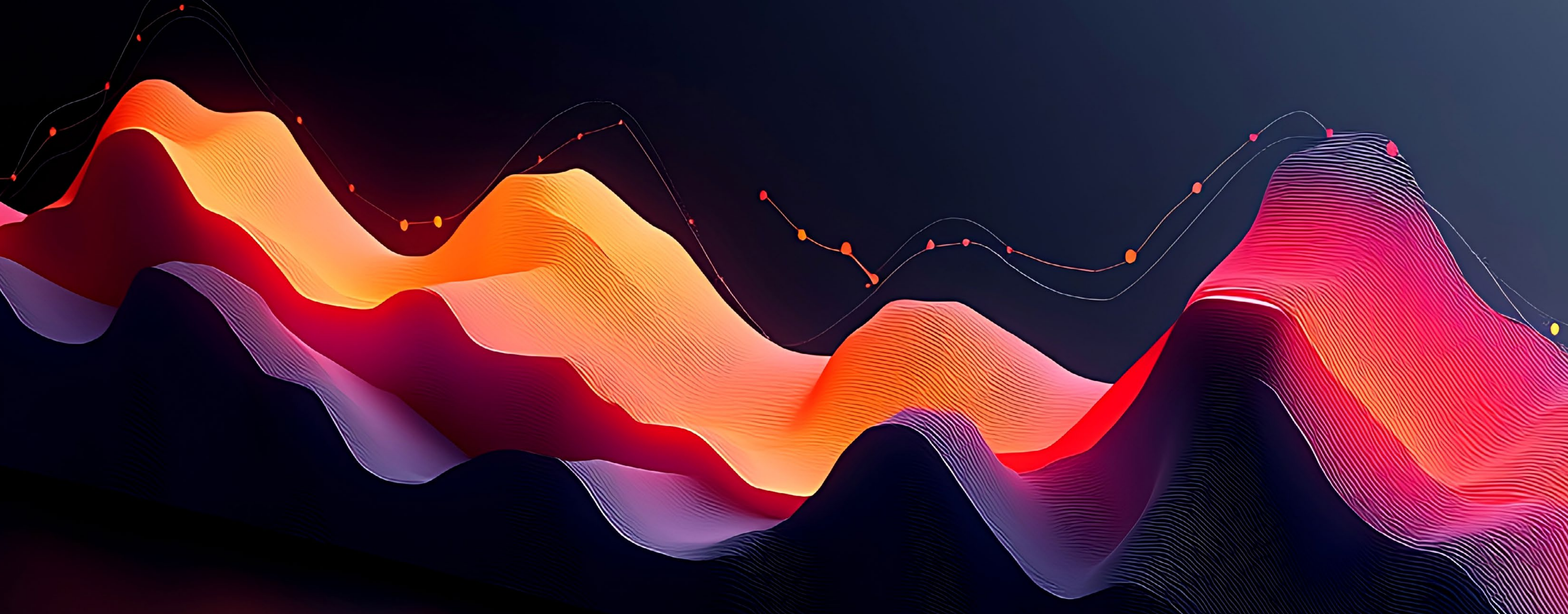
BNY | INVESTMENTS



2025 MARKET OUTLOOK: NAVIGATING A NEW LANDSCAPE

2025 MARKET OUTLOOK: NAVIGATING A NEW LANDSCAPE

As we near the end of the year we're also turning a page on many of the risks that loomed over markets in 2024. With the US election behind us, inflation seemingly moderated and the labor market finding some balance, the Federal Reserve (the Fed) has begun its path towards lower rates, setting the stage for cautious optimism in 2025.

We expect economic growth to reaccelerate for many regions, fueled by easing monetary policy leading towards a controlled re-leveraging cycle and a rebound in US business investment. Fiscal policy should also be supportive and lower wage growth is likely to keep service inflation under control. However, with economic growth above trend and tariffs likely increasing the price of goods, this may lead to the Fed hitting the pause button on policy easing around mid-year.

Naturally, our view is not without risks. The lagged effects of a tight monetary policy could have a longer shadow than expected and there remains uncertainty surrounding the implementation and timing of fiscal policy. Both of these could contribute to businesses being more cautious about hiring and spending in 2025, lowering our expectations of growth in the US.

Eric Hundahl, CFA
Head of BNY Investment Institute

BNY Advisors' Investment Institute (BNY Investment Institute) consists of our macroeconomic research, asset allocation, manager research and operational due diligence teams.

OUR KEY TAKEAWAYS

1 Fixed income investing makes for a compelling case with yields near three-year highs and the Fed in easing mode. We believe an active, intermediate-term approach for bonds has the potential to perform well in 2025.

2 In equity markets, we expect the growth vs. value gap to continue narrowing as more industries benefit from higher earnings and improving monetary and fiscal policies in 2025. We support portfolio allocations toward value due to its cyclical growth exposure and to avoid an overexposure to growth.

3 We believe real asset-class exposures should do well in 2025, especially those that not only benefit from inflation but also higher growth.

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CURRENT MARKET BACKDROP

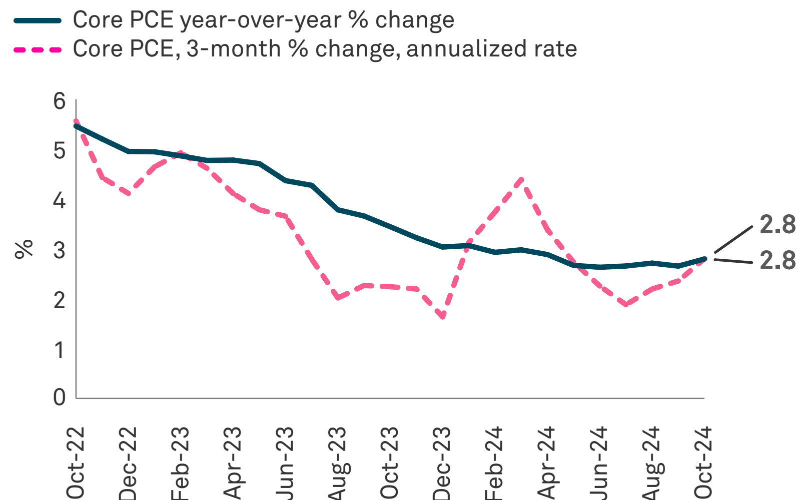
NEAR-TERM INFLATION RISK MAY BE FADING

After experiencing the most rapid monetary tightening by the Fed in roughly four decades, markets welcomed the news of disinflation.

Inflation has been on the right path directionally for most of 2024 but flatlined mid-year, overshooting expectations set earlier in the year. While the year-over-year core Personal Consumption Expenditure (PCE) number released in November was lower than what was printed roughly 12 months prior, the underlying trend or pace has stagnated as the three-month annualized rate now sits at 2.8%.[1]

We expect a 25-basis point (bp) cut by the Fed in their December Federal Open Market Committee (FOMC) meeting, which would leave Fed Funds at 4.25–4.50%, between what markets and the Fed had projected roughly 12 months ago.

