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Corient Investments Solution

# Webinar – Market Update

Prepared by: Corient Individual Security Strategies team
April 10th, 2025

# Market Update

Presented by leaders of our Internal Securities Strategies team

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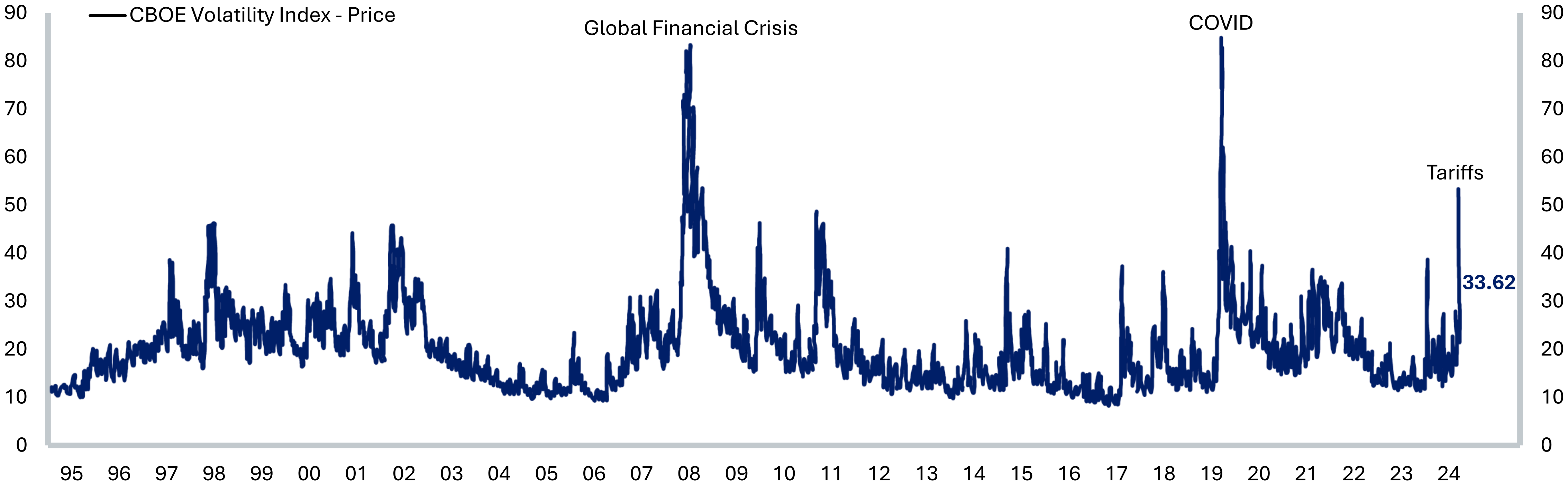
# Volatility - Back With Vengeance

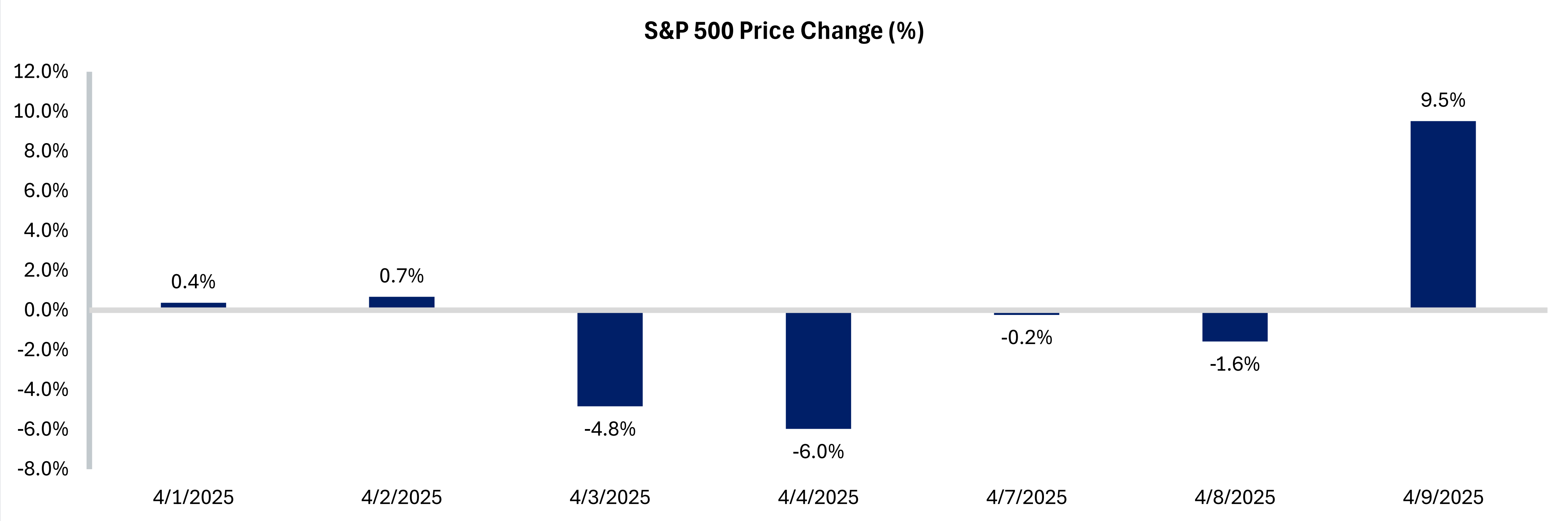
**CBOE Volatility Index (VIX – CBO)**




Source: FactSet. As of 4/9/2025. Note: The opinions expressed are subject to change at any time due to changes in market or economic conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. Forward looking estimates may not come to pass. Past performance is no guarantee of future results. It is not possible to invest in an index. Indexes are unmanaged and performance does not account for fees.

# The S&P 500 Broke a 4-day Losing Streak After the Announcement of a 90-day Pause On Certain Tariffs

The S&P 500 gained 9.5% on 4/9/2025, the 3rd biggest 1-day gain since 1950

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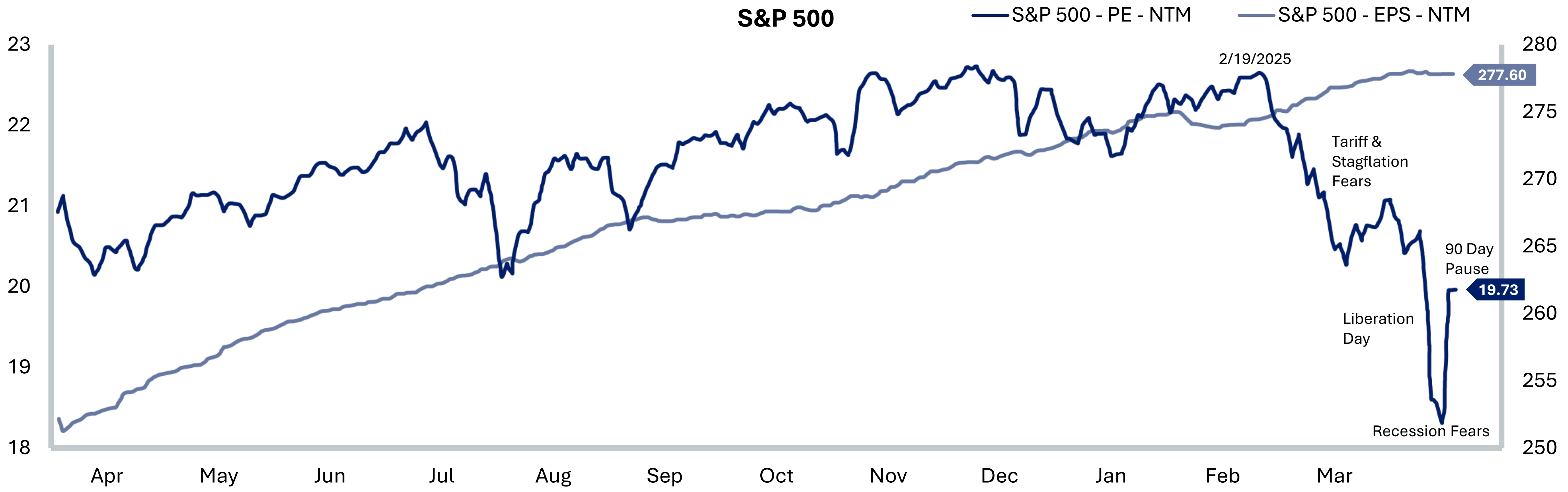
# Market Sell Off Driven by Multiple Compression Thus Far




Source: FactSet as of 4/10/2025. Note: The opinions expressed are subject to change at any time due to changes in market or economic conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. Forward looking estimates may not come to pass. Past performance is no guarantee of future results. It is not possible to invest in an index. Indexes are unmanaged and performance does not account for fees.



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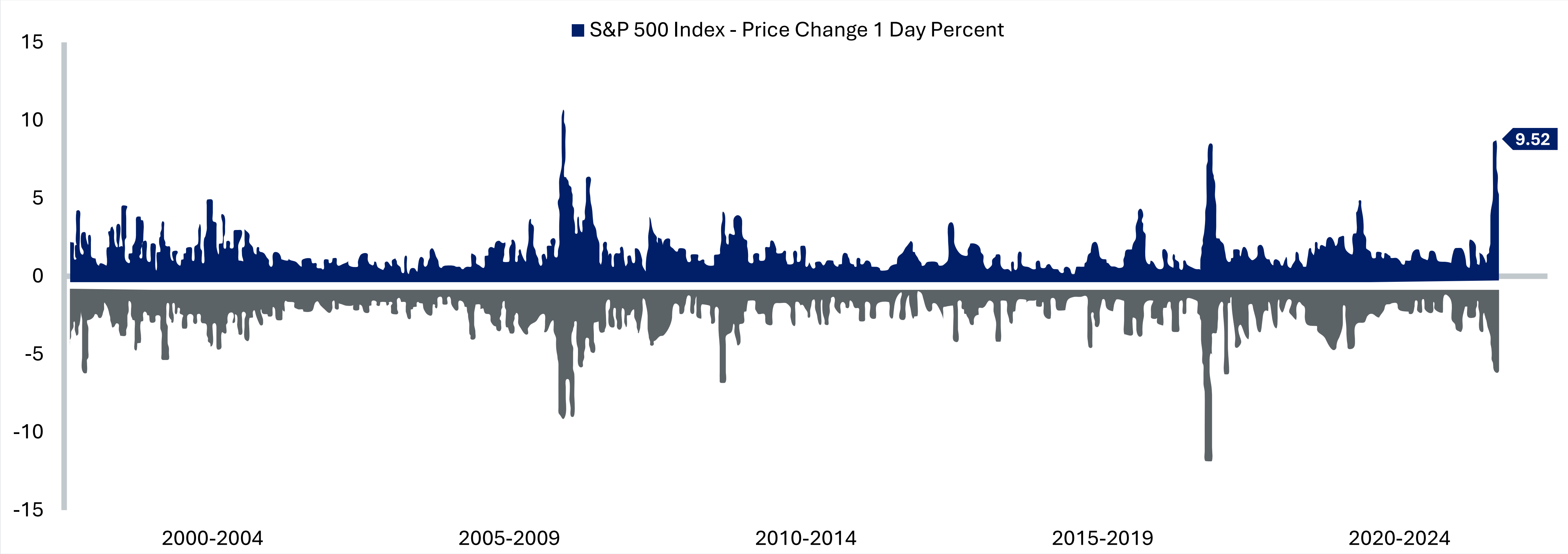
# Rapid Reversal

The S&P 500 posted its biggest reversal since the 2008 Financial Crisis on 4/9/2025




Source: Bloomberg, as of 04/09/25. Note: The opinions expressed are subject to change at any time due to changes in market or economic conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. Forward looking estimates may not come to pass. It is not possible to invest in an index. Indexes are unmanaged and performance does not account for fees.





