LPL RESEARCH

Global Portfolio Strategy

May 2025

Adding Global Diversification on Growing Trade Optimism

The LPL Strategic & Tactical Asset Allocation Committee (STAAC) determines the firm's investment outlook and asset allocation that helps define LPL Research's investment models and overall strategic and tactical investment thinking and guidance. The committee is chaired by the chief investment officer and includes investment specialists from multiple investment disciplines and areas of focus. The STAAC meets weekly to closely monitor all global economic and capital markets conditions to ensure that all the latest information is being digested and incorporated into its investment thought.

Color Key:

- Strong Overweight View
- Overweight View
- Neutral View
- Underweight View
- Strong Underweight View

Key changes from STAAC:

- **Downgraded large/mid growth to modest overweight**
- **Upgraded emerging market equities to neutral**
- **Downgraded stance on U.S. equities to neutral**
- **Revised 2025 GDP forecast down to 1.3%**
- **Upgraded view on agricultural commodities to neutral**

STAAC Asset Class Tactical Views as of 05/01/2025 (GWI)

Asset Class					
Equity			●		
U.S.		→	●		
International Developed (EAFE)			●		
Emerging Markets			●	←	
Large/Mid Growth	→	●			
Large/Mid Value			●		
Small Growth			●		
Small Value				●	
Fixed Income			●		
Treasuries			●		
MBS		●			
IG Corporates				●	
TIPS			●		
International Developed			●		
Preferred			●		
High-Yield			●		
Bank Loans			●		
Emerging Markets			●		
Cash				●	
Alternatives		●			

STAAC Sector Tactical Views as of 05/01/2025 (GWI)

Sector					
Materials				●	
Consumer Staples			●		
Financials		●			
Real Estate			●		
Communications Services		●			
Energy			●		
Industrials			●		
Information Technology			●		
Consumer Discretionary			●		
Healthcare			●		
Utilities				●	

Source: STAAC as of May 1, 2025. All sector and asset allocation recommendations must be considered in the context of an individual investor's goals, time horizon, liquidity needs and risk tolerance. Not all recommendations will be in the best interest of all investors. The STAAC views expressed are based on a Tactical Asset Allocation (TAA) for a portfolio that has a Growth With Income (GWI) investment objective.

Investment Takeaways

Major averages ended a volatile April mostly lower after paring back a deep correction in the wake of the April 2 reciprocal tariff announcement. Steeper than expected tariff rates and countermeasures from abroad sent the S&P 500 tumbling over 12% intra-month as economic growth worries rippled across Wall Street. However, stocks rebounded after President Donald Trump announced a 90-day pause on reciprocal levies. Sentiment improved on optimistic remarks about trade deals from U.S. officials, outside of short-lived Federal Reserve (Fed) independence concerns. Following the strong late-month rally, the S&P 500 ended less than 1% below the month-to-date flatline. Elsewhere, first quarter earnings reports got off to a solid start, although tariff-related uncertainty dominated earnings calls.

Within fixed income markets, Treasury yields ended mixed with shorter term yields falling and longer dated yields rising. Core bonds, measured by the Bloomberg U.S. Aggregate Bond Index, added 0.4% to notch a fourth straight monthly gain as the rates market faced a volatile month of its own. The Treasury yield curve experienced significant steepening in the belly of the curve as longer-term yields were pushed higher before volatility ebbed. Corporate credit markets were also volatile amid increased uncertainty around tariff effects on corporate fundamentals, sending both investment grade and high yield spreads wider.

LPL Research's recently lowered year-end 2025 fair value S&P 500 target range is 5,650–5,800, based on a 21 price-to-earnings ratio and roughly $270 in S&P 500 earnings per share (EPS) in 2026. Tariff uncertainty has severely obscured visibility into corporate earnings and economic activity. The lack of clarity, combined with the likelihood of a materially higher effective U.S. tariff rate compared to 2024, could significantly impact earnings. Navigating this uncertain policy environment remains challenging.

- The Committee has upgraded emerging market (EM) equities to neutral. In this uncertain environment, when conviction is relatively low, positioning at or near neutral is prudent. For EM, the technical analysis picture has improved, valuations are attractive, the weakening U.S. dollar is beneficial, and EM countries outside of China may benefit from supply chain shifts, helping to offset the significant risk of U.S.-China trade tensions. The increased EM equities allocation is being funded by a downgrade of large growth to a modest overweight, primarily on valuation concerns and formidable chart resistance following the latest rally from a technical analysis perspective.
- The Committee now maintains a neutral stance toward U.S. equities as elevated valuations amid limited corporate visibility and a cooling economy (that likely skirts recession) offset the opportunity for upside in our view even with tariff rates likely to come down.
- LPL Research has lowered its GDP forecast for 2025. The domestic economy is now expected to grow at 1.3% in 2025, with most of the growth coming in the latter part of the year. Irrespective of future trade policy, the downbeat sentiment of both consumers and businesses could be a harbinger of much slower economic growth. Financing from capital markets continued to be broadly available for large-to-midsize businesses and municipalities. However, credit conditions for small businesses remained moderately tight. This is something to monitor, given the greater impact that tariffs have on small businesses. Further, recent surveys indicate fewer firms are planning capital expenditures in the next three to six months.

