J.P.Morgan

May 2025

INVESTMENT INSIGHTS

THE Global Investment Strategy View

MID-YEAR OUTLOOK EDITION

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

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KEY TAKEAWAYS

While tariff news has been generally positive since the shock of "Liberation Day," trade policy will likely remain a headwind to growth. Although we have lowered our growth forecast, we believe the U.S. economy will avoid a recession, and we maintain a positive outlook relative to consensus. Thus far, hard data has been resilient despite sharp declines in consumer and corporate confidence. We'll be keeping an eye on high-frequency data to evaluate the full impact of tariffs.

Policy-driven uncertainty increases the range of potential outcomes, both positive and negative. We expect volatility to remain elevated, and we acknowledge we will need to get comfortable feeling uncomfortable when it comes to markets. Leaning into portfolio resilience is critical as we draw on the complete investment toolkit to protect against rising uncertainty around growth and inflation. Structures, hedge funds, gold and core infrastructure are our preferred tools for portfolio resiliency.

A weaker dollar has caused some to question U.S. exceptionalism. We don't see a risk to the dollar's reserve currency status. But, we believe the combination of cyclical convergence and global asset reallocation presents further downside risk, particularly given elevated valuations after more than a decade of dollar dominance. Ensuring appropriate currency diversification remains a top priority. Non-U.S. equities look increasingly compelling, particularly for dollar-based investors, and we have upgraded our view on Europe.

OUR HIGH-CONVICTION TACTICAL INVESTMENT IDEAS INCLUDE:

EQUITIES

U.S. tech, financials and utilities. We see high single- to low double-digit total returns in the S&P 500 over the next 12 months, driven by earnings growth, particularly in the tech sector.

Close ex-U.S. developed market underweights. In particular, we see opportunity in Europe driven by a narrowing of valuation differences and a repatriation of asset flows from the United States.

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

Diversified private equity exposure, with a focus on secondaries.

FIXED INCOME, CURRENCIES & COMMODITIES

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

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

Go-anywhere fixed income funds that can take advantage of opportunities across the globe and risk profile (eg. In securitized and hybrid markets).

BUILDING RESILIENT PORTFOLIOS

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

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

OPPORTUNISTIC TRENDS

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

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

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

THIS DOCUMENT

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

OUR MISSION

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

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Sales & Trading

Global Investment Strategy Group

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Global Investment Strategist

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Head of LATAM Investment Strategy

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Global Investment Strategist

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Global Commodity Strategist

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Global Head of Alternative Investments

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Head of U.S. Investment Strategy

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Co-Head of Global Investment Strategy

Grace Peters
Co-Head of Global Investment Strategy

Joe Seydl
Senior Markets Economist

Alex Wolf
Head of Asia Investment Strategy

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

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THE GIS SNAPSHOT

A summary of high conviction views

May 2025

Equities

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

Fixed Income

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

FX & Commodities

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

Opportunistic Trends

Artificial intelligence	Dealmaking/Regulatory relief
Dollar Diversification	Portfolio Resilience

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THE VIEW

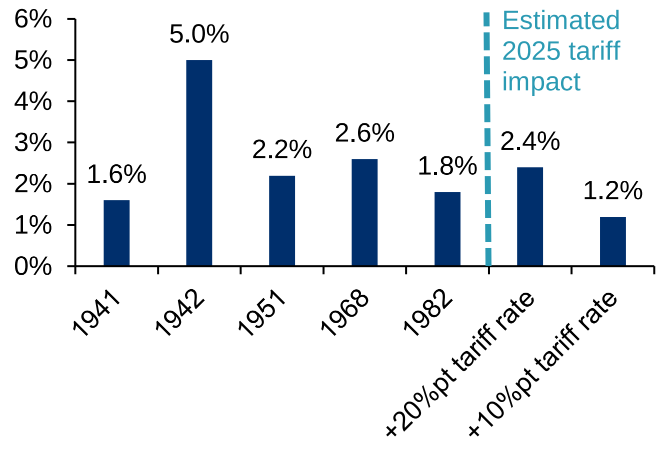
The announced tariff rates on April 2nd, if taken at face value, would imply the largest tax increase on U.S. households and businesses since 1968, which preceded the 1969-1970 recession (Figure 1).

Why it matters: The median economist assigns a 40% probability to a U.S. recession over the next 12 months, double the chances at the start of the year (Figure 2). Unlike a traditional tax, the economic impact of tariffs on the economy depends on: 1) how much trade volume will reroute/reshore to avoid the increase in duties, 2) whether consumers pay the cost via higher inflation, crimping disposable income and spending on other areas, and 3) the degree to which businesses absorb the cost via narrower corporate margins, which could lead to a layoff cycle if margins compress sharply. We believe the U.S. economy will avoid recession but suffer a ~1%pt hit to economic growth. Here is how we got there:

1) **A lower effective tariff rate.** We expect the effective tariff rate to settle near 15%, not 25% (Figure 3). After the April 8th pause on reciprocal tariffs, most of the world is still subject to a 10%pt increase in tariff rates from the U.S., while China faces a 125%pt increase. We would not be surprised if tariff rates on China and others are negotiated lower in the coming months. However, even absent a deal, trade rerouting and reshoring would likely reduce U.S. imports from China by two-thirds and thus lessen the cost burden to the U.S. economy, albeit more gradually over the next 12 months (Figure 4)[1]. All told, through a combination of trade rerouting and negotiated deals, we estimate the effective tariff rate faced by the U.S. economy will be closer to 15%. Upside risks remain from impending sectoral tariffs[2] while duties could end up lower should more deals with trading partners materialize. The estimated range for the effective tariff rate underpinning our macroeconomic assumptions is 10-20%.
2) **Strong starting point and offsetting policies.** All-time high U.S. profit margins, strong economic momentum coming into Q2 and pending pro-growth policies offer a cushion for the U.S. economy to withstand the tariff cost. We see a slowdown in activity rather than a material layoff cycle and resulting recession. The implied tax increase of a 10%pt rise in the effective U.S. tariff rate is roughly equal to 1% of GDP, in line with our estimated growth drag in 2025. Whilst there are also indirect impacts to GDP through elevated uncertainty, the administration's expected pro-growth policies provide offsets, such as the reconciliation bill's associated fiscal stimulus and upcoming deregulatory initiatives.

Bottom line: We believe the U.S. economy will slow but avoid recession with an overall tariff rate eventually settling near 15%. A U.S. economy that avoids recession will be a positive for U.S. and global risk assets, in our view. We expect global equities to reach new highs over the next 12 months.

Figure 1: Large U.S. tax hikes
% of GDP

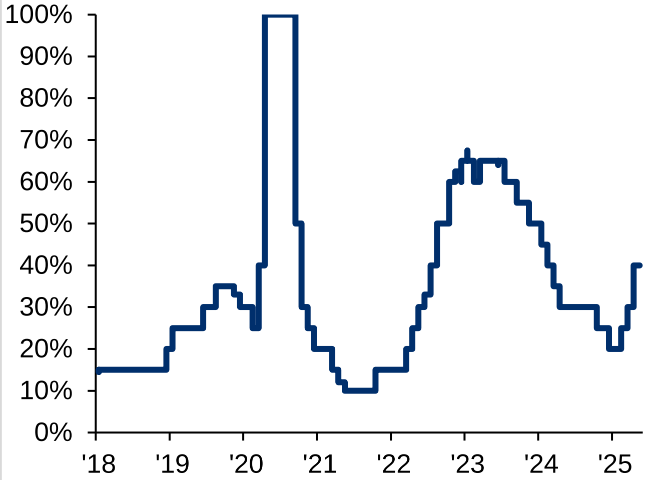


Note: +20%pt increase in the U.S. effective tariff rate is in line with estimated impact on 'Liberation day'. A 10%pt increase is in line with our current estimate. Only direct tax impact. Sources: JPM Economics; Tax Foundation. Data as of April 03, 2025.

[1] Only about ~1/3 of trade with China will be difficult to supply elsewhere given China makes up >70% of U.S. imports for those goods. The four largest goods categories with >70% import dependence are telephones, toys, electric accumulators and video games. Source: GS Investment Research; Trade Map. Published April 13, 2025.

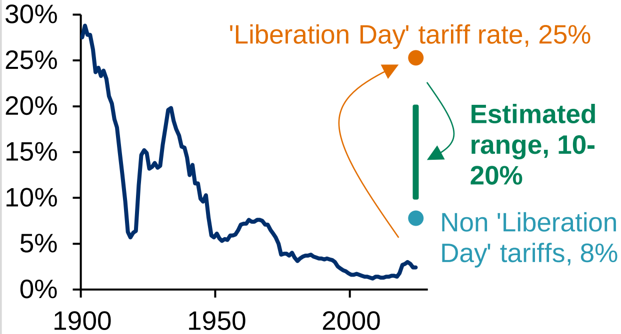
[2] Sectoral tariffs have ongoing section 232 investigations. They are across semiconductors, pharma, copper and lumber sectors. They are estimated to add an additional ~4%pt to the U.S. effective tariff rate. Source: JPMAM; Michael Cembalest. Data as of April 15, 2025.

Figure 2: Recession probabilities
Forecasted U.S. recession probability, next 12m, %



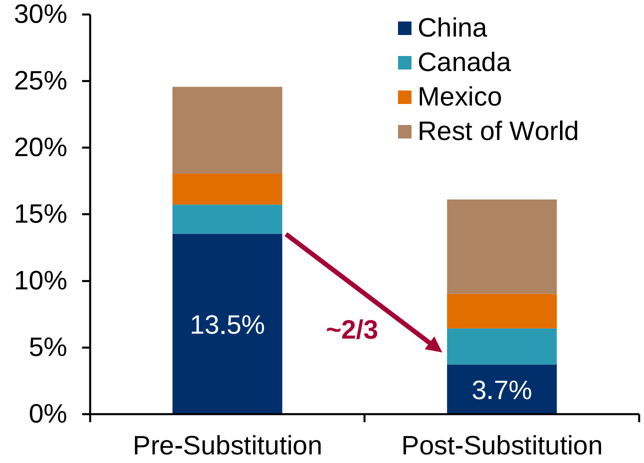
Note: Recession probability is median of Bloomberg economic forecasts. Source: Bloomberg Finance L.P. Data as of May 09, 2025.

Figure 3: Estimated tariff rate
U.S. effective tariff rate, %



Sources: Tax Foundation, JPM Global Economics, GS Global Investment Research, JPMAM, Michael Cembalest. Data as of April 15, 2025. Liberation Day tariff rate is as of April 2nd and does not include exclusions or substitution effects. The estimated tariff range adds a +10% tariff on most of the world; +125% on China, announced exclusions and a 70% substitution away from China, with +/- 5% to account for uncertainty. Non-liberation day tariffs include +25% global autos; +20% on China; +25% on Canada and Mexico non-USMCA; +25% steel and aluminum.

Figure 4: The impact of trade substitution
Estimated U.S. effective tariff rate, %



Source: Yale Budget Lab. Data as of April 09, 2025. Estimates a 100% increase on China rather than the 125% confirmed April 10th.

The U.S. economy is in a state of limbo at present; a slowdown is widely expected but realized economic activity remains resilient. Real personal consumption expenditures grew at an over 3% rate in the first quarter, yet consumer sentiment is near all-time lows (Figure 5).

Why it matters: U.S. economic policy uncertainty is the highest it has been since the inception of the index we track in 1985[3]. Given there is no historical precedent for this magnitude of tariff increase, uncertainty is likely to keep market volatility elevated as incoming data either confirm or assuage recession fears. Here is how we are tracking whether the economic outlook is evolving in line with our expectations – or not:

1) **Frontloading of imports should delay the ultimate economic fallout...** The deterioration over Q1 2025 of the U.S. trade balance (exports minus imports) was the largest in history (Figure 6). Tariff-related categories saw the largest surge in import demand; for example, the percentage of goods imports from pharmaceutical and medical products doubled from the prior quarter[4]. Such strong frontloading of imports is likely to delay some of the pass-through to prices required to erode consumer purchasing power and weigh on economic activity.

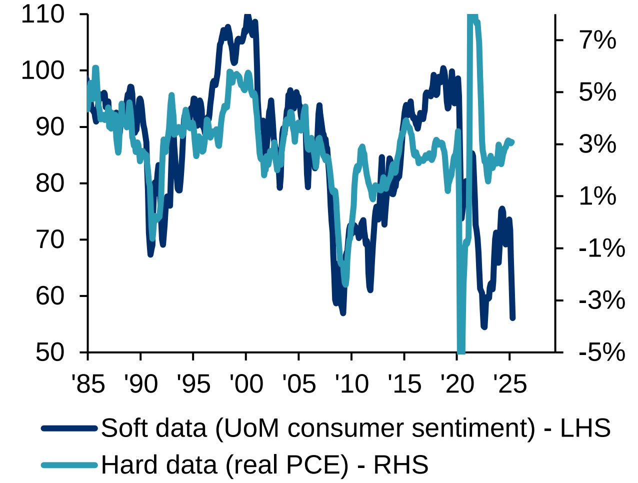
[3] Sources: Bloomberg Finance L.P.; Baker, Bloom and Davis. Data as of May 5, 2025.
[4] Source: Haver Analytics. Data as of March 31, 2025.

2) **…but shipping and customs data shows the impact on the global economy is underway.** The government has only just started to collect tariff-related duties in April. Given the ongoing safe harbor agreement[5] for liberation day tariffs for ships loaded prior to April 4th and arriving in the U.S. before May 27th , customs revenue and the associated economic impact is likely to be understated until at least the second half of May after Chinese ships finish their 4-to-6-week trip to the U.S. west coast. As such, customs duties only show a doubling of tariff rates from 2024 thus far, to ~5%[6], not yet the six-fold increase we ultimately expect (Figure 7). Still, U.S. port activity and ships departing from China to the U.S. are experiencing a steep decline since April, suggesting the eventual economic impact is on track (Figure 8).
3) **We expect more concrete signs of economic slowing in the second half of the year.** Higher frequency readings of economic activity and inflation show limited impact to the consumer so far (Figure 9). Analyst expectations for S&P 500 profit margins have begun to decline but remain in line with previous peaks, not notably pricing tariff impact yet (Figure 10). Given the factors above, we do not expect the first clear readings on the economic impact of tariff policy before June at the earliest.

Bottom line: We expect economic uncertainty to remain elevated as tariff expectations meet reality over the next couple of months. Favor structures, hedge funds, gold and core infrastructure to increase portfolio resilience and smooth volatility in uncertain times.

Figure 5: Divergence in hard and soft data

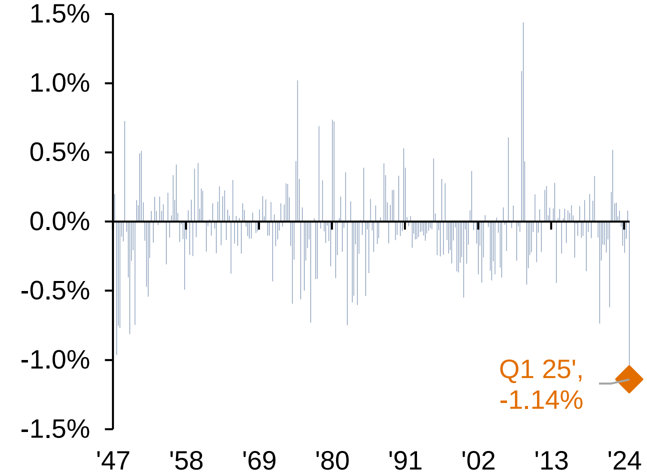
Consumer sentiment, 3m avg. | Real PCE, 3m avg., YoY, %



Sources: Haver Analytics; BEA; University of Michigan. Data as of April 30, 2025.

Figure 6: Larget quarterly decline in U.S. trade balance in post-war history

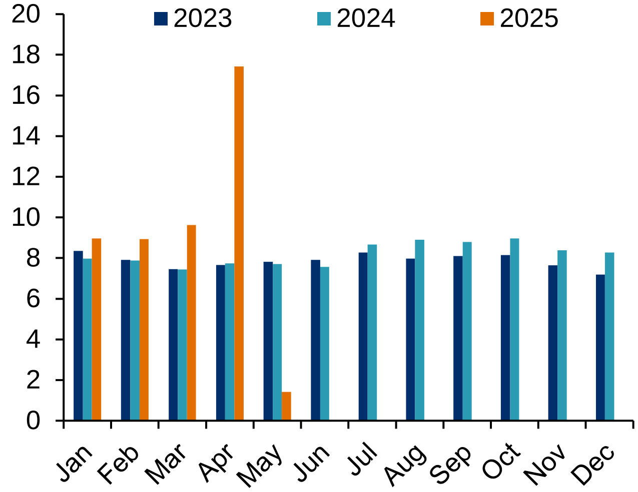
U.S. trade balance (exports - imports), quarterly change, % of GDP



Source: Haver Analytics. Data as of March 31, 2025.

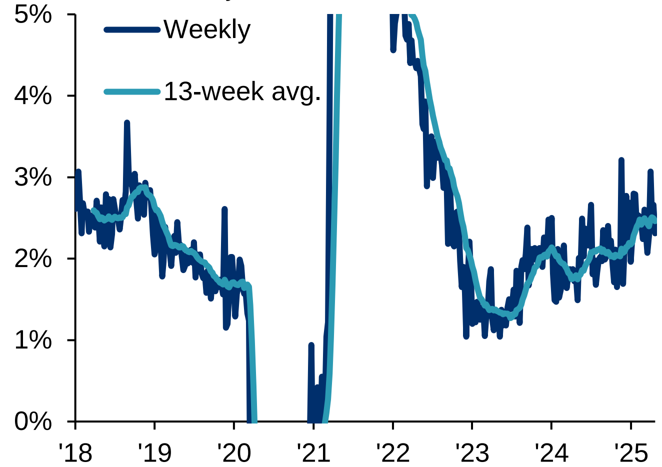
[5] Safe harbor agreement is for 'Liberation Day' (April 2nd) tariffs. It allows vessels which were loaded prior to April 4th to arrive in the U.S. by midnight May 26th and not pay the additional tariff rates. Source: Mayer Brown.
[6] Effective tariff rate in the U.S. was 2.4% in 2024; approximately 5.5% reflects the implied rate from the April YoY increase in customs revenue holding imports for 2024 constant.

