PGIM FIXED INCOME

Assessing the Growth Implications of Tariffs

WEEKLY VIEW FROM THE DESK | April 14, 2025

LINK TO WEEKLY RETURNS TABLE

LINK TO OUR WEBINAR SERIES ON TARIFFS

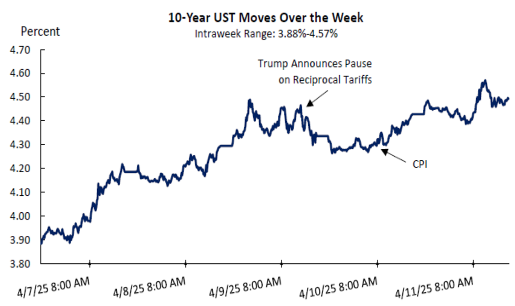
MACRO

- While the U.S. pause on reciprocal tariffs represents an important step down from a maximalist approach to trade, we see the recent escalation with China as reducing the possibility of a negotiated solution in the near term. Both countries seem to believe they have the upper hand (although it was Trump that appeared to blink first), potentially prolonging the current stalemate for months to come. In the interim, the U.S. is likely to focus on striking deals with Asian allies (e.g. Vietnam, Japan, and South Korea).
- From where we are standing, China appears to have no intention of climbing down from its current stance on tariffs and instead views the current trade dynamics as an opportunity to make inroads with countries that export to the U.S. To that end, President Xi Jinping traveled to Vietnam on Monday to strengthen ties on trade and supply chains and will then visit Malaysia and Cambodia to round out a three-nation tour of some of the Southeast Asian countries hardest hit by the tariffs.
- Despite some reversals and a pause of reciprocal tariffs for 90 days, effective tariff rates remain c.20%, weighing on consumers and potentially leaving businesses on the sidelines. As it pertains to GDP, following recent downward revisions we are now forecasting adjusted global GDP growth of just 2.6% for 2025, which would be the sixth slowest year in 31 years—only 2001-02, 2008-09, and 2020 were worse. As for the U.S., we currently foresee a large build in inventories during Q2 due to the pull-forward effect from companies looking to get ahead of tariffs and a flat consumption figure versus the more typical growth of 2-2.5%

- While left tail probabilities have certainly increased, we view economic growth through the prism of a two-step function. If tariffs are eventually negotiated down, recession probabilities decrease meaningfully, the start of a major credit downturn is averted, and credit spreads may have already, or be close to peaking. Yet, we still may face slower economic activity—particularly if the threat of tariffs remains. In which case, the currently high nominal yields should continue to generate respectable returns.
- Meanwhile, we view the recent correlation breakdown between equities and bonds as symptomatic of reduced confidence in the U.S. administration. Last week's selloff in U.S. Treasuries and the U.S. dollar suggests its ability to deliver solid economic growth and reliable economic policies are now being questioned amid ongoing policy uncertainty.

DEVELOPED MARKET RATES

- U.S. Treasury and funding markets continue to see very high trading volumes, easing depth, and temperamental liquidity. There were three Treasury auctions last week, all of which had traded through the market but ultimately closed softer as liquidity eased.
- The directionality of trading remains tied to the overall level of rates. So far in April, when the 10-year Treasury yields pushed through 440 bps and above, liquidity dried up, only to resume when yields dipped as low as 390s. Given the range, we do not believe such a level of implied volatility will last.
- In the U.S., the yield curve steepened again, notably on Monday with the 10-year yield recrossing the 4.20% threshold (see more color on that development in our Q2 Outlook) amidst the speculation about further deficit spending.



- Agency MBS spreads widened further, meaningfully underperforming rates, as SOFR swaps widening sparked investor concerns about deleveraging that ultimately never came. At this point, we're staying nimble and prefer to tactically trade UMBS and Fannie Mae production coupons, while selectively adding some GNMAs within the coupon stack.

