

The 40% Conundrum

MACRO INSIGHT | BROAD MARKETS FIXED INCOME TEAM | November 2025

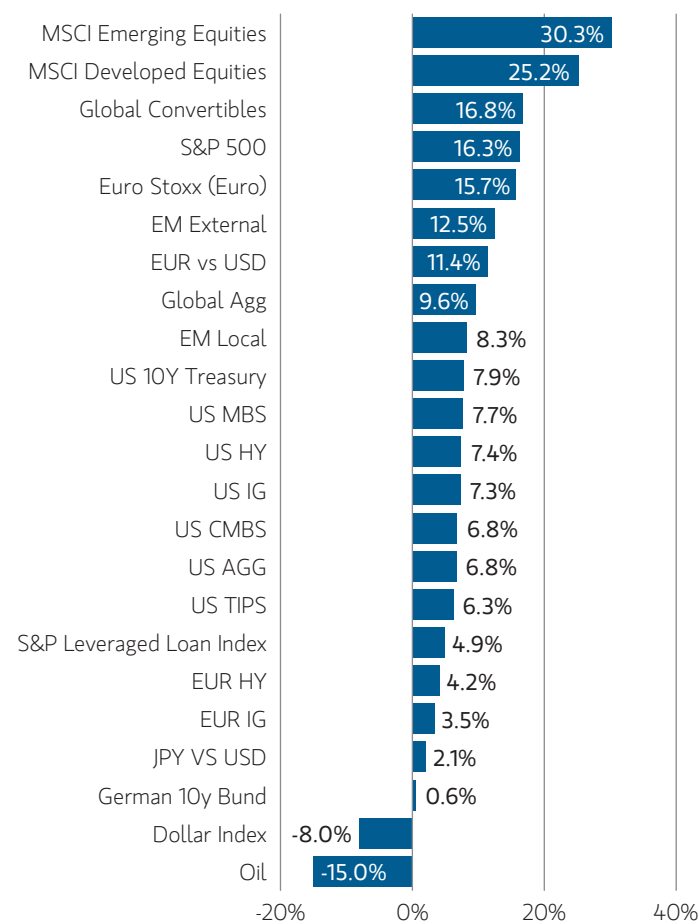
On October 1, the U.S. government entered a shutdown that stretched through month-end and into November. Beyond its immediate drag on activity, the greater casualty was information: the data flow that markets and policymakers depend on to gauge the health of the economy largely went dark.

Of the three pillars investors rely on to assess U.S. conditions—employment, inflation, and business sentiment—only about half the usual indicators arrived. The Bureau of Labor Statistics (BLS) never released its employment report, and the Bureau of Economic Analysis delayed the PPI, PCE, and GDP data. The Consumer Price Index was published only because a small BLS team finalized pre-shutdown inputs needed to index Social Security benefits. Privately compiled Institute for Supply Management (ISM) business surveys were among the few major data points to reach investors on time.

Despite the data blackout, markets pressed on—and so did the Federal Reserve, navigating the same information vacuum. The Fed delivered a second consecutive 25 bp rate cut, lowering the target range to 3.75%–4.00%. Yet Fed Chairman Jerome Powell struck a notably cautious tone, dampening expectations for further near-term easing and prompting a brief reversal in the Treasury rally that had preceded the October 29 FOMC meeting. Even so, 10-year yields ended the month 7 basis points (bps) lower, and the curve flattened modestly.

DISPLAY 1

Asset Performance Year-to-Date



Note: USD-based performance. Source: Bloomberg. Data as of October 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 8-9 for index definitions.

With the shutdown still unresolved at month-end, the outlook has grown murkier. The Fed's case for easing rests on an assumed cooling in labor markets—an assumption now difficult to verify. Inflation, while softer in the delayed CPI release, remains above target. The central bank continues to operate using its own surveys and projections, while private-sector indicators like ADP employment and Challenger job-cut data fill only part of the gap. October was effectively a “50% data month,” and with ongoing disruptions, November may fall closer to 40%—leaving investors and policymakers to navigate with less visibility than at any time in recent memory.