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# Market Update – 4/9/2025



## Major Indexes and Maximum Drawdowns

| Index | YTD Return | Index Return from YTD Low | Index Maximum Drawdown from YTD High | Average Member Maximum Drawdown from YTD High |
|---|---|---|---|---|
| S&P 500 | -7% | 10% | -19% | -22% |
| NASDAQ | -11% | 12% | -24% | -41% |
| Russell 2000 | -14% | 9% | -24% | -35% |
| Dow Jones | -5% | 8% | -16% | -21% |

## Magnificent 7 Performance

| | 2024 | | 2025 | |
|---|---|---|---|---|
| | Full Year | S&P 500 Ranking | Year-to-Date | S&P 500 Ranking |
| Meta Platforms Inc | 65% | 24 | 0% | 167 |
| **S&P 500** | **23%** | **NA** | **-7%** | **NA** |
| Microsoft Corp | 12% | 233 | -7% | 274 |
| Amazon.com Inc | 44% | 56 | -13% | 364 |
| NVIDIA Corp | 171% | 2 | -15% | 387 |
| Alphabet Inc | 36% | 94 | -16% | 407 |
| Apple Inc | 30% | 113 | -21% | 454 |
| Tesla Inc | 63% | 27 | -33% | 495 |

| | | | Subsequent Price Returns | | | | |
|---|---|---|---|---|---|---|---|
| Rank | Date | Sell-Off | +1W | +1M | +3M | +6M | +12M |
| 1 | 10/19/87 | (26.3%) | 1.3% | 6.8% | 10.9% | 14.7% | 23.2% |
| 2 | 7/21/33 | (20.9%) | 8.1% | 11.4% | (8.2%) | 13.3% | (1.9%) |
| 3 | 10/29/29 | (20.7%) | 12.0% | 2.4% | 9.4% | 21.0% | (14.1%) |
| 4 | 10/20/87 | (20.5%) | (1.5%) | 2.2% | 2.4% | 8.1% | 19.4% |
| 5 | 11/13/29 | (16.6%) | 20.4% | 22.9% | 32.3% | 38.3% | (6.2%) |
| 6 | 9/14/32 | (16.0%) | 15.9% | (3.0%) | (3.1%) | (20.5%) | 51.4% |
| 7 | 5/14/32 | (15.2%) | (11.1%) | (3.3%) | (3.6%) | 9.8% | (7.7%) |
| 8 | 10/28/29 | (14.5%) | 0.6% | (8.0%) | (2.8%) | 8.9% | (21.5%) |
| 9 | 10/9/08 | (13.9%) | 4.0% | 2.3% | (2.2%) | (5.9%) | 17.8% |
| 10 | 6/1/32 | (13.9%) | 3.9% | 4.5% | 92.5% | 53.0% | 121.4% |
| **11** | **4/7/25** | **(13.7%)** | **???** | **???** | **???** | **???** | **???** |
| 12 | 10/10/32 | (13.1%) | 9.0% | 15.9% | 14.3% | 1.9% | 59.3% |
| 13 | 9/13/32 | (13.0%) | (2.3%) | (14.5%) | (10.4%) | (25.1%) | 42.4% |
| 14 | 3/16/20 | (13.0%) | (6.2%) | 17.3% | 31.0% | 41.9% | 66.1% |
| 15 | 10/7/32 | (12.8%) | 1.6% | 3.1% | 3.0% | (12.8%) | 43.2% |
| 16 | 5/21/40 | (12.8%) | 0.5% | 8.4% | 11.7% | 18.1% | 4.5% |
| 17 | 9/12/32 | (12.5%) | (9.9%) | (15.6%) | (13.3%) | (28.3%) | 35.7% |
| 18 | 11/12/29 | (12.4%) | 10.5% | 13.0% | 24.5% | 28.6% | (13.8%) |
| 19 | 3/9/20 | (12.3%) | (13.1%) | 1.6% | 16.8% | 23.8% | 41.1% |
| 20 | 7/20/33 | (12.0%) | 1.0% | 0.1% | (16.2%) | 3.4% | (10.4%) |
| 21 | 10/30/29 | (12.0%) | (10.4%) | (9.0%) | (2.3%) | 8.3% | (24.6%) |
| 22 | 10/26/87 | (11.9%) | 12.3% | 7.2% | 9.6% | 15.9% | 23.6% |
| 23 | 10/18/37 | (11.9%) | 11.5% | 3.7% | 7.3% | (3.3%) | 23.1% |
| 24 | 5/15/40 | (11.7%) | (11.6%) | (4.2%) | (3.7%) | 7.6% | (10.1%) |
| 25 | 3/29/38 | (11.7%) | 8.6% | 12.0% | 34.2% | 36.3% | 36.5% |
| **Average** | | | **2.3%** | **3.2%** | **9.8%** | **10.7%** | **20.8%** |
| Median | | | 1.4% | 2.8% | 5.2% | 9.4% | 21.3% |
| Hit Rate | | | 67% | 71% | 58% | 75% | 63% |

Source: Charles Schwab, Bloomberg, as of 04/09/2025. Some members excluded from year-to-date return columns given additions to indices were after January 2025. S&P ranking based on performance within the S&P 500. Note: 4/7 included overnight performance of equity futures; J.P. Morgan Equity Strategy & Quantitative Research, Bloomberg Finance L.P. Note: The opinions expressed are subject to change at any time due to changes in market or economic conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. Forward looking estimates may not come to pass. Past performance is no guarantee of future results. It is not possible to invest in an index. Indexes are unmanaged and performance does not account for fees. This information is provided for educational and informational purposes only and is not intended to be an endorsement of the companies mentioned or a recommendation, offer, or solicitation to buy, sell or hold any securities.

# Market Update – 4/9/2025

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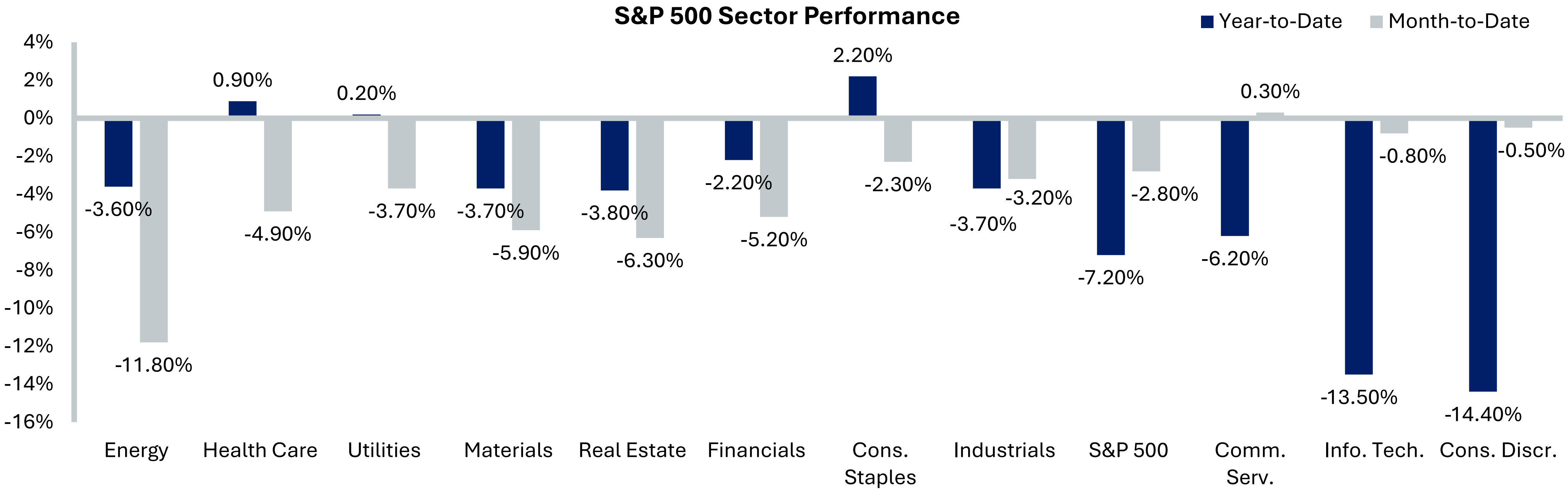


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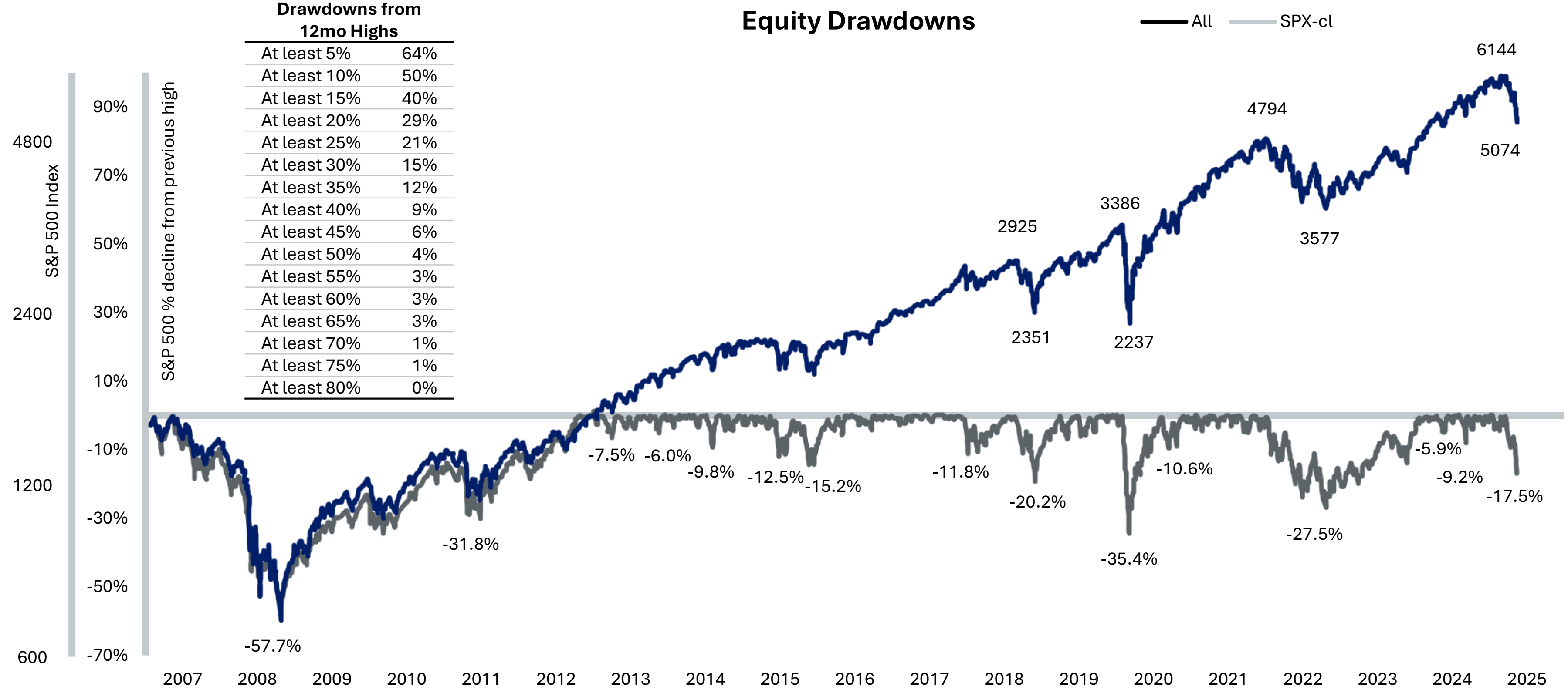
# The S&P 500 Declined 18% From Its February Highs in Short Order