IG CORPORATES

- Last week, U.S. IG Corporate spreads widened, underperforming stocks. In terms of volatility, CDX IG traded in a 20 bp range last Wednesday vs a 14 bp range for all of 2024. In addition, the VIX rose to 60 before ending the week at 31. The IG yield curve flattened, led by the short end as investors and dealers sought to stay light and save their balance sheet for other uses. Meanwhile, the back end of the curve–especially high quality, 30-year paper—did well. Yields on the back end of the curve were over 6% and drove demand.
- In the last month, higher beta sectors (e.g., cyclicals and energy) have widened the most. Outperformers included tariff insulated sectors such as healthcare/pharmaceuticals, TMT, and utilities. In addition, as growth and inflation concerns have picked up, there has been decompression in BBB-A spreads.
- Supply: Issuance dropped to about ~$10B. Deals came with ~10 bps of concession (on average) but were well-placed with end users and are trading 10 bps tighter to start the new week. Trading activity surpassed $45B per day vs $25B-$30B per day (historically). However, bid-ask spreads have widened, leading to higher costs on trades.

- In addition, there were large outflows ($6B) last week due to high volatility and negative total returns performance. Funds saw the biggest outflows since March of 2020. For now, outflows are retracing the last month's inflows, but we continue to watch for what this means for the technical picture.
- The OAS of the EuroAgg Corp Index hit +128 bps before spreads retraced on headlines that Trump's expanded tariffs would be paused for 90 days. The week closed with the OAS at +123 bps (25 bps wide of pre-Liberation Day levels). EUR IG spreads now sit 10 bps back from the U.S. Similar to U.S. IG, we started to see meaningful decompression with A-rated bonds (-3 bps) outperforming BBBs (+2 bps) and subordinated paper underperforming senior paper. The primary market re-opened briefly on Thursday with two relatively low-beta names (Japan Tobacco; Transurban) printing 10-year deals. Both priced with ~10 bps concession against secondary curves that were 20-30 bps wider in the past week.

LEVERAGED FINANCE

- Volatility has fully gripped the HY market as the path of global tariffs and trade policy continues to perplex investors. Returns across all credit tiers were negative, with CCCs outperforming Bs, and BBs getting hit the worst. Among sectors, air transportation, telecom, and media outperformed, while energy, hotels, and paper were the weakest. HY saw its largest weekly outflow on record, with $9.63B flowing out of actively managed HY mutual funds (-$3.96B) and ETFs (-$5.68B). Last week's reading turned YTD flows negative by $1.8B. While no new issues priced last week due to volatility, the lack of new supply is a silver lining for the hitherto solid U.S. HY technical environment. That said, we expect any rally to be met with opportunistic financing activity along with M&A-related issuance.
- Bank loans continued to ease last week against a backdrop of rising recession concerns, the near-record outflows, and no primary market activity. Higher credit quality loans underperformed lower, as investors sought convexity. Last week's outflows from actively managed loan funds and ETFs were approximately $2.7B and $2B, respectively. The ETF outflows were a record while the mutual fund outflows were the largest since March 2020. While no new issues came to market last week—the first non-holiday week of no issuance since March 2020—we expect at least one deal to price this week.
- European HY bond spreads continued to widen, with higher quality now outperforming lower quality. European bank loans, while also wider, continued to outperform bonds. Overall, European HY bonds and bank loans continue to outperform the U.S., as strong technicals in the form of limited supply and positive flows prevail. Indeed, one new issuance came to market, placing wide of price talk, and the pipeline remains very light.

EMERGING MARKETS

- EM sovereign spreads were resilient last week, with IG spreads tightening overall and HY spreads widening on the back of CCCs. While EM credit markets felt heavy, most kept pace with the performance of U.S. Treasuries. From a regional perspective, Africa underperformed again as commodity-sensitive and single B-and-below issuers remained under pressure. EM CDX closed the week just +1 bp wider despite seeing roughly 50 bp intraday ranges. From a technical perspective, there was demand for some lower cash price high yield bonds as some curves continue to flatten or even invert.
- The rollback of reciprocal tariffs is better for individual EM credits, but the increase to Chinese tariffs, global growth fears, and the secondary impact to commodity prices still weighs. It's probably too early to expect IG issuers to tap markets, but some may be opportunistic if market sentiment rebounds. We continue to watch geopolitics and the ongoing trade policies between the U.S. and China. We are also just over a week out from the IMF meetings in Washington D.C. which will provide more insight into how policymakers are reacting to U.S. trade policy, what tools may be at their disposal, and how the official sector is approaching this market environment.
- EMFX gained last week, with Europe outperforming and G10 FX gaining nearly 3% versus USD. U.S. real rates climbed while breakevens were stable, yet USD weakened meaningfully. Low carry currencies (CZK, HUF, PLN, THB, TWD, SGD) outperformed while high carry growth currencies lagged. Despite volatility, we are gaining conviction that USD is likely to continue its weakening trend and have become more positive on EM currencies.
- EM local rate yields rose modestly last week, outperforming U.S. Treasuries meaningfully. High yielders such as Brazil and South Africa were lower but other higher yielders such as Mexico and Colombia were higher. Swaps outperformed bonds across the board and both curves steepened. In EM corporates, spreads were modestly wider, with decompression continuing.

