

JUNE 2025

Macro/Market Update

The global economy slowed markedly in April, as measured by the global composite (services and manufacturing) Purchasing Managers' Index (PMI). This data provided our first reading of semi-hard data since the April 2 tariff announcement. The global composite (services and manufacturing) PMI slumped to a 17-month low. Both the manufacturing and services sectors experienced setbacks in April.

The manufacturing sector contracted for the first time in four months, reflecting waning export demand. The decline in new orders was led by the sharpest fall in export orders since August 2023. The decrease in

export orders was broad-based by economy, with only 14% showing expansion, the weakest since December 2022.

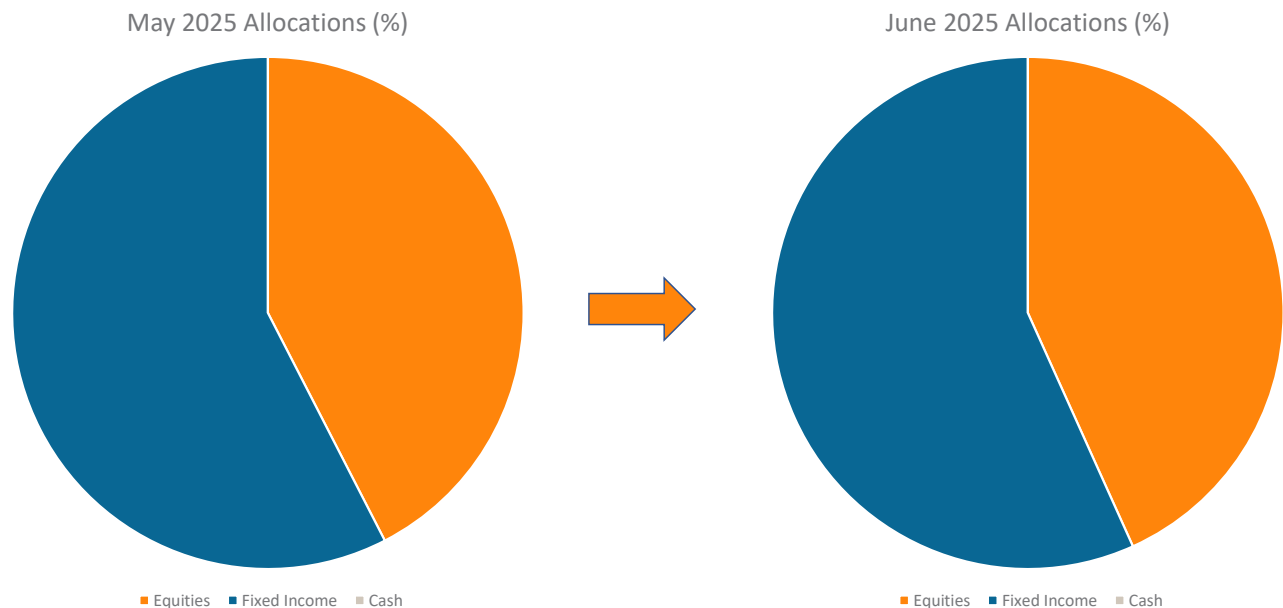
Tariff woes also managed to seep their way into the larger services sector, which also grew at its slowest pace in 17 months. Despite not being the focus of U.S. tariffs, new business growth in the services sector also slowed markedly, led by a plunge in export demand. The future activity index for the services sector fell almost as much as its manufacturing counterpart.

While tariffs and uncertainty continue to provide downside risks, this is partly offset by most economies adopting an

expansionary monetary and fiscal stance. Almost 80% of the world's central banks are in easing cycles, hovering around the best level since 2021.

During May, the MSCI All Country World Index (ACWI) outperformed the Bloomberg Barclays Global Aggregate Bond Index by over 600 basis points (bps). It was the strongest month of outperformance for stocks relative to bonds since October 2022. Stocks have underperformed bonds for four of the last six months. Despite strong performance in May, equities may experience more volatility if the hard economic data confirm the weaker soft readings.