2025 MARKET FORECASTS

Elevated Volatility May Continue in the Near-Term

	Current
10-Year U.S. Treasury Yield	3.75% to 4.25%*
S&P 500 Index Earnings per Share	$250 to $255**
S&P 500 Index Fair Value	5,650 – 5,800

Source: LPL Research, FactSet, Bloomberg
All indexes are unmanaged and cannot be invested into directly.

*Our year-end 2025 forecast for the U.S. 10-year Treasury yield is 3.75% to 4.25%. The Fed's higher for longer narrative and the poor supply/demand technicals for Treasury securities will likely keep interest rates at these elevated levels until the economic data weakens and/or inflation falls back in line with the Fed's longer term 2% target.

**Our year-end 2025 fair-value target range for the S&P 500 of 5,650–5,800 is based on a price-to-earnings ratio (PE) of 21 and our recently lowered S&P 500 earnings per share (EPS) forecast of $270 in 2026.

Any forward-looking statements including economic forecasts may not develop as predicted and are subject to change.

All data, views, and forecasts herein are as of 05/01/25.

2025 ECONOMIC FORECASTS

U.S. Economy Expected to Slow This Year

	2025 (Y/Y, real GDP)
United States	1.3%
Eurozone	0.9%
Advanced Economics	1.5%
Emerging Markets	4.2%
Global	3.0%

Source: LPL Research, Bloomberg.
The economic forecasts may not develop as predicted.

Tactical Asset Allocation as of 05/01/2025

Investment Objective

	Aggressive Growth			Growth			Growth with Income			Income with Moderate Growth			Income with Capital Preservation		
	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference
STOCKS	95.0%	95.0%	0.0%	80.0%	80.0%	0.0%	60.0%	60.0%	0.0%	40.0%	40.0%	0.0%	20.0%	20.0%	0.0%
U.S. Equity	76.0%	76.0%	0.0%	64.0%	64.0%	0.0%	48.0%	48.0%	0.0%	32.0%	32.0%	0.0%	16.0%	16.0%	0.0%
Large/Mid Growth	32.0%	28.5%	3.5%	27.0%	24.0%	3.0%	20.5%	18.0%	2.5%	14.0%	12.0%	2.0%	7.0%	6.0%	1.0%
Large/Mid Value	29.5%	28.5%	1.0%	25.0%	24.0%	1.0%	18.5%	18.0%	0.5%	12.0%	12.0%	0.0%	6.0%	6.0%	0.0%
Small Growth	9.5%	9.5%	0.0%	8.0%	8.0%	0.0%	6.0%	6.0%	0.0%	4.0%	4.0%	0.0%	2.0%	2.0%	0.0%
Small Value	5.0%	9.5%	-4.5%	4.0%	8.0%	-4.0%	3.0%	6.0%	-3.0%	2.0%	4.0%	-2.0%	1.0%	2.0%	-1.0%
International Equity	19.0%	19.0%	0.0%	16.0%	16.0%	0.0%	12.0%	12.0%	0.0%	8.0%	8.0%	0.0%	4.0%	4.0%	0.0%
Developed (EAFE)	12.0%	12.0%	0.0%	10.0%	10.0%	0.0%	8.0%	8.0%	0.0%	5.0%	5.0%	0.0%	4.0%	4.0%	0.0%
Emerging Markets	7.0%	7.0%	0.0%	6.0%	6.0%	0.0%	4.0%	4.0%	0.0%	3.0%	3.0%	0.0%	0.0%	0.0%	0.0%
Bonds	0.0%	0.0%	0.0%	15.0%	15.0%	0.0%	35.0%	35.0%	0.0%	55.0%	53.0%	2.0%	75.0%	70.0%	5.0%
U.S. Core	0.0%	0.0%	0.0%	15.0%	15.0%	0.0%	35.0%	35.0%	0.0%	55.0%	53.0%	2.0%	75.0%	70.0%	5.0%
Treasuries	0.0%	0.0%	0.0%	7.0%	7.0%	0.0%	16.0%	16.0%	0.0%	26.5%	24.5%	2.0%	36.5%	32.5%	4.0%
MBS	0.0%	0.0%	0.0%	4.5%	4.0%	0.5%	11.0%	10.0%	1.0%	16.0%	15.0%	1.0%	21.5%	20.0%	1.5%
IG Corporates	0.0%	0.0%	0.0%	3.5%	4.0%	-0.5%	8.0%	9.0%	-1.0%	12.5%	13.5%	-1.0%	17.0%	17.5%	-0.5%
Alternatives	3.0%	0.0%	3.0%	3.0%	0.0%	3.0%	3.0%	0.0%	3.0%	3.0%	0.0%	3.0%	3.0%	0.0%	3.0%
Tactical: Global Macro	3.0%	0.0%	3.0%	2.0%	0.0%	2.0%	1.5%	0.0%	1.5%	1.0%	0.0%	1.0%	0.0%	0.0%	0.0%
Multi-Strategy	0.0%	0.0%	0.0%	1.0%	0.0%	1.0%	1.5%	0.0%	1.5%	2.0%	0.0%	2.0%	3.0%	0.0%	3.0%
Cash	2.0%	5.0%	-3.0%	2.0%	5.0%	-3.0%	2.0%	5.0%	-3.0%	2.0%	7.0%	-5.0%	2.0%	10.0%	-8.0%