INFLATION MOMENTUM



GROWTH & MARKET EXPECTATIONS CONTINUE ON TRACK

Looking back, investor sentiment ended on a high note at the end of 2023, with many market participants believing that inflation risk was less of a threat, thus giving rise to expectations for the Fed to lower rates. Hence, asset classes saw large inflows, but some expectations were set too optimistically, mainly in the areas of earnings and policy rates.

Despite a solid 9% earnings growth in 2024 (assuming Q4 earnings per share (EPS) estimates hold), it falls short of the +10% earnings growth expectations set in late 2023, reflecting the magnitude of optimism seen 12 months ago. Rate cut expectations were aggressively priced in as the two-year Treasury, which largely reflects monetary policy expectations, rallied roughly 100 basis points from October 2023 to early January 2024.

While there were a few bumps in the road and slight deviations from expectations set in late 2023, 2024 was a solid year as the economy grew above trend* in Q2 and Q3 with strong expectations currently for Q4.

Investors also welcomed the Fed lowering interest rates in September and sentiment largely remained risk-on in both the equity and fixed income markets as the S&P 500 notched several all-time highs through the year and corporate spreads remained tight.[2]

Looking out to 2025, the labor market remains well-balanced, an important driver of growth as consumption makes up over two-thirds of total US gross domestic product (GDP). Finally, corporate profitability remains solid, and we expect the S&P 500 to grow its earnings by roughly 10% by the end of 2025.

Sources: BNY Investment Institute and Macrobond, as of December 4, 2024. Charts are for illustrative purposes and are not indicative of the past or future performance of any BNY offering. * Trend growth: roughly 2.2% since 2000. [1] Sources: BNY Investment Institute and Macrobond, as of December 4, 2024. [2] Source: Bureau of Economic Analysis, December 2024.

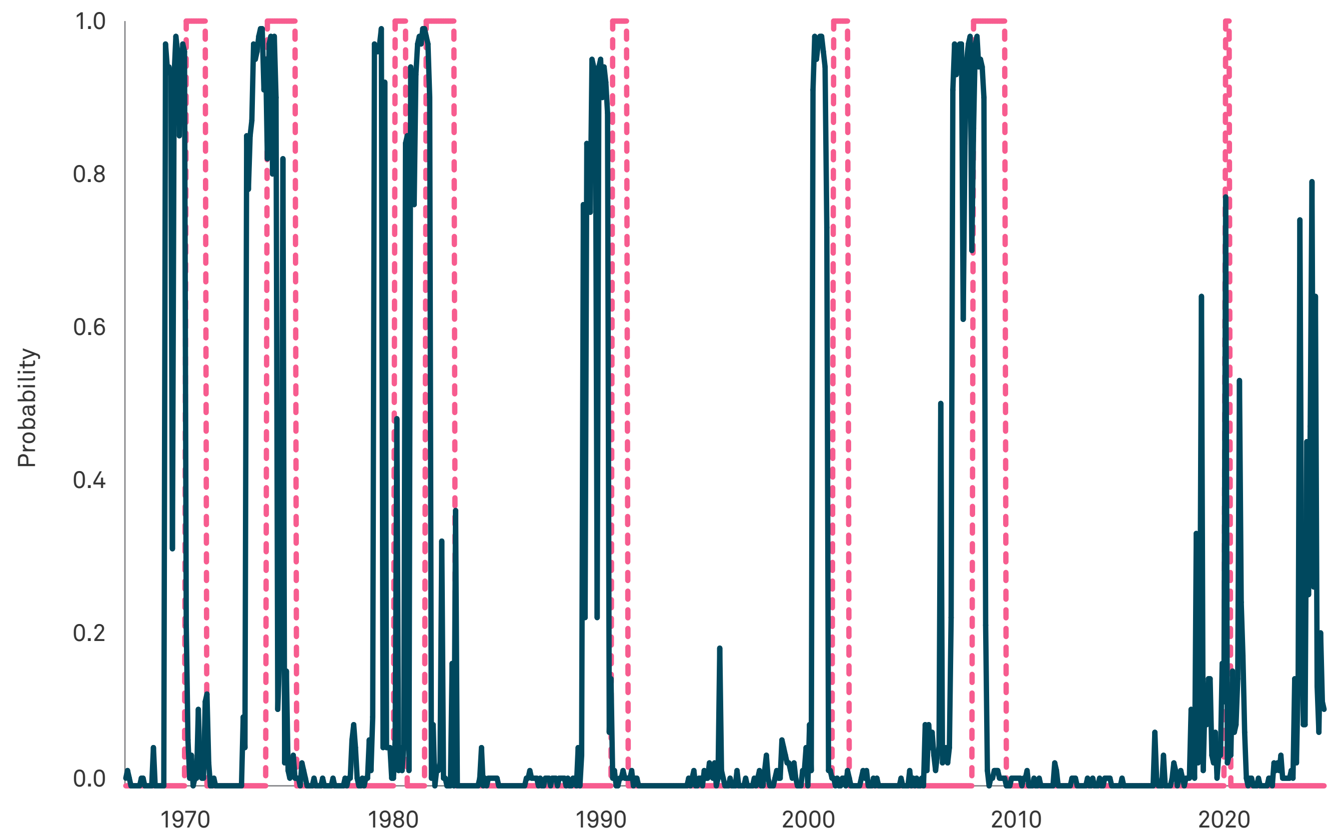
RECESSION RISK REMAINS LOW

In November, Fed Chair Jerome Powell stated, “The economy is not sending any signals that we need to be in a hurry to lower rates.” While our outlook is for another 25-basis point cut in December followed by three more reductions in 2025, the risk remains that the Fed may not cut rates as initially expected.

The probability of a near-term US recession is falling according to our models.

CURRENT MODEL PREDICTION: NO RECESSION

Implied Probability of Recession



Source: BNY Investment Institute, as of December 4, 2024. NBER represents National Bureau of Economic Research. Charts are for illustrative purposes and are not indicative of the past or future performance of any BNY offering.

While we believe the outlook for the US economy remains optimistic, high interest rates remain a downside risk. Stickier-than-anticipated inflation data coupled with recent employment reports, which underscore a still-strong labor market, have again shifted the balance of risks for monetary policy.

Inflation has lowered in transportation and housing, but remains stubborn in airfare and education.