At moments like this, another Chair Powell—General Colin Powell—offered enduring guidance on decision-making under uncertainty:

“Use the formula $P = 40$ to 70 , in which P stands for the probability of success and the numbers indicate the percentage of information acquired... Once the information is in the 40 to 70 range, go with your gut.”

It's advice the Fed—and markets—may find increasingly relevant in the weeks ahead.

Elsewhere, information scarcity wasn't an issue. Most major developed bond markets traded with a dovish bias, mirroring the U.S., except Japan, which remains on a tightening path. The UK-led global outperformance as softer data and renewed fiscal credibility drove 10-year gilt yields down 29bps. Across the euro area, yields fell 8 bps in Germany and 15 bps in Italy even as the European Central Bank (ECB) stood pat, while Canada's 25 bp rate cut brought it in line with the broader easing trend, though officials hinted the cycle may now be complete.

Data Vacuum Defines October; Fed Cuts Amid Uncertainty

The U.S. government shutdown created a historic data gap, leaving markets and policymakers flying half-blind. The Fed still delivered its second 25bp cut, though Chair Powell's cautious tone cooled expectations for further near-term easing as the Treasury curve flattened modestly.

Developed Markets Steady; Policy Divergence Widens

Global yields were little changed as early risk-on sentiment faded post-FOMC. The U.S. curve steepened, while the ECB, Bank of England (BoE), and Bank of Canada held policy steady amid softer data. France's downgrade and UK gilt outperformance highlighted regional contrasts; Japan's new LDP leadership fueled brief volatility before stabilizing.

Emerging Markets Gain Across Hard and Local Currency Debt

Emerging market (EM) debt posted positive returns, supported by tighter spreads and local-currency strength in Chile, Indonesia, Peru, and South Africa. Inflows remained robust at \$4.6bn for the month,¹ while Argentina's elections and a U.S.-China trade truce helped stabilize sentiment.

Corporate Credit Mixed; Earnings Resilient but Supply Heavy

Investment grade spreads were marginally wider as U.S. issuance surged on AI- and capex-driven supply, while Europe outperformed. High yield softened amid volatility and growing consumer concerns, though earnings remained broadly solid. Convertibles continued to benefit from the AI theme, with issuance hitting record levels.

Securitized and Municipals Outperform Amid Strong Technicals

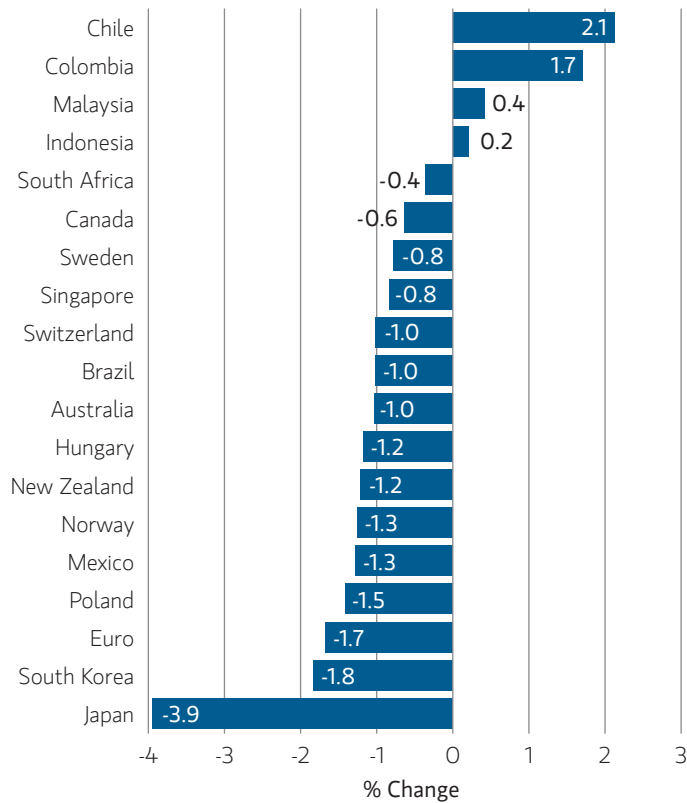
Agency mortgage-backed securities (MBS) and securitized credit tightened modestly, outperforming corporates as fundamentals stayed firm. Residential credit led gains while ABS and CMBS held steady. Taxable municipals advanced 1.08%, supported by light supply, stable credit, and persistent institutional demand.²