Figure 7: Tariff collections doubled in April
Treasury deposits, customs and certain excise taxes, $Bn



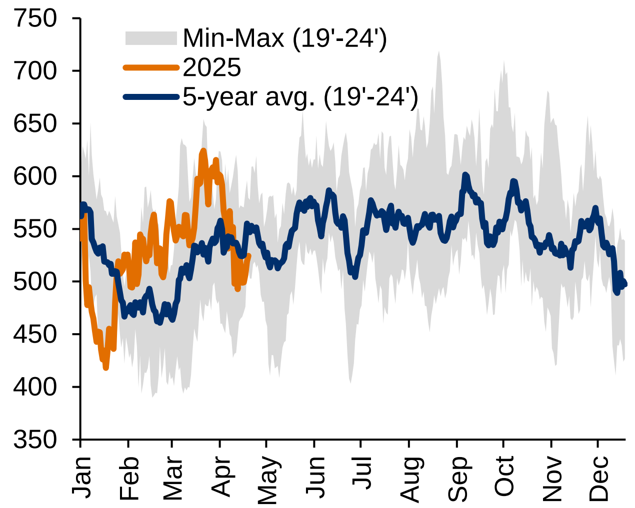
Sources: Haver Analytics; Daily Treasury Statement. Data as of May 07, 2025.

Figure 9: Weekly U.S. economic activity
Dallas Fed Weekly Economic Index, %



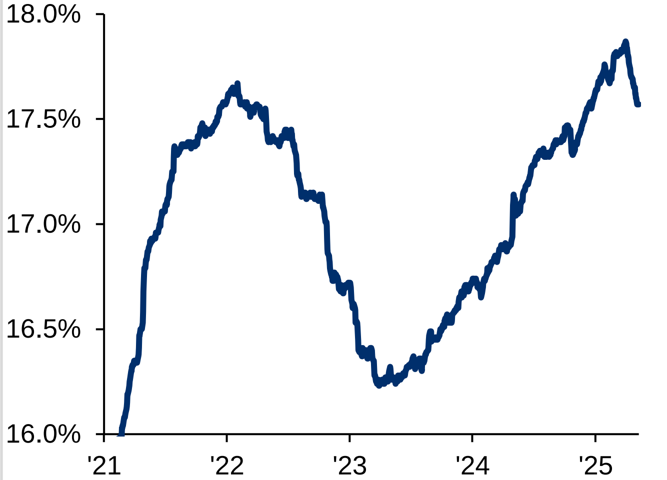
Note: Scaled to be comparable to GDP growth. 10 components with daily or weekly frequency across labor, consumer and production. Source: Bloomberg Finance L.P. Data as of May 03, 2025.

Figure 8: U.S. daily port activity
U.S. ship import volume, 14 day, 10,000 metric tonnes



Source: IMF Portwatch. Data as of May 2, 2025.

Figure 10: Forecasted U.S. profit margins
S&P500 12m forward consensus profit margin forecast, %



Note: Operating margin. Blended 12m forward. Source: Bloomberg Finance L.P. Data as of May 09, 2025.

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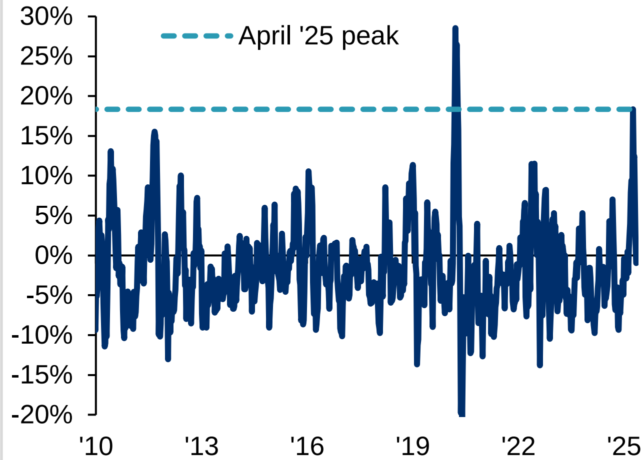
The U.S. aggregate bond index returned +2% year-to-date, outperforming the S&P 500 by over 500 basis points. At the peak of the market volatility in April, core U.S. fixed income delivered the largest outperformance over equities in a two-month period going back 15 years – aside from the COVID shock in March 2020 (Figure 11).

Why it matters: U.S. core fixed income offers an asymmetric return profile, in our view, and should continue to serve as a key source of diversification in portfolios in 2025. We see risks to the economic outlook tilted to the downside, and yet Treasury yields are above where we think they should trade under our base case assumptions (Figure 12). As a result, we think investors can expect the yield written on the tin – or better should a more material growth slowdown be realized. The building blocks of our fixed income view:

1) **A Fed on hold.** The Fed is likely to wait for concrete signs of economic weakness before cutting. Moving too early risks long-dated inflation expectations shifting higher and threatening progress already made toward the Fed's 2% inflation objective. Our aggregate measure of inflation expectations is already showing some slight upward pressure (Figure 13).
2) **Delayed but sharper cutting cycle.** Later in the year, as the unemployment rate rises toward 5%, we expect the Fed to take action. We pencil in 100bps of rate cuts over the next 12 months, to a terminal rate of 3.25-3.50%. The risk to this view is skewed to a more material growth slowdown where the unemployment rate rises toward 6%, which would see the Fed cutting closer to 2.0-2.5%.
3) **Focus on maturities that have the highest correlation to the Fed.** We recommend focusing core fixed income exposure in 5- to 7-year maturities – or shorter – as longer-dated tenors have exhibited less correlation with near-term economic fundamentals and Fed policy expectations (Figure 14). We expect 10-year yields in the U.S. will remain buoyant near 4.0% despite a weaker near-term growth outlook, as end-users demand more compensation to own long-duration Treasuries. We attribute this higher "term premium" to tariff-related macroeconomic uncertainty, a potential reduction in global investor allocations to U.S. assets and persistent U.S. fiscal deficits.
4) **Move up in credit quality.** We see the most attractive total returns in the fixed income space in investment grade credit, municipal bonds and corporate hybrids. We see each returning 5-7% over the next 12 months in our base case outlook (Figure 15).

Bottom line: Core fixed income continues to serve as a key source of diversification in portfolios in 2025. In the credit space, we prefer municipal bonds and investment grade names. In extended credit, focus on corporate hybrids and preferreds with defensive structures and a high probability of call.

Figure 11: Second largest bond outperformance in 15 years
Excess return of U.S. Agg relative to S&P 500, 2m rolling, %



Source: Bloomberg Finance L.P. Data as of May 09, 2025.

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

U.S. Macro Scenario	2Yr. Yield	5Yr. Yield	10Yr. Yield
Higher for Longer	4.00	4.20	4.45
Current market pricing	*3.85*	*3.95*	*4.35*
Base Case	3.50	3.80	4.10
Growth Downturn	2.70	2.95	3.30

Source: J.P. Morgan Wealth Management, Bloomberg Finance L.P. Data as of May 09, 2025.

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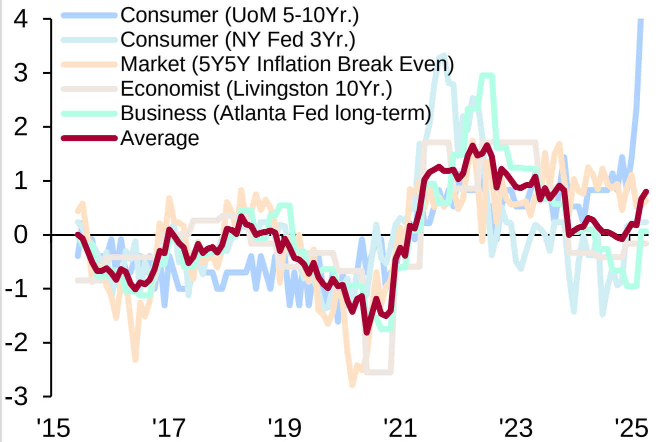
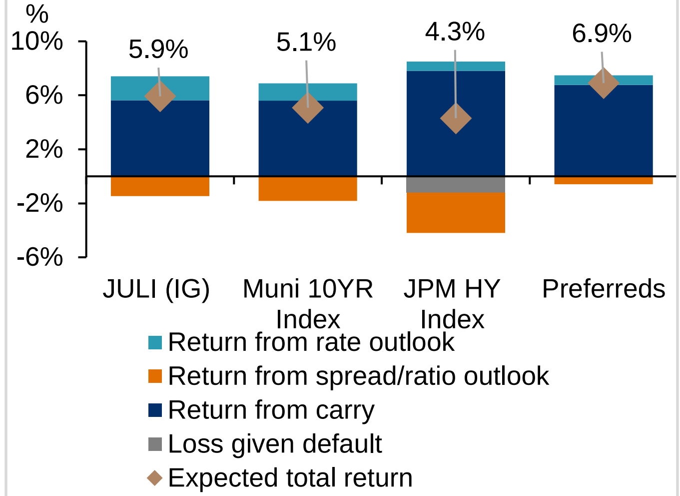
Figure 13: Aggregate measure of inflation expectations

Z-score



Note: Average is equally weighted across consumer, market, economist and business expectations. Sources: University of Michigan; Atlanta Fed; Philadelphia Fed; NY Fed; Bloomberg Finance L.P. Data as of April 30, 2025.

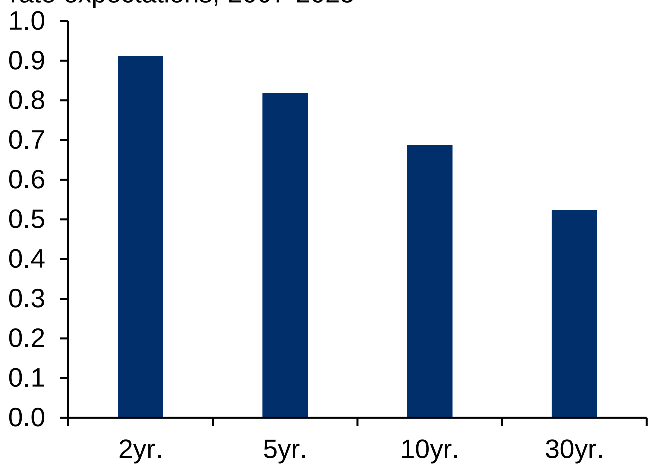
Figure 15: Fixed income 12-month total return expectations



Note: Municipal returns on a tax equivalent basis. Source: J.P. Morgan Wealth Management, Bloomberg Finance L.P. Data as of May 09, 2025.

Figure 14: Correlation of Treasury yields with Fed expectations declines with tenor

Correlation of various Treasury yields with Fed funds rate expectations, 2007-2025



Note: Market rate expectations uses 1y1m OIS forward swap. Source: Bloomberg Finance L.P. Data as of May 09, 2025.

The U.S. dollar just registered its second largest monthly decline in the past 15 years, and yet investors are still paying the highest premium to protect against further dollar weakness since 2009 (Figure 16).

Why it matters: The U.S. requires roughly $1 trillion in annual capital inflows to offset its current account deficit and prevent the U.S. dollar from weakening (Figure 17). That hasn't been an issue in recent years; just the opposite as persistent inflows have pushed the U.S. dollar to historically strong levels. But we now see elevated risks that the dollar finally unwinds its longstanding overvaluation as global investors rebalance their large USD overweights in the face of weaker U.S. growth and elevated policy uncertainty. Expectations for further U.S. dollar weakness does not mean a deterioration in the U.S. dollar's role at the center of the global financial system; that is not in question. Here is what our expectations for USD weakness are and are not:

1) **Cyclical convergence, yes**. The U.S. economy consistently outperformed its developed market peers during the post-GFC and post-COVID recoveries. In contrast, tariffs are expected to hit the U.S. economy harder than the rest of the world. Economists' U.S. growth expectations have been revised lower more than any other major region year-to-date (Figure 18). In our own outlook, we see the gap between U.S. and Eurozone growth narrowing to roughly 50bps, half the gap typically seen over the past 10 years.

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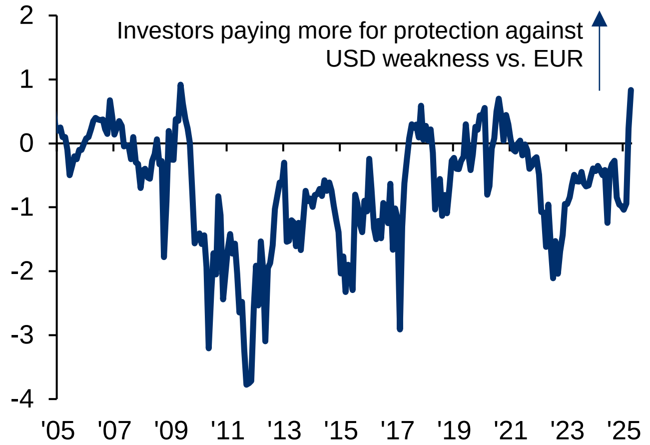
2) **Global asset re-allocation, yes.** With foreign ownership of U.S. assets roughly $26 trillion, even small shifts in portfolio allocations or currency-hedging decisions can create big waves.[7] Recent years of consistent U.S. dollar strength have seen foreign investors cut back on currency-hedging their U.S. exposures (Figure 19). With $16 trillion in foreign-held U.S. stocks[8], just a 1% change in hedging could indicatively lead to over $160 billion in U.S. dollar selling. An example of what can happen to currencies where institutional investors maintain a large overhang of unhedged USD asset positions: the normally placid Taiwan dollar appreciated nearly 8% in two trading days in early May as local exporters and life insurance companies rushed to convert or FX-hedge their large stock of USD holdings (Figure 20).
3) **Loss of reserve currency status, no.** We expect the U.S. dollar to continue dominating financial market activity because it's the only real option. No currency rivals its global role in reserves, trade settlement or financial infrastructure. It accounts for about 90% of FX transactions, 66% of international debt, 58% of foreign exchange reserves and 48% of SWIFT transactions. We do not see this changing (Figure 21).

Go deeper on USD exceptionalism and USD diversification here and here.

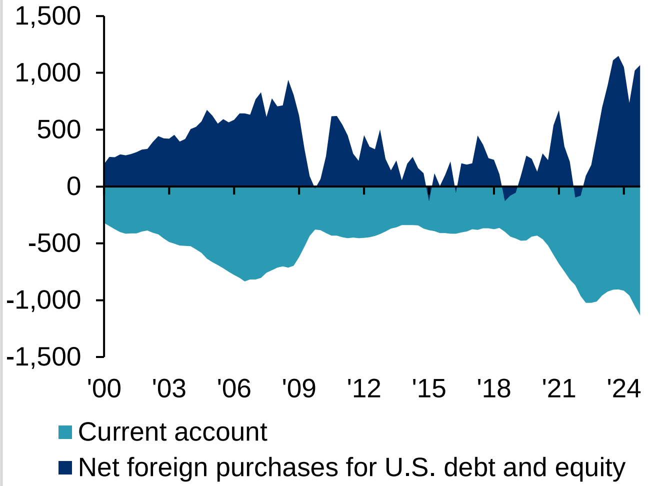
Bottom line: Our two preferred long-term valuation models—the dollar's real effective exchange rate versus long-term averages, and one based on purchasing power parity—both point to the USD being 10-20% overvalued vs. its major peers like the euro and Japanese yen. Our base case is that the dollar weakens 4-6% by the end of this year against major peers.

Figure 16: Investors paying more to protect against USD weakness
Difference in cost of a 3-month USD put vs. EUR and a 3-month USD call



Source: Bloomberg Finance L.P. Data as of April 30, 2025. Note: 25-delta options

Figure 17: The U.S. has financed its trade deficit with investment from abroad
$Bn, 1-year rolling



Sources: Exante Data; China Flow Analytics; CFETS; Thomson Retuers. Data as of December 31, 2024.

[7] Sources: Deutsche Bank; U.S. Department of the Treasury. Data as of June 30, 2024.
[8] Sources: Deutsche Bank; U.S. Department of the Treasury. Data as of June 30, 2024.

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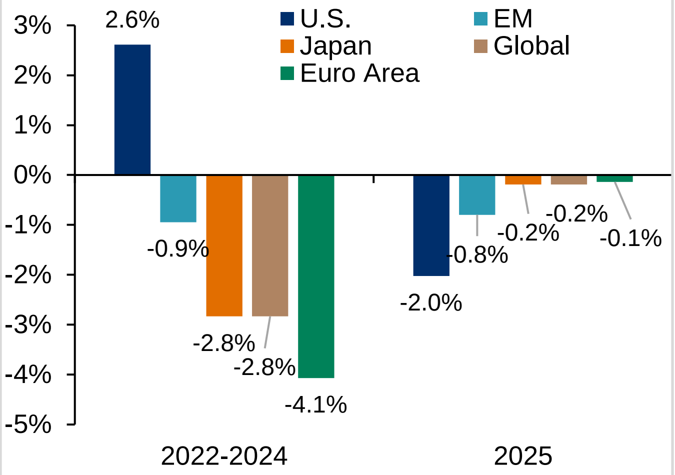
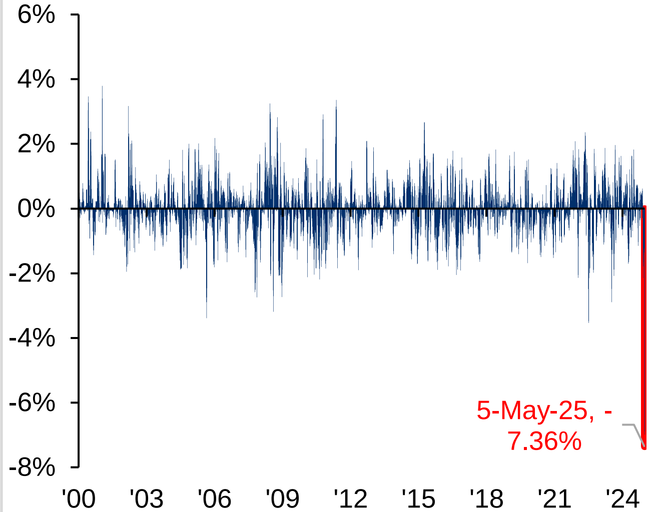
Figure 18: A reversal in growth expectations
Cumulative revisions to JPM growth forecast, %pt change



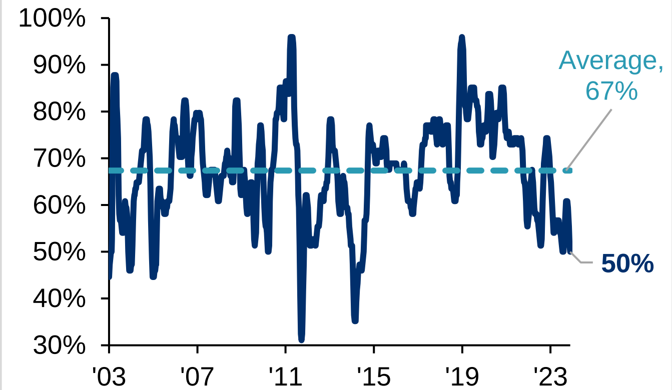
Note: J.P.Morgan revision indices. Source: Bloomberg Finance L.P. Data as of May 02, 2025.

