

Report Overview

The *Investment Committee Handbook* provides a detailed recap across equity and credit markets. It is updated monthly and released with the ETF Models at the beginning of each month. There are five sections: Equity Market Summary, Cross Asset Analysis, Economic Monitor, Credit Markets, and Relative Return Charts. The charts track macro data, monitor equity and credit market trends, and frame investor expectations.

How to Use the Monthly Report

The report is built for use during both internal meetings and client conversations. It is designed to save your team time preparing for internal IC meetings, and the charts keep the discussion focused on topics and data points that matter to markets. The report can also serve as a visual aid during client conversations, such as highlighting specific charts to explain the current market environment and investment themes.

Portfolio Strategy Commentary

For an in-depth discussion of the current market environment and actionable portfolio ideas, refer to the latest [Monthly Roundup](#) or [Quarterly Asset Allocator's Guide](#).

Equity Market Summary

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Asset Class Ratings

Asset Allocation Recommendations for 6-12 months

● **Overweight (OW)**

Favor higher weight than the broad index. Comfortable letting winners run and increasing exposure after selloffs.

● **Marketweight / Neutral (N)**

Market areas offering limited differentiation vs the broad index.

● **Underweight (UW)**

Favor lower weight than the broad index. Potential areas of risk (i.e. underperformance, macro / thematic headwinds).

Ratings Change ▲ / ▼

Arrows indicate a positive (▲) or negative (▼) recent change in our view.

Asset Class	Allocation View				Ratings Rationale & Commentary
	Chg	UW	N	OW	
U.S. Factors					
Quality		•	•	●	Attractive factor given the consensus of a soft landing against an uncertain macro environment & delayed impact of Fed tightening/oil shock
Equal Weight		•	•	●	Increases exposure to smaller S&P 500 companies; Underweight Magnificent 7 valuation premium
Growth		•	•	●	Companies with superior growth profiles historically outperform after first rate cut; Prefer to own Growth outside of mega-cap AI
Minimum Volatility		•	•	●	Attractive in an environment where market are priced for perfection; Top performing equity factor if USRDI enters risk off regime
High Dividend		•	●	•	Favor active security selection with quality emphasis; Trades at significant valuation discount; More attractive as interest rates fall
Large Caps		•	●	•	Mega-cap Growth trades expensive & now needs EPS growth to meet high expectations; Index concentration = risk
Small Caps		•	●	•	Potential to outperform after underperforming in recent mega-cap rally; Fed rate cuts = tailwind for small caps
Momentum		•	●	•	Late cycle = changing macro trends with potential crowding & reversal risk; Prefer shorter-term momentum signals
Value		●	•	•	Expensive vs its own history = no clear valuation edge; Slower earnings growth than Growth factor
High Beta		●	•	•	Significant OW to semiconductor stocks, which makes the factor vulnerable to swings in investor sentiment to AI
U.S. Sectors					
Technology		•	•	●	Trades with AI valuation premium; Expensive vs history & relative to S&P 500; Needs EPS growth to meet high expectations
Financials		•	•	●	Solid capital position & benefits from steeper yield curve, but trades at expensive valuation; Increasing loan loss provisions = risk
Consumer Disc		•	•	●	Historically outperforms after end of tightening cycle, but consumer showing signs of spending slowdown as sentiment weakens
Industrials		•	•	●	Tariffs pose a significant risk to the manufacturing industry; Recent Fed rate cuts could spur pent-up industrial demand
Materials		•	●	•	Falling inflation = potential headwind for revenue growth; Potential upgrade if economy regains momentum
Energy		•	●	•	Oil prices have returned to pre-conflict levels; Limited impact from supply disruption suggests market may be oversupplied
Comm Services		•	●	•	Barbell exposure to the Growth-factor with additional exposure to the defensive Telecom industry to protect against risk of sell-off
Real Estate		●	•	•	Risk of property valuations falling further & owners unable to refinance due to tighter lending standards
Health Care		●	•	•	Defensive exposure supported by stable demand, with optionality from innovation in biotech and medical devices
Utilities		●	•	•	Pure defensive sector with bond-proxy characteristics, pressured by high rates but supported by long-term AI power needs
Consumer Staples		●	•	•	Defensive exposure with steady cash flows, though valuations remain elevated relative to growth prospects
Fixed Income					
MBS		•	•	●	Higher yield than U.S. Treasuries with similar risk profile; Benefits from continued decline in interest rate volatility
Investment Grade		•	•	●	Lower credit risk vs HY = Less risk of credit spread expansion; Favor neutral duration stance due to risk that spreads widen
Long Duration		•	•	●	Potential that yields move higher due to fiscal & inflation concerns, but oil prices have eased; Favor Treasuries over corporates
Bank Loans/CLOs		•	●	•	Fed rate-cutting cycle will cause floating yields to steadily decline; Extremely low duration provides no benefit if yields decline
EM Sovereign		•	●	•	Attractive yield + weaker USD = tailwinds; Concerned about spreads widening due to slower global growth & risk of liquidity crunch
Municipals		•	●	•	Offer reasonable after-tax yields for high tax bracket investors, but rich valuations and tight credit spreads could limit upside
TIPS		•	●	•	Real yields remain high compared to history despite inflation trending lower; Lack clear catalyst unless inflation surprises to upside
Preferreds		●	•	•	Banks are a large issuer of preferreds & bank stress could weigh on group; Higher equity beta = potential headwind
High Yield		●	•	•	Tighter lending standards = increased refinancing & default risk; Current credit spreads leave little room for further tightening
International Regions					
Emerging		•	●	•	Slow global growth = risk; Historically outperform early in rate-cutting cycles, but returns can diverge in later stages of cycles
ACWI ex U.S.		•	●	•	International will trade lower along with U.S. in recession but can hedge against U.S. selloff tied to expensive AI valuations
Developed		•	●	•	Countries, particularly Europe, increasing gov't spending = potential growth tailwind, but expectations are already high
FX					
U.S. Dollar		•	•	●	Informed by MarketDesk USD Technical Indicator (USDTI); Bearish positioning = potential catalyst

Source: MarketDesk

FIGURE 1 – Directional Trends of Key Macro Drivers

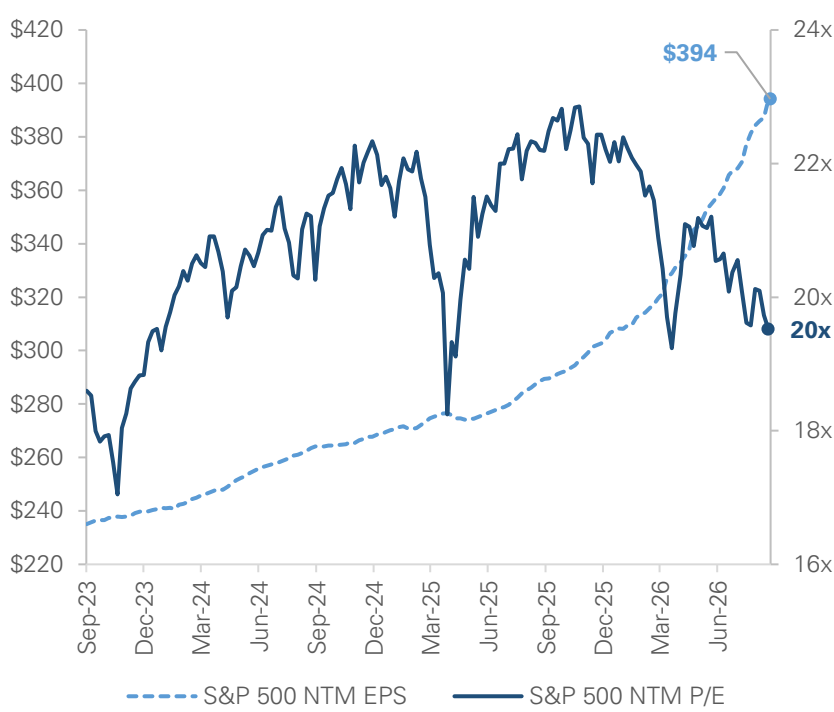
Do macro trends support recent S&P 500 price movement?

Type	Macro Driver	6-Month Trend	Current Status
Earnings	NTM Earnings Revisions		Risk-On
	US Manufacturing PMI		Neutral
Valuations	Multiple Expansion		Risk-Off
	Credit Spreads (BBB) *		Risk-Off
Rates	Yield Curve (10Y vs 2Y) *		Risk-On
	10 Year Real Yield *		Neutral
Sentiment	CBOE VIX *		Risk-On
	Investor Sentiment (USSI)		Neutral
	Risk Demand (USRDI)		Risk-On
Liquidity	US Net Liquidity (USNLI)		Risk-Off
	Finl. Conditions (USFCI) *		Risk-Off
Growth	Oil Prices		Neutral
	Industrial Metals		Neutral
	Fed Weekly Econ Index		Neutral
	Mortgage Applications		Risk-Off

Source: MarketDesk. Status based on 6mo trend. *Inverse relationships.

FIGURE 2 – Forward Earnings and Valuation Trends

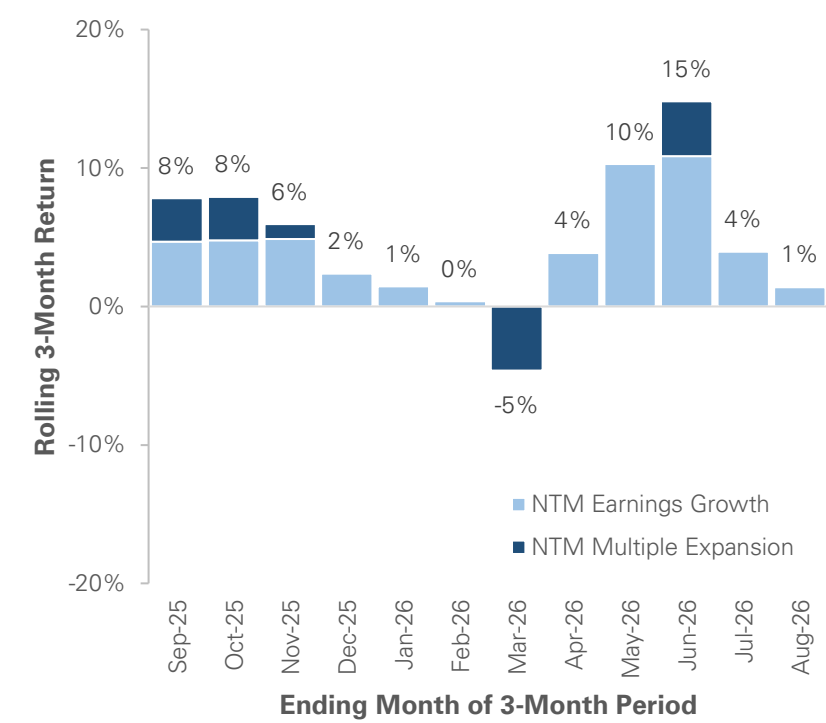
Are earnings forecast to grow, or are investors paying a higher valuation?



Source: MarketDesk. Based on consensus estimates.

FIGURE 3 – S&P 500 Performance Contribution (3-Months)

Did revisions or multiple expansion drive the trailing 3-month return?



Source: MarketDesk

FIGURE 4 – Y/Y Change in U.S. Net Liquidity (USNLI)

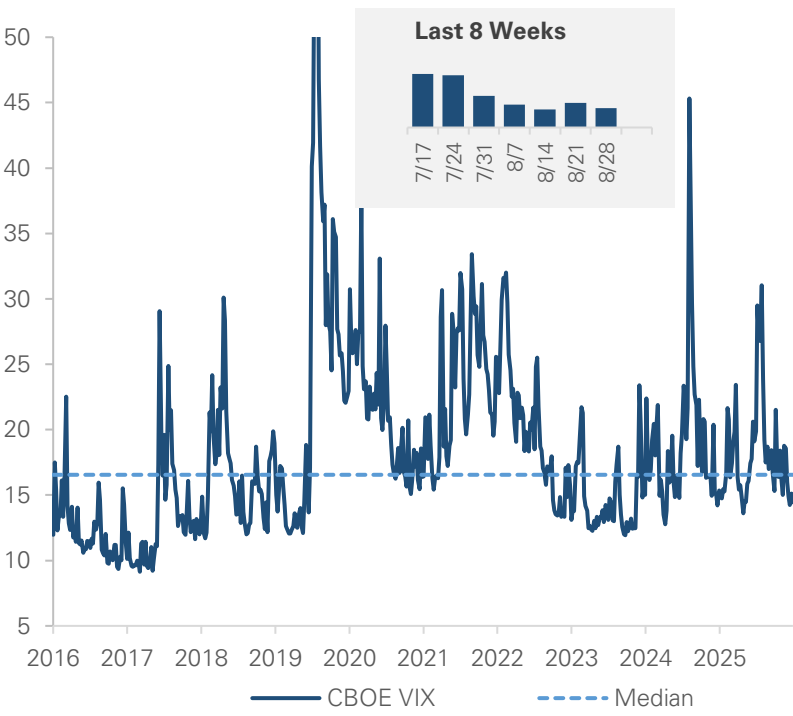
Is market liquidity improving or deteriorating?



Source: MarketDesk. See Quant Pack for more information.

FIGURE 5 – CBOE VIX

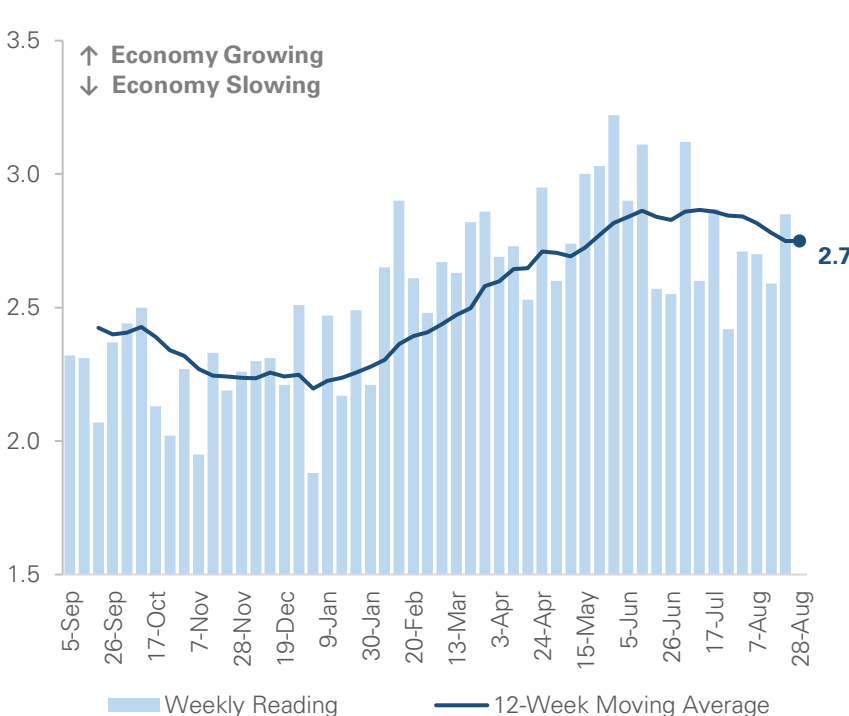
Are markets pricing in more or less future volatility?



Source: MarketDesk, CBOE

FIGURE 6 – Federal Reserve Weekly Economic Index

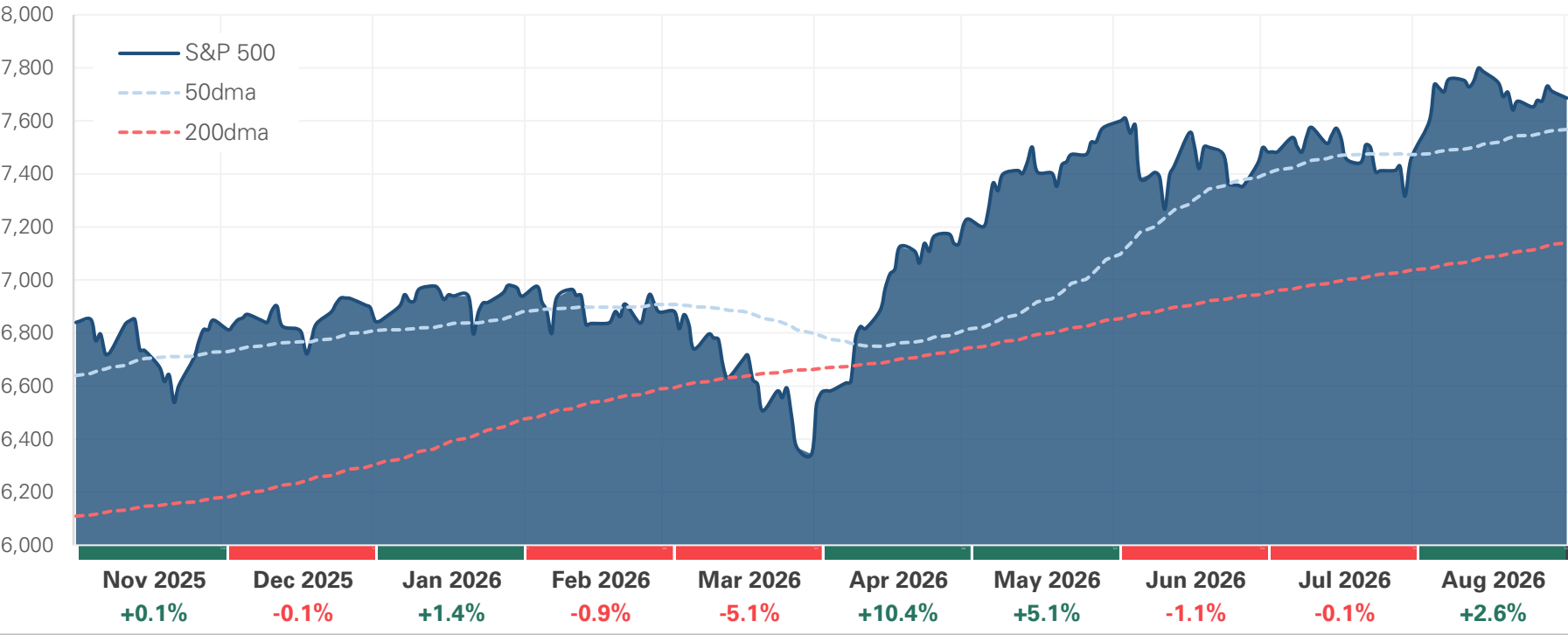
Is the market trending in line with high frequency economic data?



Source: MarketDesk, New York Federal Reserve

FIGURE 7 – S&P 500 Index Monthly Performance

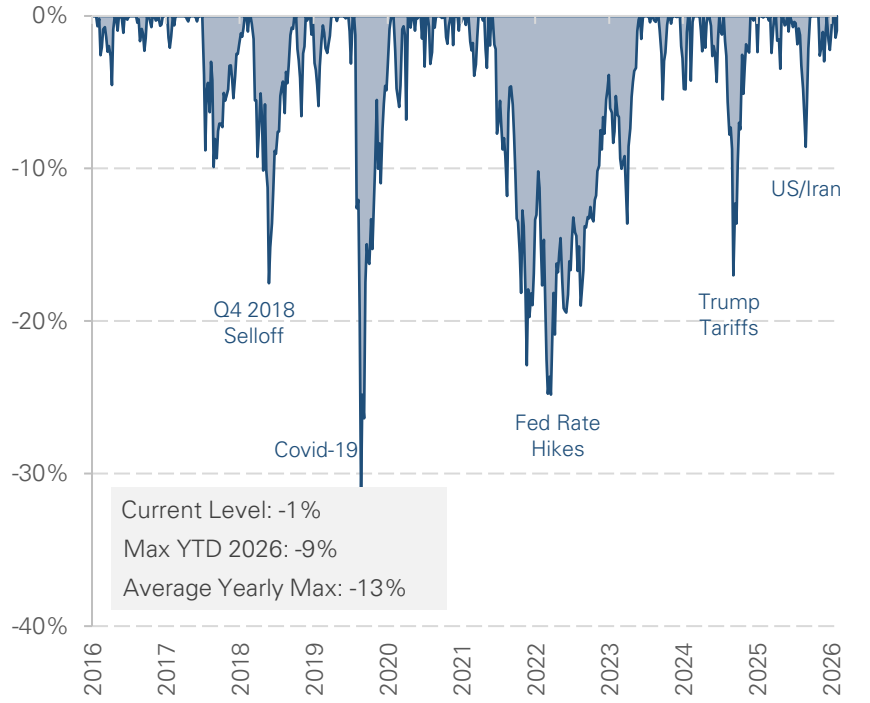
Price chart and monthly returns during the past 10 months



Source: MarketDesk. Note: The above analysis is price return only and does not include dividends received.

FIGURE 8 – S&P 500 Historical Drawdowns

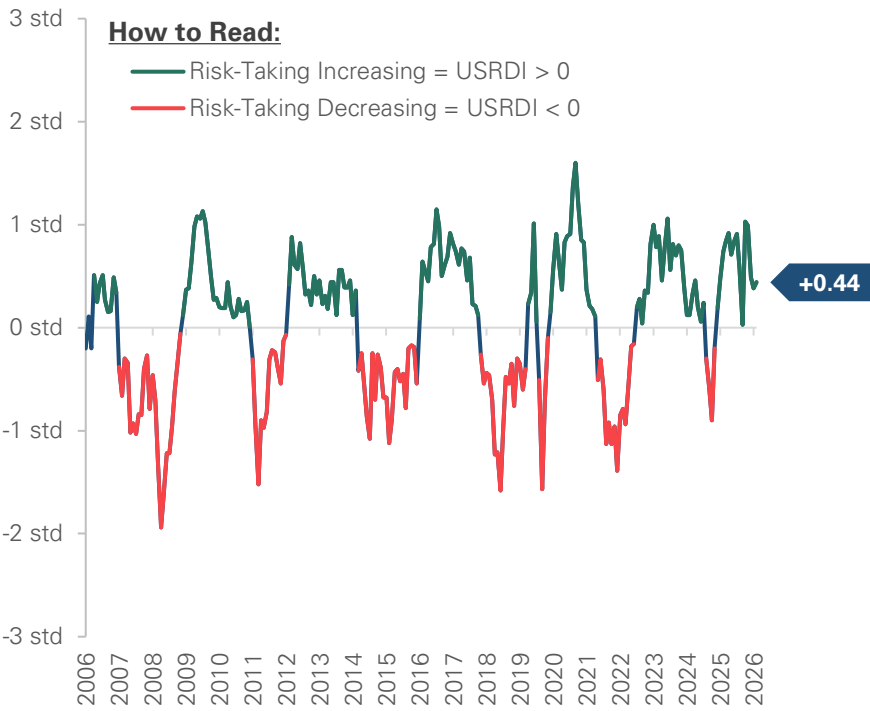
Measuring current price levels against all-time highs



Source: MarketDesk. Note: Based on end of week datapoints (not daily).

FIGURE 9 – MarketDesk U.S. Risk Demand Indicator (USRDI)

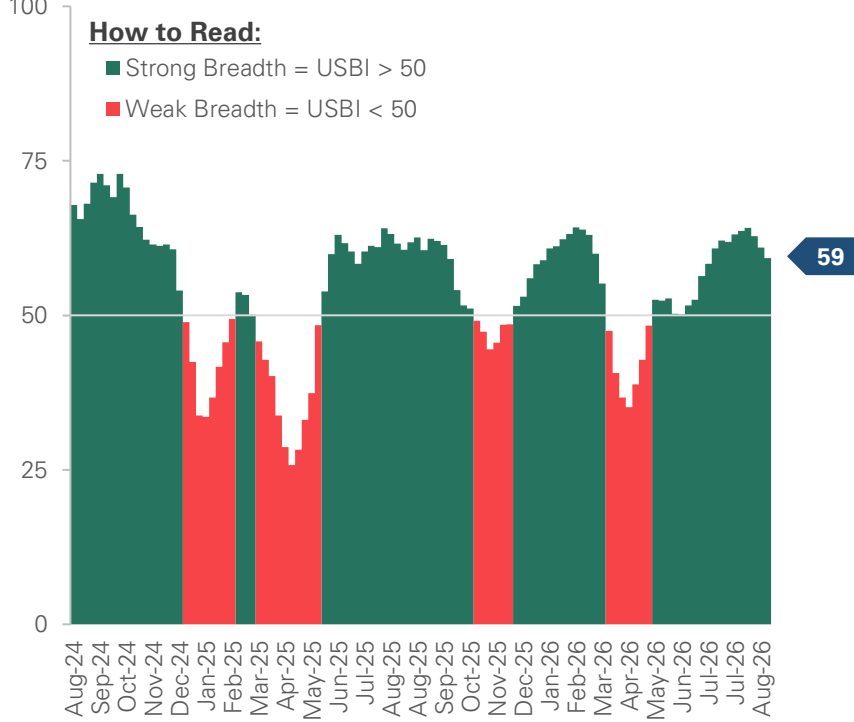
Measuring risk appetite over longer cycles (Long-Term)



Source: MarketDesk. See Quant Pack for forward returns statistics.