¹ Source: JPMorgan, as of October 31, 2025

² Source: Bloomberg, as of October 31, 2025

DISPLAY 2
Currency Monthly Changes versus USD

(+ = appreciation)



Note: Positive change means appreciation of the currency against the USD.
Source: Bloomberg. Data as October 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)
(SPREAD OVER USTS)				
United States	4.08	-7		
United Kingdom	4.41	-29	33	-22
Germany	2.63	-8	-144	-1
Japan	1.67	2	-241	9
Australia	4.30	0	22	7
Canada	3.12	-6	-96	1
New Zealand	4.06	-13	-2	-6
(SPREAD OVER BUNDS)				
France	3.42	-11	79	-4
Greece	3.26	-12	63	-5
Italy	3.38	-15	75	-7
Portugal	2.99	-12	36	-5
Spain	3.14	-11	51	-4
EM	10-YR LOCAL YIELD (%)	MTD CHANGE (BPS)	SPREAD (BPS)	MTD CHANGE (BPS)
EM External Spreads			235	-22
EM Corporate Spreads			189	2
EM Local Yields			5.89	-2
(SPREAD OVER USTS)				
Brazil	13.77	5	969	12
Colombia	11.63	28	755	36
Hungary	6.79	-3	271	5
Indonesia	6.06	-29	198	-22
Malaysia	3.50	5	-58	12
Mexico	8.84	3	477	10
Peru	6.06	-1	198	6
Poland	5.33	-13	125	-6
South Africa	8.85	-31	477	-24
CREDIT			SPREAD (BPS)	MTD CHANGE (BPS)
U.S. IG			78	4
EUR IG			77	-2
U.S. HY			281	14
EUR HY			273	8
SECURITIZED				
Agency MBS			124	-2
U.S. BBB CMBS			605	6

Positive Neutral Negative

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

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Fixed Income Outlook

Following the Fed's second consecutive 25bp rate cut in October, global fixed income markets are transitioning into a more uncertain phase. Chair Powell's hawkish tone tempered expectations for additional near-term easing, and with the U.S. government shutdown delaying key economic releases, visibility into growth and inflation trends remains limited. The Fed—and markets—are now navigating with partial information, heightening the potential for short-term volatility and reinforcing the need for flexibility and selectivity across portfolios.

Globally, most developed bond markets have adopted a more dovish bias in line with the U.S., while Japan remains on a gradual tightening path. The UK outperformed on improving fiscal credibility and softer data, and euro area yields moved lower as the ECB maintained a steady policy stance. Canada's 25bp rate cut aligned it with the broader easing cycle, though officials signaled a pause ahead. These diverging policy paths support maintaining a neutral duration stance overall, with selective curve-steepening positions and regional relative-value opportunities, particularly in Australia and Canada.

Credit markets continue to benefit from resilient fundamentals, though tight valuations and increased issuance argue for a selective approach. Investment grade credit offers stable carry and limited downgrade risk, while high yield valuations remain demanding but supported by strong earnings. Securitized products remain attractive given solid collateral performance and favorable technicals—especially in agency MBS and residential mortgage credit—though caution is warranted in consumer ABS and certain CMBS subsectors. Emerging markets retain an appealing combination of high real yields and reform-driven momentum, while country-level differentiation will remain key. Taxable municipals continue to offer a compelling yield premium over Treasuries and corporates, supported by light supply and healthy institutional demand. Bank loans offer attractive income despite tight spreads, supported by strong CLO demand and limited new supply, though price appreciation may be capped near intrinsic value and volatility remains elevated amid macro uncertainty.

Overall, carry and income generation should remain the dominant drivers of fixed income performance through year-end. With policy visibility constrained and spreads near historical averages, disciplined security selection, sector diversification, and a focus on quality will be essential as investors navigate the closing months of the cycle and the transition toward 2026.