Figure 20: Taiwan dollar appreciated as investors covered unhedged U.S. dollar assets
USDTWD weekly change, %



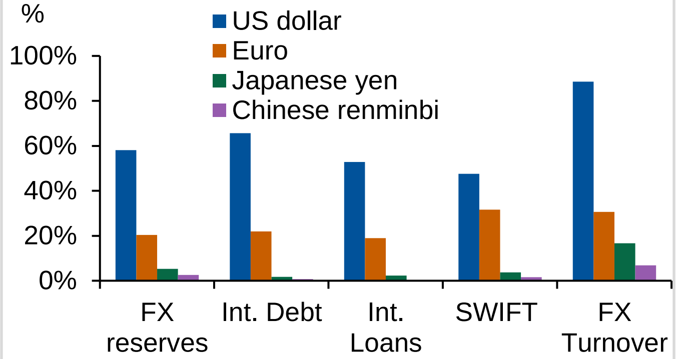
Source: Bloomberg Finance L.P. Data as of May 08, 2025.

Figure 19: European investors have been hedging less
U.S. equity hedged by EUR funds, % of portfolio



Note: Average hedge ratio for hedging funds only. Use monthly portfolio data from one of the world's largest custodian banks, with over $40 trillion assets under custody Sources: Harvard Business School; State Street Global Associates. 'How do Global Portfolio Investors Hedge Currency Risk?*. Published October 2024. Data as of December 2023.

Figure 21: U.S. dollars dominant use in global financial markets
%



Source: BIS, IMF, Society for Worldwide Interbank Financial Telecommunication (SWIFT) and ECB calculations. Data as of December 31, 2022. Notes: the latest data for foreign exchange reserves, international debt and international loans are for the fourth quarter of 2022. SWIFT data are for December 2022. Foreign exchange turnover data are as of April 2022. *Since transactions in foreign exchange markets always involve two currencies, shares add up to 200%.

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.

'What tariffs?' says the equity market. Global equity markets have rallied 14% since their April lows, erasing their drawdowns post 'Liberation Day' (Figure 22).

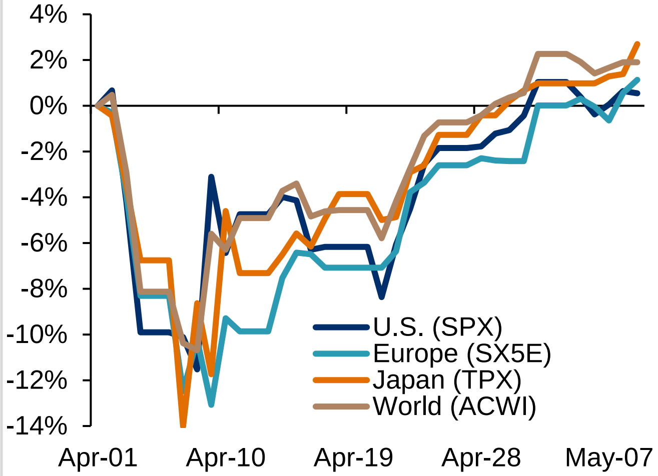
Why it matters: The rebound offers investors the opportunity to rebalance. We see high single to low double-digit total returns in the S&P 500 over the next 12 months, driven by earnings growth, particularly in the tech sector. But as the dust settles post 'Liberation Day', we believe investors should be diversifying internationally to close their ex-US developed market equity underweights. In particular, we see opportunity in Europe driven by a narrowing of valuation differences and a repatriation of asset flows from the U.S. Here is how we got there:

1) **U.S. Tech/AI dominance unchanged.** Post earnings, technology continues to outgrow the S&P 500; in fact 5 of the Magnificent 7 are expected to grow earnings more than 25% through to year-end 2026 (Figure 23). Internationally, high growth tech is still harder to come by; the S&P 500 has a 30% weight in the Information Technology sector, and if you include Amazon, Meta, Alphabet, and Tesla, this rises to 42% of the index. Compare this to MSCI EAFE (a developed non-US equity index) which has just an 8% weighting to Information Technology.[9]
2) **The Europe-U.S. valuation gap.** At 14.5x price-to-earnings ratio, Europe trades at a >30% discount to the U.S[10]. Even after accounting for the enhanced durability of the U.S. tech sector's earnings growth through a PEG ratio, the European equity market still trades ~15% cheap to the U.S., signifying a potential catch-up opportunity (Figure 24).
3) **Dollar declines historically catalyze international equities.** Since 1973, dollar declines have typically coincided with equities outside the U.S. outperforming the S&P 500 (Figure 25). European equity inflows year-to-date have already eclipsed 2024, supported further by a domestic growth story as defense and infrastructure spending upend years of austerity (Figure 26).

Bottom line: Our outlook for U.S. earnings growth is below consensus, though still points to mid-single digits in 2025, followed by ~11% in 2026, led by the tech sector. With slowing economic growth and the industrial/cyclical outperformance year-to-date, we prefer to access growth through technology, downgrading industrials. We see similar total return across the U.S. and Europe in local currency terms; our outlook is for the S&P 500 to reach 5,900-6,300 by mid-2026 and European equities to reach 5,400-6,000 over the same period. Though in our base case, we see currency movements adding roughly 5% to ex-US equity total returns for USD-based investors, and posing a similar headwind to international investors in the U.S.

Figure 22: The synchronised equity market rebound

Cumulative total return (local currency) since April 1st, %



Source: Bloomberg Finance L.P. Data as of May 09, 2025.

[9] Source: Bloomberg Finance L.P. Data as of April 30, 2025.

[10] Source: Bloomberg Finance L.P. Data as of May 8, 2025.

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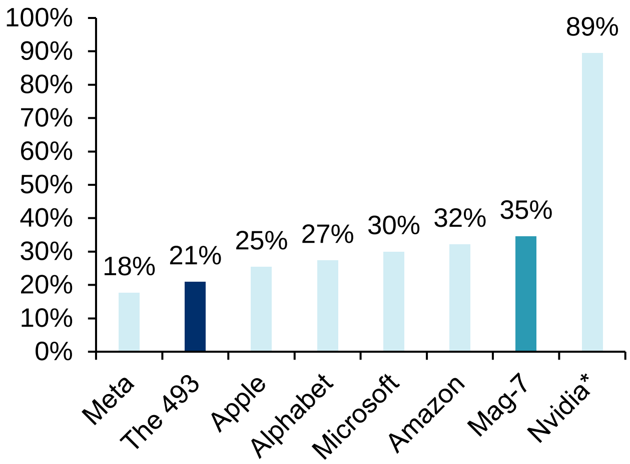
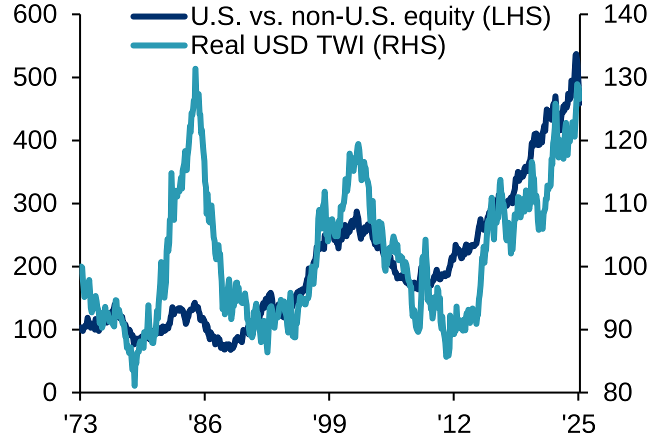
Figure 23: Mega cap technology continues to outgrow the S&P 500
Consensus EPS growth (through year-end '26), %



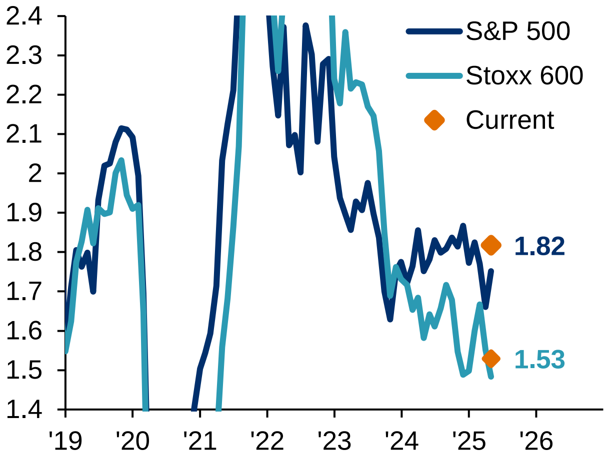
Source: Factset. Data as of May 7 2025. *Nvidia set to report May 28th.

Figure 25: International equity out/under performance historically correlated to the dollar
Excess return (U.S. vs. world ex-U.S), index (1973=100) Index, value



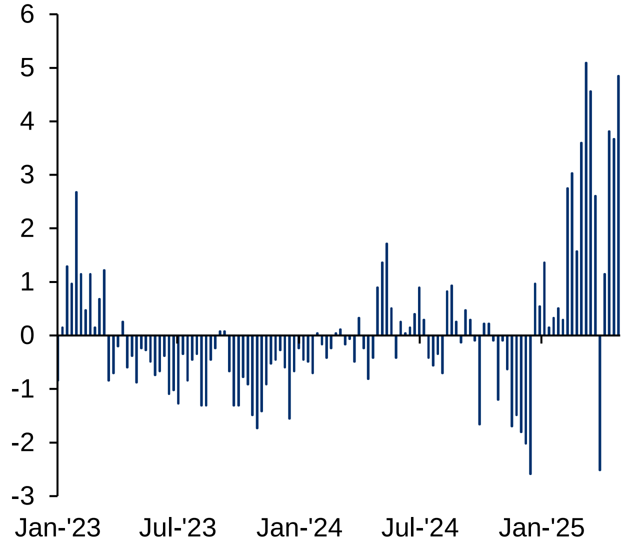
Note: U.S. uses S&P 500 and World ex- US uses MSCI World ex-US. Source: Bloomberg Finance L.P. Data as of April 30, 2025.

Figure 24: Even after accounting for the US's superior earnings growth Europe trades cheap
PEG Ratio (next 12m. P/E / EPS growth second 12m)



Note: Consensus analyst forecasts. Source: Bloomberg Finance L.P. Data as of May 13, 2025.

Figure 26: Strong inflows into European equities
Weekly flows into Euro area equity, $Bn



Source: Exante Data, EPFR. Data as of April 28, 2025.

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

Street Outlook Year-End 2025					
	Fed Funds Q4 '25	Real GDP Q4 '25	Core PCE Q4 '25	10Y Q4 '25	SPX $ YE 2025
JPM WM	4.00	0.75	3.30	4.10	5,950
JPM IB	3.75	0.20	4.00	3.65	5,200
Bank of America	4.50	1.00	3.60	4.50	5,600
Morgan Stanley	4.50	0.60	3.90	4.00	6,500
Goldman Sachs	3.75	0.50	3.50	4.00	5,500
Wells Fargo	3.25	0.10	3.30	3.75	-
UBS	3.50	-0.20	4.42	3.80	5,300
Average (ex-JPM WM)	3.88	0.37	3.79	3.95	5,620
FOMC	3.90	1.70	2.80	-	-

Sources: JPM; BoA; MS; GS; WF; UBS; Federal Reserve. Data as of May 8, 2025.

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2025 YEAR-END & MID-2026 OUTLOOK NUMBERS

May 2025

Macro^				
Inflation	**2025 YE**	Old 2025 YE	**2026 YE**	Old 2026 YE
U.S.	3.20-3.40%	~~2.40-2.60%~~	2.30-2.50%	~~2.10-2.30%~~
Eurozone	2.10-2.30%		1.80-2.00%	
China	0.50-0.70%		1.30-1.50%	
Real GDP Growth				
U.S.	0.50-1.00%	~~1.75%-2.25%~~	1.50-2.00%	~~1.75%-2.25%~~
Eurozone	0.00-0.50%	~~0.25-0.75%~~	1.00-1.50%	
China	4.05-4.55%	~~4.20-4.70%~~	4.20-4.70%	

Equities				
S&P 500	**2025 YE**	Old 2025 YE	**2026 Mid-Year**	Old 2026 Mid-Year
Price	5,700-6,200	~~6,150-6,250~~	5,900-6,300	
P/E forward multiple	20.75x	~~21x~~	20.5x	
Stoxx Europe 50				
Price	5,300-5,800	~~5,600-5,700~~	5,400-6,000	
P/E forward multiple	15x	~~14.5x~~	15x	
TOPIX				
Price	2650-2850	~~3,075-3,175~~	2750-2950	
P/E forward multiple	14x	~~15x~~	14x	
MSCI Asia ex-Japan				
Price	710-735	~~770-800~~	737-769	
P/E forward multiple	12.5	~~13x~~	12.5x	
MSCI China				
Price	65-71	~~73-77~~	68-74	
P/E forward multiple	10.1	~~11.5x~~	10.1x	

Currencies				
	2025 YE	Old 2025 YE	**2026 Mid-Year**	Old 2026 Mid-Year
U.S. Dollar Index (DXY)	96 (94-98)	~~102 (100 - 104)~~	95 (93-97)	
EUR/USD	1.18 (1.16-1.20)	~~1.10 (1.08 - 1.12)~~	1.20 (1.18-1.22)	
USD/JPY	139 (137-141)	~~144 (141 - 147)~~	135 (133-137)	
GBP/USD	1.35 (1.33 - 1.37)	~~1.30 (1.28 - 1.32)~~	1.36 (1.34 - 1.38)	
USD/CNY	7.35 (7.25 - 7.45)		7.35 (7.25 - 7.45)	

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

Rates & Credit Spreads				
U.S.	**2025 YE**	Old 2025 YE	**2026 Mid-Year**	Old 2026 Mid-Year
Eff. Fed Funds rate	3.75-4.00%		3.25-3.50%	
ON SOFR	3.83%		3.33%	
2-year UST	3.50%	~~3.95%~~	3.55%	
5-year UST	3.80%	~~4.15%~~	3.75%	
10-year UST	4.10%	~~4.45%~~	4.10%	
30-year UST	4.55%	~~4.70%~~	4.55%	
2s/10s spread	0.60%	~~0.50%~~	0.55%	
JPM U.S. Investment Grade	150	~~135~~	135	
JPM U.S. High Yield	550	~~425~~	475	
Europe	**2025 YE**	Old 2025 YE	**2026 Mid-Year**	Old 2026 Mid-Year
ECB deposit rate	1.75%	~~2.00%~~	1.50%	
5-year German Yield	2.10%	~~2.45%~~	2.05%	
10-year German Yield	2.40%	~~2.70%~~	2.35%	
BoE Bank Rate	3.50%	~~3.75%~~	3.00%	
10-year UK Gilt	4.25%		4.15%	
EUR IG	150	~~115~~	125	
EUR HY	450	~~350~~	375	
EM	**2025 YE**	Old 2025 YE	**2026 Mid-Year**	Old 2026 Mid-Year
EM Sovereign Index (EMBI)	450	~~350~~	375	
EM Corporate Index (CEMBI)	350	~~250~~	275	
JPM Asia IG (JACI IG)	150	~~95~~	125	
JPM Asia HY (JACI HY)	750	~~675~~	700	

Commodities				
	2025 YE	Old 2025 YE	**2026 Mid-Year**	Old 2026 Mid-Year
Gold ($ / oz)	$3,600-$3,700	~~$3,400-$3,500~~	$4,050-$4,150	
Brent ($ / barrel)	$63-$68		$55-$60	
Commodity Index (BCOM)	107-108	~~105-107~~	110-112	
Natural gas ($/MMBtu)	$4.75-$5.75		$3.75-$4.75	

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

Indices are not investment products and may not be considered for investments.

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MACRO VIEWS

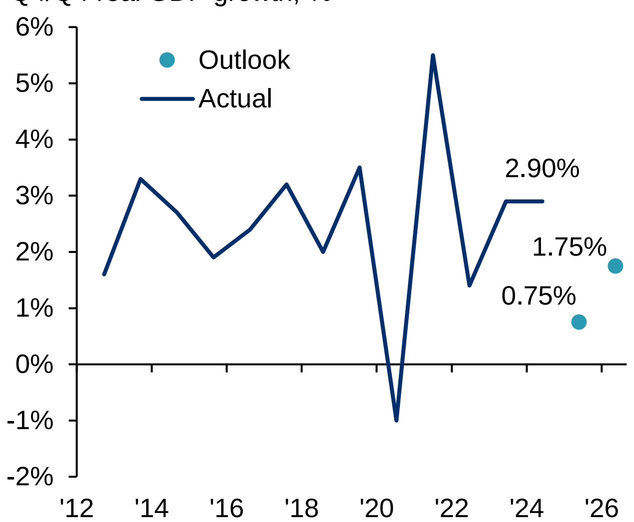
U.S. Growth

The U.S. growth outlook continues to be in limbo. Soft data is weak, even recessionary, but the hard data is still showing resilience. The week of April 28 was important when it comes to the hard data, during which both Q1 GDP and the April jobs report were released. Both showed steady momentum in economic activity: private final domestic demand grew at a solid 3% annualized pace in Q1, and the April jobs report came in stronger than expected with 177k jobs created. However, both came with caveats: front loading of goods spending ahead of tariffs helped boost domestic demand, and hiring in transportation and warehousing played an important role in the jobs growth (adding 30k jobs). Plus, government payrolls aren't fully reflecting the totality of federal workers furloughed by DOGE. Nevertheless, caveats withstanding, the hard data is saying the US economy hasn't weakened much through April. But macro uncertainty remains very high, and the impact of tariffs on growth is slated to ramp up in May and June. We remain of the view that investors should expect U.S. growth to slow materially this year, but that recession will likely be avoided. One less discussed point on the 'recession or not' question is the fiscal and tax package making its way through the budget reconciliation process. By our estimates, this bill is likely to offset about 1/3rd or slightly more of the growth drag from tariffs.