### Declines of this magnitude happen every few years

- 2022: -28%
- 2020: -35%

### Stock market corrections are normal. Frequency per year

- -3% : 7.2x
- -5%: 3.4x
- -10: 1.1x
- -15%: 0.5x
- -20%: 0.3x

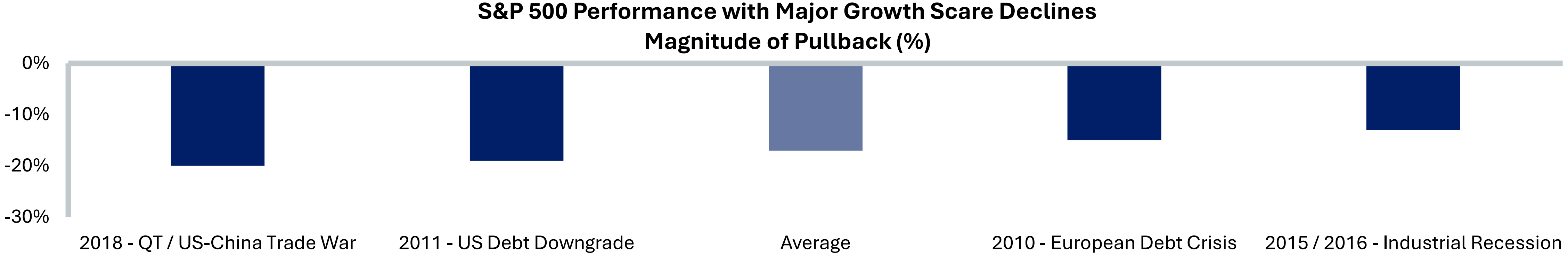



| Drawdowns from 12mo Highs | |
|---|---|
| At least 5% | 64% |
| At least 10% | 50% |
| At least 15% | 40% |
| At least 20% | 29% |
| At least 25% | 21% |
| At least 30% | 15% |
| At least 35% | 12% |
| At least 40% | 9% |
| At least 45% | 6% |
| At least 50% | 4% |
| At least 55% | 3% |
| At least 60% | 3% |
| At least 65% | 3% |
| At least 70% | 1% |
| At least 75% | 1% |
| At least 80% | 0% |

Chart Source: Fidelity Investments as of 4/6/2025. Correction Data based on S&P 500 Index daily data, price only, from 01/03/1928 to 04/09/2025. Sources: Ned Davis Research, Inc., S&P Dow Jones Indices; Bloomberg; Drawdowns are based on intraday data. Drawdowns are measured as current low vs 5 yr high. Note: The opinions expressed are subject to change at any time due to changes in market or economic conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. Forward looking estimates may not come to pass. Past performance is no guarantee of future results. It is not possible to invest in an index. Indexes are unmanaged and performance does not account for fees.

# S&P 500 Drawdown in Growth Scare Territory

The major drawdowns that occurred in between the GFC and the pandemic drop in early 2020 ranged from 14% to 20%, and averaged 17%

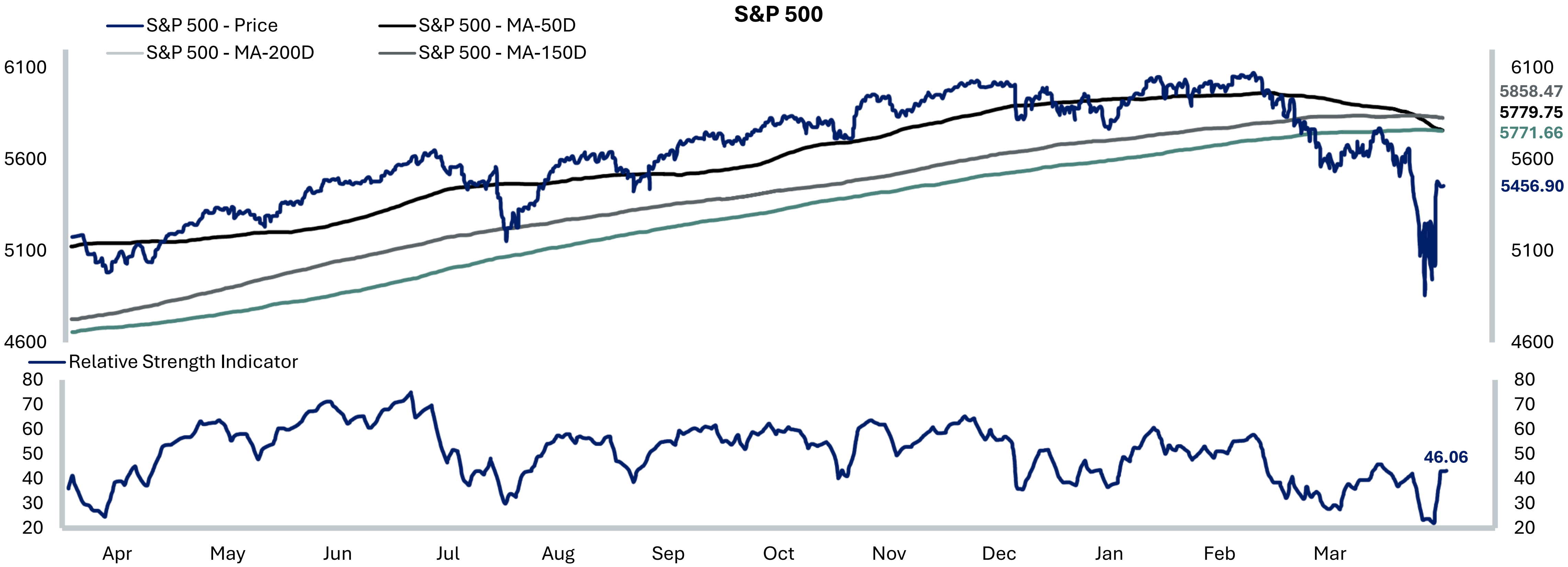



**S&P 500 Performance with Major Growth Scare Declines**

| | Peak Date | Trough Date | Magnitude of Pullback (%) | Duration in # of Calendar Days | Drawdown Duration Estimated # of Months | 3 Month Return off Trough (%) | 6 Month Return off Trough (%) | 12 Month Return off Trough (%) | Full Recovery Date |
|---|---|---|---|---|---|---|---|---|---|
| 2010 – European Debt Crisis | 04/23/2010 | 07/02/2010 | -16% | 70 | 2 | 12% | 23% | 25% | 11/04/2010 |
| 2011 – US Debt Downgrade | 04/29/2011 | 10/03/2011 | -19% | 157 | 5 | 16% | 28% | 32% | 02/04/2012 |
| 2015 / 2016 – Industrial Revenue | 05/21/2015 | 02/11/2016 | -14% | 266 | 9 | 13% | 19% | 25% | 07/11/2016 |
| 2018 – QT / US-China Trade War | 09/20/2018 | 12/24/2018 | -20% | 95 | 3 | 19% | 25% | 36% | 04/23/2019 |
| **Average** | | | **-17%** | **147** | **5** | **15%** | **24%** | **30%** | |

Source: RBC US Equity Strategy, Bloomberg. Past performance is no guarantee of future results. *Full Recovery Duration: The amount of calendar days the index took to reach the peak price level again. Note: The opinions expressed are subject to change at any time due to changes in market or economic conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. Forward looking estimates may not come to pass. Past performance is no guarantee of future results. It is not possible to invest in an index. Indexes are unmanaged and performance does not account for fees.

# Market Internals

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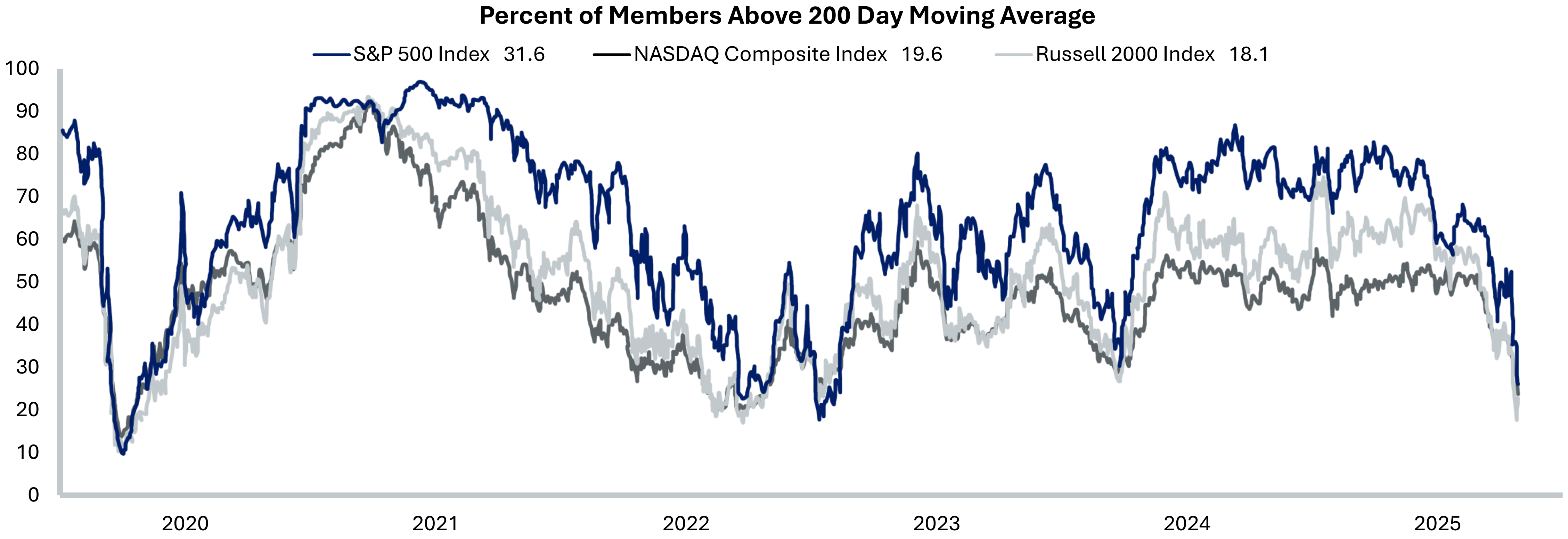
# Market Internals (2/2)




Source: Schwab/Bloomberg As of 4/10/2025. Note: The opinions expressed are subject to change at any time due to changes in market or economic conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. Forward looking estimates may not come to pass. Past performance is no guarantee of future results. It is not possible to invest in an index. Indexes are unmanaged and performance does not account for fees.