Developed Market Rate/Foreign Currency

MONTHLY REVIEW

Developed market interest rates fell in early October before retracing higher toward month-end. On balance, 10-year yields across major markets ended little changed, though curve flattening persisted. Early in the month, risk appetite improved as a lull in U.S. data dampened both realized and implied volatility. The delayed September CPI—the sole major release—showed softer inflation, helping the S&P 500 reach new record highs amid rising expectations for monetary easing.

The October FOMC meeting proved the month's inflection point. The Fed cut rates by 25 bps and announced plans to end quantitative tightening, but Chair Powell's unexpectedly hawkish tone—stating a December cut was “not a foregone conclusion”—prompted a repricing. Markets now assign roughly a two-in-three chance of another cut in December, down from near-certainty a week earlier. Ten-year Treasury yields briefly fell below 4% before rebounding above. Late in the month, the U.S. reached trade agreements with key partners, including China (after a brief early-October escalation) and South Korea.

In Europe, attention centered on France, where Prime Minister Lecornu's proposal to suspend pension reform helped ease tensions. Nonetheless, S&P's downgrade of France's sovereign rating to A+—citing persistent deficits and political fragmentation—reinforced fiscal concerns. Across the euro area, October PMIs, particularly from Germany, provided reassurance on growth momentum. The ECB left its deposit rate at 2%, calling policy “in a good place” while emphasizing data dependence amid ongoing uncertainty.

In the UK, softer wage growth and easing food inflation prompted markets to reassess the BoE's path, with the probability of further rate cuts before year-end increasing. Fiscal signals ahead of the Autumn Budget—including renewed commitment to consolidation—helped compress fiscal risk premia and supported gilt outperformance. The 10-year gilt yield fell 27 bps over the month.

In Japan, the LDP leadership election delivered an unexpected victory for Sanae Takaichi. Initial market concerns about fiscal expansion and pressure on the Bank of Japan's independence faded following the formation of a new LDP-Ishin coalition.

FX markets reflected shifting Fed expectations and late-month guidance. The U.S. dollar strengthened broadly after the hawkish FOMC meeting, with the Bloomberg Dollar Index

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up 1.5%.³ Most majors weakened against the dollar, while high-beta and EM carry currencies generally underperformed

OUTLOOK

We remain neutral on duration across developed markets outside Japan, while maintaining selective cross-market positions. We continue to see relative value in Australian government bonds versus New Zealand, though we have recently reduced long positions in Canadian and European duration against the U.S. In the U.S., we retain curve steepeners in Treasuries but have trimmed similar exposure in Bunds. We have also added to positions in TIPS inflation breakevens.

In Japan, we maintain long positions in inflation breakevens and have increased duration shorts in anticipation of continued yield normalization. In FX, we remain short the U.S. dollar against a basket of mainly high-beta currencies, reflecting our view that recent dollar strength is unlikely to persist as policy divergence narrows.

Emerging Market Rate/Foreign Currency

MONTHLY REVIEW

Emerging market debt delivered positive returns in October across both hard and local currency segments. Despite a modestly stronger U.S. dollar, the local currency index advanced, supported by gains in the Chilean peso, Indonesian rupiah, Peruvian sol, and South African rand. Sovereign and corporate spreads tightened, while lower U.S. Treasury yields—following the Fed's 25bp rate cut—added to the supportive backdrop. In Argentina, mid-term elections resulted in a decisive victory for President Milei's party, reinforcing his political mandate. Meanwhile, the U.S. and China reached a trade truce under which the U.S. reduced average tariffs to 47%, and China agreed to increase soybean imports, suspend rare earth export restrictions for a year, and impose stricter controls on fentanyl trafficking. The asset class continued to see strong demand, recording \$4.6bn in net inflows during October, including \$1.7bn into hard currency funds and \$2.9bn into local currency funds.⁴

OUTLOOK

Fundamentals across emerging markets remain solid, underpinned by ongoing reform efforts in many countries and generally healthy macro balances. Valuations are

still attractive—particularly in local markets—where currencies appear undervalued and real yield differentials versus developed markets remain compelling. The broader backdrop is supportive, with expectations of a softer U.S. dollar amid persistent fiscal spending and accommodative policy sustaining investor demand for EM assets. That said, we believe performance is likely to remain differentiated, making country-level fundamentals and policy direction key drivers of relative value.

