The economics of optimism.

Monthly snapshot

- Global equity markets maintained their upward trajectory in July 2023, bolstered by generally positive economic data, as well as investors' optimism that the U.S. Federal Reserve (Fed) may be able to curb inflation while piloting the economy to a soft landing.
- Global fixed-income assets saw mixed performance over the month. U.S. Treasury yields moved somewhat higher in all segments of the curve, with the exception of the 1-year bill.
- While input-price inflation has decelerated significantly, we maintain our view that inflation pressures will remain persistent in labour-intensive service industries, at least until some slack opens up in the labour markets and spending by households fades more dramatically.

Global equity markets maintained their upward trajectory in July 2023, bolstered by generally positive economic data, as well as investors' optimism that the Fed may be able to curb inflation while piloting the economy to a soft landing. Emerging markets outperformed developed markets during the month.

The Pacific ex Japan region was the top performer among developed markets in July, bolstered mainly by strength in Singapore. The Nordic countries lagged the overall market due to weakness in Finland. Africa led the emerging markets during the month, benefiting from strong performance in South Africa and Senegal. The Gulf Cooperation Council (GCC) countries–Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates–were the primary laggards among the emerging markets in July, hampered largely by underperformance in Oman.[1]

As widely expected, the Fed increased the federal-funds rate by 25 basis points (0.25%) to a range of 5.25%-5.50% at its meeting in late July after pausing in its rate-hiking cycle in June. In a statement announcing the increase, the Federal Open Market Committee (FOMC) reiterated its commitment to reduce inflation to its 2% target rate and commented that it would "adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals." The FOMC also noted that the members "will take into account a wide range of information, including readings on labour market conditions, inflation pressures and inflation expectations, and financial and international developments." At a news conference following the release of the rate-hike announcement, Fed Chair Jerome Powell said, "We can afford to be a little patient, as well as resolute, as we let this unfold. We think we're going to need to hold, certainly, policy at restrictive levels for some time, and we'd be prepared to raise [interest rates] further if we think that's appropriate."

Global fixed-income assets saw mixed performance in July. High-yield and corporate bonds registered positive returns and were the top performers within the U.S. market for the period.[2] Mortgage-backed securities (MBS) and U.S. Treasurys saw modest declines.[3] U.S. Treasury yields moved somewhat higher in all segments of the curve, most notably in the long end, with the exception of the 1-year bill, which dipped 0.03%. The yields on 2-, and 3-, 5-, and 10-year notes rose 0.01%, 0.02%, 0.05%, and 0.16%, respectively, in July. The spread between 10- and 2-year notes narrowed from -1.06% to -0.91% during the month, and the yield curve remained inverted.

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[1] All equity market performance statements are based on the MSCI All-Country World Index (ACWI).

[2] According to the ICE BofA U.S. High Yield Constrained Index.

[3] According to the ICE BofA U.S. Corporate, S&P U.S. Mortgage-Backed Securities, and ICE BofA U.S. Treasury indexes.

Key measures: July 2023

Equity		
Dow Jones Industrial Average	3.44%	↑
S&P 500 Index	3.21%	↑
NASDAQ Composite Index	4.08%	↑
MSCI ACWI Index (Net)	3.66%	↑
Bond		
Bloomberg Global Aggregate Index	0.69%	↑
Volatility		
Chicago Board Options Exchange Volatility Index **PRIOR MONTHLY: 13.59**	13.63	↑
Oil		
WTI Cushing crude oil prices **PRIOR MONTHLY: $70.64**	$81.80	↑
Currencies		
Sterling vs. U.S. dollar	$1.29	↑
Euro vs. U.S. dollar	$1.10	↑
U.S. dollar vs. yen	¥142.08	↓

Sources: Bloomberg, FactSet, Lipper

Global commodity prices generally moved higher in July. The West Texas Intermediate (WTI) crude-oil spot price and the Brent crude oil price gained 15.8% and 13.3%, respectively, in U.S. dollar terms, amid expectations of dwindling supplies due to production output cuts from the Organization of the Petroleum Exporting Countries (OPEC). The gold spot price was up 4.1% for the month due to weakness in the U.S. dollar and investors' speculation that the Fed may pause its rate-hiking cycle at its meeting in September. Following a sizeable upturn in June, the New York Mercantile Exchange (NYMEX) natural gas price declined 5.1% in July after the International Energy Agency (IEA) estimated that demand for natural gas in Europe will fall 7% for the 2023 calendar year. The IEA attributed its forecast to lower consumption in the power sector and rapidly expanding renewable energy-generation.[4]