For investors who have their own benchmarks, we would recommend emphasizing underweights or overweights relative to the individual benchmark at the most similar overall risk level.

Equity benchmark style weights are equally distributed across growth and value. Cap weights are based on the underlying holdings of the domestic benchmark indexes.

Bond benchmark sector allocations are based on a look-through analysis of the major sector components of the Bloomberg US Aggregate Bond Index.

Treasuries include other government related debt. MBS includes other securitized debt.

To better align with other STAAC publications, mid caps have been combined with large caps in the TAA. Accounts with distinct mid cap allocations may disaggregate mid caps from the "Large & Mid" exposure shown in the table roughly in-line with relative market cap values: 75% Large Cap 25% Mid Cap.

Equity Asset Classes

Amid Heightened Policy Uncertainty, More Global Diversification and Staying Near Benchmarks are Prudent

In this environment of trade policy uncertainty, when conviction levels are not high, LPL Research's Strategic and Tactical Asset Allocation Committee (STAAC) believes it is prudent to keep tactical asset allocations near benchmarks. In that spirit, the Committee has upgraded emerging markets (EM) equities to neutral. EM's technical analysis picture has improved, valuations are still attractive, the weakening U.S. dollar is beneficial, and EM countries outside of China may benefit from supply chain shifts, helping to offset the significant risk of U.S.-China trade tensions. The increased EM equities allocation is being funded by a downgrade of large growth to a modest overweight, primarily on valuation concerns and formidable chart resistance following the latest rally from a technical analysis perspective.

The Committee continues to favor large caps over small caps in this volatile market environment. And now that stocks have rebounded despite limited trade clarity, the Committee has less conviction in growth over value and has trimmed growth exposure.

Color Key:

Strong Overweight · Overweight · Neutral · Underweight · Strong Underweight

	Sector	Overall View	Relative Trend	Rationale
Market Capitalization and Style	**Large/Mid Growth**	Overweight	Positive	LPL's STAAC continues to favor a modest tilt torward the growth style as slowing economic growth and superior, technology-driven earnings power support growth. However, our technical analysis work suggests a more balanced view is prudent, while growth stocks may be pricing in overly optimistic tariff assumptions.
	Large/Mid Value	Neutral	No Trend	Defensive value stocks may be poised for another stint of outperformance if stocks pull back after the recent rebound. Cyclical value faces high tariff risk and, by definition, economic sensitivity as recession risks have risen, but valuations are relatively more attractive for the value style and technical conditions have improved.
	Small Growth	Neutral	No Trend	Low valuations are not enough to favor small caps in a highly uncertain economic and policy environment. Smaller companies may have a harder time mitigating tariffs. LPL Research believes the enthusiasm among some surrounding a more domestic focus may be overdone. Technical analysis trends are not supportive.
	Small Value	Underweight	No Trend	Small cap fundamentals have deteriorated in the uncertain policy environment. Valuations are attractive but that's not enough in a trade war to offset the market's preference for balance sheet strength. Slowing economic growth is a headwind for banks, though the yield curve environment has improved.
Region	**United States**	Neutral	No Trend	Trade policy uncertainty and stretched valuations amid limited earnings visibility and slowing economic growth temper the outlook for U.S. equities. Meanwhile, a weaker U.S. dollar, should it occur, improves the outlook for non-U.S. equities, which have benefitted from challenges to U.S. exceptionalism. AI investment and innovation may still likely result in superior U.S. earnings growth.
	Developed International	Neutral	Positive	The STAAC remains neutral developed international as valuations, while still reasonable, have risen, and gains from fading U.S. exceptionalism may have been mostly realized. U.S. economic and earnings growth is still likely to outpace the developed world, while international has a disadvantage with less tech exposure. European Central Bank rate cuts and ramped up deficit/defense spending are supportive.
	Emerging Markets	Neutral	No Trend	Recent fundamental and technical improvement in EM drives the upgrade to neutral. EM valuations remain attractive with upside potential if the U.S. dollar weakens. Despite trade tensions with China, risk-reward seems balanced when considering potential beneficiaries of less trade with China, e.g., Brazil, India, and Mexico. Relatively less perceived upside in the U.S. post-rally also a factor.