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

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

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



Sources: Haver Analytics, Bureau of Economic Analysis. Data as of May 7, 2025.

U.S. Inflation

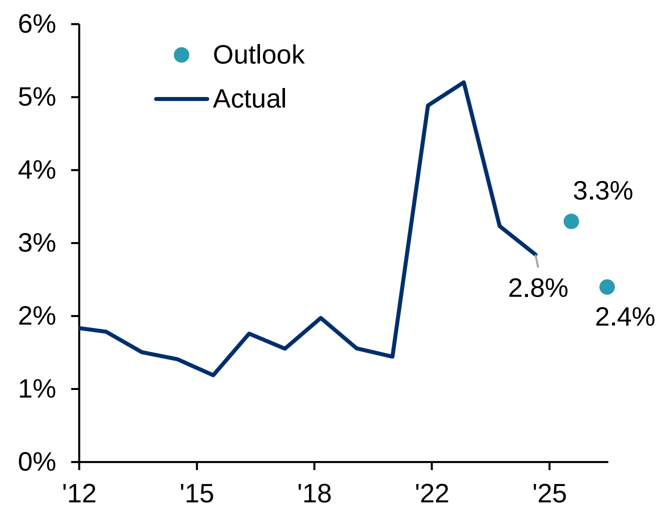
The U.S. inflation outlook is also in limbo. Recent actualized inflation been softer than expected: March core PCE inflation was flat MoM, and YoY it fell from 3% to 2.65%. Furthermore, we are tracking daily inflation data from PriceStats, and we are not yet seeing any material pickup in inflation from tariffs. At the start of this year, PriceStats data showed 2.2% YoY inflation, and as of May 4th the same metric was 1.75%. Finally, oil prices have fallen materially in recent months, which is also injecting a disinflationary impulse.

That all said, consumers, businesses and economists continue to expect a material tariff-driven rise in inflation over the next year. This expected rise is evident in a variety of survey data and in forecasts made by Street economists. It is surprising that tariffs haven't yet led to a visible rise in inflation, but it can probably be chalked up to two mains factors. First, corporate profit margins are materially higher than they were back in 2018/2019, when the first Trump tariff war began. Across manufacturing, wholesale and retail trade, margins today are almost 2x what they were at the start of 2018. Second, due to legalities such as "safe harbor", actual paid tariff rates haven't jumped significantly yet. We estimate that while the effective U.S. tariff rate is slated to eventually rise to ~15%, so far it has only risen from 2.5% to 5%.

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

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

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



Sources: Haver Analytics, Bureau of Economic Analysis. Data as of May 9, 2025.

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Eurozone Growth

Europe is navigating rapidly shifting cross-currents.

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

That said, downside risks have grown in the near-term, with drags from more aggressive U.S. trade policy at the forefront.

Relative to our previous outlook, we revise our growth expectations for 2025 25bps lower (to 0.00-0.50% YoY) but leave our more optimistic medium-term outlook for 2026 unchanged (at 1.0-1.5% YoY).

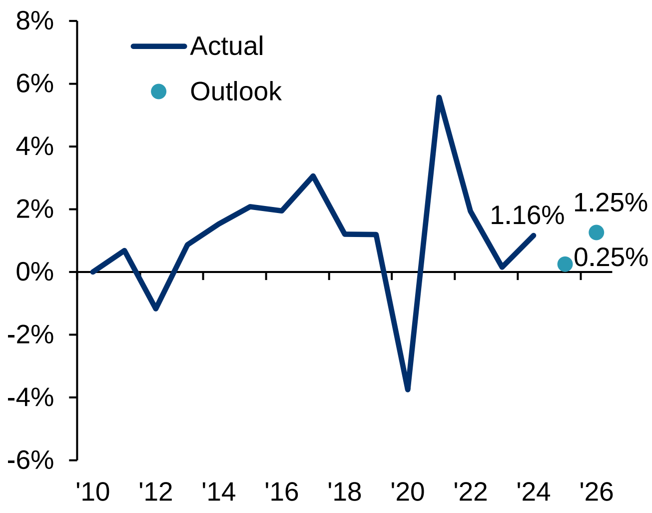
The UK is meanwhile navigating a more challenging fiscal backdrop, which required spending cuts at the Spring Budget. That keeps us cautious on the growth outlook.

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

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

1.00-1.50% (Q4 YoY) in 2026

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



Sources: Haver Analytics, Statistical Office of European Communities. Data as of May 9, 2025.

Eurozone Inflation

The latest data signaled that disinflation is ongoing. Core price pressures, excluding energy prices and a key focus for the ECB, have been modest this year. From here, ongoing cooling in wage growth should spur further progress: The ECB's updated wage tracker continues to be consistent with a sharp slowdown this year.

When it comes to risks, stronger demand as a result of Germany's fiscal package could place some moderate upward pressure on inflation, but we do not think that derails the overall disinflationary path. On the downside, trade policy is key to monitor. U.S. tariffs on EU goods could cause short-term price hikes, but result in even greater disinflationary pressures over the medium-term.

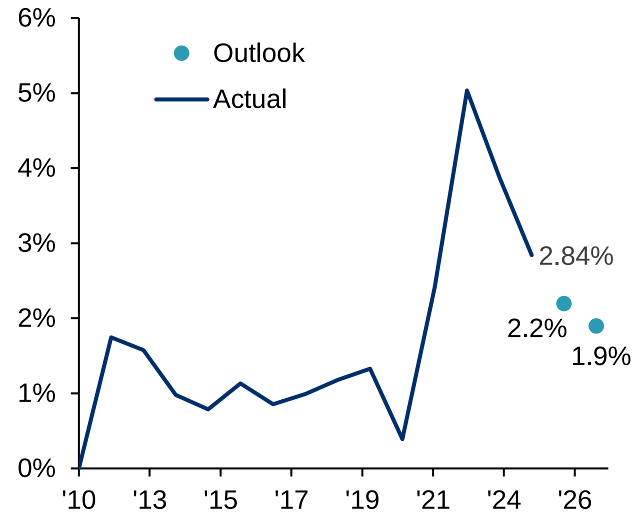
In the UK, inflation remains high but is edging closer to the BoE's target. Despite the progress, services prices remain sticky. April's annual price resetting by firms is key to watch.

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

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

1.80-2.00% (Q4 YoY) in 2026

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



Sources: Haver Analytics, Statistical Office of European Communities. Data as of May 9, 2025.

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China Growth

China's Q1 growth momentum softened somewhat after the Q4 bounce. Although headline real GDP growth of 5.4% in 1Q25 was flat from 4Q24, services and property slowed down in sequential terms. Industrial activity continues to drive growth on the back of strong exports (see chart), primarily due to export front loading. This growth composition continues to look vulnerable to the coming trade shock. April PMI data gives us the first indication of the tariff impact -- manufacturing activity fell into contraction and services slowed, even with government support for infrastructure investment. Weaker domestic demand reflects the authorities' failure to build on the policy pivot with additional support from monetary or property policy in Q1. Consumer confidence continues to remain weak and uncertainty around the impact of higher tariffs has weighed on the labor market.

As the impact of higher tariffs is beginning to bite, authorities announced a broad set of easing measures in early May. The PBOC announced a 10bp policy rate cut, a 50bp RRR cut, and more relending to support both the real economy and capital markets. However, the relatively small policy rate cut indicates a measured and reactive easing approach. Fiscal policy will be the primary tool to offset the growth drag from US tariffs, however they have held back on further easing. With talks kicking off between US and China, authorities are watching the prospect of a partial rollback of tariffs which in turn could reduce the need for a larger fiscal package. There are reports that US tariffs could be rolled back from 145% to 50-54%, which may be a moot point by time of publication. While such a move would be significant, tariffs at that rate are still punishing.

The PBOC is likely to further cut policy rates by another 20-30bps in the remainder of 2025. Meanwhile, if tariffs remain high the government needs to roll out additional broad fiscal stimulus of 1.5-2% of GDP. New fiscal stimulus may not come out immediately, but likely around end-Q2 or early Q3 after China accelerates the planned budget spending and assesses the actual impact of the tariff shock in the coming 2-3 months.

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

Our view: 4.05-4.55% in 2025 (Q4/Q4), 4.20-4.70% in 2026

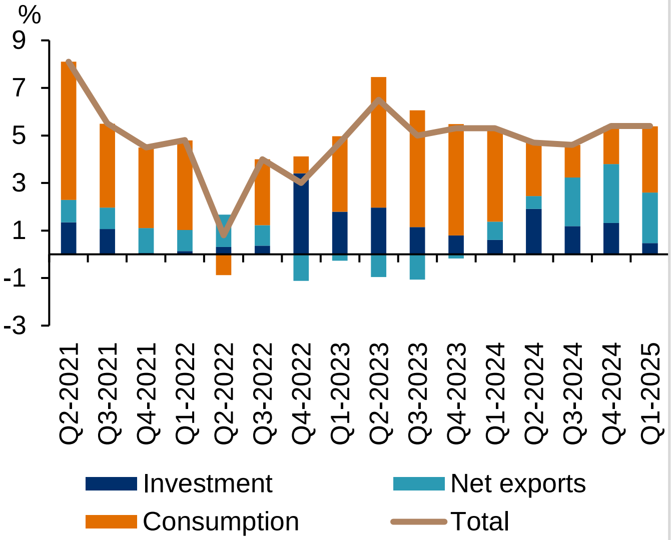
China Inflation

China's March inflation data came in on the soft side, suggesting ongoing weakness in general pricing environment. Headline CPI fell 0.1% y/y in March compared to the fall at 0.7% y/y in February. Putting the first three months together, headline CPI fell 0.1% y/y. Looking ahead, escalating US tariffs will pose a significant drag on China's export sector, worsen the supply-demand imbalance in the Chinese economy, and intensify domestic deflation pressure. We see downside risks to our full year inflation forecast. The full-year 2025 GDP deflator will also likely be stuck in negative territory.

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

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

Quarterly contribution to y/y % growth by component



Source: Haver Analytics. Data as of Q1, 2025.

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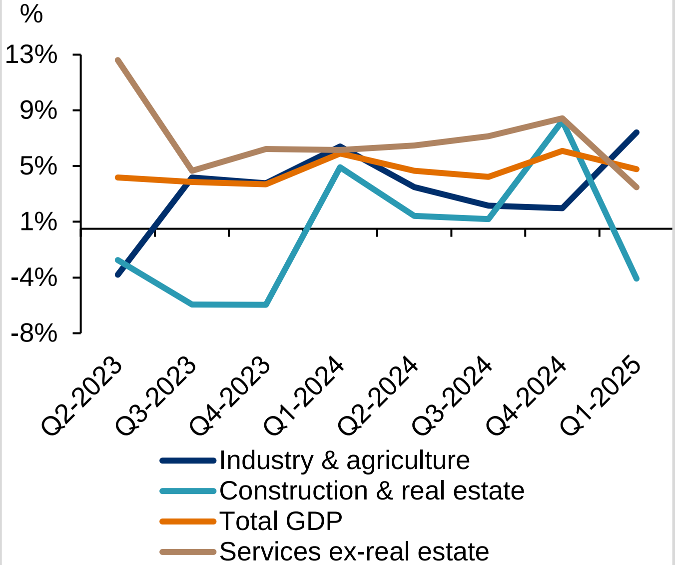
Q/Q annualized growth by sector in nominal GDP



Source: Haver Analytics. Data as of Q1, 2025.

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EQUITY VIEWS

U.S. Equities

Good earnings to start the year. With most S&P 500 firms having reported including 13 of the top 15 market cap stocks, Q1 2025 earnings growth has surprised to the upside. The negative revisions we highlighted last month were contained to specific consumer-facing segments, while Tech-related and banks starred to the upside. The uncertainty hanging over investors regarding trade, has not seeped into reported results yet. Given the 90-day extension, most firms professed conservativism while only the minority lowered their views. All in, Q1 EPS growth will likely end at 12-13% while calendar year estimates are slowly dipping to reflect some, but not all, impact from trade.

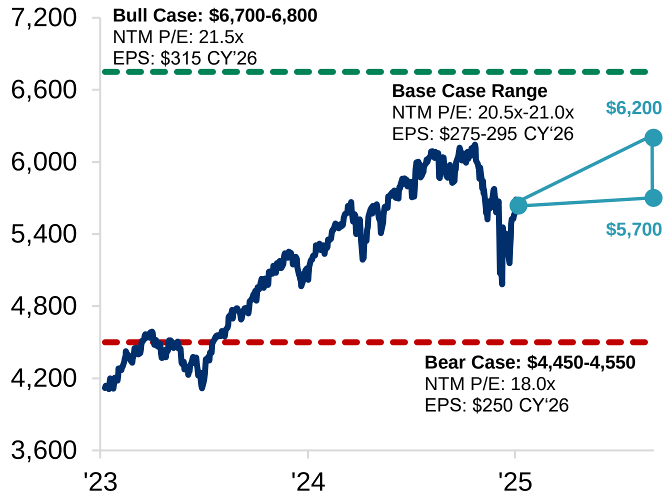
Uncertain future. We are anticipating many potential outcomes from the ongoing trade negotiations. Some impacts are direct and some secondary. Our range of outcomes are wider than normal with an end of year target of $5,700 to $6,200. Our base case, non-recessionary EPS growth rates this year are +2% to +9% and up 10-12% in 2026. As we initiate our 1-year target range of $5,900-$6,300, we again keep a broader-than-normal range until the short-term uncertainties subside and establish a firmer starting point. The range of outcomes is greater for small caps, which we deprioritize. Regardless, we believe America's best companies are much more flexible and resilient than many realize and Q1 results from Tech only give us more confidence of a positive long-term result. This resilience should help the S&P 500 reach new highs over the next year.

Where to invest? We recommend 3 S&P 500 sectors after removing Industrials post YTD outperformance that has led to lofty valuations at the sector level. Many are surprised that Utilities are the top performing sector of the S&P 500, but we expect further gains due to rising growth rates, low cyclicality, high yields, and still modest relative valuations. While Financials have performed well, we see earnings momentum and revisions as favorable, especially for the banks. Recent stock price gains were meaningful for the Technology sector, but the software segment remains in an enviable position to benefit from AI without a direct overhang from tariff negotiations.

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

Our S&P 500 outlook ranges from $5,700-$6,200 by YE 2025

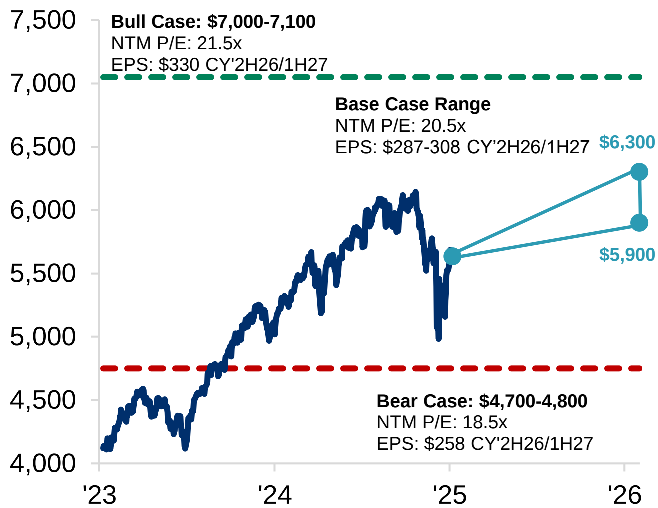
S&P 500 vs JPM WM Solutions Base, Bull and Bear



Source: Bloomberg Finance L.P., JPM WM Solutions. Data as of May 07, 2025.

Our S&P 500 outlook ranges from $5,900-$6,300 by mid-year 2026

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



Source: Bloomberg Finance L.P., JPM WM Solutions. Data as of May 07, 2025.

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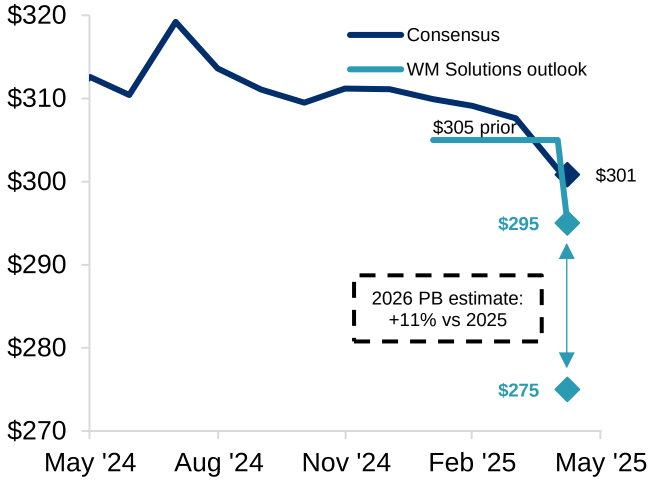
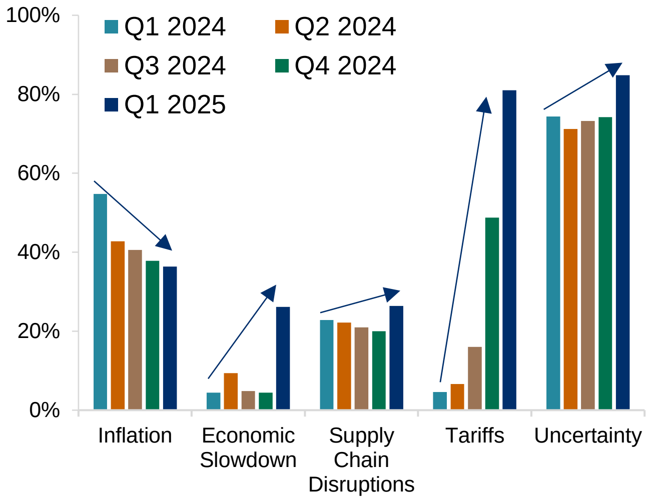
We are below consensus for 2026 earnings
S&P 500 CY 2026 EPS



Source: FactSet, J.P. Morgan WM Solutions. Data as of May 07, 2025. Note: Our estimates for 2026 EPS indicate an 11% growth, reflecting both the high and low range, compared to our 2025 EPS estimates.