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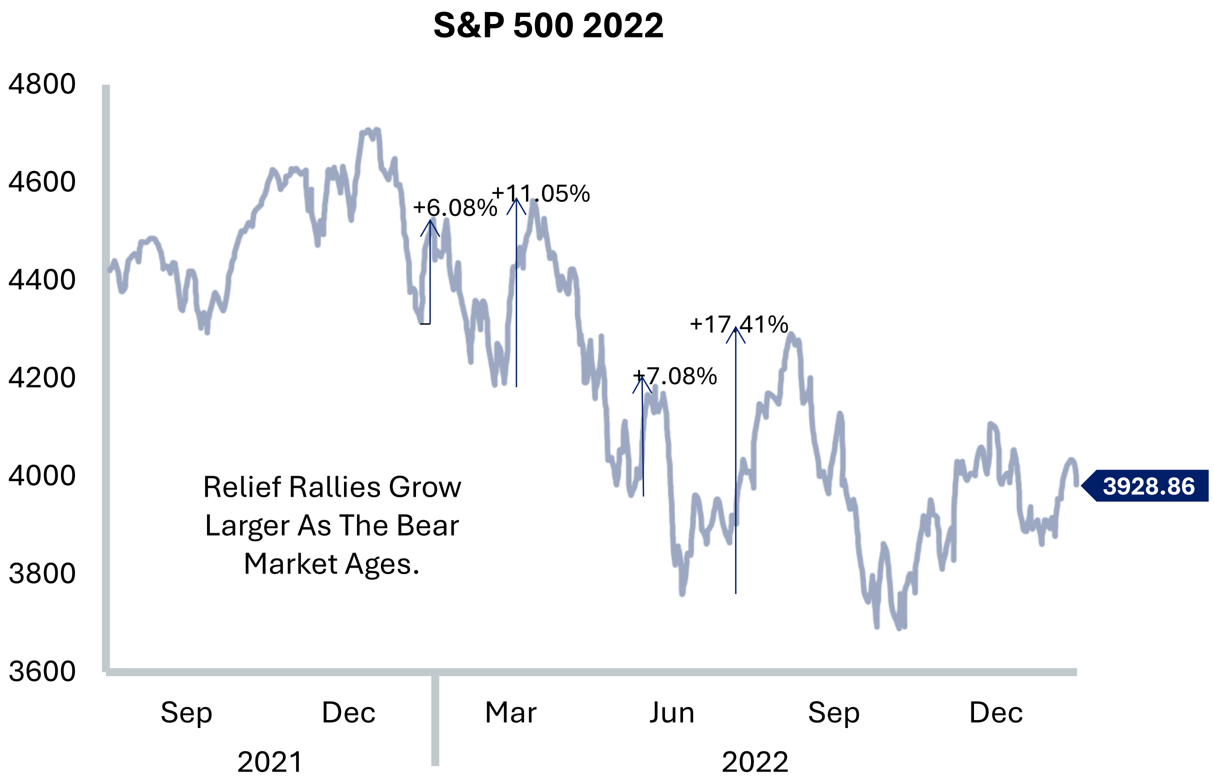
# Absent a Clearing Event…We Believe Volatility Will Continue

4 Relief Rallies




2 Relief Rallies


Source: Piper Sandler. Note: The opinions expressed are subject to change at any time due to changes in market or economic conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. Forward looking estimates may not come to pass. Past performance is no guarantee of future results. It is not possible to invest in an index. Indexes are unmanaged and performance does not account for fees.



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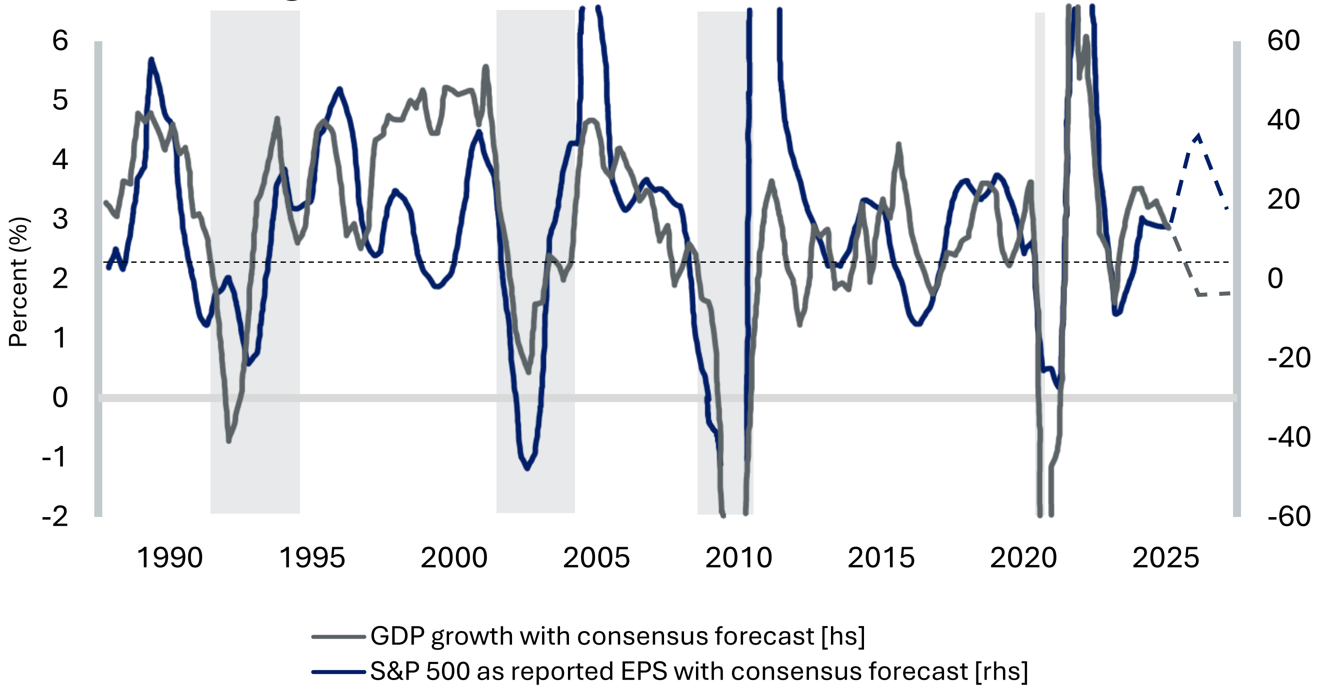
# Earnings

## Wide Range of Possible Outcomes

- 90-day reciprocal tariff pause has lifted sentiment in an oversold market
- FactSet 2025 Consensus EPS: $270 – implies 11.3% year-over-year growth
- Wall Street expects a 10-15% EPS hit from tariffs
- Increased odds that soft data (sentiment) spills over into the hard data and cause stagflation or recession
- Still a lot of uncertainty with 10% baseline tariff remaining and Trump escalating China tariff war
    - The increase in China tariffs and delay in others leaves the effective tariff rate at 23% ~ Morgan Stanley
- Prolonged uncertainty has raised asset volatility – investors demanding a higher equity risk premium
- Q1 bank earnings start 4/11/2025

**GDP growth and S&P 500 EPS with consensus forecasts**




Source: Source: Factset, Macrobond, Corient Investments team analysis. Note: The opinions expressed are subject to change at any time due to changes in market or economic conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. Forward looking estimates may not come to pass. Past performance is no guarantee of future results. It is not possible to invest in an index. Indexes are unmanaged and performance does not account for fees.

# Scenario Analysis: What's Priced In?

S&P 500 Earnings Scenario Analysis

| P/E Multiple | S&P 500 2025 Earnings Estimates | | | | |
|---|---|---|---|---|---|
| | **$230** | **$250** | **$270** | **$290** | **$310** |
| 16 | 3,680 | 4,000 | 4,320 | 4,640 | 4,960 |
| 18 | 4,140 | 4,500 | 4,860 | 5,220 | 5,580 |
| 20 | 4,600 | 5,000 | **5,400** | 5,800 | 6,200 |
| 22 | 5,060 | 5,500 | 5,940 | 6,380 | 6,820 |
| 24 | 5,520 | 6,000 | 6,480 | 6,960 | 7,440 |

Source: FactSet as of 4/10/2025. Note: The opinions expressed are subject to change at any time due to changes in market or economic conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. Forward looking estimates may not come to pass. Past performance is no guarantee of future results. It is not possible to invest in an index. Indexes are unmanaged and performance does not account for fees.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# Max Uncertainty?

## The proposed tariff regime significantly impacting the macroeconomic outlook, dramatically increasing volatility across markets (rates and credit spreads in our world)

**Takeaways**

- It appears that we are in a period of maximum uncertainty and markets have reacted sharply (down and up) to headlines in real time.
- Trade-related risks are clear, and markets are pricing in a slowdown in growth (potentially a recession) - with tariffs having materially shifted the narrative.
- Higher quality fixed income has outperformed and will likely continue to outperform lower quality credit.
- On rates, TBD on how much the Fed cuts and especially what happens at the long end of the curve – not a lot of conviction out there.
  - The Fed is in a tough spot re: cutting given still OK job market (though this is likely to get worse), inflation still above target, and tariffs expected to increase inflationary pressures.
  - The long end of the curve has not behaved as it normally does – typically in a risk-off market when equities experience material drawdowns, rates rally in a flight to safety. Of late, rates have sold off / moved aggressively higher – rationale not entirely clear, but many suggest unwinds of leveraged basis trades (to unwind you sell UST's and buy back UST futures), foreign selling of UST's, selling of UST's to fund margin calls, and a focus on fiscal issues (i.e., Bond Vigilantes). Regardless, the term premium has increased a lot.
- Credit spreads have widened from historically tight to levels that are closer to average over longer periods of time and bid-ask spreads have widened, but the market is generally functioning very orderly with two-way flows.
- Potential silver lining for credit: corporate credit metrics remain generally healthy and a lot of the damage in the markets appears to be self-inflicted (vs. the GFC and Covid) so if/when any off-ramps for tariffs appear, it is possible that markets could retrace some of the damage fairly quickly (see April 9th).
- Fixed income is proving to be an important allocation in investors' portfolios during times of extreme volatility and uncertainty and is generally doing what it is supposed to during times of market distress (acting as a ballast to equities).
- Allocation to the front end of the curve limits the impact of credit spread widening, demonstrating the value of the Short Duration Taxable strategy.
- While we are generally looking to "play defense" and limit our credit spread duration, we will also look to be opportunistic - volatility should provide opportunities to buy quality credits that have widened at better levels.

