Global stocks rallied sharply in April by 10.8% after March’s worst monthly performance since the Global Financial Crisis in 2008. A peak and then subsequent decline in the Covid growth rate, signs of lockdown easings, and extraordinary central bank and fiscal stimulus improved risk-on sentiment despite historically weak economic data. Thanks to the Fed, financial conditions eased, yet concerns linger and could get worse if data stays weaker longer than what is currently being priced in. Despite the rally in equities, US Treasury yields have yet to signal the all-clear and were largely range-bound in April. Overall, markets continue to send distorting signals suggesting that risks are skewed to the downside.

Global Economy

While the worst has likely passed, incoming economic data will remain weak and the path to a sharp growth recovery remains challenged with risks heavily skewed to the downside. After falling sharply, consumer and business sentiment should likely remain subdued and linger for some time, limiting the likelihood of a V-shaped recovery.

Financial Markets

Global stocks surged across the board in April as risk-on sentiment improved on monetary and fiscal rescue packages by major countries. Gains were led by developed markets. US large caps gained by almost 13% but underperformed small caps which had the best monthly performance since 2011 after last month’s record plunge. Safe-haven assets gained somewhat but credit spreads tightened, led by US HY as the Fed fueled liquidity to markets. The USD was range bound in April and FX volatility subsided. Commodities lost and oil hit below zero for the first time in history due to a plunge in demand and lack of storage capacity.

Market Roundup

Capital market performance across asset classes.

Sector Performance

US small and large cap sector returns.

Factor Performance

MSCI US and EAFE factor returns.
Global Economy

Growth
While the worst has likely passed, incoming data should stay weak and risks to global growth remain skewed to the downside. The rapid and large deterioration in business and consumer sentiment and likely lingering caution given the need for more clarity on vaccines, treatments, and lockdown easings highlight the challenge to growth ahead and diminishing chance of a V-shaped economic recovery.

Inflation
Inflation expectations have stabilized within a range but have yet to break out and establish an upward trend, suggesting that growth uncertainty remains elevated. We expect any upward pressure from supply chain disruption to be offset by weak demand.

Central Bank and Fiscal Policy
As policymakers continue to reiterate their willingness to do more if necessary to mitigate the fallout, concerns are rising over the long-term impact on sovereign debt. Others are also highlighting that there will be negative outcomes policy will be unable to address if growth weakness lingers.
Global Economy

Growth

While the worst has likely passed, incoming data should stay weak and risks to global growth remain skewed to the downside. The rapid and large deterioration in business and consumer sentiment and likely lingering caution given the need for more clarity on vaccines, treatments, and lockdown easings highlight the challenge to growth ahead and diminishing chance of a V-shaped economic recovery.

- The IMF forecasted that “The Great Lockdown” could be the worst downturn since the Great Depression and expects -3% growth, which compares to only a -0.1% in 2009.

- US Job Market Weakness and Cautious Consumers Suggest Slow Recovery. GDP fell -4.8% q/q (saar) which was the worst since Q4 2008 (-8.4%) and ninth worst post World War II. Personal consumption had its fourth worst quarter on record (-7.6% q/q). Weekly initial jobless claims have declined for four weeks but a total of 30.3 mn have filed in the last 6 weeks, equivalent to 10% of the population. The unemployment rate is forecasted to rise from 4.4% to 16.0% in this week’s report. Consumer confidence had the second worst monthly fall in history. Retail sales fell 8.7% m/m in March, the worst on record.

- Eurozone Struggling the Worst Amongst Major Economies. GDP fell at the worst rate (-3.8 % q/q) on record in Q1 as France and Italy entered a technical recession. Led by services, the composite PMI dropped to a fresh all-time low of 13.5 (services: 11.7; manufacturing: 33.4) in April from 29.7. Consumer confidence fell to -22.7 in April, the lowest since the depths of the Eurozone crisis in 2012. German business sentiment fell to the lowest in history.

- UK Weakness Building. Retail sales fell -5.8% y/y in March, the worst on record.


- China Recovering but Global Weakness to Limit Upside. China continues to improve but fully recovered conditions are still far away. A weakened labor market, subdued global demand, and supply chain disruption will continue to limit upside in the near term. Retail sales and industrial production growth remained negative but improved dramatically from January/February. GDP declined 6.8% y/y, the first decline in history.

TAKEAWAY:
Consumption led the downturn in Q1 and suffered the worst contraction in nearly 40 years.

US GDP GROWTH

TAKEAWAY:
Consumer and business sentiment have plunged around the world, highlighting the challenge to growth ahead.

GLOBAL ECONOMIC SENTIMENT


TAKEAWAY:
Consumer and business sentiment have plunged around the world, highlighting the challenge to growth ahead.

BNY MELLON | INVESTMENT MANAGEMENT
Global Economy

Inflation expectations have stabilized within a range but have yet to break out and establish an upward trend, suggesting that growth uncertainty remains elevated. We expect any upward pressure from supply chain disruption to be offset by weak demand.

• **US.** Inflation decreased 0.8% to 1.5% y/y in March, the lowest in a year, while core inflation lost 0.3% to 2.1%. April inflation is estimated to fall to 0.6% y/y and core inflation to 1.7% y/y. The 10-year breakeven inflation rate, a market derived measure of longer-term inflation expectations, gained 14 bp in April to 1.07%. Estimates have recovered from the YTD low of 0.55% on March 19 but have been unable to maintain persistent upside.

Market estimates for 2020 inflation in Bloomberg have fallen from 2.1% pre-crisis to 1.0%.

• **Eurozone.** Inflation has fallen sharply in 2020 from 1.4% y/y in January to 0.4% y/y in April and the lowest since September 2016. The 5y5y inflation swap, a measure of 5-year inflation 5 years from now, is 20 bp above its all-time low in March but fell 5 bp in April to 0.91. Downward pressures, while negative around the world, are structurally greater in the Eurozone in our view. Market estimates for 2020 inflation in Bloomberg are negative.

