06/24/2025

Portfolio Changes

Model Changes:

- Bought EWY 2%, URNM, 2.5%, LVHD 3%
- Added SMIN 1%, DIVI 1%, IWP 1%, ETHA 1%
- Bought JBBB 10%
- Added JAAA 5%, FLOT 5%,
- Sold all BTAL & INDA

Drivers of Portfolio Changes

- Continue to diversify in EM markets and commodity related exposures.
- Add some beta while raising some cash.
- Balancing fixed income to maintain a lower duration vs benchmark while having a higher yield.
- Model Yield 3.0%
  - Bond Yield – 4.8%, Effective Duration 5.5

Current Economic Highlights

- Personal consumption 2.7% YoY vs 3.2% prior revised.
- Headline retail sales 3.3% YoY vs 5.0% prior revised.
- Retail Sales control group down to 5.0% YoY vs 5.2% prior revised.
- Industrial production 0.6% YoY vs 1.4% prior revised.
- The unemployment rate was flat at 4.2% vs prior.
- Aggregate Hours worked 1.3% YoY vs 1.7% prior.
- Aggregate labor income 5.0% YoY vs 5.3% prior.
- Total employees on non-farm payrolls 1.1% YoY vs 1.1% prior revised.
- ISM manufacturing PMI still in contraction at 48.5 vs 48.7 prior.
- ISM Services PMI down to 49.9 vs 51.6 prior.
- Core PCE ticked down to 2.5% vs 2.7%, revised the previous month.
- Q1 2025 GDP – 2.1% YoY vs 2.5% YoY in Q4 2024
  -0.3% QoQ vs 2.4% QoQ in Q4 2024
- Personal Consumption Expenditures 1.8% vs 4% (Q1 2025 annualized)

Forecast

- We should be approaching a trough in the growth slowdown sometime in the third quarter given no major disruption from any unseen circumstances. It can accelerate at a faster pace if the proposed tax bill passes as the deficit spending continues.
- Inflation should start to inflect higher after a slowdown over the last few quarters and create a stagflationary environment until the later part of the year.
- FED may be forced to stay on pause for longer and may only be cut once this year due to the resilient data and higher inflation. Expect more frustration from the administration with rates remaining higher at a time when refinancing needs are elevated causing an incremental increase in cost to finance government debt.
- Near-term technical adjustments may cause a short-term pause for asset markets followed by a strong close to the year.