FIGURE 10 – MarketDesk U.S. Breadth Indicator (USBI)

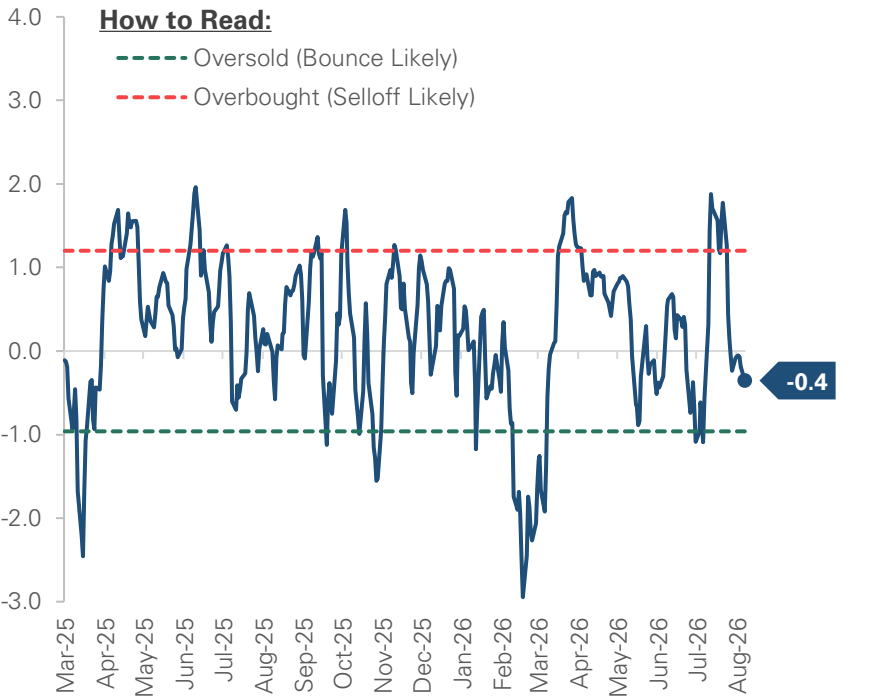
Measuring % of companies trading higher (Intermediate-Term)



Source: MarketDesk. See Quant Pack for forward returns statistics.

FIGURE 11 – MarketDesk U.S. Technical Indicator (USTI)

Measuring overbought vs oversold conditions (Near-Term)



Source: MarketDesk. See Quant Pack for forward returns statistics.

FIGURE 12 – Macro Drivers of Valuations

Directional trends of key inputs that influence valuations

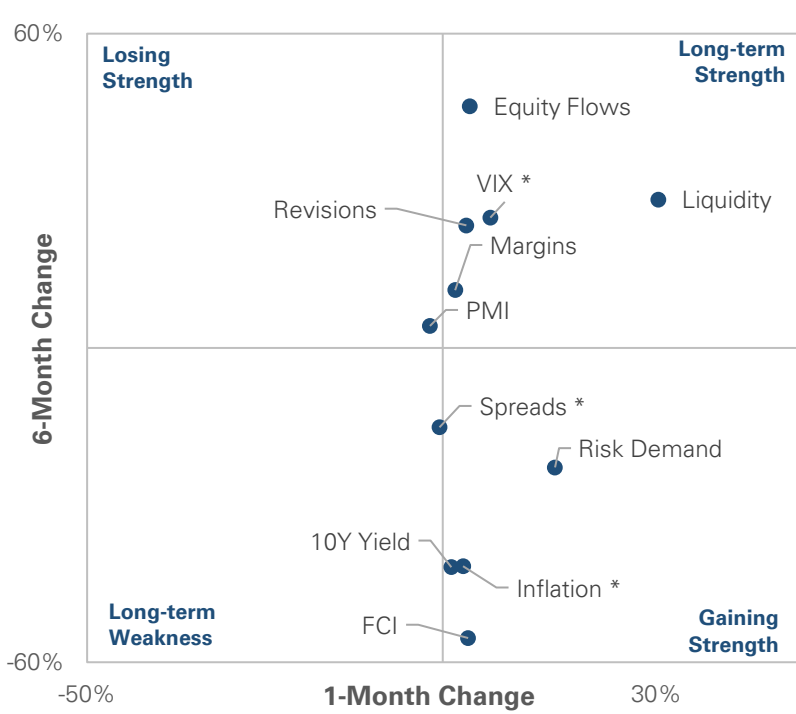
Type	Macro Driver	12-Month Trend	Valuation Impact
Earnings	NTM EPS Revisions		Expansion
	S&P 500 Profit Margins		Expansion
Rates	US 10-Year Real Yield *		Neutral
	Credit Spreads (BBB) *		Contraction
Economics	Inflation (CPI Y/Y%) *		Neutral
	ISM Mfg. PMI		Neutral
Sentiment	CBOE VIX *		Expansion
	Risk Demand (USRDI)		Expansion
	Investor Sentiment (USSI)		Expansion
Liquidity	Net Liquidity (USNLI)		Expansion
	Finl. Conditions (USFCI) *		Neutral
	Equity Flows		Expansion

Note: "Valuation Impact" is based on trailing data to identify the trend and is not a forward projection. * Denotes an inverse relationship to valuation changes.

Source: MarketDesk

FIGURE 13 – Rotation of Valuation Drivers

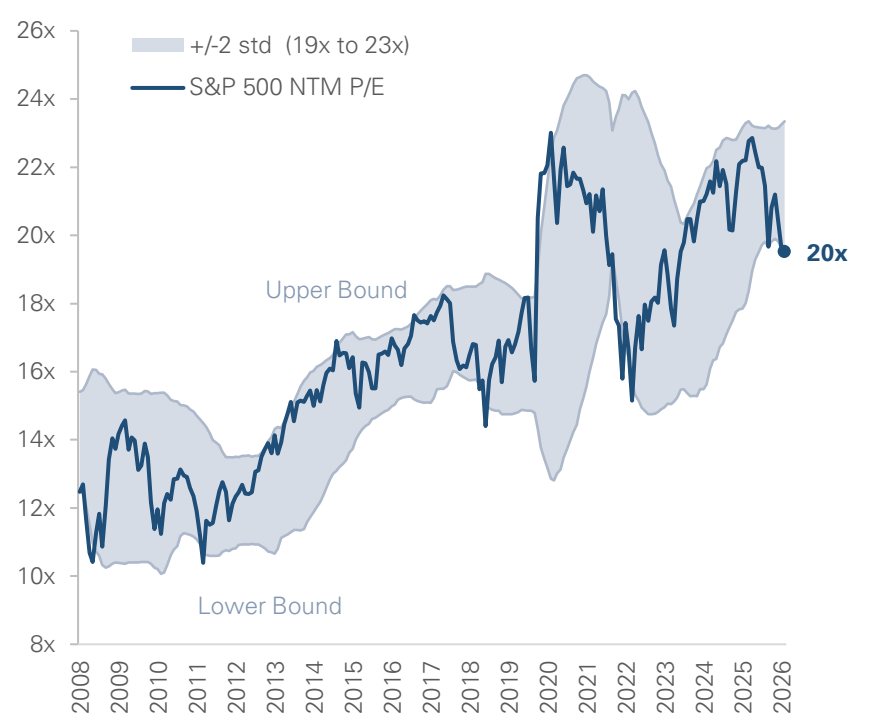
Monitoring near-term (1-month) vs long-term (6-month) trends



Source: MarketDesk. * Graphed inverse in scatterplot.

FIGURE 14 – S&P 500 Valuation vs Historical Range

NTM P/E vs rolling 2-year standard deviation range



Source: MarketDesk. Note: This figure uses monthly datapoints.

FIGURE 15 – Macro Drivers of Corporate Earnings

Directional trends of key inputs that influence corporate profits

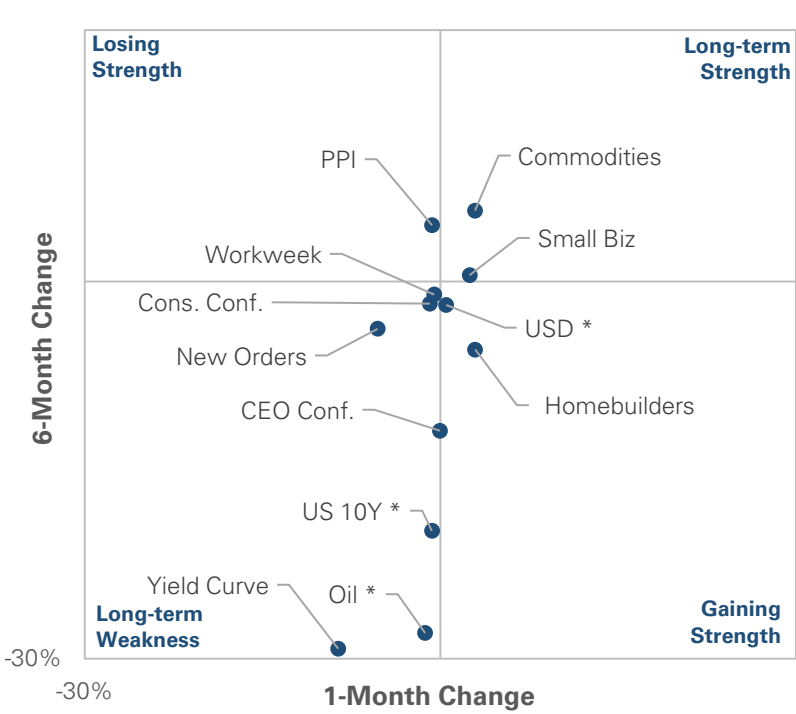
Type	Macro Driver	12-Month Trend	Earnings Impact
Revenue Growth	PPI Finished Goods		Neutral
	ISM New Orders		Slowing
Margins	Yield Curve (2/10Yr)		Slowing
	US 10-Year Yield *		Slowing
Expenses	WTI Oil Prices *		Slowing
	USD Index *		Neutral
Confidence	CEO Confidence		Slowing
	Consumer Confidence		Slowing
	Small Business Optimism		Growing
Economics	Average Workweek		Slowing
	Homebuilder Sentiment		Neutral
	Industrial Metals		Growing

Note: "Earnings Impact" is based on trailing data to identify the trend and is not a forward projection. * Denotes an inverse relationship to earnings growth.

Source: MarketDesk

FIGURE 16 – Rotation of Earnings Drivers

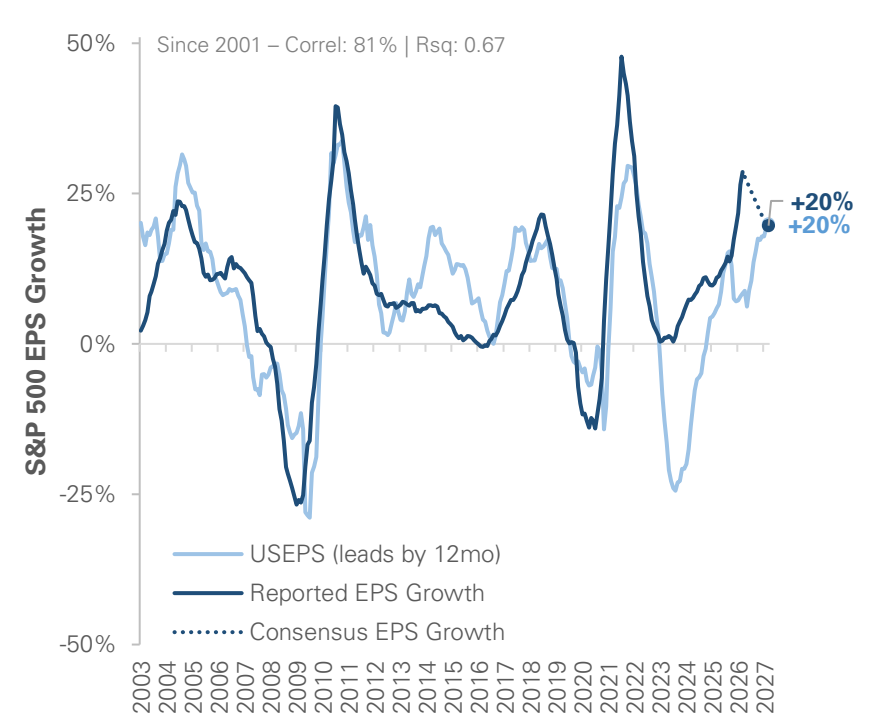
Monitoring near-term (1-month) vs long-term (6-month) trends



Source: MarketDesk. * Graphed inverse in scatterplot.

FIGURE 17 – MarketDesk S&P 500 Earnings Indicator (USEPS)

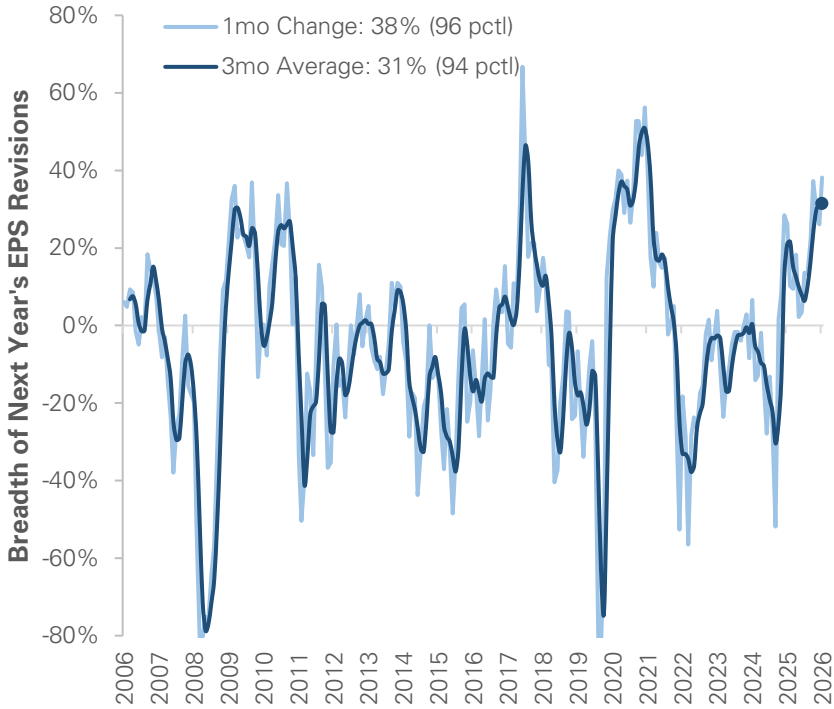
Forecasting the 12-month growth of S&P 500 earnings



Source: MarketDesk. See Quant Pack for more information.

FIGURE 18 – S&P 500 Earnings Revision Sentiment

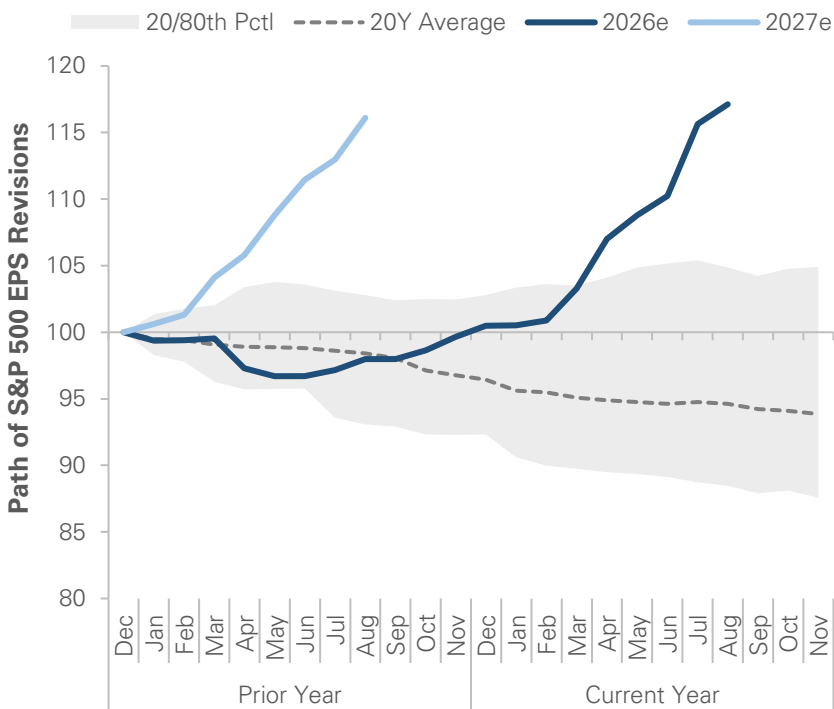
Monitoring trends in EPS revisions across S&P 500 companies



Source: MarketDesk. Breadth = (# Up - # Down) / Total Revisions

FIGURE 19 – S&P 500 Revisions Path vs Historical Range

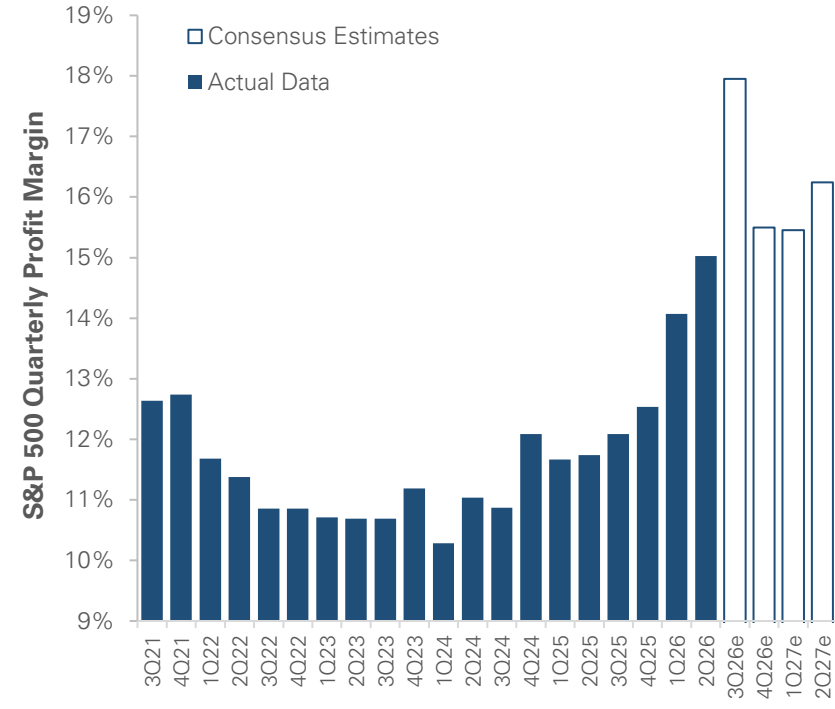
Measuring revisions to this year's S&P 500 EPS estimate



Source: MarketDesk. Estimate indexed to 100 on Jan 1st of Prior Year.

FIGURE 20 – S&P 500 Operating Margin

Historical actual margins and forward consensus projections



Source: MarketDesk. White bars represent consensus estimates.

FIGURE 21 – Earnings Revisions Across Key Market Areas

Market Areas		NTM EPS Revisions (%)				Sales Growth			EPS Growth			Net Margins			Rolling 3-Month Change in Earnings Revisions over Last 12 Months (%)												
		1m	3m	6m	Relative Trend	LTM	NTM	Chg	LTM	NTM	Chg	LTM	NTM	Chg	Chart	9/25	10/25	11/25	12/25	1/26	2/26	3/26	4/26	5/26	6/26	7/26	8/26
Factors	Large Caps	3.3	10.4	23.4	-	10.2	9.6	-0.6	25.1	20.4	-4.7	15.3	16.7	1.3		5	5	5	6	5	5	7	10	12	11	10	10
	Small Caps	2.4	7.7	17.4	-	5.7	5.6	-0.1	9.7	14.9	5.1	6.1	7.3	1.2		6	4	4	4	4	4	6	7	9	9	8	8
	Growth	5.1	16.5	35.8	Continued Strength	20.4	21.4	1.0	42.0	31.5	-10.5	27.8	29.6	1.8		7	6	7	9	10	10	12	14	17	16	16	17
	Value	1.7	4.9	13.3	-	7.0	5.4	-1.6	13.3	11.3	-2.0	10.9	11.4	0.5		3	4	3	2	1	1	3	7	8	6	5	5
	Equal Weight	1.9	6.7	15.5	Losing Strength	6.7	5.6	-1.1	11.7	12.2	0.5	10.0	10.7	0.7		3	2	2	3	4	4	6	7	8	8	7	7
Sectors	Materials	0.0	1.8	19.6	Losing Strength	6.2	6.3	0.0	27.4	22.5	-4.9	9.7	10.9	1.2		2	2	1	5	5	7	9	16	17	14	6	2
	Industrials	2.2	5.8	11.5	Gaining Strength	7.2	7.5	0.4	11.6	13.8	2.2	11.0	11.6	0.6		3	3	2	3	3	4	3	4	5	6	6	6
	Financials	1.2	6.1	9.8	-	8.5	6.3	-2.2	13.9	10.4	-3.4	21.3	21.6	0.3		4	4	4	4	3	3	3	3	4	4	6	6
	Real Estate	0.3	1.1	4.4	Continued Weakness	8.6	8.1	-0.6	7.4	7.5	0.1	16.2	16.0	-0.2		2	2	2	1	1	1	1	3	3	4	1	1
	Consumer Disc	0.6	8.9	14.3	Continued Weakness	5.1	6.1	1.0	15.6	9.8	-5.8	10.0	10.3	0.2		4	5	3	1	1	1	2	4	5	7	10	9
	Comm Services	7.4	13.1	15.2	Continued Strength	6.9	5.0	-1.9	51.2	22.4	-28.8	13.9	13.1	-0.9		6	11	9	8	2	4	-2	5	2	4	4	13
	Energy	4.6	6.2	65.5	-	11.9	2.9	-8.9	53.1	21.1	-31.9	10.4	11.1	0.7		3	-1	-1	-3	-5	-6	13	45	56	31	10	6
	Technology	6.7	15.0	42.4	Continued Strength	23.8	25.7	1.9	41.0	40.5	-0.5	27.4	30.5	3.1		8	9	10	15	16	16	19	19	24	19	16	15
	Health Care	2.4	5.6	7.7	Gaining Strength	7.2	4.8	-2.4	5.3	15.0	9.7	7.5	8.3	0.8		0	2	2	2	0	0	1	4	2	2	2	6
	Consumer Staples	1.9	0.8	3.5	-	5.1	4.6	-0.5	4.5	6.9	2.5	6.6	6.6	0.1		0	0	0	2	2	2	2	1	3	0	0	1
	Utilities	0.7	1.9	4.4	Continued Weakness	8.3	6.1	-2.3	10.0	9.4	-0.6	14.6	15.4	0.8		3	2	3	2	2	3	3	3	3	3	2	2

Source: MarketDesk. Based on consensus estimates of market cap weighted indices. Chart: Green (red) dot represents highest (lowest) point over the last 12 months. "Relative Trend" based on 1- and 6-month revisions.

FIGURE 22 – Summary of Asset Class ETF Flows

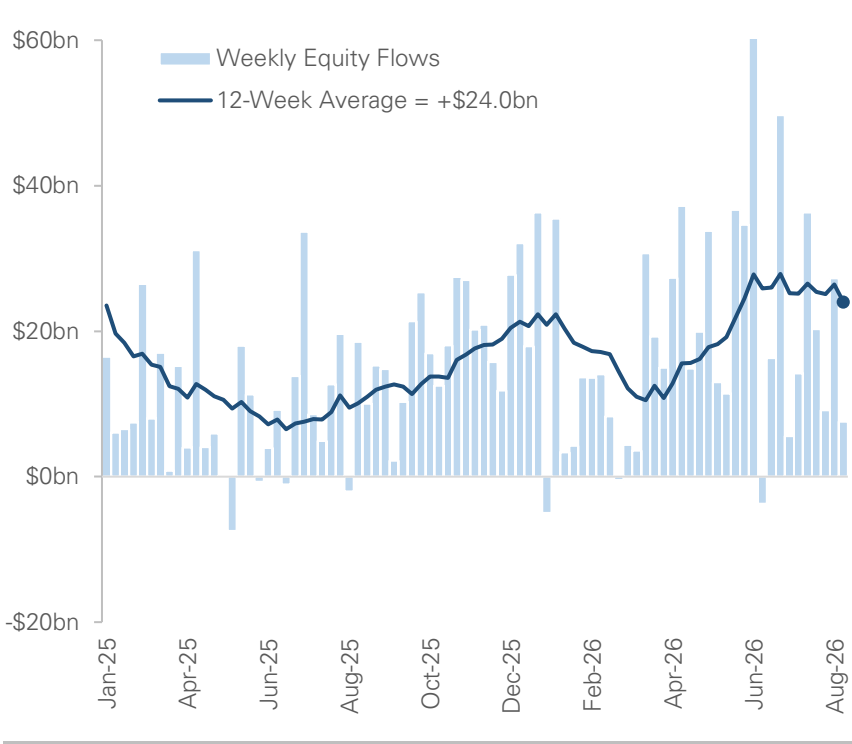
Where are investors allocating capital?