Relative trend is an assessment of the intermediate term price trend and performance between various asset classes and sectors. For regions and styles, the relative trends are compared to each other.

Equity Sectors

Minimizing Sector Tilts Amid Trade Uncertainty

The sectors most impacted by tariffs, including consumer discretionary, industrials, and technology, led the intra-month rebound over the last three weeks of April after President Trump paused reciprocal tariffs. Defensive sectors lagged off the April 8 market low.

In late April, the STAAC reduced its sector tilts amid trade policy uncertainty, with a slight preference for sectors that may benefit from tariff clarity. The Committee's favored sectors are communication (comm) services and financials, while materials and utilities are the only underweights. Comm services and financials are relatively well positioned to manage through the difficult trade environment, in our view, but should also benefit from tariff reductions in a potential bullish outcome.

Color Key:

Strong Overweight | Overweight | Neutral | Underweight | Strong Underweight

	Sector	Overall View	Relative Trend	S&P Wgt.	Rationale
Cyclical	**Basic Materials**		Negative	2.0	Underperformer in April (-2.2%) as slower global growth and trade uncertainty outweighed potential benefits of tariffs on some mining and steel stocks. Fundamentals and tecnnical analysis picture are consistent with an underweight.
	Consumer Cyclical		Positive	10.3	Inline performer in April (-0.3%) as high tariff risk in retail, autos, and homebuilders was reflected in sharp declines from April 2–8, and a strong recovery the rest of the month after the tariff pause. Fair valuations. Mixed technicals.
	Financial Services		Positive	14.5	Slight laggard in April (-2.2%) on growth concerns, despite solid Q1 earnings season. Capital markets businesses benefited from volatility, but lending environment is increasingly challenging. Credit conditions remain okay. Technical analysis picture has improved. Expect enough tariff resilience for an overweight despite uncertainty.
	Real Estate		No Trend	2.3	Underperformer in April (-1.3%) as defensive characteristics only helped during the early-month decline. Neutral view reflects yields and reasonable valuations, balanced against the STAAC's preference for cyclical sectors. Exposure to data centers and mobile broadband is supportive. Lack of direction technically.
Sensitive	**Communication Services**		Positive	9.6	Outperformed in April (+0.6%) as digital media companies are generally less tariff exposed, though tariff threat on international movies is worth monitoring. Artificial intelligence (AI) investment is a key driver. Strong earnings outlook reaffirmed during Q1 earnings season. Reasonable valuations. Solid technicals.
	Energy		No Trend	3.2	Worst sector performer in April (-13.7%) after lagging on the way down early in the month and on the subsequent market rally. The drop in oil prices on global growth fears and increased OPEC+ production were the primary drivers of the weakness. Though oil may have more near-term downside, the sector may be due to bounce.
	Industrials		No Trend	8.6	Modest April outperformer (+0.2%). Boosted by the tariff pause, despite ongoing risk to global growth and capital investment. Tailwinds of infrastructure spending, AI data center buildouts, and near-shoring remain. Fair valuations. Mixed technicals.
	Technology		Negative	30.7	Top performing sector in April (+1.6%) on the tariff pause and possibility that semiconductor sectoral tariffs will be eased. Although AI spending outlook remains healthy based on Q1 earnings, slowing global growth, trade uncertainty, elevated valuations post-rally, and mixed technicals point to a range-bound outlook.
Defensive	**Consumer Defensive**		No Trend	6.1	Surprising outperformer in April (+1.1%) as the sector benefited enough from its defensiveness in early April to hang on for modest gains for the month. Sector still faces fundamental headwinds (healthy food initiatives, stressed low-income consumers, tariff risk) but tariff risk may be manageable, and "needs" are in favor.
	Healthcare		Negative	10.3	Underperformed in April (-3.8%) on risk of pharmaceutical sector tariffs and challenging regulatory environment under new Health Secretary RFK Jr. Earnings growth is inflated by easy comparisons in 2024. Cheap sector but waning technicals.
	Utilities		No Trend	2.6	Flat in April as defensive characteristics and AI power demand stories provided support at various times. Direction to be determined by interest rates and AI trends.

