

# April Showers Bring May... Rallies?

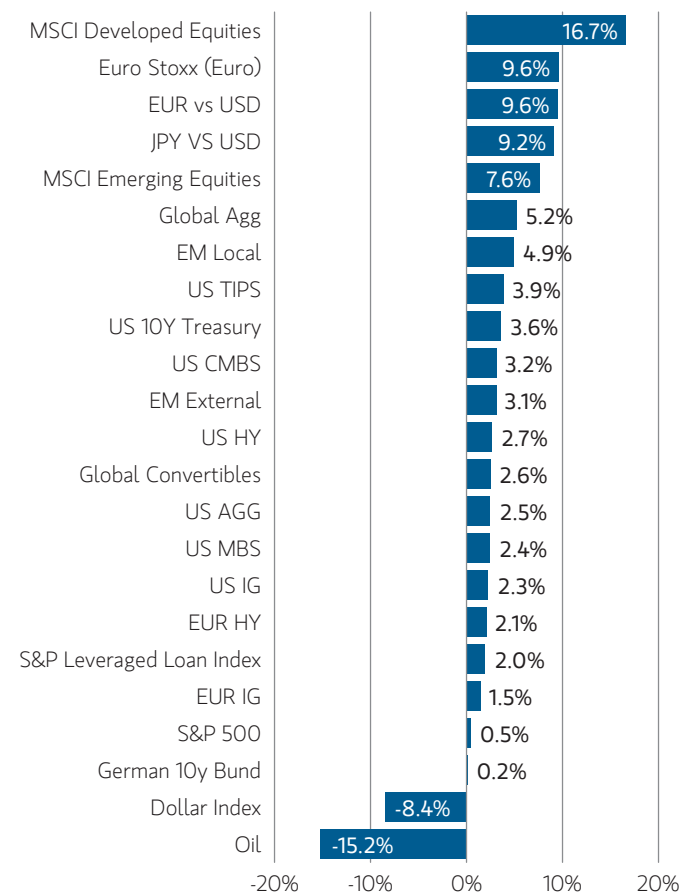
MACRO INSIGHT | BROAD MARKETS FIXED INCOME TEAM | June 2025

Risk assets continued their recovery throughout the month, driven by a de-escalation in the trade war between the U.S. and China, coupled with generally subdued volatility throughout the period.

Developed market government bond yields were broadly higher over the month as a result of the general risk-on sentiment. 10-year yields climbed by 24 basis points (bps) in the U.S., 18 bps in Japan, 21 bps in the UK, and 6 bps in Germany. Emerging market (EM) government bond yields exhibited mixed performance. Countries such as Hungary, Poland, South Korea, and China saw their yields rise, while Thailand, Brazil, Mexico, and notably South Africa, experienced declines, with South Africa's yields dropping by an impressive 44 bps. The U.S. dollar regained some stability and fell by a modest 0.1% versus a basket of other currencies over the month.

Within spread sectors, U.S. Investment Grade (IG) spreads tightened by 18 bps, and Euro IG spreads followed suit, tightening by 12 bps. U.S. high-yield spreads outperformed their European counterparts, with U.S. spreads tightening by 69 bps compared to 39 bps in Europe. Securitized credit and agency mortgage spreads also narrowed throughout May.

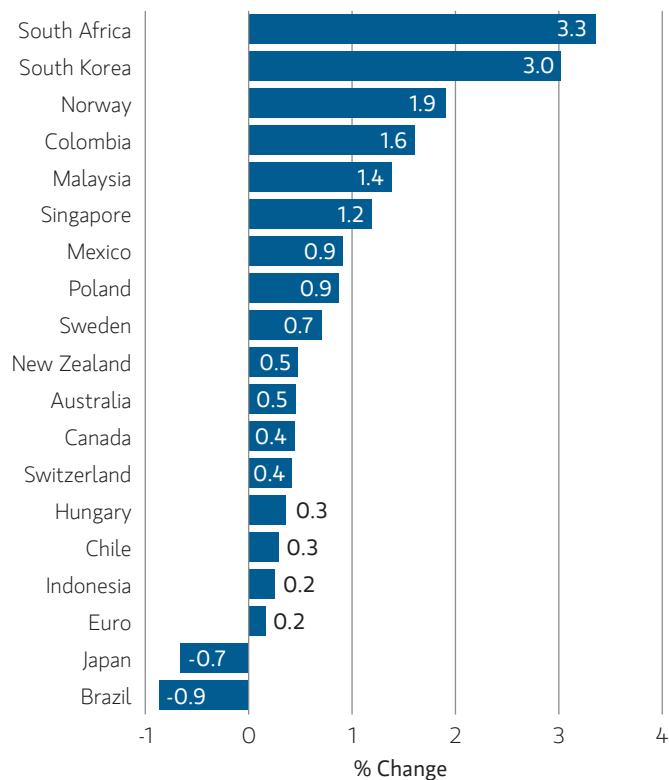
**DISPLAY 1**  
**Asset Performance Year-to-Date**