Market Area		Net Flows (\$B)			10 Year Percentile		
		1m	3m	6m	1m	3m	6m
Asset Classes	US Equities	122	353	540	98%	100%	100%
	US Large Caps	48	192	308	88%	97%	94%
	US Small Caps	2	7	16	63%	61%	70%
	Developed	16	47	107	96%	96%	96%
	Emerging	12	11	31	98%	68%	90%
	US Corp IG	24	84	145	95%	100%	99%
	US High Yield	1	9	6	42%	89%	54%
	US Gov't Bonds	13	39	111	89%	91%	99%
	Commodities	1	-5	-9	65%	15%	9%
U.S. Sectors	Consumer	1	0	-3	75%	38%	12%
	Financials	4	3	-4	93%	74%	21%
	Health Care	2	3	1	91%	81%	54%
	Real Estate	1	4	4	73%	97%	88%
	Technology	26	51	61	100%	100%	100%
	Utilities	1	0	1	87%	42%	60%

Source: MarketDesk. Based on net ETF issuance. Data delayed 1 month.

FIGURE 23 – Net U.S. Weekly Equity Flows

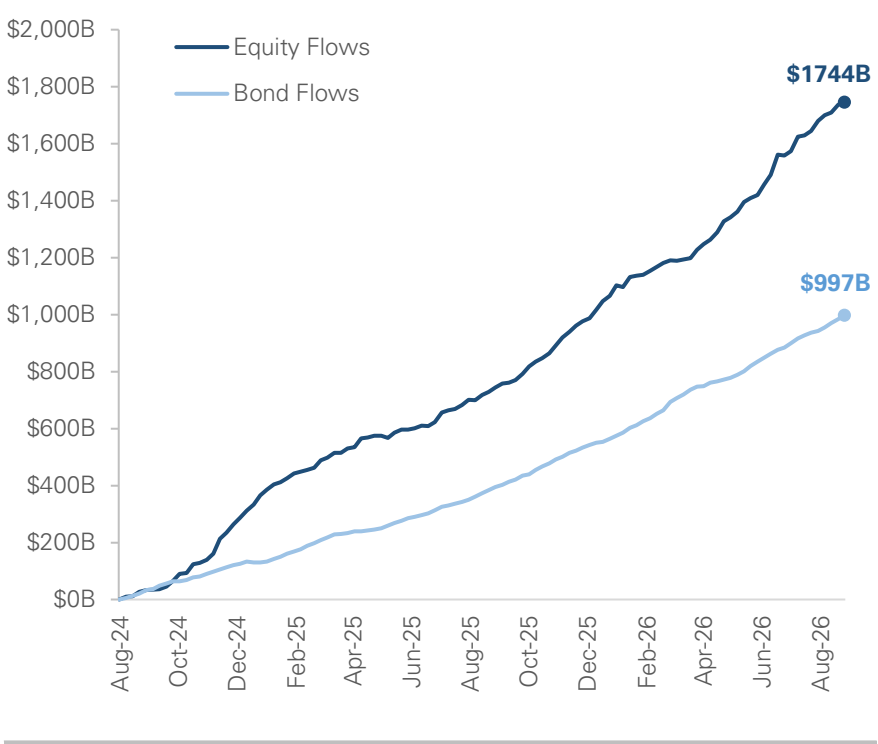
Monitoring directional flows into equity markets



Source: MarketDesk. Based on net ETF issuance.

FIGURE 24 – Cumulative Stock vs Bond Flows (2 Years)

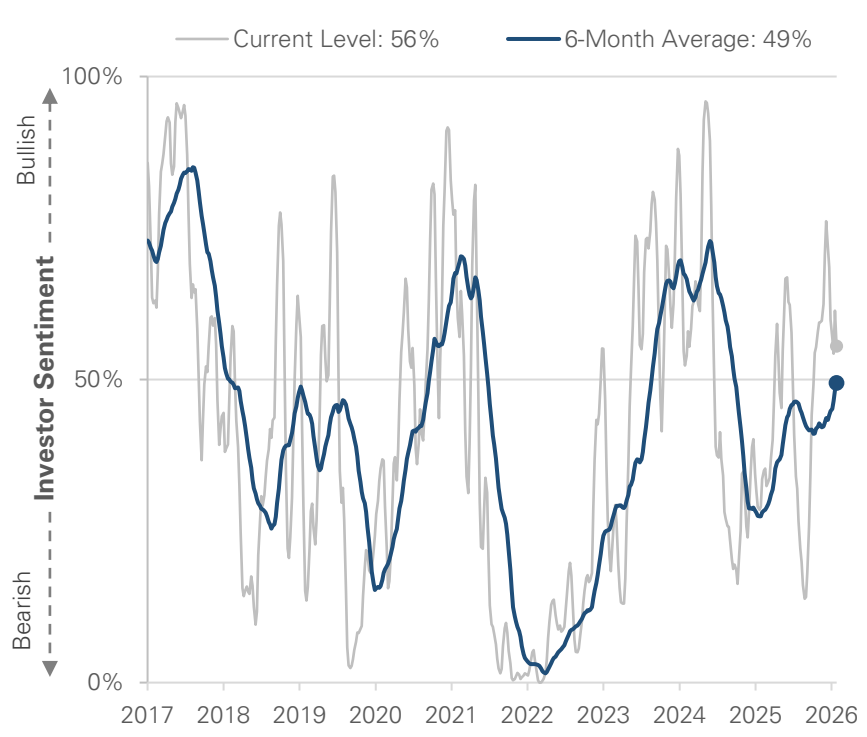
Measuring investor preference between stocks and bonds



Source: MarketDesk. Based on net ETF issuance.

FIGURE 25 – U.S. Sentiment Indicator (USSI)

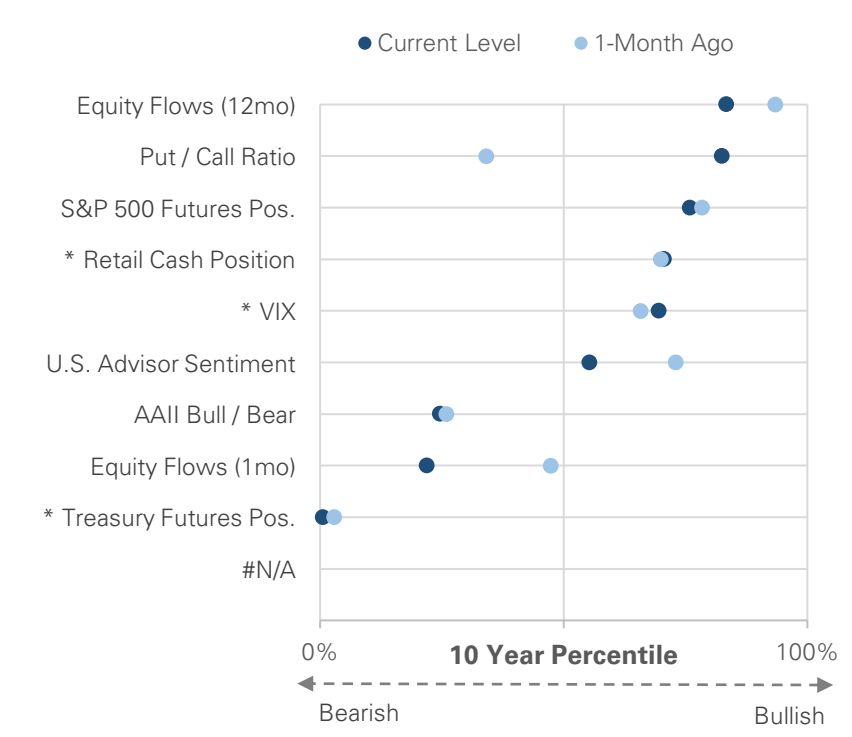
Monitoring directional flows into equity markets



Source: MarketDesk. See Quant Pack for more information.

FIGURE 26 – 10 Year Percentile of Each USSI Input

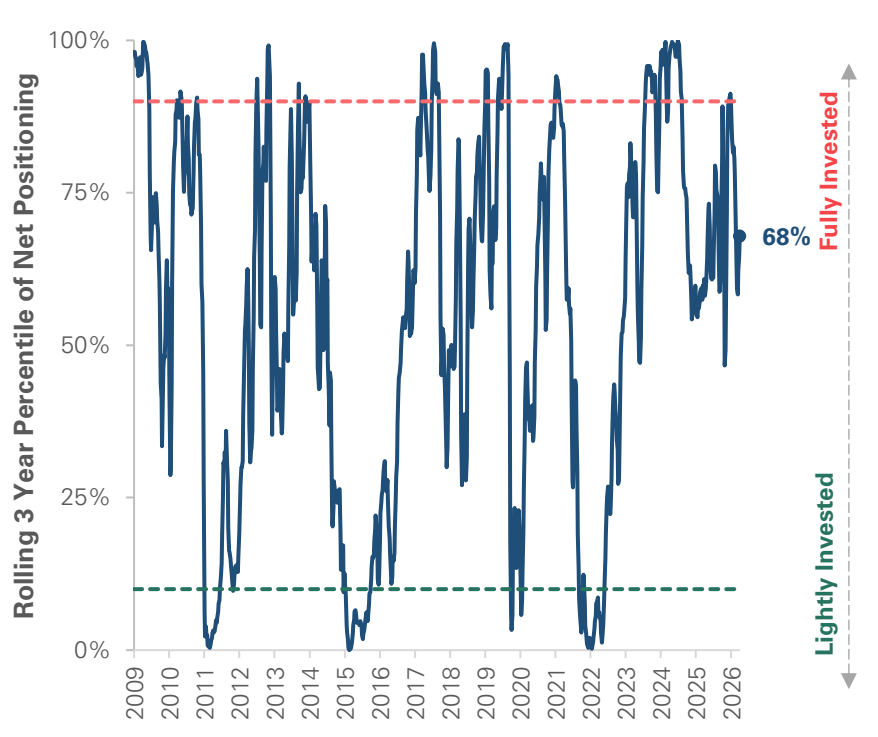
Current status of each input for the USSI



Source: MarketDesk Quant Pack. *Denotes inverse sentiment reading.

FIGURE 27 – Asset Manager S&P 500 Futures Positioning

How invested are asset managers?



Source: MarketDesk. Note: This is historically a contrarian indicator.

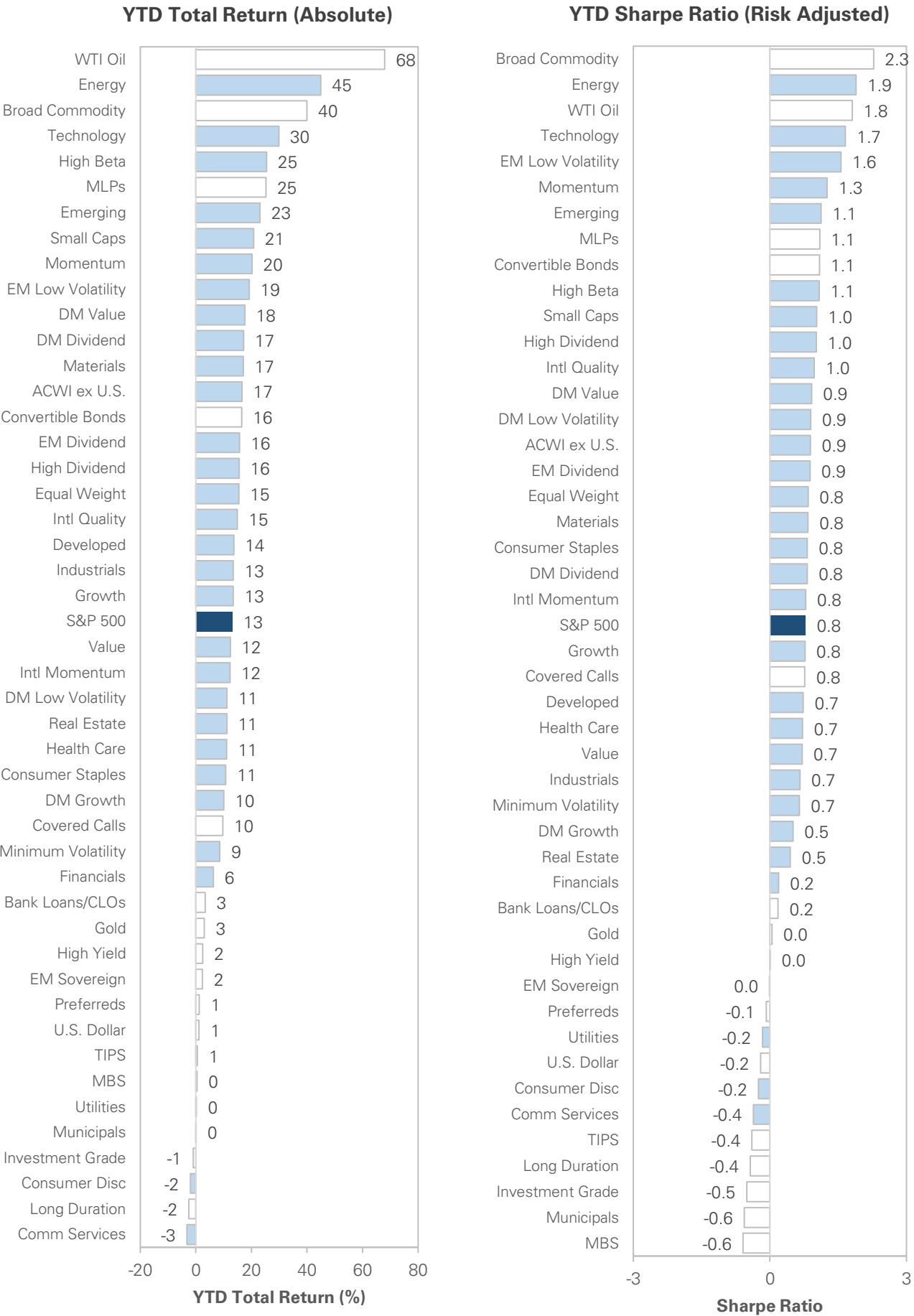
Cross Asset Analysis

(Pages 9 to 12)

Comparing Opportunities and Risks across 47 Market Areas

FIGURE 28 – Snapshot of Market Performance

Asset Class	Market Area	Beta	Total Return (%)			Percentile			Beta Adj. Return		
			1m	3m	12m	1m	3m	12m	1m	3m	12m
U.S. Factors	High Beta	1.5	4.6	-2	40	73	25	90	0.5	-5	10
	Minimum Volatility	0.5	3.7	5	9	82	73	47	2.4	5	0
	Growth	1.2	3.2	0	22	68	26	73	-0.1	-2	-3
	S&P 500	1.0	2.7	2	20	68	38	78	-	-	-
	Value	0.7	2.1	4	18	63	60	80	0.2	3	4
	Equal Weight	0.8	2.0	5	18	58	65	75	-0.1	4	2
	High Dividend	0.7	1.2	4	21	52	58	88	-0.6	2	7
	Momentum	1.3	0.3	-5	24	42	9	72	-3.1	-7	-1
	Small Caps	1.0	-0.6	5	24	33	58	81	-3.4	3	3
U.S. Sectors	Energy	0.5	7.4	14	46	86	87	93	6.2	14	37
	Technology	1.5	6.4	-2	43	81	21	94	2.5	-5	13
	Health Care	0.4	4.9	15	26	85	99	92	3.7	14	17
	Materials	0.8	4.5	3	16	78	54	70	2.4	2	0
	Comm Services	1.0	2.6	-5	5	64	18	40	0.0	-7	-15
	Financials	0.8	1.4	12	9	50	88	50	-0.7	11	-7
	Consumer Disc	1.2	0.4	-3	1	43	20	19	-2.7	-5	-22
	Consumer Staples	0.2	-0.1	3	8	40	60	52	-0.6	3	4
	Real Estate	0.6	-2.5	2	9	27	48	62	-4.1	1	-3
	Industrials	0.9	-2.6	1	17	22	37	64	-5.0	0	-1
	Utilities	0.3	-4.8	-4	3	12	18	35	-5.7	-5	-4
U.S. Fixed Income	EM Sovereign	0.2	1.5	2	5	72	68	82	0.9	2	0
	Bank Loans/CLOs	0.1	1.2	3	3	91	94	84	0.9	3	1
	High Yield	0.2	0.9	1	5	71	60	82	0.2	0	0
	Long Duration	0.1	0.8	-2	0	63	44	85	0.5	-2	-2
	MBS	0.1	0.5	-1	3	72	30	87	0.3	-1	2
	Investment Grade	0.2	0.4	-2	1	55	26	54	-0.1	-2	-2
	Preferreds	0.4	0.4	-2	2	57	29	69	-0.6	-3	-5
	TIPS	0.1	0.0	-1	1	44	25	47	-0.2	-1	0
	Municipals	0.1	-0.2	-1	4	34	23	90	-0.4	-1	3
Equity Linked Income	MLPs	0.4	2.4	10	24	70	91	91	1.3	9	16
	Covered Calls	0.6	1.5	5	19	69	87	99	-0.1	4	7
	Convertible Bonds	0.6	0.7	-5	22	49	12	83	-1.0	-6	10
International Regions	Emerging	0.9	4.6	-2	37	78	35	91	2.2	-3	19
	ACWI ex U.S.	0.8	2.9	2	27	70	51	92	0.7	1	11
	Developed	0.8	1.8	4	21	59	62	86	-0.3	3	6
International Factors	EM Low Volatility	0.5	6.0	1	23	94	49	97	4.6	0	13
	EM Dividend	0.6	3.2	6	25	77	76	92	1.6	5	13
	Intl Quality	0.7	2.6	6	22	67	75	91	0.6	5	8
	DM Growth	0.9	2.4	2	15	67	45	73	0.1	0	-3
	Intl Momentum	0.8	2.1	2	20	62	49	82	-0.1	1	3
	DM Low Volatility	0.3	1.3	5	15	60	81	88	0.4	5	8
	DM Value	0.6	1.1	7	28	55	77	94	-0.5	6	16
	DM Dividend	0.5	1.1	3	30	55	61	91	-0.3	2	19
FX	U.S. Dollar	0.0	-0.5	1	2	42	55	59	-0.4	1	2
Commodities	Gold	0.2	9.9	-2	28	95	30	80	9.3	-2	24
	Broad Commodity	0.1	6.3	6	46	89	73	93	6.0	6	44
	WTI Oil	-0.1	2.2	1	53	56	50	89	2.4	1	55



Source: MarketDesk. Total return includes dividends reinvested. Beta relative to S&P 500 over the last 36 months. Beta-Adjusted Returns is calculated as [Total Return - (Beta x S&P 500 Total Return)]. Percentile is Total Return relative to last 20 years. Sharpe Ratio uses the 3-month U.S. Treasury bond as the risk-free rate and weekly datapoints from the last 20 years to calculate the standard deviation of each market area.

FIGURE 29 – Snapshot of Equity Market Valuations

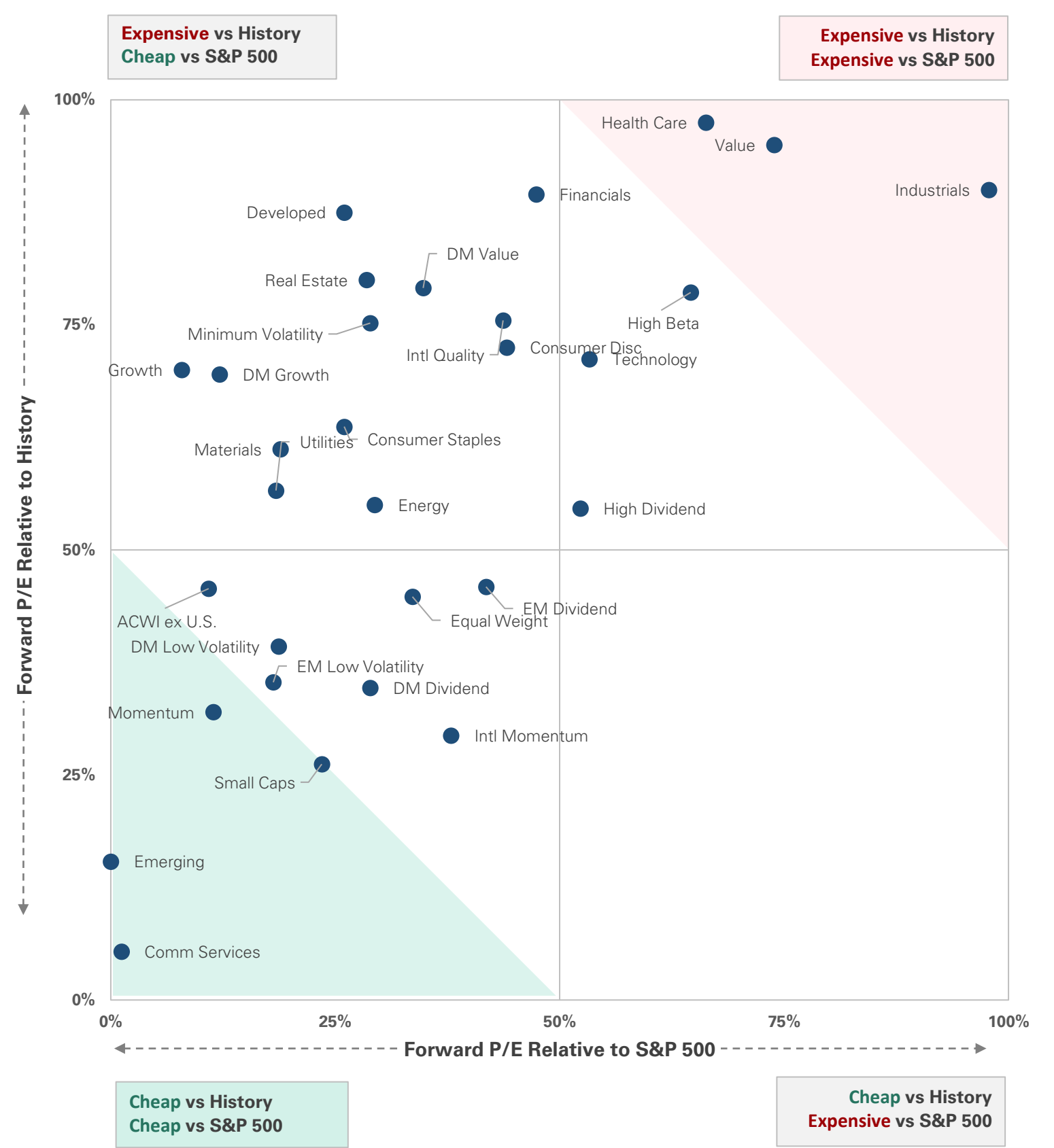
Current valuation multiples vs the last 20 years

Asset Class	Market Area	NTM P/E (vs Last 10 Years)				NTM P/E vs S&P 500		Equity Risk Premium
		5th	Current	95th		Current		
U.S. Factors	S&P 500	12x	19.5x	78%	22x	1.00	-	136
	Growth	13x	21.0x	70%	28x	1.07	8%	38
	Momentum	14x	19.2x	32%	28x	0.98	11%	108
	Small Caps	13x	15.0x	26%	20x	0.77	24%	307
	Minimum Volatility	14x	19.4x	75%	21x	0.99	29%	183
	Equal Weight	14x	16.3x	45%	20x	0.83	34%	286
	High Dividend	10x	12.6x	55%	16x	0.64	52%	731
	High Beta	10x	18.8x	79%	22x	0.97	65%	111
	Value	11x	17.9x	95%	18x	0.92	74%	234
U.S. Sectors	Comm Services	17x	17.5x	5%	45x	0.90	1%	202
	Utilities	11x	16.8x	57%	20x	0.86	18%	404
	Materials	12x	17.5x	61%	21x	0.90	19%	259
	Consumer Staples	13x	19.4x	64%	21x	0.99	26%	300
	Real Estate	12x	17.3x	80%	20x	0.88	29%	465
	Energy	9x	13.6x	55%	36x	0.70	29%	496
	Consumer Disc	14x	22.8x	73%	31x	1.17	44%	42
	Financials	10x	15.4x	90%	16x	0.79	47%	314
	Technology	12x	21.8x	71%	27x	1.11	53%	27
	Health Care	11x	18.9x	98%	18x	0.97	66%	202
	Industrials	12x	23.9x	90%	25x	1.22	98%	62
International Regions	Emerging	9x	10.0x	15%	14x	0.51	0%	691
	ACWI ex U.S.	10x	13.1x	46%	16x	0.67	11%	440
	Developed	10x	15.3x	88%	16x	0.79	26%	491
International Factors	DM Growth	12x	19.5x	70%	26x	1.00	12%	261
	EM Low Volatility	11x	13.3x	35%	15x	0.68	18%	490
	DM Low Volatility	13x	15.4x	39%	21x	0.79	19%	477
	DM Dividend	7x	10.1x	35%	15x	0.52	29%	1025
	DM Value	9x	12.7x	79%	13x	0.65	35%	761
	Intl Momentum	11x	14.6x	29%	26x	0.75	38%	434
	EM Dividend	6x	7.9x	46%	12x	0.40	42%	1258
	Intl Quality	14x	16.8x	76%	19x	0.86	44%	354

Source: MarketDesk. NTM Price to Earnings (P/E) are based on consensus estimates. Percentiles are relative to the last 20 years of monthly data with 100% equating to the highest in 20 years and 0% equating to the lowest in 20 years. Equity Risk Premium is calculated as the estimated return on stocks (i.e., next 12-month earnings yield + dividend yield) minus the risk-free return (i.e., 10-Year U.S. Treasury Bond).