Any company names noted herein are for educational purposes only and not an indication of trading intent or a solicitation of their products or services.

Fixed Income

A Tale of Two Halves

Fixed income markets, as proxied by the Bloomberg Aggregate Bond Index, were higher in April but it was a volatile ride to get back to positive gains after an early month sell-off pushed the index lower by 2.5%. Sticky inflation, a patient Fed, potential foreign buyer boycotts, hedge fund deleveraging, rebalancing out of bonds into cash, and an illiquid Treasury market were all reasons why Treasury yields initially moved higher before calm returned to the Treasury market and yields fell throughout the rest of the month. With volatility expected to stay elevated, we remain duration neutral to benchmarks.

Valuations for riskier fixed income sectors remain rich relative to core sectors, in our view, however, continued spread widening in these sectors is a good first step back to becoming more attractive. Too early in our view to take on additional fixed income risk.

Color Key:

Strong Overweight · Overweight · Neutral · Underweight · Strong Underweight

Current Stance

	Low	Med	High	Rationale
Credit Quality Preference			✓	Recommend an up-in-quality approach in allocating to fixed income sectors. While all-in yields for lower quality remain above longer-term averages, we think the risk-reward favors owning core bond sectors over the riskier sectors.

	Short	Inter.	Long	Rationale
Duration Preference		✓		Yields remain under pressure from conflicting narratives: slowing growth (lower yields) but stickier inflation (higher yields), tariff pressures, and an ongoing Treasury Department debt ceiling debate will likely keep rates directionless (but volatile) until/unless the economic data softens enough to allow the Fed to continue its rate cutting campaign. We remain neutral duration.

	Neg.	Neut.	Pos.	Rationale
Municipal Bond View		✓		Performance was negative for the month and has underperformed taxable markets this year. Underperformance has been mostly the result of onerous net supply, Treasury rate volatility, ETF outflows, and headline concerns about the removal of the tax-exemption status of munis. Curve steepness still suggests intermediate term allocations are worth a look.

		Overall View	Overall Trend	Rationale
Core Sectors	**U.S. Treasuries**	Neutral	No Trend	The 10-year traded in a wide range in April hitting 4.5% before ending the month at 4.16%. Sticky inflation and slowing growth concerns remain, which could keep rates directionless. Markets are pricing in three full cuts in 2025, which seems appropriate given the economic concerns. To get Treasury yields much lower though, economic data will need to show further deterioration. Technically, 10-year yields are consolidating around a flat 200-day moving average (dma), with limited signs of directional momentum.
Core Sectors	**MBS**	Overweight	No Trend	We remain constructive on agency mortgage-backed securities(MBS). Yields and spreads remain near multi-year highs, so we think MBS remain an attractive investment opportunity, particularly relative to lower-rated corporates. Elevated interest rate volatility is a headwind to MBS but recent demand from banks, traditionally the largest buyer of MBS, remains supportive.
Core Sectors	**Investment-Grade Corporates**	Underweight	Negative	We recommend an underweight to benchmarks, but we think there is an opportunity to invest in shorter to intermediate maturity corporate securities without taking on elevated levels of interest rate or credit risk. Fundamentals remain solid.
Core Sectors	**TIPS**	Neutral	Positive	Treasury Inflation-Protected Securities (TIPS) underperformed nominals in April as real yields surprisingly increased during the month. All-in yields for TIPS remain attractive , particularly shorter maturity TIPS, and could provide a good hedge against unexpected inflation surprises.
Plus Sectors	**Preferred Securities**	Neutral	Negative	Preferred securities have outperformed most other bond sectors over the past 12 months, but valuations are back to historical averages, so no longer as attractive for tactical models. Recent Fed stress tests continue to show large, money-center bank fundamentals are generally sound, but the environment favors active management.
Plus Sectors	**High-Yield Corporates**	Neutral	Positive	Spreads widened in April on economic growth concerns but have since retraced most of the widening, leaving valuations unattractive. Yields for high-yield bonds are above historical averages, but spreads are at risk for further widening due to tariff/trade war uncertainty. We think it's too soon to change our view on high yield but further spread widening would make the asset class more attractive.
Plus Sectors	**Bank Loans**	Neutral	Negative	Downgrades and defaults have increased and could increase still if the economy slows/contracts. Given the current economic uncertainty, high-risk credit sectors could underperform safer "core" sectors.
Plus Sectors	**Foreign Bonds**	Neutral	No Trend	Yields have surged higher recently but risks to still higher yields remain.
Plus Sectors	**EM Debt**	Neutral	Negative	Valuations are relatively attractive, but idiosyncratic risks remain, and ongoing trade wars could negatively impact smaller emerging countries. Dollar strength is another risk. Liquidity can be an added risk during periods of stress.