Note: USD-based performance. Source: Bloomberg. Data as of May 31, 2025. The indexes are provided for illustrative purposes only and are not meant to depict the performance of a specific investment. **Past performance is no guarantee of future results.** See pages 7-8 for index definitions.

**DISPLAY 2**
**Currency Monthly Changes versus USD**

(+ = appreciation)



Note: Positive change means appreciation of the currency against the USD. Source: Bloomberg. Data as May 31, 2025.

**DISPLAY 3**
**Major Monthly Changes in 10-Year Yields and Spreads**

COUNTRY	10-YR YIELD LEVEL (%)	MONTH CHANGE (BPS)	10-YR SPREAD (BPS)	MONTH CHANGE (BPS)
<b>(SPREAD OVER USTS)</b>				
United States	4.40	24		
United Kingdom	4.65	21	25	-3
Germany	2.50	6	-190	-18
Japan	1.50	18	-290	-5
Australia	4.26	9	-14	-15
Canada	3.20	11	-120	-13
New Zealand	4.57	12	17	-12
<b>EUROPE (SPREAD OVER BUNDS)</b>				
France	3.16	-1	66	-6
Greece	3.25	-5	75	-10
Italy	3.48	-8	98	-14
Portugal	2.98	-3	48	-8
Spain	3.09	-2	59	-8
EM	10-YR LOCAL YIELD (%)	MTD CHANGE (BPS)	SPREAD (BPS)	MTD CHANGE (BPS)
EM External Spreads			334	17
EM Corporate Spreads			258	33
EM Local Yields	6.08	-21		
<b>(SPREAD OVER USTS)</b>				
Brazil	14.02	-5	962	-29
Colombia	12.37	2	797	-21
Hungary	6.97	16	257	-8
Indonesia	6.83	-3	242	-27
Malaysia	3.53	-12	-87	-36
Mexico	9.32	-2	492	-26
Peru	6.47	-7	207	-31
Poland	5.35	15	95	-9
South Africa	10.14	-44	574	-67
<b>CREDIT</b>			SPREAD (BPS)	MTD CHANGE (BPS)
U.S. IG			88	-18
EUR IG			100	-12
U.S. HY			315	-69
EUR HY			320	-39
<b>SECURITIZED</b>				
Agency MBS			155	-4
U.S. BBB CMBS			618	-25

Positive Neutral Negative

Source: Bloomberg, JPMorgan. Data as of May 31, 2025.

The views and opinions expressed are those of the Portfolio Management team as of June 2025 and are subject to change based on market, economic and other conditions. **Past performance is not indicative of future results.**

## Fixed Income Outlook

What a difference a month makes. By the end of May, investment-grade credit spreads had fully retraced their post-“Liberation Day” sell-off, while high-yield spreads tightened by 50 bps compared to April 2—mirroring a more than 4% rise in equity markets over the same period. Yields have edged slightly higher during this risk asset recovery. Despite ongoing trade policy uncertainty, the economy has shown resilience, though early signs of strain are emerging. While the outcome of tariffs remains unclear pending court rulings and trade negotiations, markets have taken comfort in the removal of worst-case scenarios. Attention now shifts to the “One Big Beautiful Bill Act” (OBBBA) and its implications for debt and deficits. The Congressional Budget Office (CBO) projects the OBBBA will add \$3 trillion to the national debt—10% of GDP—over the next decade, with much of the impact front-loaded, pushing the deficit to 7% of GDP by 2026. Among G7 nations, only France approaches a similar deficit level. With the Fed unwinding its balance sheet, foreign buyers largely absent from Treasury markets, and household savings below 5% of their income, the question looms: how will these deficits be financed without driving Treasury yields higher and negatively affecting other asset classes? Moody’s downgrade of the U.S. credit rating to Aa1 from Aaa on May 16 underscores these concerns.

