

Jupiter Investment Conference 2025

11th – 12th June

Fixed Income Outlook and Investment Implications

Marketing Communication for professional and institutional investors only. Not for retail investors.



Current thinking **summary**

Back to square one?

1 Key considerations on US and global trade landscape

- US tariff policy has been chaotic. Administration keen to see back of trade war.
- US likely to focus on reshoring of critical industries (e.g. semiconductors) from a national security standpoint. Future of USD assets under scrutiny.
- Trump administration keen to move to more positive items on the agenda. More geopolitical flare ups likely.

2 Macroeconomic Outlook

- Highly uncertain outlook for US growth. Recession probability has declined and the inflation picture is clearer. There are still some areas of medium term concern however. US fiscal likely to lead to more steepening.
- Europe and UK struggling for growth. Appreciation in the EUR and GBP and lower energy prices to help drive inflation lower. China competition set to go into overdrive. Goods oversupply expected outside of US. Expect more rate cuts in those regions.

3 Market Environment and Investment implications

- Government bond outlook mixed. Prefer ex-US rates. In the US we prefer the front end and the belly of the curve. Parts of EM very attractive.
- Risk assets are in a stable equilibrium and can muddle through in the near term absent an extreme event. Environment conducive to credit spreads. Credit selection important.

The views expressed are those of the presenter at the time of preparation and may change in the future.

Marketing Communication for professional and institutional investors only. Not for retail investors.

Jupiter Asset Management 1

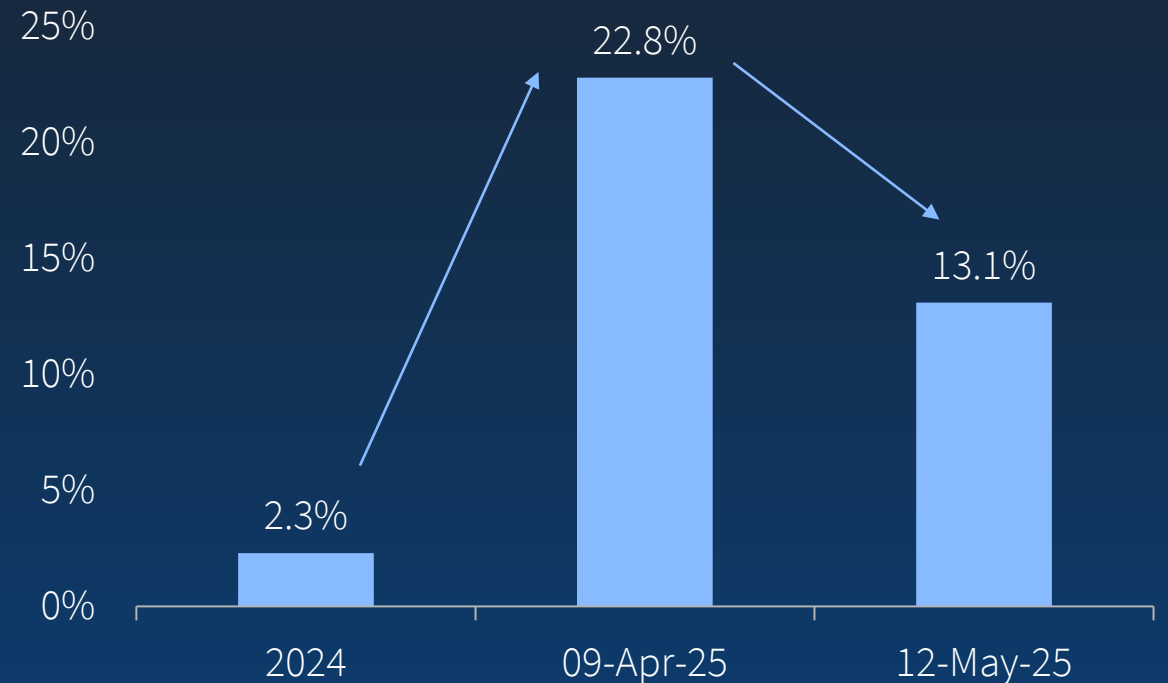
Liberation Day tested Trump's put

Bond markets forced the Administration to backtrack

US 30 Years Yield



US Effective Tariff Rate (Fitch Estimate)



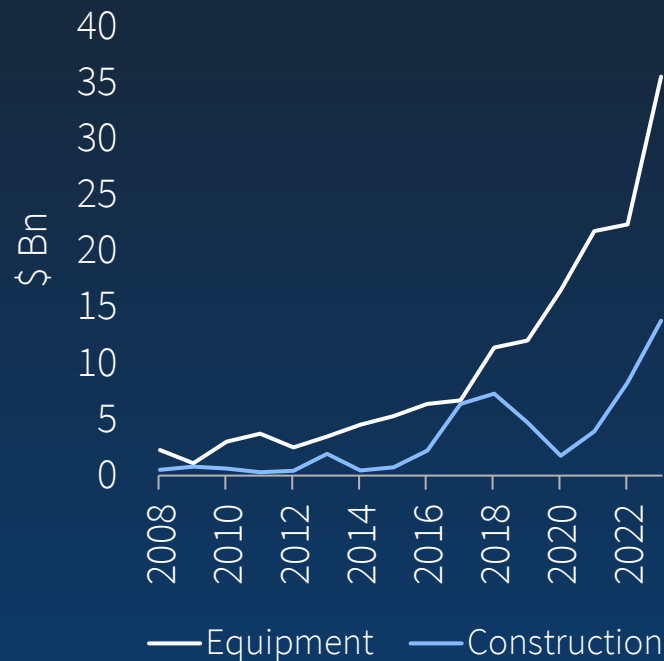
Quoted yields are not a guide or guarantee for the expected level of distributions to be received. The yield may fluctuate significantly during times of extreme market and economic volatility.

Left chart. Source: Bloomberg, as at 30.04.25. Right chart. Source: Fitch, as at 12.05.25.

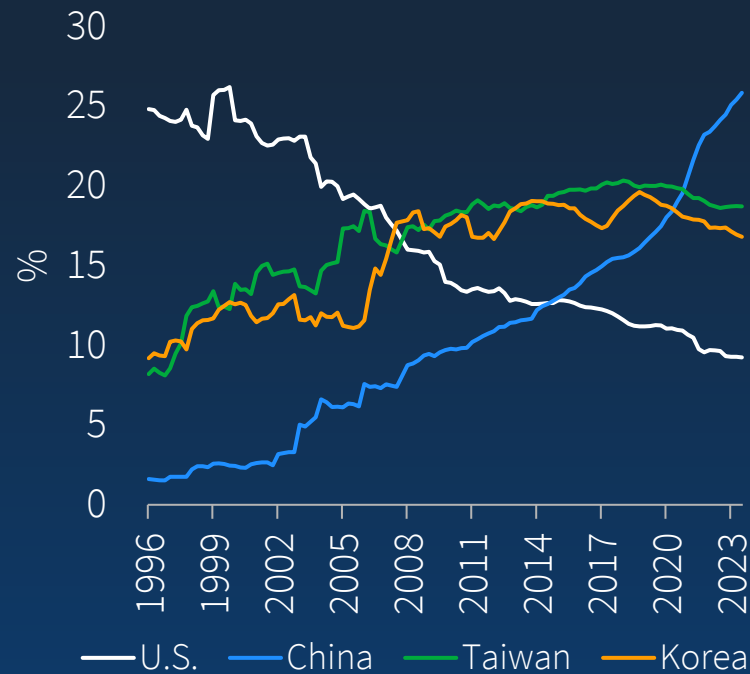
Does **China** hold the cards?

This creates national security concerns for the United States

China chipmaking spending



Share of global wafer capacity



“ Chinese companies will control the manufacture of most chips in every key category by 2030.

Handel Jones, International Business Strategies*

Jensen Huang warned U.S. officials that blocking companies from competing in China would accelerate Huawei's rise in the AI-chip market**

Source: Federal Reserve Study ([The Fed - Developments in Chinese Chipmaking](#)). As of 17.01.25.

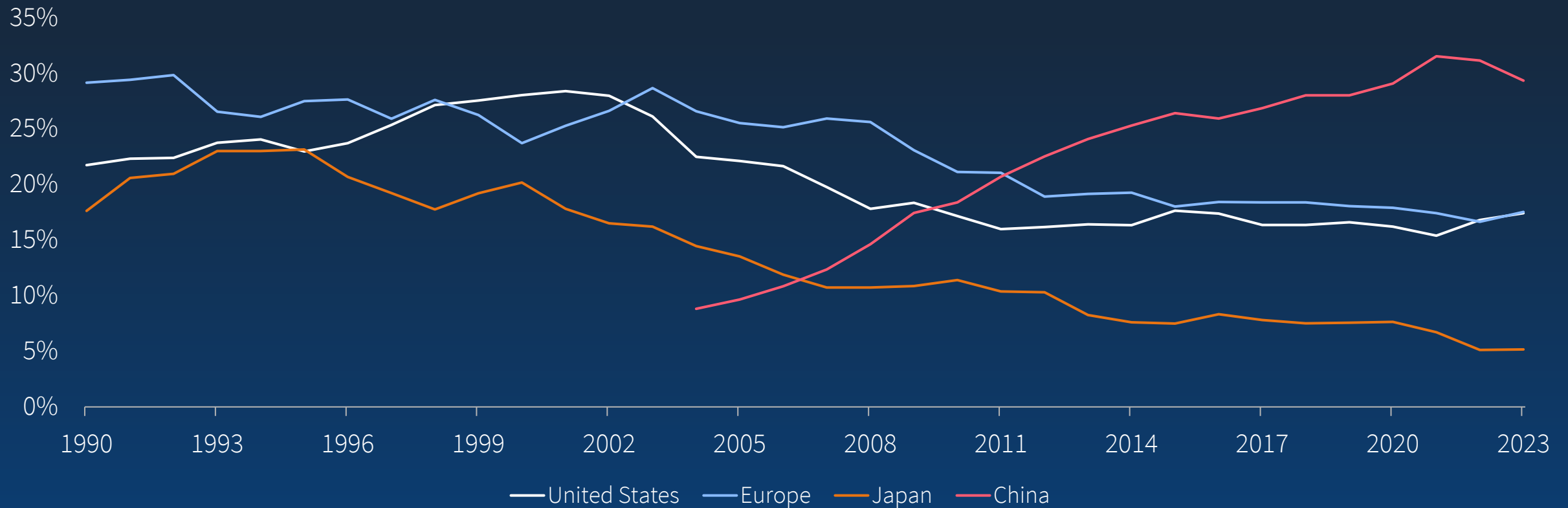
*Dr. Jones is the Founder and CEO of IBS and has been in business for over 30 years. He has previous experience in managing 1500+ engineers at Rockwell International, which included avionics, communications, and semiconductors, with strong emphasis on communications.