Commodities and Currencies

Winning Streak Ends

The broader commodities complex snapped a five-month winning streak in April. The Bloomberg Commodity Index (BCOM) sank over 5%, marking its worst month of performance in nearly two years. The White House's reciprocal tariff announcement on April 2 spurred the risk-off selling pressure across global markets. Recession calls almost immediately followed as economists penciled in lower growth and higher inflation forecasts amid the backdrop of a brewing global trade war. The American exceptionalism premium embedded in U.S. assets was rerated lower as foreign capital flowed back to its country of origin, exacerbating de-dollarization trends and denting its safe-haven reputation. With the dollar down and price action in risk assets reaching panic levels, the melt-up in gold continued. Even after an 8% pullback in the latter half of the month, the yellow metal posted over a 5% gain in April.

Currency markets were volatile throughout the month as the narrative transitioned from initial tariff rates, retaliation headlines, and ultimately toward potential trade deals. Treasury market moves bordered on historic, but the backdrop of higher yields provided no support for the dollar. The greenback tumbled 4.6% before finding support near the lower end of its multi-year range. Safe havens such as the Swiss franc and Japanese yen outperformed, while the euro notched a podium spot after rallying 4.7%. Technically, the EUR/USD broke out from a consolidation range, leaving 1.15, 1.17, and 1.23 as the next major resistance hurdles to clear. Several Asian currencies also appreciated against the dollar as policymakers proactively strengthened and/or stopped devaluing their currency ahead of U.S. trade negotiations.

Energy widely underperformed, with West Texas Intermediate (WTI) crude oil and U.S. natural gas dropping almost 20%. In addition to reduced demand expectations, OPEC+ announced that it would increase supply by an unexpected 411k barrels per day — three times the expected amount — starting in May to punish members who are not adhering to the output restrictions (notably Iraq and Kazakhstan).

Color Key: ● Positive ● Neutral ● Negative

Sector	Overall View	Overall Trend	Rationale
Energy	· ● ·	Neutral	Oil has struggled as tariff-related demand concerns weigh on risk appetite. Increased supply from OPEC+ is further complicating the outlook. Technically, WTI recently violated major support near $64 and is now oversold. Oversold conditions and contrarian bearish positioning point to a potential short-term relief rally on the horizon, but there is limited evidence of a sustainable bottom developing. Natural gas dropped 19.3% until finally finding support at the 200-day moving average (dma). **We maintain our neutral view on the energy commodity sector.**
Precious Metals	● · ·	Positive	Metals were a bright spot, with gold continuing to outperform. Outside of the tailwinds from a weaker dollar, trade uncertainty, and a steady drip of central bank demand, inflows into physical-gold related ETFs rose throughout the month. The fear of missing out on gold's record high rally to $3,500 an ounce pushed total gold ETF holdings to their highest level since 2023 last month. Use pullbacks as buying opportunities. Silver declined 4.3%, pushing the gold/silver ratio to multi-year highs. **We maintain our positive view on the precious metals group.**
Industrial Metals	· ● ·	Neutral	Industrial metals traded lower across the board. Copper fell 9.4% amid over a 20% intramonth high-low price swing, marking its highest monthly trading range in over four years. Futures settled just below the 50-dma after an impressive rally off the April lows. Zinc dropped over 9% and is now flirting with support off the 2024 lows ($2,522). **We maintain our neutral view on the industrial metals group.**
Agriculture (Ag) & Livestock	· ● ←	Neutral	Ag and livestock markets advanced last month amid relatively widespread buying pressure. Live cattle and lean hogs rallied around 4–5% and made notable technical progress. Ag was mixed, with corn continuing to grow out of a bottom (technical analysis suggests corn > soybeans > wheat). Cocoa led gains in softs after rallying over 15%. **Given some of the technical improvements in the space, we are upgrading our view on the group to neutral from negative.**
U.S. Dollar	· ● ·	Neutral	The dollar dropped almost 5% before finding support at the low end of its longer-term range. While the greenback is oversold, a break below the April lows would imply the consolidation phase is over and that a more significant downtrend is underway.

Any futures referenced are being presented as a proxy, not as a recommendation. The fast price swings in commodities will result in significant volatility in an investor's holdings. Commodities include increased risks, such as political, economic, and currency instability, and may not be suitable for all investors.

Precious metal investing involves greater fluctuation and potential for losses.