Inflation expectations have stabilized but have yet to maintain consistent upwards momentum.

**Core Inflation (%) y/y**

**10-Year Breakeven Inflation Rates in Major Economies (%)**

*The breakeven inflation rate is a market-based measure of expected inflation. It is the difference between the yield of a nominal bond and an inflation-linked bond of the same maturity. Daily data as of April 30, 2020. Source: BNY Mellon using data from Bloomberg.

**Takeaway:**

Weakened demand will likely contribute to lower inflation in the near-term with limited upside potential.

**Takeaway:**

Inflation expectations have stabilized but have yet to maintain consistent upwards momentum.
As policymakers continue to reiterate their willingness to do more if necessary to mitigate the fallout, concerns are rising over the long-term impact on sovereign debt. Others are also highlighting that there will be negative outcomes policy will be unable to address if growth weakness lingers.

• **US.** The Fed reiterated it is committed to “using its full range of tools…until it is confident that the economy has weathered recent events.” The Fed also highlighted the risks to growth and stated that the pandemic “poses considerable risks to the economic outlook over the medium term” and that it will “take some time” for activity to return to pre-crisis levels. On the fiscal policy front, while more stimulus will likely be needed we believe further negotiations in Congress will become more difficult. Yet, Fed Chairman Jerome Powell suggested that Congress would need to ramp up support and while the pace of increase in Federal debt was not sustainable, he said it was not the time to act on those concerns. The Fed also announced new measures which in total provide up to $2.3 trillion in loans. A main component is the Main Street Lending Program, which will provide $600 billion in four-year loans to small- and mid-sized businesses. In our view, the first phase of the Fed’s crisis actions were to restore liquidity to credit markets and the latest phase has been to buy private sector assets and lend directly to non-financial businesses.

• **ECB.** While the ECB pledged to do more if needed, some suggested that commentary around de-escalating sovereign distress was not as calming as had hoped given lingering risks (i.e., Italian spreads to German bunds remain elevated).

• **Japan.** The BOJ said it would buy government bonds “without upper limit.”

• **UK.** The Treasury announced it will extend its overdraft facility at the BOE in a sign of the growing financial pressure on the government caused by the lockdown. This provides a temporary additional source of cash.

• **China.** The PBOC lowered the required reserve ratio for smaller banks for the second time this year. We believe more easing is likely.

The Fed stimulus has reduced stress in credit markets helping to limit contagion from spreading to other areas of the economy.

**EUROZONE SPREADS TO 10-YEAR GERMAN BUNDS**

*TAKEAWAY:* The ECB may need to do more as spreads to German Bunds remain elevated.
Financial Markets

Global Equities
Global stocks surged across the board in April after the worst monthly performance since October 2008, on improving risk-on sentiment as several countries started to ease lockdown measures and central banks fueled the market liquidity. Gains were led by developed markets. Overall, small caps outperformed large caps in the US, and growth widened its outperformance gap with value. Large caps gained by almost 13% led mostly by the biggest companies in the S&P 500. Small caps had the best monthly performance since 2011. Europe’s gains were led by Germany as the country eased its lockdown measures. Emerging markets gained after March’s worst monthly performance since October 2008 on range-bound USD, and reports of flattening virus curves in several EMs.

Fixed Income
Risk-off sentiment eased in April after virus spread peaked in major economies. Safe-haven assets gained somewhat yet credit spreads tightened led by the US HY as the Fed’s stimulus fueled optimism to markets. Global sovereign bond markets had mixed performance; gains were mostly muted compared to previous months.

Foreign Exchange
The USD was unchanged against major currencies and emerging markets currencies gained. Even though FX volatility subsided, there is considerable dispersion among EM FX performance as countries with external financing vulnerabilities are under increased pressure.

Commodities
Commodities lost and oil hit below zero for the first time in history due to a plunge in demand and lack of storage capacity.
Financial Markets

Global stocks surged across the board in April after the worst monthly performance since October 2008, on improving risk-on sentiment as several countries started to ease lockdown measures and central banks fueled the market liquidity. Gains were led by developed markets. Overall, small caps outperformed large caps in the US, and growth widened its outperformance gap with value. Large caps gained by almost 13% led mostly by the biggest companies in the S&P 500. Small caps had the best monthly performance since 2011. Europe’s gains were led by Germany as the country eased its lockdown measures. Emerging markets gained after March’s worst monthly performance since October 2008 on range-bound USD, and reports of flattening virus curves in several EMs.

- Global equities (+10.8% MTD, -12.8% YTD) surged in April, led by developed markets equities, as markets rejoiced in rescue packages from major central banks and governments.
- US large cap stocks gained by +12.8% in April, led mostly by the biggest companies in the index, after March’s worst monthly performance since October 2008 of the global financial crisis. All sectors were in the green; gains were led by the energy sector (+29.7%) and consumer discretionary (+20.5%). The performance gap between value and growth has widened in the rally since March 23, with growth accelerating its gains.
- US small caps (+13.7%, -21.1%) outperformed large caps (+12.8%, -9.3%) and had their best monthly performance since 2011. Like large caps, gains in small caps were uniform. Energy (+39.5%) gained the most, followed by consumer discretionary (+23.9%) and healthcare (+17.4%).
- In the US and EAFE, all factors gained with small cap and growth stocks faring better than others.
- Europe (+6.1% MTD, -16.2% YTD) partially recovered March’s losses as lockdown measures eased in several countries, led by Germany (+9.3%, -18.0%).
- Emerging markets (+9.2% MTD, -16.6% YTD) gained after the worst monthly performance since October 2008, on range-bound USD, and easing lockdowns in Asian EMs.

**TAKEAWAY:**
In a baseline scenario for the S&P 500, EPS is expected to decline to 125 in 2020 and 145 in 2021 from 163 in 2019. The three alternative scenarios lead to lower EPS this year and next.