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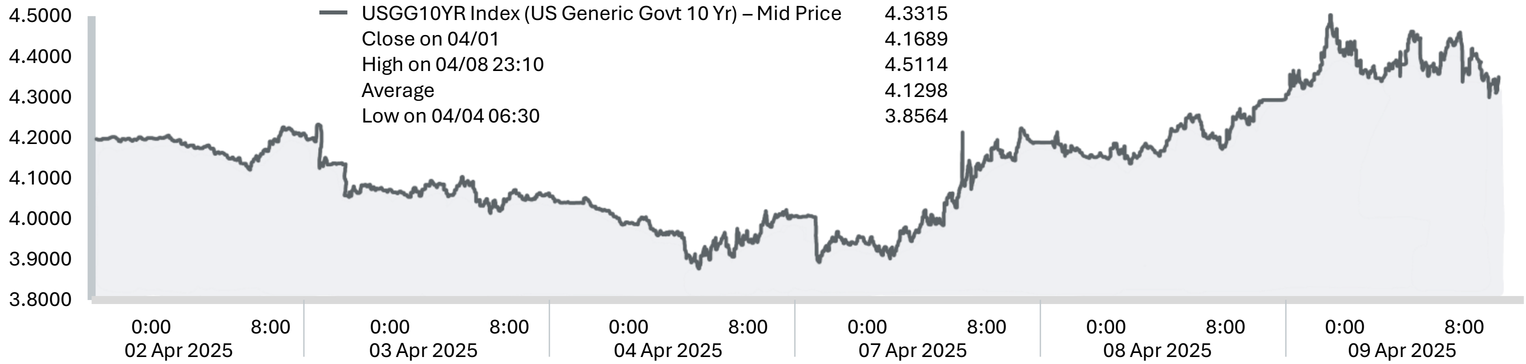
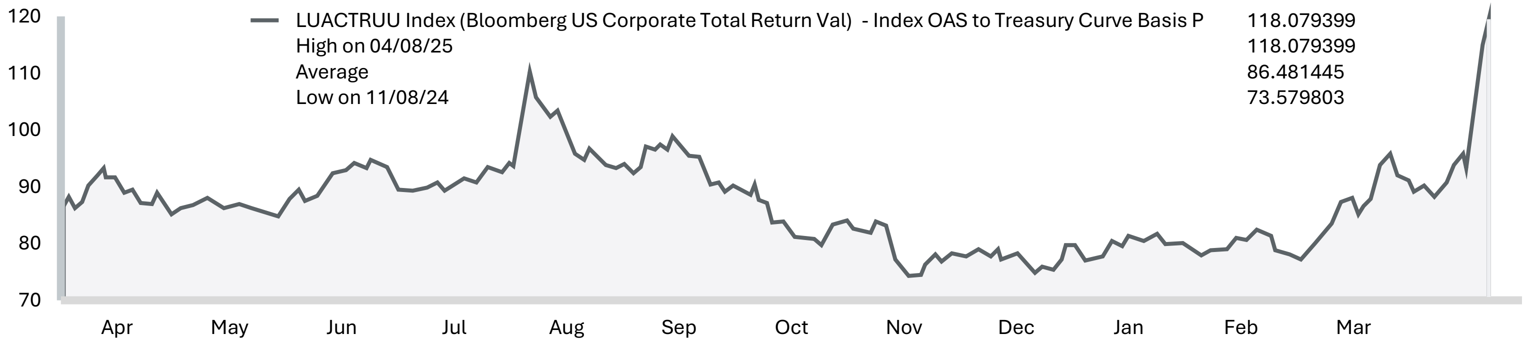
# Uncertainty Drives Volatility

## The proposed tariff regime significantly impacting the macroeconomic outlook, dramatically increasing volatility across markets (rates and credit spreads in our world)

In the immediate aftermath of reciprocal tariff announcements, rates and credit markets reacted violently.




**10Y UST Yield Intraday (4/1/25 – 4/9/25)**
- 4.21% on 3/31/25 (market close)
- 4.17% on 4/1/25 (market close)
- 4.00% on 4/4/25 (market close)
- Low of 3.86% on 4/4/25
- High of 4.51% on 4/8/25
- These are massive moves over such a short time horizon (66 bp swing)




**US IG Credit Index Spreads (4/8/24 – 4/8/25)**
- From 4/1/25 – 4/8/25 this was a one-way trade wider:
  - 95 bps on 4/1/25
  - 101 bps on 4/3/25
  - 108 bps on 4/4/25
  - 115 bps on 4/7/25
  - 118 bps on 4/8/25
- IG spreads widened 22 bps in 1 week ; YTD 38 bps wider
- IG spreads 45 bps off the LTM low of 74 bps (11/8/24)

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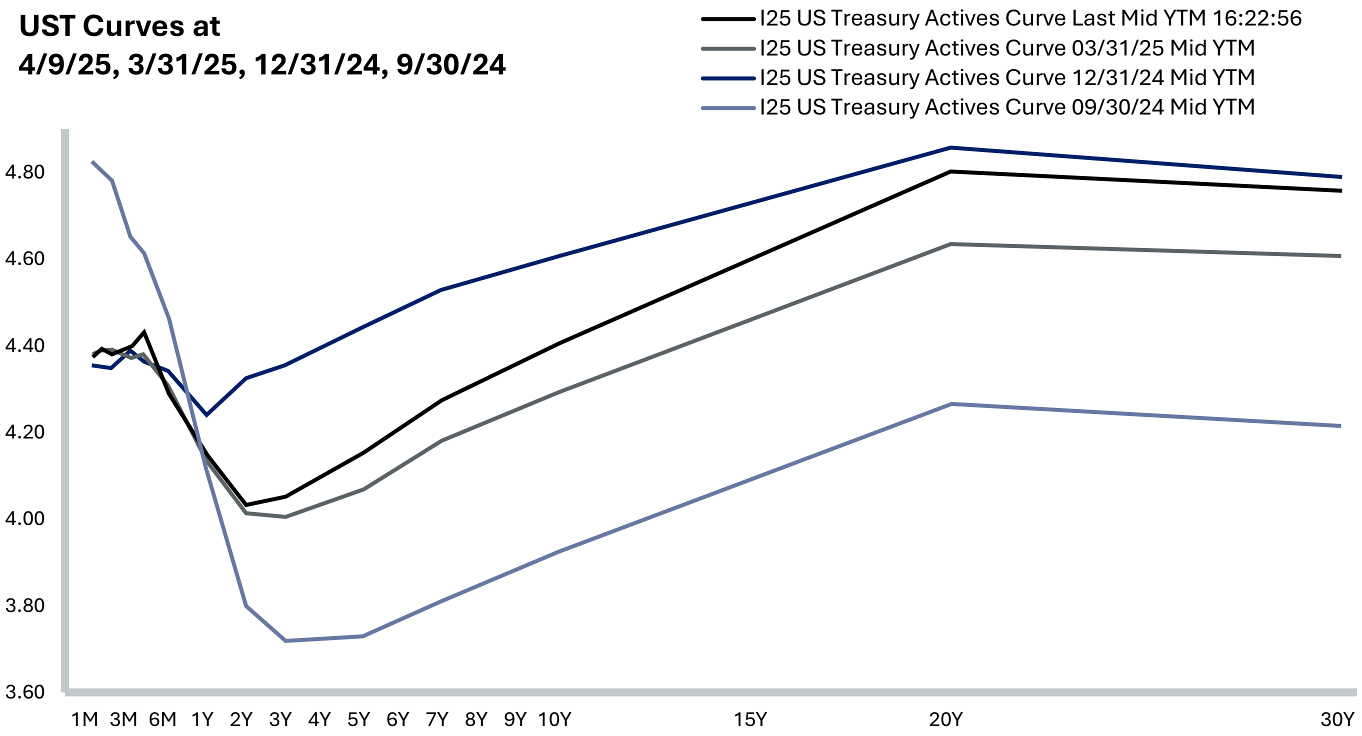
# Uncertainty Drives Volatility

Cuts likely coming, but how many and when? What about the long end of the US Treasury curve?
The Fed doesn't control that...

**Treasury Market**

- The Treasury curve continues to re-steepen - driven by both the front-end rallying/moving lower (with the market expecting additional cuts) and the long end moving higher (leverage unwind, fiscal policy concerns, and reduced demand). Term premium increasing...

**UST Curves at 4/9/25, 3/31/25, 12/31/24, 9/30/24**




**Target Rate**: 4.50 **Effective Rate**: 4.33

| Meeting | # Hikes/Cuts | %Hike/Cut | Imp. Rate Δ | Implied Rate |
|---|---|---|---|---|
| 05/07/2025 | -0.187 | -18.7% | -0.047 | 4.277 |
| 06/18/2025 | -0.815 | -62.7% | -0.204 | 4.120 |
| 07/30/2025 | -1.515 | -70.0% | -0.379 | 3.945 |
| 09/17/2025 | -2.166 | -65.1% | -0.541 | 3.782 |
| 10/29/2025 | -2.555 | -38.9% | -0.639 | 3.685 |
| 12/10/2025 | -3.092 | -53.7% | -0.773 | 3.551 |
| 01/28/2026 | -3.275 | -18.3% | -0.819 | 3.505 |
| 03/18/2026 | -3.583 | -30.8% | -0.896 | 3.428 |
| 04/29/2026 | -3.715 | -13.2% | -0.929 | 3.395 |
| 06/17/2026 | -3.827 | -11.2% | -0.957 | 3.367 |
| 07/29/2026 | -4.035 | -20.8% | -1.009 | 3.315 |
| 09/16/2026 | -3.704 | +33.1% | -0.926 | 3.398 |
| 10/28/2026 | -3.755 | -5.1% | -0.939 | 3.385 |
| 12/09/2026 | -4.460 | -70.5% | -1.115 | 3.209 |

**Fed Fund Futures (4/9/25)**

- 19% implied odds of a cut at the May 7th FOMC meeting (was 56% on 4/8/25).
- Implying three 25 bp cuts for the balance of 2025, taking Fed Funds to ~3.55% by December (4 cuts / 3.27% on 4/8/25).
- Implying one 25 bp cut in 2026, taking Fed Funds to ~3.21% (w/ 33% odds of 1 hike at the 9/16/26 meeting).
- Fed Funds futures have been very volatile – one month ago, the implied rate by December 2025 was 3.63%.