US CONSUMER PRICE INDEX (CPI) INFLATION HEATMAP

Trailing 12-month CPI as of October 2024

	Weights	11/2024	10/2024	09/2024	08/2024	07/2024	06/2024	05/2024	04/2024	03/2024	02/2024	01/2024	12/2023
TOTAL	**100.0**	2.7	2.6	2.4	2.5	2.9	3.0	3.3	3.4	3.5	3.2	3.1	3.4
Housing	**45.4**	4.1	4.2	4.1	4.4	4.4	4.4	4.6	4.5	4.7	4.5	4.6	4.8
Shelter	36.6	4.7	4.9	4.9	5.2	5.1	5.2	5.4	5.5	5.7	5.7	6.0	6.2
Fuels & Utilities	4.4	2.9	3.6	3.0	3.0	4.1	4.2	4.6	3.8	3.3	1.4	-0.7	-0.2
Household Furnishings & Operations	4.4	0.4	-0.6	-0.5	-0.6	-0.4	-0.8	-1.3	-1.7	-0.8	-0.6	0.2	0.4
Food & Beverages	**14.3**	2.3	2.1	2.2	2.0	2.2	2.2	2.1	2.2	2.2	2.2	2.6	2.7
Cereals and Bakery Products	1.1	-0.5	0.9	0.1	-0.3	0.0	0.5	0.7	0.6	0.2	1.7	1.5	2.6
Meats, Poultry, Fish & Eggs	1.7	3.8	1.9	3.9	3.2	3.0	2.6	2.4	1.0	1.3	-0.5	-0.9	-0.1
Dairy & Related Products	0.7	1.2	1.3	0.5	0.4	-0.2	-0.1	-1.0	-1.3	-1.9	-1.8	-1.1	-1.3
Fruits & Vegetables	1.4	1.1	0.9	0.7	-0.2	-0.2	-0.5	0.6	1.7	2.0	0.8	1.1	0.3
Beverages & Materials	1.0	2.8	1.7	1.3	1.3	1.9	1.5	1.3	2.3	2.4	2.3	3.4	2.6
Food Away from Home	5.4	3.6	3.8	3.9	4.0	4.1	4.1	4.0	4.1	4.2	4.5	5.1	5.2
Alcoholic Beverages	0.8	1.8	1.6	1.5	1.9	1.9	1.8	1.7	2.0	2.4	2.4	2.3	2.5
Apparel	**2.6**	1.1	0.3	1.8	0.3	0.2	0.8	0.8	1.3	0.4	0.0	0.1	1.0
Transportation	**15.8**	0.5	-0.1	-1.1	-1.0	1.0	1.3	2.9	3.5	4.0	2.7	1.6	2.9
Private	14.7	0.3	-0.3	-1.1	-0.9	1.2	1.4	3.1	3.8	4.4	3.0	1.9	3.4
New & Used Motor Vehicles	6.1	-1.9	-1.8	-2.4	-4.3	-4.4	-4.2	-3.4	-2.6	-0.8	-0.3	-1.1	0.2
Motor Fuel	3.3	-8.4	-12.5	-15.5	-10.4	-2.3	-2.5	2.0	1.0	1.0	-4.2	-6.6	-2.3
Motor Vehicle Insurance	3.0	12.7	14.0	16.3	16.5	18.6	19.5	20.3	22.6	22.2	20.6	20.6	20.3
Public	1.1	2.9	2.5	0.6	-1.1	-2.2	-3.8	-4.7	-4.6	-5.6	-5.2	-4.8	-6.9
Airline Fare	0.8	4.7	4.1	1.6	-1.3	-2.8	-5.1	-5.9	-5.8	-7.1	-6.1	-6.4	-9.4
Medical Care	**8.0**	3.1	3.3	3.3	3.0	3.2	3.3	3.1	2.6	2.2	1.4	1.1	0.5
Recreation	**5.2**	1.5	1.0	0.7	1.6	1.4	1.3	1.3	1.5	1.8	2.1	2.8	2.7
Education & Communication	**5.8**	0.7	0.8	0.9	1.0	0.9	0.7	0.5	0.4	0.2	0.4	0.0	-0.1
Education	2.5	4.2	3.8	3.6	3.1	2.8	2.8	2.7	2.5	2.4	2.7	2.5	2.4
Communication	3.3	-1.8	-1.3	-1.0	-0.4	-0.4	-0.7	-0.9	-0.9	-1.2	-1.1	-1.5	-1.7
Other Goods & Services	**2.9**	3.4	3.3	3.5	3.9	4.2	4.2	3.8	4.3	4.7	4.7	5.7	5.5
Tobacco & Smoking Products	0.6	6.6	6.8	8.2	8.4	7.9	8.2	7.8	6.7	6.8	7.1	7.4	7.8
Personal Care	2.4	2.7	2.5	2.5	2.9	3.4	3.2	2.9	3.7	4.2	4.2	5.3	5.0

Dark pink indicates high inflation as compared to previous observations for each respective category. Sources: BNY Investment Institute and Macrobond, as of December 4, 2024. Charts are for illustrative purposes and are not indicative of the past or future performance of any BNY offering.

CONSUMER SPENDING REMAINS STRONG

We are optimistic on global growth due to the dramatic decline in inflation seen over the past two years. This directly supports real income since price inflation has fallen far more quickly than wage inflation, which is still elevated as workers make up for the real wage losses they suffered in the early post-pandemic years. The resulting strength in real hourly wages has helped real disposable household income grow 3–4% over the past year across major advanced economies.[3]

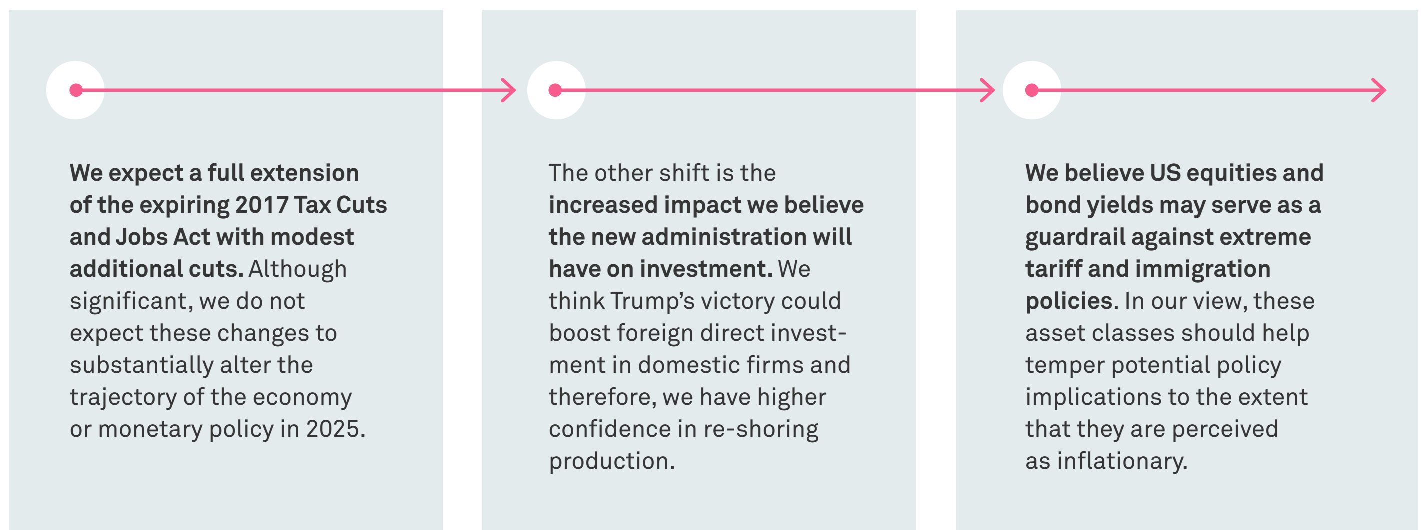
[3] BNY Investment Institute, December 6, 2024.