Wheat prices climbed sharply in mid-July after Russia withdrew from an agreement to export Ukrainian grain through the Black Sea. The plan had authorised Ukraine to export roughly 33 million metric tons (36 million tons) of food by sea since August 2022. More than half of the exports were being delivered to emerging markets. The U.S. and its allies condemned Russia's pullout from the agreement. U.S. Secretary of State Anthony Blinken stated, "The result of Russia's action today weaponizing food, using it as a tool, as a weapon, in its war against Ukraine, will be to make food harder to come by in places that desperately need it."[5] The wheat price subsequently fell later in the month amid some profit-taking by investors and as more grain flowed out of the country via land routes and the Danube River.[6] The wheat price ended the month with a 2.3% gain.

In contrast to inflationary worries in most global economies, there are concerns that China may be experiencing a bout of deflation. According to the National Bureau of Statistics of China, the nation's consumer-price index (CPI) dipped 0.2% in June, and was flat compared to the same period in 2022. Food and consumer goods prices were down 0.5% and 0.3%, respectively, for the month. The 2.0% year-over-year increase in costs for food, tobacco and liquor was offset by a 6.5% decline in transportation and telecommunications prices. Additionally, China's producer-price index (PPI), which tracks the average change over time in selling prices received by domestic producers of manufactured goods, declined 5.4% year-over-year in June. Prices for the mining, raw materials, and processing industries fell by 16.2%, 9.5%, and 4.7%, respectively, during the previous 12-month period.

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[4] "Gold on track for worst week since Feb on hawkish Fed." Reuters. June 23, 2023.

[5] "Russia pulls out of Black Sea grain deal." Financial Times. July 17, 2023.

[6] "Putin's War Is Slowly Destroying Europe's Breadbasket." Politico. July 23, 2023.

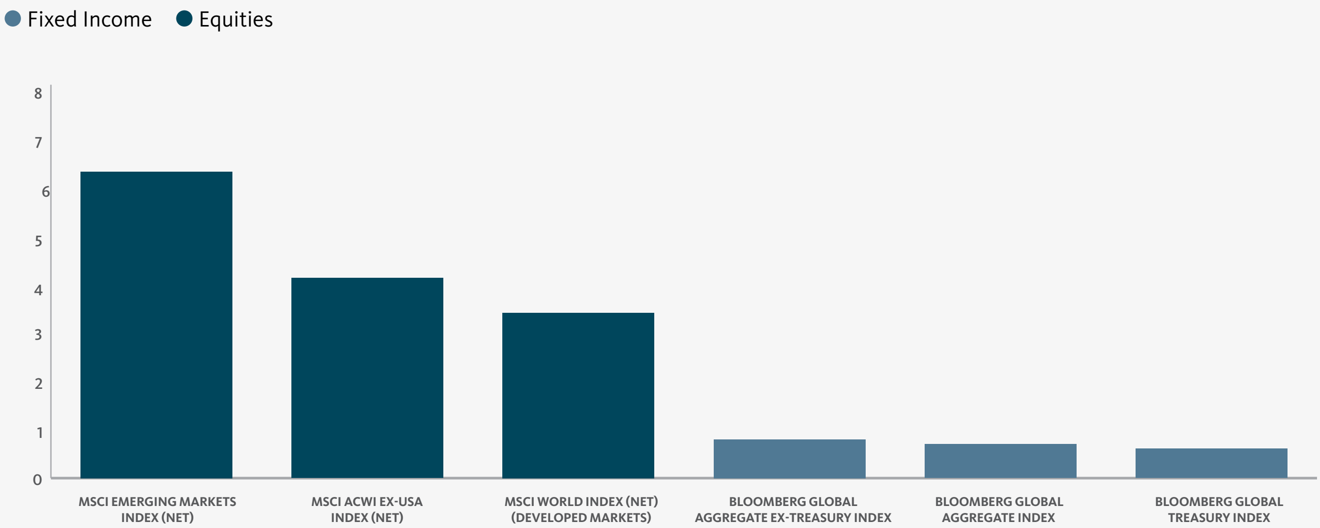
Economic data

U.S.

According to the initial estimate from the Department of Commerce, U.S. gross domestic product (GDP) grew at a greater-than-expected annualised rate of 2.4% in the second quarter of 2023, up from the 2.0% rise in the first three months of the year. The largest increases for the second quarter were in consumer spending, nonresidential fixed investment (purchases of both nonresidential structures and equipment and software), and state and local government spending. These gains offset reductions in exports and residential fixed investment (purchases of private residential structures and residential equipment that property owners use for rentals). The government attributed the accelerated GDP growth rate to upturns in private inventory investment (a measure of the changes in values of inventories from one time period to the next) and nonresidential fixed investment.