Source: Bloomberg as of 04/09/25. Note: The opinions expressed are subject to change at any time due to changes in market or economic conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. Forward looking estimates may not come to pass. Past performance is no guarantee of future results. It is not possible to invest in an index. Indexes are unmanaged and performance does not account for fees

# Investment Grade Corporate Credit

Spreads have widened materially in short order, but are coming off very low levels - now more normal

**IG Credit Market**

- The recent widening of IG credit spreads has been violent – of the 38 bps of YTD widening, 22 bps (60%) of that occurred in over 5 trading days (4/1/25 – 4/8/25).
- IG credit spreads have widened out through levels last seen in August 2024, which at that time was driven by weaker than expected US economic data - particularly a disappointing July jobs report showing slower job growth and an increase in unemployment which sparked fears of an economic slowdown and potential recession on the horizon.
- The velocity of the recent spread moves is on par with that experienced in the aftermath of the failure of SVB in March 2023 and is approaching the levels seen during the COVID crisis in March 2020.
- Spreads have widened from historically tight to levels that are closer to average over longer periods of time
    - 118 bps on 4/8/25 vs. the 10-year average of 120 bps – this average includes the blowout in spreads in March 2020 (Covid) of 381 bps.
    - 118 bps on 4/8/25 vs. the 20-year average of 148 bps – this average includes the blowout in spreads around the GFC (all of 2008) which topped out at 618 bps (Dec. 2008) and in March 2020 (Covid) of 381 bps.
- Prices have moved substantially, sentiment is poor, and positioning is continuing to shift as people derisk, so it seems that we could be set up for a bounce with any hint of macro stability / positive news on tariffs
    - We saw this on April 7th when a rumor that tariffs would be suspended for 90 days caused a substantial risk-on rally and again on April 9th when a 90-day reprieve was announced.
- In past periods of extreme volatility, we have been able to take advantage of the vol and opportunistically reposition our portfolios - we look to do the same now.

IG credit spreads: Bloomberg U.S. Corporate Investment Grade Bond Index (LUACTRUU). Source: Bloomberg as of 04/08/2025. Note: The opinions expressed are subject to change at any time due to changes in market or economic conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. Forward looking estimates may not come to pass. Past performance is no guarantee of future results. It is not possible to invest in an index. Indexes are unmanaged and performance does not account for fees.

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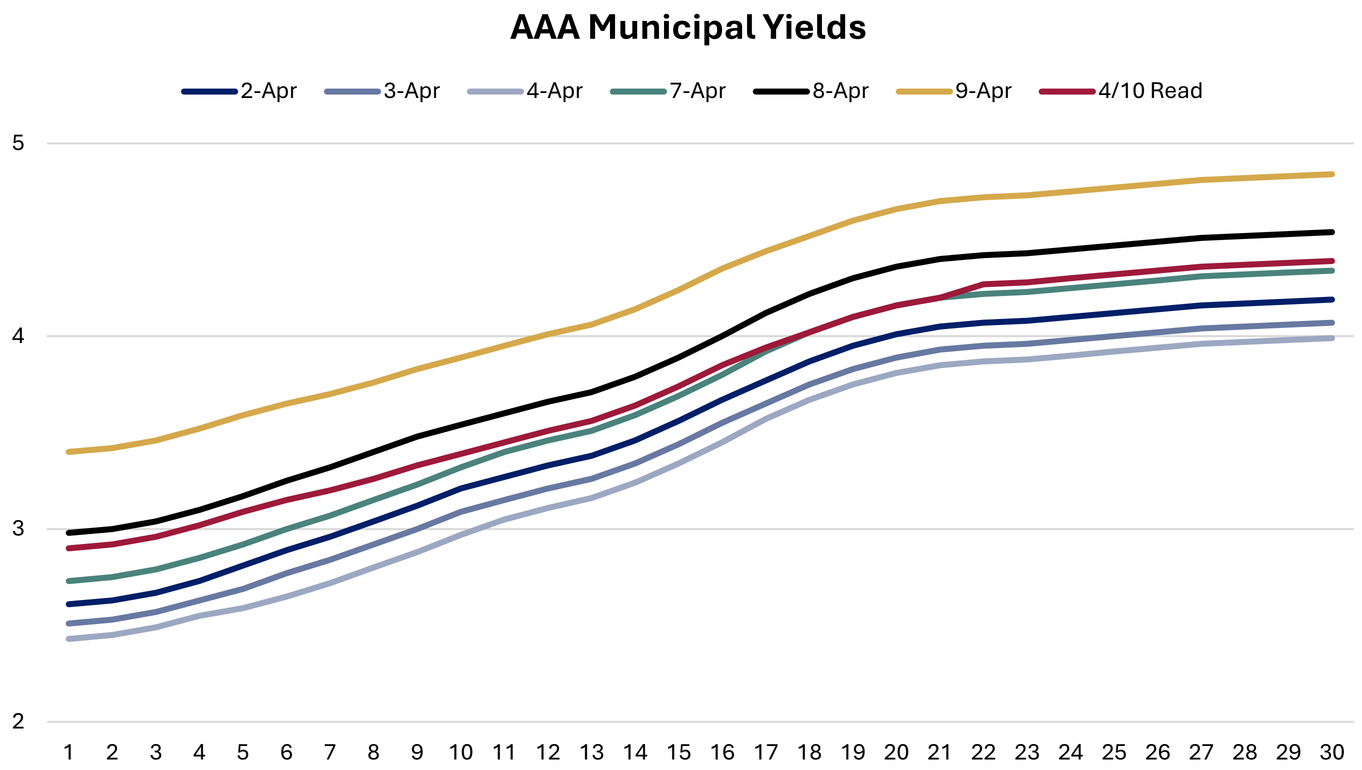
# Volatility in Municipals (1/2)

Not a Credit Concern, but wider




Rally of ~20bps between 4/2 and 4/4

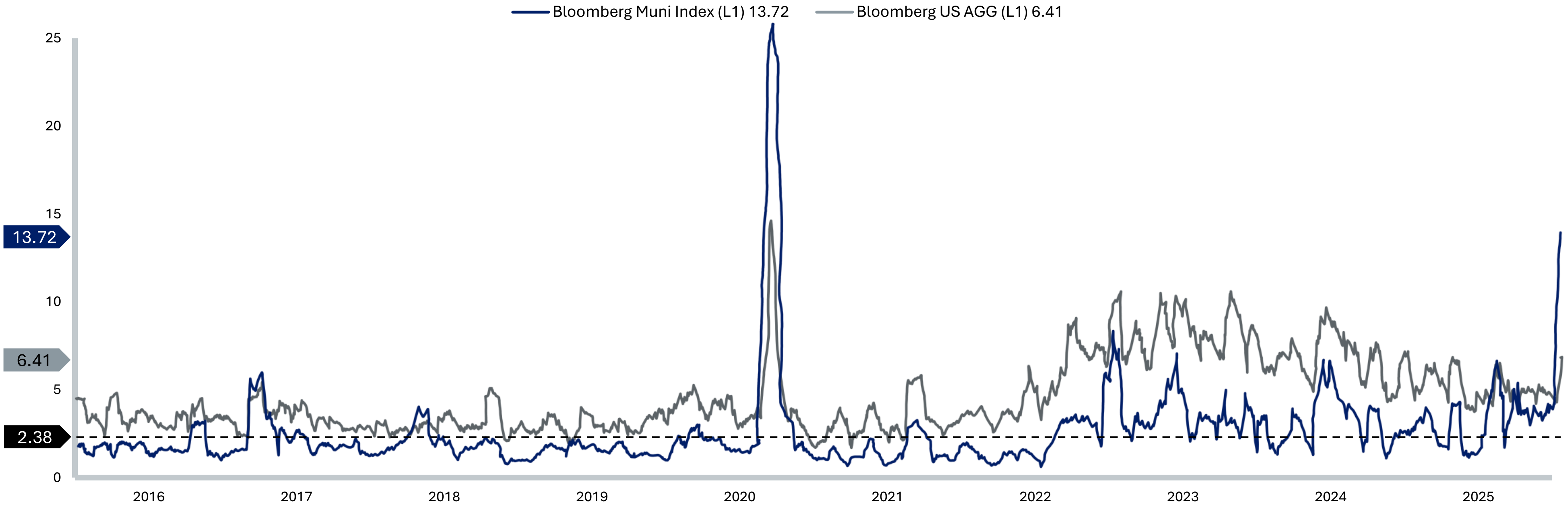
Sell-off of ~90bps between 4/4 and 4/9

Rally of ~50bps between yesterday and today

Source: MMD AAA Scale. Note: The opinions expressed are subject to change at any time due to changes in market or economic conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. Forward looking estimates may not come to pass. Past performance is no guarantee of future results. It is not possible to invest in an index. Indexes are unmanaged and performance does not account for fees.

# Volatility in Municipals (2/2)

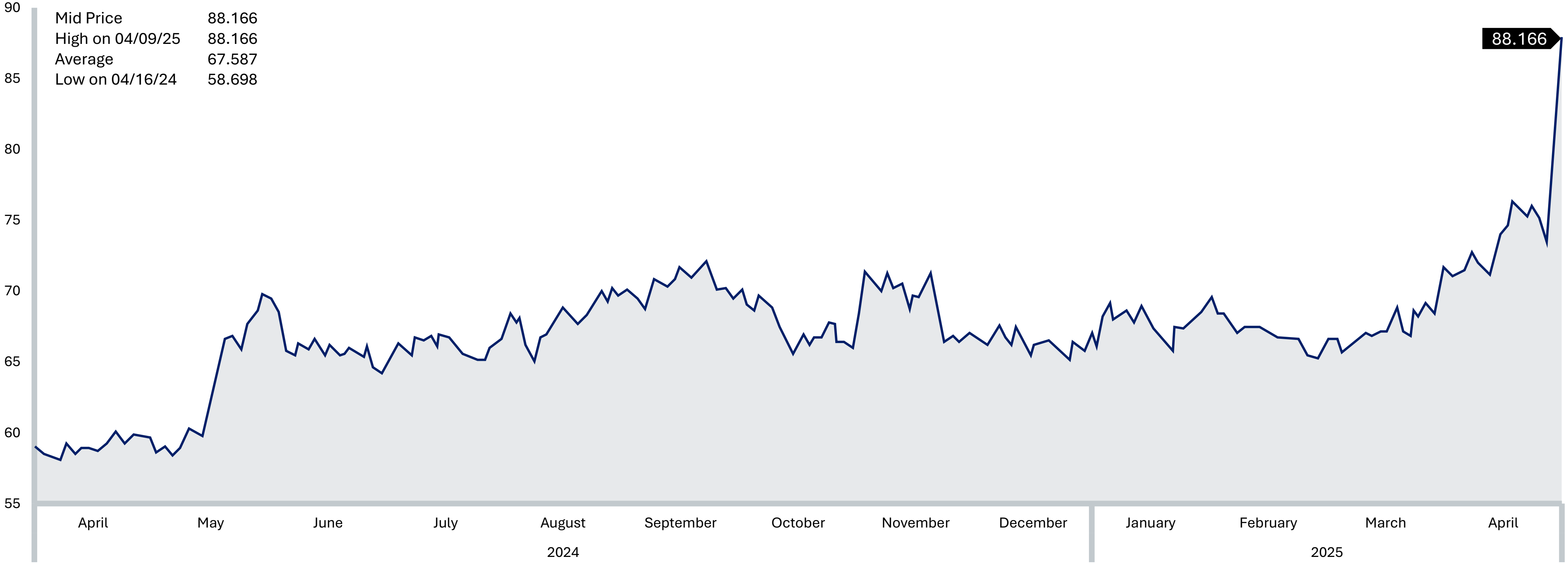
## 20-day volatility - Bloomberg Municipal Index versus Bloomberg US Aggregate




LMBITR Index (Bloomberg Municipal Bond Index Total Return Index Value Unhedged USD) Municipal Volatility Dialy 23SEPT2015 – 10APR2025 Copyright© 2025 Bloomberg Finance L.P. 10-Apr-2025. Source: Bloomberg. Note: The opinions expressed are subject to change at any time due to changes in market or economic conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. Forward looking estimates may not come to pass. Past performance is no guarantee of future results. It is not possible to invest in an index. Indexes are unmanaged and performance does not account for fees.