MACROECONOMIC VIEWS

POST-ELECTION HANGOVER: RHETORIC MEETS REALITY

How will US economic policies change under the second Trump administration?

We believe Trump will hit the ground running, but we expect that policies will settle during 2025 on targeting wins for jobs and domestic economy rather than generating inflation. As we approach a major change in US government, we believe the economy is in a good place and many indicators are showing positive signs. GDP growth estimates for Q4 2024 remain above-trend, recession fears have diminished, inflation is trending back toward 2% and the labor market has rebalanced but still remains strong.



> We believe US equities and bond yields may serve as a guardrail against extreme tariff and immigration policies.

A NEW ERA OF SUPPLY SHOCKS

Expectations of decreased immigration and higher tariffs are set to dominate the conversation in 2025, yet the extent of these changes will still be a question mark. However, we don't anticipate that the economic ripples of these shifts will ultimately make waves until late 2025 or possibly 2026. Nevertheless, talk on tariffs is initially going to raise some concerns.

Tariffs

We believe the effects of the new policies on US GDP will be minimal and will largely offset our baseline outlook.

- The new administration is likely to announce tariff increases on China imports and autos relatively soon after the inauguration on January 20, which we think could also fuel uncertainty about broader tariff measures among businesses and market participants. We expect tariff increases will raise the effective tariff rate by 3–4%.
- Protectionism is also a two-way street and retaliation from trading partners would eventually hurt the US. The US currently exports 11% of all the goods and services it produces and retaliatory policies from trade partners could cause disruptions in US exports in addition to supply chains.
- We think tariffs could result in a modest impact to real disposable personal income via higher consumer prices, and the broader uncertainty of how much further the trade war might escalate is likely to weigh on business investment.
- The assumption is that businesses anticipate tariffs being announced early in Trump's new term. Though the tariffs won't go into effect immediately, we believe many firms will front-load imports in advance of them.

Immigration

- We expect tighter policy to lower net immigration to levels near the pre-pandemic average of less than one million per year (from the beginning of 2021 through the end of 2023, US immigration rate was roughly 1.7 million per year).[4] We believe it will be difficult to fund deportations at the level Trump proposed prior to the election at the same time as extending tax cuts. We expect tax cuts ultimately will prevail.
- The flow of immigration, however, is going to slow, generating a marginal shift toward higher wage growth, lower output and potentially higher capital expenditures (CapEx) to substitute for workers.

[4] Source: US Bureau of Labor Statistics, as of December 6, 2024.

NOT YOUR ORDINARY FED CUTTING CYCLE

In previous years, Fed monetary policy cycles were planned and put in place in anticipation of future inflation threats. But unlike prior Fed cycles, we recently observed one of the more rapid, and unorthodox, tightenings of monetary policy.

Similarly, we believe this rate easing cycle will be different — gradual and more protracted, largely defined by the three themes below.

As we head into 2025, we expect inflation to be structurally higher than the previous decade but to remain stable. Additionally, we expect looser monetary policy and fiscal support to rekindle economic activity, which should create an environment conducive for risk assets.

1

Slowing Disinflation

Growth, particularly in the US, remained robust throughout 2024 surprising many, and we expect 2025 to be a continuation of this momentum. The labor market remains well-balanced and if the equity rally continues and investments in new technologies begin to bear fruit, we feel this should give firms and households the confidence to invest and spend. We believe this will slow but not halt the disinflation process.

2

Potential Fed Pause

We believe price pressures from businesses and household spending coupled with an increase in tariffs on US imports and greater fiscal stimulus could initiate some initial concerns on the pick-up in inflation. However, with continued softening in wage growth and tariffs representing a brief, likely one-off, shift in price levels — rather than a sustained re-acceleration of inflation — we expect the Fed to pause by mid-2025 rather than embarking on a new tightening cycle.

3

A New Destination

Real policy rates have moved from deep negative territory to the highest levels in over a decade. Despite such restrictive levels, growth has held up with further tailwinds to come from Fed easing. We do not expect to see a regime of negative real rates as we did in the past decade, and this has been largely reflected in the backup in rates, which we believe is not only policy-driven but also stems from stronger real growth expectations. Additionally, we expect factors such as the shift from globalization to deglobalization to keep inflation structurally higher, but sustained, in the coming years.

AMERICAN EXCEPTIONALISM WILL ENDURE, IN OUR VIEW

- As the dominant player in global financial markets, the US has been able to run with high and rising debt-to-GDP ratios. Although there will be concerns about fiscal sustainability, we don't believe it will be a key theme in 2025, particularly as the US Treasury is well funded through late 2025.

- There is an expected lag between the time when fiscal policy is signed into legislation and when it impacts the economy.
- Our expectations are that expansionary fiscal policy is in the works, but it's unlikely to have a meaningful impact on growth in 2025. It will require a lot of political capital and the annual appropriations process will remain a bipartisan exercise.

Productivity Trends Remain Strong

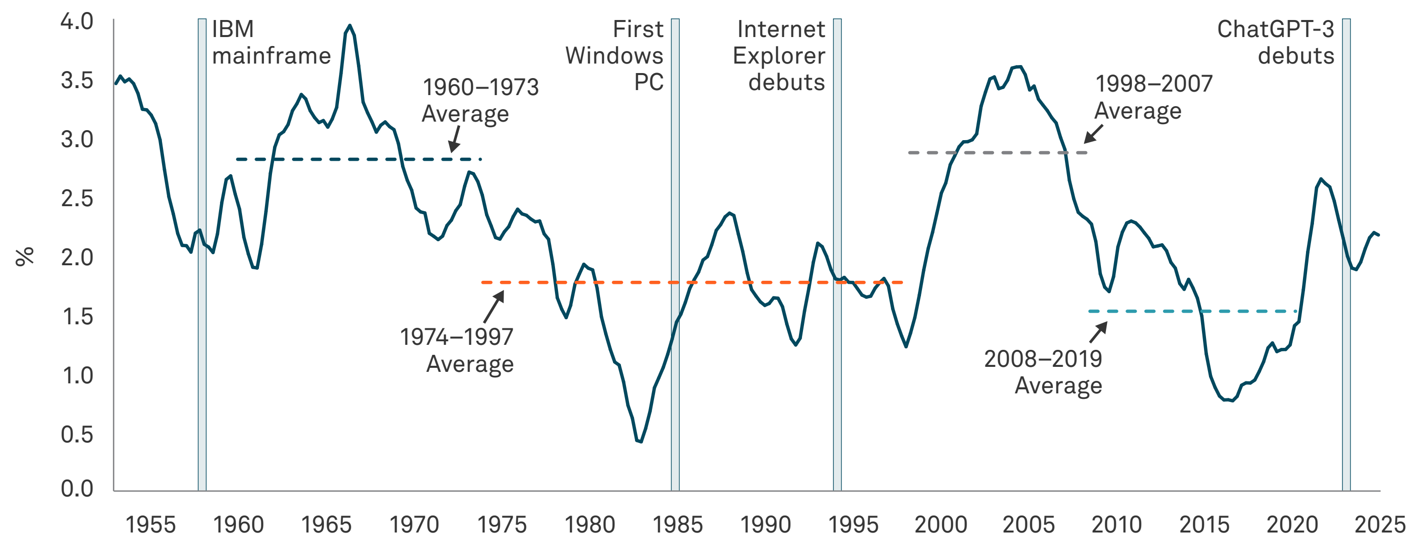
- Above-trend growth in productivity isn't a flash in the pan, as we expect past investment in research and development and a tight labor market will continue to be supportive. We believe US productivity growth will outpace the euro zone, the UK and Canada in 2025.