The Department of Labor reported that U.S. payrolls expanded by 209,000 in June, and the unemployment rate dipped 0.1 percentage point to 3.6%. Although the job growth for the month fell short of the market's expectations, the unemployment rate remained near its historical low of 3.4% reached in April of this year. The government, health care, and social assistance sectors saw the largest employment gains in June. Conversely, payrolls in the retail trade, and transportation and warehousing sectors declined modestly during the month. Average hourly earnings were up 0.4% in June and 4.4% year-over-year. The 12-month increase was marginally lower than the 4.5% annual rise in May.

Major Index Performance in July 2023 (Percent Return)

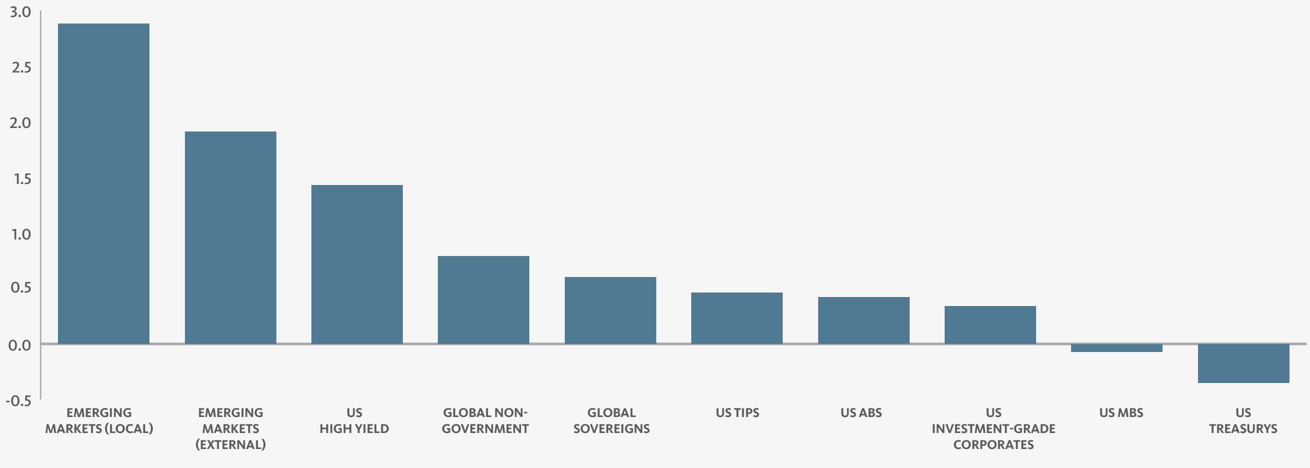


Sources: FactSet, Lipper

Inflation in the U.S. has continued to moderate. The Department of Labor reported that the U.S. consumer-price index (CPI) increased 0.2% in June, a slight uptick from the 0.1% rise in May. The CPI posted a year-over-year gain of 3.0%—the smallest annual increase since March 2021, and sharply lower than the 4.0% annual rise during the previous month. Nonetheless, the inflation rate still exceeds the Fed's 2% target. The slowing pace of inflation over the previous 12-month period was due to sharp declines in prices for fuel oil and gasoline, while food costs rose 0.2% in May and 6.7% year-over-year. Meanwhile, core inflation, as measured by the CPI for all items less food and energy, increased 0.2% in June, down from the 0.4% rise in May. The index was up 4.8% over the previous 12 months—significantly lower than the 5.3% year-over-year increase in May.