**Source: New York Times article ([U.S. Chipmakers Fear They Are Ceding China's A.I. Market to Huawei - The New York Times](#)). Jensen Huang is Nvidia CEO.

China has become a manufacturing powerhouse...

...challenging Europe's leading role

Share of Global Manufacturing Value Added



Source: UNDESA (Undata). As of 31.12.2023.

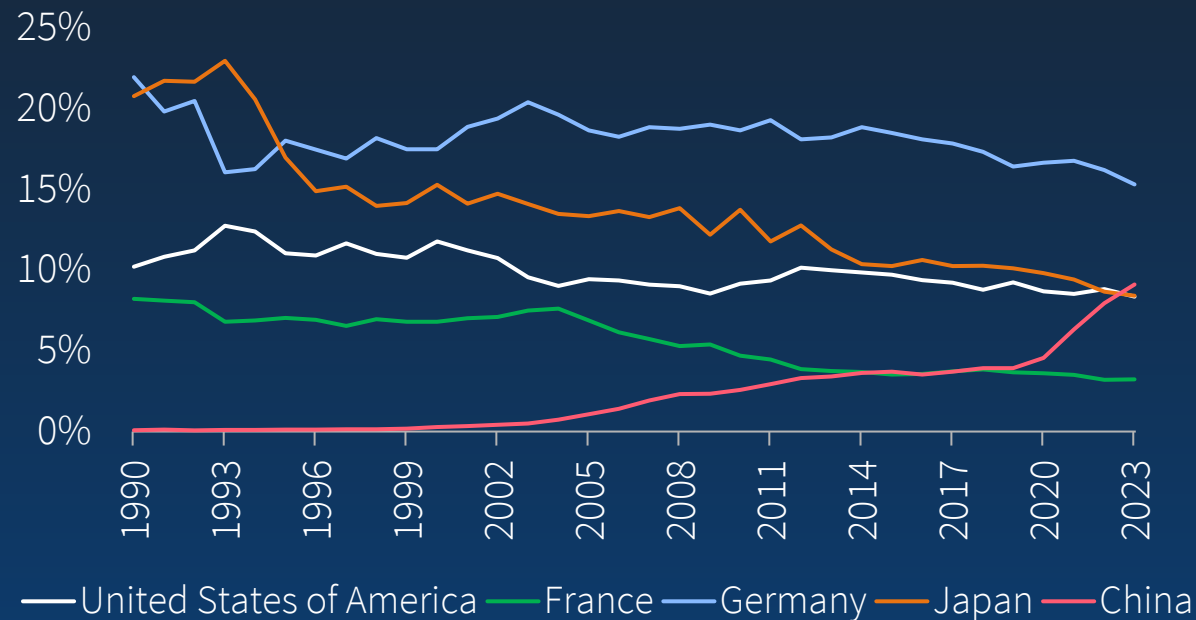
Marketing Communication for professional and institutional investors only. Not for retail investors.

Jupiter Asset Management 4

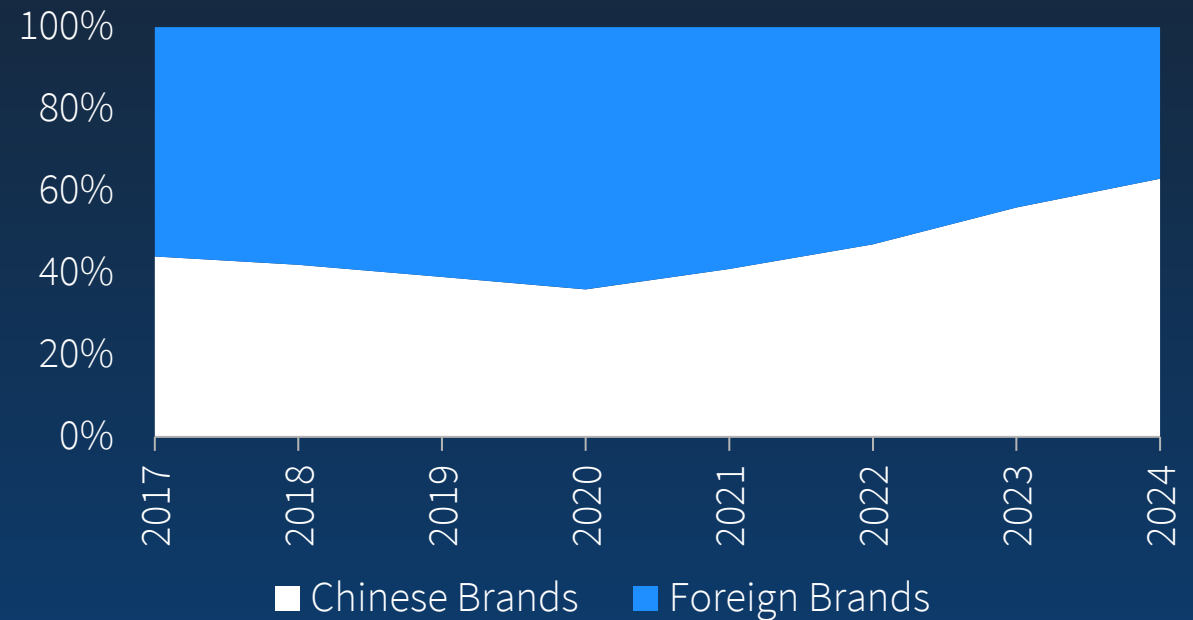
The car industry is a key example

Europe's dominant position in the car market is now at risk

Share of value of global car exports



Share of private vehicle sales in China by brand nationality



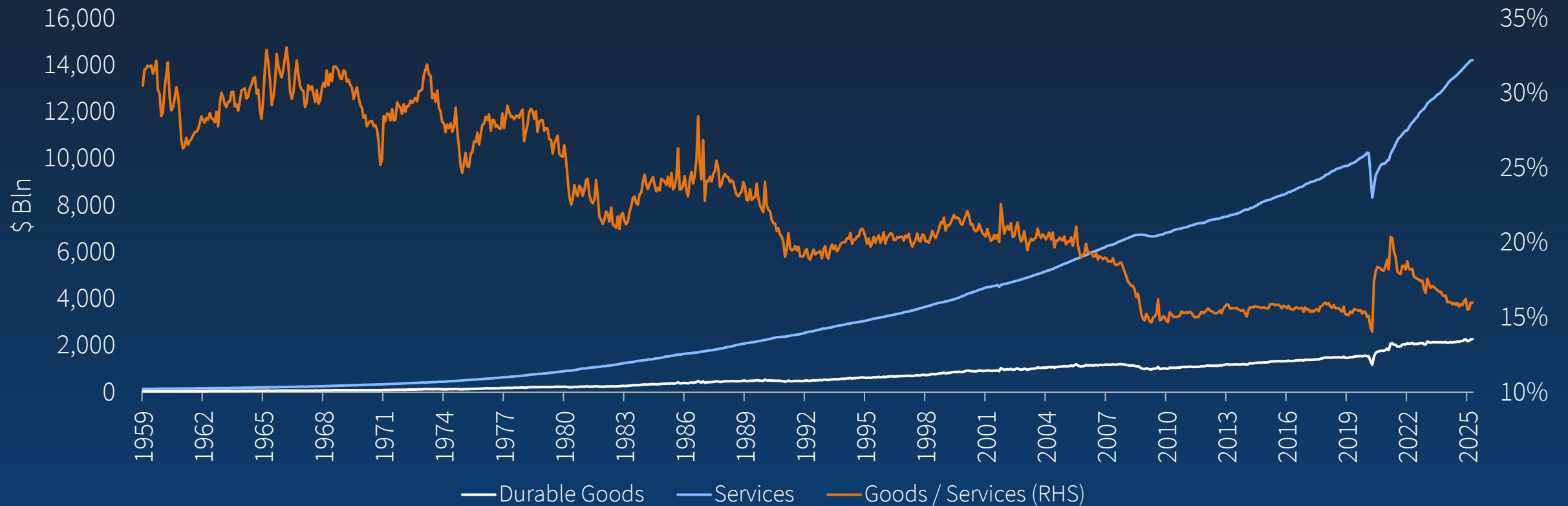
Left chart. Source: WTO Trade Statistics (WTO Stats). As of 31.12.23.

Right chart. Source: Automobility (State of China's Auto Market - September 2024 - Automobility). As of 30.09.24.

US economy is dominated by services

Goods were 40-50% of GDP in the early 20th century. More resilient to goods shocks today

US Personal Consumption Expenditures (Nominal Dollars SAAR): Durable Goods vs. Services



Source: Bloomberg. As of 31.03.25.

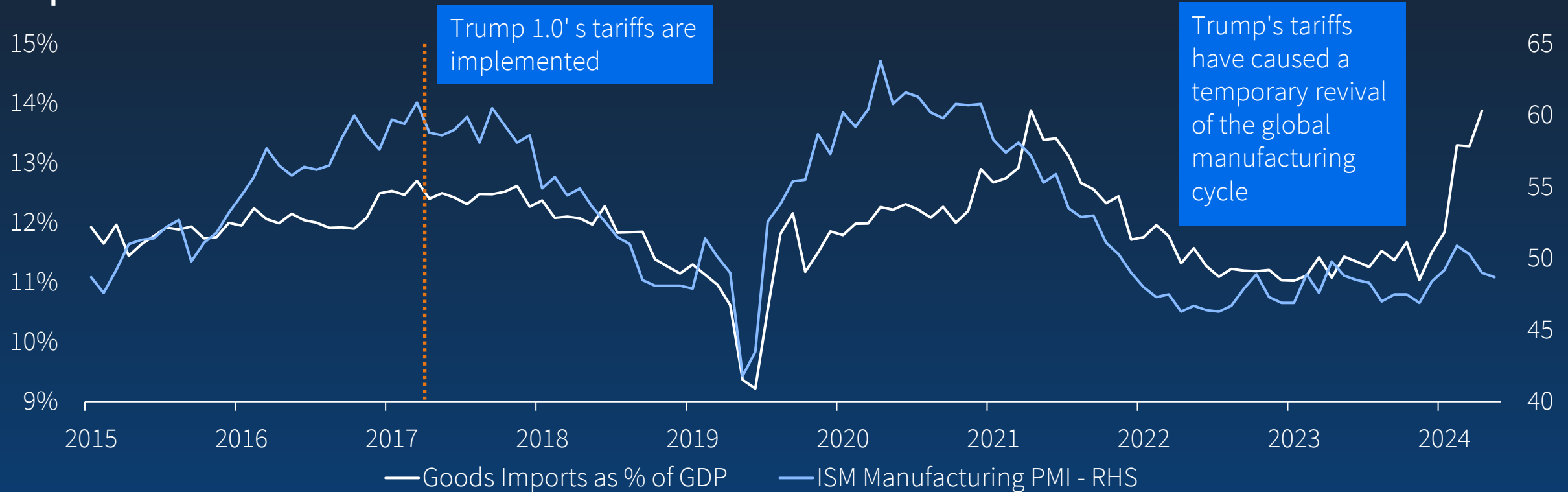
Marketing Communication for professional and institutional investors only. Not for retail investors.