- Along with gains in the labor force, we believe strong-trend productivity growth will keep the short-run potential of US GDP growth elevated in 2025.

We believe we are at the beginning of a US labor productivity uptick from new business development and technology needs.

US LABOR PRODUCTIVITY GROWTH

(Five-Year Moving Average)



Sources: BNY Investment Institute and Macrobond, as of December 4, 2024. Charts are for illustrative purposes and are not indicative of the past or future performance of any BNY offering.

Manufacturing and Equipment Spending Continues to Increase

- We believe the US economy has outperformed other advanced economies because of the aggressive expansion in its fiscal policy during the pandemic. The deficit-financed spending helped, but not all funds went toward transfer payments (unemployment, welfare assistance, etc.), whereas the bipartisan infrastructure bill, the Inflation Reduction Act, and CHIPS Act will go toward transfer payments.
- The strong growth in non-residential structure investment, particularly in manufacturing, will be a tailwind for plant and equipment spending in 2025. There is roughly a two-year lag between an increase in factory construction and the associated boost to equipment investment, though it can vary.
- The outlook for equipment spending is more sensitive to Republican fiscal policies. We anticipate the party will revive full expensing of qualified business equipment, which would lend meaningful support to investment.
- We believe Republicans will only repeal the electric vehicle tax credits under the Inflation Reduction Act (IRA), while leaving the remainder of the clean energy tax credits untouched.

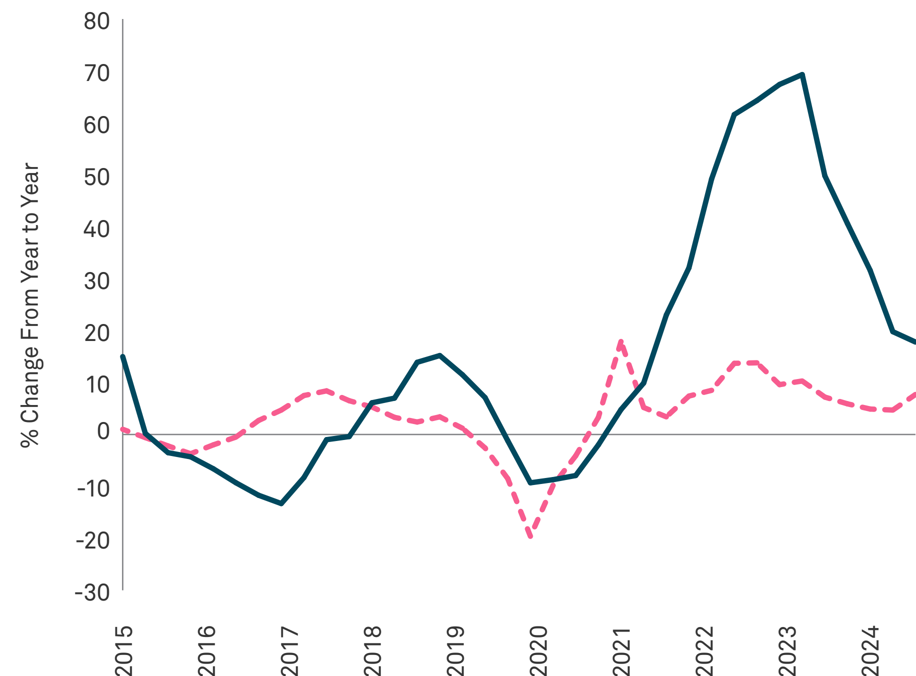
The strong growth in nonresidential structure investment, particularly in manufacturing, will be a tailwind for plant and equipment spending in 2025.

US inventory and plant and equipment spending continues to rise with onshoring of key industries.

NONRESIDENTIAL BUSINESS INVESTMENT

Nonresidential Structures: Manufacturing

Nonresidential: Equipment



Sources: BNY Investment Institute and US Bureau of Labor Statistics, as of December 4, 2024. Charts are for illustrative purposes and are not indicative of the past or future performance of any BNY product.

FIXED INCOME & EQUITY OUTLOOK

THE ANTI-RECESSION: CORPORATE PROFITS BROADEN

The corporate sector does not appear to be showing any signs of a slowdown. Corporate margins are at or remain near record highs as employment costs continue to soften in step with eroding pricing power. Debt service coverage ratios also remain secularly strong, lending support for investment-grade corporate bonds.

HIGHER RATES & VOLATILITY MAY BECOME THE NORM, BUT VIGILANTES STAY HOME

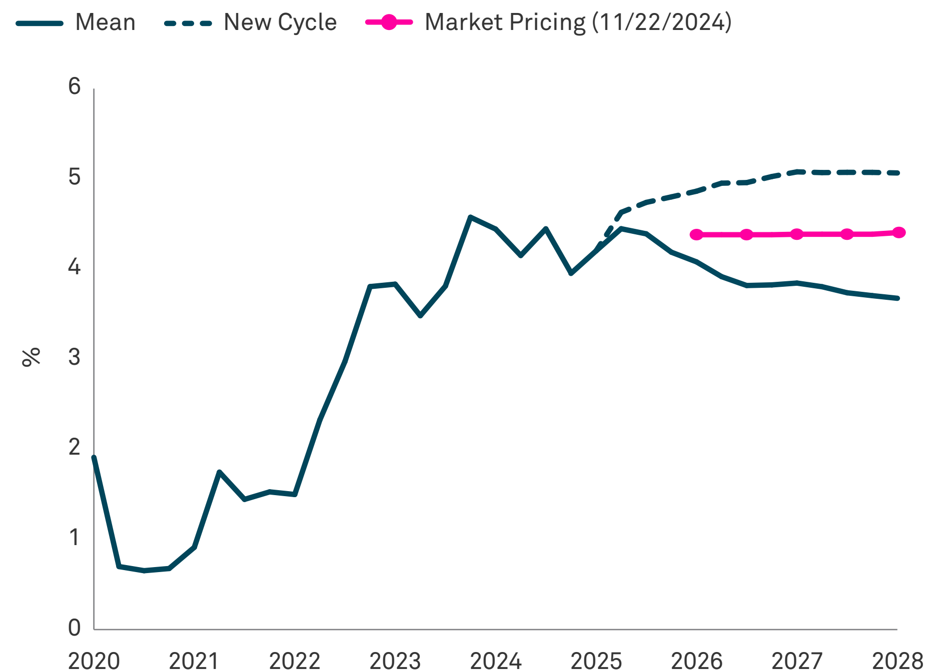
We believe volatility in the bond market will remain elevated because of the uncertainty in fiscal, trade and monetary policy. We've already seen a few early warning signs that volatility will be a theme in 2025. The 10-year Treasury term premium, which compensates investors for bearing the risk of future interest rate fluctuations, has been climbing.