Alternative Investments

Strong Stock Selection

Alternative investment strategy performance was mixed during April, as we saw additional equity market dispersion and strong security selection from equity-centric sub-strategies. The HFRI Equity Hedge: Equity Market Neutral led returns with a gain of 1.4% and is now outperforming the S&P 500 by over 7.0% year to date. We continue to expect rising levels of dispersion at the micro level and a move away from a concentrated group of stocks driving the market's direction. This was evident during the first quarter as the Russell 1000 Growth Index declined 9.9%, while the Russell 1000 Value Index gained 2.1%. This brought the trailing one-year performance difference between the indexes to only 0.6%, which is representative of a much greater balance in market styles and reduced the need for active managers to change the growth factor in order to outperform. At a macro level, major central banks have begun to move their rate policy in separate directions as their economic health diverges. We believe they will continue to decide their own path, which will bring greater macro dispersion among them. This is not just a story for key developed-market countries, as emerging market economies have also disintegrated themselves from one another.

The main laggard during the month was the HFRI Macro: Systematic Trend Index which declined 3.9%. A lack of direction across the four major asset classes led to losses with long gold continuing to be one of the sole consistent positive contributor to performance. Broadly speaking, we hold the view that hedge fund strategies have a favorable environment developing for them. In general, excess return generation is higher when there is a reasonable level of volatility, which is what we expect. Furthermore, total return tends to be higher in a medium to high-interest rate environment, which is also what we expect given limited interest rate cuts in 2025. Looking ahead, agility will be crucial, and we favor strategies that can benefit from the macro and fundamental dispersions, higher volatility as well as medium to high interest rates, while staying nimble. As such, we favor Global Macro, Managed Futures and Multi-Strategies for that reason.

Color Key: ● Positive ● Neutral ● Negative

	Sector	Overall View			Rationale
Fundamental	Long/Short Equity	·	●	·	The current equity market environment lends to a more attractive stock picking environment for low net equity long/short managers. With rich valuations, these managers should be able to build solid short books that can increase their total alpha generation.
Fundamental	Event Driven	·	●	·	Merger Arbitrage strategies remain attractive fixed income diversifiers and may see a more favorable backdrop in the event of deregulation and an extension of the Tax Cuts and Jobs Act. However, uncertainty surrounding tariffs may hinder the expected pick up in deal flow.
Tactical	Global Macro	●	·	·	Favor multi-strategy global macro strategies with truly diversified asset class and regional exposure as the market moves on from directional structural themes to more balanced tactical themes across both developed and emerging markets. We continue to believe the strategy serves as a solid portfolio diversifier that deserves a steady allocation.
Tactical	Managed Futures	●	·	·	We encourage investors to consider a combination of trend followers with alternative market coverage and balanced exposure and short-term multi-strategy managers. Recent performance has been whipsawed as the markets have seen significant daily moves due to tariff uncertainty.
Multi-Strategy	Multi-PM Single Funds	●	·	·	Multi-Strategy funds continue to benefit from the ability to dynamically invest across the alternative investment strategy landscape, while providing a diversifying risk-return profile. These funds should be able to tactically take advantage of any short-term market disruptions.
	Specialty Strategies	·	●	·	Among private market strategies, private credit and infrastructure strategies, which we are constructive on, continued to perform well and are expected to show their resilience as we navigate through the fog.

Please see https://www.hfr.com/indices for further information on the indices.
Definition: The HFRI 400 (US) Hedge Fund Indices are global, equal-weighted indices comprised of the largest hedge funds that report to the HFR Hedge Fund Research

Important Disclosures

This material has been prepared for informational purposes only, and is not intended as specific advice or recommendations for any individual. There is no assurance that the views or strategies discussed are suitable for all investors and they do not take into account the particular needs, investment objectives, tax and financial condition of any specific person. To determine which investment(s) may be appropriate for you, please consult your financial professional prior to investing. Any economic forecasts set forth may not develop as predicted and are subject to change.

Stock investing involves risk including loss of principal. Because of their narrow focus, sector investing will be subject to greater volatility than investing more broadly across many sectors and companies. Value investments can perform differently from the market as a whole and can remain undervalued by the market for long periods of time. The prices of small and mid-cap stocks are generally more volatile than large cap stocks. Bonds are subject to market and interest rate risk if sold prior to maturity.

Asset Class Disclosures

Because of its narrow focus, specialty sector investing, such as healthcare, financials, or energy, will be subject to greater volatility than investing more broadly across many sectors and companies. Relative trend is an assessment of the intermediate term price trend and performance between various asset classes and sectors. For sectors each sector's relative trend is versus the S&P 500.

Yield spread is the difference between yields on differing debt instruments, calculated by deducting the yield of one instrument from another. The higher the yield spread, the greater the difference between the yields offered by each instrument. The spread can be measured between debt instruments of differing maturities, credit ratings, and risk. Bank loans are loans issued by below investment-grade companies for short-term funding purposes with higher yield than short-term debt and involve risk. For the purposes of this publication, intermediate-term bonds have maturities between three and 10 years, and short-term bonds are those with maturities of less than three years.