**S&P 500 EPS SCENARIOS**

<table>
<thead>
<tr>
<th>Scenario</th>
<th>EPS 2019</th>
<th>EPS 2020</th>
<th>EPS 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baseline</td>
<td>163</td>
<td>125</td>
<td>145</td>
</tr>
<tr>
<td>Longer lockdown</td>
<td></td>
<td>119</td>
<td>111</td>
</tr>
<tr>
<td>Second, but milder virus outbreak</td>
<td></td>
<td>123</td>
<td>119</td>
</tr>
<tr>
<td>Longer lockdown and second, milder virus outbreak</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


**TAKEAWAY:**
The recent rally is being led by the biggest companies.

Please see important footnotes for returns and charts on last page. Past performance is no guarantee of future results.
Financial Markets

Global Equities | Fixed Income | Foreign Exchange | Commodities

Risk-off sentiment eased in April after virus spread peaked in major economies. Safe-haven assets gained somewhat yet credit spreads tightened led by the US HY as the Fed's stimulus fueled optimism to markets. Global sovereign bond markets had mixed performance; gains were mostly muted compared to previous months. The USD was unchanged against major currencies and emerging markets currencies gained. Even though FX volatility subsided, there is considerable dispersion among EM FX performance as countries with external financing vulnerabilities are under increased pressure. Commodities lost and oil hit below zero for the first time in history due to a plunge in demand and lack of storage capacity.

**FIXED INCOME**
- In April, average G-4 10-year government bond yields edged lower (-8 bp MTD). UK 10-year Gilt surged the most, pushing yields lower (-13 bp to 0.23%), followed by the German 10-year Bund (-12 bp to -0.59%) as Europe's economy struggled with lockdowns. Japan's 10-year (-5 bp to -0.03%) and US 10-year Treasury (-3 bp to 0.64%) were mostly unchanged during the month.
- VIX continued its downward trend since mid-March as market volatility and risk-off sentiment subsided. Credit spreads tightened, led by the US HY (-136 bp MTD) followed by US IG (-70 bp).

**FX**
- The USD Index (0.0% MTD, +2.7% YTD) finished the month unchanged against major crosses while the Euro (-0.7%, -2.3% YTD) lost against the USD.
- Emerging markets currencies (+0.6% MTD, -5.4% YTD) gained somewhat against the USD after a brutal March performance. Gains were led by the Indonesian rupiah (+9.6%), Russian ruble (+5.4%), and Colombian peso (+2.9%). The Turkish lira (-5.3%, -14.8% YTD) lost the most as the country's FX reserves came under pressure, amid aggressive monetary policy easing to fight the pandemic's toll on the economy.

**COMMODITIES**
- Commodities lost in March (-1.5% MTD, -24.5% YTD), led by oil (-8.0% MTD, -69.1% YTD) as oil hit below zero for the first time in history due to a plunge in demand and lack of storage capacity.
- Oil prices may recover as production cuts take effect and oversupply conditions start to ease. Gold (+7.0%, +12.7%) gained after last month’s sell-off as investors rushed to raise cash.

**TAKEAWAY:**
EM currencies trapped in weakness as underachieving currencies such as the Brazilian real, the Turkish lira, and the South African rand drag the index down.

**TAKEAWAY:**
US 10-year leads yield plunge year-to-date.

# Market Roundup

Data as of April 30, 2020 close.

<table>
<thead>
<tr>
<th>REGIONAL EQUITIES (USD, % chg, Total Return)</th>
<th>Level</th>
<th>MTD</th>
<th>YTD</th>
<th>1Y</th>
<th>3Y¹</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSCI All-Country World</td>
<td>1,030</td>
<td>10.8%</td>
<td>-12.8%</td>
<td>-4.4%</td>
<td>5.0%</td>
<td>27.3%</td>
</tr>
<tr>
<td>MSCI World – DM</td>
<td>8,756</td>
<td>11.0%</td>
<td>-12.3%</td>
<td>-3.5%</td>
<td>5.6%</td>
<td>28.4%</td>
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<tr>
<td>MSCI EAFE</td>
<td>7,118</td>
<td>6.5%</td>
<td>-17.7%</td>
<td>-10.9%</td>
<td>-0.1%</td>
<td>22.7%</td>
</tr>
<tr>
<td>MSCI EM</td>
<td>2,146</td>
<td>9.2%</td>
<td>-16.6%</td>
<td>-11.7%</td>
<td>0.9%</td>
<td>18.9%</td>
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<table>
<thead>
<tr>
<th>COUNTRY EQUITIES (% chg, Total Return)</th>
<th>Level</th>
<th>MTD</th>
<th>YTD</th>
<th>1Y</th>
<th>3Y¹</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>US (S&amp;P 500)</td>
<td>5,945</td>
<td>12.8%</td>
<td>-9.3%</td>
<td>0.9%</td>
<td>9.0%</td>
<td>31.5%</td>
</tr>
<tr>
<td>US (NASDAQ)</td>
<td>10,473</td>
<td>15.5%</td>
<td>-0.6%</td>
<td>11.0%</td>
<td>14.9%</td>
<td>36.7%</td>
</tr>
<tr>
<td>US (Russell 2000)</td>
<td>6,659</td>
<td>13.7%</td>
<td>-21.1%</td>
<td>-16.4%</td>
<td>-0.8%</td>
<td>25.5%</td>
</tr>
<tr>
<td>Japan (NIKKEI 225 JPY)</td>
<td>33,069</td>
<td>6.7%</td>
<td>-13.8%</td>
<td>-7.2%</td>
<td>3.8%</td>
<td>20.7%</td>
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<tr>
<td>EU (STOXX 600 USD Hedged)</td>
<td>183</td>
<td>6.1%</td>
<td>-16.2%</td>
<td>-8.3%</td>
<td>1.9%</td>
<td>28.8%</td>
</tr>
<tr>
<td>UK (FTSE 100 GBP)</td>
<td>5,524</td>
<td>3.9%</td>
<td>-20.9%</td>
<td>-17.1%</td>
<td>-2.5%</td>
<td>17.3%</td>
</tr>
<tr>
<td>France (CAC 40 EUR)</td>
<td>12,483</td>
<td>4.1%</td>
<td>-23.1%</td>
<td>-15.7%</td>
<td>-1.5%</td>
<td>30.5%</td>
</tr>
<tr>
<td>Germany (DAX 30 EUR)</td>
<td>10,862</td>
<td>9.3%</td>
<td>-18.0%</td>
<td>-12.0%</td>
<td>-4.4%</td>
<td>25.5%</td>
</tr>
<tr>
<td>China (MSCI China USD)</td>
<td>156</td>
<td>6.3%</td>
<td>-4.5%</td>
<td>-1.9%</td>
<td>8.5%</td>
<td>23.7%</td>
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</table>

