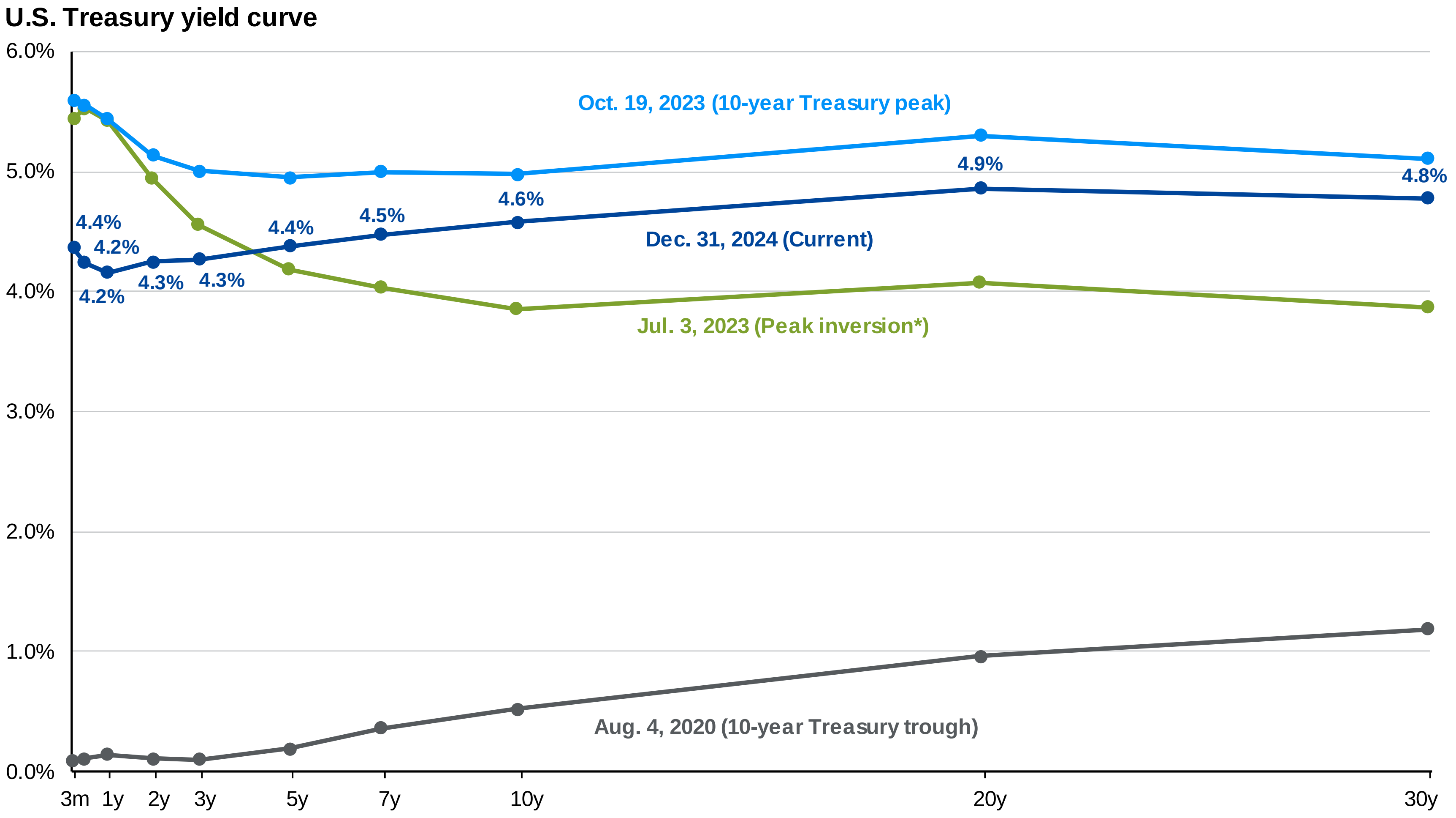
Genter Capital Management

2025 New Administration

New Economic Outlook

Brian Elliott
Senior Vice President
Institutional Division

Yield Curves

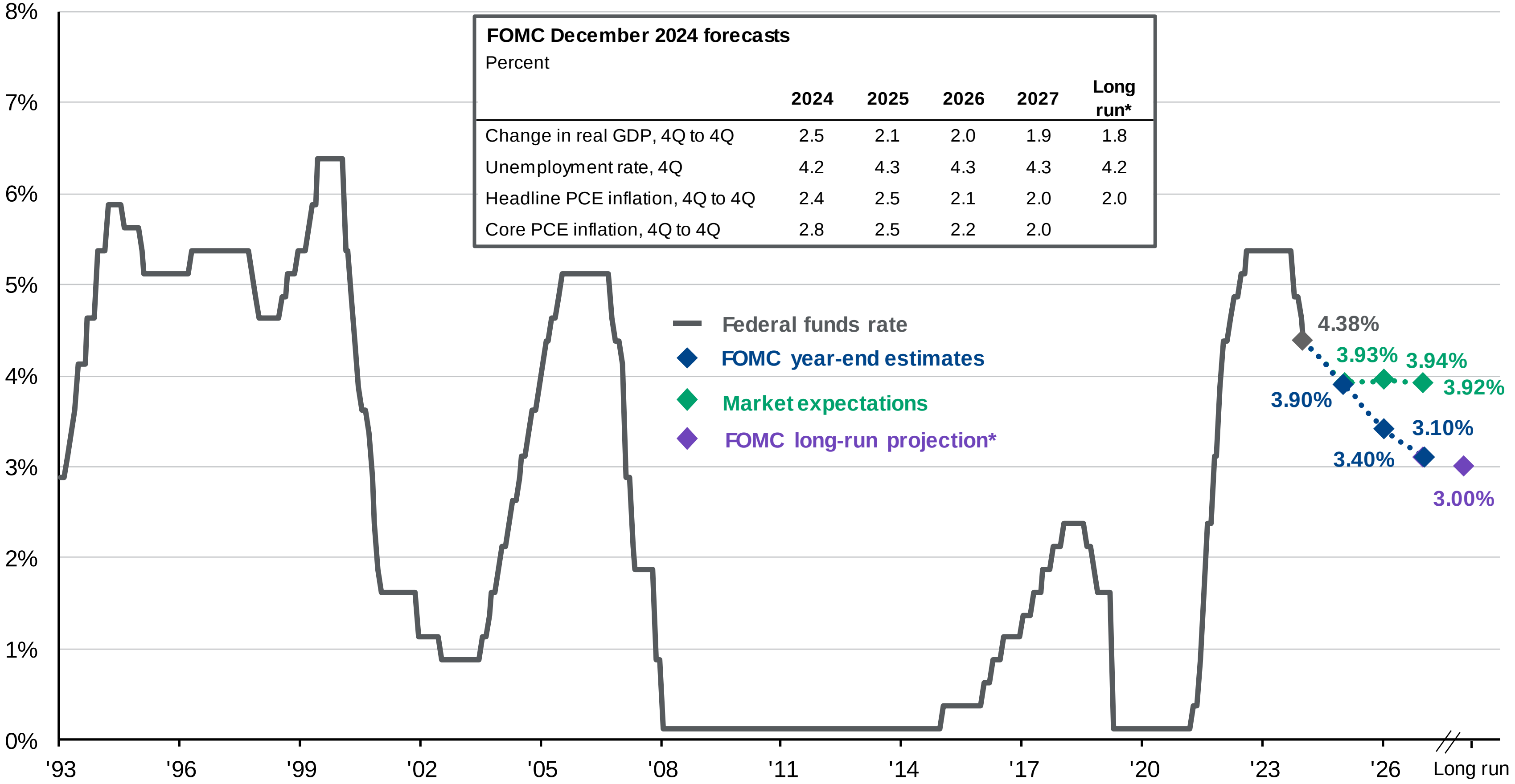


Source: FactSet, Federal Reserve, J.P. Morgan Asset Management. Analysis references data back to 2020. *Peak inversion is measured by the spread between the yield on a 10-year Treasury and 2-year Treasury.
Guide to the Markets – U.S. Data are as of December 31, 2024.

Rate Expectations

Federal funds rate expectations

FOMC and market expectations for the federal funds rate



FOMC December 2024 forecasts

Percent

	2024	2025	2026	2027	Long run*
Change in real GDP, 4Q to 4Q	2.5	2.1	2.0	1.9	1.8
Unemployment rate, 4Q	4.2	4.3	4.3	4.3	4.2
Headline PCE inflation, 4Q to 4Q	2.4	2.5	2.1	2.0	2.0
Core PCE inflation, 4Q to 4Q	2.8	2.5	2.2	2.0	

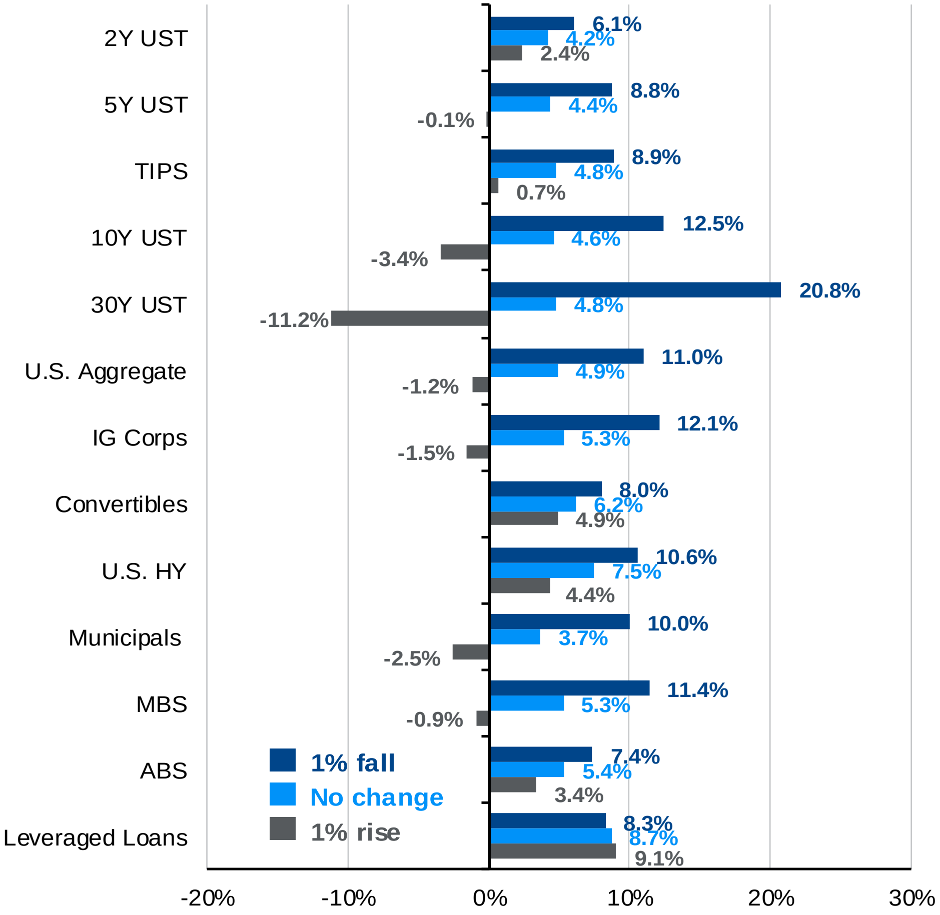
Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management.
Market expectations are based off of USD Overnight Index Swaps. *Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated.
Guide to the Markets – U.S. Data are as of December 31, 2024.

Fixed Income Sectors

U.S. Treasuries	Yield 12/31/2024	Yield 12/31/2023	Return 2024	Avg. Maturity	Correlation to 10-year	Correlation to S&P 500
2-Year	4.25%	4.23%	3.79%	2 years	0.75	0.00
5-Year	4.38%	3.84%	1.19%	5	0.94	-0.02
TIPS	2.13%	1.72%	1.84%	7.1	0.73	0.33
10-Year	4.58%	3.88%	-1.73%	10	1.00	-0.07
30-Year	4.78%	4.03%	-8.09%	30	0.93	-0.11
Sector						
U.S. Aggregate	4.91%	4.53%	1.25%	8.4	0.90	0.25
IG Corps	5.33%	5.06%	2.13%	10.5	0.69	0.47
Convertibles	6.22%	7.26%	10.95%	-	-0.04	0.86
U.S. HY	7.49%	7.59%	8.19%	4.7	0.09	0.79
Municipals	3.74%	3.22%	1.05%	13.6	0.74	0.26
MBS	5.27%	4.68%	1.20%	7.8	0.81	0.26
ABS	5.38%	5.65%	6.81%	2.3	0.42	0.22
Leveraged Loans	8.68%	10.59%	9.33%	4.7	-0.22	0.62