Tariffs are a new issue causing concern
% of S&P 500 companies mentioning key terms on quarterly earnings calls



Sources: Bloomberg Finance L.P., FactSet, J.P. Morgan WM Solutions. Data as of May 07, 2025.

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Europe Equities

We are further upgrading European equities this month. We believe that European equities are attractive for a number of reasons. We are observing an improving domestic story, which is quite encouraging after the last couple of years when Europe has been relying on either China stimulus or a strong US economy. The German 500 billion euro stimulus over the next 12 years is significant when compared to the size of the German economy, which had a GDP of approximately 4 trillion euros in 2024. European defence spending is also expected to continue to rise, addressing years of underspending. The European market is important for the Euro Stoxx 50 as European companies have 43% exposure to the European market. European equities can also benefit from a potential repatriation of flows and diversification from USD holdings. While a strong Euro is a negative for some exporters, a strong domestic currency usually means stronger domestic growth and improved sentiment in the region. Europe is also starting to address some of its longstanding issues. For example, European banks are in a much better position now than in the past: asset quality has improved, non-performing loans have decreased, return on tangible equity is expected to be structurally higher, and European banks are better capitalized than before.

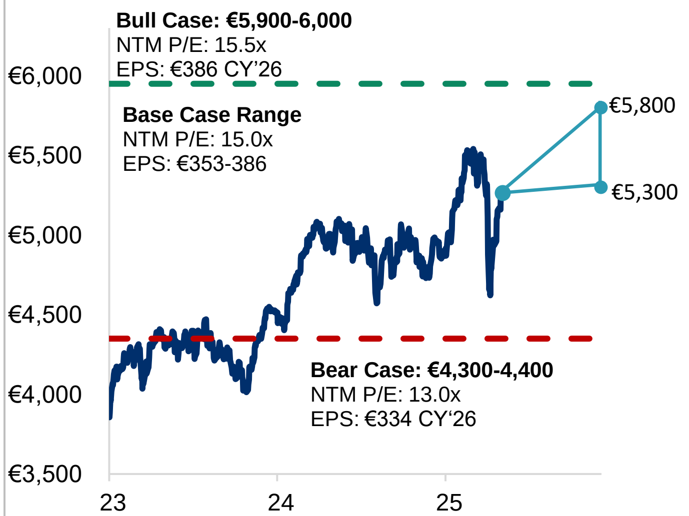
Our year-end 2025 and mid-2026 targets are a bit wider than usual, as we price in tariff uncertainty and higher FX risk. In our base case, the year-end target is in the range of 5,300-5,800 euros. The new mid-2026 Euro Stoxx 50 target is 5,400-6,000 euros. We believe investing in European equities can yield up to a double-digit total return within the next year (plus additional return for USD-based investors given our view that the Euro will continue appreciating). Our base case assumes tariffs settling between 10-20%. In our base case, we expect 2025 earnings to be in the range of -4% to 3% to account for tariff risk and a weak dollar that is impacting European exporters. Excluding FX impact, organic growth could have been higher this year. We expect a recovery in 2026 with 6-8% earnings growth followed by another strong year in 2027 with 5-6% earnings growth. This earnings season, we also saw how different companies are addressing tariffs by either increasing prices or reorienting supply chains. Importantly, we think European valuation can stay higher at 15x next 12 months' price-to-earnings ratio versus the long-term average of 14x, given all the tailwinds the European market is facing.

We have been adding more ideas to the recommended list recently, with a focus on domestically oriented companies that are more insulated from tariffs, have less FX risk, and are more exposed to the improving domestic story. This is a slightly different narrative compared to the last few years, where European multinational companies were more preferred. Domestically oriented companies can be found in the financial, industrials, materials, and utilities sectors. We continue to believe European Industrials in particular are well-placed given the secular themes. European defense spending should continue to rise, addressing years of underspending. The German infrastructure stimulus adds another positive driver for the sector. Other reasons to be positive on Industrials include their exposure to electrification and data center spending.

Our view: Base case €5,300-5,800 by end 2025, bull case €5,900-6,000, and bear case €4,300-4,400.

Base case €5,400-6,000 by mid-2026, bull case €6,150-6,250, and bear case €4,550-4,650.

We see the Euro Stoxx 50 reaching €5,300-5,800 by YE-2025
Euro Stoxx 50 vs JPM WM Solutions Base, Bull and Bear cases



Source: Bloomberg Finance L.P., J.P. Morgan WM Solutions. Data as of May 08, 2025.

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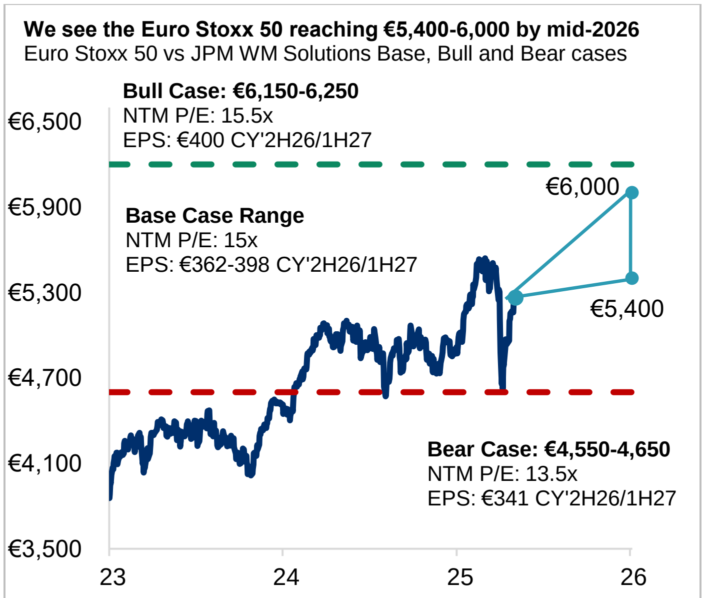
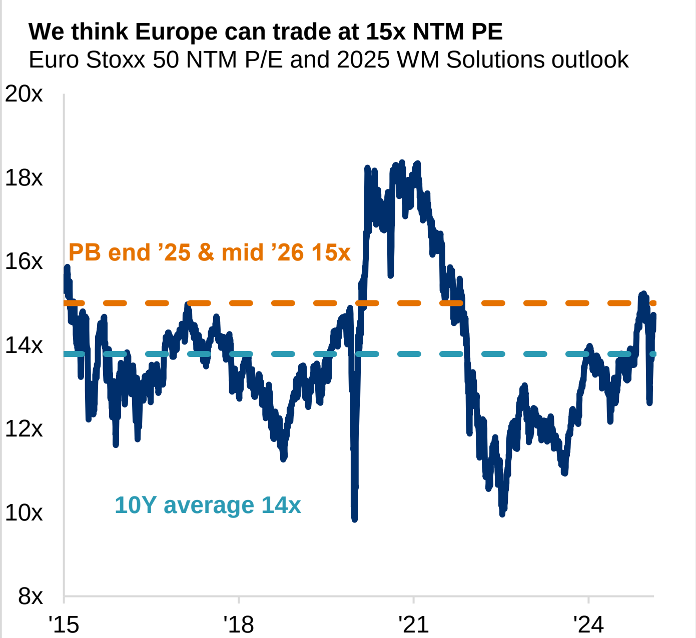


Source: Bloomberg Finance L.P., J.P. Morgan WM Solutions. Data as of May 08. 2025.



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Asia Equities

While there are significant product-specific exemptions, China is facing an exceptionally high headline tariff rate at 145% that will have a large negative impact on economic growth. Even if negotiations take place to lower the level, tariffs seem likely to be remain meaningfully higher than pre 2 April. Related to Chinese equities, US export exposure is very limited at just 2-3% of revenues, but the indirect impact from any rise in unemployment and corresponding slowdown in consumption will be a negative. Government stimulus is expected to offset some of these headwinds, but is likely to be reactionary. Any move to weaken the Renminbi to help exporters will also negatively impact Offshore Chinese equities via currency translation. **These risks keep us neutral towards Chinese equities.** Select exposures towards blue chip technology leaders remains preferred over the broader market.

Japanese equities continue to be a preferred market in the region. Valuation remains inexpensive relative to history and other developed markets, and somewhat reflects the negative impact of a weaker USDJPY on earnings, tariff-induced global macro concerns, and the impact on exports. With equity returns in USD terms now matching that of the S&P 500 over the last 12 months, currency diversification could further drive inflows from foreigners where ownership remains low. Japan is also likely to be amongst the first countries to reach a trade deal with the US. Corporate governance reform continues to accelerate with share buybacks up 85% for the fiscal year ended March 2025, and a significant tripling of buybacks year-on-year in April 2025, even after the US tariff announcements. There has also been a meaningful acceleration in the number of corporate actions announced by large cap Japanese companies to unlock shareholder value. These moves would have been unfathomable just twelve months prior.

Relative to the region, Indian equities benefit from limited export exposure, supply chain diversification, increasing domestic policy support, and USD weakness. The Reserve Bank of India is firmly in easing mode with consecutive interest rate cuts and loosening of macro-prudential rules to increase liquidity, and fiscal income tax cuts for the middle class should start to support consumption. Having declined for 8 consecutive months, earnings estimates finally seem reasonable. While valuations are slightly above five-year averages, this is reasonable given earnings are likely near a trough**. Small dips in MSCI India at 2,700-2,750 present buying opportunities.**

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

Our view:

MSCI AxJ: YE 2025: 710-735 / June 2026: 737-769 (P/E 12.5x)

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

MSCI China: YE 2025: 65-71 / June 2026 68-74 (P/E 10.1x)

CSI 300: YE 2025: 3,625-3,825 / June 2026: 3,780-4,025 (P/E 12x)

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

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

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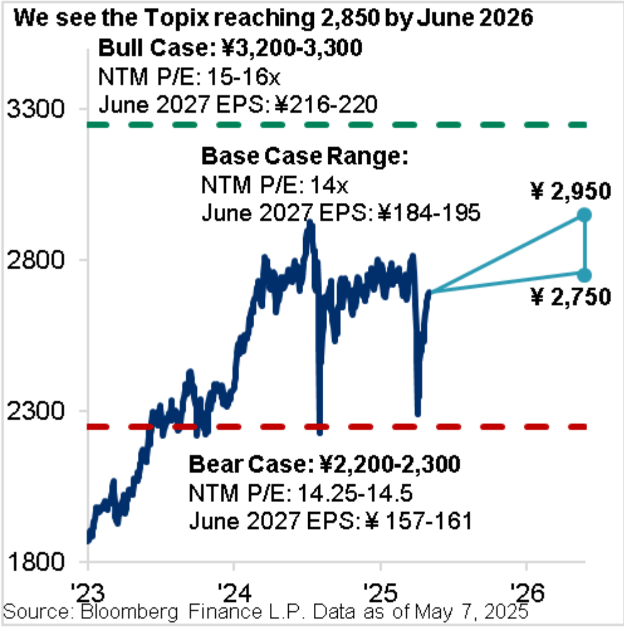

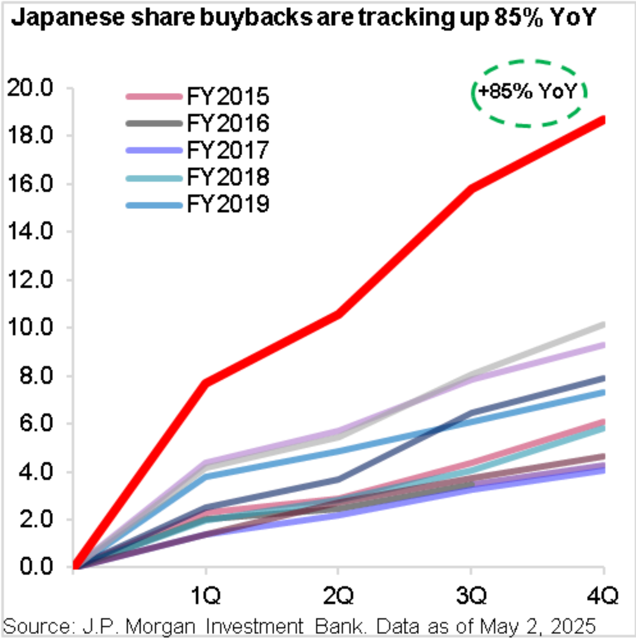

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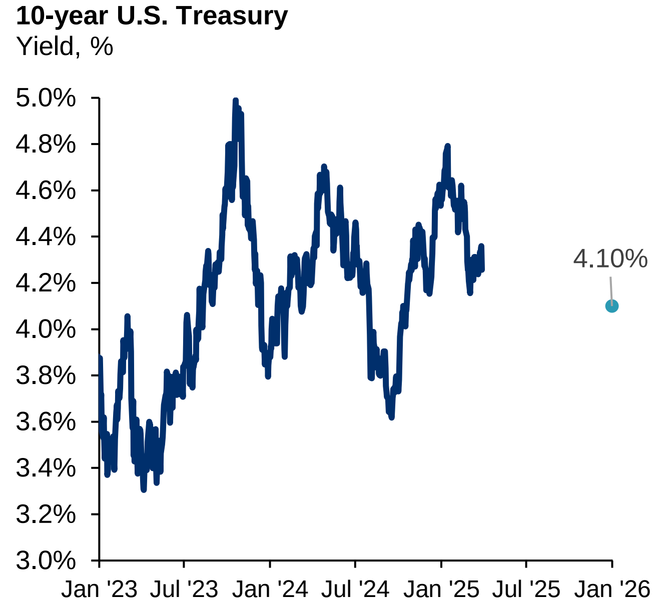
RATES VIEWS

U.S. Rates

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

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

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



Source: Bloomberg Finance L.P. Data as of May 09, 2025.

Europe Rates

With inflationary pressures abating, and growth pressures mounting in the near-term from U.S. trade policy, we see the ECB cutting below "neutral" over the next 12 months. Ij the wake of April 2nd, we lower our year-end outlook for the deposit rate to 1.75% and ultimate terminal rate expectation to 1.5%.

Given a more accommodative path of policy rates and downside growth risks in 2025, we lower our outlook for the 10-year German bund yield to 2.40% (from 2.70%). We still expect the yield curve to be relatively steep as Germany will need to issue more than twice as much federal debt in '25-'26 than previously expected given its announced fiscal package. While this will likely start with short-term T-bills, it still means higher yields. Investors are already demanding a higher "term premium" for holding longer-term bonds.

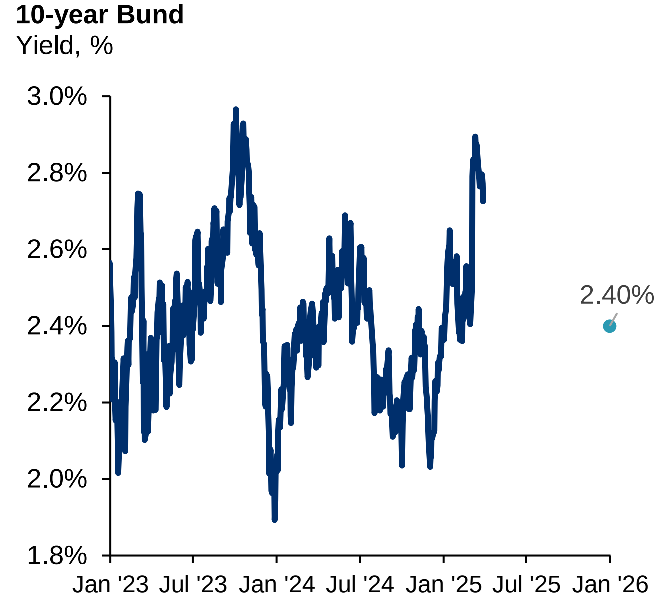
We see UK Gilt yields ending the year near 4.25%, but drifting lower in 2026 as the Bank of England continues to reduce Bank Rate to 3.00%.

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

Our view:

10Y Bund: 2.40% by year-end 2025; 2.35% by mid-2026

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



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CREDIT VIEWS

U.S. Credit

While US IG, HY and Muni spreads/ratios ended the month of April +10bps, +40bps and +5pp wider, this masks the intra-month volatility that ensued. IG, HY and Muni spreads/ratios peaked on April 9th, but after the announcement of the 90-day pause, they briskly tightened. IG and HY spreads are back inside of historical averages, while Muni ratios remain cheap. Given the prevailing uncertain macro backdrop, we think it is prudent to examine high-beta exposure in clients Fixed Income portfolios and rotate into higher quality segments, like IG and Munis.

With the macro view of a sluggish <1% growth and ~35% chance of a recession, we think IG and HY spreads should price in more risk premium. By YE'25 we see IG spreads widening ~30bps to 150bps, which reflects the 20Y median. Within HY, we see spreads widening ~150bps to 550bps, which is comparable to levels during the first trade war in 2018 and the inflation-scare of 2022. However, we expect spreads to decline into mid 2026 on the view that growth may pick up to ~2% and inflation may moderate.

Despite the call for wider spreads, we note that higher starting yields should provide a buffer for total returns, which may be further supported by lower rates. For example, all in yields of 5.6% in IG are 120bps above the 20Y median and also provides a technical tailwind as the all-in yield drives buyers into the space.