Jupiter Asset Management 6

Goods sector is set to hit an air pocket

Gig economy acting like an economic airbag, cushioning laid-off workers

US goods imports (% of GDP) and ISM Manufacturing PMI: Producers have been stockpiling despite weak demand



Source: Bloomberg, Jupiter, JDI Research. As of 30.04.25.

Marketing Communication for professional and institutional investors only. Not for retail investors.

Jupiter Asset Management 7

Weak bargaining power suggests more fragile labour backdrop

Gig economy acting like an economic airbag, cushioning laid-off workers. 7.3mm Americans work for app-based businesses

US Wage growth and Consumer Inflation Expectations: No wage-price spiral in sight



Source: Bloomberg, Jupiter, JDI Research. As of 27.05.25.

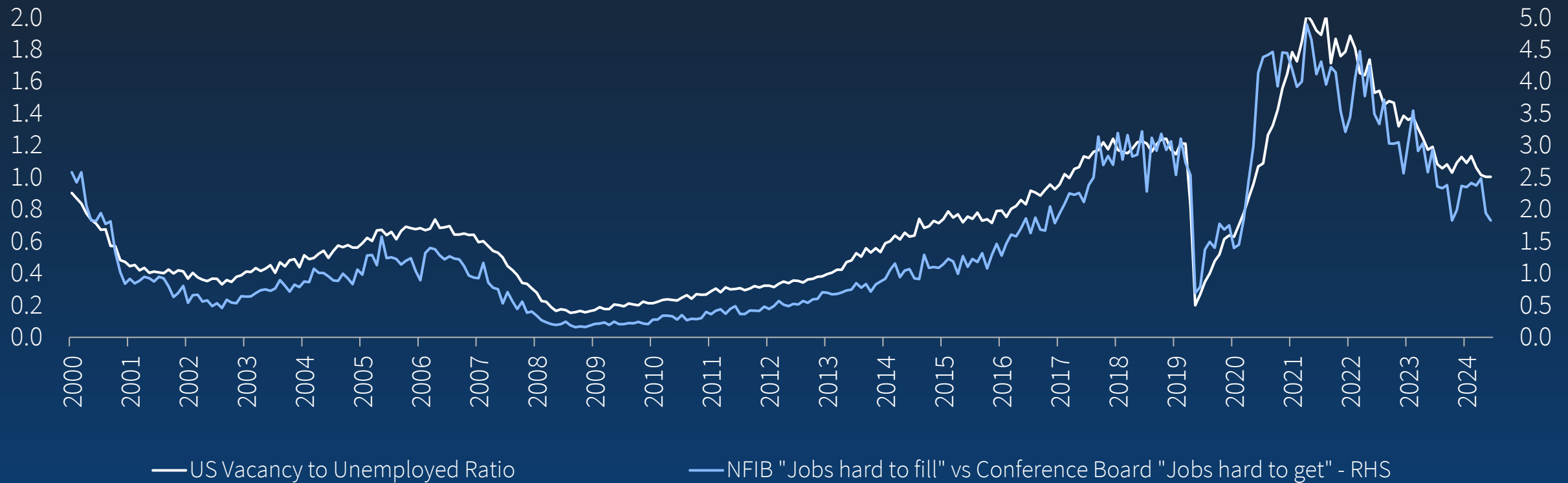
Marketing Communication for professional and institutional investors only. Not for retail investors.

Jupiter Asset Management 8

Labour market cooling but not panic stations yet...

Need job losses to materialise to allow the Fed to meaningfully ease monetarily

US Vacancy to Unemployed Ratio and “Jobs hard to fill” vs. “Jobs hard to get”



Source: Bloomberg, Jupiter, JDI Research. As of 27.05.25.

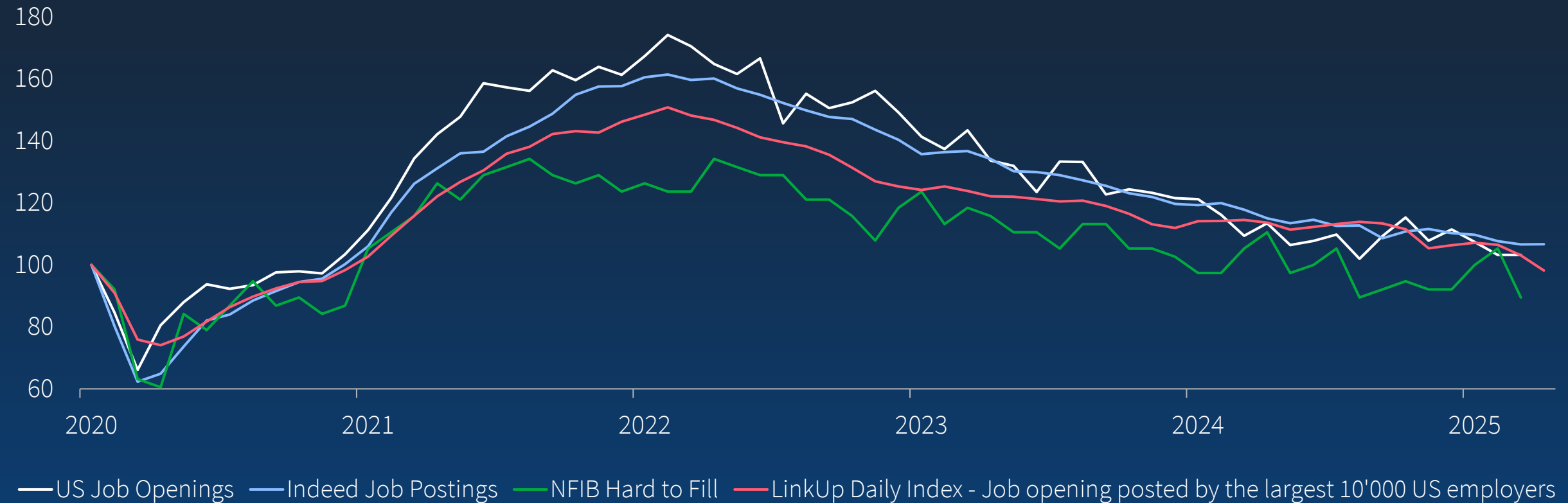
Marketing Communication for professional and institutional investors only. Not for retail investors.

Jupiter Asset Management 9

Waving the white flag

All job vacancy indicators have now slipped to cycle lows, erasing the late 2024 rebound

US Job Openings Indicators (29.02.20 = 100)



Source: Bloomberg, Jupiter, JDI Research. As of 27.05.25.

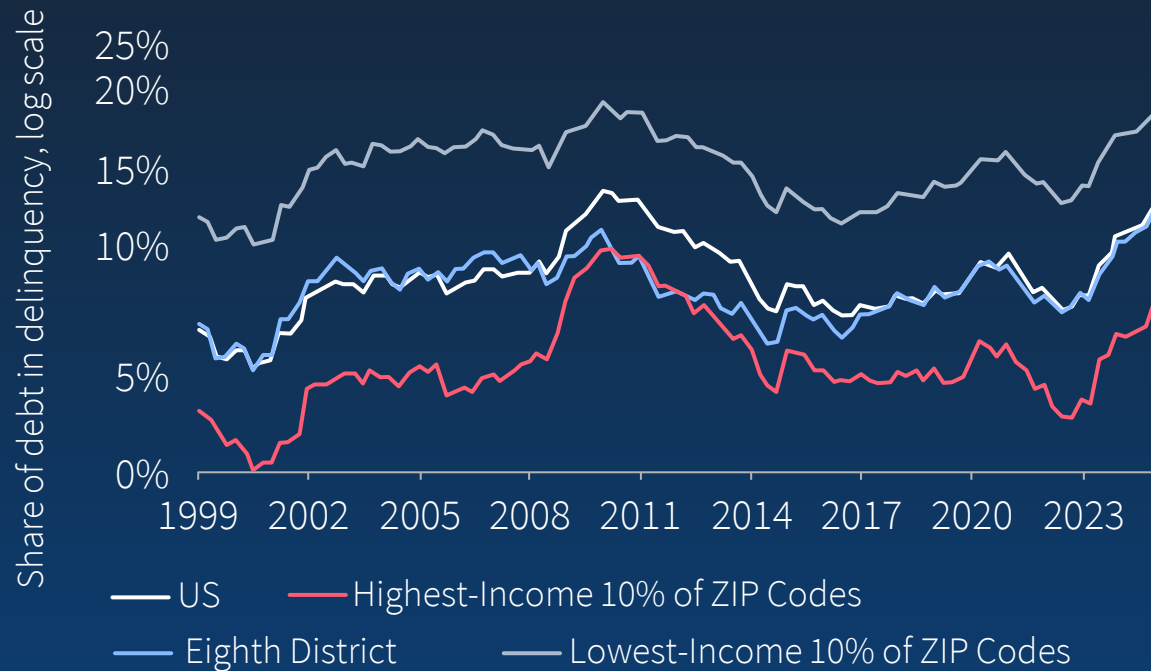
Marketing Communication for professional and institutional investors only. Not for retail investors.