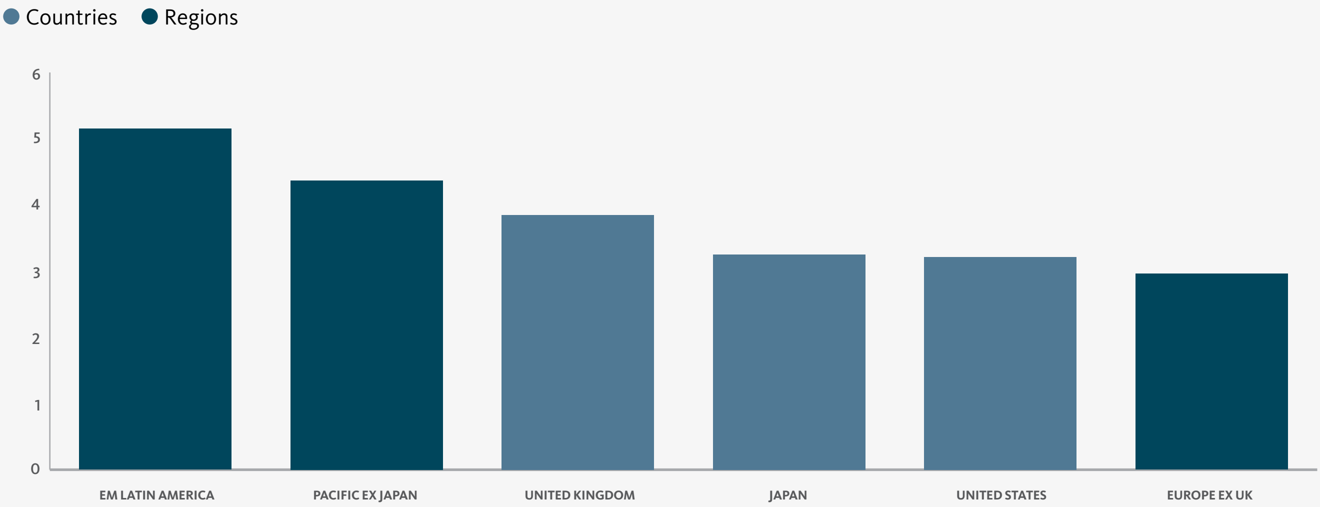
The Conference Board's Consumer Confidence Index® rose 6.9 points to 117.0 in July-its highest level in two years, according to the Conference Board-suggesting that consumers remain optimistic about the U.S. economy. The Expectations Index, an indicator of consumers' short-term outlook for income, business, and labour market conditions, climbed 8.3 points to 88.3 during the month. A reading above 80 indicates not that consumers generally believe that there will not be a recession in the U.S. over the next 12 months. The Present Situation Index, which reflects U.S. consumers' views of current conditions in the business and labour markets, was up 4.7 points to 160.0 in July. The Conference Board noted that "confidence appears to have broken out of the sideways trend that prevailed for much of the last year. Greater confidence was evident across all age groups, and among both consumers earning incomes less than $50,000 and those making more than $100,000."

Fixed-Income Performance in July 2023 (Percent Return)



Sources: FactSet, Lipper. See "Corresponding Indexes for Fixed-Income Performance Exhibit" in the Index descriptions section for more information.

Regional Equity Performance in July 2023 (Percent Return)



Sources: FactSet, Lipper. See “Corresponding Indexes for Regional Equity Performance Exhibit” in the Index descriptions section for more information.

U.K.

According to the Office for National Statistics (ONS), consumer prices in the U.K. rose 0.2% month-over-month in June, down from the 0.7% increase in May. Inflation increased 7.3% over the previous 12-month period, down 0.6% from the 7.9% annual upturn in May. Food and non-alcoholic beverages, and restaurants and hotels, were the most notable contributors to the annual rise in prices. Core inflation, which excludes volatile food prices, rose at an annual rate of 6.4% in June, marginally lower than the 6.5% year-over-year increase in for the previous month.

The ONS also reported that U.K. GDP dipped 0.1% in May, down from a 0.2% increase in April, and was flat over the previous three-month period. Production and construction fell 0.6% and 0.2%, respectively, in May, versus corresponding 0.2% and 0.9% declines in April.

The S&P Global/CIPS Flash UK Manufacturing Output Index decreased 1.6 to a seven-month low of 46.5 in July due to lower demand, along with customer destocking (a planned reduction in stock or inventory). A reading below 50 indicates contraction in the manufacturing sector.

The S&P Global/CIPS Flash UK Services PMI Business Activity Index declined 2.2 to a five-month low of 51.5 in June, but indicated expansion for the fifth consecutive month. The slowdown in the rate of growth resulted mainly from weaker residential property market conditions, as well as a decrease in consumer spending.