Asset Allocation Summary

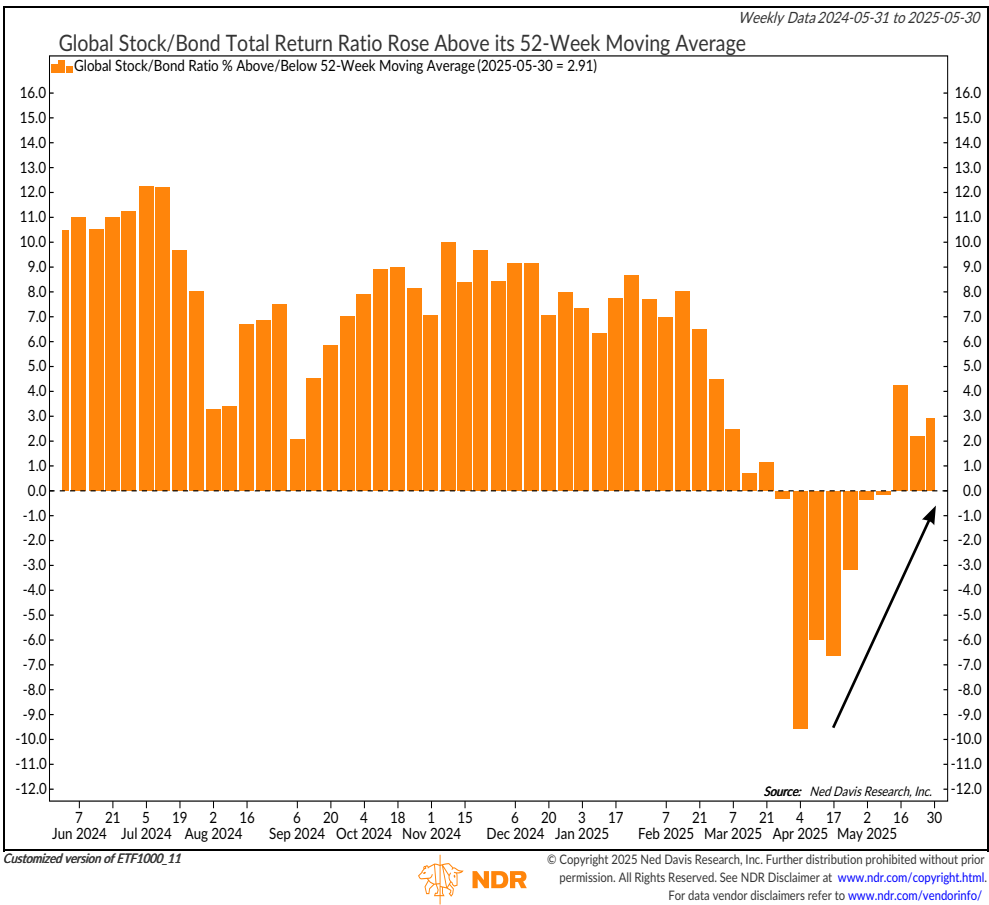


* See Equity Allocation Summary for how the equity allocation is distributed

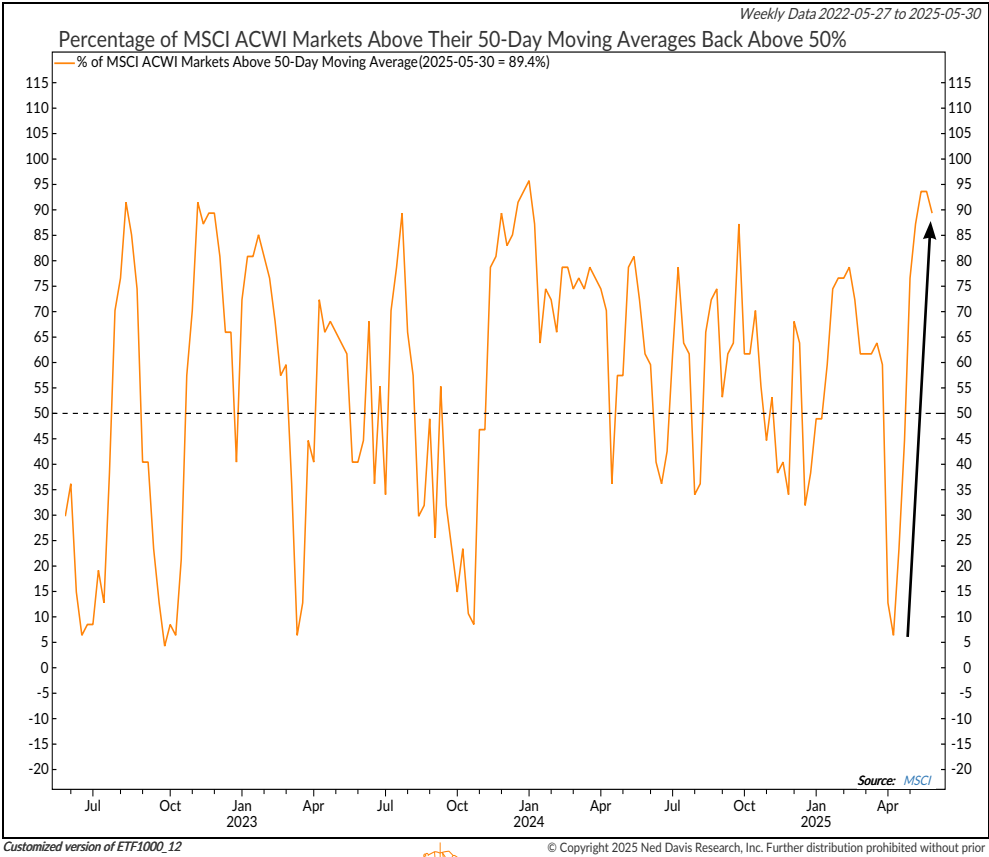
** See Fixed Income Allocation Summary for how the fixed income allocation is distributed