Jupiter Asset Management 10

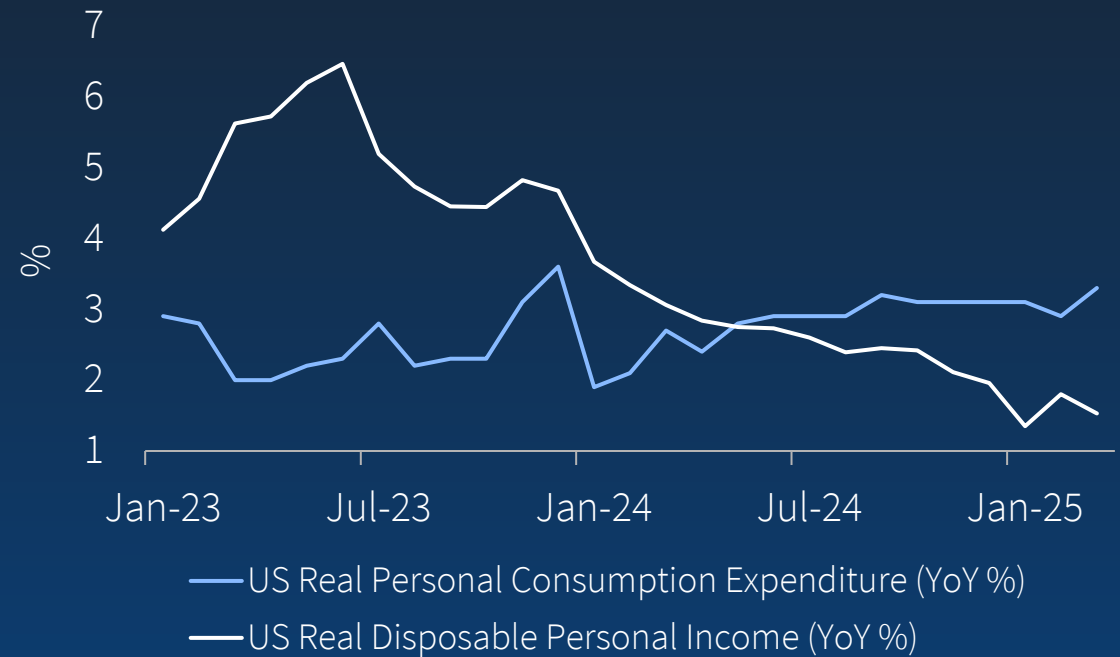
Signs of consumer stress mounting

Real PCE greater than Real Incomes since May 2024. This cannot continue indefinitely

Percentage of Credit Card Debt That Is 90 Days Delinquent



YoY growth in real personal consumption and income

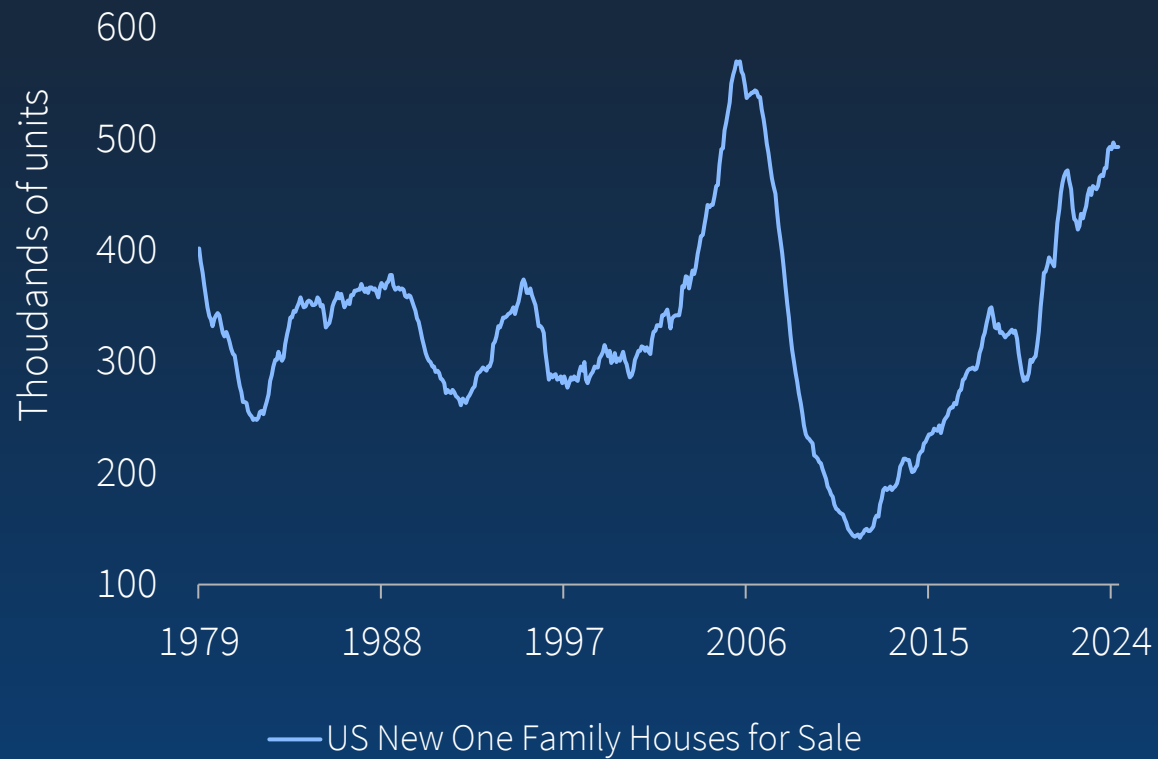


The Broad, Continuing Rise in Credit Card Delinquency Revisited. As of 09.05.25.
Left Chart. Source: Federal Reserve of St. Louis. Right Chart. Source: Bloomberg. As of 31.03.25.

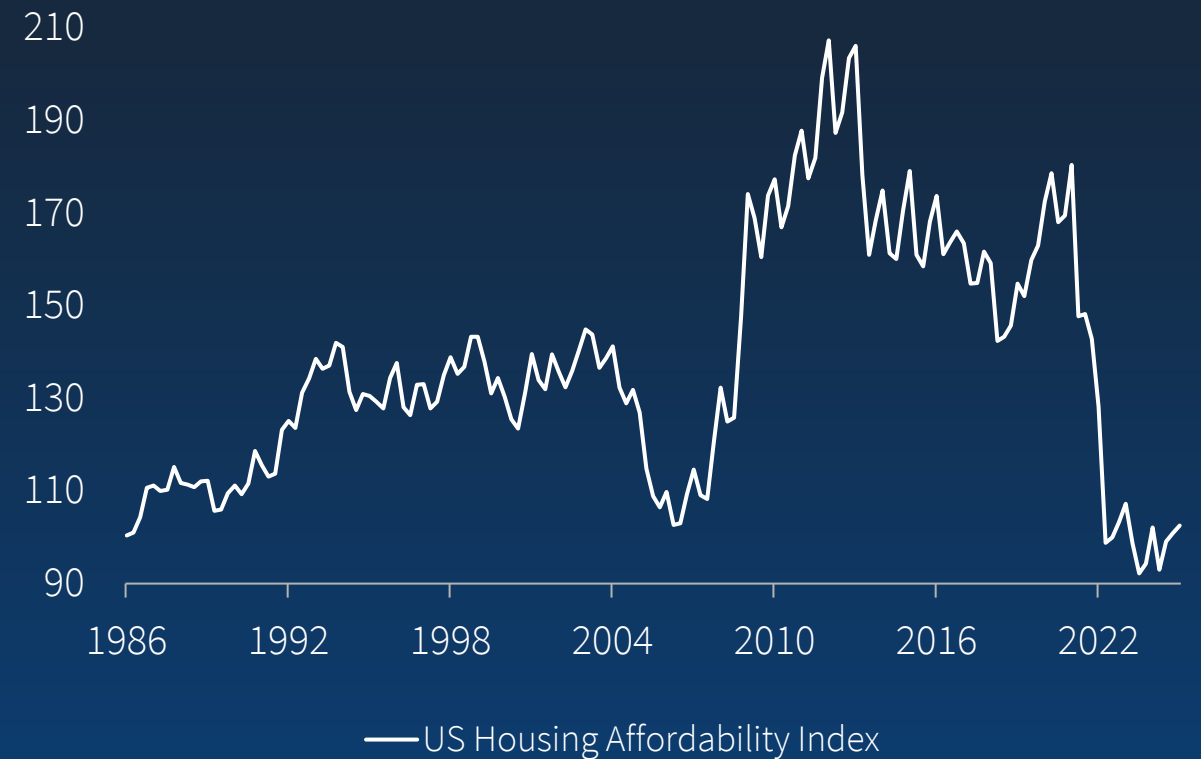
Housing market in lockdown

Existing home sales at GFC lows

US New One Family Houses for Sale



US Housing Affordability Index



Source: Bloomberg. As of 30.04.25.

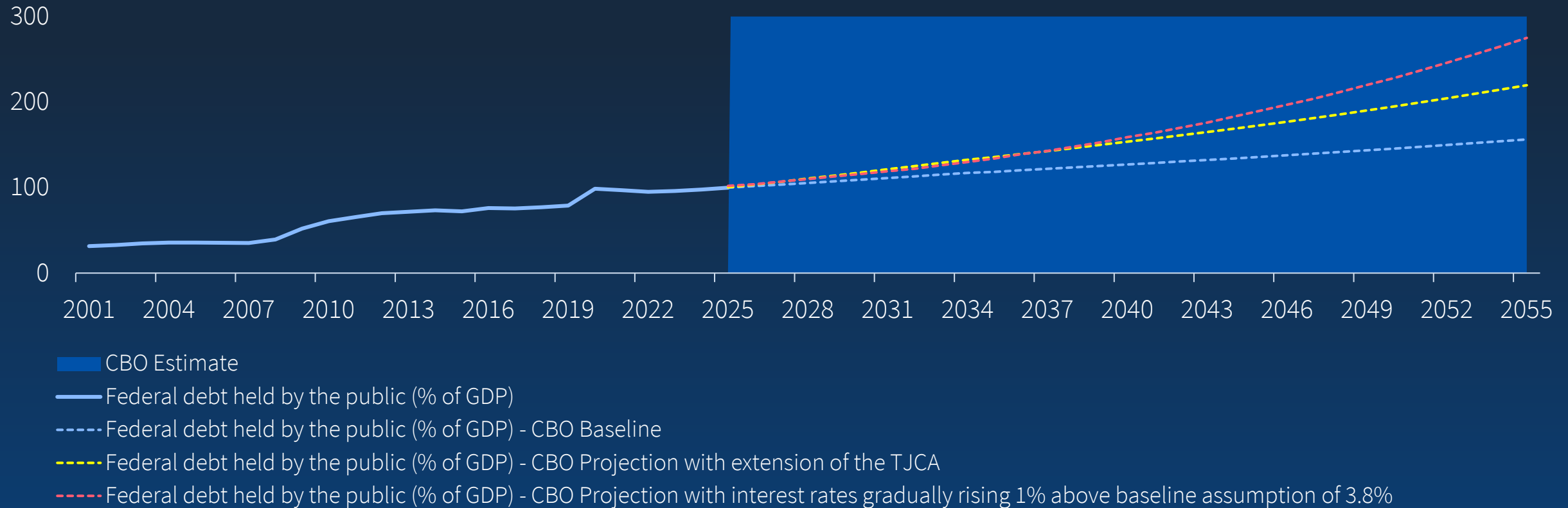
Marketing Communication for professional and institutional investors only. Not for retail investors.