Fixed income returns in different interest rate scenarios

Total return, assumes a parallel shift in the yield curve

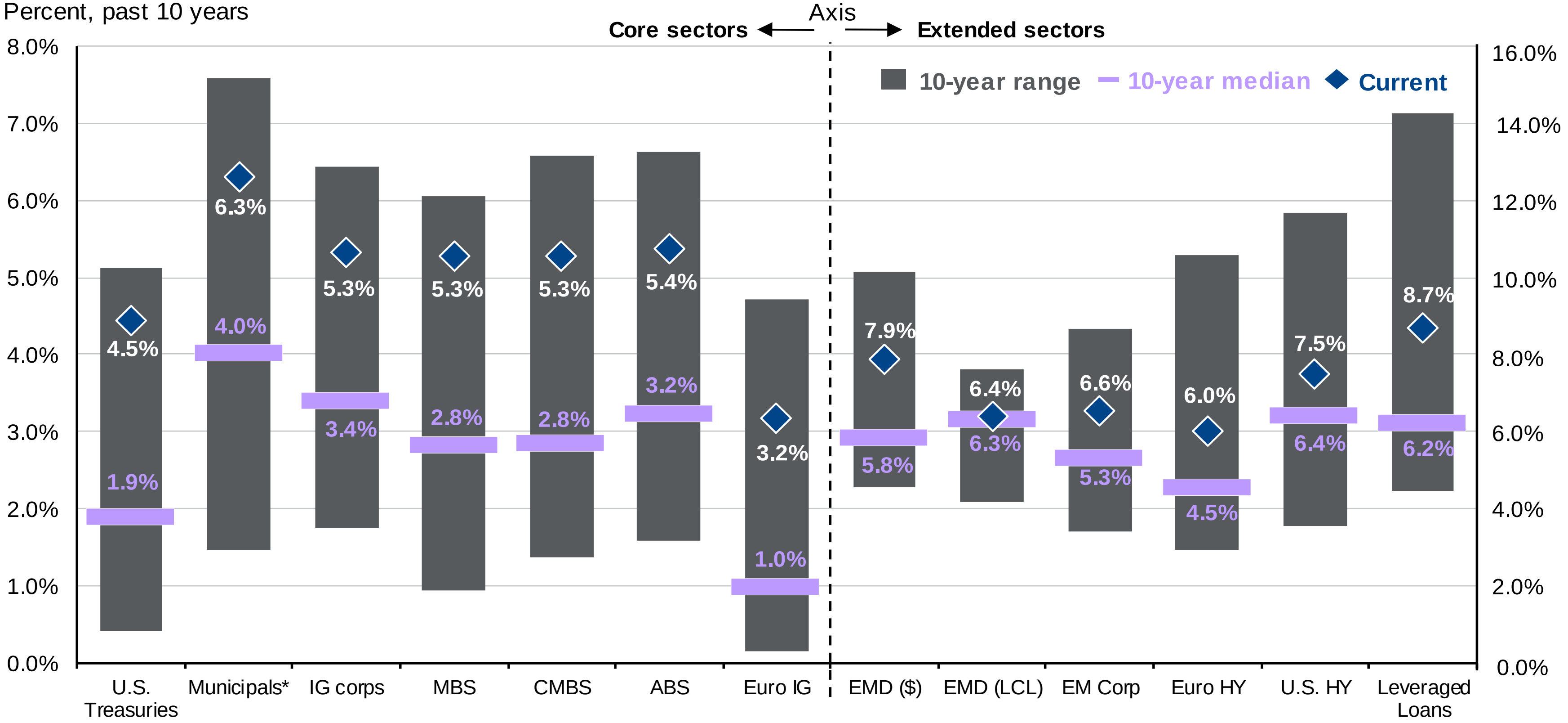


Source: Bloomberg, FactSet, Federal Reserve Bank of Cleveland, Standard & Poor's, U.S. Treasury, J.P. Morgan Asset Management. Sectors shown above are provided by Bloomberg unless otherwise noted and are represented by – U.S. Aggregate; MBS: U.S. Aggregate Securitized - MBS; ABS: J.P. Morgan ABS Index; IG Corporates: U.S. Corporates; Municipals: Muni Bond; High Yield: Corporate High Yield; Leveraged Loans: J.P. Morgan Leveraged Loan Index; TIPS: Treasury Inflation-Protected Securities; Convertibles: U.S. Convertibles Composite. Convertibles yield is as of most recent month-end and is based on U.S. portion of Bloomberg Global Convertibles Index. Yield and return information based on bellwethers for Treasury securities. Yields shown for TIPS are real yields. TIPS returns consider the impact that inflation could have on returns by assuming the Cleveland Fed's 1-year inflation expectation forecasts are realized. Sector yields reflect yield-to-worst. Leveraged loan yields reflect the yield to 3Y takeout. Correlations are based on 15-years of monthly returns for all sectors. ABS returns prior to June 2012 are sourced from Bloomberg. Past performance is not indicative of future results.

Fixed Income Yields

Yield-to-worst across fixed income sectors

Percent, past 10 years



	U.S. Treasuries	Municipals*	IG corps	MBS	CMBS	ABS	Euro IG	EMD ($)	EMD (LCL)	EM Corp	Euro HY	U.S. HY	Leveraged Loans
Weight in U.S. Agg.**	*44%*	*<1%*	*24%*	*25%*	*2%*	*<1%*	-	-	-	-	-	-	-

Source: Bloomberg, FactSet, J.P. Morgan Credit Research, J.P. Morgan Asset Management.

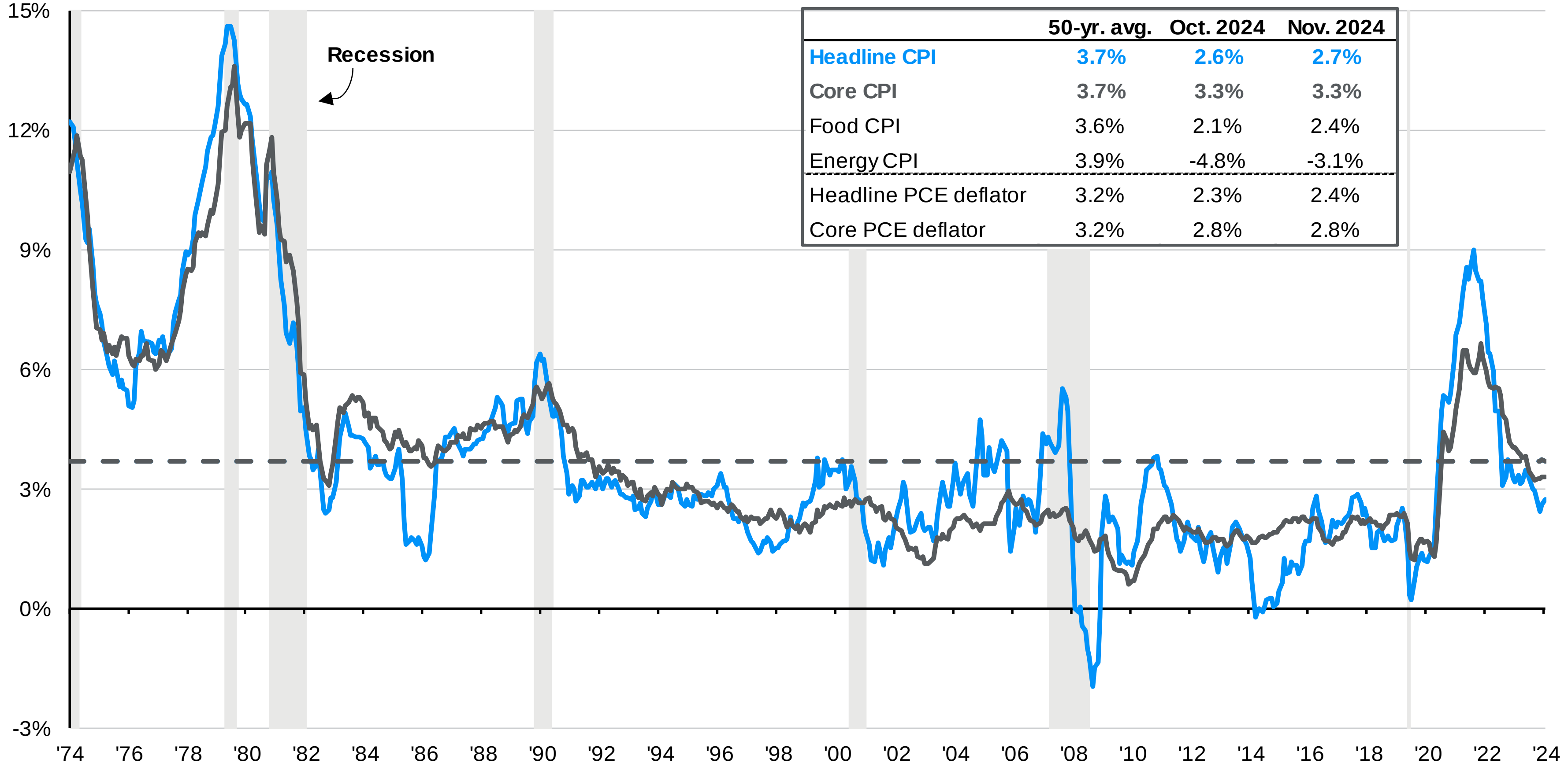
Indices used are Bloomberg except for ABS, emerging market debt and leveraged loans: ABS: J.P. Morgan ABS Index; CMBS: Bloomberg Investment Grade CMBS Index; EMD (USD): J.P. Morgan EMIGLOBAL Diversified Index; EMD (LCL): J.P. Morgan GBI-EM Global Diversified Index; EM Corp.: J.P. Morgan CEMBI Broad Diversified; Leveraged Loans: JPM Leveraged Loan Index; Euro IG: Bloomberg Euro Aggregate Corporate Index; Euro HY: Bloomberg Pan-European High Yield Index. Yield-to-worst is the lowest possible yield that can be received on a bond apart from the company defaulting and considers factors like call provisions, prepayments and other features that may affect the bonds' cash flows. *All sectors shown are yield-to-worst except for Municipals, which is based on the tax-equivalent yield-to-worst assuming a top-income tax bracket rate of 37% plus a Medicare tax rate of 3.8%. **Sectors shown may not exactly match all sectors represented in the Bloomberg U.S. Aggregate Index. Sector level weights are shown, and index constituents may not match.