The future path of growth and inflation remains uncertain. The long-standing debate over whether tax cuts can pay for themselves by boosting growth resurfaces with the OBBBA. While productivity is notoriously difficult to forecast, labor force growth—driven by demographic trends—is more predictable and points to a slowdown. These trends suggest a lower growth trajectory than the 2.4% annual average of the past decade. The CBO forecasts just 1.8% annual growth over the next 10 years, with the Bureau of Labor Statistics offering a similar 1.9% estimate. Injecting stimulus into an economy already near full employment complicates the Fed’s task, especially with core PCE inflation still 0.5% above target. The Fed remains in a restrictive stance, with the Fed Funds Rate nearly 200 bps above core PCE. The yield curve remains inverted from 3-month T-bills to 7-year notes. Market expectations for rate cuts have moderated from four to two since “Liberation Day”, still one more than at the start of the year. This outlook may be optimistic unless inflation shows clearer signs of easing—something unlikely in the near term as tariffs push up goods prices.

Near-term growth prospects are clouded by policy uncertainty. Tariffs remain the primary concern, but the final form of the OBBBA and immigration policy also weigh heavily on sentiment. Consumer expectations have deteriorated sharply, with the University of Michigan survey hovering near lows last seen during the Global Financial Crisis and the 2022 inflation peak. The Institute for Supply Management (ISM) Services PMI has dipped below 50, and the winter rebound in Manufacturing ISM has faded in spring. While employment has held steady, it remains the key variable to watch. If GDP growth slows by the expected 1.5% compared to 2023–2024 levels, unemployment could easily rise to or exceed the consensus forecast of 4.4%. The median recession probability has climbed to 40%, up from 20% in February. Overall, the economic environment remains stagflationary, leaving the Fed in a bind and keeping yields range-bound until data clearly break in one direction.

In contrast, the eurozone’s monetary and fiscal outlook appears more straightforward. Fiscal sustainability is less of a concern—France being the notable exception—and several sovereigns have received ratings upgrades. Hopes for a major fiscal boost in Germany have tempered, as we believe capex-related spending will take time to materialize, with economic impact expected only in late 2026. Inflation, including services, has been declining, and markets now anticipate inflation undershooting the ECB’s target in the coming years. Tariffs are expected to dampen both growth and inflation in the eurozone, making it easier for markets to price in further ECB easing. This has led to 10-year Bunds outperforming 10-year U.S. Treasuries by 20 bps in May.<sup>1</sup> However, with the ECB already cutting rates in June and growth holding up better than expected, further cuts may be limited unless a negative shock materializes.

Japanese government bond (JGB) yields resumed their sell-off in May as Japan moved closer to a trade agreement with the U.S., reducing downside risks. The Bank of Japan surprised markets with a dovish tone, even as inflation continued to exceed expectations—strengthening the case for policy normalization. Long-dated JGBs faced significant pressure following weak auction results. Despite yields reaching levels previously considered attractive to domestic institutional investors, demand from this group has been notably absent, raising questions about future support for the long end of the curve.

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<sup>1</sup> Source: Bloomberg, as of May 31, 2025

Currency markets were once again dominated by the U.S. dollar. It initially rallied alongside recovering risk markets and easing tariff fears, but those gains faded by month-end as concerns over U.S. fiscal sustainability took center stage. The U.S. trade deficit, fiscal deficit, and dollar valuation—already rich by conventional metrics—are deeply interconnected. A sharp move in any one of these could trigger disorderly adjustments in the others. While there is little evidence so far of foreign investors reducing their U.S. asset exposure, any decline in foreign willingness to fund the trade deficit could have serious implications for the dollar and the broader economy.

## Developed Market Rate/Foreign Currency

### MONTHLY REVIEW

Following a volatile April, risk markets rebounded strongly in May, buoyed by a major de-escalation in U.S.-China trade tensions. Both nations agreed to a 115-point reduction in bilateral tariffs for 90 days and expressed a mutual desire to avoid economic decoupling—an outcome that exceeded expectations. Economic data showed limited immediate impact from trade concerns, though stockpiling by U.S. consumers ahead of tariffs may have temporarily boosted demand. The U.S. labor market remained robust, with stronger-than-expected payrolls, while inflation was subdued. Global interest rates rose amid the risk-on sentiment, with U.S. Treasuries underperforming and German Bunds outperforming. Fiscal policy developments also drew attention, particularly the House's passage of President Trump's "Big Beautiful Bill Act," which extends 2017 tax cuts and now awaits Senate approval.