We'd note that High Yield spreads could get wider in a recession, but we think spreads wouldn't test prior wides given a higher quality composition of the index as lower quality parts have moved into private markets. Importantly, corporate fundamentals remain solid, with EBITDA growth and leverage in line with historical averages.

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

What we're watching:

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

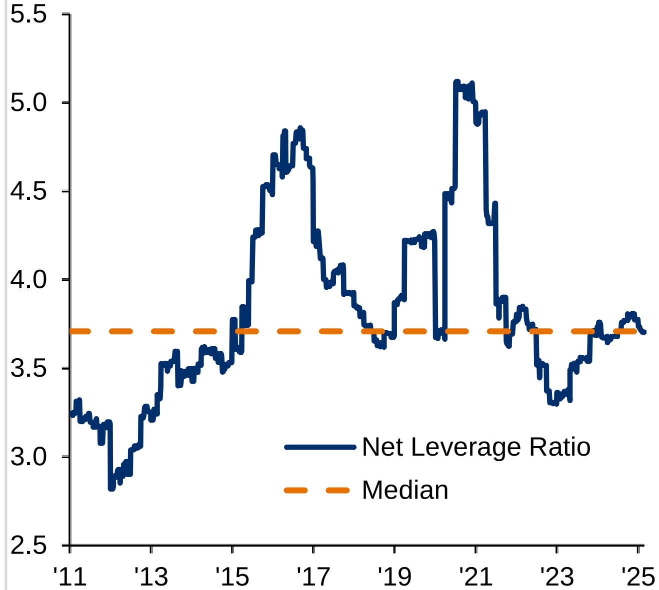
Our view:

US IG (Spread): Base 150bps by 12/30/2025, 135bps by 06/30/2026.

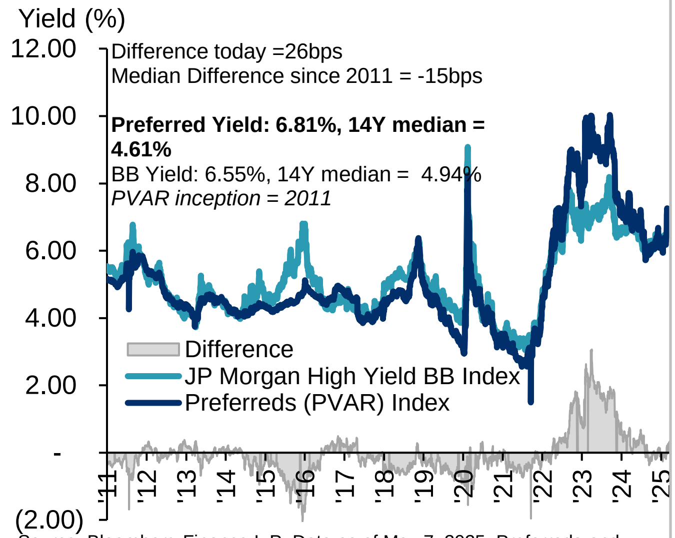
US HY (Spread): Base 550bps 12/30/2025, 475bps by 06/30/2026.

Municipal (Ratio): Base 83bps by 12/30/2025 and by 06/30/2026.

High Yield Net Leverage is in-line with historical averages



Preferreds and corporate hybrids provide BB like yields



Source: Bloomberg Finance L.P. Data as of May 7, 2025. Preferreds and hybrdis as measured by the PVAR Index. PVAR yield to worst does NOT account for qualified dividend income tax equivalent yield.

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EUR Credit

European Fixed Income outperformed most global credit markets since end of March with EUR IG returning >0.8% (to May 7th), EUR HY ~+0.5%.
EUR IG index credit spread is now only ~10bps wider vs. pre-"Liberation Day" (after ~30bps widening at the lows of April), EUR HY: +20bps wider (from about +100bps peak prior to the 90-day pause announcement).

Although we are positive on the European macroeconomic outlook in light of the approval of Germany's €500bn Infrastructure fund, increased defense spending, and expected stabilization of the geopolitical backdrop in the region, **we still expect some spread volatility for both EUR IG and HY spreads towards YE'25**. As trade negotiations continue taking place on the global scale, tariff uncertainties, that have been weighing on consumer and business sentiments, continue to do so to a degree in the meantime.

European credit spreads remain underpinned by **healthy European issuers' fundamentals**, as demonstrated by Q1'25 earnings results, that we expect to be supported further by the eventual read-through from infrastructure spend.
Given the steeper EUR yield curves, we see 4-5y duration part of Investment Grade to have the most attractive risk-reward.

What we are watching:

We continue monitoring the developments for **European Automotives** in light of the **25% US tariff** announced, weaker global demand, low capacity utilization and increased Chinese BEVs competition. Q1 results came broadly in line with expectations and the effect of tariffs on US sales and supply chains is only expected to present in Q2 numbers, with the focus of this quarter's earnings calls being on the **guidance** – majority of European automakers/ auto parts suppliers haven't yet meaningfully revised their FY'25 operating guidance, as they await further clarity on the "permanence" of the tariffs. We remain comfortable with **select Investment Grade/ Upper-Tier High Yield national champions that operate with negative net leverage** given large amounts of liquidity held on their balance sheets.

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

In the past month, **avg. spread pick-up for European Corporate Hybrids has increased to ~120bps** compared to respective senior curves, yet we remain selective, focusing on robust credit metrics and strong operating results, favouring structures with lower extension risk to comfortably earn a pick-up in yield through subordination.

Subordinated European Insurance: very high credit quality even at Tier2

Solvency metrics are expected to remain strong despite significant upticks in losses from LA wildfires (20-40% of FY2025 catastrophe budgets for European Reinsurers, according to Fitch) – **driven by effective underwriting and increased investment income**.
We particularly favor AA-rated at Senior level Insurers, whose Tier2 papers fall within single-A credit quality segment and trade **~95bps** wider to the broader A-rated Senior EUR Index.

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

Q1'25 European Banks' earnings demonstrate continuous solid operational performance – strong commissions & fees performance, robust capital ratios, low cost of risk and improving health of the loan books with declining NPL ratios. We remain comfortable with European Banks across the capital structure, and see further support for EU banks' profitability given policy rates expectations repricing higher and steeper EUR yield curves.
Given the trend of compressing spread pick-up from Senior Bail-In to Tier2 – albeit slightly wider MoM, ~55bps on average now – **on relative value basis we broadly favour Senior Unsecured/ Non Preferred** bank paper for any additional exposure.

Our View:
EUR IG (spread): 150bps (+/- 25bps) by YE'2025
EUR HY (spread): 450bps (+/- 25bps) by YE'2025

EUR IG (spread): 125bps (+/- 25bps) by mid-2026
EUR HY (spread): 375bps (+/- 25bps) by mid-2026

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EM Credit

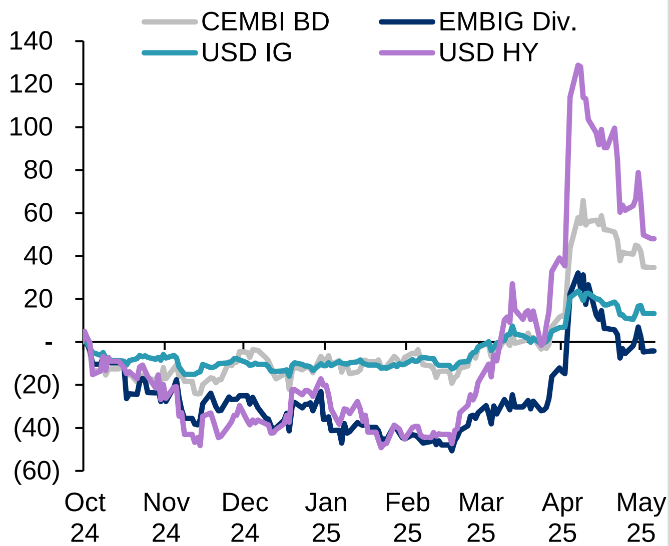
Emerging Markets EM credit outperformed US credit markets in April due to being largely unscathed from US tariff policy and having a lower duration than US and EU credit markets. Tariff policy has been mixed for EM. Latin American is least impacted with a flat 10% tariff rate and with heavier tariff's mostly targeting Asian economies that are not relevant hard currency debt issuers e.g. Vietnam. Further, we had a series of positive developments throughout the month, which we explain below. EM credit indices tightened by -15bp and -36bps in IG and HY credit quality segments, respectively on the back of the 90-day delay and hopes of trade deals. We continue to see outperformance in EM IG vs US and EU IG credit indices, while in HY we saw EM HY underperform, which is justified given its strong outperformance in March.

Although there are reasons to be more positive on EM credit – stronger fundamental starting points and a better technical environment due to a lack of negative headlines - we continue to expect EM credit indices to normalize vs US and European credit indices as the spread premium is near multi year tights. The recent move lower in oil from $75 to $60 could be a catalyst for this normalisation. Historically, EM spreads see an increase in volatility when oil is sustained below $60.

On to the positive developments. Argentina announced a new IMF program which brought in a new FX regime and we saw the easing of capital controls, while the administration continues to target tighter fiscal targets. The total package is larger than expected at $20bn, of which $15bn will be disbursed in 2025. Bonds have rallied to the YTD and recent highs. We are no longer positive on Argentina given the strong rally over the last 12 months and with bonds trading below 12%, all the positive news is priced in. Moving on to Turkey. The central bank raised its policy rate by 350bp to 46% and has implemented further measures to build FX reserves, which have fallen from ~$70bn to ~$30bn. Both measures show a commitment to orthodox policy and we continue to remain comfortable with select Turkish issuers. During the month, we also had Pemex results and we provided an updated view. Our thesis of government support remains intact, however, we are concerned by continued operational challenges and a potential Mexico recession so prefer to stick to positions in the front end of the curve, that more directly benefit from government transfers.

Overall, we maintain a neutral stance on the complex. While the uncertainty from US tariff policy and ongoing commercial tension between China and the US pose risks for global growth, the growth potential within EM remains supportive and select EM economies can stand to benefit from the current trade negotiations e.g. Latin America and India.

8-Month Indices Spread Change
(bps)



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

What we're watching:

Cross-over Rated Credits: Given EM's blended rating indices, concentrated investor positioning in IG-HY cross rated credits could present an opportunity if we get sustained outflow pressure.

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

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

Our view:

EMBI (Spread): Base 450bps, Recession 550bps, +/- 25bps by 12/30/2025.

CEMBI (Spread): Base 350bps, Recession 600bps, +/- 25bps by 12/30/2025.

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Asia Credit

Asia credit experienced a similar move compared to the rest of the fixed income sub-sector. Spreads initially widened due to Liberation Day but recovered some of the losses with a monthly gain of +0.17% in Asia IG and -1.44% in Asia HY.

We are revising our spread target wider as we expect partial implementation of tariffs, with the negotiation between China and the US potentially taking more time. China is a major part of Asia credits with close to 30% of allocation; hence, we think the outcome of the US/China tariff talks is going to impact the performance of Asia credits this year. We have a preference for Asia IG over Asia HY and focus on higher quality bonds after the recent rebound.

Asia Investment Grade (IG):
While we see Asia IG continuing to offer stable carry for investors, we see the potential for spread widening due to the partial implementation of tariffs. As a result, we have changed the spread target on Asia IG from 95bps to 125bps (current spread 95bps). Having said that, an absolute yield of 5.29% coupled with a duration of 4.65 is expected to deliver a decent carry return. The technical landscape remains robust, underpinned by Chinese investors' preference for higher yields in USD compared to lower onshore yields, in addition to issuers refinancing onshore maturities due to the lower local yield environment, creating a supply-demand imbalance.

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

Asia High Yield (HY): The risk-reward profile in Asia's high-yield (HY) market is becoming more balanced following record defaults in recent years. Any unfavorable outcome in tariff negotiations is likely to negatively impact Asia HY. Consequently, we have changed the spread target on Asia HY from 675bps to 700bps (current spread 558bps), and we have removed some sector recommendations such as auto and commodity, which can be cyclical in nature. We are advocating a higher quality bias in Asia HY.

Our top picks in Asia HY include Indian HY credits across the financial and renewables sectors due to their long-term growth potential. The recent stimulus by the Indian government, including rate cuts and easing in the Non-Bank Financial Company (NBFC) sector, reinforced our view. Additionally, we favor Macau gaming, given its stable credit profile. In contrast, we anticipate continued volatility in Hong Kong's real estate sector, driven by elevated spreads and ongoing headlines. However, potential interest rate cuts by the Federal Reserve and Chinese stimulus could provide support. We remain selective in Chinese property, as this sector is likely to experience the majority of defaults.

What we're watching:

Japan Lifers Hybrids: With an average rating of A, an approximate yield of 5.76%, attractive valuation, relatively low volatility, and a strong call history, these continue to be a focal point.

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

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

Our View:

FY 2025

- Asia IG (Spread): Base 150bps, Recession 200bps, Rebound 95bps +/- 25bps by 12/30/2025.
- Asia HY (Spread): Base 750bps, Recession 900bps, Rebound 675bps +/- 25bps by 12/30/2025.

Mid-Year 2026

- Asia IG (Spread): Base 125bps, Recession 175bps, Rebound 95bps +/- 25bps by 12/30/2025.
- Asia HY (Spread): Base 700bps, Recession 850bps, Rebound 675bps +/- 25bps by 12/30/2025.

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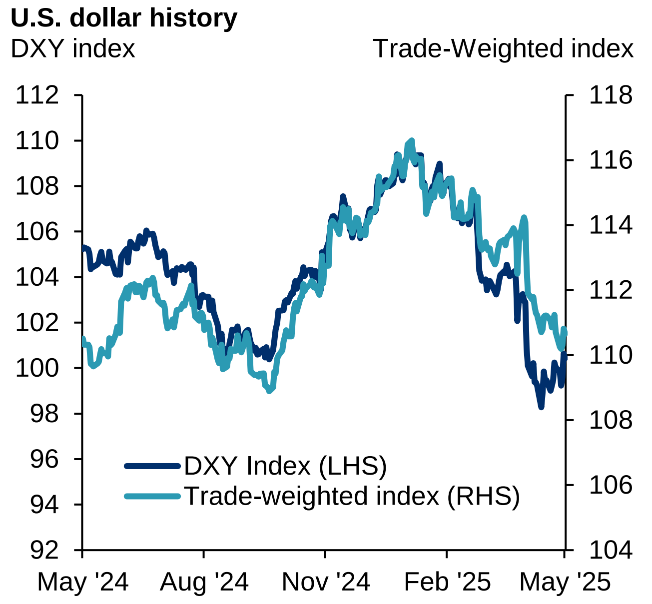
FX VIEWS

US Dollar

We are shifting to a bearish stance on the dollar. After over a decade of U.S. growth and asset outperformance, the dollar has appreciated by 50% from its Global Financial Crisis lows. Investors are now questioning if the dollar's overvaluation is justified as tariff-related uncertainty shakes confidence in U.S. assets. The greenback has weakened by ~10% from its January peak as a result, now at its weakest since 2022. Debt sustainability worries, falling real yields, potentially weaker growth, and Fed independece questions are all contributing to a re-evaluation of long-held U.S. overweights globally. Hedge funds have largely closed out long USD positions already, and we think that the next leg of dollar weakness will likely be driven by a re-consideration of regional allocations and FX hedge ratios by international institutional investors. It could be a multi-year trend that drives a pivot in the dollar cycle.The key beneficiaries of reduced capital flows into U.S. assets are likely to be the alternate reserve currencies like EUR, JPY, and Gold. However, we think that investors broadly should consider ways to either hedge against (non-USD based investors) or enhance returns from (USD-based investors) a more structural USD weakening.

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

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



Source: Bloomberg Finance L.P. Data as of May 09, 2025.

Euro

We turned constructive on the euro in March due to a significant shift in Europe's economic prospects following Germany's historic fiscal package. Since then, eroding "U.S. exceptionalism" and more favorable EUR real yields have continued to push EURUSD higher. There has also been evidence of Europeans rotating some capital from the U.S. back into domestic markets. We believe that cyclical factors will support further upside for the pair. The ECB is already priced to cut to 1.5%, European real yields remain supportive, and discussions about the roll out of Germany's fiscal package are under way. For those reasons, we have updated our year-end target to 1.18 implying a 5% further rally over the course of 2025.

The structural case is less clear and slower moving, but EUR would likely be one of the key beneficiaries of global investors rebalancing long-held U.S. overweights. That theme – along with the cyclical supports – makes EUR one of our preferred longs. We recommend for EUR-based investors to consider hedging a portion of USD holdings, and for global investors to look to the European market as an important diversifier. Long EURGBP is one of our favorite tactical trades currently.

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

Our view: 1.18 (1.16-1.20) by year-end 2025 1.20 (1.18-1.22) by mid-2026

Source: Bloomberg Finance L.P. Data as of May 09, 2025.

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British Pound

The trade-weighted pound has broadly continued to track moves in global equities through April's volatility. That has benefited the currency during the rebound in stocks, and more recent hopes for an early trade deal between the UK and U.S. have also provided support to the currency.

We think that the correlation with risk assets will remain an important one over the near-term. However, fundamental supports that have made GBP a popular long over the last year might no longer as favorable: 1) GBP's carry advantage looks to be fading as the Bank of England signals more cuts, 2) political instability has been creeping in as Labour has been falling out of favor, and 3) fiscal constraints on government spending remain a big overhang for the UK economy and markets.In particular, the third point around fiscal sustainability concerns likely make the pound a less attractive alternative for investors looking to diversify away from the dollar. Therefore, while broad dollar weakness leads us to revise our GBPUSD targets higher towards the mid-1.30s, we expect the pound to underperform the low- and mid-yielders like JPY, EUR, and CHF.

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

Our view: 1.35 (1.33-1.37) by year-end 2025 1.36 (1.34-1.38) by mid-2026

Pound history
GBPUSD

Source: Bloomberg Finance L.P. Data as of May 09, 2025.

Swiss Franc

We turn moderately bullish on the CHF outlook. While deeply negative carry may restrain its strength relative to EUR, CHF as a defensive safe haven currency, is among the major beneficiaries as investors diversify away from the USD and global risk sentiment faces challenges.