SECURITIZED PRODUCTS

- CMBS conduit spreads widened further last week—especially among subordinate tranches which widened on increased flows—with As trading around 300, and a few BBBs trading in the 600s context. SASB AAA spreads were 15 bps wider while subordinated tranches widened as much as 25 bps. Four primary deals priced, including three SASB and one agency deal. The SASB pipeline is likely to see near-term pullback, but we still expect at least four conduit deals in April.
- In RMBS, spreads in non-QM AAAs through As, second-lien AAAs, and CRTs all continued to widen. While bid-ask spreads remain wide, we have not seen any forced selling. Of the seven primary deals totaling $2.2B, five were non-QM. Last week's primary activity brings YTD volume to $42B.
- As U.S. and European CLO AAA primary spreads continued to lag secondary, we continue to focus on secondary opportunities. Notable, the middle mezzanine European tranche remains comparatively cheaper versus the U.S. About $7.7B across 17 deals in the U.S. and €800M across two transactions in Europe came to market. In the U.S. 11 were new issues, while four were resets and two refinancing. Europe saw one new issue and one reset.
- ABS spreads continued to widen on broader market volatility, with widening at the top of the capital stack as high as 20 bps, and as much as 35bps in mezz securities. The ABS versus IG corporate basis outperformed 10 bps to 26 bps. The new issuance market was quiet again, with the global pipeline on hold due to elevated volatility. We are cautious on the consumer, who remains stretched and taking on more debt, but could see further pressure from tariffs.

MUNICIPALS

- Munis underperformed Treasuries amidst high volatility. M/T yield ratios look more attractive with the 5-year, 10-year, and 30-year ratios ending last week at 81%, 81%, and 95%, respectively. In addition to cheapening against Treasuries, tax-exempt munis have also cheapened against taxable muni equivalents and are closer to fair value, after being at rich levels for some time. Significant selling pressure emerged, with the level of weekly outflows increasing to $3.3B (+$6.5B YTD) last week. This marks the fifth consecutive week of outflows, the largest weekly outflow since June 2022, as well as the largest weekly ETF outflow since tracking started in 2006.