In Europe, sentiment improved modestly, though inflation data supported further ECB rate cuts. Manufacturing confidence rose, but services unexpectedly contracted, and disinflationary pressures persisted. Mid-month, President Trump threatened 50% tariffs on European imports, but implementation was delayed to July after diplomatic progress. Japanese Government Bonds saw curve steepening due to weak demand for long-term debt.

In currency markets, the U.S. dollar stabilized after April's sharp selloff, while high-yielding currencies rebounded amid lower volatility. Sterling and the Norwegian krone led G10 gains, and the Bloomberg dollar index ended May down 0.6%, despite briefly rising 1.3%.<sup>2</sup>

### OUTLOOK

We remain overweight duration in developed market (DM) bonds, reflecting our view that trade risks—despite recent U.S. tariff reversals—remain elevated and could weigh on near-term economic outcomes. We continue to hold curve steepening positions in U.S. Treasuries and German Bunds, as we see short-dated bonds as attractive in a scenario where central banks respond to rising downside risks with more aggressive rate cuts. Conversely, longer-dated bonds may underperform if term premia rise due to growing fiscal sustainability concerns.

Cross-market, we favor duration in the U.S., UK, and New Zealand over Australia and Japan. In Japan, we also maintain long positions in inflation breakevens. On the currency front, we are short the U.S. dollar against a diversified basket, including emerging market currencies, which we believe could benefit from increased hedge ratios on USD assets, exporter conversions, and a more supportive macro environment for EM economies.

## Emerging Market Rate/Foreign Currency

### MONTHLY REVIEW

Emerging Markets Debt (EMD) delivered positive returns in May, supported by a broad-based strengthening of EM currencies as the U.S. dollar continued to weaken. Credit spreads tightened across both sovereign and corporate bonds, reflecting a decline in market volatility following the April 2 tariff announcements. Despite a rise in U.S. Treasury yields, the hard currency segment of EMD posted gains, underscoring investor resilience. Progress in global trade negotiations also contributed to market optimism, with the U.S. and China reaching a preliminary agreement to significantly reduce tariffs, effectively pausing the trade war. However, by month-end, tensions resurfaced as both sides accused each other of violating the truce. Political developments added to the month's significance, with pivotal elections in Suriname and Poland resulting in opposition victories. In Suriname, the outgoing administration had implemented fiscal reforms and overseen the 2023 debt restructuring, but a coalition government will now be required to secure a majority. In Poland, a conservative, less EU-aligned party gained power, potentially signaling a shift in the country's policy direction. Investor sentiment toward EMD improved, with positive flows into both hard currency and local currency funds. This renewed interest may signal a broader shift in global risk appetite, potentially benefiting the asset class going forward.

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<sup>2</sup> Source: Bloomberg, as of May 31, 2025

## OUTLOOK

EMD continues to offer compelling opportunities at the individual country level, while broader macroeconomic conditions have also become increasingly supportive. Expectations for a weaker U.S. dollar should bolster EM currencies, and real yield differentials between emerging and developed markets remain attractive. Several developed market central banks have already begun easing policy in the first half of the year.<sup>3</sup> However, the timing and triggers for a potential U.S. Federal Reserve rate cut remain uncertain. Meanwhile, global markets continue to experience volatility driven by ongoing trade policy developments. Despite this backdrop, our focus remains on country-specific fundamentals and policy responses, which we believe will be key differentiators going forward. As U.S. interest rates rise, it may signal a shift in investor behavior toward seeking alternative opportunities. In this context, EMD stands to benefit from a potential reallocation of capital, particularly as investors reassess risk-reward dynamics across global fixed income markets.

## Corporate Credit

### MONTHLY REVIEW

Investment-grade credit saw solid performance in May, supported by easing trade tensions, subdued volatility, and strong technicals. U.S. IG modestly outperformed European IG, driven by favorable market dynamics and robust issuance activity, particularly from U.S. corporates tapping into lower-cost EUR funding. Sentiment was lifted by a post-“Liberation Day” trade agreement between the U.S. and U.K., and a temporary tariff reduction deal with China, though legal uncertainties around Trump-era tariffs persist. Central banks remained cautious: the Fed signaled patience, the Bank of England cut rates but maintained a hawkish tone, and the ECB stayed on the sidelines. Economic data was mixed, with improving U.S. indicators contrasting with weaker Eurozone PMIs. Inflation surprised to the upside in the U.K. and Europe, while U.S. inflation remained in line with expectations. Despite record-breaking inflows and issuance, secondary market performance was more muted, reflecting limited follow-through.