# AAA Municipal/US Treasury Yield Ratio

## Dislocation attributable to liquidity needs




MUNSMT10 Index (BVAL AAA Muni Yield % of Treasury 10 Year) Daily 09APR2024 -09APR2025 Copyright© 2025 Bloomberg Finance L.P. 09-Apr-2025 . Source: Bloomberg. Note: The opinions expressed are subject to change at any time due to changes in market or economic conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. Forward looking estimates may not come to pass. Past performance is no guarantee of future results. It is not possible to invest in an index. Indexes are unmanaged and performance does not account for fees.



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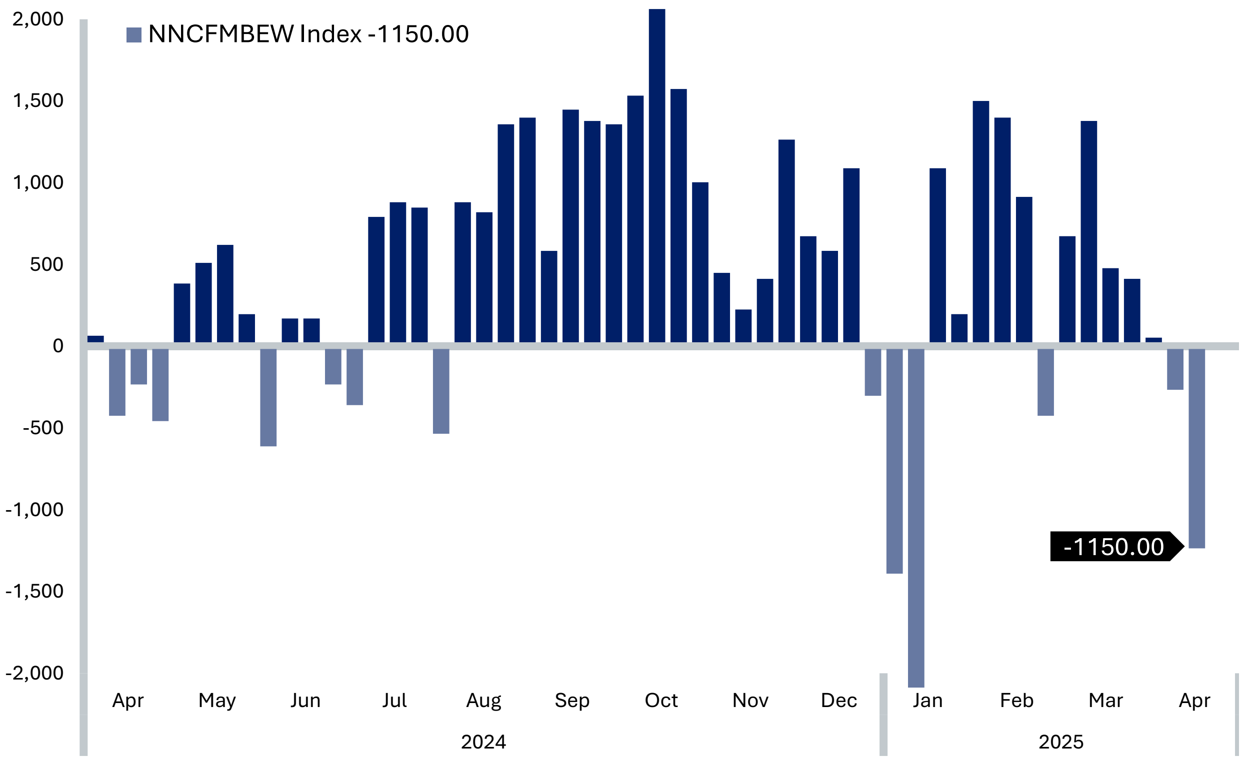
# Municipal Fund Outflows

## Mutual Fund and ETF Outflows Pressuring the Market




**As of 4/2, the ICE weekly estimated net cash flows are negative $1.1b**

- Pre Tariff pause we expected the outflows to continue and increase, but since then we have seen a complete reversal in the market.

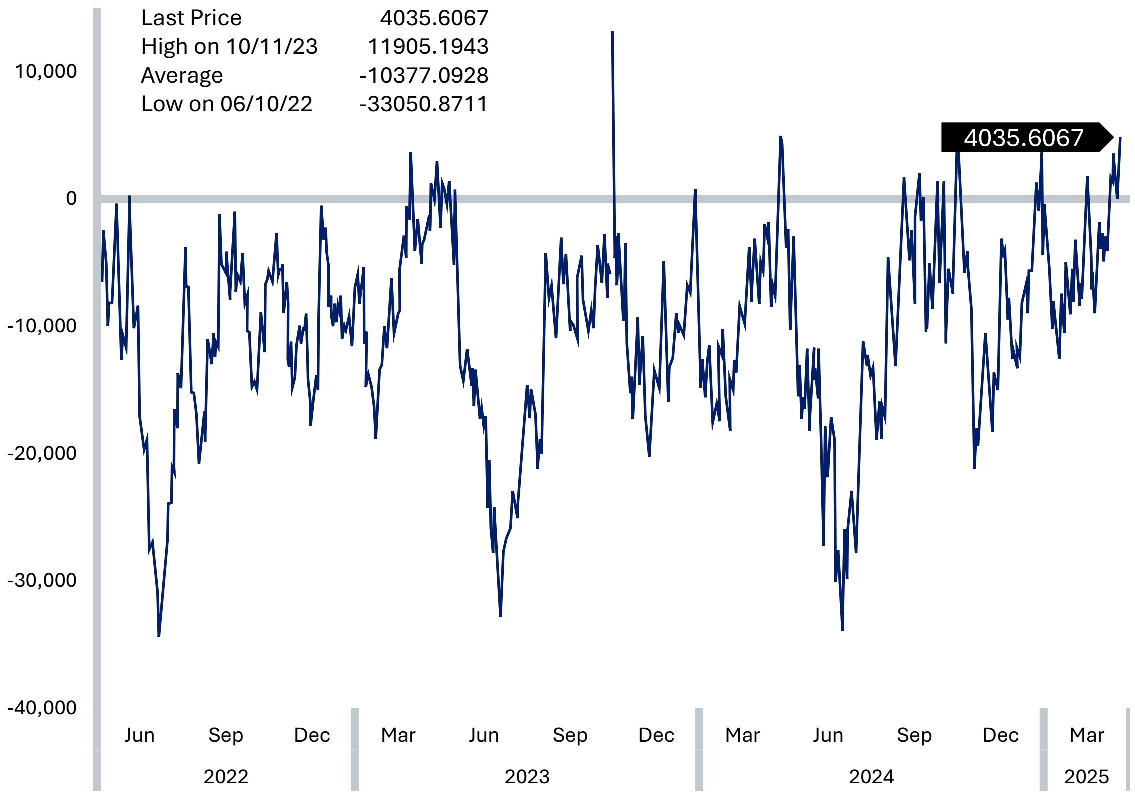
**Municipal flows and liquidity are two sides to the same coin.**

- High YTD Municipal Issuance and low seasonal reinvestment have compounded the volatility in the market creating a large supply/demand imbalance that is still trying to find a new clearing level.
- Tariff volatility aside, it is still a seasonally weak time in the market where opportunities can arise.

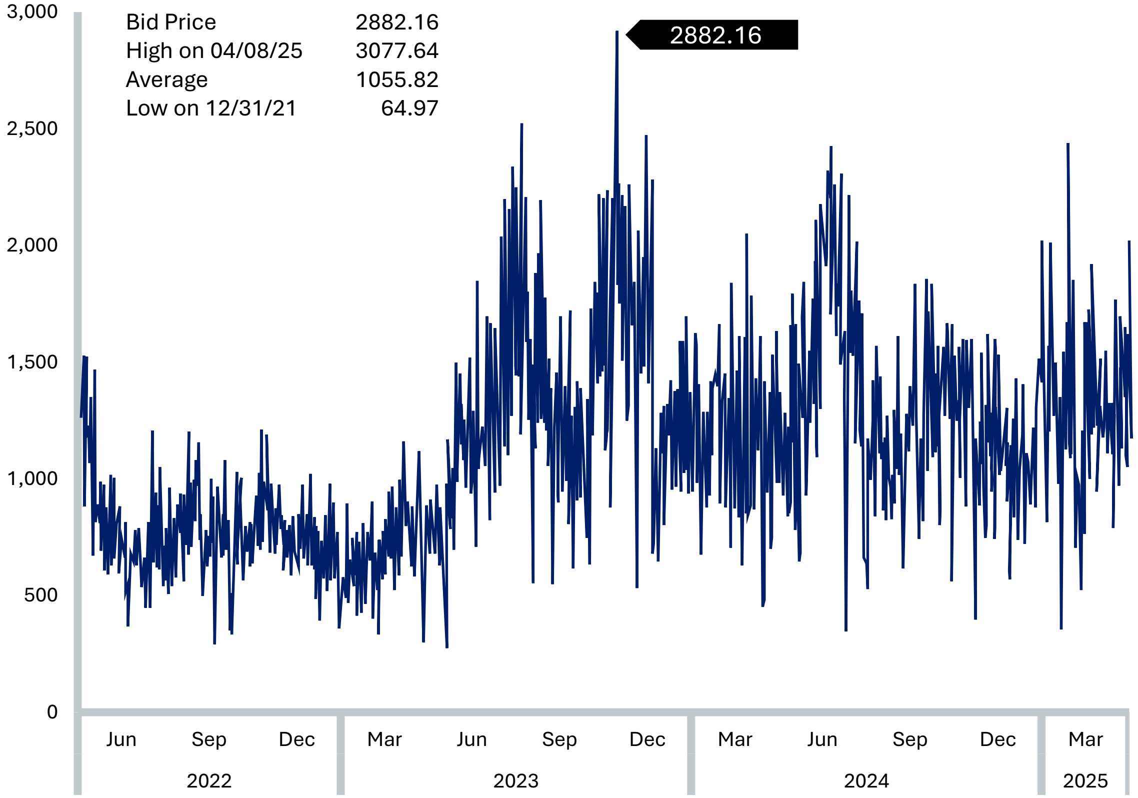
# Supply

Net supply and shadow supply both elevated due to seasonals and liquidity demands