Jupiter Asset Management 12

Is fiscal the only answer? What about crowding out!?

The rise in long term yields set to weigh on economic growth and asset prices

Debt to GDP: CBO alternative projections



Source: US Congressional Budget Office (CBO) March 2025 report The Long-Term Budget Outlook: 2025 to 2055.

Marketing Communication for professional and institutional investors only. Not for retail investors.

Jupiter Asset Management 13

LT yields to move higher if fiscal concerns are not addressed

If administration back pedals, demand will falter as tariffs dig their teeth into the consumer. Both scenarios should eventually lead to much lower front-end rates

US 30 Years Yield and ISM Aggregate



Past performance is no indication of current or future performance.

Quoted yields are not a guide or guarantee for the expected level of distributions to be received. The yield may fluctuate significantly during times of extreme market and economic volatility.

Source: Bloomberg. As of 27.05.25.

Reacting to geopolitical and trade **uncertainty**

A new fiscal plan from the European Union, but structural reforms are desperately needed

Summary of Measures

European Commission



- Will grant EUR 150bn in loans for defence spending
- Will exclude EUR 650bn in defence spending from the deficit rules for European countries

Germany



- Will exclude any defence spending above 1% of GDP (~45bn) from debt brake rule
- Will spend an additional EUR 500bn on infrastructure over the next 10 years (1.2% of GDP p.a.)
- German states and municipalities will be allowed to run additional deficit (0.35% of GDP)

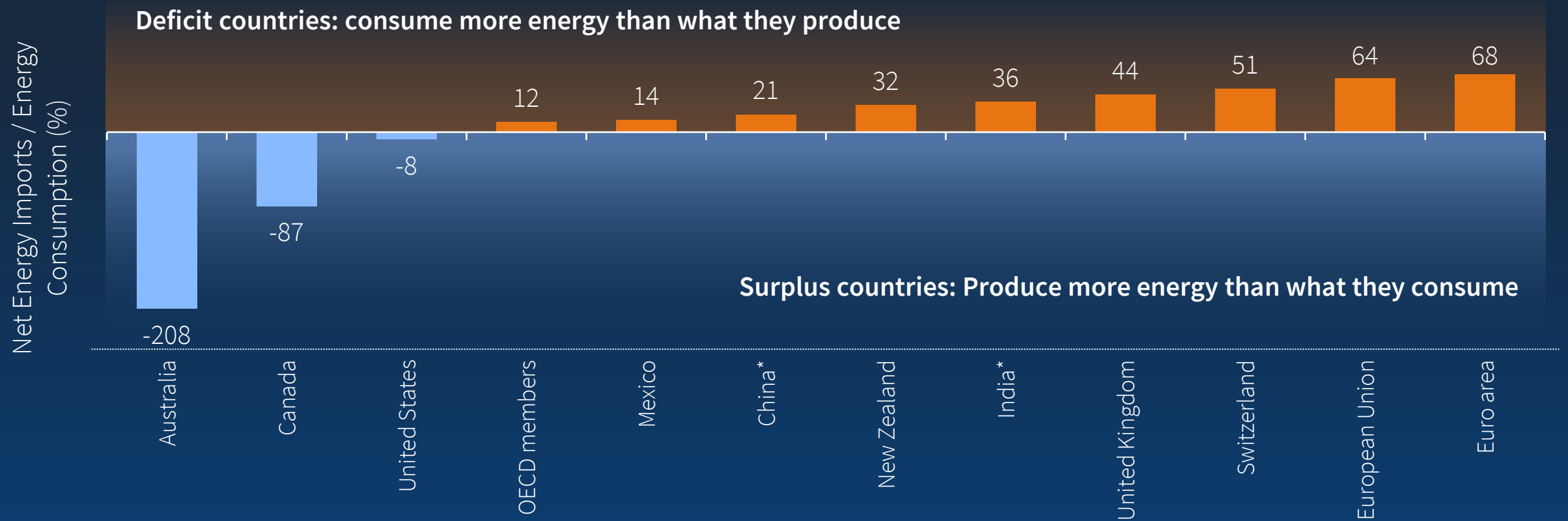
Source: Bloomberg. As of 27.05.25.

Marketing Communication for professional and institutional investors only. Not for retail investors.

Jupiter Asset Management 15

Europe is still heavily reliant on energy imports

Energy dependency by country/region - 2023



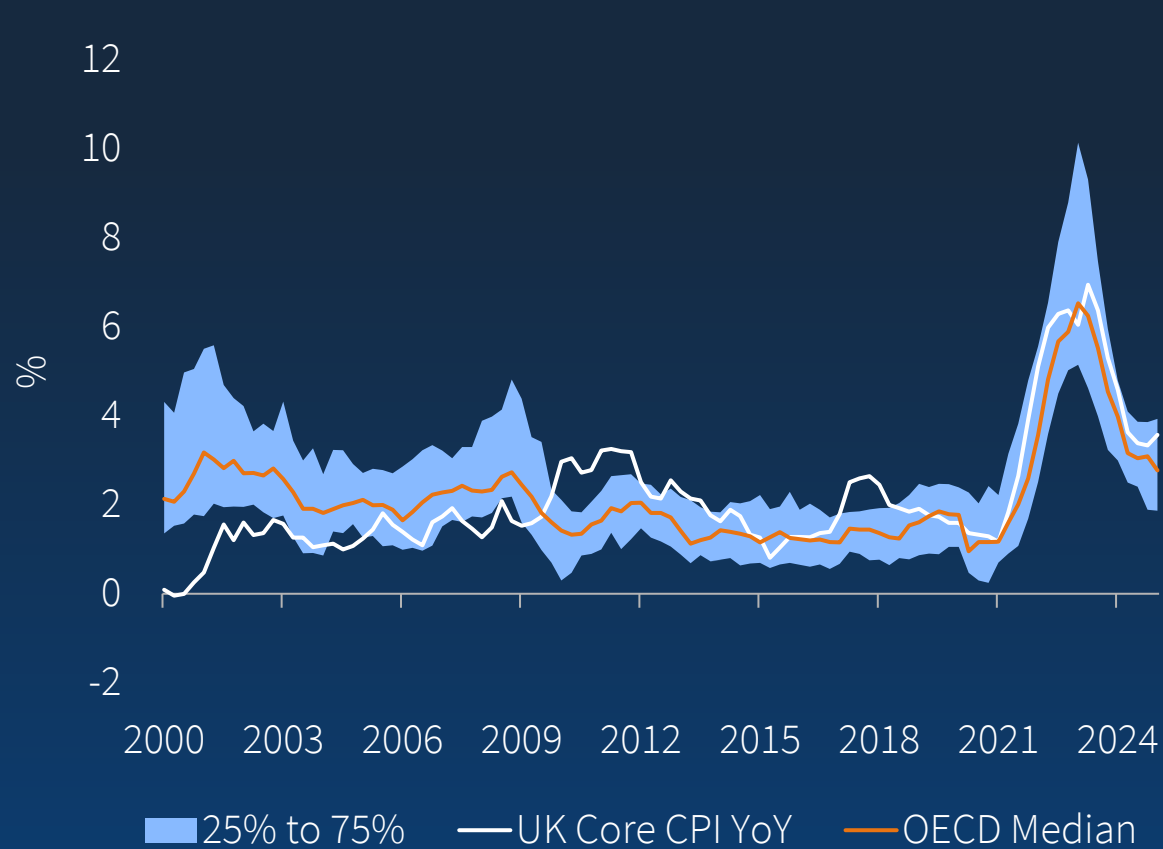
Source: World Bank Data. As of 31.12.23. *Data for 2022.

Marketing Communication for professional and institutional investors only. Not for retail investors.

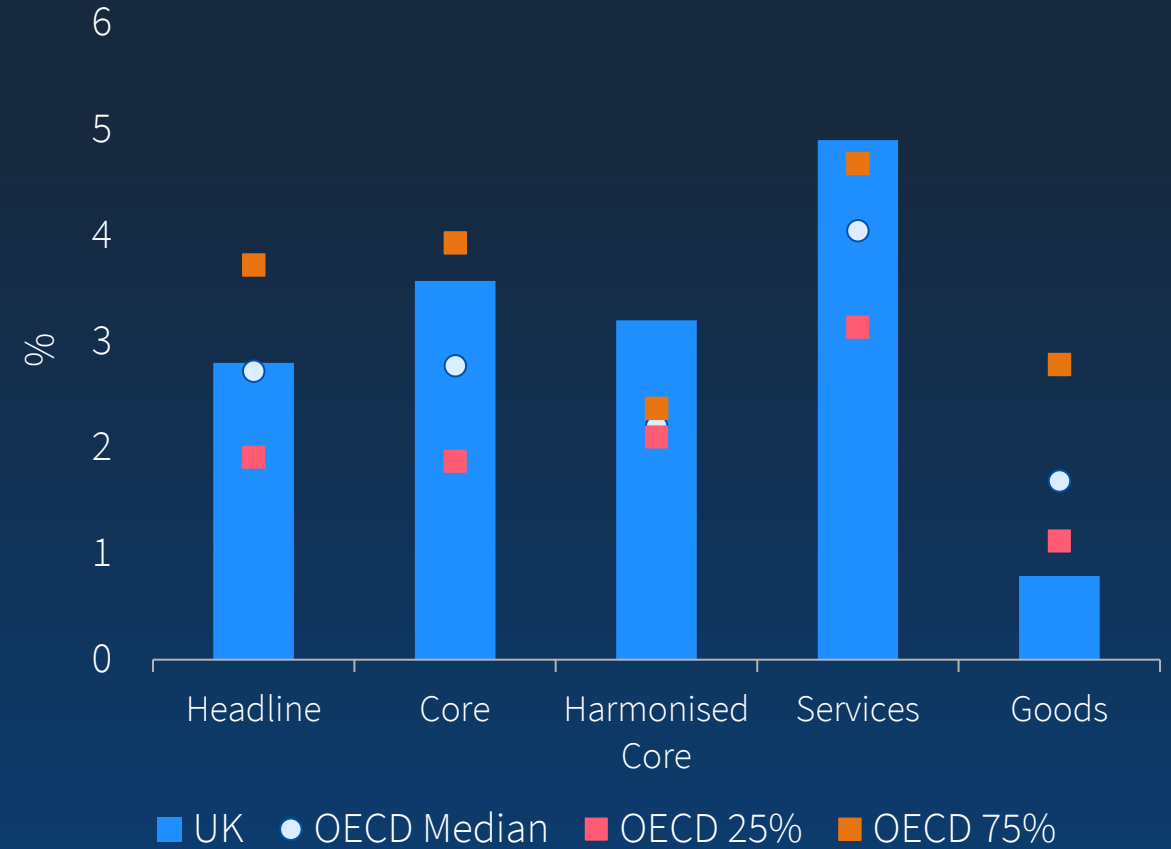
Jupiter Asset Management 16

The UK has seen sticky core inflation in recent years

UK Core CPI vs. OECD countries



UK CPI metrics vs. OECD countries



Source: Goldman Sachs Research. As of 31.03.25.