<table>
<thead>
<tr>
<th>FIXED INCOME (USD, % chg.²)</th>
<th>Level</th>
<th>MTD</th>
<th>YTD</th>
<th>1Y</th>
<th>3Y¹</th>
<th>2019</th>
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</thead>
<tbody>
<tr>
<td>Global Treasury ex. US</td>
<td>714</td>
<td>1.0%</td>
<td>2.3%</td>
<td>7.0%</td>
<td>5.0%</td>
<td>7.4%</td>
</tr>
<tr>
<td>US Treasury</td>
<td>2,580</td>
<td>0.6%</td>
<td>8.9%</td>
<td>14.3%</td>
<td>5.8%</td>
<td>6.9%</td>
</tr>
<tr>
<td>Global IG Corporate</td>
<td>283</td>
<td>4.7%</td>
<td>0.4%</td>
<td>7.3%</td>
<td>5.0%</td>
<td>12.5%</td>
</tr>
<tr>
<td>Global High Yield</td>
<td>461</td>
<td>4.4%</td>
<td>-10.8%</td>
<td>-6.1%</td>
<td>0.7%</td>
<td>13.3%</td>
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<tr>
<td>US Leveraged Loans</td>
<td>2,777</td>
<td>4.5%</td>
<td>-9.1%</td>
<td>-6.6%</td>
<td>0.5%</td>
<td>8.6%</td>
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<tr>
<td>EM USD Denominated</td>
<td>1,123</td>
<td>2.6%</td>
<td>-71%</td>
<td>-0.8%</td>
<td>2.0%</td>
<td>13.1%</td>
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<table>
<thead>
<tr>
<th>COMMODITIES (USD, % chg.)</th>
<th>Level</th>
<th>MTD</th>
<th>YTD</th>
<th>1Y</th>
<th>3Y¹</th>
<th>2019</th>
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</thead>
<tbody>
<tr>
<td>Bloomberg Commodity Index</td>
<td>130</td>
<td>-1.5%</td>
<td>-24.5%</td>
<td>-23.2%</td>
<td>-8.6%</td>
<td>7.7%</td>
</tr>
<tr>
<td>Oil (WTI, USD/Barrel)</td>
<td>18.8</td>
<td>-8.0%</td>
<td>-69.1%</td>
<td>-70.5%</td>
<td>-27.4%</td>
<td>34.5%</td>
</tr>
<tr>
<td>Gold (USD/Troy Ounce)</td>
<td>1,716.8</td>
<td>7.0%</td>
<td>12.7%</td>
<td>33.6%</td>
<td>10.7%</td>
<td>18.8%</td>
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<table>
<thead>
<tr>
<th>SPREADS (OAS, bp chg.)³</th>
<th>Level</th>
<th>MTD</th>
<th>YTD</th>
<th>1Y</th>
<th>3Y¹</th>
<th>2019</th>
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<tbody>
<tr>
<td>US Investment Grade Corporate</td>
<td>202</td>
<td>-70</td>
<td>109</td>
<td>91</td>
<td>86</td>
<td>-60</td>
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<tr>
<td>US High Yield</td>
<td>744</td>
<td>-136</td>
<td>408</td>
<td>386</td>
<td>373</td>
<td>-190</td>
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<tr>
<td>EM USD Denominated</td>
<td>619</td>
<td>-38</td>
<td>318</td>
<td>330</td>
<td>359</td>
<td>-42</td>
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<table>
<thead>
<tr>
<th>KEY RATES (bp chg.)⁴</th>
<th>Level</th>
<th>MTD</th>
<th>YTD</th>
<th>1Y</th>
<th>3Y¹</th>
<th>2019</th>
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</thead>
<tbody>
<tr>
<td>3M US Libor</td>
<td>0.56</td>
<td>-89</td>
<td>-135</td>
<td>-202</td>
<td>-62</td>
<td>-90</td>
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<tr>
<td>2Y US Treasuries</td>
<td>0.20</td>
<td>-5</td>
<td>-137</td>
<td>-207</td>
<td>-107</td>
<td>-92</td>
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<tr>
<td>10Y US Treasuries</td>
<td>0.64</td>
<td>-3</td>
<td>-128</td>
<td>-186</td>
<td>-164</td>
<td>-77</td>
</tr>
<tr>
<td>10Y German Bund</td>
<td>-0.59</td>
<td>-12</td>
<td>-40</td>
<td>-60</td>
<td>-90</td>
<td>-43</td>
</tr>
<tr>
<td>10Y UK Gilt</td>
<td>0.23</td>
<td>-13</td>
<td>-59</td>
<td>-95</td>
<td>-85</td>
<td>-46</td>
</tr>
<tr>
<td>10Y Japanese Bond</td>
<td>-0.03</td>
<td>-5</td>
<td>-2</td>
<td>1</td>
<td>-5</td>
<td>-1</td>
</tr>
<tr>
<td>CBOE VIX</td>
<td>34.15</td>
<td>53.54</td>
<td>13.78</td>
<td>13.12</td>
<td>10.82</td>
<td>25.42</td>
</tr>
<tr>
<td>US 30Y Fixed Rate Mortgage</td>
<td>3.52</td>
<td>-34</td>
<td>-34</td>
<td>-57</td>
<td>-37</td>
<td>-65</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>FOREIGN EXCHANGE (vs. USD, % chg.)⁵</th>
<th>Level</th>
<th>MTD</th>
<th>YTD</th>
<th>1Y</th>
<th>3Y¹</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD – Major Dollar Index</td>
<td>99.0160</td>
<td>0.0%</td>
<td>2.7%</td>
<td>1.6%</td>
<td>0.0%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Euro</td>
<td>1.0955</td>
<td>-0.7%</td>
<td>-2.3%</td>
<td>-2.3%</td>
<td>0.2%</td>
<td>-2.2%</td>
</tr>
<tr>
<td>British Pound</td>
<td>1.2594</td>
<td>1.4%</td>
<td>-5.0%</td>
<td>-3.4%</td>
<td>-0.9%</td>
<td>3.9%</td>
</tr>
<tr>
<td>Japanese Yen</td>
<td>107.1800</td>
<td>0.3%</td>
<td>1.3%</td>
<td>4.0%</td>
<td>1.3%</td>
<td>1.0%</td>
</tr>
</tbody>
</table>