Eurozone

Eurostat estimated that the inflation rate in the eurozone fell 0.2% to 5.3% for the 12-month period ending in July. Energy prices decreased 5.6% year-over-year in June, following a 1.8% decline in May. Prices for food, alcohol and tobacco rose 10.8%, but the pace of acceleration slowed from the 11.6% annual rate in June. Core inflation, which excludes volatile energy and food prices, rose 5.5% for the month, unchanged from June.[7]

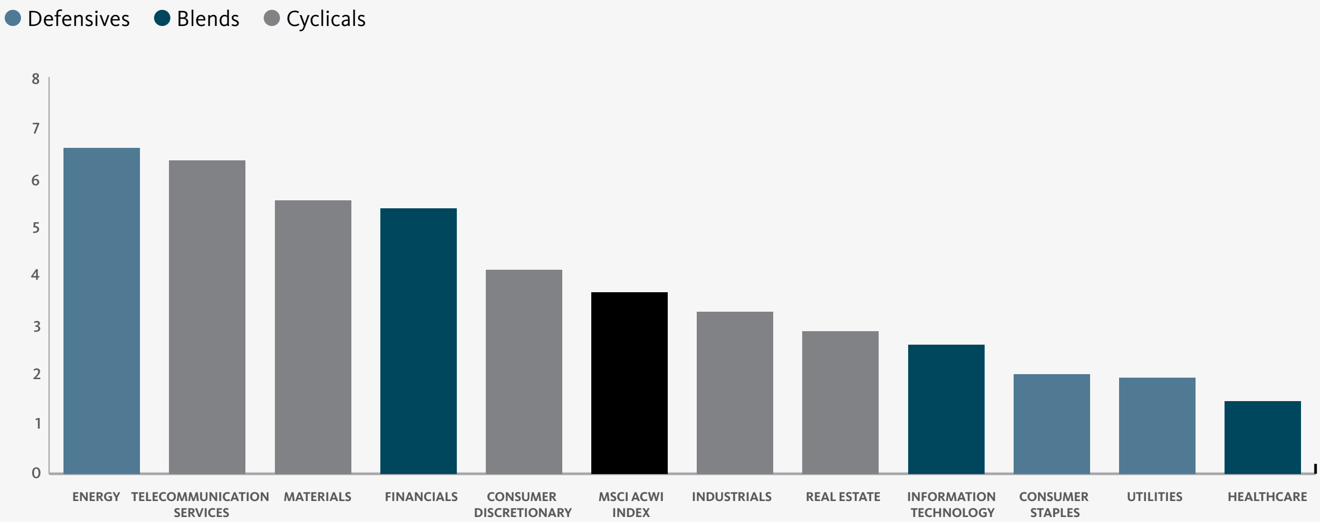
Eurozone manufacturing remained in contraction territory in July, with the HCOB Flash Eurozone Manufacturing PMI Output Index falling 1.3 to 42.9—its lowest level in more than three years. The downturn was attributable primarily to a decline in new orders.

Services activity in the eurozone expanded in June, but the HCOB Flash Eurozone Services PMI Business Activity Index dipped 0.9 to a six-month low of 51.1.

According to Eurostat's initial estimate, eurozone GDP was up 0.3% in the second quarter of 2023, improving from the flat growth rate in the first quarter, and increased 0.6% year-over-year. The economies of Ireland and Lithuania were the strongest performers for the second quarter, expanding 3.3% and 2.8%, respectively, while Sweden's GDP contracted 1.5% during the period.

[7] According to Eurostat. July 2023.

Global Equity Sector Performance in July 2023 (Percent Return)



Sources: FactSet, Lipper. MSCI ACWI Index Components (as defined by SEI).

Central banks

The Fed increased the federal-funds rate by 0.25% to a range of 5.25% to 5.50% following its meeting in late July. There was speculation that the Fed may need to implement additional rate hikes in order to cool inflation given the ongoing strength in the U.S. economy. As of the end of July, CME's FedWatch Tool–which provides a gauge of the markets' expectations of potential changes to the federal-funds target rate while assessing potential Fed monetary policy actions at Federal Open Market Committee (FOMC) meetings–implied an 82% chance that the FOMC will leave the federal-funds rate unchanged at its meeting on September 19-20. The FedWatch Tool projected an 18% probability that the central bank will approve a 0.25% rate hike.

In the Bank of England's (BOE) Financial Stability Report (FSR), which was released in July, the Financial Policy Committee (FPC) noted that U.K. banks are well-capitalised and maintain strong asset quality. However, the FPC also commented that some segments within the banking sector are more exposed to credit losses as borrowing costs rise, most notably commercial real estate lenders. The FPC stated that global commercial real estate markets "face a number of short and longer-term headwinds that are pushing down on prices and making refinancing challenging."