U.S. and global high yield markets delivered strong returns in May, despite navigating rising Treasury yields and renewed fiscal concerns. The 5-year Treasury yield rose approximately 25 bps over the month, driven by

concerns over U.S. fiscal sustainability, a widely anticipated credit rating downgrade, and ongoing trade tensions—particularly with China. Robust demand for leveraged credit and a healthy volume of rising stars helped absorb net new supply, contributing to significant spread tightening that more than offset the rise in Treasury yields. While distressed exchanges and liability management exercises (LMEs) declined, missed coupon payments ticked higher. Overall, the environment remained supportive, resulting in the strongest monthly return for U.S. high yield in nearly a year.<sup>4</sup>

Global convertible bonds also performed well, benefiting from the broader rally in risk assets. The asset class was led by higher-beta and higher-delta issuers, as global equities rebounded from April’s volatility. While convertibles underperformed global equities, they outpaced global fixed income for the month. The primary market rebounded sharply, with \$18.7 billion in new issuance—the highest monthly total since March 2021, during the pandemic-driven issuance surge. All regions contributed over \$1 billion in new supply, with the U.S. leading at \$13.5 billion. Year-to-date issuance reached \$44.3 billion, slightly below the same period in 2024.<sup>5</sup>

### OUTLOOK

We remain cautiously constructive on credit, anticipating a low-growth environment without a significant increase in downgrade or default risk. European policy remains broadly supportive, while the U.S. fiscal outlook is more mixed. Corporate fundamentals are solid, with companies continuing to prioritize conservative financial strategies. Technical conditions are favorable, supported by manageable new issuance and sustained demand for investment-grade yields. Looking ahead, we expect credit spreads to exhibit some sensitivity to macro and geopolitical headlines, but we do not foresee a material deviation from our base case. At current levels, spreads appear close to fair value, suggesting that carry will be the primary driver of returns. However, we also see opportunities for incremental gains through sector and security selection. Given the uncertain medium-term backdrop—including U.S. policy ambiguity, political tensions, and an uneven growth and inflation outlook—we do not anticipate meaningful spread tightening.

We maintain a cautious stance on the high yield market as we enter June. Our outlook reflects a complex and

<sup>3</sup> Source: Bloomberg, as of May 31, 2025

<sup>4</sup> Source: MSIM, ICE Indices, Bloomberg L.P. Data as of May 31, 2025

<sup>5</sup> Source: Bank of America, May 31, 2025

evolving policy landscape, including trade, immigration, and tax developments, alongside expectations for persistent inflation, slowing growth, and elevated recession risk. Market volatility remains high. While yields are historically attractive, the average high yield spread ended May nearly 75 bps above its January low, and we believe valuations remain vulnerable to widening. This view is informed by a comprehensive analysis of key drivers: trade and monetary policy, global economic trends, consumer health, issuer fundamentals, technical conditions, and relative valuations. In our view, greater price differentiation is likely, particularly in the lower-rated and more challenged segments of the leveraged credit universe.

We continue to hold a constructive view on the global convertible bond market as we move through the second quarter. Following a strong rebound in May, we think convertibles remain well-positioned due to their asymmetric return profile, underpinned by the “bond floor” feature. We expect this dynamic to persist, especially in a market characterized by uncertainty and volatility. Primary issuance also showed signs of recovery in May, and we anticipate this trend will continue. Corporates are likely to remain active in the convertible space as they navigate elevated interest rates and adapt to evolving global monetary policy.

## Securitized Products

### MONTHLY REVIEW

Securitized credit markets experienced modest tightening in May, though they generally underperformed other fixed income sectors. The U.S. Treasury curve flattened as rate cut expectations diminished, with markets now pricing in just two cuts for 2025, down from four. This led to a rise in yields, with the 2-year and 10-year UST yields climbing 30 and 24 bps, respectively. Agency Mortgage-Backed Securities (MBS) spreads tightened slightly by 4 bps to +155 bps over Treasuries, remaining wide by historical standards. The Fed continued to reduce its MBS holdings, while banks held steady and money managers remained active buyers.

