline the downside leader for the second month in a row, losing -11.4%. Crude oil lost -9.1% and Diesel also lost -6%. All eyes now shift to the US election as a Trump victory could be bearish for the Index overall, as we would expect policy to impact metals and crude oil.

What we're watching: Investors should consider keeping small positions and be ready to trade tactically around the election.

Our view: 105.5-107.5 by year-end 2024

105.5-107.5 by mid-25



Gold

Gold advanced again in September, making a new historical high at 2,685 and notching a +6% gain. It is now +29% YTD and rapidly closing in our year-end outlook of \$2,700-\$2,800. With only 5% more upside expected from current levels we are evaluating our call but moving our dot on the GIS View Snapshot one notch down to positive from strongly positive. This has been a good call for our clients and we may begin suggesting investors consider taking some profits, but feel the trend is still intact. Retail continues to buy, but the amounts are still not very large with holdings increasing by only 0.8% in September. It would be constructive to see more buying here, but the volumes need to increase before we become much more bullish. The Fed delivered a 50bps cut, which we had written would be needed to help gold go higher, and this has helped the relationship between gold and real rates to reassert itself. Central Bank buying continues, but the pace is slowing. For those questioning how much buying is still to come, it is worth considering that China and India still hold only single digit percentages of gold in their reserves as compared to 60% or more in the developed world.

What we're watching: We are evaluating our outlook and look to clues from the US election. A Trump victory would likely make us revise targets higher.

Our view: \$2,700-\$2,800 by year-end 2024

\$2,700-\$2,800 by mid-25



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Crude Oil

Crude oil had another bad month losing -9.1% across the two main benchmarks. Lots of news from OPEC+ and the Middle East with the final nail in the coffin arriving at month-end with news that Saudi Arabia is abandoning its unofficial price view of \$100. This price was always aspirational, and we feel it is designed to pressure those members of OPEC+ that are cheating on production quotas. We fear for the sustainability of the alliance longer term as governments are simply not aligned. Look for more clues on production at the October 2nd OPEC+ monitoring committee meeting, although a full meeting will not be on the calendar until December. Demand was good in September, rising 600kbd over the same period last year and is now +1.2mbd YTD. Supply is the big issue for now and the very real prospect of a Trump victory in November. The Trump campaign have spoken of pushing oil prices to \$40 to offset the inflationary impact of 60% tariffs, and although we see this as unlikely, it will weigh on pricing. The newest wrinkle is the shrinkage in backwardation, a sure sign of over supply near-term. This shrinkage means US producers can withstand lower prices for longer as their cost of hedging has declined. With break-evens now likely at \$50 for shale, hedged production is very profitable down to \$60. We would look for prices to slow their decline from that price. We are however cutting our year end and year-ahead view with over supply likely to upend markets in 2025.

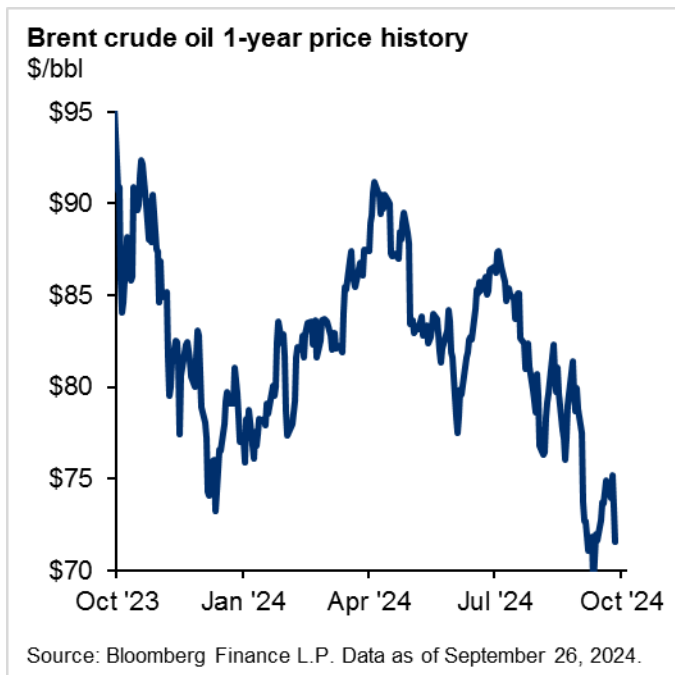
What we're watching: OPEC+ communication and the US election will now dominate the outlook