The European Central Bank (ECB) increased its benchmark interest rate by 0.25% to 4.25% following its meeting on July 27. In a statement announcing the rate hike, the ECB's Governing Council noted, "The developments since the last meeting support the expectation that inflation will drop further over the remainder of the year but will stay above target for an extended period. While some measures show signs of easing, underlying inflation remains high overall. The past rate increases continue to be transmitted forcefully: financing conditions have tightened again and are increasingly dampening demand, which is an important factor in bringing inflation back to target [2%]."

The Bank of Japan (BOJ) left its benchmark interest rate unchanged at -0.1% at its meeting on July 28. However, the central bank altered its yield curve control policy. While the BOJ will continue to allow the 10-year Japanese government bond (JGB) yield to fluctuate in a range of around +0.5% to -0.5% from its 0% target, the central bank indicated that this is now a suggested range. The BOJ set a rigid upper yield limit of 1.0% for the 10-year JGB. The 10-year yield rose sharply following the BOJ's announcement, and ended July with a 0.20% increase to 0.60%—the highest level since April 2014.[8]

[8] Source: Bank of Japan. July 2023.

SEI's view

Economists have been spending much of their time this year arguing when or if economic growth, inflation, corporate profits, interest rates, and equities will peak. Optimists and pessimists alike have been confounded by the ebb and flow of the data and the gyrations of the financial markets. Waiting for a decisive break in the U.S. economy, for example, has been akin to "waiting for Godot."[9]

In general, input-price inflation has decelerated significantly. Canada's industrial producer price index registered an outright decline in its price level, with a year-over-year change of -5.5% through June.[10] The eurozone's producer-price index (PPI) has witnessed the sharpest deceleration, falling from a peak year-over-year rate of 43% through August 2022 to a May 2023 reading of just 1.9%. By contrast, the improvement in producer prices has been less dramatic in Japan (still rising at a 4.1% year-over-year pace as of June), although the country has logged a steep deceleration from earlier this year. We believe that these year-over-year PPI inflation readings should continue to show improvement in the months immediately ahead owing to favorable base effects.

The good news at the corporate level is feeding only slowly down to the consumer. This is especially true for core inflation, which excludes food and energy prices. Inflation cooled somewhat in the U.K. in July, but slightly accelerated in Japan. Improvement in the U.S. and the euro area has been modest, with annual core inflation running at 4.8% and 3.7%, respectively, in June. Only Canada has recorded significant progress in its core inflation rate, declining from 6.0% in June 2022 to 2.8% as of June 2023.[11]

On a longer-term basis, we believe that demographic shifts are likely to keep labour markets tighter than has been the case at any point since the baby boomers—who were born between 1946 and 1964—first made their presence felt in the workforce in the 1970s. The new focus on supply-chain resiliency, reduced dependence on China as a manufacturing hub, the transition away from relatively cheap fossil-fuel energy to greener but more expensive sources of power, and the likelihood of significantly higher corporate taxes and financing costs in the years ahead, all suggest to us that inflation will tend to settle at 3% or more in advanced industrial economies instead of the previous norm of 2% or less.

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[9] In Samuel Beckett's play, "Waiting for Godot," the two main characters engage in discussion of a variety of topics while waiting for the eponymous Godot, who never arrives.

[10] Source: Statistics Canada. July 2023.

[11] According to the U.S. Department of Labor, Eurostat, Office for National Statistics, Statistics Bureau of Japan, and Statistics Canada. July 2023.

Persistent inflation and ongoing labour-market tightness have forced most major developed-country central banks to keep raising their benchmark interest rates. The Fed, the Bank of Canada, and the ECB already have benchmark rates that match or exceed the peak recorded in 2008.[12] We think it's likely that the BOE will soon join this group.

SEI does not dispute the fact that inflation will continue to decelerate, especially given the current weakness in energy and goods prices. It is only a question of timing and end point. We maintain our view that inflation pressures will remain persistent in labourintensive service industries, at least until some slack opens up in the labour markets and spending by households fades more dramatically.

The rally in U.S. equities broadened in July, but the valuation in the market remains problematic. The price-to-earnings ratio of the broad-market S&P 500 Index has been on the rise this year, recently reaching 19.6 times analysts' estimated earnings for the next 12 months.[13] This expansion in the multiple on forward earnings has occurred despite the additional monetary tightening by the Fed and other central banks. Furthermore, this upturn in expected forward earnings over the next 12 months is not likely to last if a recession materialises later this year or in 2024. The overall market also appears to be overvalued relative to today's bond yields. If earnings experience a substantial contraction, history suggests that stock valuations also will fall.