Guide to the Markets – U.S. Data are as of December 31, 2024.

Inflation

CPI and core CPI

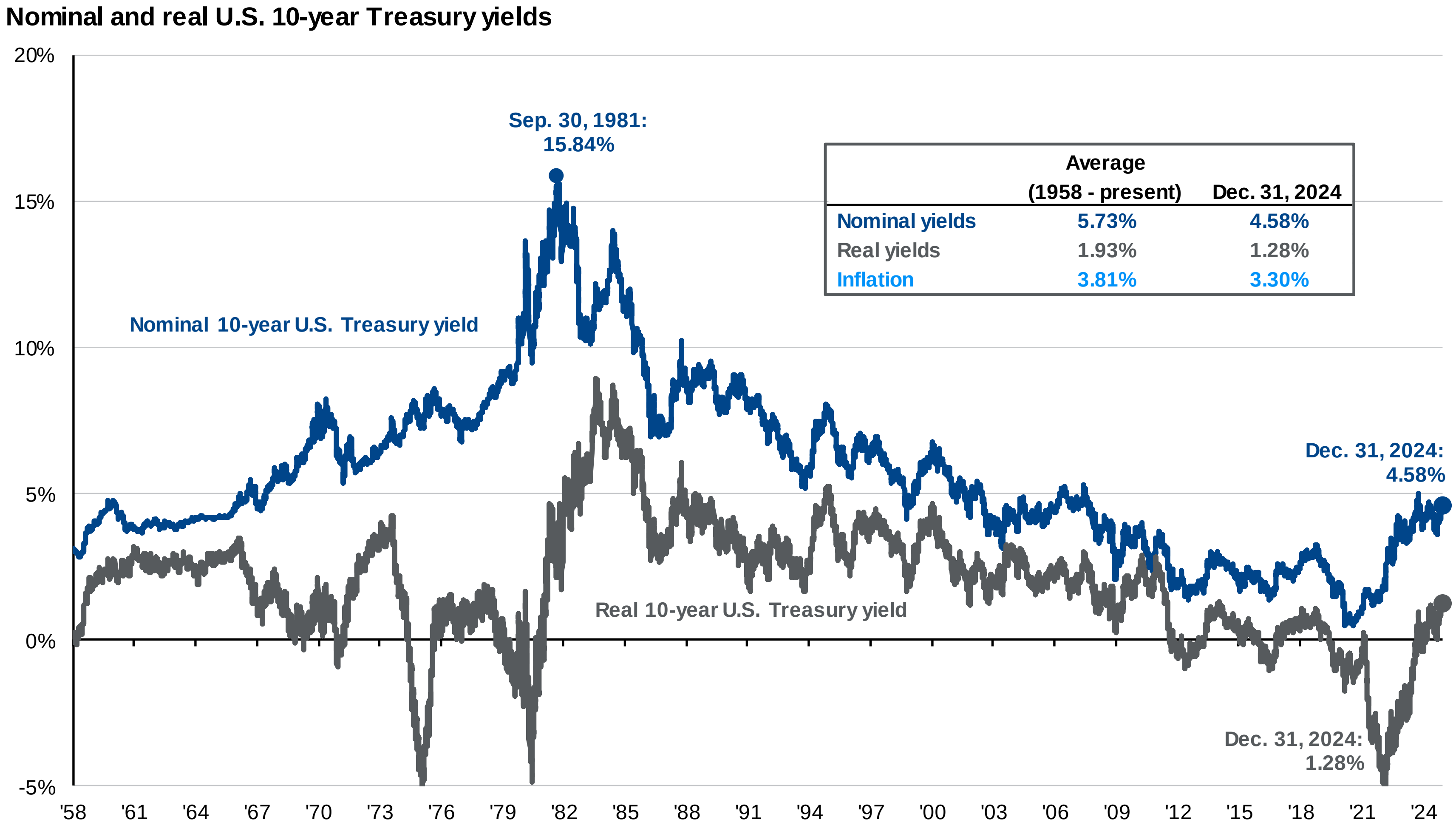
% change vs. prior year, seasonally adjusted



	50-yr. avg.	Oct. 2024	Nov. 2024
Headline CPI	3.7%	2.6%	2.7%
Core CPI	3.7%	3.3%	3.3%
Food CPI	3.6%	2.1%	2.4%
Energy CPI	3.9%	-4.8%	-3.1%
Headline PCE deflator	3.2%	2.3%	2.4%
Core PCE deflator	3.2%	2.8%	2.8%

Source: BLS, FactSet, J.P. Morgan Asset Management.
CPI used is CPI-U and values shown are % change vs. one year ago. Core CPI is defined as CPI excluding food and energy prices. The Personal Consumption Expenditure (PCE) deflator employs an evolving chain-weighted basket of consumer expenditures instead of the fixed-weight basket used in CPI calculations.
Guide to the Markets – U.S. Data are as of 12/31/24.