THE RETURNS TABLE As of April 11, 2025

				Yield/ OAS Change (BPS)				Total Return (%)			
Sovereign Rates	**Duration**	**YTM**	**OAS**	**WTD**	**QTD**	**YTD**	**Prior Year**	**WTD**	**QTD**	**YTD**	**Prior Year**
U.S. 2-Year	1.87	3.96	---	31	8	-28	-100	-0.46	-0.02	1.54	5.60
U.S. 5-Year	4.45	4.15	---	45	21	-22	-47	-1.78	-0.74	2.17	5.89
U.S. 10-Year	7.80	4.47	---	50	29	-8	-10	-3.42	-1.87	2.07	4.87
U.S. 10-Year Breakeven	--	2.23	---	4	-14	-11	-17	---	---	---	---
U.S. 10-Year TIPS	4.36	2.26	---	46	42	3	7	-3.45	-3.21	1.83	4.61
U.S. 20-Year	12.60	4.91	---	50	34	8	14	-5.51	-3.61	0.41	1.77
U.S. 30-Year	15.75	4.85	---	46	30	9	19	-6.43	-3.98	0.25	0.88
U.S. SOFR	---	---	---	-2	-8	-16	-98	0.09	0.13	1.22	5.06
UK 10-Year	7.84	4.75	---	31	8	19	55	-2.29	-0.47	-0.58	-0.58
Germany 10-Year	8.57	2.57	---	-1	-17	20	11	0.11	1.53	0.44	0.44
Switzerland 10-Year	10.01	0.40		-3	-15	13	-33	0.31	1.45	-0.70	4.28
Japan 10-Year	8.76	1.30	---	11	-18	22	44	-0.91	-0.91	-0.91	-0.91
Australia 10-Year	8.56	4.40	---	18	1	4	14	-1.49	0.32	1.21	3.44
Canada 10-Year	8.12	3.26	---	38	30	4	-47	-3.03	-2.29	0.57	3.83
MAJOR FI MS INDICES											
Global Aggregate Unhedged	6.58	3.66	41	3	7	6	3	-0.44	1.09	3.76	6.08
Global Aggregate Hedged	6.58	3.66	41	3	7	6	3	-1.43	-0.50	0.67	5.46
U.S. Aggregate	6.15	4.86	41	2	6	8	3	-2.54	-1.68	1.06	5.25
Euro-Aggregate (Unhedged)	6.45	2.86	68	6	13	6	5	0.10	0.76	-0.14	3.75
Japanese Aggregate	8.68	1.27	0	0	0	0	-1	-1.97	0.26	-2.13	-3.58
MAJOR FI CREDIT INDICES											
Mortgage-Backed (Agency)	6.11	5.22	42	4	6	-1	-8	-2.74	-1.74	1.26	5.99
Global IG Corporate Bonds	5.95	4.90	118	5	21	29	21	-1.01	-0.31	2.52	6.33
U.S. IG Corporate Bonds	6.91	5.55	113	5	20	34	27	-2.82	-2.49	-0.24	4.38
European IG Corporate	4.52	3.30	123	6	25	21	13	0.09	0.01	0.00	4.69
U.S. High Yield Bonds	3.68	8.58	419	-8	72	132	117	-0.70	-2.40	-1.42	6.12
European High Yield Bonds	3.19	6.59	424	26	78	106	71	-0.73	-2.00	-1.47	5.63
U.S. Leveraged Loans	0.3	9.03	550	5	52	75	44	0.01	-1.38	-0.77	5.30
European Leveraged Loans	0.3	7.90	539	22	45	67	42	-0.48	-1.47	-0.50	5.46
EM Hard Currency Sovs.	6.36	8.40	388	4	39	62	57	-2.72	-3.51	-0.49	4.26
EM Corporates	4.23	7.33	296	2	30	55	35	-2.09	-2.42	-0.05	5.84
EM Currencies	---	6.49	---	0	-1	-2	-2	0.63	0.78	3.94	3.99
EM Local Rates	5.29	6.25	6	0	0	0	0	-0.36	0.31	1.93	6.31
CMBS	4.01	5.18	101	7	13	20	9	-1.85	-1.13	1.41	6.68
ABS	2.60	4.75	67	6	7	23	17	-0.93	-0.43	1.10	6.08
CLOs	3.65	5.36	158	11	15	17	6	-0.33	-0.41	0.67	5.54
Municipal Bonds	6.84	4.03	---	67	44	55	61	-3.99	-2.56	-2.78	-0.42

		Total Return (%)			
Equity/Volatility	Level	WTD	QTD	YTD	Prior Yr
S&P 500 Index	5,363	5.7	-4.4	-8.5	4.6
DAX	20,939	-1.3	-8.1	2.3	13.5
Stoxx 600	300	-1.7	-8.5	-2.7	-0.1
Nikkei 225	33,982	-0.6	-5.7	-15.1	-13.3
Shanghai Composite	3,263	-3.1	-2.9	-3.1	10.4
MSCI ACWI Index	430	3.5	-4.4	-5.6	3.6
FTSE 100	8,124	-1.0	-7.0	-1.3	4.2
MOVE Index	137	9.2	35.4	38.9	26.1
VIX Index	32	-17.1	68.6	116.5	151.9

		% Change			
FX/Commodities	Spot	WTD	QTD	YTD	Prior Year
EUR/USD	1.1	3.6	5.0	9.7	5.9
USD/JPY	143.5	-2.3	-4.3	-8.7	-6.3
GBP/USD	1.3	1.6	1.3	4.6	4.3
EUR/CHF	0.9	-1.9	-3.2	-1.5	-5.2
USD/CHF	0.8	-5.3	-7.9	-10.2	-10.5
USD (DXY)	100.1	-2.8	-3.9	-7.7	-4.9
Oil	77.0	-0.8	-14.0	-14.2	-27.7
Gold	3237.6	6.6	3.7	23.4	36.5

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Sources: Bloomberg except EMD (J.P. Morgan), HY (ICE BofAML), Bank Loans (S&P), and CLOs (Palmer Square). European returns are unhedged in euros unless otherwise indicated. An investment cannot be made directly in an index

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European Investment Grade Corporate Bonds: Bloomberg Barclays European Corporate Bond Index (unhedged): The Bloomberg Barclays Euro-Aggregate: Corporates bond Index is a rules-based benchmark measuring investment grade, EUR denominated, fixed rate, and corporate only. Only bonds with a maturity of 1 year and above are eligible.