Issuance rebounded strongly across securitized sectors after a slow April. ABS issuance more than doubled to \$34.3 billion, CMBS issuance reached \$17.8 billion, and RMBS issuance rose 15% to \$12.7 billion.<sup>6</sup> Despite higher rates, mortgage credit fundamentals remained solid, supported by strong homeowner equity, low unemployment, and limited refinancing activity. Non-agency RMBS and ABS spreads tightened by 15–25 bps and 20–30 bps, respectively, while CMBS spreads narrowed by 20–40 bps, with strength in high-end apartments, logistics, and luxury hotels offsetting weakness in Class B office space.

### OUTLOOK

We anticipate U.S. agency MBS spreads will tighten in the second half of the year, driven by renewed demand from relative value investors and banks, attracted by the sector’s compelling return profile relative to other core fixed income sectors and cash alternatives. However, we believe meaningful spread compression is unlikely until the Federal Reserve begins cutting interest rates, which we expect later this year. Credit securitized spreads are likely to remain range-bound in the near term, as markets await greater clarity on the economic implications of evolving tariff policies and a potential tightening in agency MBS spreads. Year-to-date, agency MBS has been one of the top-performing sectors, with securitized credit also delivering solid returns.<sup>7</sup> Looking ahead, we expect returns to be primarily driven by carry, supported by attractive yield levels as we enter June. Nonetheless, current rate levels continue to pose challenges for many borrowers. We expect ongoing pressure on household balance sheets, particularly among lower-income consumers, which could lead to further stress in certain consumer ABS segments. Commercial real estate also remains under strain due to elevated financing costs. In contrast, we maintain a constructive view on residential mortgage credit, which remains our preferred sector. It is the one area where we are comfortable extending down the credit spectrum, while we remain more cautious on lower-rated ABS and CMBS. Overall, we continue to see strong relative value in agency MBS, especially when compared to investment-grade corporate spreads and historical agency MBS levels.

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<sup>6</sup> Source: Bloomberg, as of May 31, 2025

<sup>7</sup> Source: Bloomberg, as of May 31, 2025



## Risk Considerations

**Diversification** neither assures a profit nor guarantees against loss in a declining market.

There is no assurance that a portfolio will achieve its investment objective. Portfolios are subject to **market risk**, which is the possibility that the market values of securities owned by the portfolio will decline and that the value of portfolio shares may therefore be less than what you paid for them. Market values can change daily due to economic and other events (e.g., natural disasters, health crises, terrorism, conflicts, and social unrest) that affect markets, countries, companies, or governments. It is difficult to predict the timing, duration, and potential adverse effects (e.g., portfolio liquidity) of events. Accordingly, you can lose money investing in a portfolio. **Fixed-income securities** are subject to the ability of an issuer to make timely principal and interest payments (credit risk), changes in interest rates (interest rate risk), the creditworthiness of the issuer and general market liquidity (market risk). In a rising interest-rate environment, bond prices may fall and may result in periods of volatility and increased portfolio redemptions. In a declining interest-rate environment, the portfolio may generate less income. **Longer-term securities** may be more sensitive to interest rate changes. Certain **U.S. government securities** purchased by the strategy, such as those issued by Fannie Mae and Freddie Mac, are not backed by the full faith and credit of the U.S. It is possible that these issuers will not have the funds to meet their payment obligations in the future. **Public bank loans** are subject to liquidity risk and the credit risks of lower-rated securities. **High-yield securities (junk bonds)** are lower-rated securities that may have a higher degree of credit and liquidity risk. **Sovereign debt securities** are subject to default risk. **Mortgage- and asset-backed securities** are sensitive to early prepayment risk and a higher risk of default and may be hard to value and difficult to sell (**liquidity risk**). They are also subject to credit, market, and interest rate risks. The **currency market** is highly volatile. Prices in these markets are influenced by, among other things, changing supply and demand for a particular currency; trade; fiscal, money and domestic or foreign exchange control programs and policies; and changes in domestic and foreign interest rates. Investments in **foreign markets** entail special risks such as currency, political, economic and market risks. The risks of investing in **emerging market** countries are greater than the risks generally associated with foreign investments. **Derivative instruments** may disproportionately increase losses and have a significant impact on performance. They also may be subject to counterparty, liquidity, valuation, and correlation and market risks. **Restricted and illiquid securities** may be more difficult to sell and value than publicly traded securities (liquidity risk). Due to the possibility that prepayments will alter the cash flows on **collateralized mortgage obligations (CMOs)**, it is not possible to determine in advance their final maturity date or average life. In addition, if the collateral securing the CMOs or any third-party guarantees are insufficient to make payments, the portfolio could sustain a loss.