The equity allocation remains below benchmark weighting despite indicator improvement. This is due to the model using a turnover reduction mechanism, which reduces trading. The proposed allocations did not deviate enough from the existing weightings to warrant a model rebalance. Two-thirds of the indicators, which weigh the relative attractiveness of stocks and bonds, favor stocks.

There was strong technical improvement this month, as the global stock/bond relative strength and equity market breadth indicators turned bullish on equities. After falling over 9.5% below its 52-week moving average at the beginning of April, the global stock/bond relative strength line improved to almost 3% above its long-term trend (chart right).



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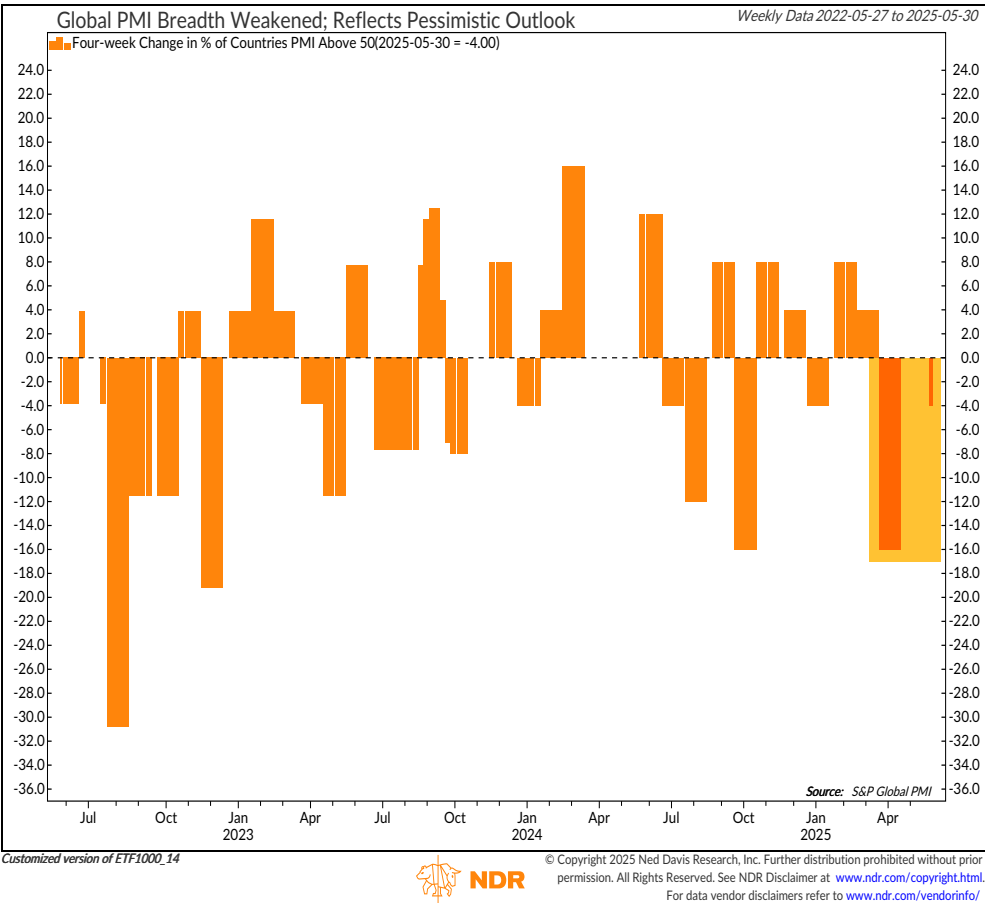
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Almost 90% of global equity markets are trading above their 50-day moving averages (chart left). This is a significant improvement from the less than 10% level during April.