FIGURE 30 – Current Valuation Matrix Relative to History and the S&P 500

What market areas are undervalued or overvalued?



Source: MarketDesk. Scatter plot values are based on percentiles found in Figure 29.

FIGURE 31 – Snapshot of Current Income Opportunities

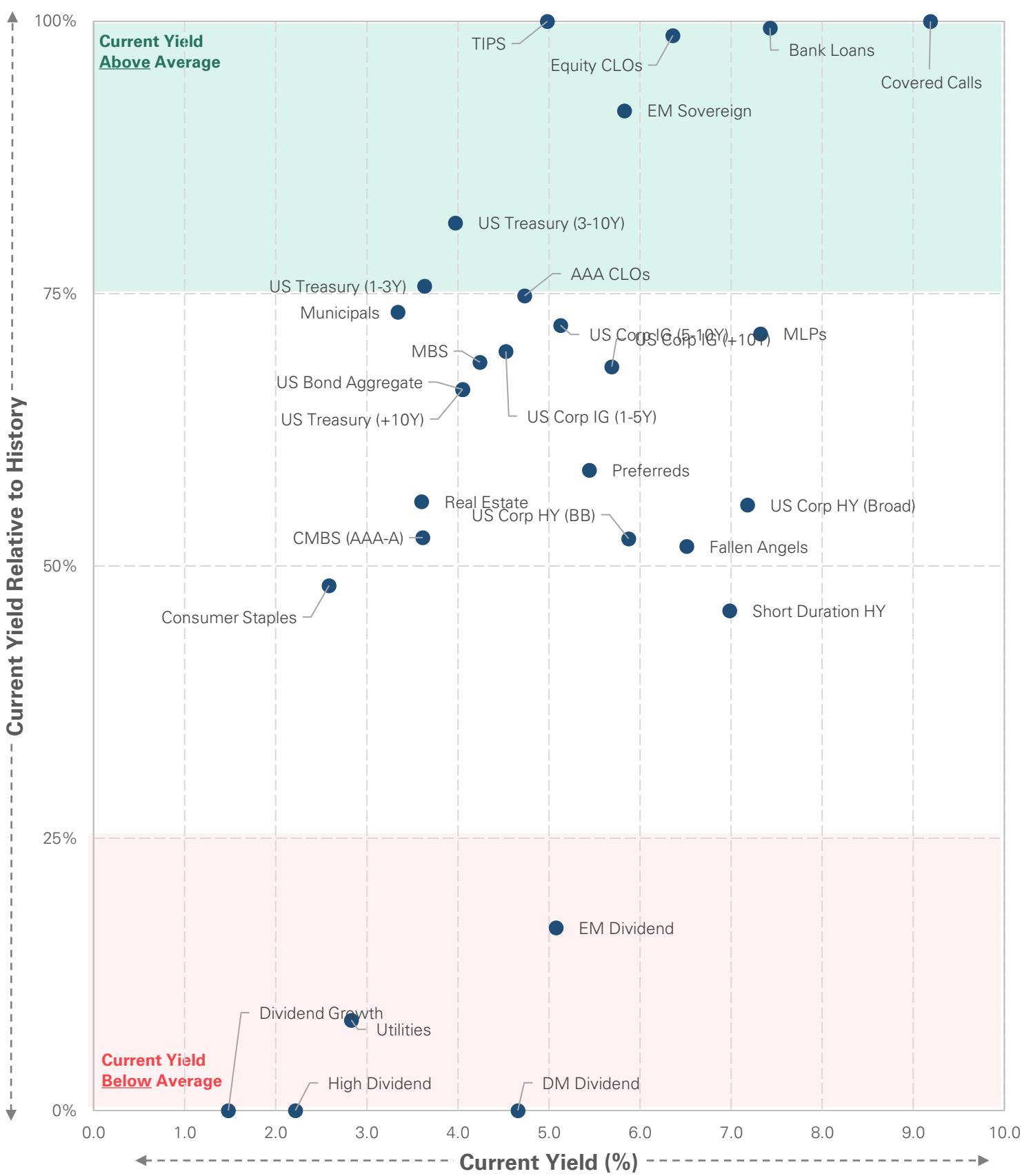
Key credit and income metrics

Asset Class	Market Area	Yield / Income		Bond Duration	Credit Beta
		Current	20Yr Pctl		
U.S. Fixed Income	TIPS	4.98%	100%	4.2	0.79
	Bank Loans	7.43%	99%	0.0	0.11
	Equity CLOs	6.36%	99%	0.0	0.05
	EM Sovereign	5.83%	92%	5.9	0.94
	US Treasury (3-10Y)	3.97%	82%	6.8	1.18
	US Treasury (1-3Y)	3.63%	76%	1.8	0.28
	AAA CLOs	4.73%	75%	0.0	0.03
	Municipals	3.34%	73%	6.6	0.58
	US Corp IG (5-10Y)	5.13%	72%	6.0	1.00
	US Corp IG (1-5Y)	4.53%	70%	2.7	0.42
	MBS	4.24%	69%	5.1	1.10
	US Corp IG (+10Y)	5.69%	68%	11.8	1.86
	US Bond Aggregate	4.05%	66%	5.6	1.00
	US Treasury (+10Y)	4.05%	66%	14.9	2.37
	US Corp HY (Broad)	7.18%	56%	3.1	0.60
	CMBS (AAA-A)	3.61%	53%	3.4	0.50
	US Corp HY (BB)	5.87%	53%	3.3	0.61
	Fallen Angels	6.51%	52%	4.6	0.70
	Short Duration HY	6.98%	46%	2.2	0.50
Equity Linked Income	Covered Calls	9.19%	100%	-	0.21
	MLPs	7.32%	71%	-	0.19
	Preferreds	5.44%	59%	5.5	0.94
	Convertible Bonds	1.40%	-10%	1.6	0.51
U.S. Sectors	Real Estate	3.60%	56%	-	1.55
	Consumer Staples	2.59%	48%	-	0.60
	Utilities	2.83%	8%	-	1.10
International Factors	EM Dividend	5.08%	17%	-	0.91
	DM Dividend	4.66%	0%	-	0.89
U.S. Factors	High Dividend	2.22%	0%	-	0.59
	Dividend Growth	1.48%	0%	-	0.60

Source: MarketDesk. Percentiles are relative to the last 20 years of monthly data with 100% equating to the highest in 20 years and 0% equating to the lowest in 20 years. Credit Beta is relative to the U.S. Bond Aggregate Index over the last 36 months. Duration measures the sensitivity of the price of a bond or income generating instrument to a change in interest rates. The higher the number, the more sensitive your bond investment will be to changes in interest rates. Generally speaking, for every 1 percentage-point change in interest rates, a bond will rise or fall in the opposite direction by an amount equal to its duration number.

FIGURE 32 – Income Matrix (Current Yield vs Historical Percentile)

What market areas offer attractive income opportunities?



Source: MarketDesk. Scatter plot values are based on percentiles found in Figure 31.

FIGURE 33 – Snapshot of Market Technicals

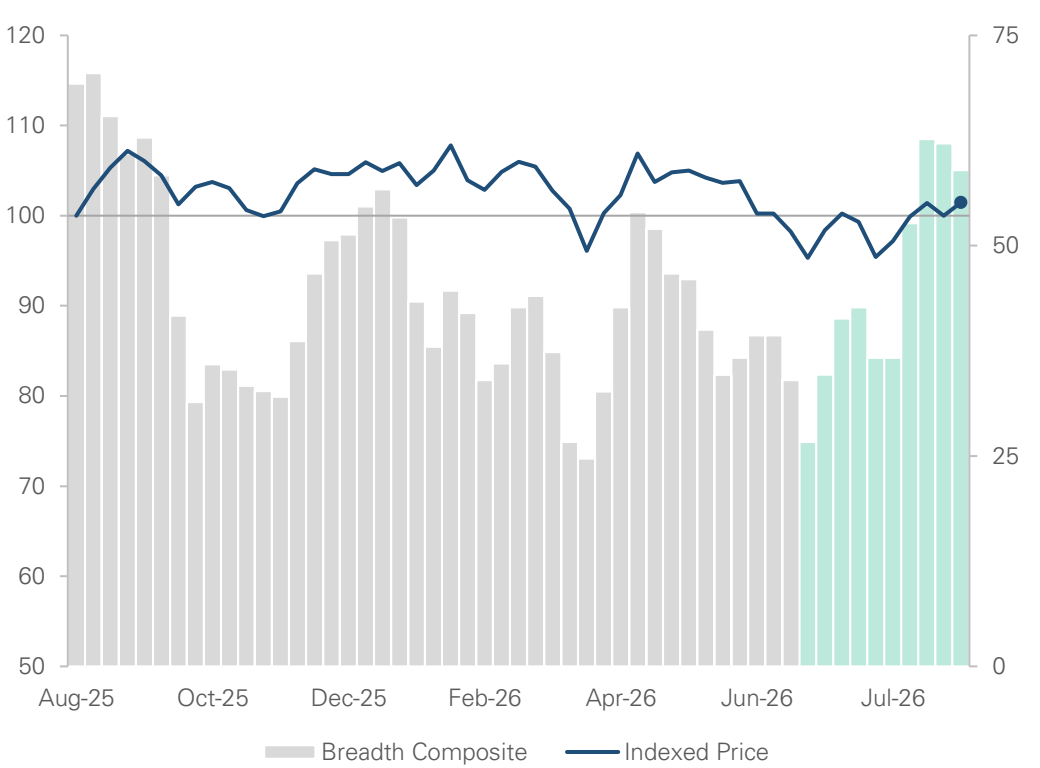
Asset Class	Market Area	Beta	RSI (14d)	Technical Composite		Breadth Composite		52 Week Price	
								Chart	Pctl
U.S. Factors	Minimum Volatility	0.5	58	0.29	-		59		94
	S&P 500	1.0	46	-0.20	-		54		92
	Growth	1.2	45	-0.31	-		51		90
	Value	0.7	51	-0.46	-		56		91
	High Beta	1.5	48	-0.66	-		44		80
	Equal Weight	0.8	45	-0.81	-		54		90
	High Dividend	0.5	47	-0.91	-		51		86
	Momentum	1.3	41	-1.40	-		50		61
	Small Caps	1.0	31	-1.69	OS		49		84
U.S. Sectors	Comm Services	0.9	51	0.87	-		59		42
	Energy	0.5	72	0.79	-		78		97
	Materials	0.8	44	0.66	-		62		88
	Technology	1.5	51	0.05	-		58		83
	Health Care	0.4	56	-0.11	-		70		86
	Consumer Staples	0.2	51	-0.12	-		53		66
	Consumer Disc	1.2	41	-0.14	-		37		58
	Financials	0.8	49	-0.36	-		68		93
	Real Estate	0.5	50	-1.38	-		40		65
	Utilities	0.3	33	-1.73	OS		15		16
	Industrials	0.9	19	-2.01	OS		42		68
U.S. Fixed Income	Bank Loans/CLOs	0.1	73	1.65	OB				38
	High Yield	0.2	60	0.84	-				45
	EM Sovereign	0.2	55	0.51	-				49
	Preferreds	0.4	45	0.02	-				16
	Long Duration	0.1	53	-0.07	-				12
	Investment Grade	0.2	52	-0.10	-				11
	TIPS	0.1	49	-0.39	-				2
	MBS	0.1	50	-0.40	-				8
	Municipals	0.1	26	-1.17	-				24
Equity Linked Income	MLPs	0.4	52	0.59	-				99
	Covered Calls	0.6	43	-0.55	-				93
	Convertible Bonds	0.6	44	-0.75	-				62
International Regions	Emerging	0.9	59	0.71	-		52		80
	ACWI ex U.S.	0.8	52	0.48	-		56		94
	Developed	0.8	45	0.11	-		63		92
International Factors	EM Dividend	0.6	68	1.17	-		57		92
	EM Low Volatility	0.5	67	0.99	-		52		89
	DM Dividend	0.5	63	0.34	-		60		93
	DM Value	0.6	53	0.25	-		66		95
	DM Low Volatility	0.3	57	0.23	-		62		91
	Intl Quality	0.7	48	0.14	-		66		91
	Intl Momentum	0.8	46	-0.01	-		61		83
	DM Growth	0.9	41	-0.04	-		59		85
FX	U.S. Dollar	0.0	43	-0.58	-				62
Commodities	Broad Commodity	0.1	67	1.08	-				95
	Gold	0.2	55	0.76	-				48
	WTI Oil	-0.1	57	0.70	-				48

Source: MarketDesk. Technical Composite is oversold (overbought) when below -1.5 (above +1.5). Breadth Composite is strong (weak) when above 70 (below 50). Bar graph shows the last 10 weeks of breadth measures. Refer to end of report for

September 1, 2026

FIGURE 34 – Market Area with Improving Breadth: Comm Services

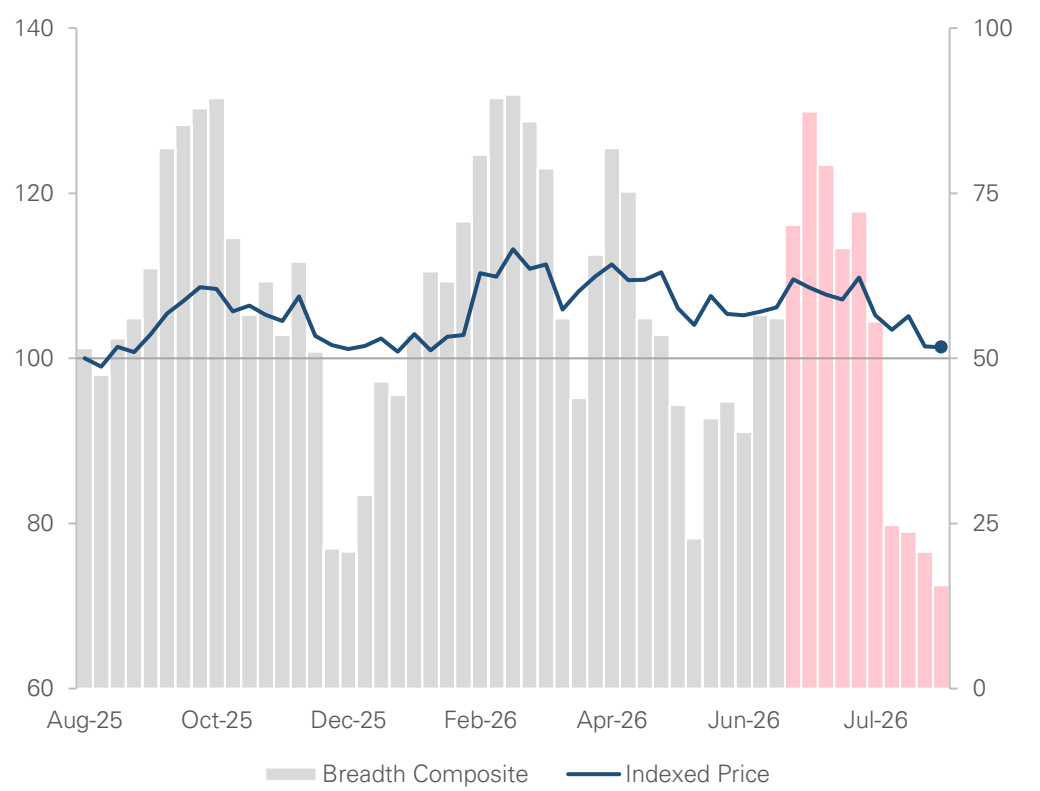
Potential area to start new positions



Source: MarketDesk. Breadth = Average % of index above 20dma, 50dma, 200dma.

FIGURE 35 – Market Area with Weakening Breadth: Utilities

Potential area to capture profits



Source: MarketDesk. Breadth = Average % of index above 20dma, 50dma, 200dma.

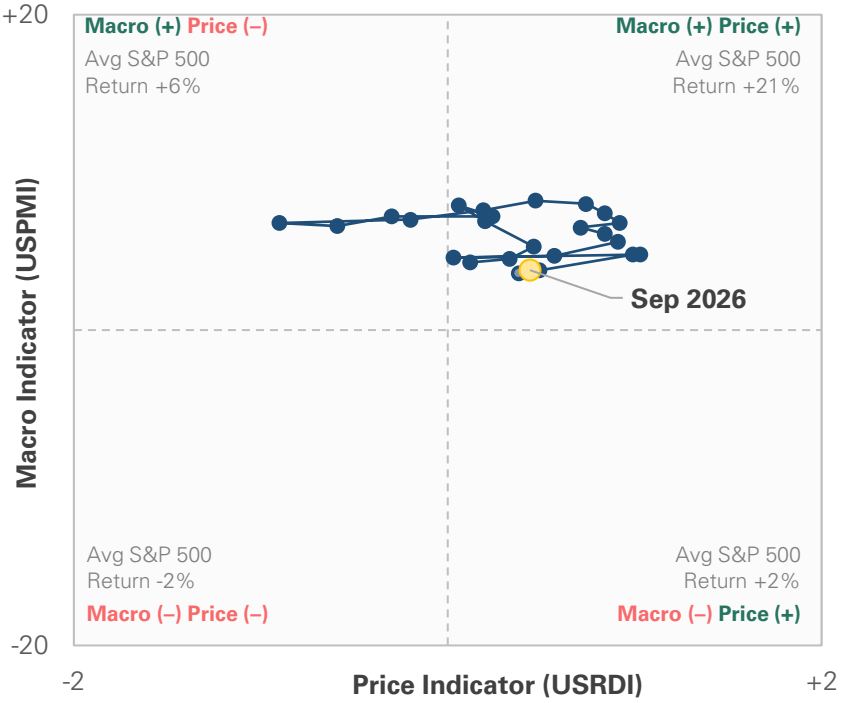
Economic Monitor

(Pages 14 to 16)

Leading Indicators, Trends, and Heatmap

FIGURE 36 – Simple Asset Allocation Framework (SAAF)

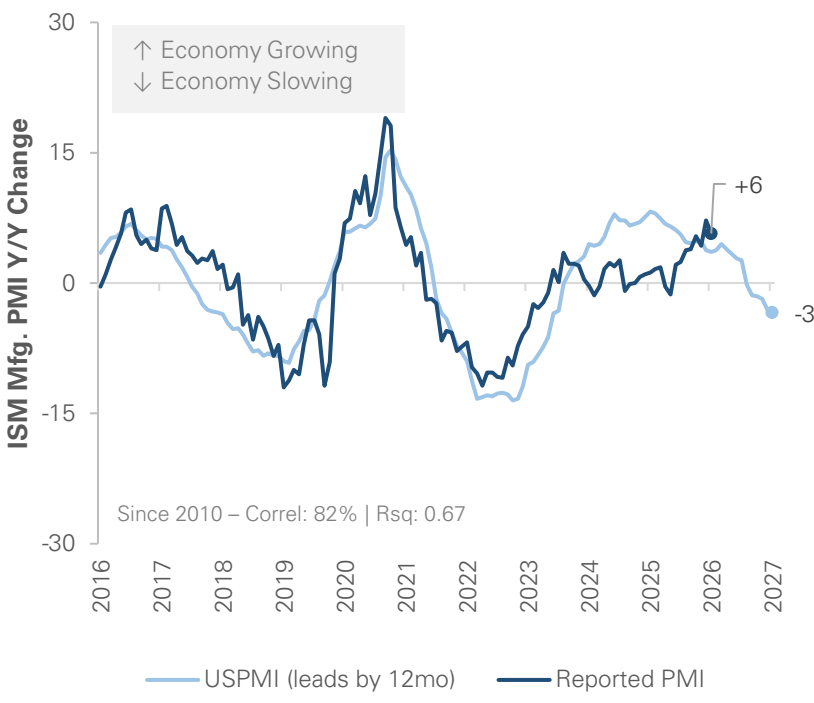
Current SAAF reading and the trailing 24 month path



Source: MarketDesk. [Click Here](#) to read more about the SAAF.

FIGURE 37 – U.S. PMI Momentum Indicator (USPMI)

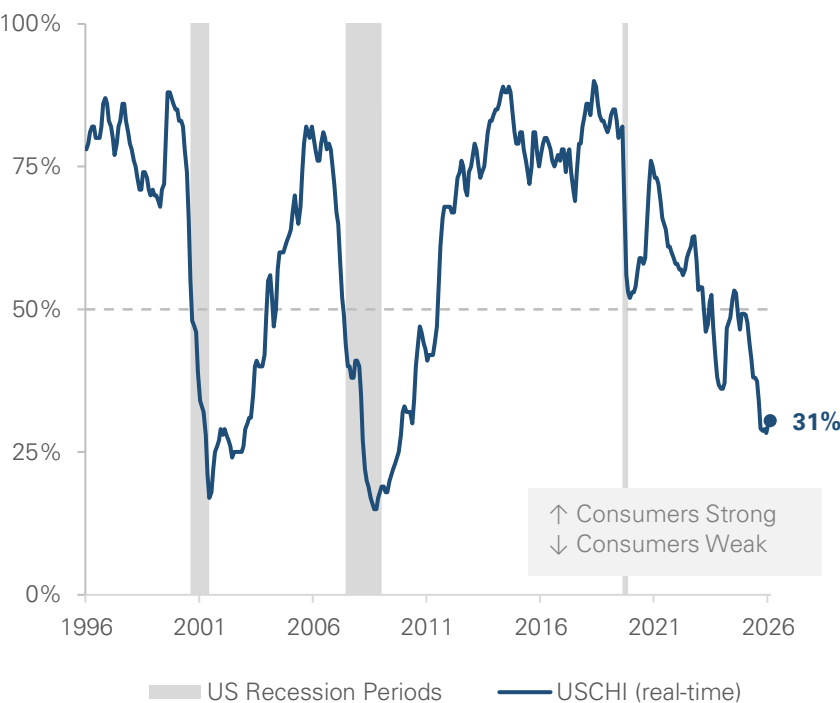
Long-term view into the overall direction of economic activity



Source: MarketDesk. See Quant Pack for more information.

FIGURE 38 – U.S. Consumer Health Indicator (USCHI)

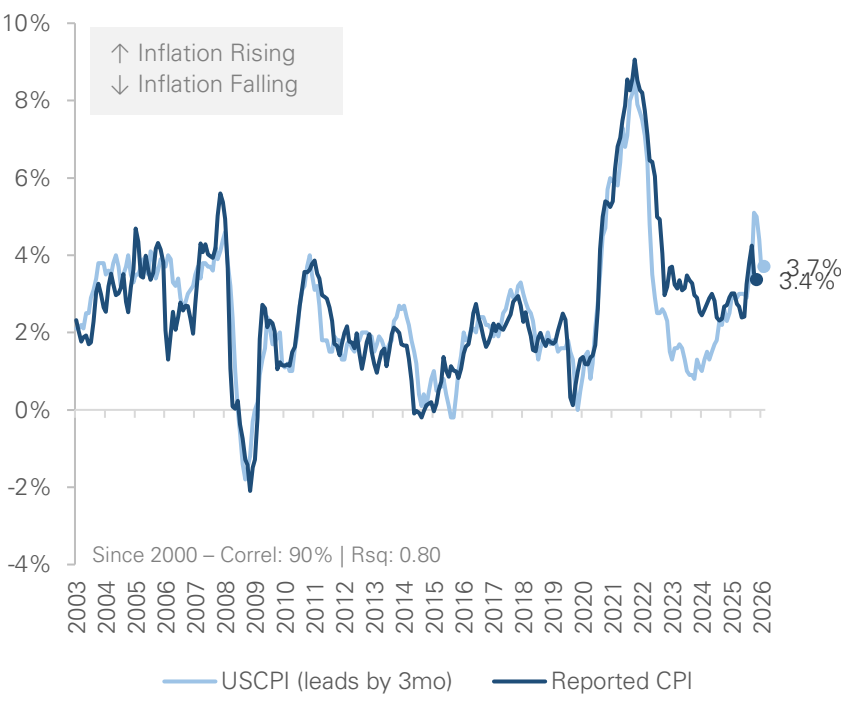
Economic pulse of consumer behavior



Source: MarketDesk. See Quant Pack for more information.