Regarding SNB's monetary policy trajectory, as headline CPI trending towards zero, further policy adjustment is possible, i.e. another rate cut to 0% in June. Should deflationary pressure sustains, FX intervention i.e. weakening the currency is not off the table. Therefore, we expect CHF to moderately weaken against the Euro, that said in a weak dollar backdrop, CHF could remain on the strong end against the USD. For USD based investors using CHF as a tactical funder, we suggest looking for windows of opportunity to risk manage the position, by either switching to CNH or back to USD loans.

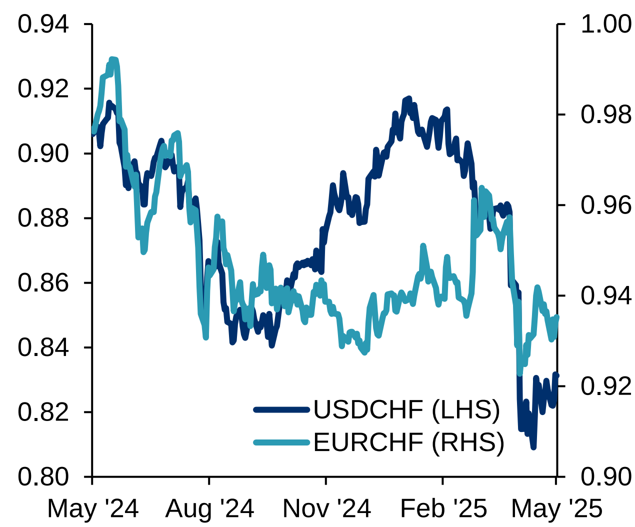
What we're watching: European growth, broader risk sentiment, Fed policy expectations.

Our view:

USDCHF: 0.81 (0.79-0.83) by year-end 2025 0.80 (0.78 - 0.82) by mid-2026

EURCHF: 0.96 (0.94-0.98) by year-end 2025 0.96 (0.94-0.98) by mid-2026

Swiss franc history
USDCHF EURCHF



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Japanese Yen

We remain structurally bullish on the yen. Repatriation flows by Japanese institutional investors and a weak USD could further support USDJPY downside.

In the background, long-end JGB yields have risen significantly, reaching a 15-year high. This upward trend began in 2022 when the BOJ incrementally lifted yield curve control measures, but it has meaningfully accelerated in recent months. BOJ officials have defended the yield increase, asserting that improvements in real wages and consumer spending justify higher rates.

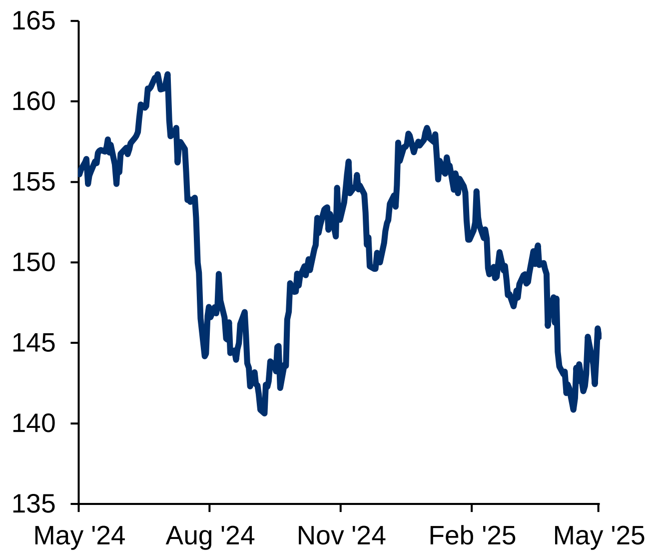
We expect gradual yet structural strengthening of the yen. Historically, USDJPY movements are primarily driven by interest rate differentials, and higher JGB yields may increasingly provide support. While we advise caution on speculative bets on yen appreciation due to still punitive carry, a long JPY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

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

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

135 (133-137) by mid-2026

Japanese yen history
USDJPY



Source: Bloomberg Finance L.P. Data as of May 09, 2025.

Chinese Yuan

Despite the decline in the USD and substantial rally in Asia FX due to the TWD spillover, the USDCNH exchange rate remained largely stable, underperforming most G10 and Asian peers. This again demonstrates the yuan's low volatility characteristic.

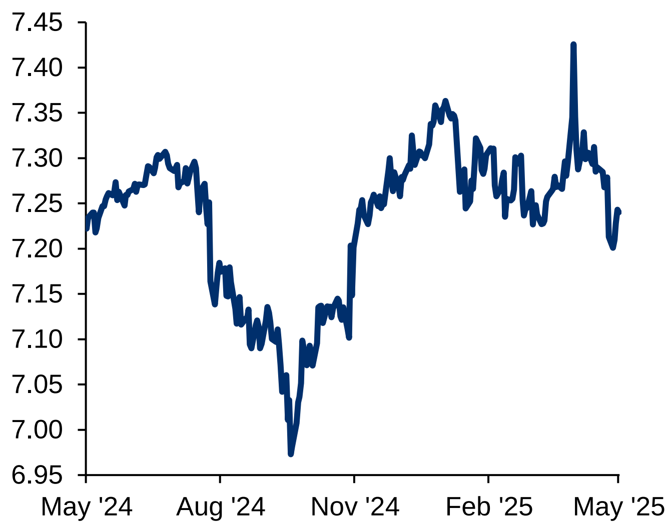
We maintain a bearish outlook on the CNH, despite that the magnitude of potential depreciation have been mitigated due to broad USD weakness. As an emerging market currency, economic growth differentials are a major driver of CNH's fair value. The growth impact from tariffs by the US, as well as a potential global trade downturn, could be significant despite Beijing's policy support. Additionally, as Beijing focuses more on utilizing domestic policy easing to address external shocks, FX policy may coordinate with broader policy objectives, suggesting that the PBOC may be unlikely to tolerate a significantly stronger yuan.

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

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

Our view: 7.35 (7.25-7.45) by year-end 2025 and mid-2026

Chinese yuan history
USDCNH



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G10 Commodity FX

The commodity bloc reversed higher after early losses into 2025 given USD weakness and stabilized risk sentiment.

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

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

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

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

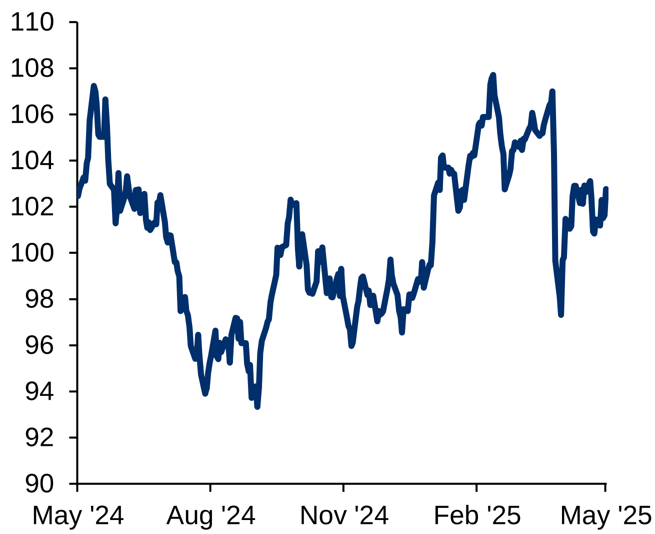
Our view:

CAD: 1.38 (1.36-1.40) by year-end 2025*

AUD: 0.67 (0.65-0.69) by year-end 2025

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

Broad commodity history
Bloomberg Commodity Index (BCOM)



Source: Bloomberg Finance L.P. Data as of May 09, 2025.

Scandi FX

Since April 1st, Scandi FX has gained marginally against USD given the broader dollar trend but lost ground to EUR as global growth expectations have come under pressure. Our expectation for the U.S. to avoid recession and equities to make new highs should provide support.

NOK: Neutral. NOK remains supported by strong domestic conditions and Norges Bank's hawkish tone. We position it as a major beneficiary of recovery in Europe and a US growth slowdown.

SEK: Neutral. Regional and Swedish growth recovery, a decline in US/global yields , and continued equity rotation amid a moderation in US data leave us generally positive over the measure of 2025.

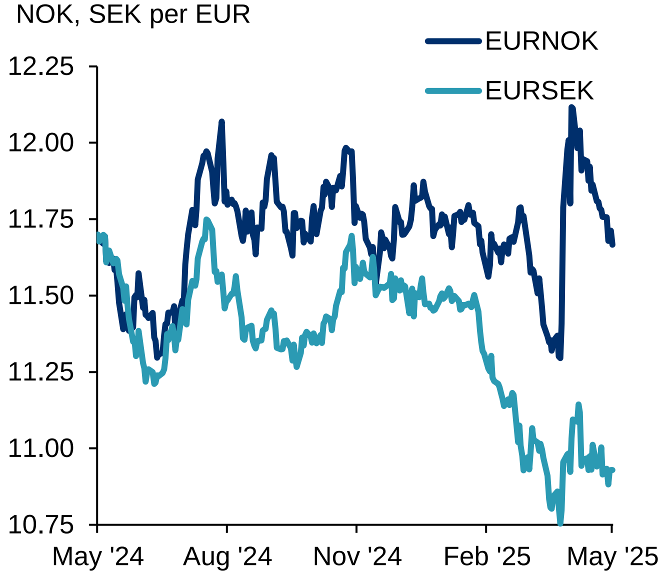
What we're watching: European growth, domestic growth, commodity prices, and central bank developments.

Our view:*

EURNOK: 11.40 (11.20–11.60) by year-end 2025

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

Scandi FX history
NOK, SEK per EUR



Source: Bloomberg Finance L.P. Data as of May 09, 2025.

* JPM Investment Bank Outlook

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Emerging Market FX

Even as we turn more bearish on the U.S. dollar, EM FX is unlikely to be a main beneficiary given heightened local political and growth risks.

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

EMEA: We are neutral on this part of the complex. **ILS**: The shekel rallied in April despite continued geopolitical conflict. While noise around geopolitical risk will likely stay, provided that there isn't further escalation in conflict, the removal of key tail risks (including Hezbollah risk, Iran risk, judicial reform risk) and local institutional investor positioning (extreme long USD) make us moderately constructive on the currency. Still, you should consider hedging a portion of ILS exposure at levels below 3.60 to hedge against tail risks.

Asia: We see domestic oriented FX outperform tariff sensitive peers. **INR**: Constructive from current levels. While RBI has started cutting rates, its carry advantage, healthy growth outlook and isolated tariff risks still lend support. **TWD:** Neutral following the sharp rally. Repatriation may continue but CBC may take actions to smoothen the moves. **SGD:** Likely trade on the strong side of the long term range as USD weakens. Inflation eased faster than expected and MAS may ramp up easing.

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

Our view:*

BRL: 6.00 (5.90–6.10) by end-2025

MXN: 20.00 (19.80–20.20) by end-2025

ILS: 3.40 (3.30–3.50) by end-2025

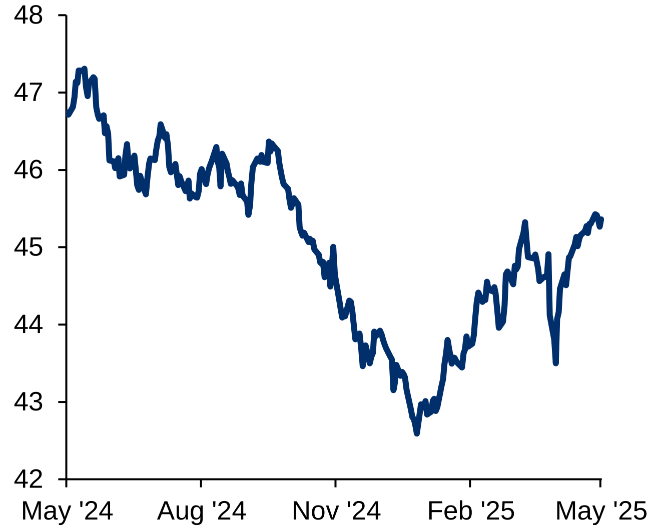
INR: 82.70 (81.70 – 83.70) by end-2025

TWD: 30.30 (29.30–31.30) by end-2025

SGD: 1.27 (1.25–1.29) by end-2025

EM currency history

J.P. Morgan EM Currency Index



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COMMODITY VIEWS

BCOM Index

Commodities had a difficult quarter to date, buffeted by tariffs, recession fears and energy oversupply. The BCOM Index dropped -4.58% but was significantly off the lows seen shortly after Liberation Day. The biggest loser was the energy sector with Crude Oil – 16%, Nat Gas – 12.3% and Diesel – 11.7%. Very few gainers over the period although Gold was again the best performer +6%, Coffee gained +4.75% and Cattle advanced +3%

What we're watching: We still see a lot of uncertainty around tariffs, but some encouraging signs on trade deals suggest potential upside from here.

Our view: We revise our outlooks higher on improved our Gold outlook and we now look for the Index to trade higher into year-end. Our new outlook is 107-108 YE and 110-112 to mid-year 2026.

BCOM index 1-year price history

Source: Bloomberg Finance L.P. Data as of May 09, 2025.

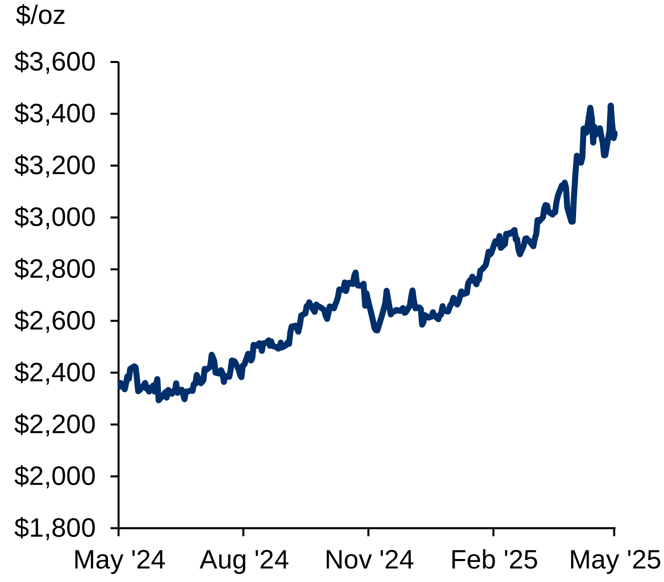
Gold

Gold continues its relentless rise so far in 2025, pushing another +6.5% higher on the period and at one point trading above $3500 in Asia, before pulling back. Without a doubt the uncertainty around tariffs has been a big driver, but the move has been accompanied by rapidly declining open interest in futures markets and ETF flows that dropped -1.1% from the highs seen on April 21st. Clearly a non-economic buyer was in the market and in the past week the Chinese announced they purchased 70,000 ozs in April to bring their reserves to 8% vs 20% global average for Central Banks. In an environment where investors are looking at a lower USD, lower interest rates and greater stress, gold looks set to move higher again.

What we're watching: The perfect storm for gold, looks a little too perfect. We may see a pullback, which should be bought, but the path forward is unlikely to be as linear.

Our view: Gold is likely to further appreciate in 2025. We are raising our outlooks to account for the strong pace seen YTD. We now see Gold at $3600-$3700 at YE 2025 and open our mid-year 2026 outlook to $4050 - $4150.

Gold 1-year price history



Source: Bloomberg Finance L.P. Data as of May 09, 2025.

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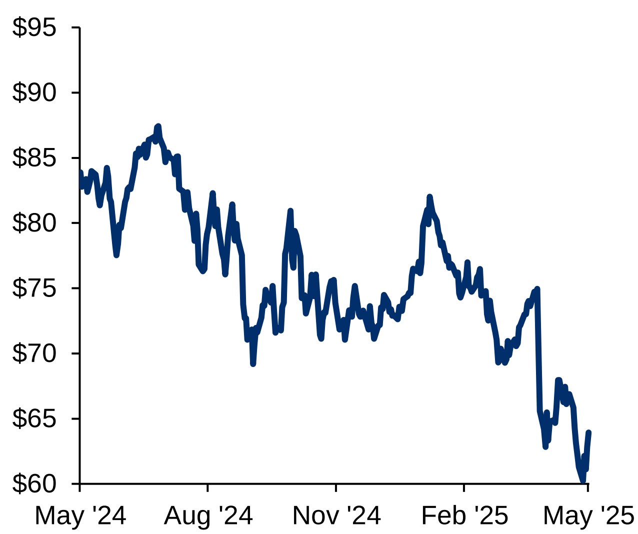
Crude Oil

Crude Oil had a rough quarter to date. The Liberation Day tariff announcement led to a rapid -17% decline on recession fears, before an 8% rally on the tariff delay brought some breathing room. OPEC then firmly crushed the bulls by announcing a supply increase, into a weak, oversupplied market, and oil lurched lower again, almost losing -20% before bouncing on exhaustion. OPEC is straining at the seams, with Kazakhstan and Iraq both producing over quotas, Saudi Arabia furious and looking to inflict maximum pain and the US producers caught in the middle. We don't see a path to price stabilization for now but the market has been orderly and hedges are in place for many producers.

What we're watching: All eyes now turn to US/Iran nuclear negotiations. We don't see how the US can enforce a ban on Iranian tankers, but we will watch carefully.

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

Brent crude oil 1-year price history
$/bbl



Source: Bloomberg Finance L.P. Data as of May 09, 2025.

Natural gas

We often advise clients to stay away from Nat Gas investments due to volatility and the quarter to date just past, is a perfect illustration. NG dropped -27% in three weeks after the tariff announcement and then rallied +18.75% to date. There is no driver here aside from all the usual suspects, but traders are skittish, and liquidity is at a premium. The rally is on an expectation that as US oil production declines, or at least slows, associated NG production will also decline. We shift our focus to the summer cooling and re-stocking season, but trade negotiations could be a major wildcard.

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

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

Henry Hub 1-year price history
$/MMBtu

Source: Bloomberg Finance L.P. Data as of May 09, 2025.