Our view: Brent: \$72-\$77 by year-end 2024

\$71-\$76 by mid-25

WTI: \$70-\$75 by year-end 2024

\$67-\$72 by mid-25



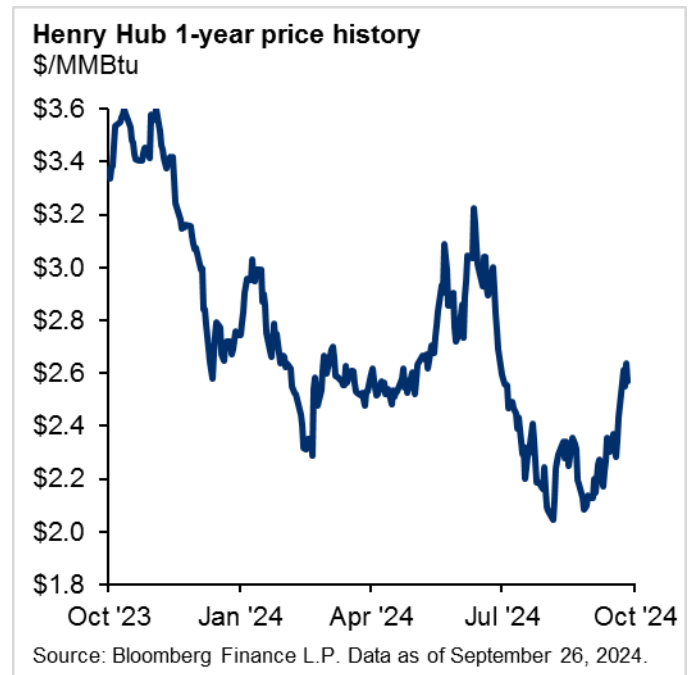
Natural gas

The carnage in Natural Gas has finally ended, but not the volatility! Prices soared 25% in September, closing at \$2.65 and finally lifting pressure on producers. It is very difficult to point to a single catalyst for a move of this magnitude, but the market had been very vulnerable to a reversal in price after the 35% decline from the highs seen in June. Indications that producers would be scaling back production increases had been one factor and hurricane impacts shutting in Gulf of Mexico production has also been a price mover. On the power demand side, lots of excitement around the restart of nuclear power station Three Mile Island has increased conviction on the spillover to Nat Gas. Most commentary and outlooks suggest that in the short-term Nat Gas demand will likely increase between 6 and 13% in the very short-term. This number could be too low and will be subject to ongoing revisions. Nevertheless, a bullish outlook from the CEO of EQT, the largest producer of US Nat Gas certainly helped sentiment.

What we're watching: LNG demand and winter weather.

Our view: \$3.50-\$4.50 by year-end 2024

\$3.30-\$4.30 by mid-25



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Agricultural commodities

Corn and Wheat finally rallied in September gaining +10% and +11% respectively. After three months of declines, the rally is very welcome and has spread further across the sector, with big gains seen in Sugar, Coffee, Soybeans and even Cotton. La Nina percentages were increased with NOAA raising the likelihood to 71%. This will continue to bear watching moving forward. Investors had established historic short positions in the agriculture over the summer, so a lot of the September price action is likely short covering. We believe fundamentals remain constructive with threats to European Wheat production, persistent dry conditions, and new geopolitical risk.

What we're watching: US election and La Nina are top items on the radar.

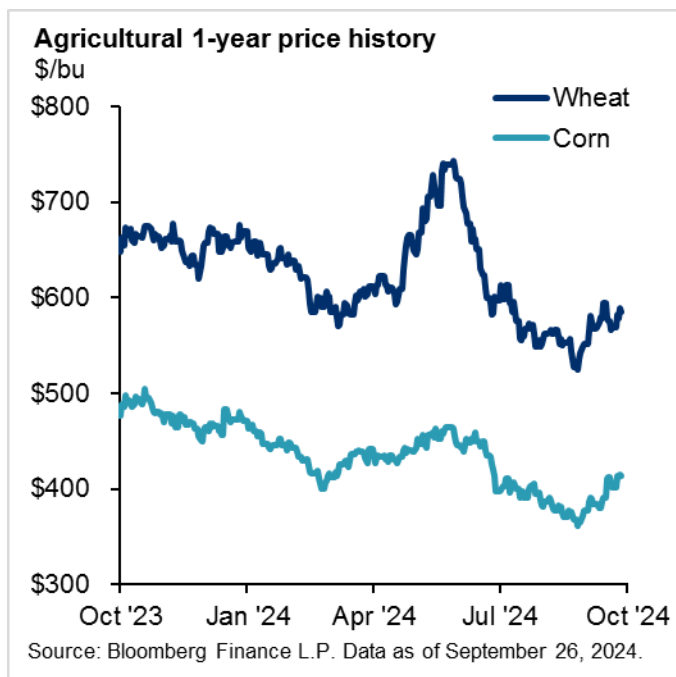
Our view:

Corn: 500-600cts by year-end 2024

500-600cts by mid-25

Wheat: 650-750cts by year-end 2024

650-750cts by mid-25



Copper

Copper traded higher in September and is +9% on the month, finally regaining the \$10,000 level. We had written in last month's View that a consolidation in prices and a lack of headlines could allow for a surprise move higher, and that seems to have now played out. The other factor is undoubtedly interest rate cuts both in the US and in China. Stimulus in China is the more important factor for short term demand, simply because of their outsized consumption. However, the infrastructure prospects are very sensitive to interest rates, due to much higher levels of debt, so the demand factor from infrastructure cannot be ignored. Sentiment has certainly improved, and buyers have returned to the market in both physical and financial capacities. Having said that, so far, the buying appears tentative and by no means do we feel that positioning is stretched. Room for more upside next month, into the US election. Here the risk is potentially very large. In the event of a Trump Presidential victory, we would need to reevaluate our view and likely become bearish. 60% tariffs on Chinese goods would impact demand as China reexports 40% of that demand in the form of finished goods. Even with more AI power demand it would be hard to believe that copper will be able to rally from current levels.

What we're watching: All eyes now on the US election. Also look for clues on supply disruptions and power upgrades will be key going forward.

Our view: \$11,000 - \$11,250 by year-end 2025

\$11,000 - \$11,250 by mid- 2025



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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

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.

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 is 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 spx market capitalization weighted index that is designed to measure the equity market performance of developed markets. The index consists of 23 developed market country indexes.

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

The **Russell 2000 Index** is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market

capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

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

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

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

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

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

JPMAM Long-Term Capital Market Assumptions

Given the complex risk-reward trade-offs involved, we advise clients to rely on judgment as well as quantitative optimization approaches in setting strategic allocations. Please note that all information shown is based on qualitative analysis. Exclusive reliance on the above is not advised. This information is not intended as a recommendation to invest in any particular asset class or strategy or as a promise of future performance. Note that these asset class and strategy assumptions are passive only – they do not consider the impact of active management. References to future returns are not promises or even estimates of actual returns a client portfolio may achieve. Assumptions, opinions and estimates are provided for illustrative purposes only. They should not be relied upon as recommendations to buy or sell securities. Forecasts of financial market trends that are based on current market conditions constitute our judgment and are subject to change without notice. We believe the information provided here is reliable, but do not warrant its accuracy or completeness. This material has been prepared for information purposes only and is not intended to provide, and should not be relied on for, accounting, legal or tax advice. The outputs of the assumptions are provided for illustration/discussion purposes only and are subject to significant limitations.

“Expected” or “alpha” return estimates are subject to uncertainty and error. For example, changes in the historical data from which it is estimated will result in different implications for asset class returns. Expected returns for each asset class are conditional on an economic scenario; actual returns in the event the scenario comes to pass could be higher or lower, as they have been in the past, so an investor should not expect to achieve returns similar to the outputs shown herein. References to future returns for either asset allocation strategies or asset classes are not promises of actual returns a client portfolio may achieve. Because of the inherent limitations of all models, potential investors should not rely exclusively on the model when making a decision. The model cannot account for the impact that economic, market, and other factors may have on the implementation and ongoing management of an actual investment portfolio. Unlike actual portfolio outcomes, the model outcomes do not reflect actual trading, liquidity constraints, fees, expenses, taxes and other factors that could impact the future returns. The model assumptions are passive only – they do not consider the impact of active management. A manager’s ability to achieve similar outcomes is subject to risk factors over which the manager may have no or limited control.

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KEY RISKS

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