FIGURE 39 – U.S. Headline CPI Indicator (USCPI)

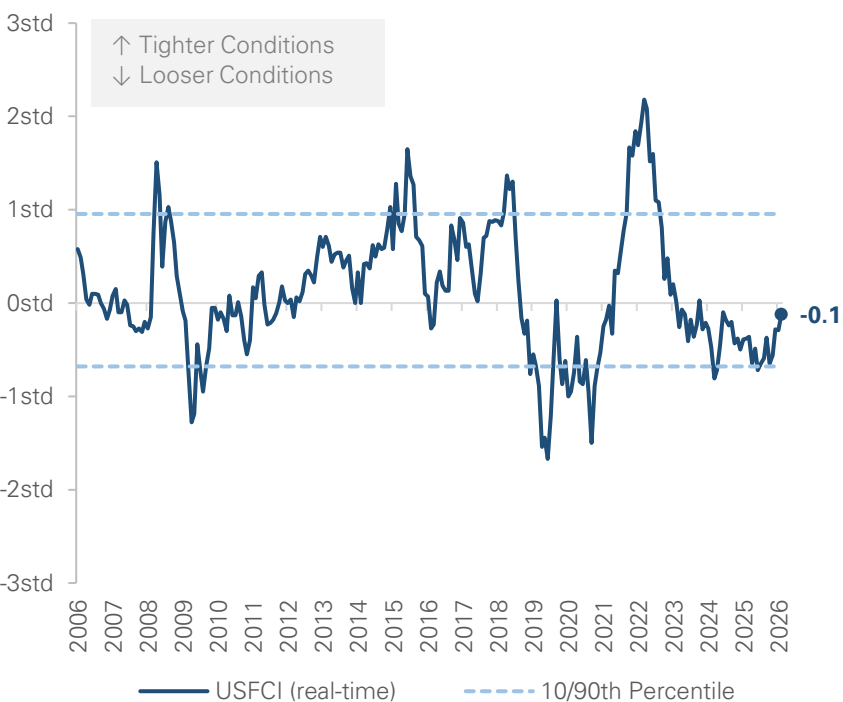
Forecasting U.S. inflation trend using 21 macroeconomic inputs



Source: MarketDesk. See Quant Pack for more information.

FIGURE 40 – U.S. Financial Conditions Indicator (USFCI)

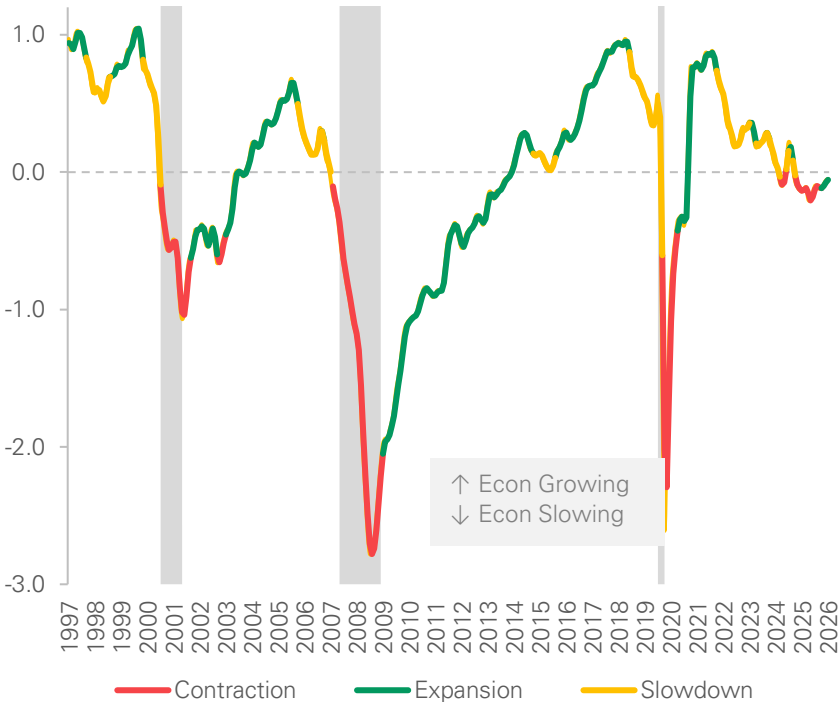
Measuring the cost and availability of accessing capital



Source: MarketDesk. See Quant Pack for more information.

FIGURE 41 – U.S. Business Cycle Indicator (USBCY)

Composite of leading data points for consumer and business activity



Source: MarketDesk. See Quant Pack for more information.

FIGURE 42 – Summary of Key U.S. Economic Trends

		Legend																							
		Worst (5th Percentile)											Best (95th Percentile)												
Category	Economic Datapoint	2024				2025								2026											
		Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Labor	Nonfarm Payrolls (000s)	155	33	134	237	-48	42	67	108	13	-20	64	-70	76	-140	41	-17	160	-156	214	148	63	20	-23	
	Unemployment Rate (%)	4.1	4.1	4.2	4.1	4.0	4.2	4.2	4.2	4.3	4.1	4.3	4.3	4.4		4.5	4.4	4.3	4.4	4.3	4.3	4.3	4.2	4.1	
	Average Workweek (Hours)	38.3	38.2	38.4	38.2	38.4	38.2	38.3	38.4	38.2	38.2	38.1	38.2	38.3		38.3	38.3	38.4	38.5	38.3	38.3	38.3	38.2	38.0	
	Average Hourly Earnings (y/y%)	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	3%	4%	3%	3%	3%	
	Jobless Claims – Initial (000s)	225	236	219	223	216	226	223	226	232	239	222	230	234	227	221	219	212	216	208	208	212	223	203	208
	Jobless Claims – Continuing (Millions)	1.83	1.87	1.87	1.86	1.86	1.86	1.87	1.87	1.91	1.95	1.95	1.94	1.92	1.95	1.93	1.89	1.85	1.85	1.82	1.79	1.78	1.81	1.79	
	Job Openings (Millions)	6.9	7.4	7.6	7.3	7.4	7.2	7.0	7.1	7.3	7.2	7.1	6.9	7.2	7.2	6.8	6.6	7.2	6.9	6.9	7.6	7.5	7.2	7.3	
Consumer	Personal Income (y/y%)	5%	5%	5%	5%	5%	5%	5%	6%	5%	4%	5%	5%	5%	5%	4%	4%	4%	3%	3%	3%	4%	4%	4%	
	Retail Sales (y/y%)	2%	3%	4%	5%	5%	4%	5%	5%	3%	4%	4%	5%	4%	3%	3%	2%	3%	4%	4%	5%	7%	7%	5%	
	Domestic Auto Sales (y/y%)	-10%	-6%	-11%	-15%	-10%	-5%	3%	-10%	-18%	-10%	-15%	-10%	-17%	-20%	-21%	-5%	-12%	-14%	-19%	-5%	6%	2%	5%	
	Consumer Confidence Index	99	110	113	110	105	100	94	86	98	95	99	98	96	96	93	94	89	91	92	94	91	92	90	89
	Michigan Confidence Index	70	71	72	74	72	65	57	52	52	61	62	58	55	54	51	53	56	57	53	50	45	50	55	52
	Housing	New Home Sales (y/y%)	5%	-8%	10%	11%	-3%	-2%	-4%	-1%	-7%	-3%	-11%	2%	0%	3%	13%	3%	-13%	-2%	0%	-9%	1%	2%	-6%
Housing Starts (y/y%)		-1%	-1%	-15%	-1%	-2%	-4%	4%	2%	-3%	5%	13%	-7%	-3%	-7%	1%	-8%	2%	-10%	13%	1%	-8%	3%	-13%	
Building Permits (y/y%)		-7%	-6%	0%	-2%	-5%	-8%	1%	-1%	1%	-4%	-3%	-10%	2%	-1%	-6%	1%	-5%	7%	-9%	-2%	0%	-2%	2%	
Homebuilder Sentiment Index		41	43	46	46	47	42	39	40	34	32	33	32	32	37	38	39	37	37	38	34	37	36	34	35
Monthly Supply (# of months)		4.0	3.9	3.7	3.1	3.4	3.3	3.8	4.1	4.4	4.5	4.5	4.4	4.3	4.2	4.0	3.3	3.6	3.7	4.0	4.3	4.3	4.4	4.6	
National Home Price Index (\$000s)		325	324	324	323	324	325	328	330	331	332	331	330	329	328	328	327	327	328	330	333	335	337		
Business		Leading Economic Index (y/y%)	-4%	-4%	-3%	-3%	-3%	-3%	-3%	-4%	-4%	-4%	-3%	-3%	-3%	-3%	-4%	-4%	-4%	-3%	-3%	-2%	-1%	-1%	-1%
	NFIB Small Business Index	92	94	102	105	103	101	97	96	99	99	100	101	99	98	99	100	99	99	96	96	95	97	100	
	Manufacturing PMI	47	47	48	49	51	50	49	49	49	49	48	49	49	49	48	48	53	52	53	53	54	53	56	
	Services PMI	55	56	52	54	53	53	51	52	50	51	51	52	50	52	52	54	54	56	54	54	55	54	54	
	Industrial Production (y/y%)	-1%	-1%	-2%	0%	1%	1%	1%	1%	0%	1%	2%	1%	2%	2%	2%	1%	1%	1%	1%	1%	2%	1%	1%	
	Capacity Utilization (%)	76	75	75	76	76	76	76	76	76	76	76	76	76	76	75	76	75	76	76	76	76	76	76	
	Inflation	Headline CPI (y/y%)	2.4	2.6	2.7	2.9	3.0	2.8	2.4	2.3	2.4	2.7	2.7	2.9	3.0	2.7	2.7	2.7	2.4	2.4	3.3	3.8	4.2	3.5	3.4
Core CPI (y/y%)		3.3	3.3	3.3	3.2	3.3	3.1	2.8	2.8	2.8	2.9	3.1	3.1	3.0	2.8	2.6	2.6	2.5	2.5	2.6	2.8	2.9	2.6	2.5	
Headline PCE (y/y%)		2.3	2.5	2.6	2.7	2.6	2.7	2.4	2.3	2.5	2.6	2.6	2.7	2.8	2.7	2.8	2.9	2.9	2.9	3.5	3.8	4.1	3.7	3.7	
Core PCE (y/y%)		2.8	3.0	3.0	3.0	2.8	3.0	2.7	2.6	2.8	2.8	2.9	2.9	2.8	2.8	2.8	3.0	3.1	3.0	3.3	3.3	3.5	3.3	3.3	
Producer Price Inflation (y/y%)		2.1	2.8	2.9	3.5	3.8	3.4	3.2	2.4	2.7	2.4	3.2	2.7	3.0	2.8	3.1	3.1	3.1	3.4	4.3	5.7	5.9			

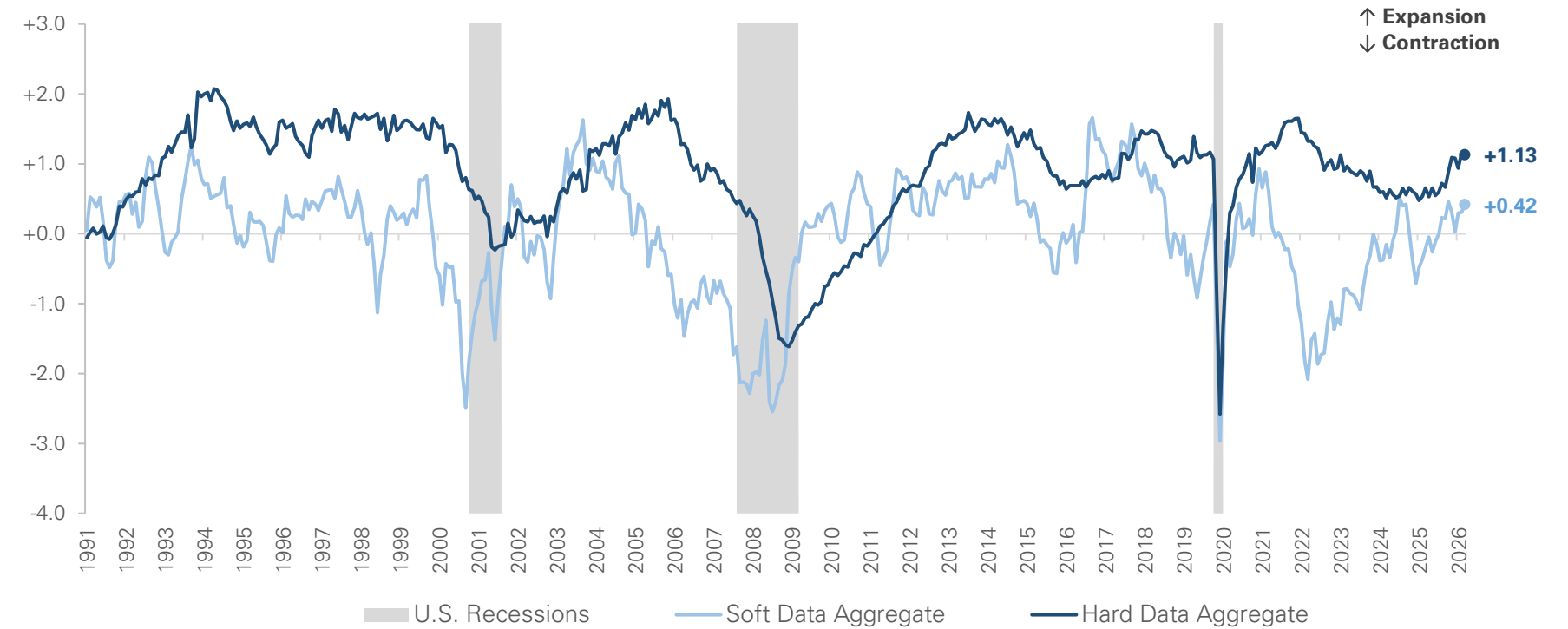
Source: MarketDesk, Federal Reserve, NBER, Redbook, Institute for Supply Management, University of Michigan, DOL, U.S. Census Bureau, NAHB

Introduction

Economic data falls into two main categories: soft data and hard data. Soft data reflects sentiment and expectations—such as consumer confidence or business surveys—while hard data measures actual economic activity, like job growth, retail sales, or industrial production. Because soft data can shift ahead of real outcomes, it often serves as an early signal of potential changes in the economy. Hard data, on the other hand, provides confirmation of trends already underway. Our team monitors both to build a timely and well-rounded view of economic conditions, helping us stay ahead of turning points. [Click Here](#) to read the MarketDesk Primer on soft vs hard economic data and how the two datasets can impact market volatility, earnings revisions, and S&P 500 forward returns.

FIGURE 43 – Soft vs Hard Economic Data

Economic data points that lead through the business cycle



Source: MarketDesk. Calculated as the average z-score of each soft and hard data input relative to the past five years.

FIGURE 44 – Soft Economic Data

Measures sentiment, expectations, intentions, and how respondents feel about the economy

Category	Economic Indicator	5-Year Percentile	5-Year Stdev.
Housing	Homebuilder Sentiment	17%	-0.90
Sentiment	Small Business Optimism	88%	+1.20
	CEO Confidence	14%	+0.97
	Consumer Sentiment (Univ. of Michigan)	15%	-0.65
	ISM Mfg. PMI New Orders	75%	+1.16
ISM Surveys	ISM Services PMI New Orders	71%	+0.33
	Philly Fed Business 6mo Outlook		+0.83
Regional Federal Reserve Surveys	Empire State Business 6mo Outlook	80%	+0.54
	Dallas Fed Survey (Future Production)	62%	+0.04
Bank Lending	Net % of Banks Tightening Lending	19%	+0.67
Soft Data Average		49%	+0.42

Source: MarketDesk, Conference Board, NAHB, NFIB, ISM, University of Michigan, Federal Reserve Banks of Philadelphia, New York and Dallas. Latest available data. 5 Year Percentile and Standard Deviation are based on the last 60 months. A percentile reading of 100% = Best in last 5 years.

FIGURE 45 – Hard Economic Data

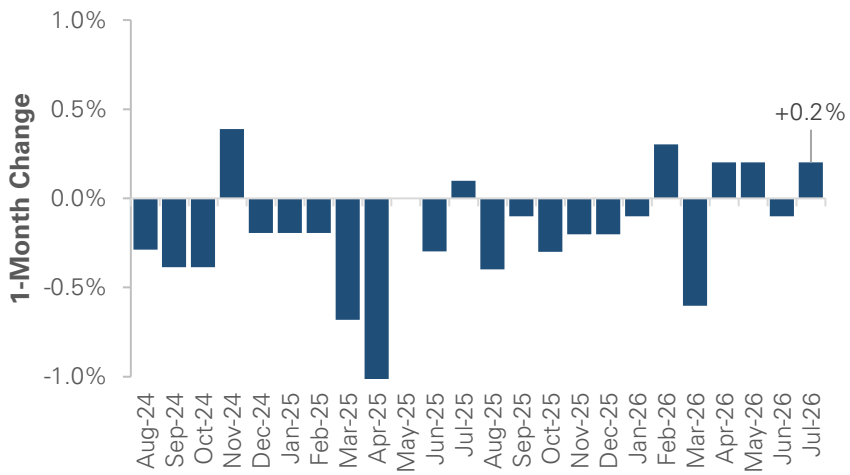
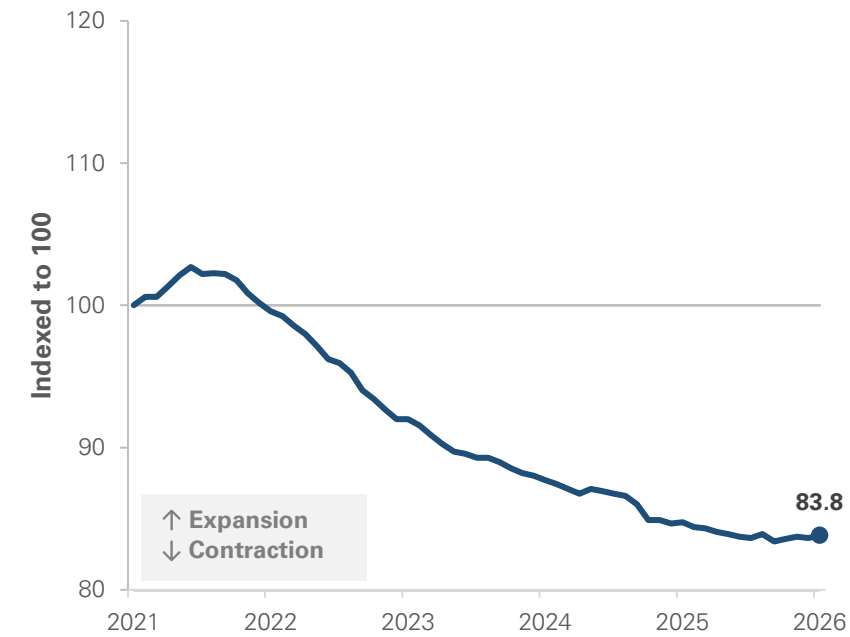
Measures actual results and activity, such as production, spending, and job growth

Category	Economic Indicator	5-Year Percentile	5-Year Stdev.
Housing	Housing Starts	2%	-1.44
	Building Permits	27%	-0.69
Consumer Spending	Real Core Personal Consumption Expenditures	100%	+1.71
Labor Markets	Nonfarm Payrolls	97%	+0.96
	Initial Unemployment Claims	3%	+0.84
Construction	Private Construction Put in Place	37%	-0.03
Manufacturing/Industrial Production	Industrial Production (Manufacturing)	100%	+1.98
	Core Durable Goods Orders	100%	+3.17
	Core Durable Goods Shipments	100%	+2.97
Bank Lending	Commercial Bank Loans & Leases	100%	+1.84
Hard Data Average		67%	+1.13

Source: MarketDesk, Census Bureau, Bureau of Economic Analysis, Federal Reserve, Department of Labor, Bureau of Labor Statistics. Latest available data. 5 Year Percentile and Standard Deviation are based on the last 60 months. A percentile reading of 100% = Best in last 5 years.

FIGURE 46 – U.S. Leading Economic Index

Economic data points that lead through the business cycle



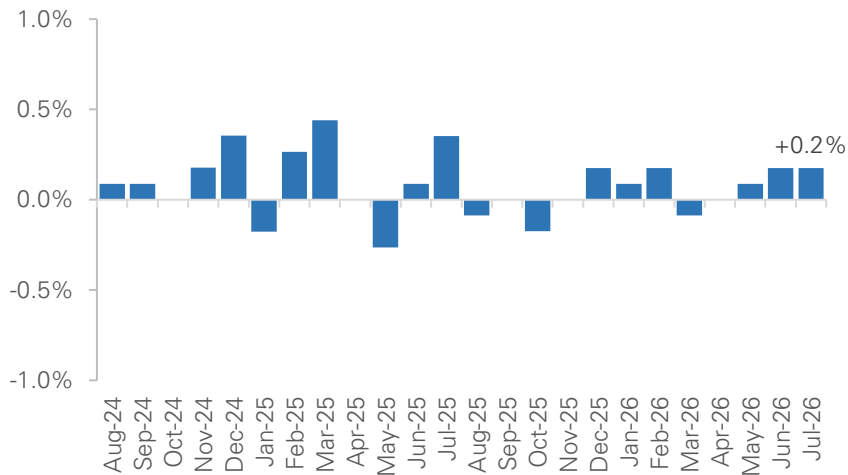
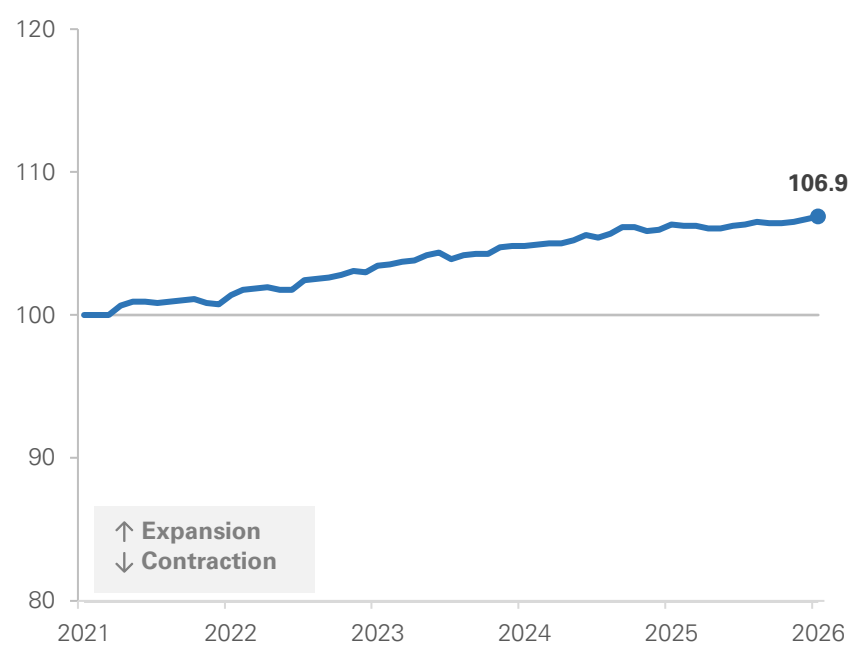
Leading Inputs

- Manufacturing Average Weekly Hours
- Initial Jobless Claims
- Manufacturing New Orders
- Building Permits
- S&P 500
- Yield Curve
- University of Michigan Consumer Expectations