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European High Yield Bonds: ICE BofAML European Currency High Yield Index: This data represents the ICE BofAML Euro High Yield Index value, which tracks the performance of Euro denominated below investment grade corporate debt publicly issued in the euro domestic or eurobond markets. Qualifying securities must have a below investment grade rating (based on an average of Moody's, S&P, and Fitch). Qualifying securities must have at least one year remaining term to maturity, a fixed coupon schedule, and a minimum amount outstanding of €100 M. ICE Data Indices, LLC, used with permission. ICE DATA INDICES, LLC IS LICENSING THE ICE DATA INDICES AND RELATED DATA "AS IS," MAKES NO WARRANTIES REGARDING SAME, DOES NOT GUARANTEE THE SUITABILITY, QUALITY, ACCURACY, TIMELINESS, AND/OR COMPLETENESS OF THE ICE DATA INDICES OR ANY DATA INCLUDED IN, RELATED TO, OR DERIVED THEREFROM, ASSUMES NO LIABILITY IN CONNECTION WITH THEIR USE, AND DOES NOT SPONSOR, ENDORSE, OR RECOMMEND PGIM FIXED INCOME OR ANY OF ITS PRODUCTS OR SERVICES.

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European Senior Secured Loans: The index universe of the S&P UBS Western European Leveraged Loan Index is meant to represent assets or activity in Western Europe, and includes loans denominated in EUR, GBP, or USD.

Emerging Markets U.S.D Sovereign Debt: JP Morgan Emerging Markets Bond Index Global Diversified: The Emerging Markets Bond Index Global Diversified (EMBI Global) tracks total returns for U.S.D-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, and Eurobonds. It limits the weights of those index countries with larger debt stocks by only including specified portions of these countries' eligible current face amounts of debt outstanding. To be deemed an emerging market by the EMBI Global Diversified Index, a country must be rated Baa1/BBB+ or below by Moody's/S&P rating agencies. Information has been obtained from sources believed to be reliable, but J.P. Morgan does not warrant its completeness or accuracy. The Index is used with permission. The Index may not be copied, used, or distributed without J.P. Morgan's prior written approval.

Emerging Markets Local Debt (unhedged): JPMorgan Government Bond Index-Emerging Markets Global Diversified Index: The Government Bond Index-Emerging Markets Global Diversified Index (GBI-EM Global) tracks total returns for local currency bonds issued by emerging market governments.

Emerging Markets Corporate Bonds: JP Morgan Corporate Emerging Markets Bond Index Broad Diversified: The CEMBI tracks total returns of U.S. dollar-denominated debt instruments issued by corporate entities in Emerging Markets countries.

Emerging Markets Currencies: JP Morgan Emerging Local Markets Index Plus: The JP Morgan Emerging Local Markets Index Plus (JPM ELMI+) tracks total returns for local currency–denominated money market instruments.

Municipal Bonds: Bloomberg Barclays Municipal Bond Indices: The index covers the U.S.D-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds. The bonds must be fixed-rate or step ups, have a dated date after Dec. 13, 1990, and must be at least 1 year from their maturity date. Non-credit enhanced bonds (municipal debt without a guarantee) must be rated investment grade (Baa3/BBB-/BBB- or better) by the middle rating of Moody's, S&P, and Fitch.

U.S. Treasury Bonds: Bloomberg Barclays U.S. Treasury Bond Index: The Bloomberg Barclays U.S. Treasury Index measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury. Treasury bills are excluded by the maturity constraint but are part of a separate Short Treasury Index.

Mortgage Backed Securities: Bloomberg Barclays U.S. MBS - Agency Fixed Rate Index: The Bloomberg Barclays U.S. Mortgage Backed Securities (MBS) Index tracks agency mortgage backed pass-through securities (both fixed-rate and hybrid ARM) guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The index is constructed by grouping individual TBA-deliverable MBS pools into aggregates or generics based on program, coupon and vintage.