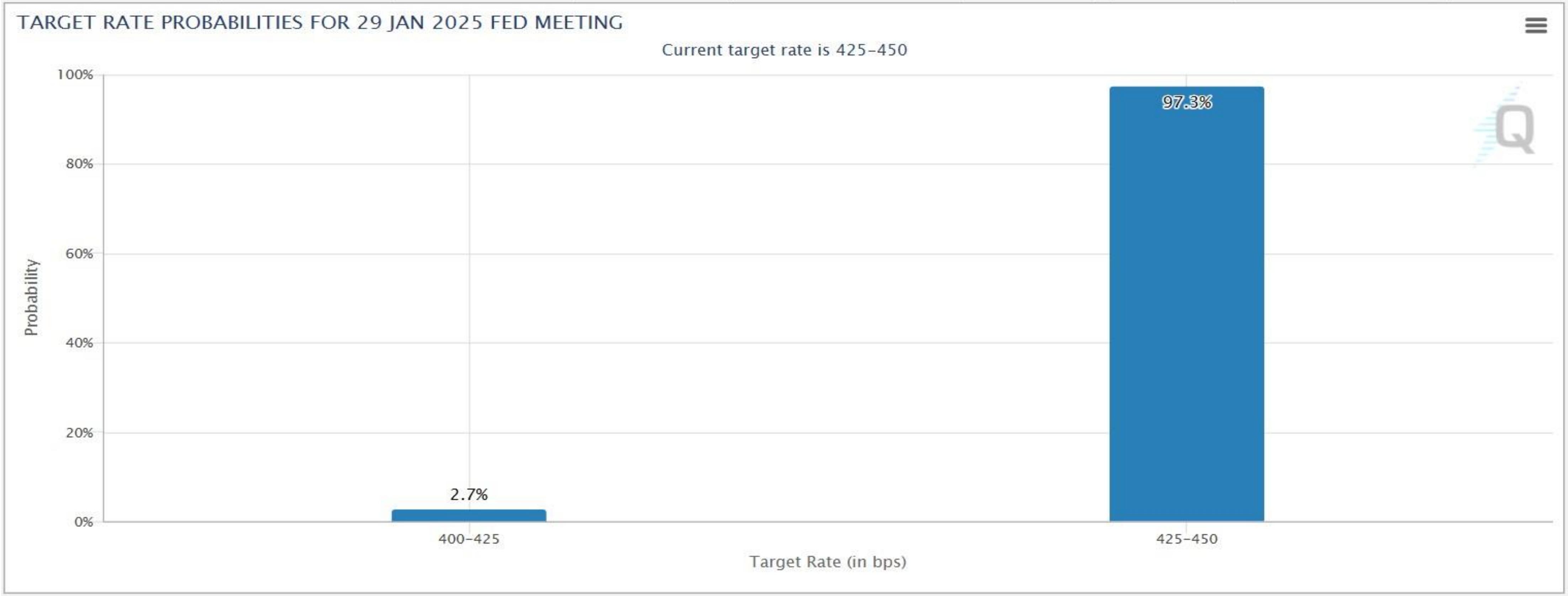
Inflation



Source: BLS, FactSet, Federal Reserve, J.P. Morgan Asset Management.
Real 10-year Treasury yields are calculated as the daily Treasury yield less year-over-year core CPI inflation for that month. For the current month, we use the prior month’s core CPI figures until the latest data are available.
Guide to the Markets – U.S. Data are as of 12/31/24..

Rate Cut Expectations

MEETING DATE	CONTRACT	EXPIRES	MID PRICE	PRIOR VOLUME	PRIOR OI	EASE	NO CHANGE	HIKE
29 Jan 2025	ZQF5	31 Jan 2025	95.6713	33,283	533,768	2.7 %	97.3 %	0.0 %



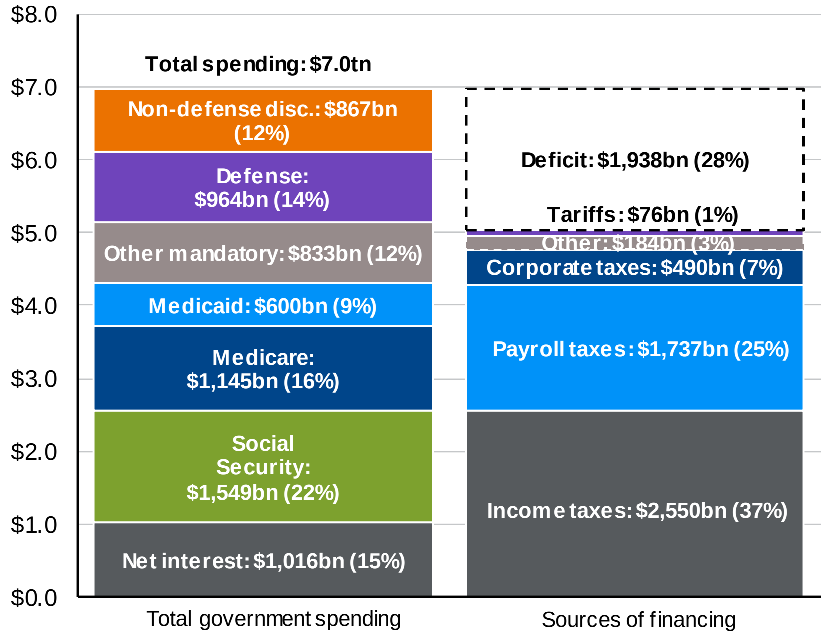
TARGET RATE (BPS)	PROBABILITY(%)			
	NOW *	1 DAY 10 JAN 2025	1 WEEK 6 JAN 2025	1 MONTH 13 DEC 2024
400-425	2.7%	3.2%	8.6%	18.5%
425-450 (Current)	97.3%	96.8%	91.4%	78.3%
450-475	0.0%	0.0%	0.0%	3.2%

Source: cmegroup.com; data as of 1/13/25.

Federal Finances

The 2025 federal budget

USD trillions

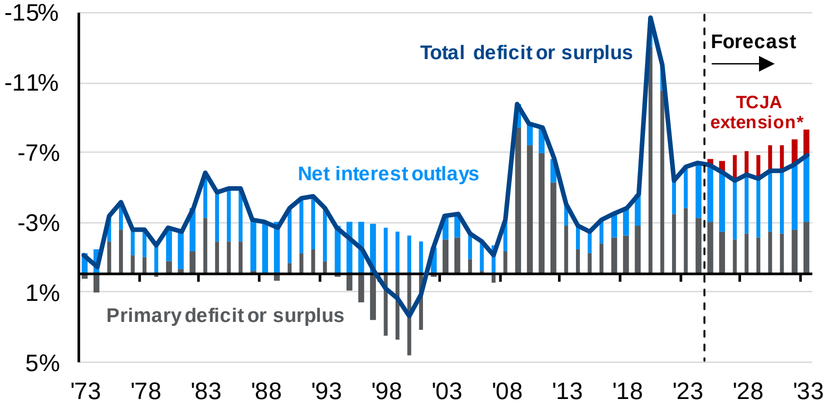


CBO's Baseline economic assumptions

	2024	'25-'26	'27-'28	'29-'34
Real GDP growth	2.9%	2.0%	1.7%	1.8%
10-year Treasury	4.5%	4.0%	3.6%	4.0%
Headline inflation (CPI)	3.2%	2.4%	2.2%	2.2%
Unemployment	3.8%	4.0%	4.3%	4.5%