Source: MarketDesk, Conference Board

FIGURE 47 – U.S. Coincident Economic Index

Economic data points that coincide with the business cycle



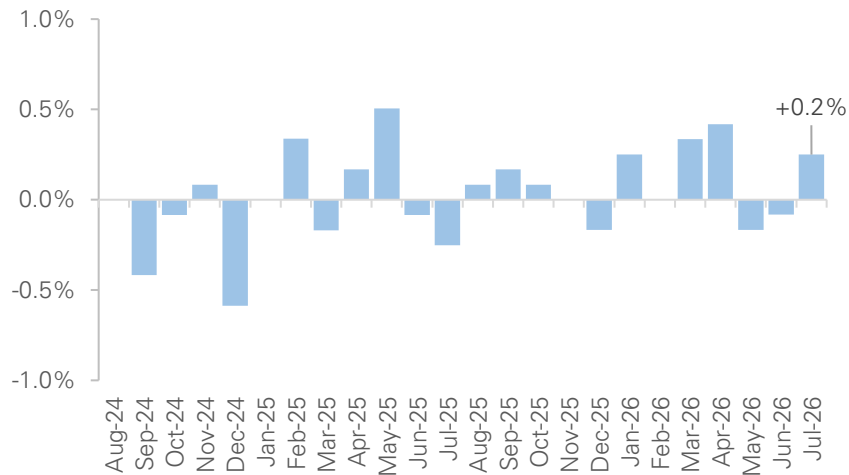
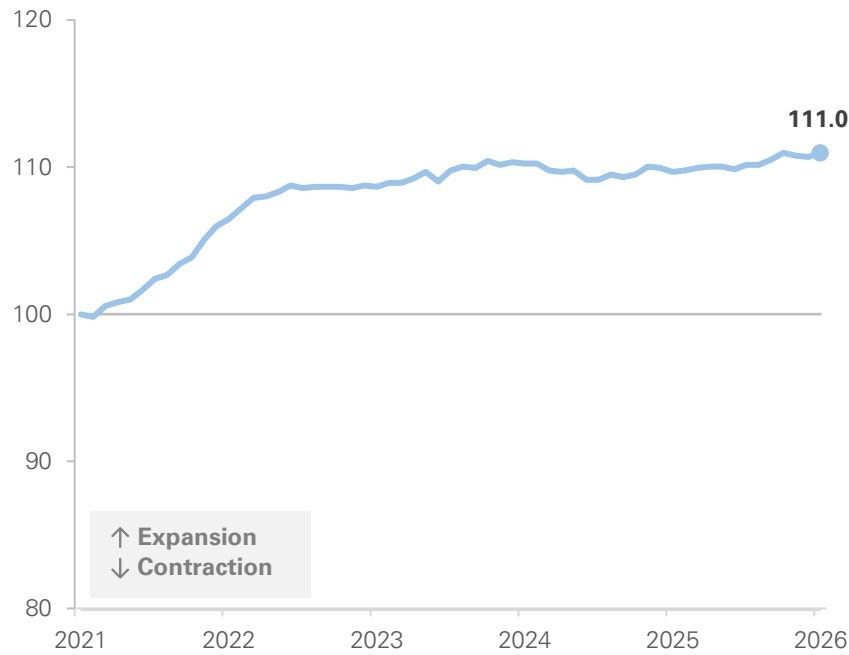
Coincident Inputs

- Non-farm Payrolls
- Real Personal Income
- Industrial Production
- Manufacturing Sales

Source: MarketDesk, Conference Board

FIGURE 48 – U.S. Lagging Economic Index

Economic data points that lag through the business cycle



Lagging Inputs

- Manufacturing Labor Costs
- Duration of Unemployment
- C&I Loans
- Services Sector CPI
- Manufacturing Inventory-to-Sales Ratio

Source: MarketDesk, Conference Board

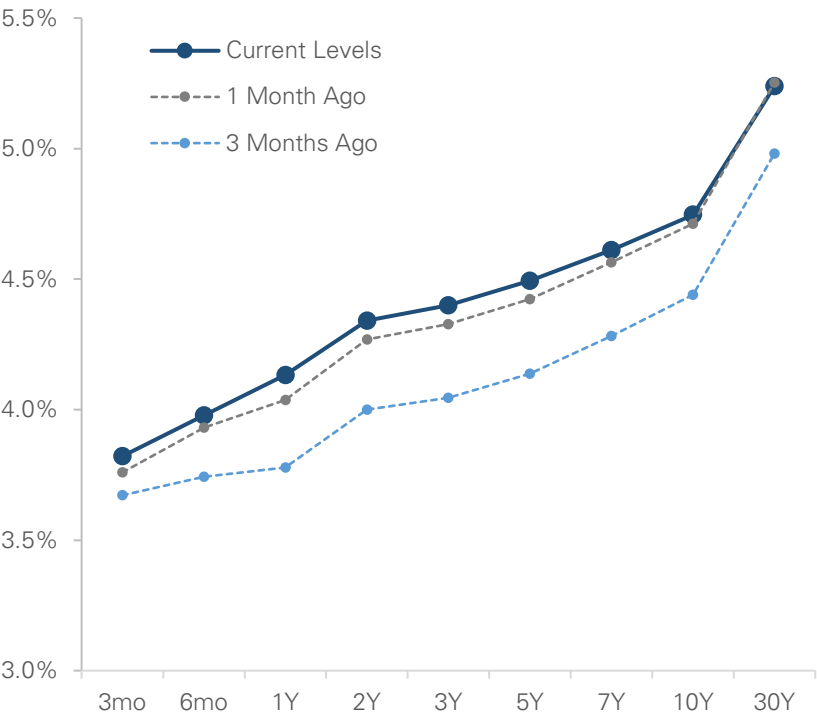
Credit Markets

(Pages 18 to 19)

Performance, Credit Spreads, Macro Drivers

FIGURE 49 – U.S. Treasury Yield Curve

Highlights recent shifts in the U.S. Treasury yield curve



Source: MarketDesk, U.S. Treasury Department

FIGURE 50 – Heatmap of Weekly Interest Rate Changes

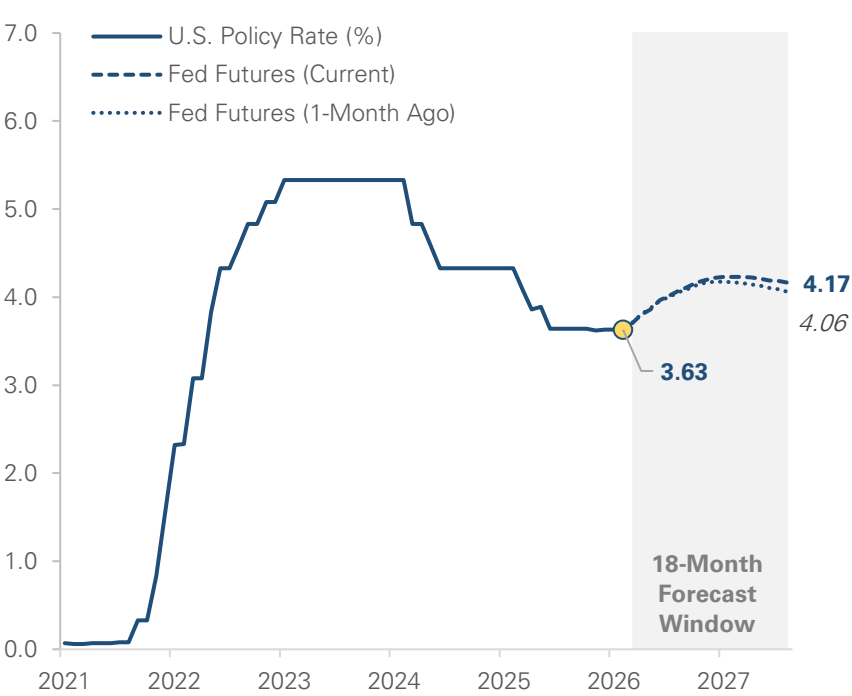
Tracking rate movements across all credit markets

Category	Credit Type	Current Rate	3-Month Chart	Weekly Rate Changes over the Last 12 Weeks (in Bps) →											
				6/15	6/22	6/29	7/6	7/13	7/20	7/27	8/3	8/10	8/17	8/24	8/31
U.S. Treasury	3-Month Bill	3.82%		-1	7	0	1	4	-2	10	-11	2	-2	1	3
	1-Year Bill	4.13%		3	19	-7	-3	19	-9	9	-7	0	-6	4	11
	2-Year Note	4.34%		-10	17	-13	1	16	-6	11	-7	-1	-6	6	10
	5-Year Note	4.49%		-11	10	-15	6	17	-5	8	-1	1	-3	3	9
	7-Year Note	4.61%		-11	7	-15	9	16	-4	6	2	2	-2	0	7
	10-Year Bond	4.75%		-10	4	-14	10	15	-2	5	4	2	2	-2	4
	30-Year Bond	5.24%		-7	-3	-9	13	12	1	2	10	2	6	-8	1
Other	TIPS	2.31%		-1	24	-8	6	11	1	16	-3	-3	-2	-7	7
	CMBS	5.34%		-10	13	-12	5	18	-4	9	-5	1	-3	4	10
	Municipals	4.14%		0	-1	-2	1	5	5	10	3	-7	1	2	7
	MBS	5.27%		-12	7	-13	9	19	-3	5	5	0	0	-1	8
Corporate	Investment Grade	5.52%		-11	8	-11	7	16	-3	9	1	0	0	0	6
	High Yield	7.57%		-16	7	1	1	9	-7	15	3	-7	-6	1	8
Consumer	30-Year Mortgage	6.73%		-1	1	-2	0	3	2	8	7	1	-2	-3	1
	Prime Rate	6.75%		0	0	0	0	0	0	0	0	0	0	0	0

Source: MarketDesk

FIGURE 51 – Current Fed Funds Futures Curve

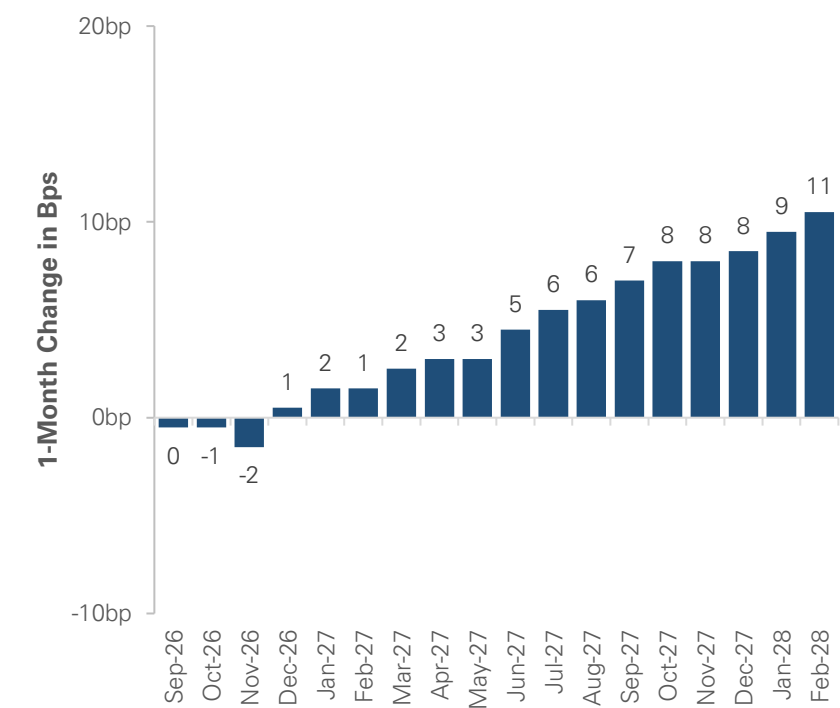
What does the futures market imply about the U.S. Policy Rate?



Source: MarketDesk, Federal Reserve, CME

FIGURE 52 – 1 Month Change in Fed Funds Futures

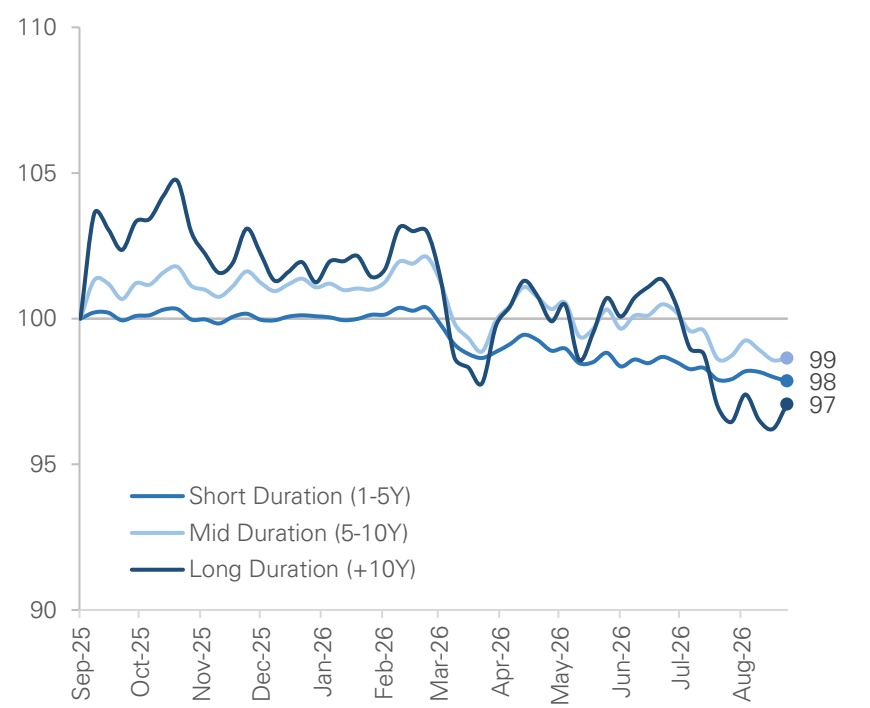
Granular look at recent changes across the futures curve



Source: MarketDesk, CME

FIGURE 53 – Price Performance by Credit Duration

Long vs Mid vs Short Duration Treasury Bonds



Source: MarketDesk

FIGURE 54 – Corporate Bond Markets

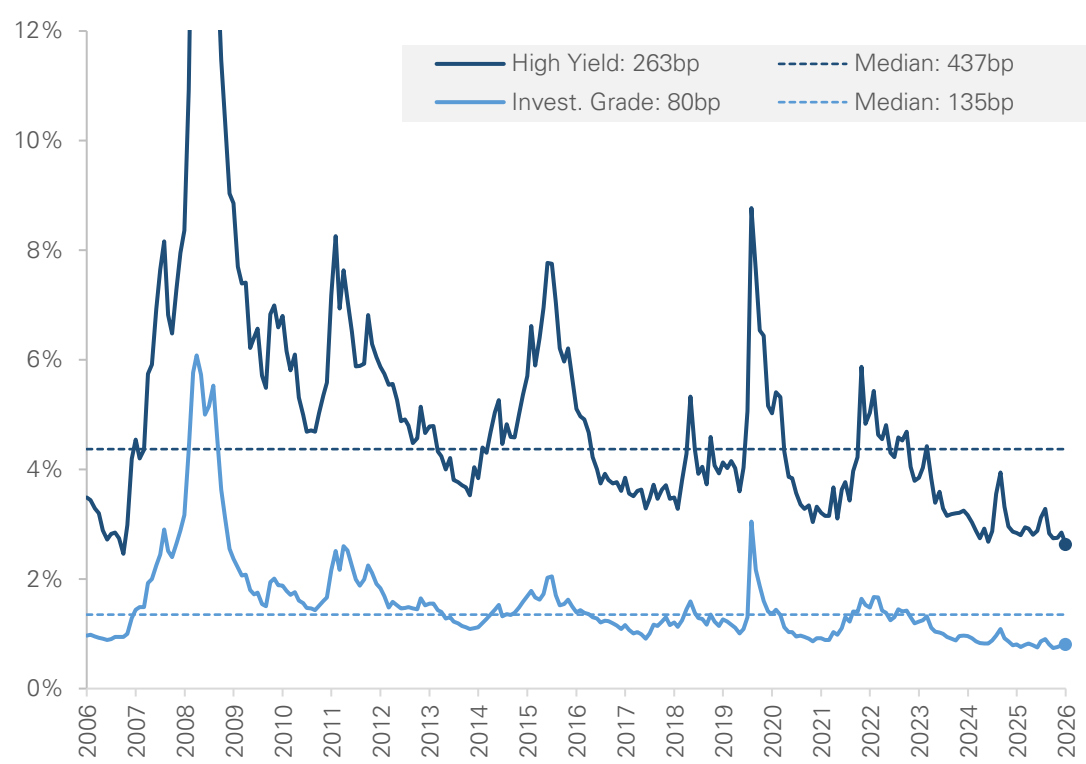
Monitoring key credit metrics across corporate bonds

Analysis	Investment Grade				High Yield		
	AAA	AA	A	BBB	BB	B	CCC
Yield / Spread (%)							
Yield to Maturity	5.37	5.34	5.38	5.71	6.41	7.78	15.24
Yield to Worst	5.37	5.34	5.35	5.68	6.16	7.29	14.84
Option Adj Spread	0.42	0.59	0.67	0.98	1.52	2.72	10.42
OAS (1-Month Chg)	0.01	0.01	0.01	-0.01	-0.21	-0.32	0.08
Bond Duration							
Duration (Years)	10.2	7.2	6.2	6.2	3.9	3.6	3.0
Spread Duration	10.0	7.1	6.2	6.1	3.1	2.6	2.4
Price Returns							
1-Month	0.1%	0.2%	0.0%	0.1%	0.4%	0.5%	-0.4%
3-Month	-4.1%	-1.6%	-2.0%	-1.9%	-0.4%	-0.7%	-1.9%
6-Month	-8.0%	-3.4%	-3.9%	-3.5%	-1.6%	-0.9%	-1.4%
Total Returns							
1-Month	0.5%	0.4%	0.3%	0.5%	1.0%	1.1%	0.6%
3-Month	-2.6%	-1.8%	-1.0%	-0.8%	0.9%	1.4%	0.0%
6-Month	-4.2%	-3.0%	-1.8%	-1.3%	1.5%	3.2%	0.9%

Source: MarketDesk

FIGURE 55 – Corporate Credit Spreads vs Historical Averages

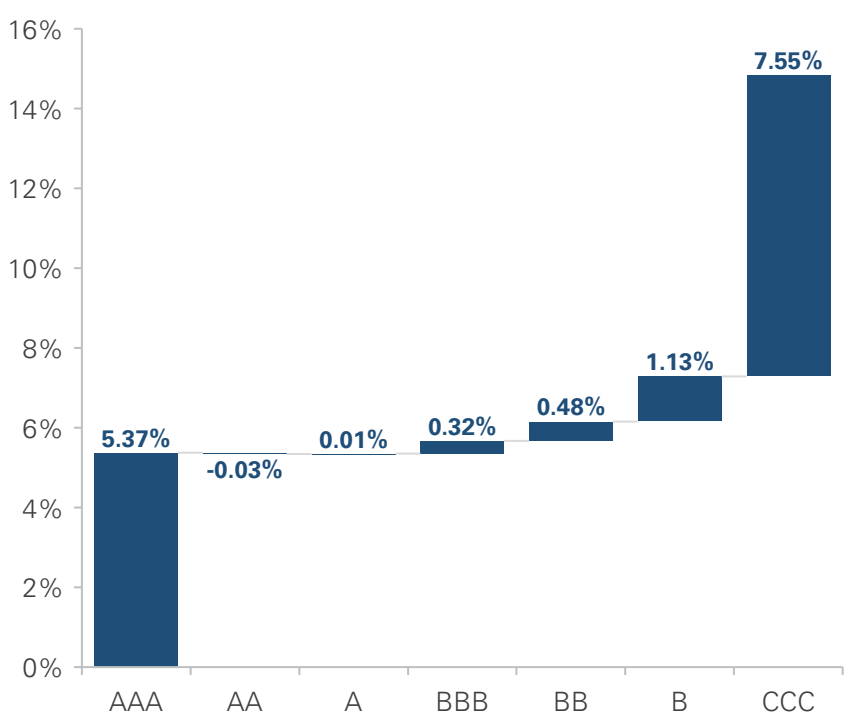
Option-adjusted spreads for corporate bond rating classes



Source: MarketDesk. Based on Option-Adjusted Spread (OAS).

FIGURE 56 – Incremental Corporate Yield by Rating

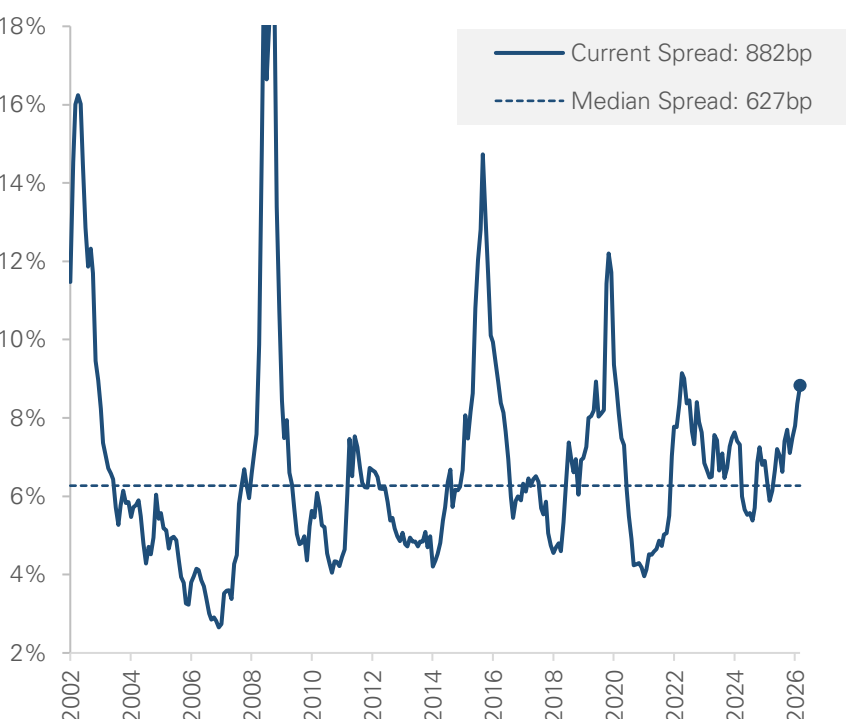
Additional yield earned for owning the next lower credit rating



Source: MarketDesk. Based on Yield to Worst (YTW).

FIGURE 57 – Spread of CCC (lowest HY) vs BB (highest HY)

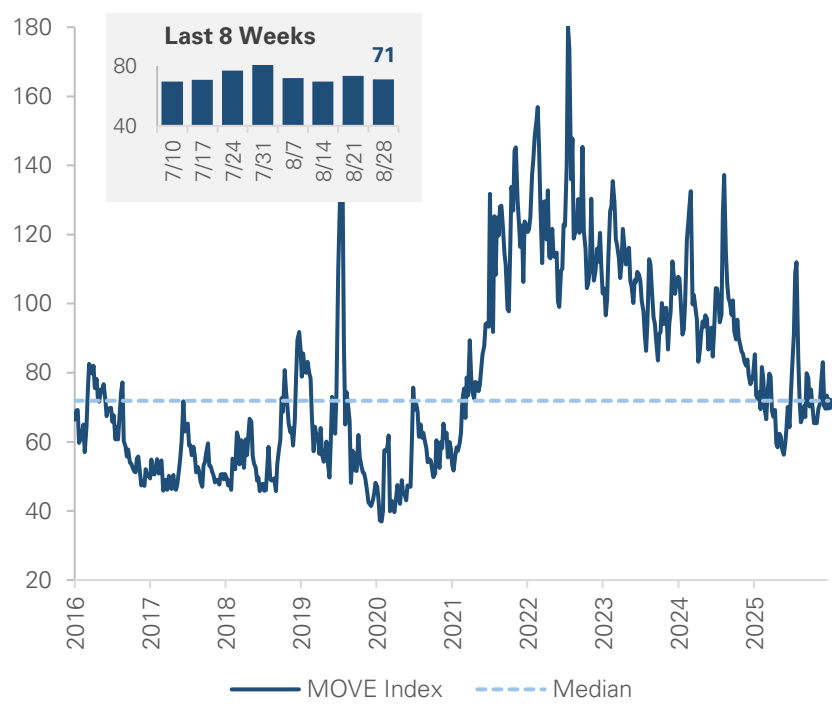
Measuring risk-taking levels within the high yield credit universe



Source: MarketDesk

FIGURE 58 – Bond Volatility (ICE BAML MOVE Index)