In our view, the 10-year Treasury yield outlook can be divided into three main areas:

- **Long-term inflation** expectations are and should remain anchored.
- **Expected path of the real fed funds rate** looks lower, but inflationary pressures stabilizing at levels higher than the Fed's target could lead to slower or fewer cuts than the market expects.
- **Potential increases in the term premium** would raise the 10-year Treasury yield, slowing the economy. This would require less restrictive monetary policy to achieve the central bank's dual mandate, adding uncertainty to the path of real short-term interest rates and volatility to interest rates overall.

US 10-year Treasury yields are estimated to rise slightly as real yields pick up.

US 10-YEAR GOVERNMENT BOND YIELDS



Sources: LSEG Datastream/Fathom Consulting and BNY Investment Institute, as of December 4, 2024. Charts are for illustrative purposes and are not indicative of the past or future performance of any BNY offering.

* Forecast is the expected outcome based on the average of three scenarios: mean, new cycle and market pricing as of November 22, 2024 weighted by how likely these scenarios are to occur.

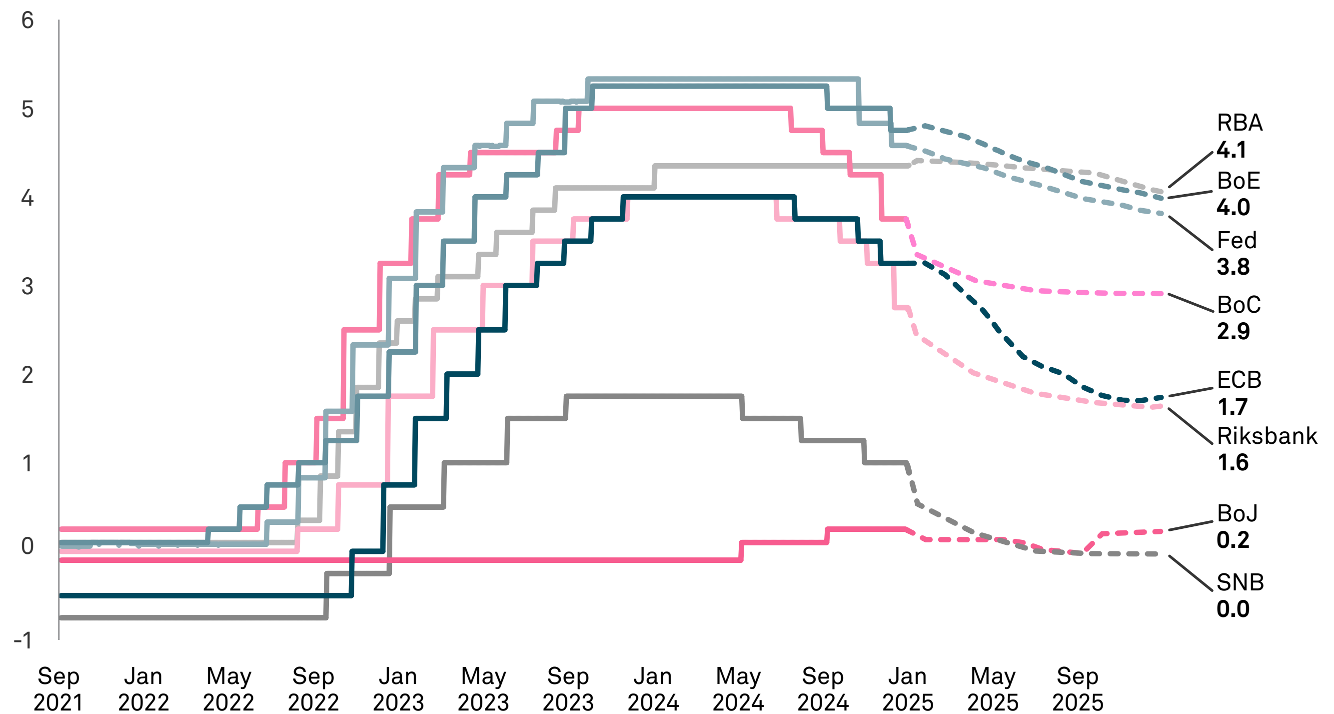
We expect global central banks to lower rates more substantially than in the US in 2025. Investing in global fixed income, particularly on a hedged basis, can potentially provide diversified sources of return compared to a domestic-only fixed income portfolio.

Central banks are expected to decrease rates in 2025 and mostly remain steady through mid-year 2025.

CENTRAL BANK FUTURE RATES

Central bank policy rates and market-implied rate trajectories

- ECB (ESTR futures)
- BoE (SONIA futures)
- Fed (Fed funds futures)
- BoJ (EuroYen futures)
- BoC (Corra futures)
- Riksbank (FRA)
- SNB (SARON futures)
- RBA (ASX futures)



Sources: BNY Investment Institute and Macrobond as of December 4, 2024. Charts are for illustrative purposes and are not indicative of the past or future performance of any BNY offering. ECB = European Central Bank; ESTR = Euro Short Term Rate; BoE = Bank of England; SONIA = Sterling Overnight Index Average; BoJ = Bank of Japan; Euro Yen = Euro/Japanese Yen; BoC = Bank of Canada; Corra = Canadian Overnight Repo Rate Average; Riksbank Sweden; FRA = Frank; SNB = Swiss National Bank; SARON = Swiss Average Rate Overnight; RBA = Reserve Bank of Australia; ASX = Australian Securities Exchange.