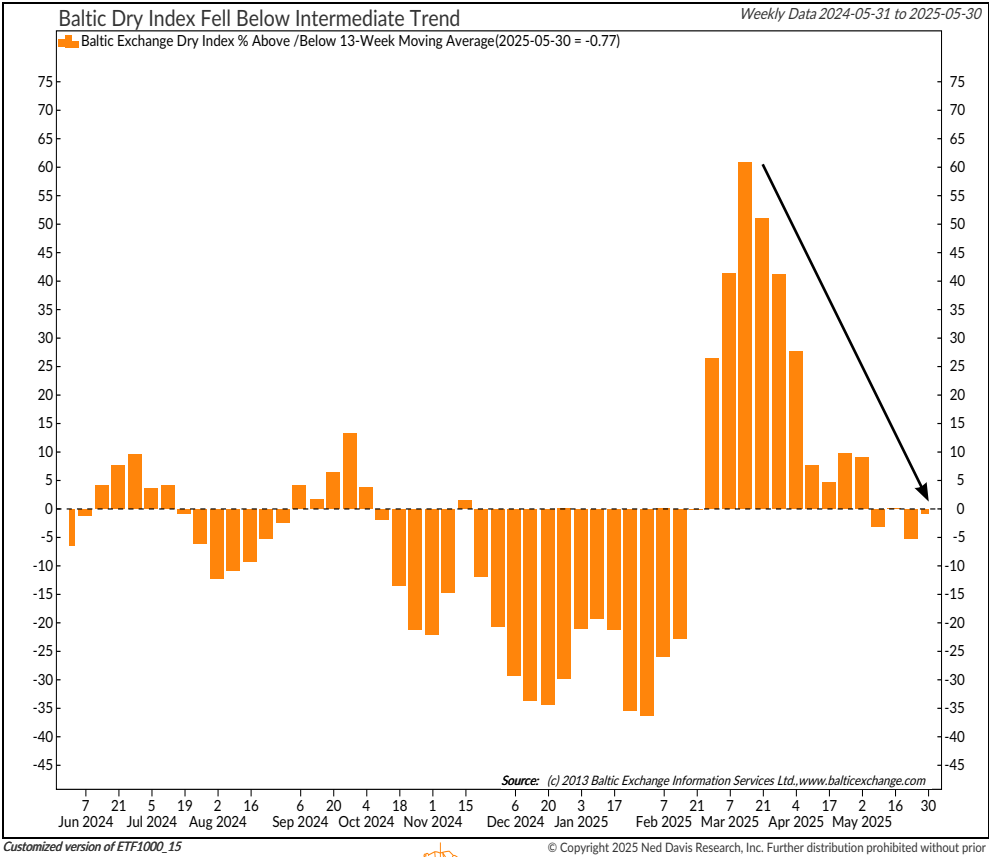
This indicator describes the underlying health of global equities, since it tracks the number of markets participating on the upside. Elevated breadth is important because if many stocks rally, even if a few run into trouble, enough stocks remain in uptrends that can support the popular averages.

The Purchasing Managers' Index (PMI) breadth indicator measures the four-week point change of the percentage of economies with a PMI greater than 50 (expanding activity). The PMI is based on a survey sent to executives regarding their outlook on areas such as inventories, production, and employment.

Fixed income typically outperforms equities when there is deterioration in the economic outlook. This economic momentum breadth indicator (chart right) remains bearish on equities. Economies such as Japan, Canada, and the Eurozone continue to have contractionary readings.