Measures interest rate volatility



Source: MarketDesk

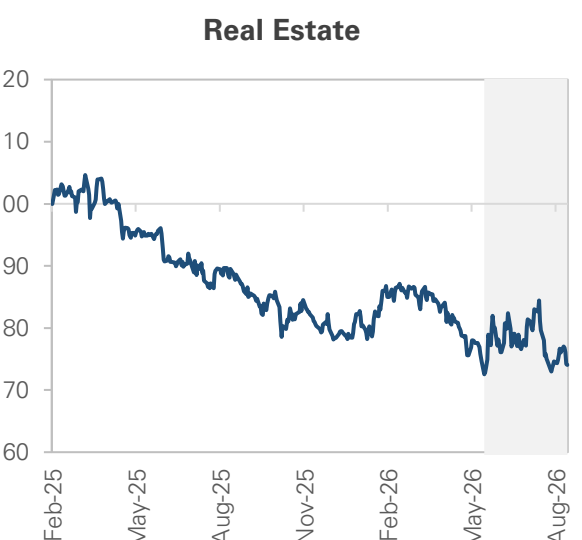
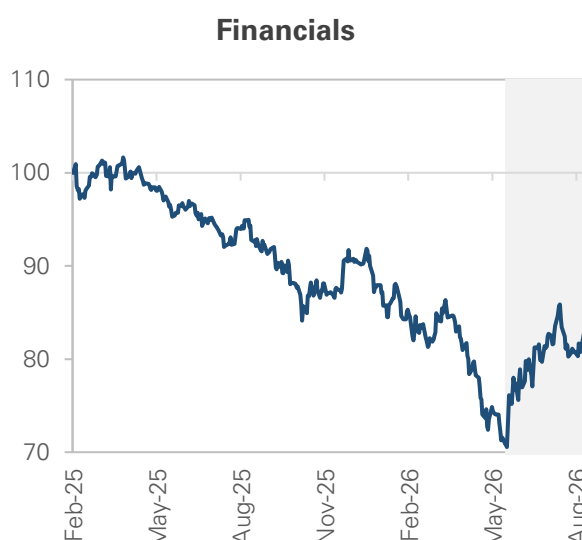
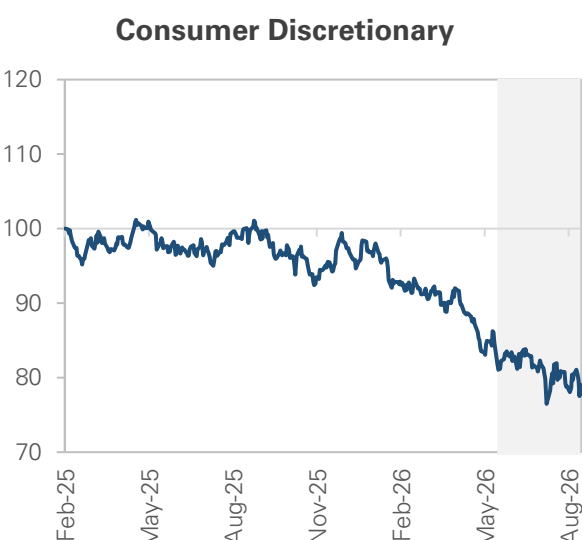
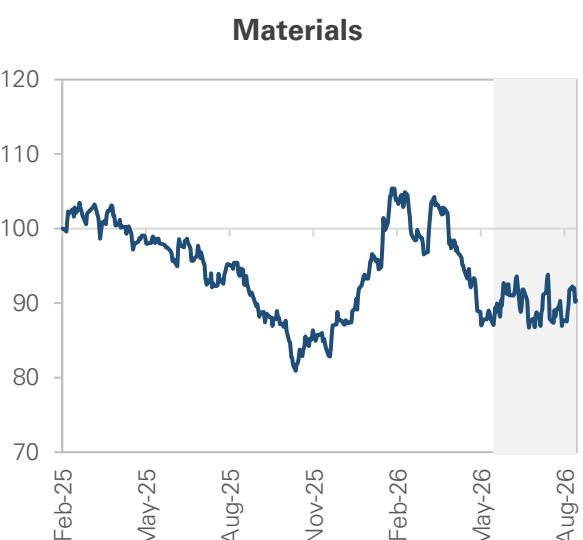
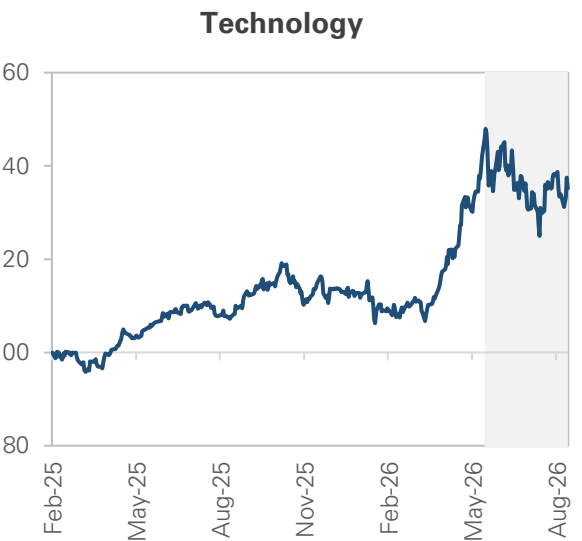
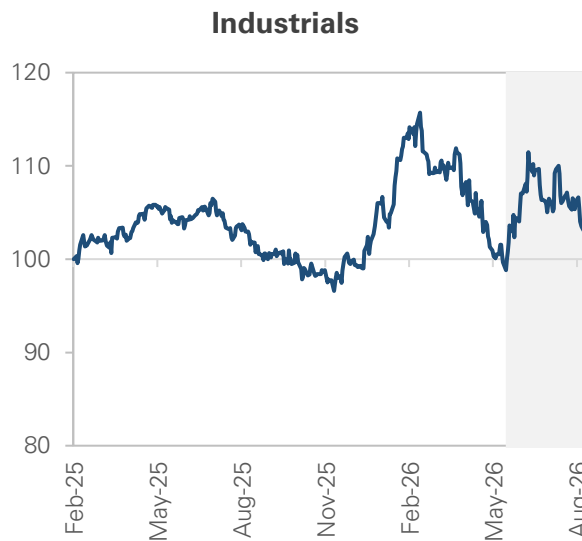
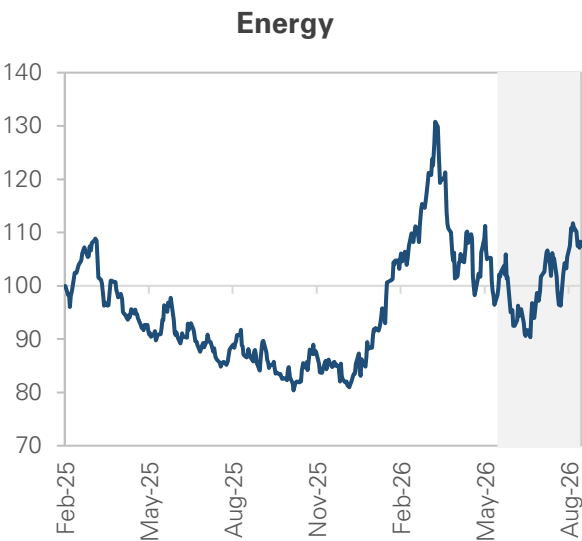
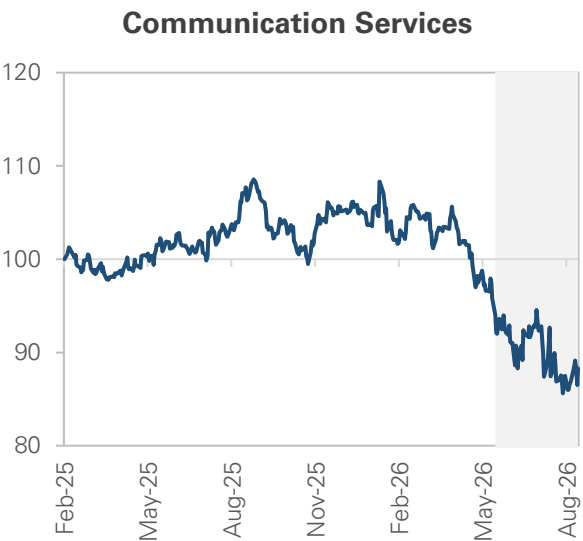
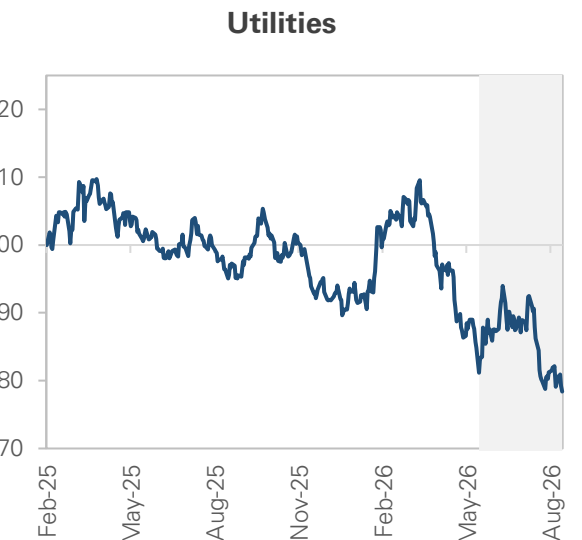
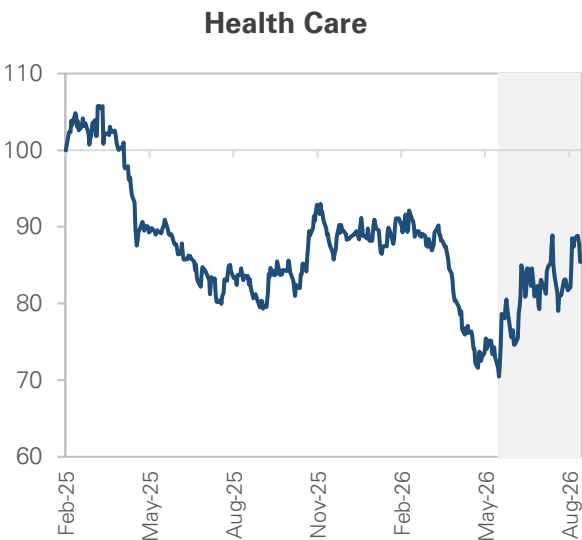
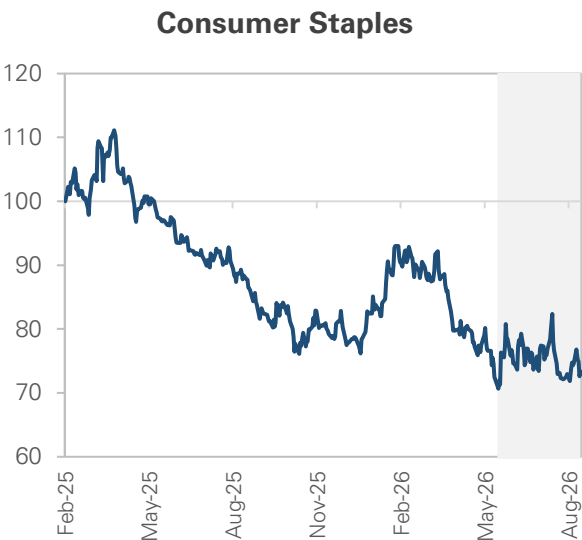
Relative Return Charts

(Pages 21 to 24)

Sectors, Factors, Credit, International Markets

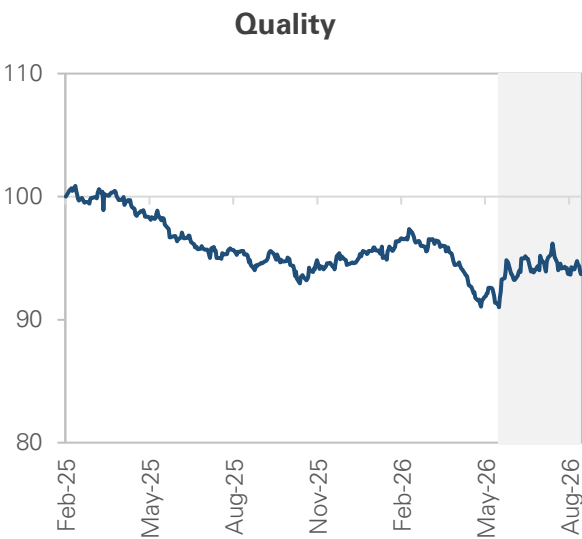
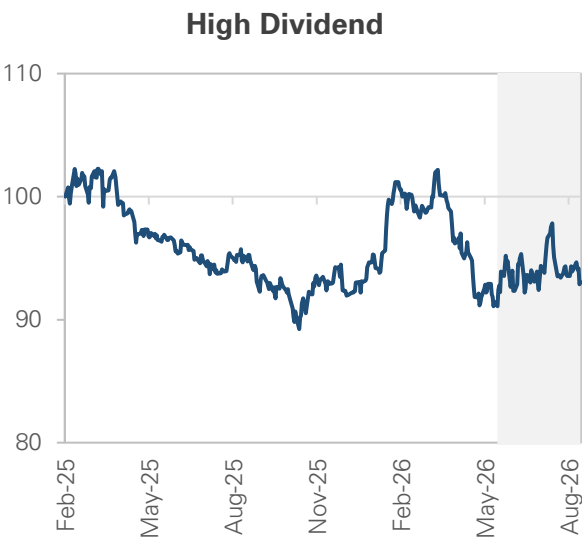
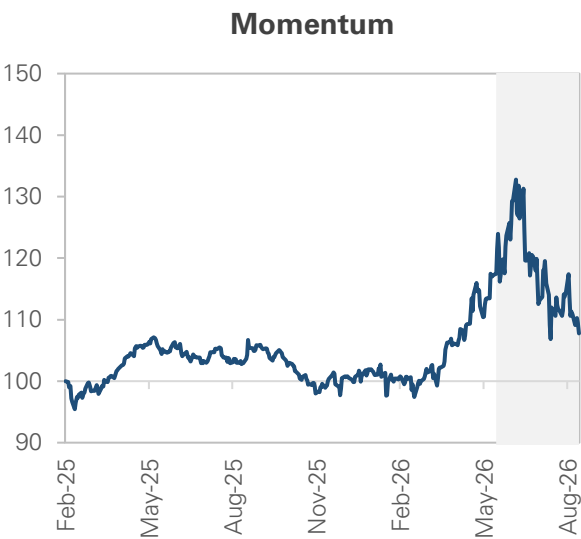
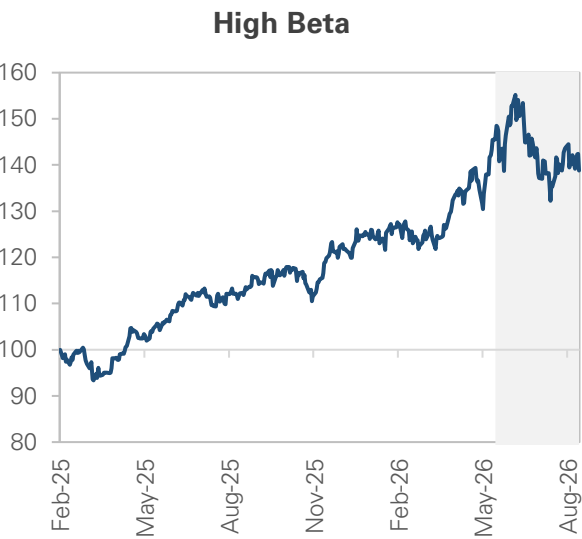
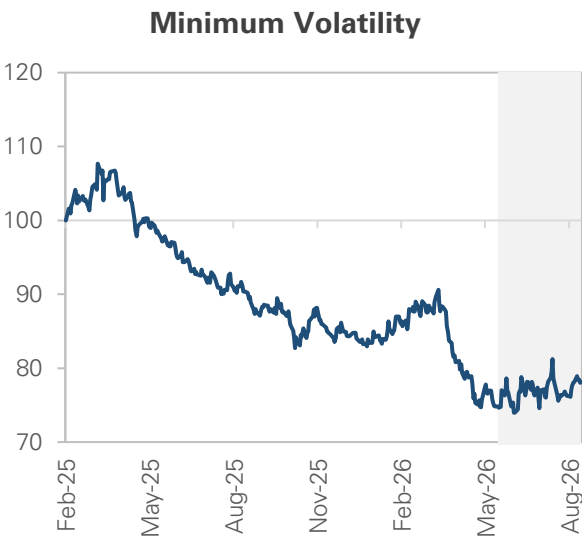
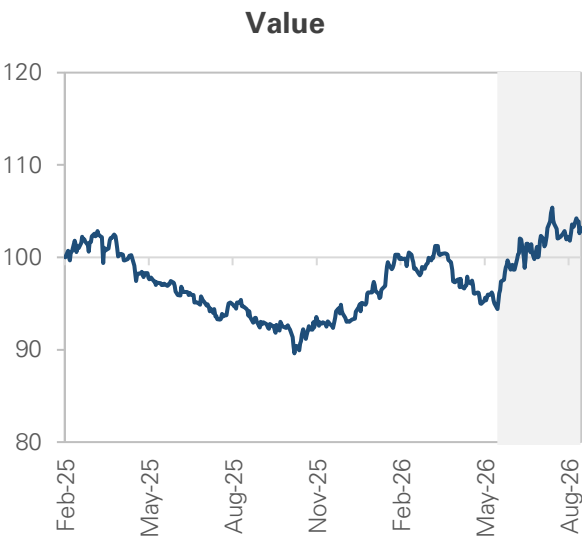
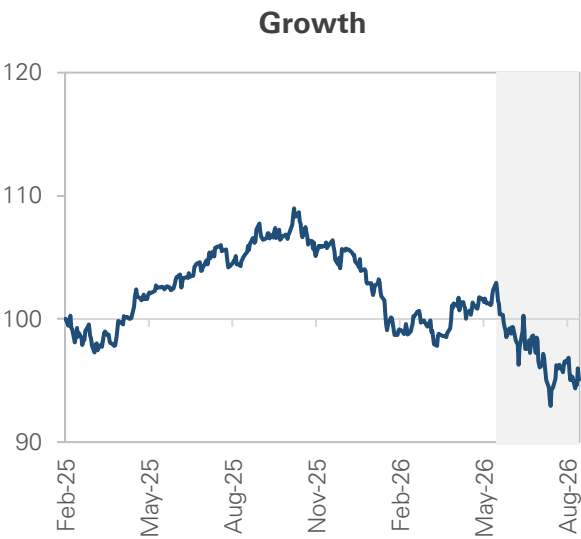
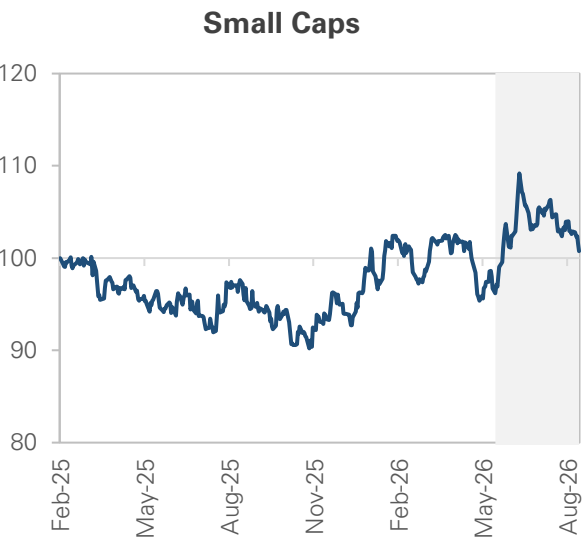
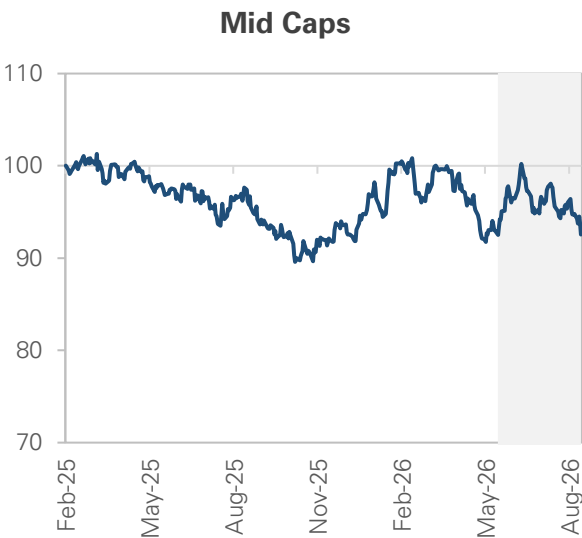
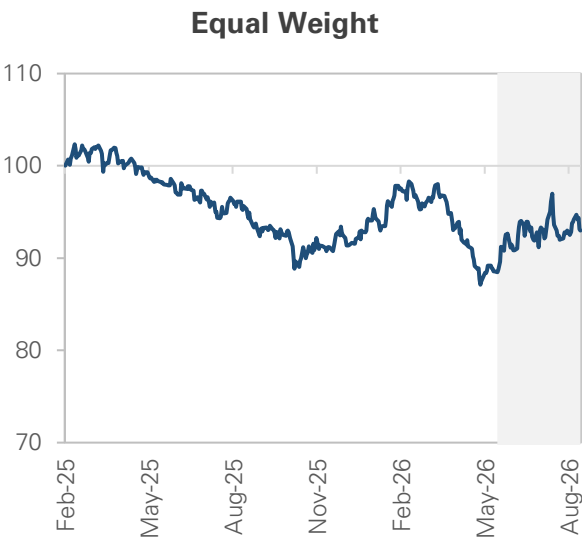
Sectors – Relative Performance vs S&P 500

Relative Performance vs S&P 500 (%)					
Sectors	1m	3m	6m	12m	18m
Cons Stpls	-6.0	1	-21	-17	-27
Health Care	0.6	17	-7	3	-15
Utilities	-10.8	-8	-25	-21	-22
Comm Svcs	1.0	-8	-16	-14	-12
Energy	3.4	12	1	21	8
Industrials	-5.3	1	-12	-3	0
Technology	3.2	-5	26	25	35
Materials	-1.3	3	-14	-5	-10
Cons Disc	-0.2	-7	-15	-20	-21
Financials	-3.0	14	-2	-13	-18
Real Estate	-8.7	-1	-14	-17	-26