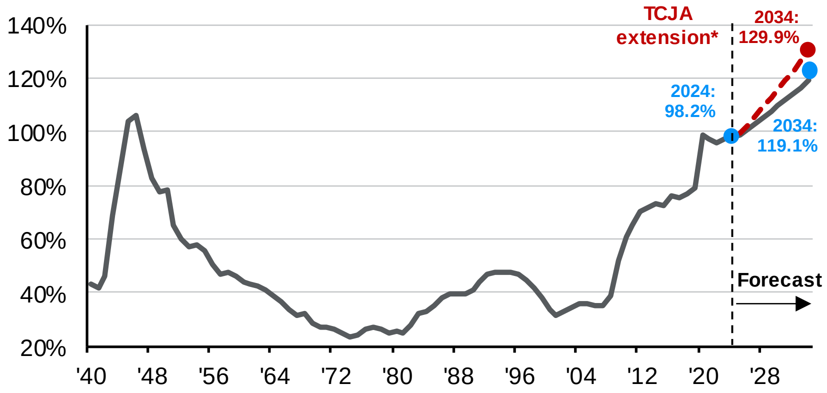
Federal deficit and net interest outlays

% of GDP, 1973-2034, CBO Baseline Forecast



Federal net debt (accumulated deficits)

% of GDP, 1940-2034, CBO Baseline Forecast, end of fiscal year



Source: CBO, J.P. Morgan Asset Management; (Left) Numbers may not sum to 100% due to rounding; (Top and bottom right) BEA, Treasury Department. Estimates are from the Congressional Budget Office (CBO) June 2024 An Update to the Budget Outlook: 2024 to 2034. "Other" spending includes, but is not limited to, health insurance subsidies, income security and federal civilian and military retirement. Years shown are fiscal years. All CBO estimates are adjusted by JPMAM to reflect GDP revisions resulting from the 2024 annual update of the National Economic Accounts. *Adjusted by JPMAM to include estimates from the CBO May 2024 report "Budgetary Outcomes Under Alternative Assumptions About Spending and Revenues" on the extension of TCJA provisions. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated.
Guide to the Markets – U.S. Data are as of December 31, 2024.

Just how large is 1 trillion?