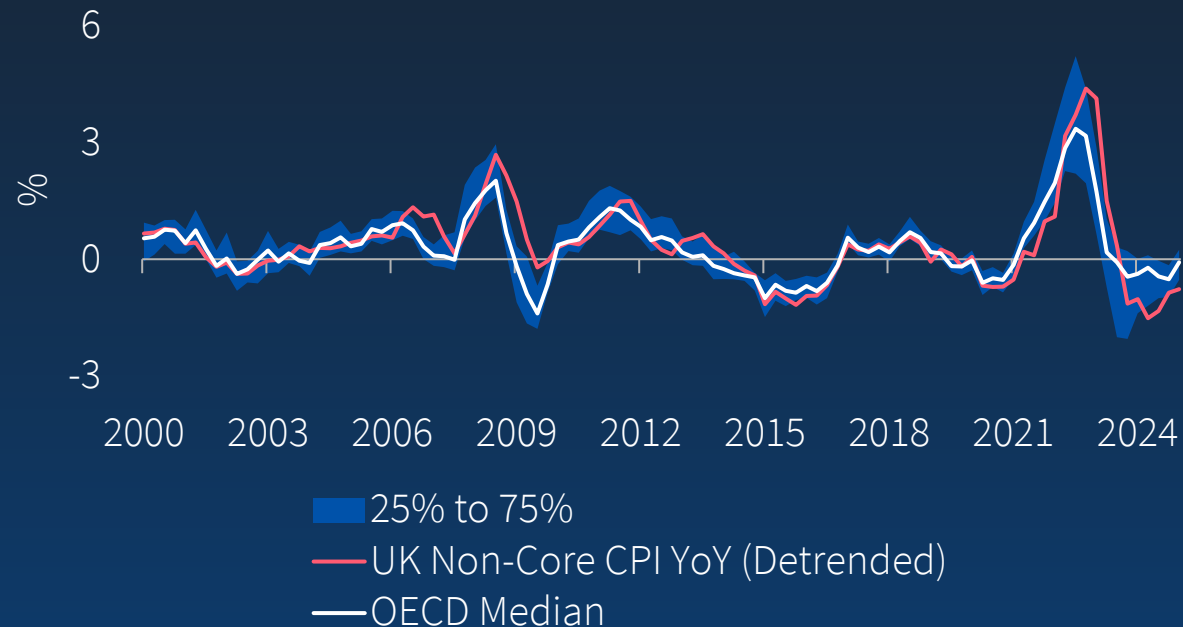
Marketing Communication for professional and institutional investors only. Not for retail investors.

Jupiter Asset Management 17

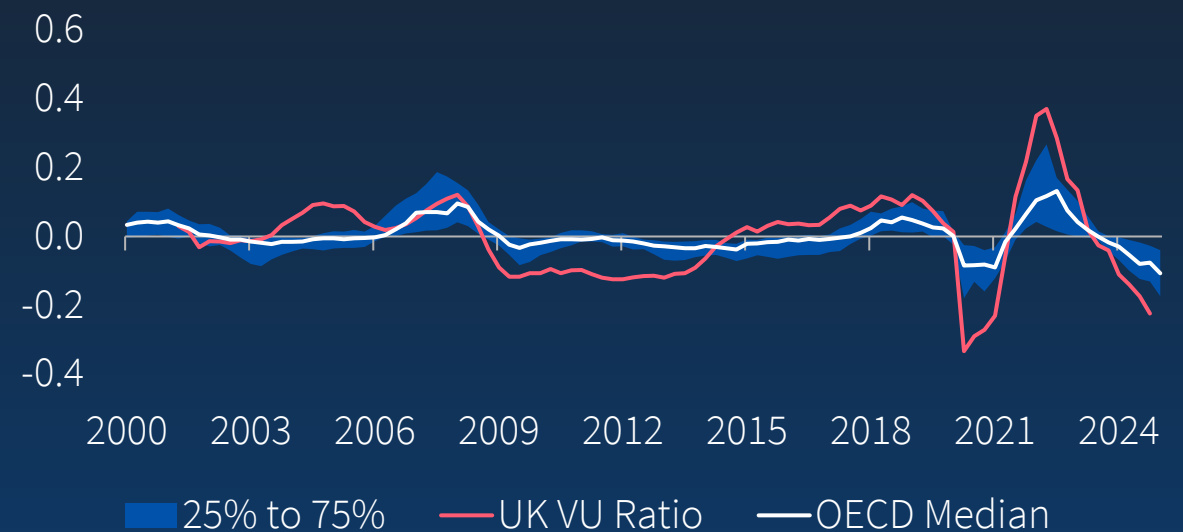
This might have been caused by two **key reasons**

Higher Food & Energy (non-Core) inflation and more overheating in the job market

UK Non-Core CPI vs. OECD countries



UK Vacancy to Unemployment ratio vs. OECD countries



These have now largely normalized, suggesting further downside for Core CPI

Source: Goldman Sachs Research. As of 31.03.25.

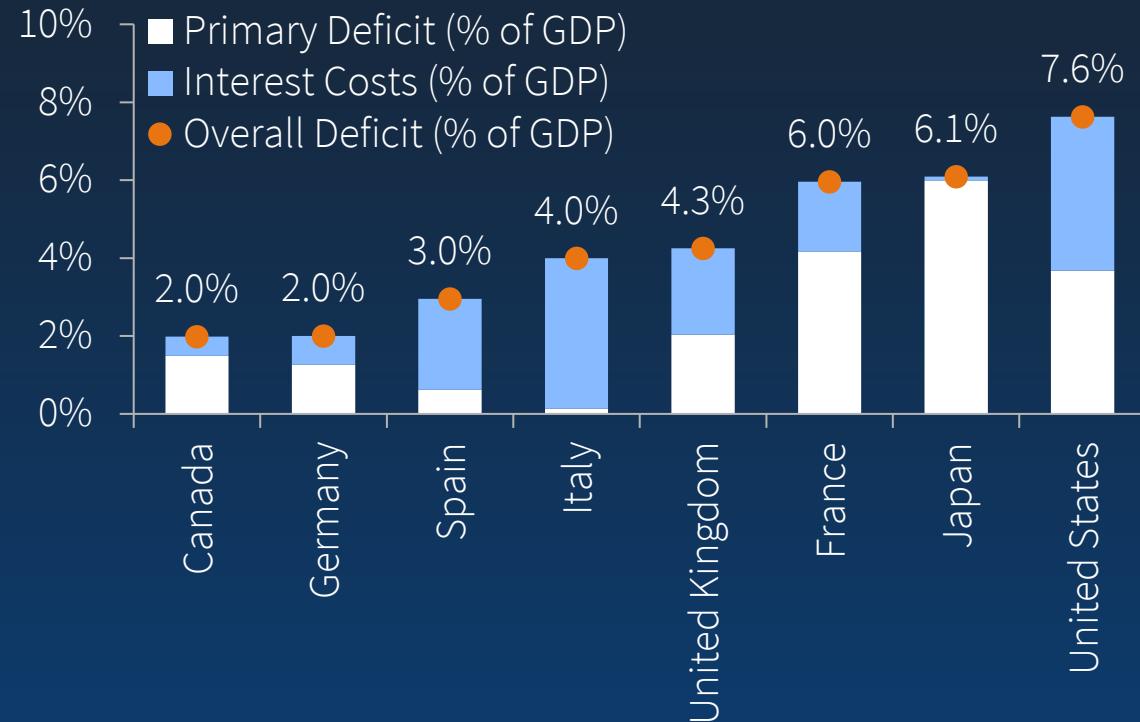
Marketing Communication for professional and institutional investors only. Not for retail investors.

Jupiter Asset Management 18

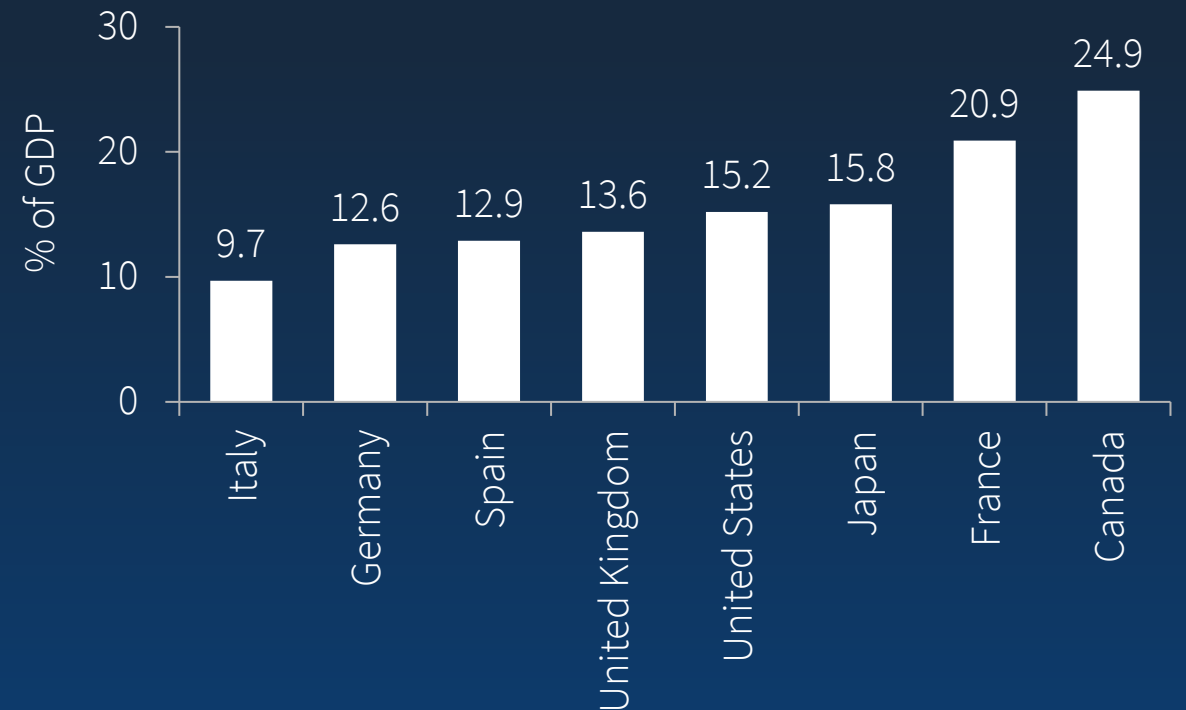
Sentiment towards UK fiscal poor...