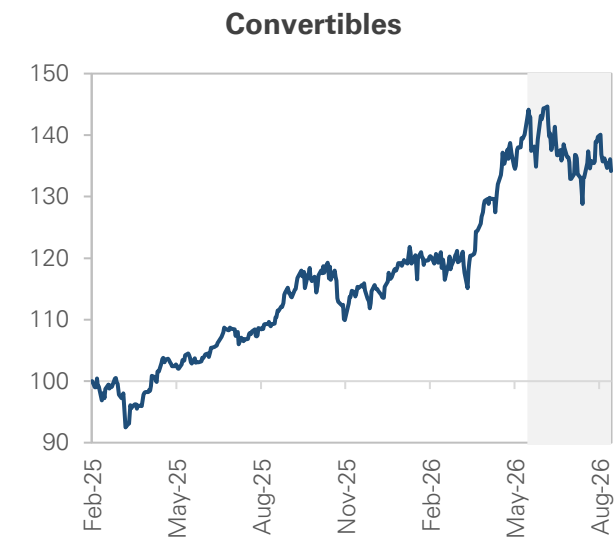
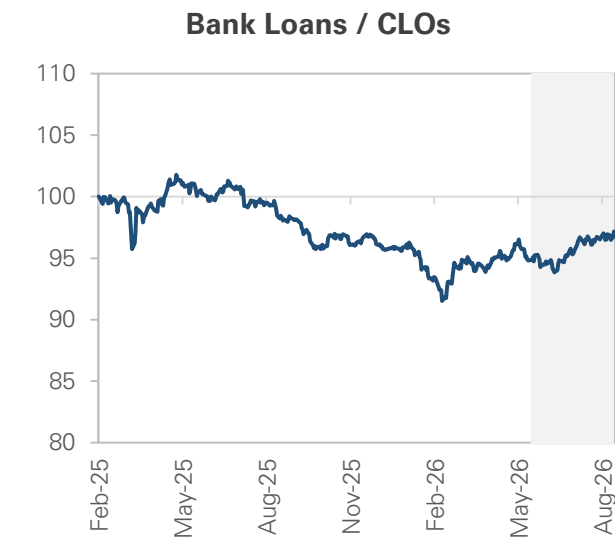
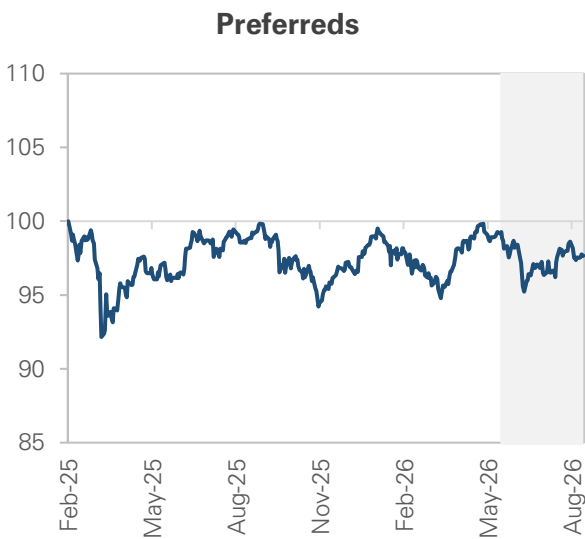
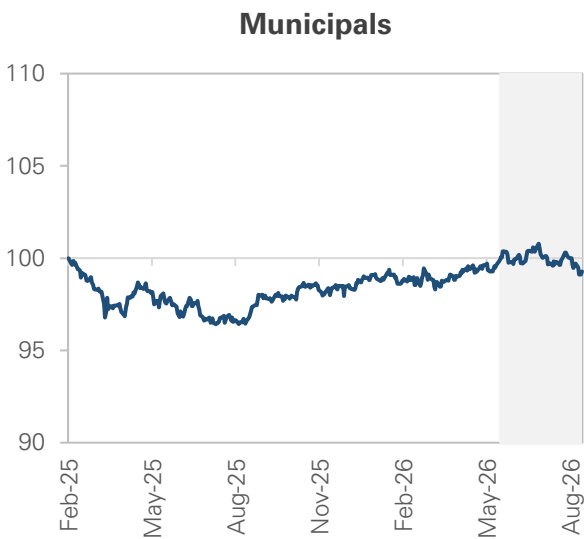
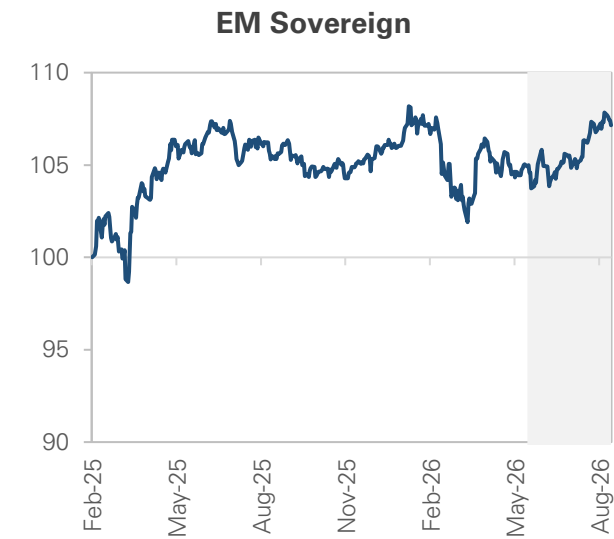
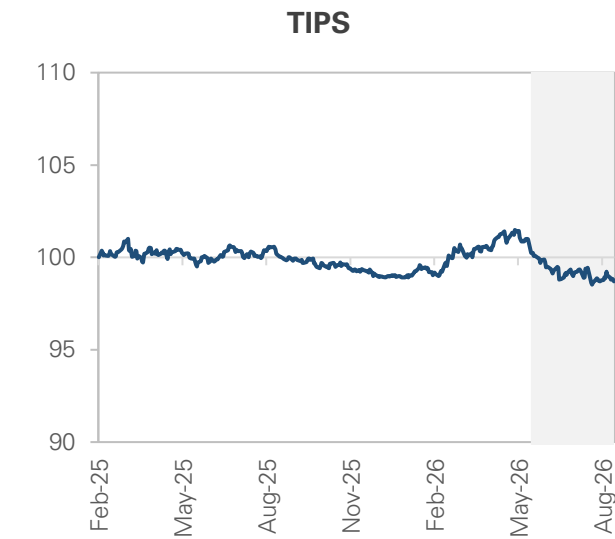
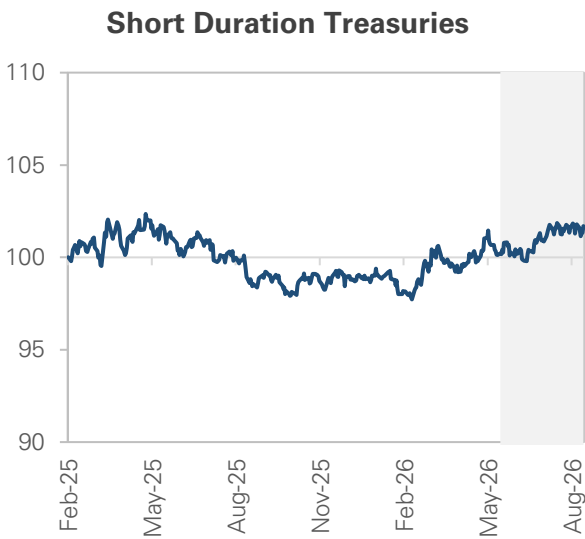
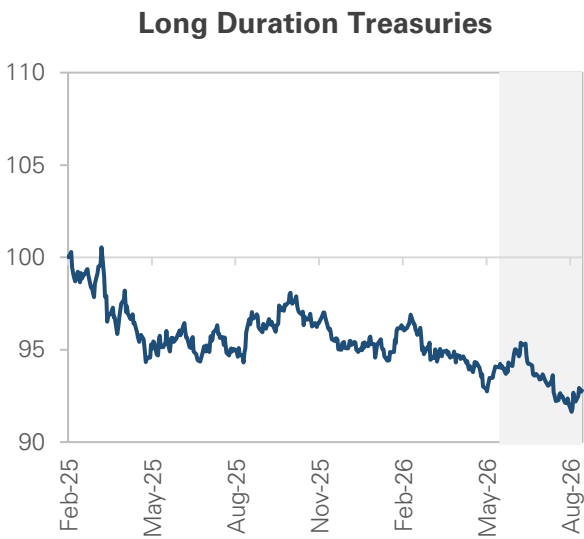
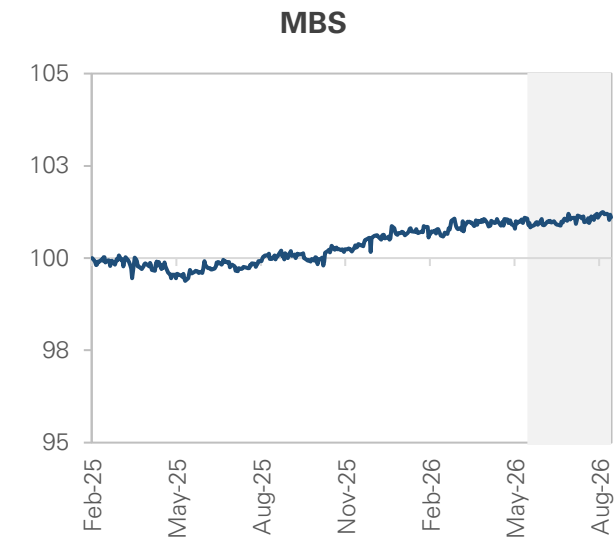
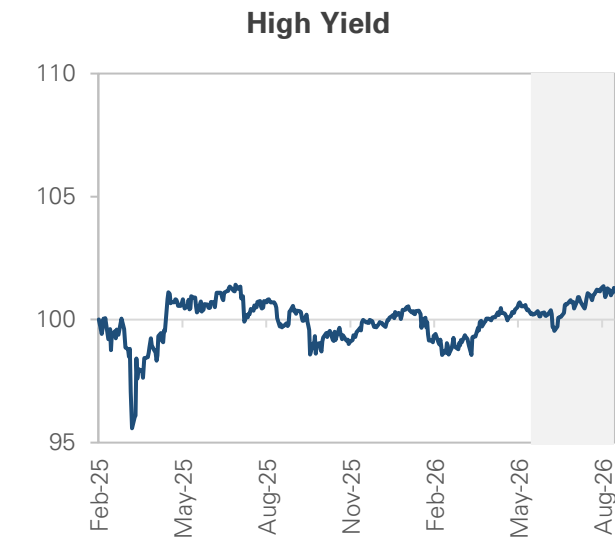
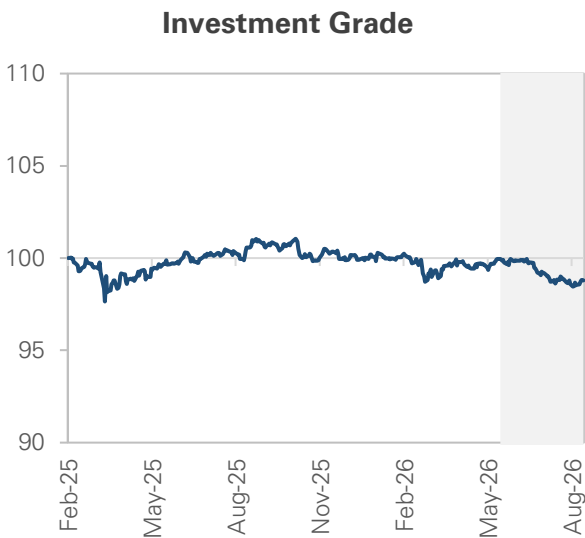
Factors – Relative Performance vs S&P 500

Relative Performance vs S&P 500 (%)					
Equity Factors	1m	3m	6m	12m	18m
Equal Weight	-1.8	5	-5	-3	-7
Mid Caps	-4.2	0	-7	-4	-7
Small Caps	-4.4	4	0	3	1
Growth	0.8	-7	-4	-9	-5
Value	-0.8	9	3	9	3
Min Volatility	-0.7	4	-11	-14	-22
High Beta	2.0	-5	10	23	39
Momentum	-3.8	-8	7	4	8
High Dividend	-3.1	2	-7	-2	-7
Quality	-2.2	3	-4	-2	-6



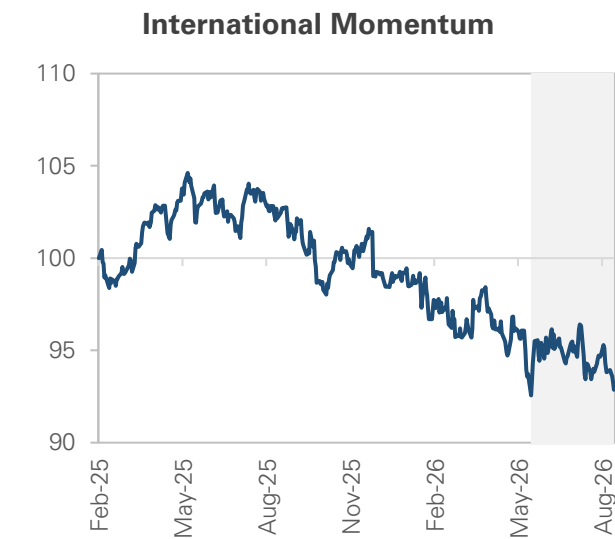
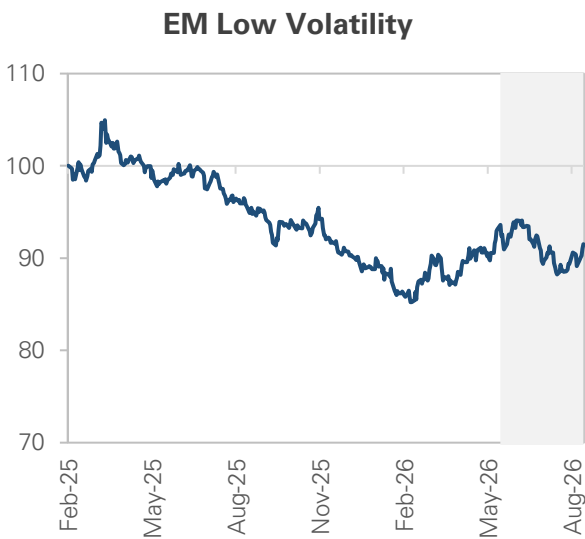
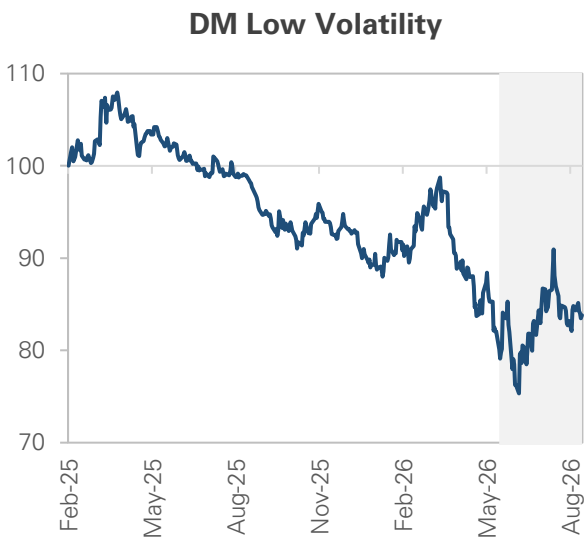
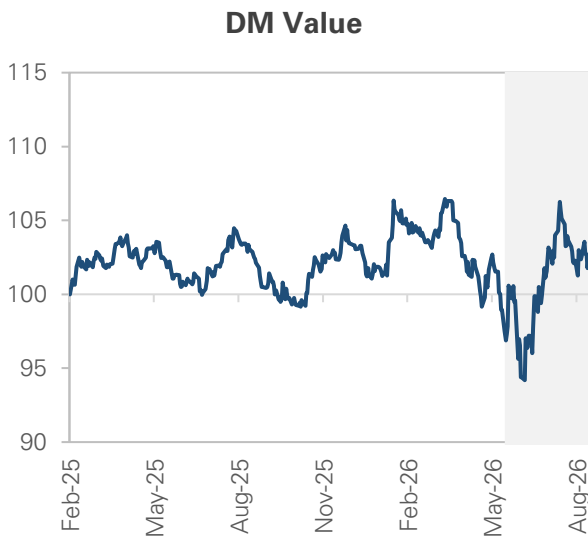
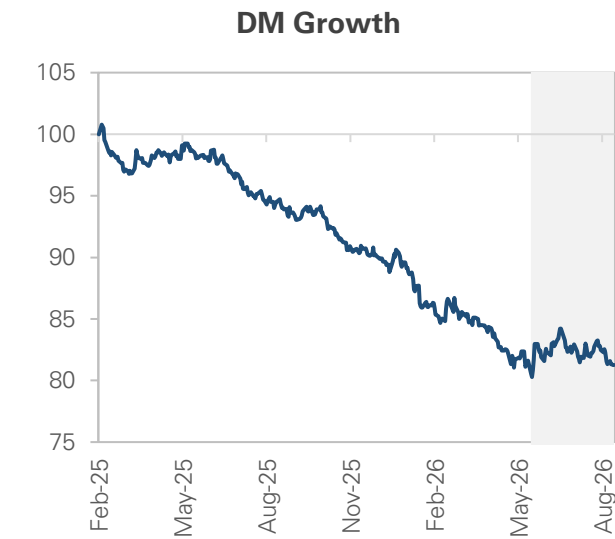
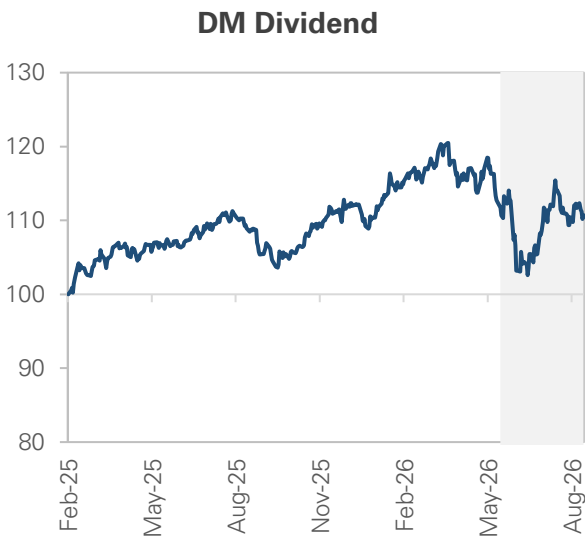
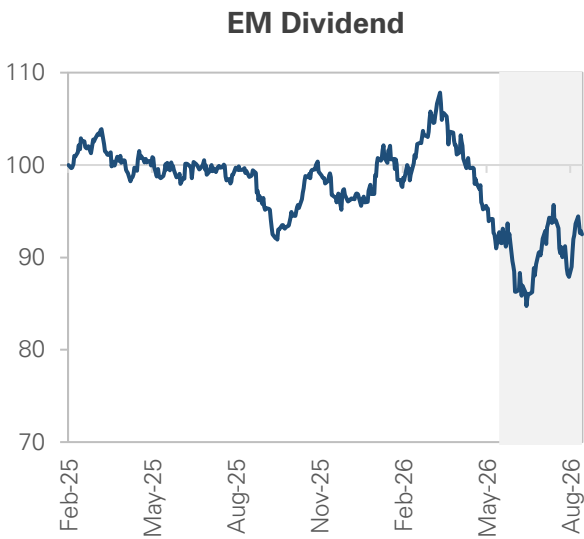
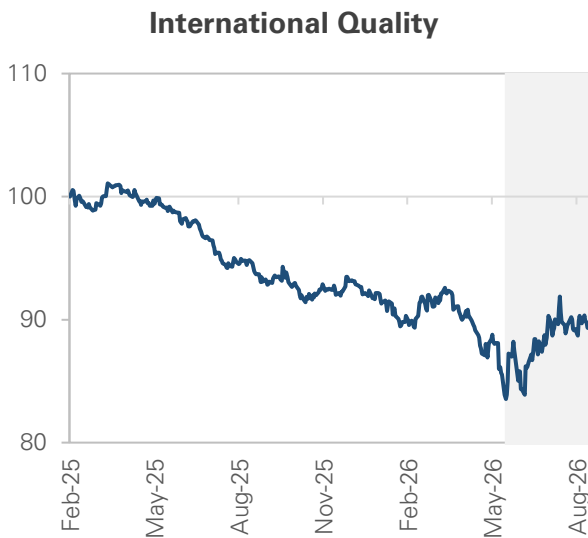
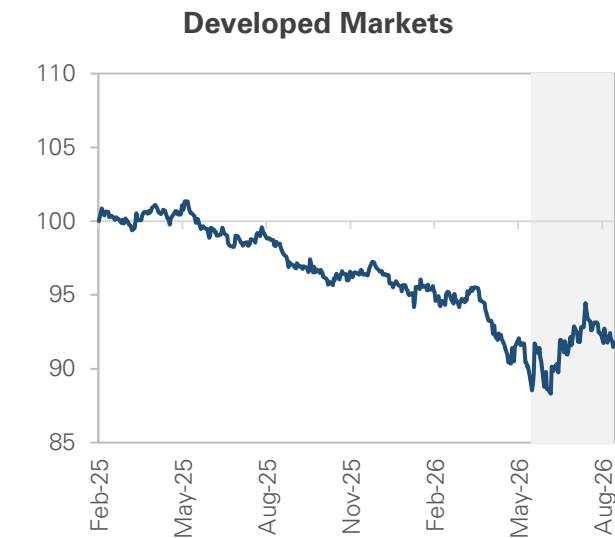
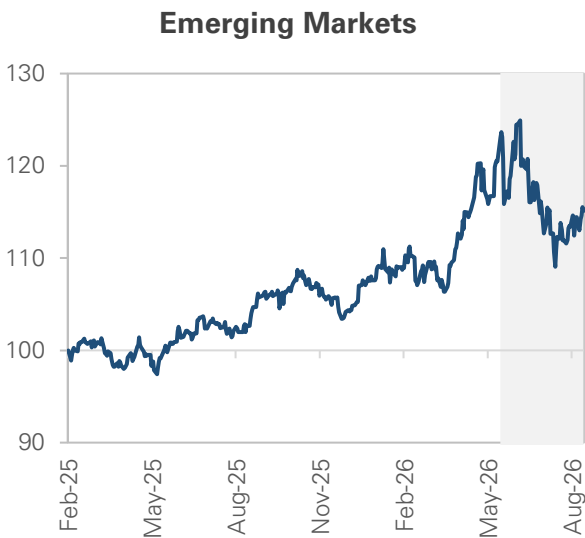
Credit – Relative Price Return vs Bond Aggregate Index

Relative Performance vs Bond Aggregate (%)					
Credit Sectors	1m	3m	6m	12m	18m
Invest Grade	0.1	-1	-1	-1	-1
High Yield	0.5	1	3	0	1
MBS	0.0	0	0	1	1
Long Duration	0.3	-1	-4	-2	-7
Short Duration	0.1	2	4	2	2
TIPS	-0.6	-2	-1	-2	-1
EM Sovereign	0.8	2	0	1	7
Municipals	-0.4	0	0	3	-1
Preferreds	0.5	-2	1	-1	-2
Bank Loans/CLOs	0.7	2	6	-2	-3
Convertibles	0.9	-4	13	24	34



International – Relative Performance vs ACWI ex US

Relative Performance vs ACWI ex US (%)					
Equity Factors	1m	3m	6m	12m	18m
Emerging	3.8	-4	4	13	15
Developed	-2.4	2	-3	-7	-8
Intl Quality	-1.4	4	-1	-6	-11
EM Dividend	-1.5	2	-7	-7	-8
DM Dividend	-2.9	-2	-5	1	11
DM Growth	-1.7	0	-4	-14	-19
DM Value	-3.1	3	-2	-1	2
DM Low Vol	-4.8	2	-8	-15	-16
EM Low Vol	3.4	-2	7	-5	-9
Intl Momentum	-1.5	-1	-4	-9	-7



CBOE VIX: The Chicago Board Options Exchange's CBOE Volatility Index, a popular measure of the stock market's expectation of volatility based on S&P 500 index options.

Daily moving average (DMA): The daily moving average shows the average price over a period of time. Investors often focus on key time periods such as 50-DMA and 200-DMA.

Fed Funds Futures: Fed funds futures are contracts that reflect the market's consensus on the daily official fed funds rate at the time of contract expiration. The fed funds rate is the interest rate banks charge each other for overnight loans of reserves on deposit with the Federal Reserve. Fed funds futures are traded on the Chicago Mercantile Exchange (CME).

MarketDesk U.S. Net Liquidity Indicator (USNLI): The indicator measures the current liquidity dynamics in financial markets. The indicator tracks liquidity changes based on three key components: total assets on the Fed's balance sheet, the Fed's overnight reverse repurchase agreements, and the Treasury's general account. A USNLI reading above (below) 50% indicates net liquidity is increasing (shrinking) and is likely to be a tailwind (headwind) for equity markets.

MarketDesk U.S. Risk Demand Indicator (USRDI): A quantitative model built to measure investors’ willingness (or lack thereof) to increase portfolio risk. USRDI is a composite of momentum measures across four asset classes: equities, equity derivatives, credit markets, and foreign currencies. A reading above zero suggests investors should increase portfolio risk to benefit from rising market momentum.

MarketDesk U.S. Breadth Indicator (USBI): Measures if an asset class is exhibiting strong or weak breadth based on the 20DMA, 50DMA, and 100DMA. A composite reading above 50 equates to strong market breath, while a reading below 50 equates to weak market breadth.

MarketDesk U.S. Technical Indicator (USTI): Measures if an asset class is overbought (above +1.0) or oversold (below -1.0). The composite reading uses the volatility adjusted signals from the 14-day RSI, Advance / Decline Line, and 50DMA.

MarketDesk U.S. Investor Sentiment Indicator (USSI): The indicator utilizes various data points such as institutional investor positioning, equity flows, VIX movement, and sentiment surveys to offer insights into retail and institutional investor behavior. A reading of 100% (0%) signals extreme bullish (bearish) investor positioning compared to the past decade.

MarketDesk U.S. PMI Momentum Indicator (USPMI): The indicator forecasts the year-over-year change in the ISM Manufacturing PMI over the next 12 months. The indicator is based on a composite of 14 macro inputs. A USPMI reading above (below) zero suggests the economy is expanding (contracting).

MarketDesk U.S. Consumer Health Indicator (USCHI): The indicator is a macro-based model that provides a quick snapshot of U.S. consumers' ability (or lack thereof) to spend money on goods and services. The indicator is a combination of five consumer-related inputs: labor markets, net worth, personal income, household debt, and sentiment. A high (low) USCHI reading indicates consumer health is strong (weak).

MarketDesk U.S. CPI Leading Indicator (USCPI): The indicator is designed to forecast the direction and approximate magnitude of changes in inflation over the next three months.

MarketDesk U.S. Financial Conditions Indicator (USFCI): The indicator is a barometer of several macro factors that influence the availability and cost of credit, liquidity in financial markets, and overall economic health. The indicator is an equal-weighted average of volatility-adjusted year-over-year changes across eight inputs, including interest rates, credit spreads, lending rates, VIX, equity prices, and USD. A USFCI reading above (below) zero indicates that financial conditions are tighter (looser) and is typically a headwind (tailwind) for equity markets..

MarketDesk U.S. Business Cycle Indicator (USBCY): The indicator aggregates key macro data points to identify the current stage of the economic cycle. USBCY is an equal weighted composite of eight macro inputs that historically coincide with the business cycle. The indicator classifies the environment into one of three business cycle stages: Early Cycle (Expansion), Mid Cycle (Slowdown), and Late Cycle (Contraction).

MarketDesk Simple Asset Allocation Framework (SAAF): Developed by MarketDesk, the SAAF uses a price indicator (USRDI) and a macro indicator (USPMI) to classify markets into a four-quadrant framework and help guide long-term asset allocation.

MOVE Index: The MOVE index, or Merrill Lynch Option Volatility Estimate Index, is a crucial gauge of interest rate volatility in the U.S. Treasury market. It is calculated from options prices, which reflect the collective expectations of market participants about future volatility.

NTM and LTM: NTM stands for next twelve months while LTM stands for last twelve months.

Price to Earnings (P/E): A valuation ratio that measures its current share price relative to its earnings per share (EPS). NTM P/E uses consensus EPS estimates for the next 12-months.

Relative Strength Index (RSI): A momentum indicator used in technical analysis, that measures the speed and magnitude of a security's recent price changes. Traditionally, a RSI reading of 70 or above indicates an overbought condition. A reading of 30 or below indicates an oversold condition.

Sharpe Ratio: The Sharpe ratio is a measure of risk-adjusted return. It describes how much excess return you receive for the volatility of holding a riskier asset.

Weekly Economic Index (WEI): The WEI is an index of real economic activity using timely high-frequency data (i.e., retail sales, rail traffic, unemployment, electricity output). It represents the common component of ten different daily and weekly series covering consumer behavior, the labor market, and production. The WEI is scaled to the four-quarter GDP growth rate; for example, if the WEI reads -2 percent and the current level of the WEI persists for an entire quarter, we would expect, on average, GDP that quarter to be two percent lower than a year previously.

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