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## Sector Performance

Data as of April 30, 2020 close.

### S&P 500

<table>
<thead>
<tr>
<th>S&amp;P 500 SECTORS</th>
<th>MTD</th>
<th>YTD</th>
<th>1Y</th>
<th>3Y Annualized</th>
<th>2019</th>
<th>5Y Annualized</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information Technology</td>
<td>13.7%</td>
<td>-0.2%</td>
<td>16.4%</td>
<td>20.1%</td>
<td>48.0%</td>
<td>17.4%</td>
</tr>
<tr>
<td>Financials</td>
<td>9.3%</td>
<td>-26.0%</td>
<td>-18.6%</td>
<td>-1.1%</td>
<td>29.2%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Health Care</td>
<td>12.5%</td>
<td>-2.2%</td>
<td>12.5%</td>
<td>10.0%</td>
<td>18.7%</td>
<td>6.7%</td>
</tr>
<tr>
<td>Consumer Discretionary</td>
<td>20.5%</td>
<td>-3.1%</td>
<td>0.4%</td>
<td>10.1%</td>
<td>26.2%</td>
<td>9.6%</td>
</tr>
<tr>
<td>Industrials</td>
<td>8.7%</td>
<td>-21.1%</td>
<td>-17.6%</td>
<td>-1.6%</td>
<td>26.8%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Consumer Staples</td>
<td>6.6%</td>
<td>-7.6%</td>
<td>0.7%</td>
<td>1.8%</td>
<td>24.0%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Energy</td>
<td>29.7%</td>
<td>-36.5%</td>
<td>-40.8%</td>
<td>-16.6%</td>
<td>7.6%</td>
<td>-13.7%</td>
</tr>
<tr>
<td>Utilities</td>
<td>3.2%</td>
<td>-11.5%</td>
<td>-2.4%</td>
<td>3.5%</td>
<td>22.2%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>9.3%</td>
<td>-12.4%</td>
<td>-5.6%</td>
<td>2.5%</td>
<td>24.9%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Materials</td>
<td>15.3%</td>
<td>-15.4%</td>
<td>-9.3%</td>
<td>-0.7%</td>
<td>21.9%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Communication Services</td>
<td>13.5%</td>
<td>-6.0%</td>
<td>1.9%</td>
<td>2.1%</td>
<td>30.9%</td>
<td>1.2%</td>
</tr>
</tbody>
</table>

The performance data quoted represent past performance, which is no guarantee of future results.

### S&P 500 APRIL SECTOR PERFORMANCE

- Energy: 29.7%
- Consumer Discretionary: 20.5%
- Materials: 15.3%
- Information Technology: 13.7%
- Communication Services: 13.5%
- Health Care: 12.5%
- Financials: 9.3%
- Real Estate: 9.3%
- Industrials: 8.7%
- Consumer Staples: 6.6%
- Utilities: 3.2%

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## Sector Performance

Data as of April 30, 2020 close.

### S&P 500 vs Russell 2000

<table>
<thead>
<tr>
<th>RUSSELL 2000 INDEX SECTORS</th>
<th>MTD</th>
<th>YTD</th>
<th>1Y</th>
<th>3Y Annualized</th>
<th>2019</th>
<th>5Y Annualized</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Services</td>
<td>8.0%</td>
<td>-29.6%</td>
<td>-26.7%</td>
<td>-8.6%</td>
<td>20.2%</td>
<td>-1.5%</td>
</tr>
<tr>
<td>Technology</td>
<td>15.1%</td>
<td>-10.3%</td>
<td>-6.5%</td>
<td>9.2%</td>
<td>34.4%</td>
<td>10.9%</td>
</tr>
<tr>
<td>Producer Durables</td>
<td>9.5%</td>
<td>-26.1%</td>
<td>-20.3%</td>
<td>-3.1%</td>
<td>28.2%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Consumer Discretionary</td>
<td>23.9%</td>
<td>-30.3%</td>
<td>-28.6%</td>
<td>-4.7%</td>
<td>21.9%</td>
<td>-2.7%</td>
</tr>
<tr>
<td>Health Care</td>
<td>17.4%</td>
<td>-5.6%</td>
<td>8.4%</td>
<td>11.0%</td>
<td>29.9%</td>
<td>7.2%</td>
</tr>
<tr>
<td>Materials and Processing</td>
<td>17.1%</td>
<td>-25.2%</td>
<td>-20.1%</td>
<td>-8.6%</td>
<td>30.0%</td>
<td>-1.7%</td>
</tr>
<tr>
<td>Utilities</td>
<td>1.8%</td>
<td>-10.5%</td>
<td>-8.3%</td>
<td>0.7%</td>
<td>13.4%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Energy</td>
<td>39.5%</td>
<td>-42.4%</td>
<td>-56.0%</td>
<td>-30.3%</td>
<td>-8.4%</td>
<td>-28.5%</td>
</tr>
<tr>
<td>Consumer Staples</td>
<td>9.7%</td>
<td>-16.4%</td>
<td>-13.9%</td>
<td>-4.8%</td>
<td>12.5%</td>
<td>-0.8%</td>
</tr>
</tbody>
</table>

The performance data quoted represent past performance, which is no guarantee of future results.