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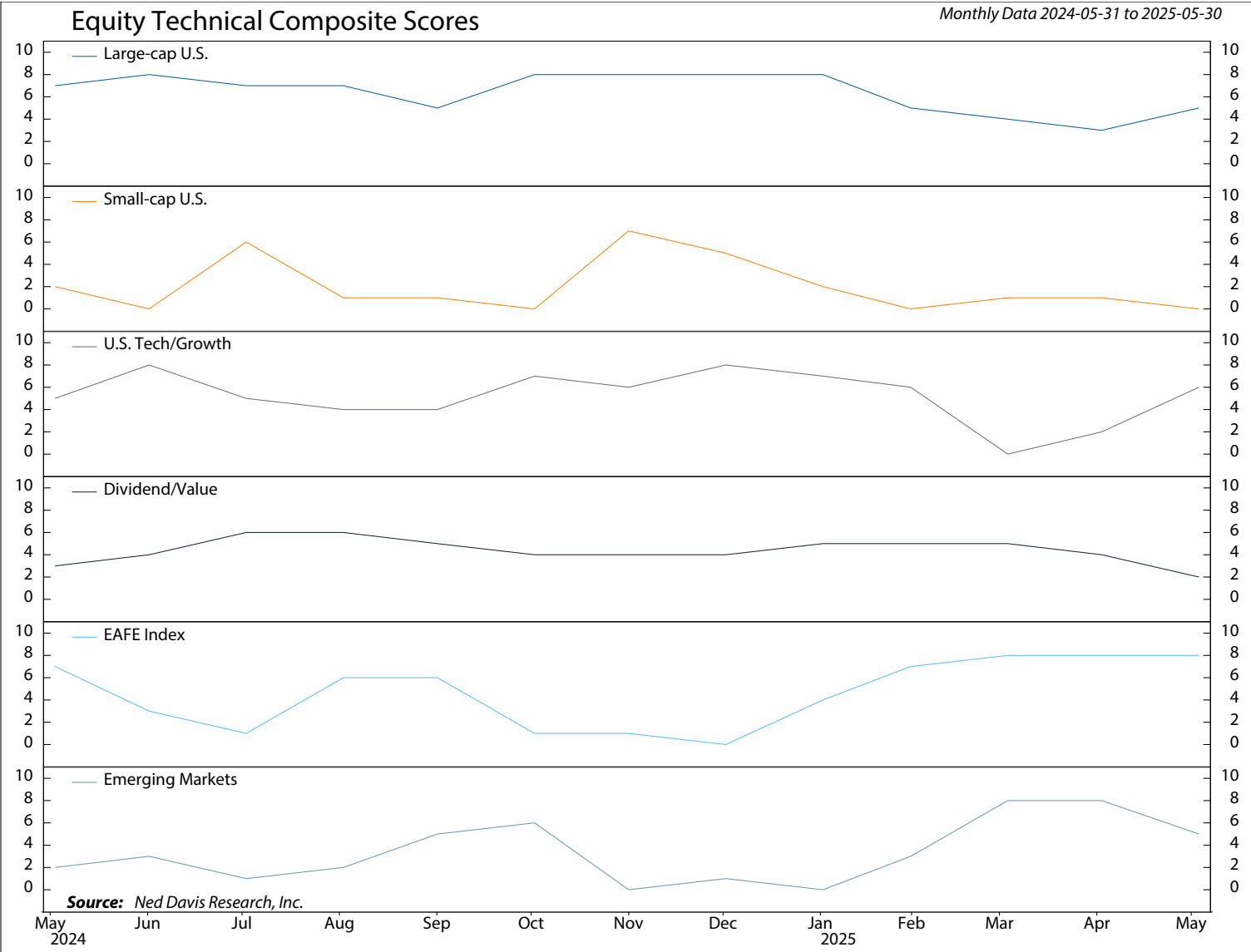
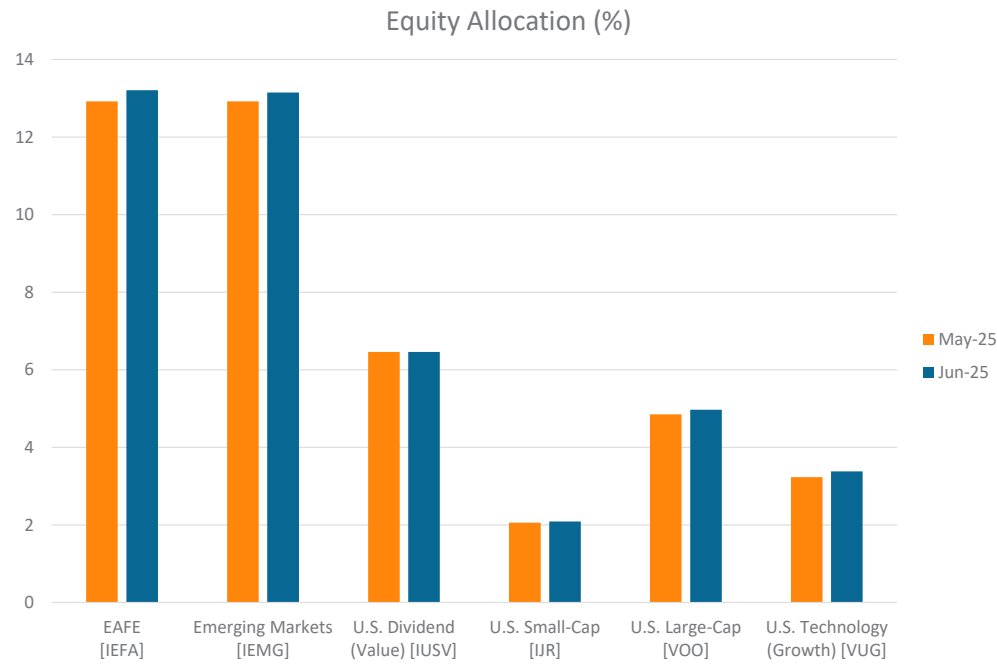
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The weak PMI reading is supported by a new bearish reading from another macroeconomic indicator, the Baltic Dry Index (BDI). The BDI measures the cost of chartering freighters on key global cargo routes, which can be used as a proxy for global economic activity.