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[12] Sources: U.S. Federal Reserve, Bank of Canada, European Central Bank. July 2023.

[13] Sources: Standard & Poor's, Yardeni Research Inc. July 2023.

Standardised Performance

		1 year to 31-Jul-23	1 year to 31-Jul-22	1 year to 31-Jul-21	1 year to 31-Jul-20	1 year to 31-Jul-19
Key Measures						
Dow Jones Industrial Average		10.62%	-4.14%	34.79%	0.83%	8.22%
S&P 500 Index		13.02%	-4.64%	36.45%	11.96%	7.99%
NASDAQ Composite Index		16.82%	-14.95%	37.53%	32.78%	7.74%
MSCI ACWI Index (Net)		12.91%	-10.48%	33.18%	7.20%	2.95%
Bloomberg Barclays Global Aggregate Index		-1.51%	-12.52%	2.27%	7.95%	6.01%
Major Index Performance						
Bloomberg Barclays Global Aggregate ex-Treasury Index		-1.51%	-12.52%	2.27%	7.95%	6.01%
Bloomberg Barclays Global Aggregate Index		-2.70%	-14.58%	0.78%	7.85%	5.73%
Bloomberg Barclays Global Treasury Index		-3.77%	-16.39%	-0.52%	7.71%	5.50%
MSCI ACWI ex-USA (Net)		13.42%	-15.26%	27.78%	0.66%	-2.27%
MSCI Emerging Markets Index (Net)		8.35%	-20.09%	20.64%	6.55%	-2.18%
MSCI World Index (Net)		13.48%	-9.16%	35.07%	7.23%	3.62%
Fixed-Income Performance						
US Treasury Inflation-Protected Securities (TIPS)	Bloomberg Barclays 1-10 Year U.S. TIPS Index	-3.92%	-0.78%	7.52%	7.10%	5.24%
Global Non-Government	Bloomberg Barclays Global Aggregate ex-Treasury Index	-1.51%	-12.52%	2.27%	7.95%	6.01%
Global Sovereigns	Bloomberg Barclays Global Treasury Index	-3.77%	-16.39%	-0.52%	7.71%	5.50%
US Investment-Grade Corporates	Bloomberg Barclays U.S. Corporate Investment Grade Index	-1.30%	-12.61%	1.42%	12.44%	10.42%
US Asset-Backed Securities (ABS)	Bloomberg Barclays U.S. Asset-Backed Securities Index	1.12%	-4.00%	1.13%	5.13%	4.86%
US Mortgage-Backed Securities (MBS)	Bloomberg Barclays U.S. Mortgage-Backed Securities Index	-4.66%	-6.69%	0.03%	5.43%	6.76%
US Treasurys	Bloomberg Barclays U.S. Treasury Index	-4.01%	-8.69%	-3.01%	11.84%	7.57%
US High Yield	ICE BofAML US High Yield Constrained Index	4.16%	-7.73%	10.75%	2.99%	6.93%
Emerging Markets (External)	JPMorgan EMBI Global Diversified Index	6.37%	-19.28%	4.11%	2.97%	10.98%
Emerging Markets (Local)	JPMorgan GBI-EM Global Diversified Index	14.25%	-18.70%	3.00%	-0.81%	7.95%
Regional Equity Performance						
United Kingdom	FTSE All-Share Index	12.17%	-7.65%	34.15%	-11.84%	-5.47%
EM Latin America	MSCI Emerging Markets Latin America Index (Net)	30.94%	-8.79%	25.31%	-25.15%	8.58%
Europe ex UK	MSCI Europe ex UK Index (Net)	21.74%	-18.89%	33.00%	3.52%	-2.84%
Pacific ex Japan	MSCI Pacific ex Japan Index (Net)	6.39%	-10.24%	28.89%	-9.86%	5.24%
United States	S&P 500 Index	13.02%	-4.64%	36.45%	11.96%	7.99%
Japan	TOPIX, also known as the Tokyo Stock Price Index	15.69%	-14.16%	25.04%	0.70%	-5.76%
Global Equity Sector Performance						
MSCI ACWI Index		12.91%	7.81%	30.25%	3.89%	-0.84%
MSCI ACWI Consumer Discretionary Index		10.98%	-5.31%	50.38%	5.08%	-1.62%
MSCI ACWI Consumer Staples Index		5.95%	14.30%	11.08%	3.43%	0.85%
MSCI ACWI Energy Index		13.38%	36.01%	4.88%	-21.56%	2.45%
MSCI ACWI Financials Index		12.38%	14.79%	17.15%	-2.38%	-9.16%
MSCI ACWI Healthcare Index		3.94%	10.05%	22.61%	5.34%	7.85%
MSCI ACWI Industrials Index		18.68%	5.13%	26.08%	-0.67%	-3.06%
MSCI ACWI Information Technology Index		22.81%	10.15%	54.52%	22.80%	1.18%
MSCI ACWI Materials Index		14.38%	10.18%	46.03%	-7.08%	-7.48%
MSCI ACWI Telecommunication Services Index		15.51%	-7.03%	39.54%	7.85%	1.10%
MSCI ACWI Utilities Index		-2.23%	13.34%	0.76%	8.73%	14.50%