### RUSSELL 2000 APRIL SECTOR PERFORMANCE

<table>
<thead>
<tr>
<th>Sector</th>
<th>Monthly Return (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>39.5</td>
</tr>
<tr>
<td>Consumer Discretionary</td>
<td>23.9</td>
</tr>
<tr>
<td>Health Care</td>
<td>17.4</td>
</tr>
<tr>
<td>Materials and Processing</td>
<td>17.1</td>
</tr>
<tr>
<td>Technology</td>
<td>15.1</td>
</tr>
<tr>
<td>Consumer Staples</td>
<td>9.7</td>
</tr>
<tr>
<td>Producer Durables</td>
<td>9.5</td>
</tr>
<tr>
<td>Financial Services</td>
<td>8.0</td>
</tr>
<tr>
<td>Utilities</td>
<td>1.8</td>
</tr>
</tbody>
</table>

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Data provided for illustrative purposes and are not indicative of the past or future performance of any BNY Mellon product. An investor cannot invest directly in the index. Source: BNY Mellon Global Investment Strategy using data from Bloomberg.
Factor Performance

Data as of April 30, 2020 close.

<table>
<thead>
<tr>
<th>US FACTORS</th>
<th>MTD</th>
<th>YTD</th>
<th>1Y</th>
<th>3Y Annualized</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSCI US</td>
<td>13.1%</td>
<td>-9.2%</td>
<td>0.4%</td>
<td>8.4%</td>
<td>30.9%</td>
</tr>
<tr>
<td>Value</td>
<td>10.6%</td>
<td>-18.1%</td>
<td>-11.0%</td>
<td>1.4%</td>
<td>24.6%</td>
</tr>
<tr>
<td>Growth</td>
<td>15.3%</td>
<td>-0.5%</td>
<td>12.2%</td>
<td>15.4%</td>
<td>37.3%</td>
</tr>
<tr>
<td>Large Cap</td>
<td>12.9%</td>
<td>-8.2%</td>
<td>2.1%</td>
<td>9.3%</td>
<td>31.0%</td>
</tr>
<tr>
<td>Small Cap</td>
<td>14.9%</td>
<td>-21.2%</td>
<td>-16.6%</td>
<td>0.0%</td>
<td>26.7%</td>
</tr>
<tr>
<td>Min. Vol.</td>
<td>9.3%</td>
<td>-9.6%</td>
<td>-0.1%</td>
<td>8.5%</td>
<td>27.1%</td>
</tr>
<tr>
<td>High Div. Yield</td>
<td>10.3%</td>
<td>-13.4%</td>
<td>-6.3%</td>
<td>—</td>
<td>21.3%</td>
</tr>
<tr>
<td>Momentum</td>
<td>11.7%</td>
<td>-5.0%</td>
<td>5.0%</td>
<td>13.2%</td>
<td>27.4%</td>
</tr>
<tr>
<td>Quality</td>
<td>11.7%</td>
<td>-5.2%</td>
<td>7.7%</td>
<td>13.5%</td>
<td>38.4%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EAFE FACTORS</th>
<th>MTD</th>
<th>YTD</th>
<th>1Y</th>
<th>3Y Annualized</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSCI EAFE</td>
<td>6.5%</td>
<td>-17.8%</td>
<td>-11.3%</td>
<td>-0.6%</td>
<td>22.0%</td>
</tr>
<tr>
<td>Value</td>
<td>5.4%</td>
<td>-24.4%</td>
<td>-20.5%</td>
<td>-5.7%</td>
<td>16.1%</td>
</tr>
<tr>
<td>Growth</td>
<td>7.4%</td>
<td>-11.4%</td>
<td>-2.1%</td>
<td>4.4%</td>
<td>27.9%</td>
</tr>
<tr>
<td>Large Cap</td>
<td>5.9%</td>
<td>-17.5%</td>
<td>-11.3%</td>
<td>-0.5%</td>
<td>21.5%</td>
</tr>
<tr>
<td>Small Cap</td>
<td>10.4%</td>
<td>-20.0%</td>
<td>-12.3%</td>
<td>-1.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Min. Vol.</td>
<td>4.3%</td>
<td>-12.8%</td>
<td>-5.5%</td>
<td>2.3%</td>
<td>16.7%</td>
</tr>
<tr>
<td>High Div. Yield</td>
<td>5.5%</td>
<td>-20.4%</td>
<td>-12.4%</td>
<td>-1.2%</td>
<td>24.5%</td>
</tr>
<tr>
<td>Momentum</td>
<td>6.9%</td>
<td>-9.2%</td>
<td>0.8%</td>
<td>—</td>
<td>23.9%</td>
</tr>
<tr>
<td>Quality</td>
<td>7.0%</td>
<td>-9.7%</td>
<td>2.2%</td>
<td>5.7%</td>
<td>31.1%</td>
</tr>
</tbody>
</table>

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BNY Mellon Global Economics and Investment Analysis

Shamik Dhar
Chief Economist

Lale Akoner
Market Strategist

Liz Young, CFA
Director of Market Strategy

Alicia Levine, PhD
Chief Strategist

Bryan Besecker, CFA, CAIA
Market Strategist

Sebastian Vismara
Financial Economist

Abbreviations

y/y — year-over-year
m/m — month-over-month
q/q — quarter-over-quarter
MTD — month-to-date
YTD — year-to-date
Fed — Federal Reserve
ECB — European Central Bank
BOJ — Bank of Japan
bp — basis points
EM — emerging markets
DM — developed markets
USD — US dollar
EAFE — Europe, Australasia and Far East
BOE — Bank of England
PBOC — People’s Bank of China
HY — high-yield
G4 — US, UK, Germany, Japan
Saar — Seasonally adjusted annualized rate
WTI — West Texas Intermediate
G7 — US, UK, Germany, Japan, Italy, Canada, France
ISM — Institute for Supply Management