1 million seconds = 11.5 days

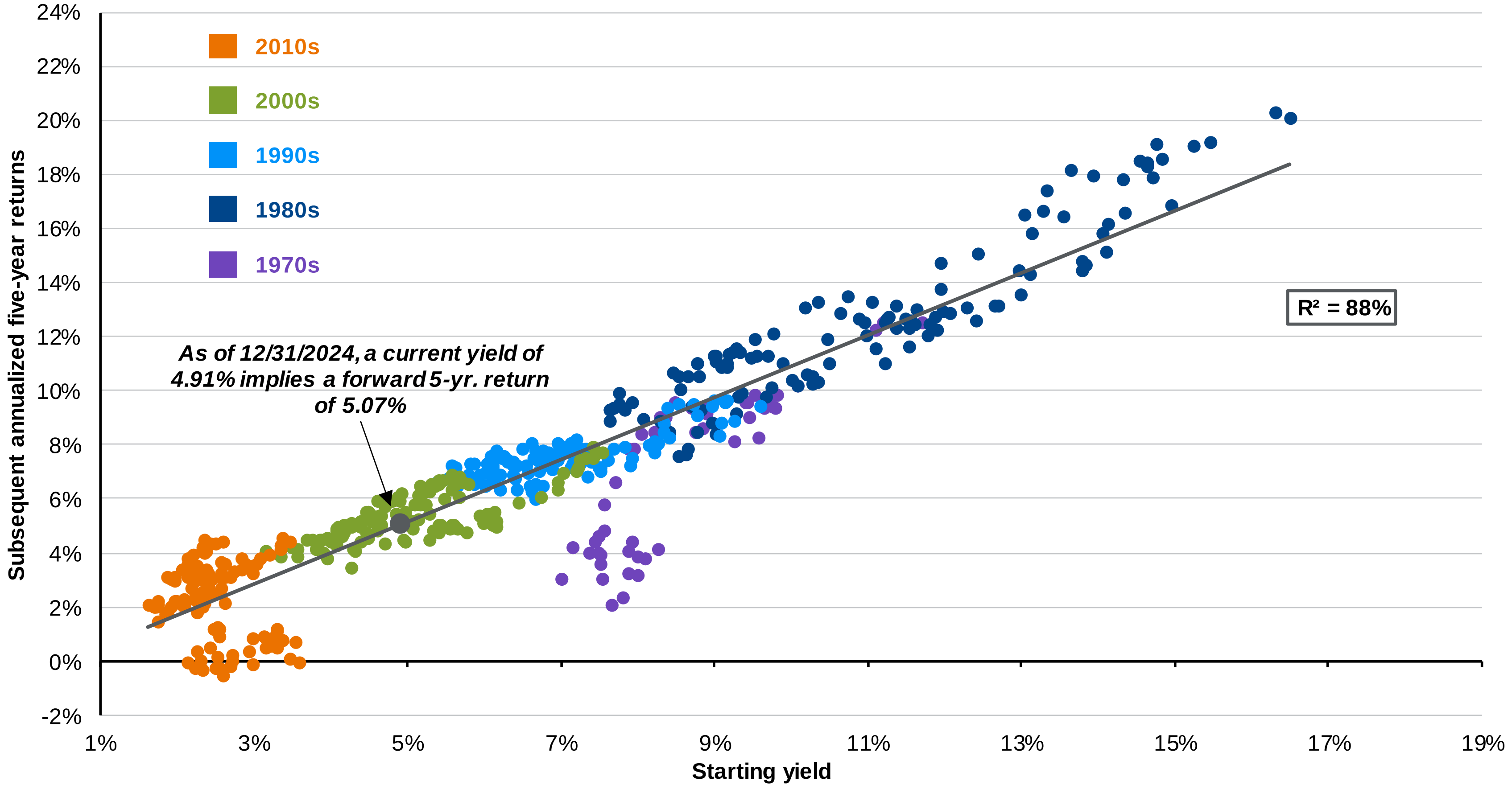
1 billion seconds = 32 years

1 trillion seconds = 32,000 years

Fixed Income Returns

Yield-to-worst and subsequent 5-year annualized returns

Bloomberg U.S. Aggregate Total Return Index



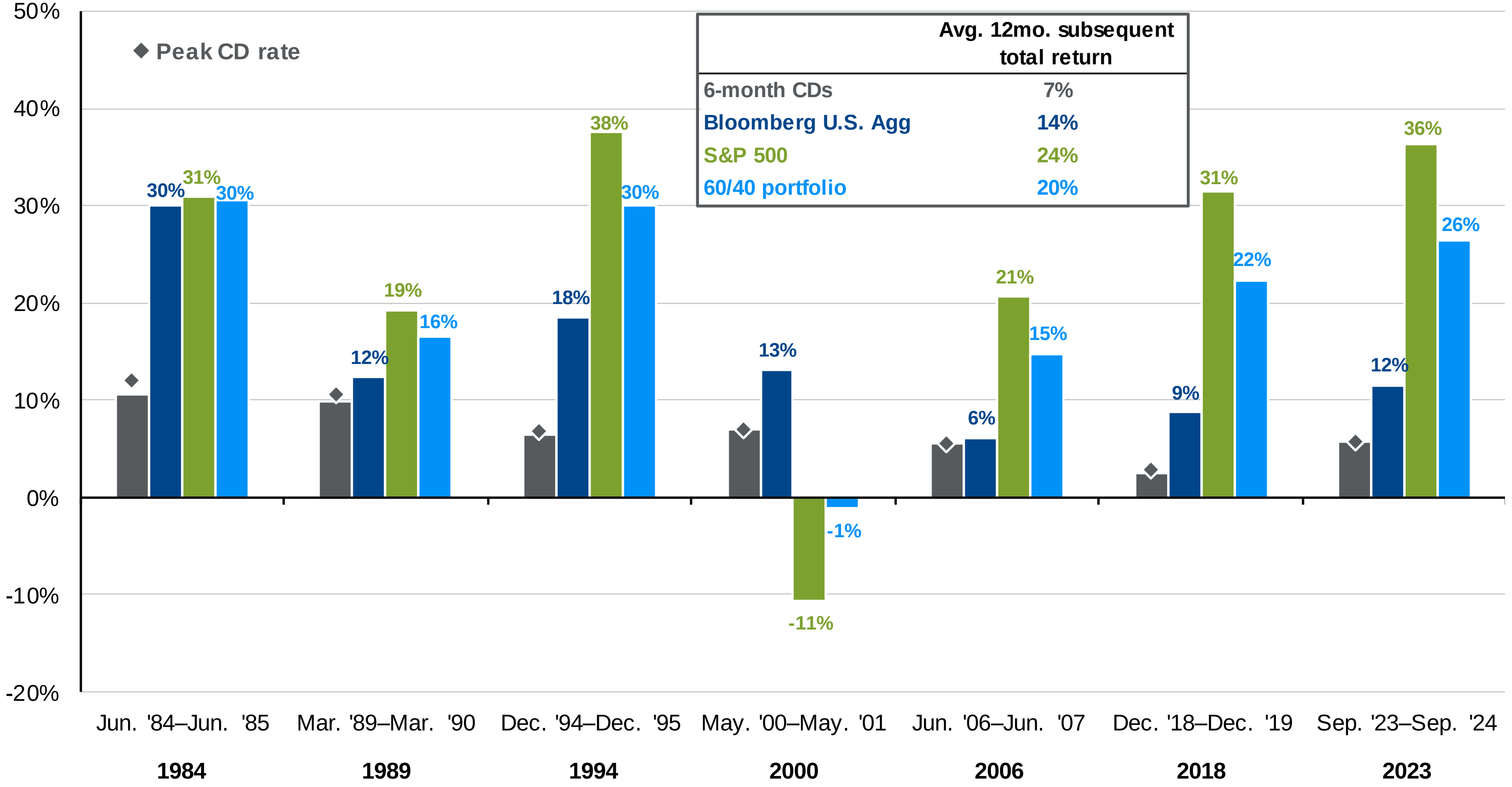
Source: Bloomberg, FactSet, J.P. Morgan Asset Management.
Returns are 60-month annualized total returns, measured monthly, beginning 1/31/1976. R^2 represents the percent of total variation in total returns that can be explained by yields at the start of each period.
Guide to the Markets – U.S. Data are as of 12/31/24.

For internal use only. Not to be used with, or distributed to, the public

CDs vs Other Investments

Investment opportunities outside of CDs

Peak 6-month certificate of deposit (CD) rate during previous rate hiking cycles and subsequent 12-month total returns



	Avg. 12mo. subsequent total return
6-month CDs	7%
Bloomberg U.S. Agg	14%
S&P 500	24%
60/40 portfolio	20%

Source: Bloomberg, FactSet, Federal Reserve, Standard & Poor's, J.P. Morgan Asset Management.
The 60/40 portfolio is 60% invested in S&P 500 Total Return Index and 40% invested in Bloomberg U.S. Aggregate Total Return Index. The analysis references the month in which the month-end 6-month CD rate peaked during previous rate hiking cycles. CD rate data prior to 2013 are sourced from the Federal Reserve, whereas data from 2013 to 2023 are sourced from Bloomberg. CD subsequent 12-month return calculation assumes reinvestment at the prevailing 6-month rate when the initial CD matures.
Guide to the Markets – U.S. Data are as of 12/31/24.

2025 Outlook

A market correction is a distinct, and healthy, possibility. Don't try to time markets; stick to your allocations and take advantage of any buying opportunities that may arise.

Growth: Likely to remain positive in 2025, but could be sub-2%.

Inflation: Seems to be under control; Fed could be looking at more cuts. But Trump's agenda could complicate this.

Stocks: Some areas of the market still offer good risk/reward tradeoffs. Look to high quality, income-producing stocks. Be cautious of headline-grabbing growth stocks as valuations and industry concentration are concerning.

Bonds: Yields on high quality bonds remain attractive.

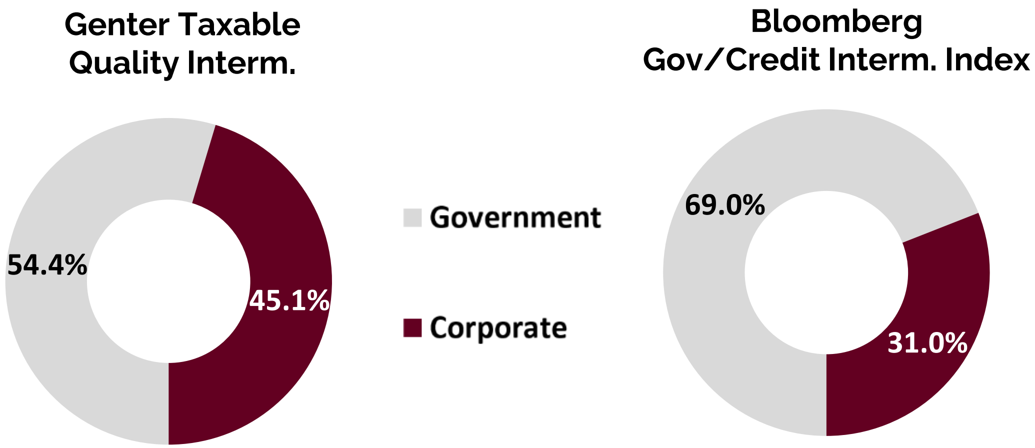
Taxable Quality Intermediate

- Portfolio is a blend of U.S Treasury and Agency bonds and investment grade corporates.
- Current mix is roughly 50/50, but we make tactical sector changes based on market conditions.
- Benchmarked to the Bloomberg U.S. Government/Credit Intermediate Index. We add value through sector and security selection, not interest rate calls, and thus portfolio duration is typically close to the index.
- Corporate bond holdings tend to have shorter maturities (0-7 years).
- Strategy has outperformed the index in all rolling time periods since inception.*