BUT...deficit and private sector debt service ratio stack up well versus peers

2024 Deficit to GDP for major DMs – IMF Data



Private Sector Debt Service Ratio to GDP



Left chart. Source: IMF Fiscal Monitor October 2024.

Right chart. Source: BIS, as at 30.06.24. Note: The private sector debt service ratio to GDP measures the proportion of a country's Gross Domestic Product (GDP) spent on servicing the debt of the private sector, including interest payments and debt amortizations.

UK long end vs. US and Germany

BUT...deficit and private sector debt service ratio stack up well versus peers

UK 30 Years Gilt: Yield pick-up vs. US Treasuries and German Bunds



Past performance is no indication of current or future performance.

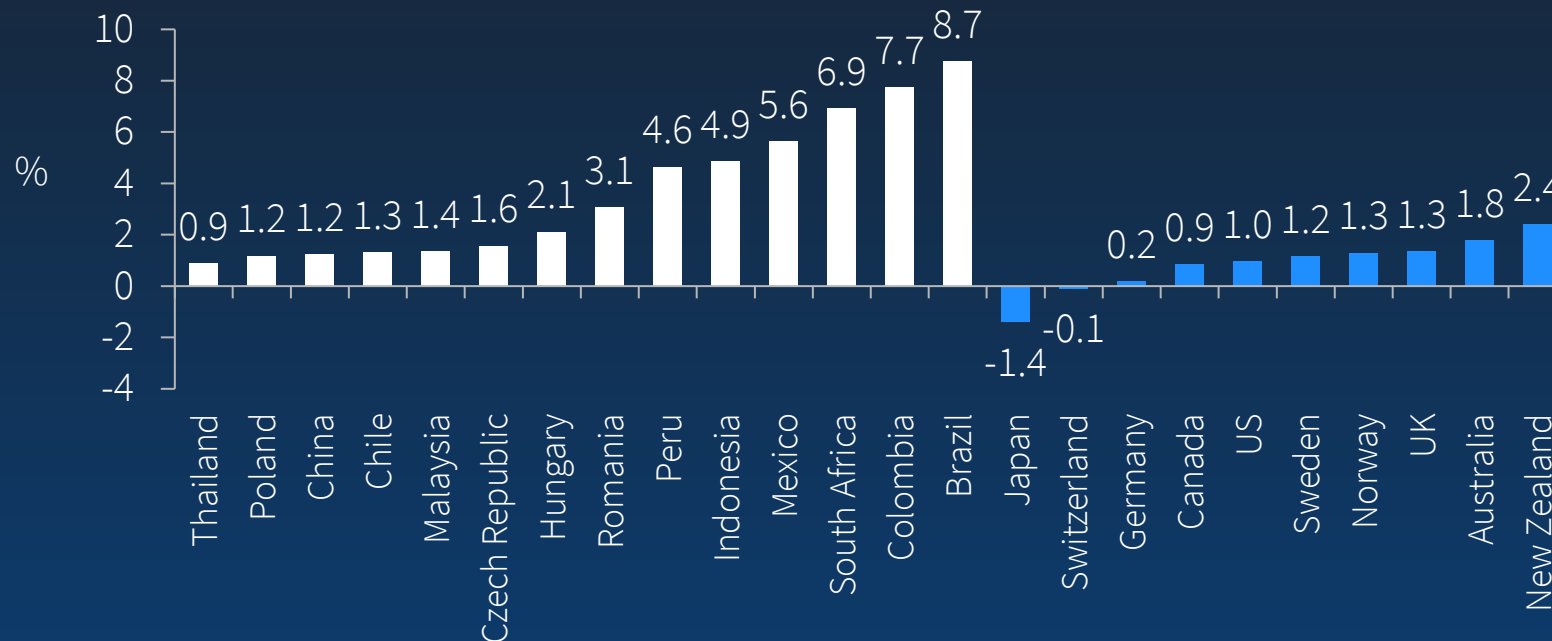
Quoted yields are not a guide or guarantee for the expected level of distributions to be received. The yield may fluctuate significantly during times of extreme market and economic volatility.

Source: Bloomberg, as at 30.04.25.

Brazil offers highest real yield among major EM and DM

Brazilian local currency debt represents good opportunity

10 Years Local Currency Yield Minus 2025 inflation Bloomberg consensus estimate



Trade rationale

- A weaker US Dollar
- Potential catalyst: Lula failing to retain power in 2026 elections
- As election comes into view second half this year, could trigger further rally in Brazilian assets
- Country rich in resources. Soft and hard commodities
- Very low foreign denominated gov't debt (~\$86bn or 3.9% of GDP*)
- Economy starting to slowdown paving the way for rate cuts next year

Quoted yields are not a guide or guarantee for the expected level of distributions to be received. The yield may fluctuate significantly during times of extreme market and economic volatility.


Source: Bloomberg, as at 30.04.25.

*Source: World Bank and Jupiter computations, as at 31.12.24.

Risk assets are in a stable equilibrium (ball in a bowl)

To escape the goldilocks environment requires a significant and unambiguous event

Factors supporting the stable equilibrium						
Growth	Monetary policy	Fiscal	Energy prices	Technicals	Fundamentals	Good all-in carry
Slower but positive	Further rate cuts outside the US	No negative impulse in the US, more supportive elsewhere	Lower oil helps consumers	Inflows for credit continue	Higher credit quality and benign default estimates support tighter HY spreads	Higher base rates provide good base and cushion to withstand spread widening



The diagram shows a black ball resting in the center of a clear glass bowl. Three text boxes are connected to the bowl by curved arrows. The left box points to the left side of the bowl, the middle box points directly at the ball, and the right box points to the right side of the bowl.

Jobs market cracks. Recession risk emerges.
Volatility ensues. Fed intervention can follow.

Remain in the bowl absent an extreme event

Lose control of the long end of the bond market. Risk asset tantrum. Fed intervention can follow.

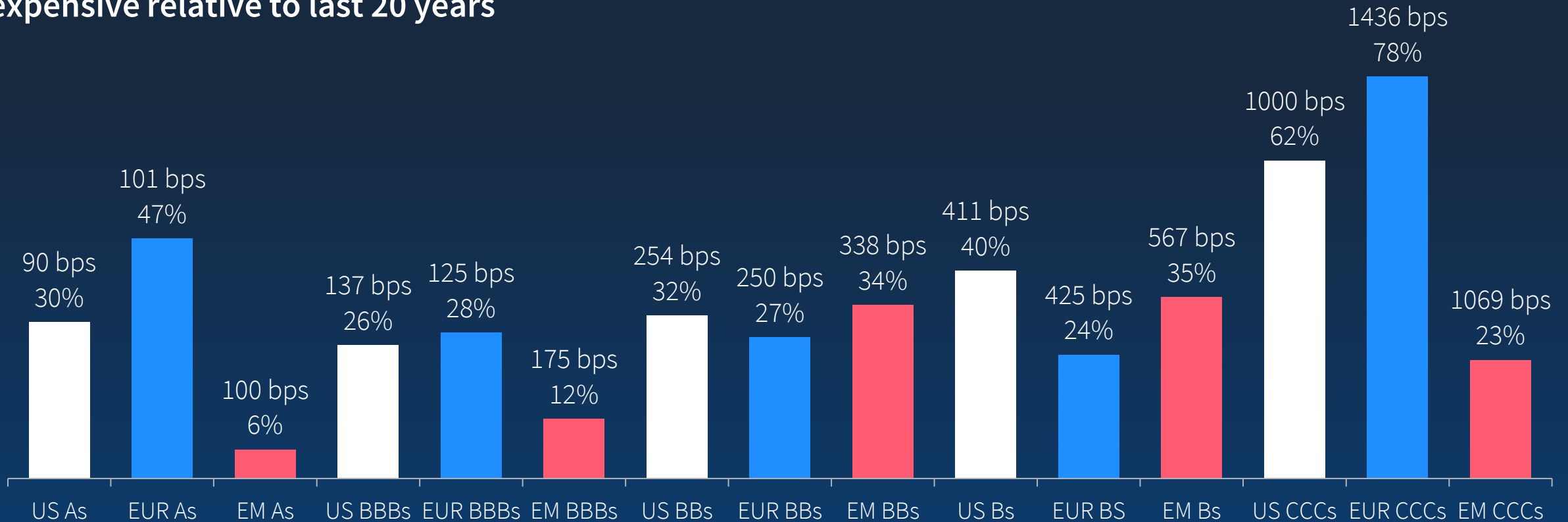
The views expressed are those of the presenter at the time of preparation and may change in the future.

Marketing Communication for professional and institutional investors only. Not for retail investors.