Bond values will decline as interest rates rise and bonds are subject to availability and change in price. Corporate bonds are considered higher risk than government bonds. Municipal bonds are subject to availability and change in price. Interest income may be subject to the alternative minimum tax. Municipal bonds are federally tax-free but other state and local taxes may apply. If sold prior to maturity, capital gains tax could apply. U.S. Treasuries may be considered "safe haven" investments but do carry some degree of risk including interest rate, credit, and market risk. Bond yields are subject to change. Certain call or special redemption features may exist which could impact yield. Mortgage-backed securities are subject to credit, default, prepayment, extension, market and interest rate risk.

Municipal bonds are subject to availability and change in price. They are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise. Interest income may be subject to the alternative minimum tax. Municipal bonds are federally tax-free but other state and local taxes may apply. If sold prior to maturity, capital gains tax could apply.

High yield/junk bonds (grade BB or below) are not investment grade securities, and are subject to higher interest rate, credit, and liquidity risks than those graded BBB and above. They generally should be part of a diversified portfolio for sophisticated investors.

Floating rate bank loans are loans issues by below investment grade companies for short term funding purposes with higher yield than short term debt and involve risk.

Credit Quality is one of the principal criteria for judging the investment quality of a bond or bond mutual fund. Credit ratings are published rankings based on detailed financial analyses by a credit bureau specifically as it relates to the bond issue's ability to meet debt obligations. The highest rating is AAA, and the lowest is D. Securities with credit ratings of BBB and above are considered investment grade. Duration is a measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. It is expressed as a number of years.

Managed futures are speculative, use significant leverage, may carry substantial charges, and should only be considered suitable for the risk capital portion of an investor's portfolio.

Preferred stock dividends are paid at the discretion of the issuing company. Preferred stocks are subject to interest rate and credit risk. As interest rates rise, the price of the preferred falls (and vice versa). They may be subject to a call feature with changing interest rates or credit ratings.

Alternative investments may not be suitable for all investors and should be considered as an investment for the risk capital portion of the investor's portfolio. The strategies employed in the management of alternative investments may accelerate the velocity of potential losses. Alternative investments are include non-traditional asset classes. This may include hedge funds, private equity/debt/credit, etc. This may also include Business Development Companies (BCDs) and Opportunity Zone investments. These are not registered securities and there may be significant restrictions on purchase and suitability requirements. Please contact your advisor for any further information.

The HFRX Absolute Return Index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage.

The HFRX Equity Hedge Index measures the performance of the hedge fund market. Equity hedge strategies maintain positions both long and short in primarily equity and equity derivative securities.

The HFRI® Indices are broadly constructed indices designed to capture the breadth of hedge fund performance trends across all strategies and regions.

The HFRI Institutional Macro Index is a global, equal-weighted index of hedge funds with minimum assets under management of USD $500MM which report to the HFR Database and are open to new investments.

Event driven strategies, such as merger arbitrage, consist of buying shares of the target company in a proposed merger and fully or partially hedging the exposure to the acquirer by shorting the stock of the acquiring company or other means. This strategy involves significant risk as events may not occur as planned and disruptions to a planned merger may result in significant loss to a hedged position. Managed futures are speculative, use significant leverage, may carry substantial charges, and should only be considered suitable for the risk capital portion of an investor's portfolio.

Commodity-linked investments may be more volatile and less liquid than the underlying instruments or measures, and their value may be affected by the performance of the overall commodities baskets as well as weather, geopolitical events, and regulatory developments. The fast price swings in commodities and currencies will result in significant volatility in an investor's holdings. Any futures referenced are being presented as a proxy, not as a recommendation. Commodities include increased risks, such as political, economic, and currency instability, and may not be suitable for all investors. Precious metal investing involves greater fluctuation and potential for losses.

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Important Disclosures

Investing in foreign and emerging markets securities involves special additional risks. These risks include, but are not limited to, currency risk, geopolitical risk, and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks. All information is believed to be from reliable sources; however, LPL Financial makes no representation as to its completeness or accuracy. Precious metal investing involves greater fluctuation and potential for losses.

Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock. EPS serves as an indicator of a company's profitability. Earnings per share is generally considered to be the single most important variable in determining a share's price. It is also a major component used to calculate the price-to-earnings valuation ratio.

Gross Domestic Product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period, though GDP is usually calculated on an annual basis. It includes all of private and public consumption, government outlays, investments and exports less imports that occur within a defined territory.

All index data from FactSet.

The Strategic and Tactical Asset Allocation Committee (STAAC) is a division of LPL Research.

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