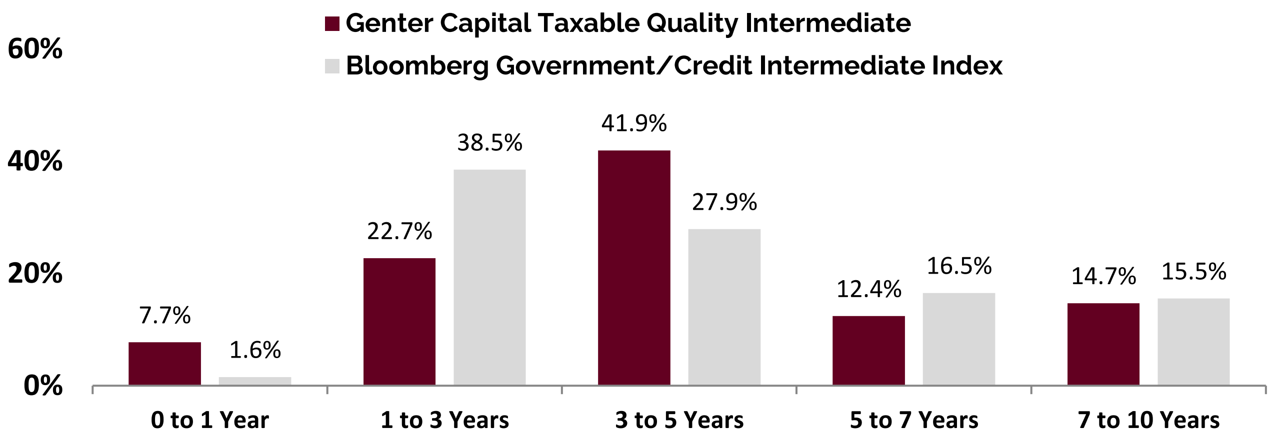
*See full strategy composite and disclosures for more information.

Taxable Quality Intermediate Distribution

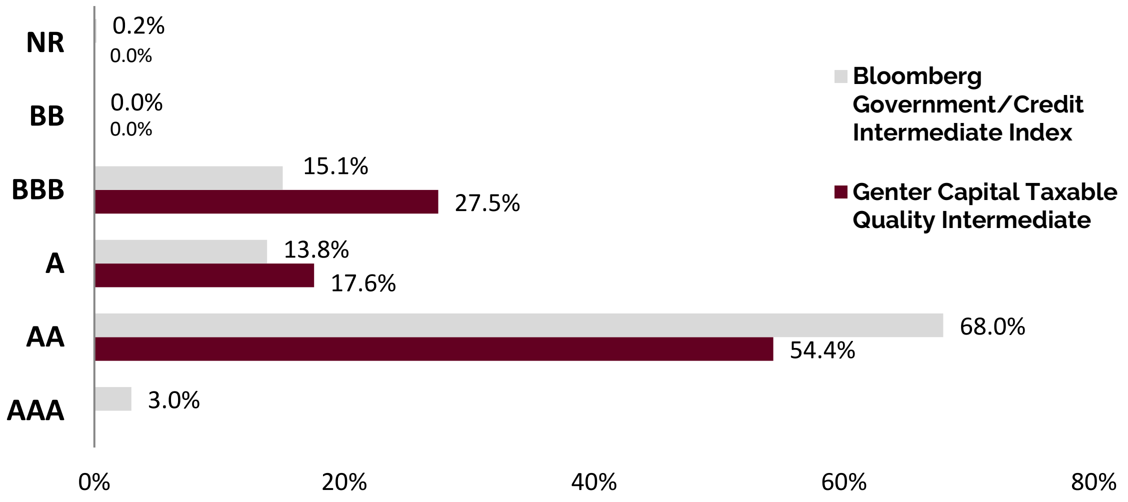
Sector



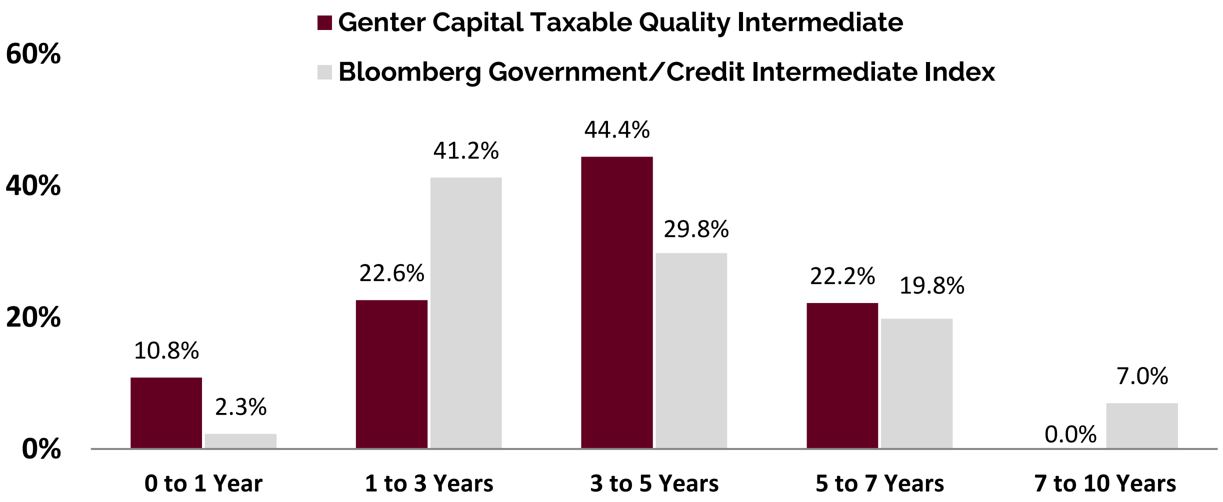
Maturity



Quality



Duration



Index Source: Bloomberg Global Family of Indices, Genter Capital data as of 12/31/24. This information is considered supplemental, please refer to the strategy's full composite disclosure.

Plenty Of Wind At Our Backs

- Employment Remains Solid
- Consumer Net Worth Rising (Wealth Effect)
- Real Income Growth Positive
- Inflation Moderating
- Rate Cuts
- Liquidity
- Booming A.I. Investment/Buildout
- Business Friendly Administration

What Might Poke The Bear

- Not All Consumers Feeling Flush
- Housing Affordability
- CRE continues to deteriorate
- Trade Wars aren't good
- Balloon Gov't Debt & A Trillion Dollar of Interest is a lot even for Uncle Sam
- Fed Slow-Rolls rate cuts
- DOGE-ball and Fiscal Tightening
- China & Europe Struggling
- Valuation doesn't matter until it does