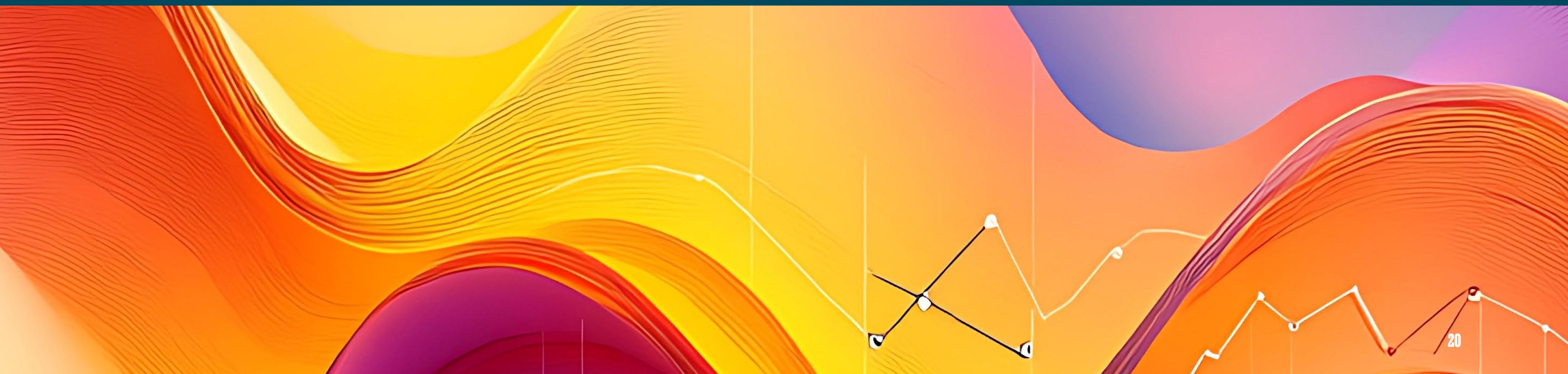
POTENTIAL OPPORTUNITIES FOR MARKET LEADERSHIP TO BROADEN

We believe it's important for investors to be fully diversified in their portfolios. In light of the market's narrow leadership by the Magnificent 7 (Mag-7), we believe there are a multitude of potential opportunities within the equity space, such as artificial intelligence (AI), technology, infrastructure, and perhaps a tailwind for US domestically exposed companies.

In our view, policies supporting the ability to streamline power generation and expand access for data centers could be a catalyst for industrials tied to infrastructure. As such, we expect the demand for building infrastructure materials in the US to increase. While some expect energy prices to fall as supply increases, we believe the assumed production may not be as robust as some are anticipating today. Regardless, pipeline operators will likely benefit from greater volume.

Looking overseas in the non-US markets, we remain focused on quality as heightened global economic uncertainty may be a source of market volatility. We believe companies with high return on capital, strong balance sheets, and resilient earnings are best positioned in the face of potential tariff risks and geopolitical uncertainties.

POTENTIAL FIXED INCOME & EQUITY OPPORTUNITIES



US FIXED INCOME

With yields near three-year highs and the Fed in easing mode, there is a compelling case for fixed income investing in 2025. We believe an active, intermediate-term approach in fixed income has the potential to perform well for investor portfolios in 2025.

Maintaining quality within bonds enables portfolios to seek attractive yield, while potentially providing downside risk mitigation. This is particularly important as we've seen the correlation between stock and bonds recently turn negative again.

We believe a core plus strategy may offer the potential for attractive yields with price appreciation through exposure to broadly diversified sectors across the fixed income landscape with an emphasis on high-quality bonds. These include:

- **Investment-grade corporate credit** is an area that we believe should outperform Treasuries in 2025, while providing attractive carry.
- **Mortgage-backed securities** may also do well given elevated spreads. They should also benefit from a slower path of rate cuts, which will likely mean less refinancing and more steady prepayments.
- **Asset-backed securities** provides additional yield opportunities by capturing structural complexity premiums while capitalizing on US investment themes such as data centers and solar energy.

GLOBAL FIXED INCOME

We believe global fixed income remains an equally compelling choice in 2025 for investors who want to diversify and mitigate risk from US rate volatility. We expect global central banks are likely to lower rates more substantially than in the US. Investing in global fixed income, particularly on a hedged basis, can provide diversified sources of return to a domestic-only fixed income portfolio.

VALUE EQUITIES

We support an allocation toward value due to its cyclical growth exposure. Specifically, for those portfolios that are overweight growth, we would look at rebalancing with value to avoid overexposure to growth.

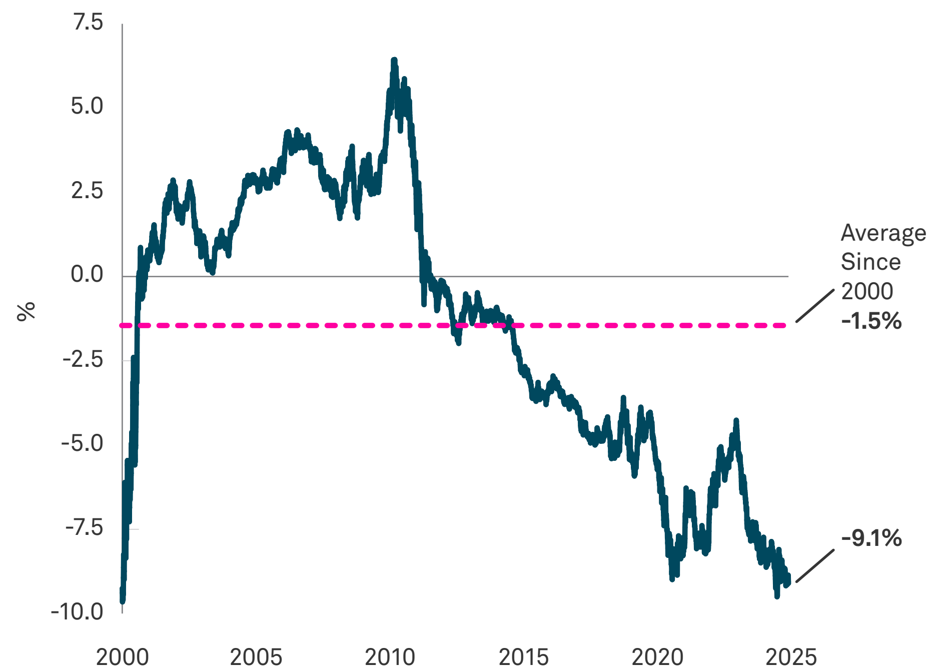
- We expect the growth vs. value gap to continue narrowing as more industries benefit from higher earnings, improving monetary and fiscal policies in 2025. For example, regulatory shifts may be additive for certain sectors such as financials and US dominant industrials.
- Value also offers portfolio diversification and could mitigate downside risk while participating in the market's upside. As established companies with solid cash flows and relatively attractive valuations, they have historically demonstrated relative resilience.

Lastly, with the uncertainty regarding trade policies, we are leaning toward quality international. **Quality** is the best-performing factor in global markets over time — especially companies that have differentiated products with significant pricing power and strong balance sheets.

Growth vs. value gap continues to narrow as more industries benefit from higher earnings, improving monetary and fiscal policies in 2025.

RELATIVE RETURN OF VALUE TO GROWTH

10-Year Rolling Relative Return



Sources: BNY Investment Institute and Macrobond, as of December 4, 2024. Charts are for illustrative purposes and are not indicative of the past or future performance of any BNY offering.