Fx — Foreign exchange
CPI — consumer price index
IG — investment grade
PCE — personal consumption expenditure
QE — quantitative easing
FOMC — Federal Open Market Committee
IIF — Institute of International Finance
GDP — gross domestic product
IMF — International Monetary Fund
EPS — earnings per share
Min. — minimum
Div. — dividend
PMI — purchasing managers index
PCE — personal consumption expenditures
Global equities — MSCI All Country World Index
OIS — Overnight indexed swap rate
NFIB — National Federation of Independent Business
CBOE — Chicago Board Options Exchange
LIBOR — London inter-bank offered rate
OAS — option adjusted spread
CP — commercial paper
TAKEAWAY:
Consumption led the downturn in Q1 and suffered the worst contraction in nearly 40 years.
Consumer and business sentiment have plunged around the world, highlighting the challenge to growth ahead.
**Appendix**

**GLOBAL ECONOMY > INFLATION**

**10-YEAR BREAKEVEN INFLATION RATES IN MAJOR ECONOMIES (%)**

* The breakeven inflation rate is a market-based measure of expected inflation. It is the difference between the yield of a nominal bond and an inflation-linked bond of the same maturity. Daily data as of April 30, 2020. Source: BNY Mellon using data from Bloomberg.

**TAKEAWAY:**

Inflation expectations have stabilized but have yet to maintain consistent upwards momentum.
Appendix

GLOBAL ECONOMY > INFLATION

CORE INFLATION (% Y/Y)

- US
- UK
- Eurozone

TAKEAWAY:
Weakened demand will likely contribute to lower inflation in the near-term with limited upside potential.
**Appendix**

**GLOBAL ECONOMY > CENTRAL BANK AND FISCAL POLICY**

**US FINANCIAL CONDITIONS**

A lower and declining spread indicates easing financial conditions. Each line represents an interest rate spread reflecting general financial conditions (higher spread = tighter conditions).

Data as of April 30, 2020. See appendix for definitions.

Source: Bloomberg.

---

**TAKEAWAY:**

The Fed stimulus has reduced stress in credit markets helping to limit contagion from spreading to other areas of the economy.
**EUROZONE SPREADS TO 10-YEAR GERMAN BUNDS**

- **Italy**
- **Spain**
- **France**
- **Portugal**
- **Greece**

**TAKEAWAY:**
The ECB may need to do more as spreads to German Bunds remain elevated.

Source: Bloomberg.
TAKEAWAY:
In a baseline scenario for the S&P 500, EPS is expected to decline to 125 in 2020 and 145 in 2021 from 163 in 2019. The three alternative scenarios lead to lower EPS this year and next.
Appendix

FINANCIAL MARKETS > GLOBAL EQUITIES

S&P 500 EQUAL WEIGHT AND TOP 50 INDICES

TAKEAWAY:
The recent rally is being led by the biggest companies.

Data as of May 1, 2020.
Normalized to 100 = 12/31/2018.
Source: Bloomberg.
MAJOR ECONOMIES’ YTD CUMULATIVE CHANGE IN 10-YEAR SOVEREIGN BONDS

Data as of May 4, 2020.
Source: Bloomberg.

TAKEAWAY:
US 10-year leads yield plunge year-to-date.
TAKEAWAY:
EM currencies trapped in weakness as underachieving currencies such as the Brazilian real, the Turkish lira, and the South African rand drag the index down.
Definitions

MSCI All-Country World: The MSCI All-Country World is an index that tracks the performance of both Developed and Emerging Market equities.

MSCI World – DM: The MSCI World Index is an index that tracks the performance of Developed Market equities.

MSCI EAFE: The MSCI EAFE Index is an index that tracks the performance of Developed Market equities across Europe, Australasia and the Far East excluding the US and Canada.

MSCI EM: The MSCI EM index tracks the performance of Emerging Market Equities.

MSCI US: Index designed to measure the performance of the large and mid cap segments of the US market.

MSCI Momentum: Index is designed to reflect the performance of an equity momentum strategy by emphasizing stocks with high price momentum.

MSCI Growth: Index is designed to reflect the performance of securities exhibiting overall growth characteristics.

MSCI Value: Index is designed to reflect the performance of securities exhibiting overall value style characteristics.

MSCI Small Cap: Index is designed to reflect the performance of the small cap segment of the respective market.

MSCI Quality: Index is designed to reflect the performance of quality growth stocks by identifying stocks with high quality scores based on three fundamental variables: high return on equity, stable y/y earnings growth, and low financial leverage.

MSCI Large Cap: Index is designed to reflect the performance of the large cap segment of the respective market.

MSCI Min. Volatility: Index is designed to reflect the performance of a minimum variance strategy.

MSCI High Dividend Yield: Index is designed to reflect the performance of equities in the parent index (excluding REITs) with higher dividend income and quality characteristics than average dividend yields that are both sustainable and persistent.

US (S&P 500): The S&P 500 is an index designed to track the performance of the largest 500 US companies. US High Beta: The S&P 500 High Beta Total Return Index measures the performance of the 100 most sensitive to changes in market returns. US Value: The S&P Composite 1500 Total Return Value Index is a subset of the S&P 1500 index tracking the performance of value stocks. US Growth: The S&P Composite 1500 Total Return Growth Index is a subset of the S&P 1500 index tracking the performance of growth stocks. US Low Vol: The S&P 500 Low Volatility Total Return Index is designed to measure the performance of the 100 least volatile stocks of the S&P 500.

US (NASDAQ): The Nasdaq Composite Index is the market capitalization-weighted index of approximately 3,000 common equities listed on the Nasdaq stock exchange.

US (Russell 2000): The Russell 2000 Index is a small-cap stock market index of the bottom 2,000 stocks in the Russell 3000 Index.

Japan (Nikkei 225): The Nikkei 225 is an index that tracks the performance of the largest 225 companies traded in the Japanese market.

Europe (STOXX 600): The STOXX 600 is an index that represents the performance of 600 large, mid and small capitalization companies across 18 countries in the European Union. The index is hedged in USD.