Commercial Mortgage-Backed Securities: Bloomberg Barclays CMBS: ERISA Eligible Index: The index measures the performance of investment-grade commercial mortgage-backed securities, which are classes of securities that represent interests in pools of commercial mortgages. The index includes only CMBS that are Employee Retirement Income Security Act of 1974, which will deem ERISA eligible the certificates with the first priority of principal repayment, as long as certain conditions are met, including the requirement that the certificates be rated in one of the three highest rating categories by Fitch, Inc., Moody's Investors Services or Standard & Poor's.

Palmer Square AAA CLO DM Index represents the discount margin of CLO AAA rated tranches in the Palmer Square CLO Senior Index, which is designed to reflect the investable universe of U.S CLO senior original rated AAA and AA debt issued after Jan 1, 2011.

Global Aggregate Bond Index is a measure of global investment grade debt from twenty four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

U.S. Aggregate Bond Index: Bloomberg Barclays U.S. Aggregate Bond Index: The Bloomberg Barclays U.S. Aggregate Index covers the U.S.D-denominated, investment-grade, fixed-rate or step up, taxable bond market of SEC-registered securities and includes bonds from the Treasury, Government-Related, Corporate, MBS (agency fixed-rate and hybrid ARM passthroughs), ABS, and CMBS sectors. Securities included in the index must have at least 1 year until final maturity and be rated investment-grade (Baa3/ BBB-/BBB-) or better using the middle rating of Moody's, S&P, and Fitch.

Euro Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, euro-denominated, fixed rate bond market, including treasuries, government-related, corporate and securitized issues. Inclusion is based on currency denomination of a bond and not country of risk of the issuer.

Japanese Aggregate Bond Index The Japanese Aggregate Index contains fixed-rate investment-grade securities denominated in Japanese yen and registered as domestic bonds. The index is composed primarily of local currency sovereign debt but also includes government-related, corporate, and securitized bonds.

The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities. There is over U.S.D 9.9 trillion indexed or benchmarked to the index, with indexed assets comprising approximately U.S.D 3.4 trillion of this total. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

The DAX Index is a total return index of 30 selected German blue chip stocks traded on the Frankfurt Stock Exchange. The equities use free float shares in the index calculation. The DAX has a base value of 1,000 as of December 31, 1987. As of June 18, 1999 only XETRA equity prices are used to calculate all DAX indices.

The STOXX 600 Index is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 17 countries of the European region.

The Nikkei 225 Index is a price-weighted average of 225 top-rated Japanese companies listed in the First Section of the Tokyo Stock Exchange. The Nikkei Stock Average was first published on May 16, 1949.

Shanghai Composite Index is a capitalization-weighted index. The index tracks the daily price performance of all A-shares and B-shares listed on the Shanghai Stock Exchange. The index was developed on December 19, 1990.

MSCI ACWI is a free-float weighted equity index. It was developed with a base value of 100 as of December 31 1987. MXWD includes both emerging and developed world markets.

FTSE 100 is a capitalization-weighted index of the 100 most highly capitalized companies traded on the London Stock Exchange. The equities use an investibility weighting in the index calculation. The index was developed with a base level of 1000 as of December 30, 1983.

MOVE Index is a yield curve weighted index of the normalized implied volatility on 1-month Treasury options. It is the weighted average of volatilities on the CT2, CT5, CT10, and CT30. (weighted average of 1m2y, 1m5y, 1m10y and 1m30y Treasury implied vols with weights 0.2/0.2/0.4/0.2, respectively).

VIX Index is a financial benchmark designed to be an up-to-the-minute market estimate of the expected volatility of the S&P 500® Index, and is calculated by using the midpoint of real-time S&P 500 Index (SPX) option bid/ask quotes.

Bloomberg Commodity Index Bloomberg Commodity Index (BCOM) is calculated on an excess return basis and reflects commodity futures price movements. The index rebalances annually weighted 2/3 by trading volume and 1/3 by world production and weight-caps are applied at the commodity, sector and group level for diversification. Roll period typically occurs from 6th-10th business day based on the roll schedule.

The U.S. Dollar Index indicates the general international value of the USD. The USDX does this by averaging the exchange rates between the USD and major world currencies. The ICE US computes this by using the rates supplied by some 500 banks.

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