Corporate Credit

MONTHLY REVIEW

Investment grade credit had another constructive month in October, supported by solid fundamentals, resilient earnings, and continued demand for carry, though sentiment turned more cautious amid idiosyncratic headlines and expectations of increased AI- and capex-related supply in the U.S. Global IG spreads finished 2 bps wider, with U.S. IG underperforming (+4 bps to +78 bps) and European IG outperforming (-2bps to +77bps).⁵ In the U.S., Financials and Industrials saw mild widening, while in Europe, Industrials—particularly autos, lodging, and retail—led gains; banks outperformed while insurers lagged. Subordinated financials and hybrids tightened modestly. Q3 earnings were broadly resilient: banks continued to post strong revenues and cost control, with limited credit deterioration, while non-financials generally beat lowered expectations. M&A remained active, led by the U.S., with large transactions in utilities, beverages, and banking, and notable telecom activity in Europe. Technicals stayed supportive in Europe, where €48bn in new issuance was well absorbed (YTD €648bn, +8% YoY), while heavy U.S. supply (\$161bn, record October; YTD \$1.51tn, +6% YoY) weighed modestly on spreads as inflows remained robust.⁶

Performance in U.S. and global high yield markets moderated in October amid rising volatility. Concerns over consumer resilience at the lower-income end, renewed trade tensions with China, and unexpectedly hawkish remarks from Fed Chair Powell weighed on sentiment. Primary issuance declined sharply month-over-month—though to seasonally typical levels—while retail demand for leveraged credit softened. Market dispersion increased alongside a modest

³ Source: Bloomberg, as of October 31, 2025

⁴ Source: JPMorgan as of October 31, 2025

⁵ Source: Bloomberg, as of October 31, 2025

⁶ Source: Bloomberg, as of October 31, 2025

rise in the distress rate, reflecting greater differentiation across issuers and sectors.

Global convertible bonds posted another month of solid performance in October, supported by strong issuance and sustained investor interest despite elevated volatility from renewed U.S.-China trade tensions and hawkish Fed rhetoric. Returns were again driven by the AI and technology themes that have dominated recent months. The asset class underperformed global equities but outperformed traditional fixed income. Primary activity remained robust, with \$11.7 billion issued in October—2.5 times the typical monthly total—bringing year-to-date supply to \$137.5 billion, putting the market on track for a record issuance year.⁷

OUTLOOK

As year-end approaches, we remain cautiously constructive on investment grade credit, expecting a moderate-growth environment with limited downgrade or default risk. Corporate fundamentals are solid, supported by conservative balance sheets and disciplined leverage, while technicals remain favourable despite elevated issuance and M&A activity, particularly in U.S. technology and AI sectors. We maintain a neutral duration stance and continue to favour curve steepeners amid shifting supply-demand dynamics. While carry remains the primary return driver, tight spreads and potential volatility around central bank policy recalibration argue for selectivity. We prefer issuers with strong fundamentals, low cyclicity, and resilient cash flow profiles—particularly in regions where policy remains supportive and fiscal risks are contained.

We enter the final quarter with a slightly improved yet still cautious outlook on high yield credit. While peak volatility from trade tensions appears behind us and economic growth remains supportive, softer labor data and signs of consumer fatigue argue for prudence. September CPI surprised to the downside, and corporate earnings have generally been resilient, but valuations remain tight; spreads sit roughly 30 bps above post-GFC lows despite a historically attractive all-in yield. We expect a backdrop of slower but positive growth and moderately sticky inflation. Against this, credit fundamentals remain sound, but the balance of risk suggests selectivity is essential as much of the good news appears priced in.

We remain constructive on convertible bond fundamentals heading into year-end. While trade and policy uncertainty have eased somewhat, mixed economic data—including softer job growth and firmer consumer prices—suggest a slower but still positive growth environment with lingering inflation pressures. The asset class continues to demonstrate attractive asymmetric characteristics, though rising deltas have made it more equity-sensitive as equity markets strengthened. We believe this warrants a selective approach, focusing on balanced, convex structures where valuations still offer favorable optionality for active managers.