UK (FTSE 100): The FTSE 100 is an index that tracks the performance of the largest 100 companies traded on the London Stock Exchange.

France (CAC 40): The CAC 40 is an index that tracks the performance of the largest 40 companies traded on the Paris Stock Exchange.

Germany (DAX 30): The DAX 30 is an index that tracks the performance of the largest 30 companies traded on the Frankfurt Stock Exchange.

China (SHANGHAI A SE): The SHANGHAI A SE index tracks the performance of the Renminbi denominated equities traded at the Shanghai Stock Exchange.

Global Aggregate: The Bloomberg Barclays Global Aggregate Total Return (USD hedged) Index is a broad-based measure of the global investment-grade fixed income market.


US Treasury: The Barclays Bloomberg US Treasury Index is the US Treasury component of the US Aggregate Index and uses public obligations of the US Treasury with a remaining maturity of one year or more.

US TIPS: The Bloomberg Barclays US Treasury Inflation-Protected Securities Total Return Index tracks the performance of publicly issued, US Treasury inflation-protected securities that have at least one year remaining to maturity and have $250 million or more of outstanding face value.

Global Investment Grade – Corp.: This Index reflects the corporate component of the Bloomberg Barclays Global Aggregate Index which is designed to provide a broad-based measure of the global investment-grade fixed income markets.

Global High Yield: The Barclays Bloomberg Global High Yield Index is a broad-based measure of the global high yield market.

US Leveraged Loans: The S&P/LSTA Leveraged Loan Total Return Index is designed to measure the performance of the US leveraged loan market.

Hedge Funds: The Hedge Fund Research HFRI Global Hedge Fund 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.

EM USD Denominated: The Bloomberg Barclays EM USD Aggregate Index includes USD denominated debt from sovereign, quasi-sovereign, and corporate EM issuers.

EM Debt LC: The Bloomberg Barclays EM Local Currency Government Total Return Index measures the general performance of locally issued fixed income securities by Emerging Market governments.

Bloomberg Commodity Index: The Dow Jones US Commodity index is designed to provide diversified commodity exposure with weightings based on the commodity’s liquidity and economic significance.

USD: The US Majors Dollar Index tracks the performance of the USD versus a basket of foreign currencies including the euro, Japanese yen, Pound sterling, Canadian dollar, Swedish krona, and Swiss Franc.

Oil (WTI, US/Bbl): Generic West Texas Intermediate crude oil spot price.

Gold (USD/Troy Ounce): Gold London Bullion Market spot price, quoted in USD per Troy Ounce.

US Investment Grade Corporate: The Barclays Bloomberg US Aggregate – Corporate Index is designed to measure the performance of the investment grade corporate sector in the US.

US High Yield: The Bloomberg Barclays US High Yield Index covers the universe of fixed-rate, non-investment grade corporate debt in the US.

3M US Libor: Average interest rate at which a selection of banks in London lend to one another in USD with a maturity of 3 months.

2Y US Treasuries: Average yield of a range of Treasury securities all adjusted to the equivalent of a two-year maturity.

10Y US Treasuries: Average yield of a range of Treasury securities all adjusted to the equivalent of a ten-year maturity.

10Y UK Gilt: Average yield of a range of UK government bonds all adjusted to the equivalent of a ten-year maturity.

10Y German Bund: Average yield of a range of German government bonds all adjusted to the equivalent of a ten-year maturity.

10Y Japanese Bond: Average yield of a range of Japanese government bonds all adjusted to the equivalent of a ten-year maturity.

CBOE VIX: Indicator of the implied volatility of S&P 500 index as calculated by the Chicago Board Options Exchange (CBOE).


Consumer Price Index (CPI): Index measures changes in the price level of market basket of consumer goods and services purchased by households.

Carry Trade: Borrowing a currency at a low interest rate to finance the purchase of another currency earning a higher interest rate.

Emerging Markets Carry Trade Index: The EM-B Carry Trade Index measures the cumulative total return of a buy-and-hold carry trade position that is long eight emerging market currencies (Brazilian real, Mexican peso, Indian rupee, Indonesian rupiah, South African rand, Turkish lira, Hungarian forint, Polish zloty) that is fully funded with short positions in the US dollar.

EM FX Volatility: JP Morgan EM FX Volatility is calculated based on 3 month at-the-money-forward vols, which are combined with a set of fixed weights to produce the daily result.

Manufacturing PMI: An economic indicator derived from monthly surveys of private sector companies. A level above 50 indicates expansion compared to the prior month and below 50 contraction.

Conference Board Consumer Confidence: Published by The Conference Board to measure the degree of optimism on the state of the US economy that consumers are expressing through their activities of savings and spending.

Citi Economic Surprise Index: Objective and quantitative measures of economic news defined as weighted historical standard deviations of data surprises (actual releases vs. Bloomberg survey median).

Please see important footnotes for returns and charts on last page.
Disclosure

FOOTNOTES FOR RETURNS AND CHARTS

1 Total 3Y% change annualized for equities, commodities, foreign exchange and fixed income. 2 Total returns in USD. USD hedged for Global Treasury ex US, Global Investment Grade – Corporate, and Global High Yield. 3 OAS: option-adjusted spread. Both level and change in bp. 4 Current level of interest rates (%) shown in “Level” column except for CBOE VIX. For CBOE VIX the value as of each date is shown not the change. 5 “Level” for each exchange rate: USD/1 Euro; USD/1 British Pound; Japanese Yen/1 USD. Changes for Japanese Yen calculated using USD/1 Japanese Yen. A carry trade is when a trader benefits from a difference in rates and uses the high-yielding currency to fund the trade with low-yielding currency.

RISKS

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. Bonds are subject 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. 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. Commodities contain heightened risk including market, political, regulatory, and natural conditions, and may not be suitable for all investors. Currencies can decline in value relative to a local currency, or, in the case of hedged positions, the local currency will decline relative to the currency being hedged. These risks may increase fund volatility.