## DEFINITIONS

**Basis point (bp):** One basis point = 0.01%.

## INDEX DEFINITIONS

The indexes shown in this report are not meant to depict the performance of any specific investment, and the indexes shown do not include any expenses, fees, or sales charges, which would lower performance. The indexes shown are unmanaged and should not be considered an investment. It is not possible to invest directly in an index.

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The **Bloomberg Euro Aggregate Corporate Index (Bloomberg Euro IG Corporate)** is an index designed to reflect the performance of the euro-denominated investment-grade corporate bond market.

The **Bloomberg Global Aggregate Corporate Index** is the corporate component of the Bloomberg Global Aggregate index, which provides a broad-based measure of the global investment-grade fixed income markets.

The **Bloomberg US Corporate High Yield Index** measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The index excludes emerging market debt.

The **Bloomberg US Corporate Index** is a broad-based benchmark that measures the investment grade, fixed-rate, taxable, corporate bond market.

The **Bloomberg US Mortgage-Backed Securities (MBS) Index** tracks agency mortgage-backed pass-through securities (both fixed-rate and hybrid ARM) guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA) and Freddie Mac (FHLMC). The index is constructed by grouping individual TBA-deliverable MBS pools into aggregates or generics based on program, coupon, and vintage. Introduced in 1985, the GNMA, FHLMC and FNMA fixed-rate indexes for 30- and 15-year securities were

backdated to January 1976, May 1977, and November 1982, respectively. In April 2007, agency hybrid adjustable-rate mortgage (ARM) pass-through securities were added to the index.

**Consumer Price Index (CPI)** is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food, and medical care.

**Euro vs. USD**—Euro total return versus U.S. dollar.

**German 10YR bonds**—Germany Benchmark 10-Year Datastream Government Index; **Japan 10YR government bonds**—Japan Benchmark 10-Year Datastream Government Index; and **10YR US Treasury**—US Benchmark 10-Year Datastream Government Index.

The **ICE BofAML European Currency High-Yield Constrained Index (ICE BofAML Euro HY constrained)** is designed to track the performance of euro- and British pound sterling-denominated below investment-grade corporate debt publicly issued in the Eurobond, sterling.

The **ICE BofAML US Mortgage-Backed Securities (ICE BofAML US Mortgage Master) Index** tracks the performance of US dollar-denominated, fixed-rate and hybrid residential mortgage pass-through securities publicly issued by US agencies in the US domestic market.

The **ICE BofAML US High Yield Master II Constrained Index (ICE BofAML US High Yield)** is a market value-weighted index of all domestic and Yankee high-yield bonds, including deferred-interest bonds and payment-in-kind securities. Its securities have maturities of one year or more and a credit rating lower than BBB-/Baa3 but are not in default.

The **ISM Manufacturing Index** is based on surveys of more than 300 manufacturing firms by the Institute of Supply Management. The ISM Manufacturing Index monitors employment, production inventories, new orders, and supplier deliveries. A composite diffusion index is created that monitors conditions in national manufacturing based on the data from these surveys.

**Italy 10-Year Government Bonds**—Italy Benchmark 10-Year Datastream Government Index.

The **JP Morgan CEMBI Broad Diversified Index** is a global, liquid corporate emerging markets benchmark that tracks US-denominated corporate bonds issued by emerging markets entities.

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The **JPMorgan Government Bond Index—emerging markets (JPM local EM debt)** tracks local currency bonds issued by emerging market governments. The index is positioned as the investable benchmark that includes only those countries that are accessible by most of the international investor base (excludes China and India as of September 2013).

The **JPMorgan Government Bond Index Emerging Markets (JPM External EM Debt)** tracks local currency bonds issued by emerging market governments. The index is positioned as the investable benchmark that includes only those countries that are accessible by most of the international investor base (excludes China and India as of September 2013).

The **JP Morgan Emerging Markets Bond Index Global (EMBI Global)** tracks total returns for traded external debt instruments in the emerging markets and is an expanded version of the EMBI+. As with the EMBI+, the EMBI Global includes US dollar-denominated Brady bonds, loans, and Eurobonds with an outstanding face value of at least \$500 million.