Securitized Products

MONTHLY REVIEW

Securitized credit performed solidly in October, with spreads tightening modestly and the sector outperforming most fixed income markets, particularly IG and HY corporates. Agency MBS spreads tightened 2 bps to +124 bps over Treasuries, and the U.S. Agency MBS Index returned 0.86%, extending a six-month streak of positive excess returns. The Fed's MBS holdings declined by \$16bn to \$2.06tn, while U.S. bank holdings rose slightly to \$2.71tn and are expected to increase as capital constraints ease.⁸ Money managers remained key buyers, supported by attractive valuations. Non-agency RMBS, ABS, and CMBS spreads each tightened 0–5bps amid steady fundamentals and manageable credit performance. RMBS benefited from solid household balance sheets, strong home equity, and low delinquencies despite subdued origination volumes. In ABS, rising consumer delinquencies among lower-income borrowers remain contained, while CMBS performance was mixed; Class B offices underperformed, offset by strength in logistics, multifamily, and high-end hospitality.

European securitized spreads were largely unchanged and remain tighter than comparable U.S. assets, prompting gradual rotation toward U.S. opportunities. Overall, securitized credit continued to benefit from firm fundamentals, resilient collateral performance, and strong technicals, even as issuance levels in ABS (\$40.4bn), CMBS (\$17.3bn), and RMBS (\$19.4bn) remained broadly stable.⁹

⁷ Source: Bank of America, October 31, 2025

⁸ Source: Bloomberg, as of October 31, 2025

⁹ Source: Bloomberg, as of October 31, 2025

OUTLOOK

We expect U.S. Agency MBS spreads to continue tightening as attractive relative valuations draw inflows from banks and value-oriented investors. While some of this adjustment occurred in October, we see further room for spread compression as the Fed nears the end of its rate-cutting cycle in 2026. Broader securitized credit spreads are likely to hold near current levels, as the credit curve has flattened materially year to date, leaving limited room for additional tightening absent a more pronounced rally in Agency MBS.

We anticipate near-term returns will be driven primarily by carry, with yields across the sector remaining compelling. Elevated rate levels continue to pressure household balance sheets, leading to stress among lower-income borrowers in consumer ABS, while commercial real estate remains challenged by high financing costs despite some easing. In contrast, residential mortgage credit remains our preferred sector, offering strong fundamentals and favorable risk-adjusted returns, particularly in higher-yielding tranches. Overall, Agency MBS valuations remain attractive both versus investment-grade corporates and relative to historical averages, underpinning our positive view on the sector.

Taxable Municipals

MONTHLY REVIEW

Taxable municipals gained 1.08% in October, extending year-to-date returns to 7.58%. Performance modestly lagged tax-exempt municipals (+1.24%) but remained strong relative to other fixed income sectors, outperforming

Treasuries (+0.80%) and investment-grade corporates (+0.92%). Long-duration taxable munis (+1.40%) outperformed intermediates (+0.62%) amid a mild bull flattening, as five-year and thirty-year Treasury yields declined 3bps and 6bps, respectively. Early-month gains reflected softer labor data outweighing persistent inflation expectations. The Bloomberg Taxable Municipal Index ended the month yielding 4.78%—approximately 85-90 bps above duration-matched Treasuries and 20–25 bps over similarly rated corporates.¹⁰ Spreads tightened slightly as investors continued to favor high-quality spread products, underscoring strong relative value and stable demand.

OUTLOOK

Despite the Fed's second consecutive 25bp rate cut in October, Chair Powell's hawkish tone tempered market optimism, leaving uncertainty around a potential December move. With limited data during the government shutdown, investors leaned on private indicators showing a mixed labor backdrop and sticky inflation. A resumption of data releases in November should clarify the macro picture and help recalibrate expectations for growth and policy.

While shifting rate expectations may create near-term volatility, high absolute yields, light supply, and resilient credit fundamentals provide a supportive backdrop for taxable municipals. The sector continues to offer meaningful yield advantages versus Treasuries and corporates, and steady institutional demand should keep valuations well anchored into year-end.

¹⁰ Source: Bloomberg, as of October 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.

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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.

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.

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.

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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