The BDI is less than 1% below its 13-week moving average (chart left). In March, the index was more than 60% above trend.

Equity Allocation Summary

During May, all equity areas soared by more than 300 bps. U.S. Growth jumped more than 900 bps. U.S. Large Caps and U.S. Small Caps both gained over 500 bps, breaking three-month losing streaks. U.S. Growth and Large Caps had their strongest monthly returns since November 2023. International Developed and Emerging Markets increased over 400 bps. Both regions have risen for five consecutive months. International Developed and Emerging Markets each received more than 12% allocation for June (chart right).



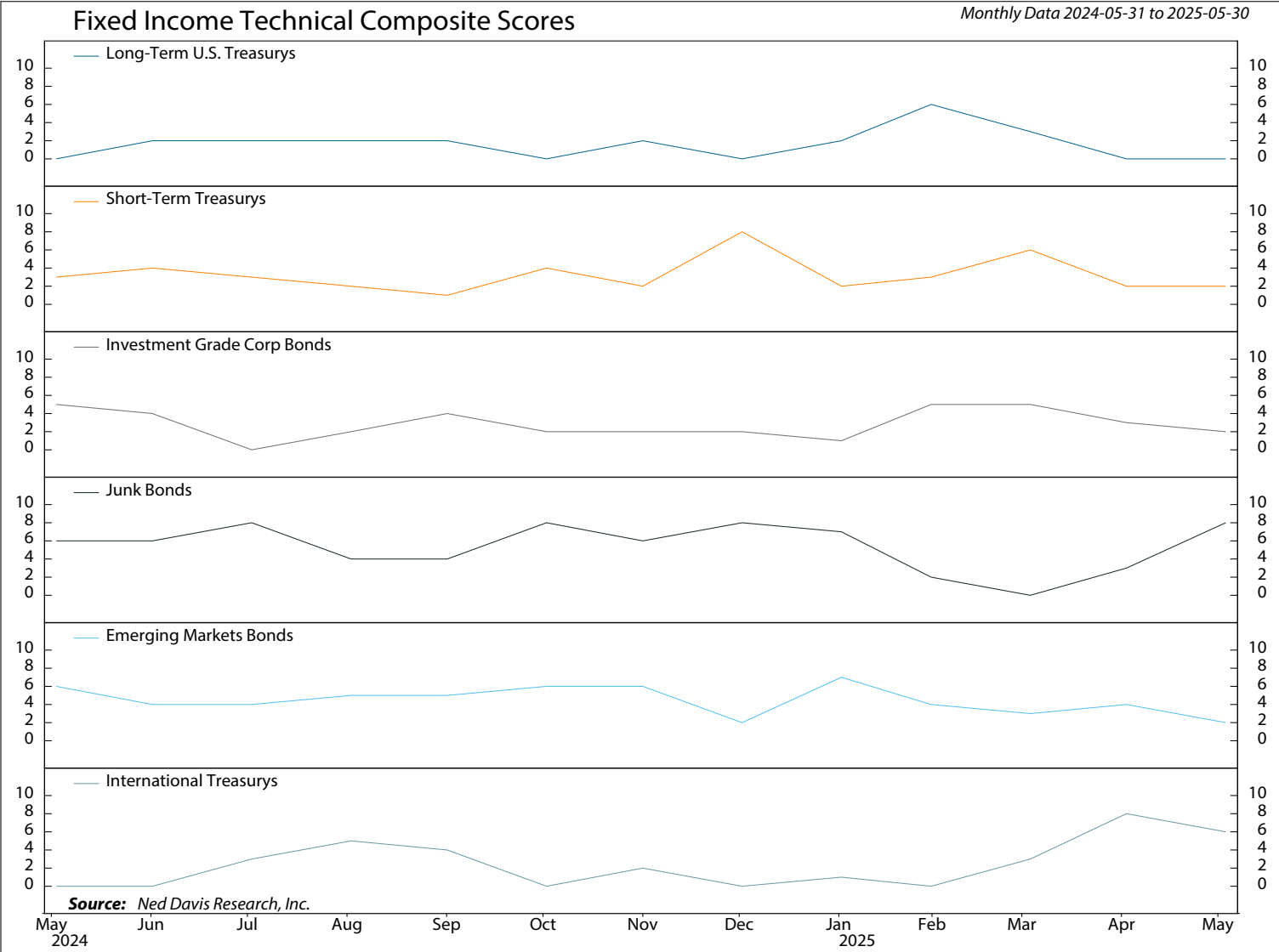
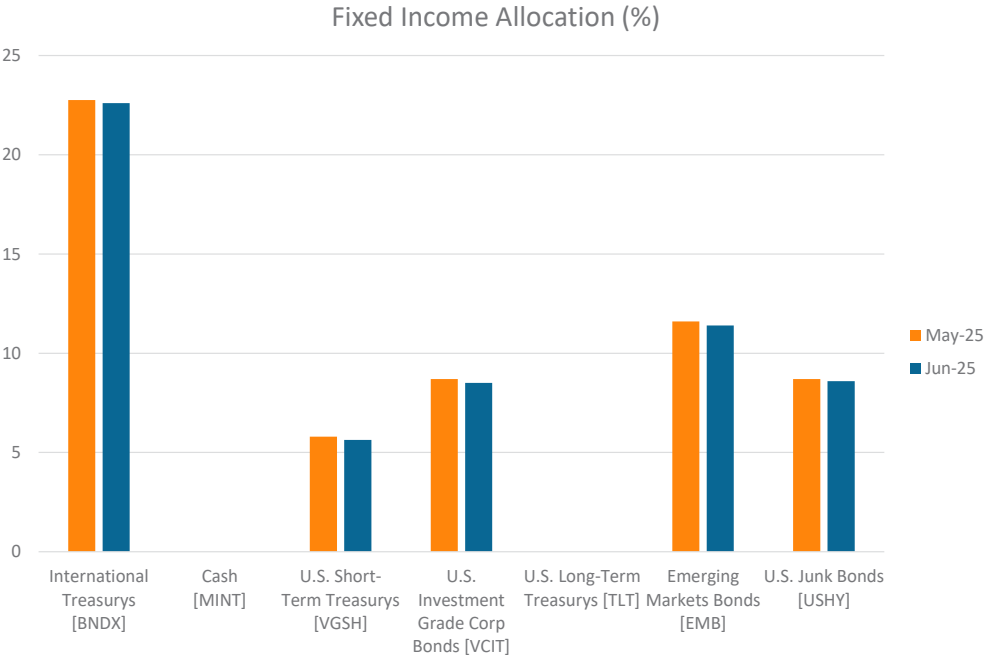
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Fixed Income Allocation Summary

U.S. High Yield and Emerging Market bonds both gained over 100 bps and broke two-month losing streaks. It was the best month for U.S. High Yield since July. U.S. Investment Grade Corporates and International Investment Grade each rose by less than 35 bps. U.S. Investment Grade has increased for five straight months. U.S. Short-Term and Long-Term Treasurys both declined. U.S. Long-Treasurys declined more than 300 bps and has fallen for three consecutive months. International Investment Grade and Emerging Market bonds each received more than 10% allocation for May (chart right).



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