The **JP Morgan GBI-EM Global Diversified Index** is a market-capitalization weighted, liquid global benchmark for US-dollar corporate emerging market bonds representing Asia, Latin America, Europe, and the Middle East/Africa.

**JPY vs. USD**—Japanese yen total return versus US dollar.

The **Markit iTraxx Europe Index** comprises 125 equally weighted credit default swaps on investment grade European corporate entities, distributed among 4 sub-indices: Financials (Senior & Subordinated), Non-Financials and HiVol.

The **Nikkei 225 Index (Japan Nikkei 225)** is a price-weighted index of Japan's top 225 blue-chip companies on the Tokyo Stock Exchange.

The **MSCI AC Asia ex-Japan Index (MSCI Asia ex-Japan)** captures large- and mid-cap representation across two of three developed markets countries (excluding Japan) and eight emerging markets countries in Asia.

The **MSCI All Country World Index (ACWI, MSCI global equities)** is a free float-adjusted market capitalization weighted index designed to measure the equity market performance of developed and emerging markets. The term "free float" represents the portion of shares outstanding that are deemed to be available for purchase in the public equity markets by investors. The performance of the Index is listed in US dollars and assumes reinvestment of net dividends.

The **MSCI Emerging Markets Index (MSCI emerging equities)** captures large- and mid-cap representation across 23 emerging markets (EM) countries.

The **MSCI World Index (MSCI developed equities)** captures large and mid-cap representation across 23 developed market (DM) countries.

The **Purchasing Managers Index (PMI)** is an indicator of the economic health of the manufacturing sector.

The **Refinitiv Convertible Global Focus USD Hedged Index** is a market weighted index with a minimum size for inclusion of \$500 million (US), 200 million (Europe), 22 billion Yen, and \$275 million (Other) of Convertible Bonds with an Equity Link.

The **Russell 2000® Index** is an index that measures the performance of the 2,000 smallest companies in the Russell 3000 Index.

The **S&P 500® Index (US S&P 500)** measures the performance of the large-cap segment of the US equities market, covering approximately 75 percent of the US equities market. The index includes 500 leading companies in leading industries of the U.S. economy.

The **S&P CoreLogic Case-Shiller US National Home Price NSA Index** seeks to measure the value of residential real estate in 20 major US metropolitan areas: Atlanta, Boston, Charlotte, Chicago, Cleveland, Dallas, Denver, Detroit, Las Vegas, Los Angeles, Miami, Minneapolis, New York, Phoenix, Portland, San Diego, San Francisco, Seattle, Tampa and Washington, D.C.

The **S&P/LSTA US Leveraged Loan 100 Index (S&P/LSTA Leveraged Loan Index)** is designed to reflect the performance of the largest facilities in the leveraged loan market.

The **S&P GSCI Copper Index (Copper)**, a sub-index of the S&P GSCI, provides investors with a reliable and publicly available benchmark for investment performance in the copper commodity market.

The **S&P GSCI Softs (GSCI soft commodities) Index** is a sub-index of the S&P GSCI that measures the performance of only the soft commodities, weighted on a world production basis. In 2012, the S&P GSCI Softs Index included the following commodities: coffee, sugar, cocoa, and cotton.

**Spain 10-Year Government Bonds**—Spain Benchmark 10-Year Datastream Government Index.

The **Thomson Reuters Convertible Global Focus USD Hedged Index** is a market weighted index with a minimum size for inclusion of \$500 million (US), 200 million euro (Europe), 22 billion yen, and \$275 million (Other) of convertible bonds with an equity link.

**U.K. 10YR government bonds**—U.K. Benchmark 10-Year Datastream Government Index. For the following Datastream government bond indexes, benchmark indexes are based on single bonds. The bond chosen for each series is the most representative bond available for the given maturity band at each point in time. Benchmarks are selected according to the accepted conventions within each market. Generally, the benchmark bond is the latest issue within the given maturity band; consideration is also given to yield, liquidity, issue size and coupon.

The **US Dollar Index (DXY)** is an index of the value of the United States dollar relative to a basket of foreign currencies, often referred to as a basket of US trade partners' currencies.

The **Chicago Board Options Exchange (CBOE) Market Volatility (VIX) Index** shows the market's expectation of 30-day volatility.

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