### US Muni Bond Market Net Supply

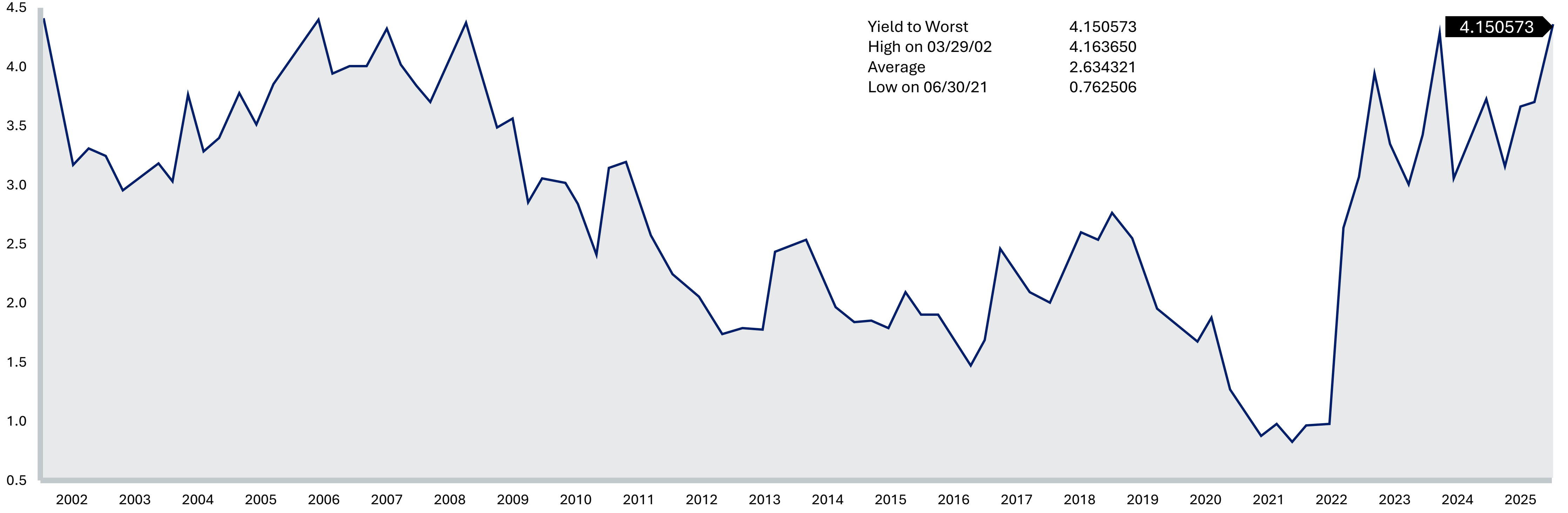



### US Muni Bond Market Total Par Amount



# Context

## Bloomberg 1 – 15 Year Municipal Index yield to worst history




106112US Index (Bloomberg 1-15 Yr. Municipal Index Total Return Index Unhedged USD) Quarterly 01JAN2001-31DEC2025 Copyright© 2025 Bloomberg Finance L.P. 09-Apr-2025. Source: Bloomberg. Note: The opinions expressed are subject to change at any time due to changes in market or economic conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. Forward looking estimates may not come to pass. Past performance is no guarantee of future results. It is not possible to invest in an index. Indexes are unmanaged and performance does not account for fees.





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Corient Investments Solution – Webinar – Market update

# Thank You



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# Glossary (1/4)

**CBOE Volatility Index (VIX):** an index created by CBOE Global Markets, which shows the market's expectation of 30-day volatility.

**S&P 500®:** The index includes 500 leading companies and covers approximately 80% of available market capitalization – widely regarded as the best single gauge of large-cap U.S. equities.

**NTM:** next twelve months.

**P/E:** The price-to-earnings (P/E) ratio is the proportion of a company's share price to its earnings per share.

**EPS:** Earnings Per Share, is a financial ratio that measures a company's profitability for each outstanding share of its common stock.

**Drawdown:** peak-to-trough decline during a specific period for an investment.

**Hit Rate:** A hit rate is a metric that measures the percentage of successful outcomes against the total number of occurrences.

**Nasdaq Composite Index:** broad-based market index that includes more than 3700 stocks listed on the Nasdaq stock exchange.

**Russell 2000® Index:** measures the performance of the small-cap segment of the US equity universe.

**Dow Jones Industrial Average (DJIA):** stock market index that tracks 30 large, publicly-owned blue-chip companies trading on the New York Stock Exchange.

**Quantitative tightening (QT):** a monetary policy where central banks reduce liquidity in the economy by selling assets, typically bonds, or allowing them to mature without reinvestment.

**Duration:** the length of any peak-to-trough period of decline measured in months.

**Moving average (MA):** a technical analysis tool that calculates the average price of a security over a specific period, smoothing out price fluctuations.

**Relative Strength Index (RSI):** a momentum oscillator in technical analysis that measures the magnitude of recent price changes to evaluate overbought or oversold conditions in an asset's price.

**Gross domestic product (GDP):** the featured measure of U.S. output, is the market value of the goods and services produced by labor and property located in the United States.

**Earnings expectations:** refer to the collective earnings forecasts, for a group of companies, such as the entire S&P 500. These estimates are compiled and averaged to provide a broad view of expected earnings growth. Analysts use various methods, including forecasting models, company guidance, and fundamental data, to develop these forecasts.

# Glossary (2/4)

**Yield to Maturity (YTM):** The total return anticipated on a bond if it is held until it matures. It encompasses the bond's interest income and any capital gains or losses.

**Current Yield:** This is the annual income generated by a bond as a percentage of its current market price. It's calculated by dividing the bond's annual interest payment by its current market price.

**Coupon Yield:** Also known as the nominal yield, it's the fixed interest rate that a bond pays annually, expressed as a percentage of its face value.

**Yield to Worst (YTW):** The lowest potential yield that can be received on a bond without the issuer defaulting. It considers the worst-case scenarios such as early call provisions or sinking fund requirements.

**Tax-Equivalent Yield:** The yield on a taxable investment that would equal the yield on a tax-exempt investment, adjusted for the investor's tax rate.

**Option-Adjusted Spread (OAS):** The yield spread adjusted for embedded options in a fixed-income security, reflecting the compensation for the associated risks**.**

**Bond duration:** A measure of the sensitivity of a bond's price to changes in interest rates. It represents the weighted average time it takes to receive the bond's cash flows, considering both coupon payments and the return of principal.

**Spread Yield:** The yield on a bond minus the yield on a benchmark bond, such as a Treasury bond. It represents the additional yield offered by a bond compared to a risk-free investment.

**Interest Rate Risk:** Changes in interest rates can affect the value of fixed income securities. When interest rates rise, bond prices typically fall, and vice versa.

**Credit Risk:** This is the risk that the issuer of a bond will default on its payments. Bonds with lower credit ratings generally have higher credit risk.

**Reinvestment Risk:** When interest payments or bond proceeds are reinvested, they may not earn the same rate of return as the original investment.

**Liquidity Risk:** Some bonds may be difficult to sell at a desired price and time, especially in illiquid markets or for less commonly traded securities.

**Subordination Risk:** This refers to the risk related to the priority of repayment within a company's capital structure. The lower your position in the capital structure, the higher the risk of default because other investors are paid back before you in case of bankruptcy or liquidation.

**Spread duration:** Measures the sensitivity of a bond's price to changes in credit spreads, independent of changes in interest rates. It quantifies the impact of credit risk on the bond's value, representing the weighted average time it takes to receive the bond's cash flows, considering changes in credit spreads.

# Glossary (3/4)

**AT1:** Additional Tier 1 bonds ("AT1s"), are bank capital securities known as Contingent Convertibles ("Cocos"). They can be converted from bonds into equity (or written down entirely), and that conversion only occurs if certain conditions are met, such as the issuing bank's capital strength falling below a pre-determined trigger level. This "loss absorbing mechanism" is the key difference between AT1s and regular bonds. They are issued by banks that contribute to the total level of capital they are required to hold by regulators.

**Call Risk:** The risk that an issuer may exercise its right to redeem a callable fixed income security prior to maturity which may negatively impact a security's return given that in most cases the investor would be reinvesting in a less favorable, lower interest rate instrument.

**Capital Securities Risk:** risk that the value of capital securities issued by U.S. and non-U.S. financial institutions to satisfy their regulatory capital requirements may decline in response to regulatory and/or legislative changes.

**Coupon Deferral Risk:** Many preferred and hybrid securities carry a payment deferral feature, which allows the issuer, at its discretion, to suspend or defer all or a portion of, dividend or interest payments. Payments, if suspended or deferred, may be cumulative or non-cumulative. In the case of non-cumulative preferred securities, deferred payments do not accumulate if skipped, and the issuer is under no obligation to pay the missed payments. When payments are deferred, usually the company is also no longer permitted to issue common or senior securities ranked at an equal or lower tier in the hierarchy of the issuer's capital structure. As a result, holders of cumulative preferred securities face the risk of losing an important source of total return, whereas cumulative preferred shareholders may be able to recoup lost income if a company is able to return to financial health and make up the missed payments.

**Extension Risk:** Certain preferred and hybrid securities permit the issuer, at its discretion, to extend the maturity date (if any) one or more times, which would ultimately delay final repayment of the security's principal.

**Write Down Risk:** risk of the write-down (reduction) of the principal amount of an AT1 preferred / hybrid security in the event of liquidation of the issuer and coupon cancellation in case the Common Equity Tier 1 (CET1) ratio of the issuing bank falls below the issuer's prescribed minimum threshold level.

**Conversion Risk:** Related to Write Down Risk, the risk that an AT1 preferred / hybrid security may be converted to equity shares (at a pre-specified conversion rate) in the event that the CET1 ratio of the issuing bank falls below the issuer's prescribed minimum threshold.

**Inflation Risk:** Also referred to as purchasing power risk, is the risk that the real value of cash flows from a security will lose value due to inflation.

**Spread Risk:** Bonds issued by corporations or other entities that carry credit risk typically trade at a yield premium to bonds that are considered to be free from the risk of default, such as U.S. Treasury bonds. This yield premium, or spread, can widen due to a decline in the issuer's creditworthiness or a decrease in the bond's liquidity, causing bond prices to fall.

**Downgrade Risk:** The risk that a bond issuer's creditworthiness declines, causing its yields to move higher and bond prices to fall. Deteriorating creditworthiness would likely cause the major rating agencies, such as Moody's, Standard & Poor's and Fitch, to lower their rating, or downgrade the bond.


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# Glossary (4/4)

**Sector Risk:** The preferred / hybrid asset class, is heavily concentrated in the financial sector and thus is more exposed to the overall health of the banking/ financial system. Therefore, returns could be relatively more volatile in the event of a shock to the financial markets.

**Ratings Disclosure:** Ratings shown are the highest rating given by one of the following national rating agencies: S&P, Moody's or Fitch. Credit ratings are subject to change. AAA, AA, A, and BBB are investment grade ratings; BB, B, CCC/CC/C and D are below-investment grade ratings. U.S. government securities, if owned in the strategy, are included in the U.S. Treasury/Agency category (included only if applicable). Holdings designated NR are not rated by these national rating agencies.

**Benchmark Disclosure:** The Bloomberg U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

The Bloomberg U.S. Corporate Investment Grade Index (Bloomberg Terminal ticker: LUACTRUU) measures the investment grade, fixed-rate, taxable corporate bond market. It only includes U.S. dollar-denominated debt issued by U.S. and non-U.S. industrial, utility and financial companies.

The Bloomberg 1-15 Year Municipal Bond Index measures the performance of the investment grade, US Dollar-Denominated, taxexempt bond market for those with remaining maturities of 1 to 15 years. The index includes four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds. It is a market-value weighted index.



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