All references to performance are in US dollar terms unless otherwise noted. See Standardised Performance for more information.

Corresponding Indexes for Key Measures Exhibit

Dow Jones Industrial Average	The Dow Jones Industrial Average is a widely followed market indicator based on a price-weighted average of 30 blue-chip New York Stock Exchange stocks that are selected by editors of The Wall Street Journal.
NASDAQ Composite Index	The NASDAQ Composite Index is a market-value-weighted index of all common stocks listed on the National Association of Securities Dealers Automated Quotations (NASDAQ) system, representing a subset of the US equity market.
MSCI ACWI Index	The MSCI ACWI Index is a market-capitalisation-weighted index composed of over 2,000 companies, and is representative of the market structure of 46 developed- and emerging-market countries in North and South America, Europe, Africa and the Pacific Rim. The Index is calculated with net dividends reinvested in US dollars.
Bloomberg Global Aggregate Index	The Bloomberg Global Aggregate Index is an unmanaged market-capitalisation-weighted benchmark that tracks the performance of investment-grade fixed-income securities denominated in 13 currencies. The Index reflects reinvestment of all distributions and changes in market prices.
Chicago Board Options Exchange Volatility Index (VIX)	The Chicago Board Options Exchange Volatility Index (VIX) tracks the expected volatility in the S&P 500 Index over the next 30 days. A higher number indicates greater volatility.

Corresponding Indexes for Major Index Performance Exhibit

MSCI ACWI ex-USA Index	The MSCI ACWI ex-USA Index includes both developed- and emerging-market countries, excluding the US.
MSCI Emerging Markets Index	The MSCI Emerging Markets Index is a free float-adjusted market-capitalisation-weighted index designed to measure the performance of global emerging-market equities.
MSCI World Index	The MSCI World Index is a free float-adjusted market-capitalisation-weighted index that is designed to measure the equity market performance of developed markets.
Bloomberg Global Aggregate Index	The Bloomberg Global Aggregate Index is an unmanaged market-capitalisation-weighted benchmark that tracks the performance of investment-grade fixed-income securities denominated in 13 currencies. The Index reflects reinvestment of all distributions and changes in market prices.
Bloomberg Global Aggregate ex-Treasury Index	The Bloomberg Global Aggregate ex-Treasury Index is an unmanaged market index representative of the total return performance of ex-Treasury major world bond markets.
Bloomberg Global Treasury Index	The Bloomberg Global Treasury Index is composed of those securities included in the Bloomberg Global Aggregate Index that are Treasury securities.

Corresponding Indexes for Fixed-Income Performance Exhibit	
US High Yield	ICE BofA U.S. High Yield Constrained Index
Global Sovereigns	Bloomberg Global Treasury Index
Global Non-Government	Bloomberg Global Aggregate ex-Treasury Index
Emerging Markets (Local)	JPMorgan GBI-EM Global Diversified Index
Emerging Markets (External)	JPMorgan EMBI Global Diversified Index
US Mortgage-Backed Securities (MBS)	Bloomberg U.S. Mortgage Backed Securities Index
US Asset-Backed Securities (ABS)	Bloomberg U.S. Asset-Backed Securities Index
US Treasurys	Bloomberg U.S. Treasury Index
US Treasury Inflation-Protected Securities (TIPS)	Bloomberg 1-10 Year U.S. TIPS Index
US Investment-Grade Corporates	Bloomberg U.S. Corporate Bond Index

Corresponding Indexes for Regional Equity Performance Exhibit	
United States	S&P 500 Index
United Kingdom	FTSE All-Share Index
Pacific ex Japan	MSCI Pacific ex Japan Index (Net)
Japan	TOPIX, also known as the Tokyo Stock Price Index
Europe ex UK	MSCI Europe ex UK Index (Net)
EM Latin America	MSCI Emerging Markets Latin America Index (Net)

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