Jupiter Asset Management 22

Spreads are not particularly cheap, but technicals supportive

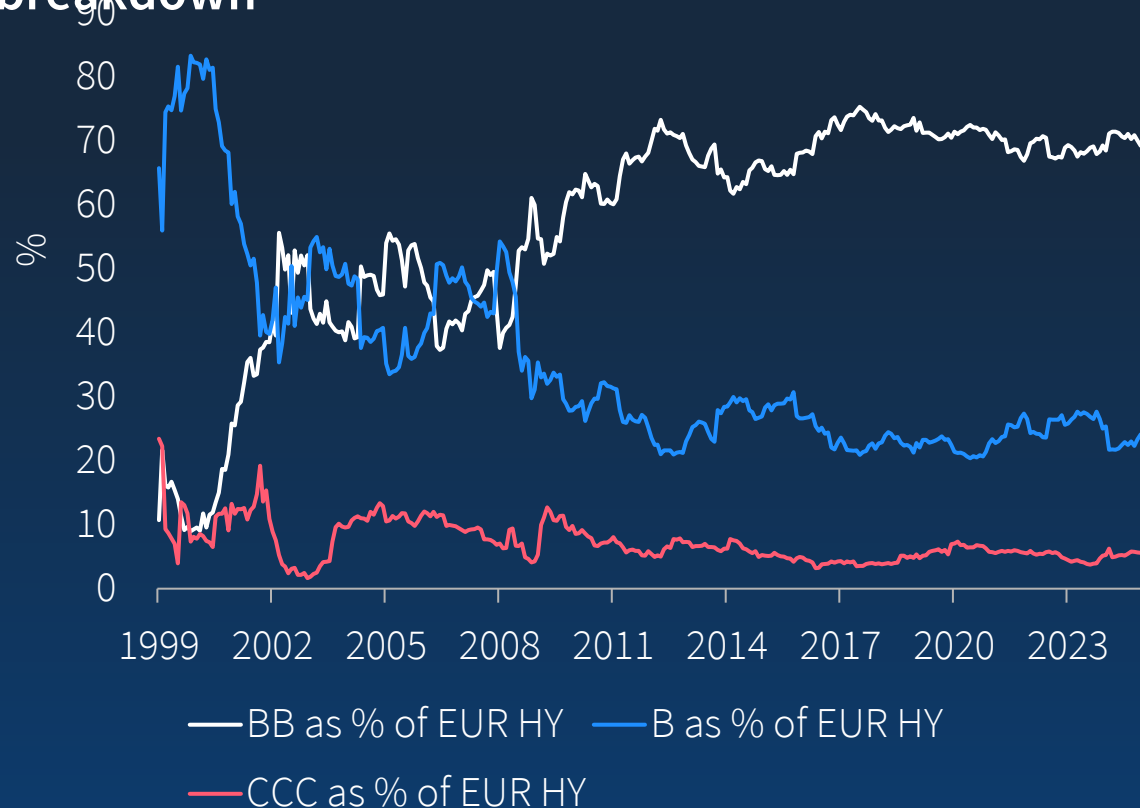
Credit market segments: shorter bar = the asset class is more expensive relative to last 20 years



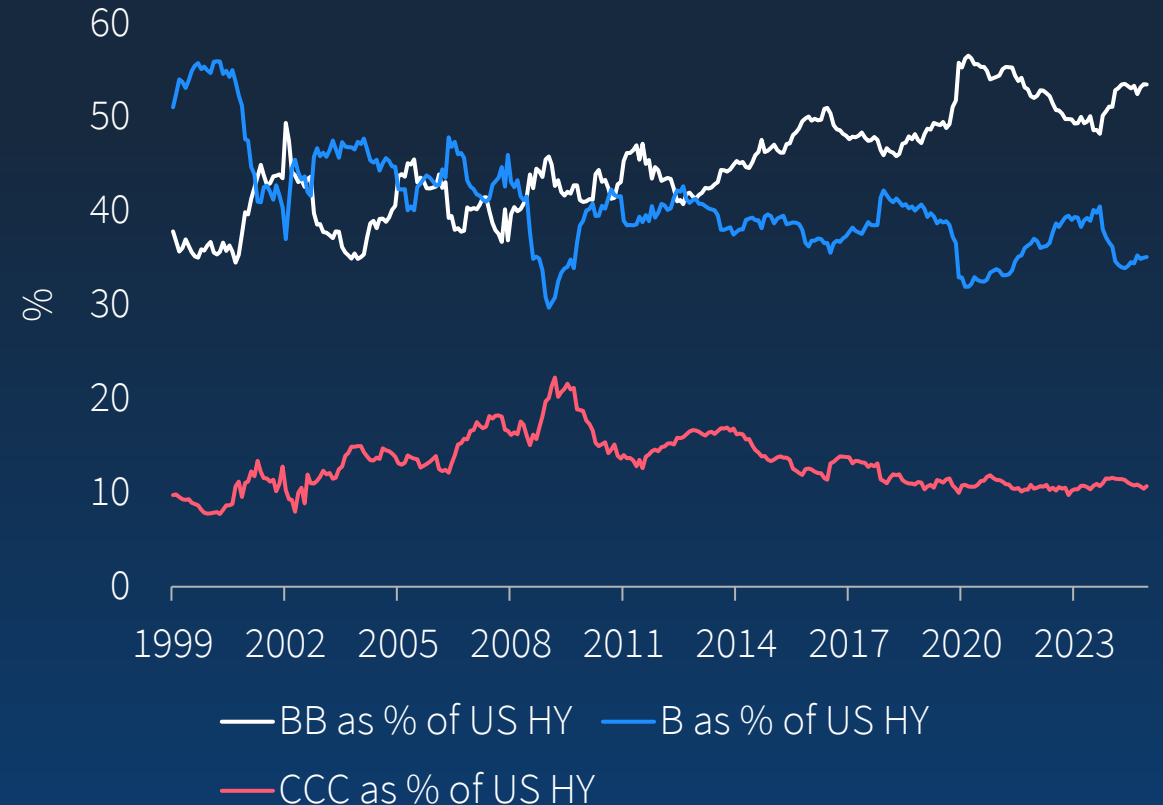
Source: Bloomberg, as at 30.04.25. EUR and USD values are for ICE BofA USD and EUR sub-indexes. EM As, BBBs, BBs, and Bs are JPM CEMBI Broad Diversified segments. EM CCCs is ICE BofA CCC and Lower Emerging Markets Corporate Plus Index.

Credit quality across high yield markets has improved

EUR High Yield: historical rating breakdown



EUR High Yield: historical rating breakdown



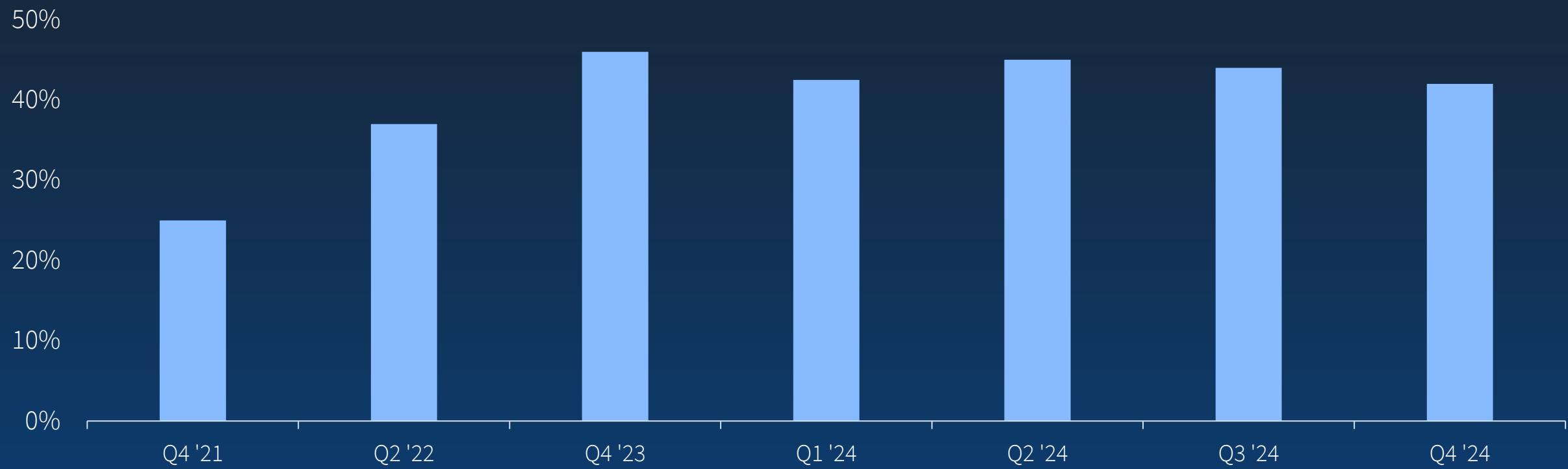
Source: ICE. As of: 30.04.25. EUR High Yield is ICE BofA EUR High Yield Index. US High Yield is ICE BofA US High Yield Index.

Marketing Communication for professional and institutional investors only. Not for retail investors.

Jupiter Asset Management 24

Weaker companies have found an **alternative financing source**
This can contribute to increased quality in public HY markets

Share of Private Credit Borrowers with negative operating cash flows



Source: Global Financial Stability Report, April 2025: Enhancing Resilience amid Uncertainty . The share of private credit borrowers with negative FOCFs is based on the universe of S&P Global Ratings' Credit Estimates. Select traded BDCs are based on Bloomberg's set of peer BDCs. BDC = business development company; BSL = broadly syndicated loan; DL = direct lending; FOCF = free operating cash.

Investment implications

Asset Class	Key themes
DM Government Bonds	<ul style="list-style-type: none">• US rates: steepening bias with long exposure to front and belly, short exposure to the long end• Ex-US rates: UK, Australia, New Zealand and Germany. Positioned mid curve and further out
EM Local Currency Government Bonds	<ul style="list-style-type: none">• Brazil• Mexico• India
DM Corporates	<ul style="list-style-type: none">• Defensive sectors (TMT, Healthcare, Consumer Staples)• Short call CoCos• Short Duration (Short Dated and Short Call Date)• Senior Secured• Selected energy names
EM Corporates	<ul style="list-style-type: none">• Focus on credit selection: modestly levered corporates with good governance.• Defensive sector bias.• Key countries: Czech Republic, India, Brazil

Important Information

This document is intended for investment professionals and is not for the use or benefit of other persons, including retail investors.

This document is for informational purposes only and is not investment advice. Market and exchange rate movements can cause the value of an investment to fall as well as rise, and you may get back less than originally invested.

Every effort is made to ensure the accuracy of any information provided but no assurances or warranties are given. **Where a benchmark is used for comparison, it is shown for illustrative purposes only and does not imply future performance.**

Issued in the UK by Jupiter Asset Management Limited, registered address: The Zig Zag Building, 70 Victoria Street, London, SW1E 6SQ is authorised and regulated by the Financial Conduct Authority. Issued in the EU by Jupiter Asset Management International S.A. (JAMI), registered address: 5, Rue Heienhaff, Senningerberg L-1736, Luxembourg which is authorised and regulated by the Commission de Surveillance du Secteur Financier. Issued in Hong Kong by Jupiter Asset Management (Hong Kong) Limited (JAM HK) and has not been reviewed by the Securities and Futures Commission.

No part of this document may be reproduced in any manner without the prior permission of JAM, JAMI or JAM HK.

In Hong Kong, investment professionals refer to Professional Investors as defined under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), and in Singapore, an institutional investor pursuant to Section 304 of the Securities and Futures' Act ("SFA") and an accredited investor or other relevant person, or any person pursuant to Section 305(2) of the SFA. This document has not been reviewed by the Monetary Authority of Singapore.