REAL ASSETS

We believe **real asset-class** exposures have the potential to do well, especially those that benefit from both inflation and higher growth.

We are bullish on selective natural resources such as copper, whose prices may benefit from increased capital expenditure-driven demand into infrastructure. Nuclear energy is another theme we are bullish on, given the need to power data centers and nuclear being a clean and reliable source of energy.

12-MONTH EQUITIES AND FIXED INCOME TARGETS*

Equities	12-month Target
EPS Estimate	269
Earnings Growth	10%
Price/Earnings	24
Approximate Level	~6,500
Total Return Estimate	+8%

Fixed Income	12-month Target
Federal Funds Rate	3.7%
10-year US Treasury	~4.5%

Sources: BNY Investment Institute, S&P 500 Index and Macrobond, as of December 3, 2024. Charts are for illustrative purposes and are not indicative of the past or future performance of any BNY offering.

* Data represents our assumptions based on three scenarios: mean, new cycle and market pricing as of November 22, 2024 weighted by how likely these scenarios are to occur. To learn more, access Vantage Point.

LEARN MORE

For more information on the views and opportunities discussed above, please call 1-800-373-9387 or access Vantage Point: bny.com/investments

To learn more about BNY, visit bny.com

IMPORTANT INFORMATION

All investments involve risk including loss of principal. Certain investments involve greater or unique risks that should be considered along with the objectives, fees, and expenses before investing.

Equities are subject to market, market sector, market liquidity, issuer, and investment style risks to varying degrees. **Small and midsized company stocks** tend to be more volatile and less liquid than larger company stocks as these companies are less established and have more volatile earnings histories. **Bonds** are subject generally to interest-rate, credit, liquidity, call and market risks, to varying degrees. Generally, all other factors being equal, bond prices are inversely related to interest-rate changes and rate increases can cause price declines. **High yield bonds** are subject to increased credit risk and are considered speculative in terms of the issuer's perceived ability to continue making interest payments on a timely basis and to repay principal upon maturity. The use of **derivatives** involves risks different from, or possibly greater than, the risks associated with investing directly in the underlying assets. Derivatives can be highly volatile, illiquid, and difficult to value and there is the risk that changes in the value of a derivative held by the portfolio will not correlate with the underlying instruments or the portfolio's other investments. Investing in **foreign denominated and/or domiciled securities** involves special risks, including changes in currency exchange rates, political, economic, and social instability, limited company information, differing auditing and legal standards, and less market liquidity. These risks generally are greater with emerging market countries. The **natural resources sector** can be affected by events occurring in nature, inflation, and domestic and international politics. Interest rates, commodity prices, economic, tax, and energy developments and government regulations may affect the natural resources sector and the share prices of the companies in the sector. **Real estate** security investments involve similar risks to those associated with direct investments in real estate, including falling property values due to increasing vacancies or declining rents resulting from economic, legal, political, or technological developments, lack of liquidity, limited diversification and sensitivity to certain economic factors such as interest rate changes and market recessions. **High yield bonds** involve increased credit and liquidity risk than higher-rated bonds and are considered speculative in terms of the issuer's ability to pay interest and repay principal on a timely basis. **Mortgage-backed securities:** Ginnie Maes and other securities backed by the full faith and credit of the United States government are guaranteed only as to the timely payment of interest and principal when held to maturity. The market prices for such securities are not guaranteed and will fluctuate. Privately issued mortgage-related securities also are subject to credit risks associated with the underlying mortgage properties. These securities may be more volatile and less liquid than more traditional, government-backed debt securities.

No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment. Asset allocation and diversification cannot assure a profit or protect against loss.

FDIC is the Federal Deposit Insurance Corp. **Investment grade** is a rating given to bonds or other debt securities that have a low risk of default. A **basis point (bp)** is a unit of measure used to indicate percentage changes in financial instruments. **Gross domestic product (GDP)** is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period. As a broad measure of overall domestic production, it functions as a comprehensive scorecard of a given country's economic health. An **economic regime** is a set of rules and institutions that govern the economy and explain its behaviors. **Asset-Backed Security (ABS)** is a financial security such as a bond or note which is collateralized by a pool of assets such as loans, leases, credit card debt, royalties, or receivables. **Mortgage-Backed Security (MBS)** is an investment similar to a bond that is made up of a bundle of home loans bought from the banks that issued them. Investors in MBS receive periodic payments similar to bond coupon payments. Core-plus strategies are investment funds that primarily invest in investment-grade US fixed-income issues, but can also include non-core sectors. Core-plus funds are more flexible than core funds and can include: Corporate high yield, Bank loan, Emerging-markets debt, and Non-US currency exposures. **CapEx, or capital expenditures,** are long term investments by a company to upgrade physical, non-consumable assets to maintain operation and support growth. **Personal Consumption Expenditure (PCE)** tracks overall price changes for goods and services purchased by consumers. **Duration** is a measure of a bond's interest-rate sensitivity, expressed in years. The higher the number, the greater the potential for volatility as interest rates change. **Federal funds rate** is the target interest rate for overnight lending and borrowing between banks. The Consumer Price Index (CPI) measures the monthly change in prices paid by US consumers. The **Magnificent-7 or Mag-7** represents a group of high-performing tech stocks: NVIDIA, Alphabet, Tesla, Microsoft, Amazon.com, Apple and Meta Platforms. **Earnings per share (EPS)** represents a portion of a company's profit allocated to each outstanding share of common stock. **Earnings (EPS) growth rate** is the measure of growth in a company's net income over a specific period. **Price-to-earnings ratio (P/E)** is equal to the share price of an investment divided by the earning per share. **The 2017 Tax Cuts and Jobs Act (TCJA)** was a major overhaul of the tax code, impacting taxpayers and business owners, particularly through tax cuts. **Real assets** are investments in physical assets such as real estate, energy or infrastructure.

The **S&P 500 Index** is a market-capitalization-weighted index of 500 largest leading publicly traded companies in the US. The **10-Year US Treasuries Average Yield** represents a range of Treasury securities adjusted to the equivalent of a ten-year maturity.

Asset class comparisons such as comparing equities to bonds have limitations because different asset classes may have characteristics that materially differ from each other. Because of these differences, comparisons should not be relied upon solely as a measure when evaluating an investment for any particular portfolio. Comparisons are provided for illustrative purposes only. Although stocks have greater potential for growth than bonds, they also have much higher levels of risk. With stocks, the prices can rise and fall for a variety of reasons, including factors outside of the company's control. Bonds may be considered relatively safer. Because they're a debt security, they function as an IOU. The company pays interest to the bondholder, and once the bond matures, the bondholder receives the principal bank. Bonds aren't completely risk-free; there is the possibility of the issuer defaulting on its bonds, and if sold prior to maturity the market value may be higher or lower than the purchase value. But compared to stocks, historically there's been less volatility.

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