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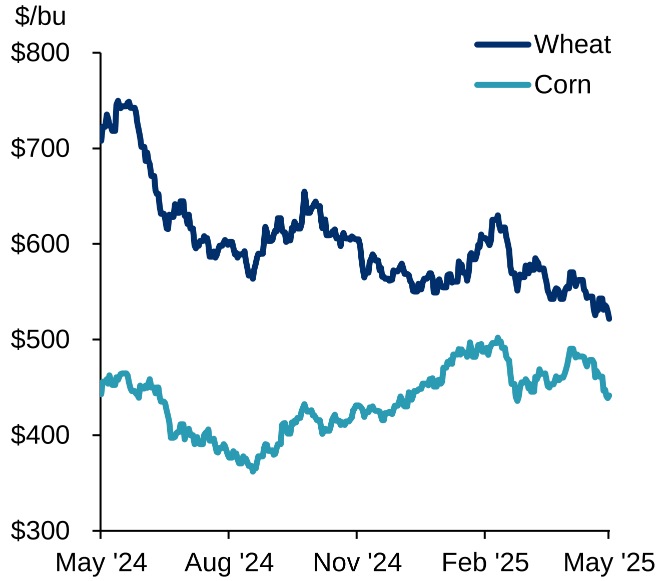
Agricultural commodities

On a relative basis Corn and Wheat have been an oasis of calm losing -3.6% and -4.4% respectively. Tariffs aside, the two grains will be driven by Ukraine peace negotiations, where it should be noted the war is over, but only the killing continues. The market expects a negotiated truce is imminent and has discounted a likely increase in grain supply as a result. Further afield, in a commodity that we offer no outlook, Coffee prices have jumped +25% YTD on poor weather conditions and low stocks. This increase, plus persistently high egg prices has made breakfast a decision rather than an automatic purchase, at least for this correspondent.

What we're watching: Ukraine peace negotiations.

Our view: We expect a range of 500-600 for Corn and 650-750 for Wheat by year end 2025**.** Our mid-year 2026 opens at 450-550 and Wheat 575 – 675.

Agricultural 1-year price history



Source: Bloomberg Finance L.P. Data as of May 09, 2025.

Copper

Copper joins the volatility party with an -11.3% nosedive followed by a +9.5% rally to date after hitting a low of $8613 in early April. The support in prices is two-fold, the tariff delay, and persistent US demand ahead of an unknown effective date for the proposed 25% tariff announced on February 25th. It is expected this will be imposed, if approved in 4Q 2025. Stepping away from the noise, we do expect Chinese demand growth to decline over the next 12 months and our increase in price outlook last month was clearly wrong after the Liberation Day announcement. For now Chinese stimulus will keep prices moving sideways, but everything depends on US/China negotiations.

What we're watching: Tariffs.

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

Copper 1-year price history

Source: Bloomberg Finance L.P. Data as of May 09, 2025.

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ALTERNATIVES VIEWS

Private Credit

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

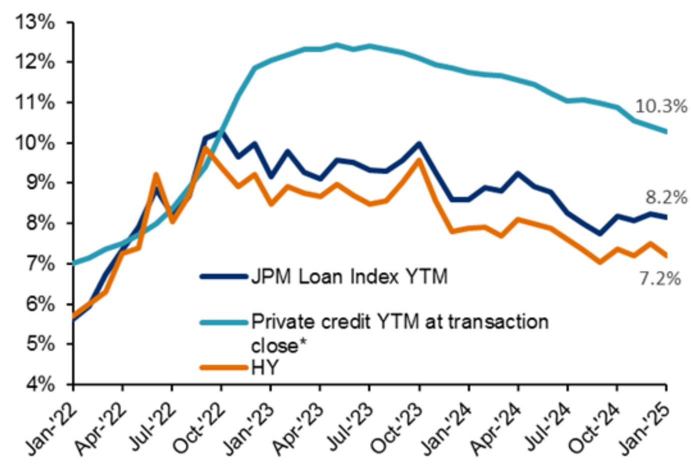
Approximately 50% of all private credit lending to asset managers is facilitated by JPMorgan's Investment Bank. When JPMorgan lends to these asset managers, we gain visibility into the individual loans being issued (which serve as collateral). Here is what direct lending individual loan fundamentals look like as of January 2025: 1) Newly originated direct loans seem to be finding an equilibrium. New issue spreads were 500bps; down from 675bps at the start of 2023, but unchanged compared to summer 2024. 2) Contrary to 2023 narrative that private credit lenders were indiscriminately issuing loans, 2023 saw wide spreads and declining net leverage, indicating prudent risk-taking. Over the last 3 months, newly issued direct loans were to companies with a debt to EBITDA ratio of 4.8x., roughly unchanged over the last year.[11] 3) Revenues and EBITDA expanded for the 16th straight quarter.

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

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

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

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



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

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

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.

Private Infrastructure

In recent months, the infrastructure sector has garnered substantial attention as the need for significantly more power has become more widely recognized. Integral to this transformation are infrastructure assets across the power spectrum – from power users (data centers) to power generation (renewables and traditional energy) to power distribution and storage (utilities, midstream assets, transportation, and battery storage).

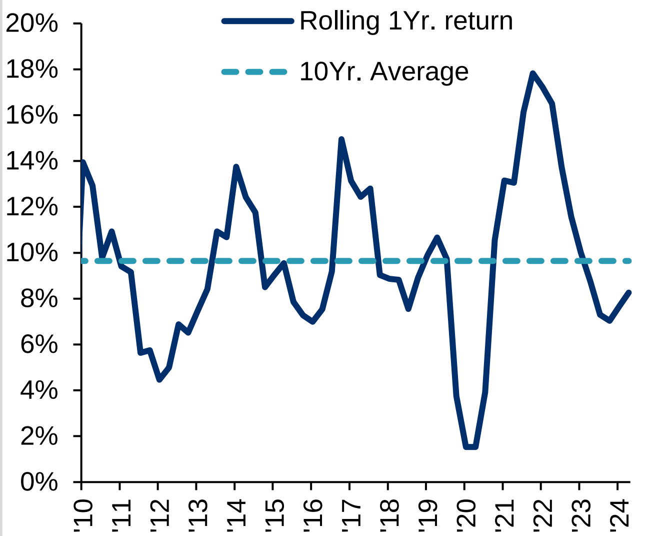
The rise of data centers and AI technologies is reshaping the global infrastructure landscape. Data centers currently consume about 4.5% of total U.S. energy, and some Wall Street analysts project that this demand could soar to as much as 21% by 2030. DeepSeek and the notion that AI models can be trained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

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

Investments in AI and data centers are being driven by large, profitable companies with substantial free cash flow, ensuring that these projects are well-funded and sustainable. This influx of capital is expected to accelerate the modernization of power infrastructure including traditional and renewable energy sources, fiber optic cables and cell towers. Despite Fed cuts, interest rates are expected to remain elevated compared to pre-COVID – making financing more expensive for infrastructure projects and pressuring valuations. Our focus remains on sectors with strong growth and supply/demand fundamentals, and assets with consistent, contracted cash flows – particularly those with step-ups tied to inflation.

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

Private Infrastructure returns
Annualized return, %



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

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Private Real Estate

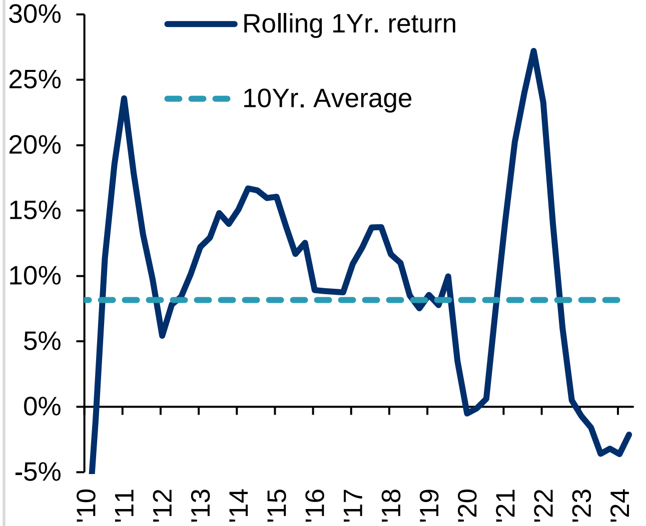
Real estate prices have already bottomed and the next bull market for real estate is underway. Since their peak in 2022 to trough in May of 2024, aggregate property valuations have declined by almost 15%, marking the third correction in U.S. CRE property prices in the last 30 years. Despite this, cash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

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

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

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

Private real estate returns
Annualized return, %



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

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Private Equity

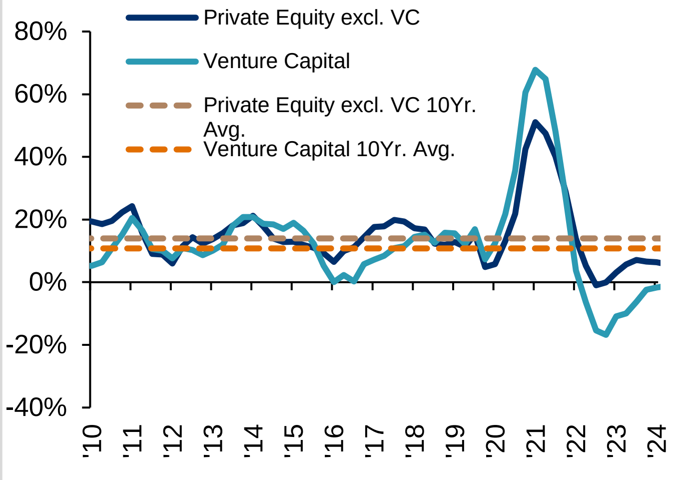
Higher interest rates have been tough for the private equity industry. Debt has been more expensive, making leveraged buyouts more difficult, and capital markets (IPOs and bond and loan issuance) have been more muted – so transaction volumes and exit volumes have been low.

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

Given tariff driven uncertainty, still elevated interest rates, and choppy equity markets, the outlook on a resurgence in capital market activity has become cloudier. A slower pace of traditional dealmaking activity (IPO, strategic M&A), along with aging assets in existing private equity portfolios, could create a compelling opportunity set for secondary managers who buy existing stakes from other sponsors.

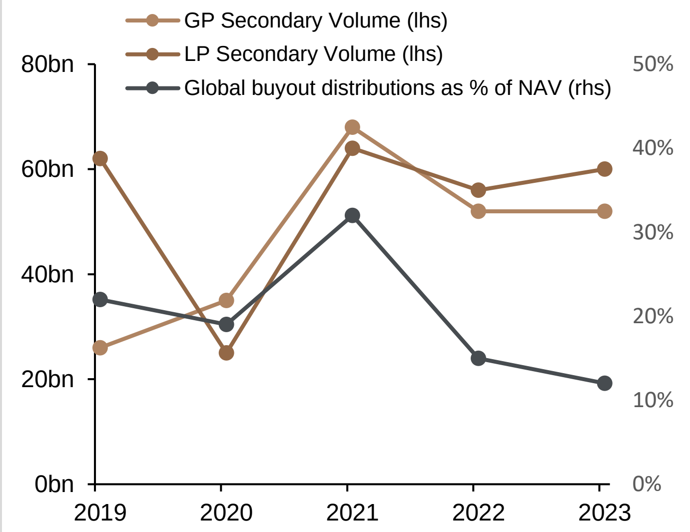
Our view: We're focused on managers who drive most of their returns through operational improvements – revenue growth and margin expansion – rather than leverage or higher multiples. We also seek a balance of sector exposures with good fundamentals and opportunities – including tech, industrials, financials,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

Private Equity and venture returns



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

Secondary markets have grown amidst aging PE assets and lower distributions



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

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VOLATILITY VIEWS

Equities

Equity market turmoil hit a fever pitch in April, catalyzed by an evolving tariff narrative. To put the volatility into context, the S&P 500 experienced some of the most extreme daily price swings seen in 25 years, rivaled only by the tumultuous periods of 2020 and 2008. On April 4th the index dropped nearly 6% in one session as the market digested implications of reciprocal tariffs announced earlier in the week. On April 9th, the index rallied over 9.50% on a 90 day pause of those same tariffs.

This environment has made risk-taking challenging for investors. Despite the rapid move lower in implied volatility, with the VIX spot dropping from over $50 to the mid-$20s in less than two weeks—the second fastest normalization on record according to JPM CIB research—option markets continue to price in elevated risk premium.

Last month we discussed unusual signals which the inverted VIX curve was sending as it relates to perceived market stress. At time of writing, the current inversion has lasted for 28 consecutive sessions, marking the third longest streak in the VIX's 21-year history. Such prolonged inversion underscores the ongoing volatility and uncertainty in the macroeconomic landscape.

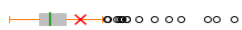
Our view: While we anticipate short-term volatility in the S&P 500 will remain elevated, we do not expect to see another spike in the VIX as intense as exhibited in April. Continue to focus on building portfolio resiliency using investment tools such as structured investments and yield enhancement strategies that may take advantage of a potentially more volatile market environment.

Macro

Currencies and gold were in focus throughout April as the USD diversification theme increased in relevance. The ongoing rally in the Euro led to increased demand for call options on EUR/USD, which contributed to a rise in volatility throughout the month. A similar trend was observed in gold. As the metal's underlying price climbed to multiple new all-time highs, implied volatility increased alongside it.

Our view: For investors focused on portfolio diversification, consider buying gold and using collars as an overlay to protect against potential downside moves. Collars are option strategies where an investor buys a put option, funded by selling a call option. This approach can help manage risk while maintaining exposure (to a cap) to potential gains.

Cross Asset Volatility Monitor

Underlier	Vol	MoM Change	1 Year Range
Equities – 3 Month 100% Strike Implied Volatility			
S&P 500 Index	21.32	-9.23	
EURO STOXX 50 Index	16.98	-10.53	
Tokyo SE (TOPIX) Index	20.22	-12.13	
Rates – SOFR Swaptions ATMF Strike Implied Volatility (BP, Annualized)			
1Y Expiry Into 1Y Swap	120.66	-7.65	
1Y Expiry Into 5Y Swap	112.20	-4.22	
3M Expiry Into 10Y Swap	104.27	-13.39	
Commodities – 3 Month ATMF Strike Implied Volatility			
Oil (Brent)	34.55	-1.20	
Gold	20.33	+3.27	
Currencies - 3 Month ATMF Strike Implied Volatility			
EUR/USD	9.35	+0.23	
USD/JPY	12.19	+0.05	
USD/CNH	5.51	-1.07	

1) Source: J.P. Morgan. Data as of May 7, 2025
2) ATMF refers to "At the Money Forward"
3) In the illustration, the red X signifies current levels & the green line represents the median for the time period
4) Historical 1 year window observed for the range

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DEFINITIONS OF INDICES AND TERMS

Currencies and Central Banks

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

Additional abbreviations

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

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Note: Indices are for illustrative purposes only, are not investment products, and may not be considered for direct investment. Indices are an inherently weak predictive or comparative tool.
All indices denominated in U.S. dollars unless noted otherwise.
All data sourced from Bloomberg Finance L.P. as of May 09,2025, unless noted otherwise.

The **Bloomberg Commodity Index (BCOM)** is calculated on an excess return basis and reflects commodity futures price movements. The index rebalances annually weighted 2/3 by trading volume and 1/3 by world production and weight-caps are applied at the commodity, sector and group level for diversification. Roll period typically occurs from 6th-10th business day based on the roll schedule.

The **Bloomberg US Agg Index** is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

The **JPM Corporate Emerging Market Bond Index (CEMBI)** series was launched in 2007 and was the first comprehensive USD corporate emerging markets bond index. There are two root versions of the CEMBI with a Diversified overlay for each version: the CEMBI and the CEMBI Broad. The CEMBI Broad Diversified version is the most popular among the four versions largely due to its issuer coverage and diversification weighting scheme.

The **CSI 300 Index** is a free-float weighted index that consists of 300 A-share stocks listed on the Shanghai or Shenzhen Stock Exchanges. Index has a base level of 1000 on 12/31/2004. * Due to our agreement with CSI, shares in the index are restricted, please visit SSIS<go> for more information and access. This ticker holds prices fed from Shenzhen Stock Exchange.

The Citi **Economic Surprise Indices** measure data surprises relative to market expectations. A positive reading means that data releases have been stronger than expected and a negative reading means that data releases have been worse than expected.

The **Emerging Market Bond Index Global (EMBI Global)** was the first comprehensive EM sovereign index in the market, after the EMBI+. It provides full coverage of the EM asset class with representative countries, investable instruments (sovereign and quasi-sovereign), and transparent rules. The EMBI Global includes only USD-denominated emerging markets sovereign bonds and uses a traditional, market capitalization weighted method for country allocation.

The **J.P. Morgan Asia Credit Index (JACI)** aids in evaluating investment opportunities in fixed rate USD denominated bonds issued in Asia ex Japan region. It follows a traditional market capitalization technique similar to the EMBI and the CEMBI Index series.

The **MSCI All World Index** is a free-float weighted equity index. It was developed with a base value of 100 as of December 31, 1987. MXWD includes both emerging and developed world markets.

The **MSCI AC Asia ex Japan Index** captures large and mid-cap representation across two of three Developed Markets countries (excluding Japan) and eight Emerging Markets countries in Asia. With 609 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. Developed Markets countries in the index include: Hong Kong and Singapore. Emerging Markets countries include: China, India, Indonesia, Korea, Malaysia, the Philippines, Taiwan and Thailand.

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

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

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

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

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

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

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

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

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

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

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

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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.
- Not all option strategies are suitable for all investors. Certain strategies may expose investors to significant potential risks and losses. For additional risk information, please request a copy of “Characteristics and Risks of Standardized Options.” We advise investors to consult their tax advisors and legal counsel about the tax implications of these strategies. Investors are urged to carefully consider whether options or option-related products or strategies are suitable for their needs. In discussion of options and other strategies, results and risks are based solely on

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- High Yield Bonds - High Yield Bonds (with ratings at or below BB+/Ba1) carry higher risk since they are rated below investment grade, or could be unrated, which implies a higher risk of Issuer default. Further, the risk of rating downgrades is higher for High Yield Bonds in comparison to investment grade bonds.
- The risks listed above are not complete. For a more comprehensive list of the risks involved with this particular product, please speak to your J.P. Morgan team.

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