December 2024

2025 Outlook Webinar

CAS00012478

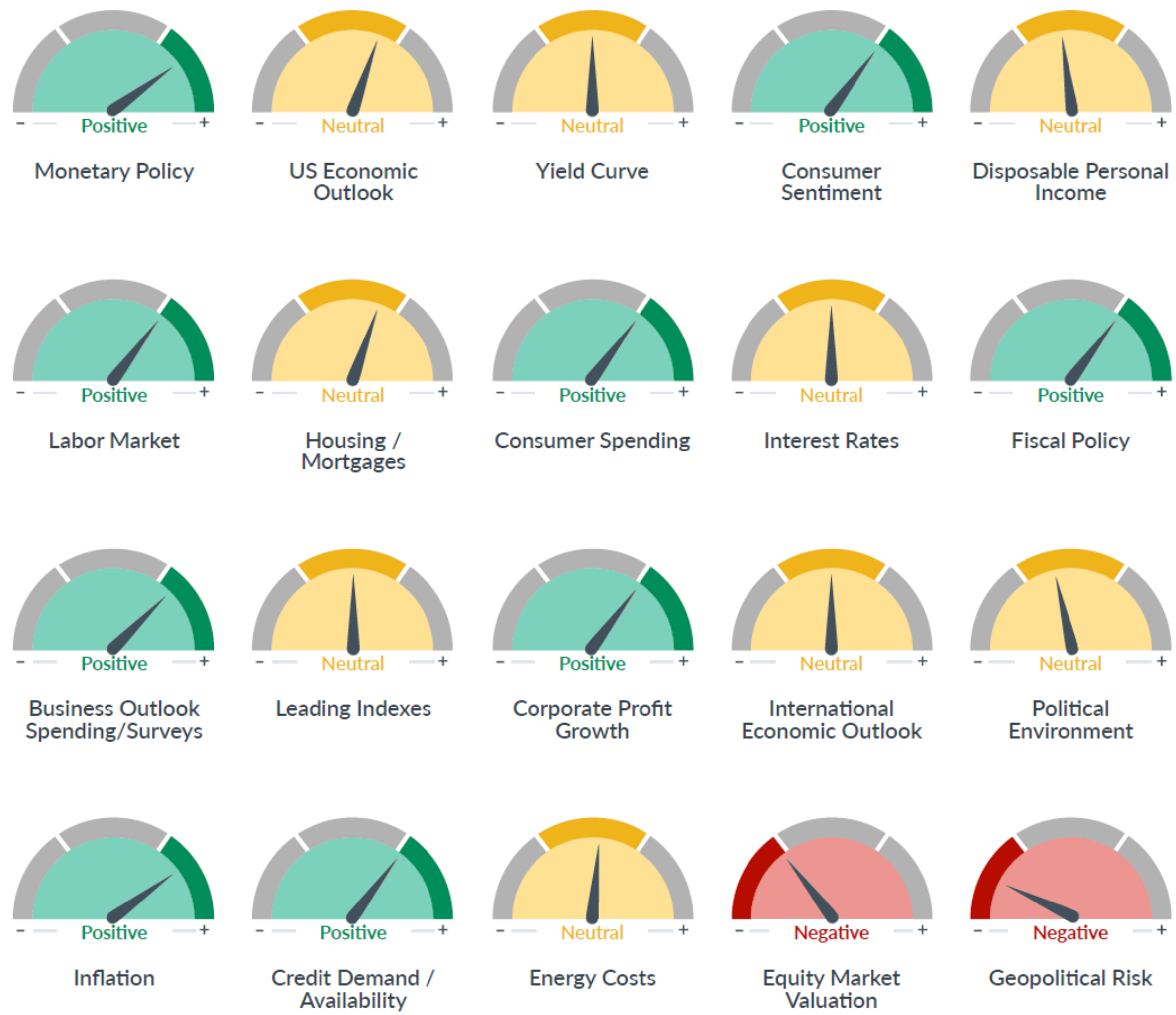
Summary

CNR Speedometers® – December 2024

Economic & Financial Indicators That Are Forward-Looking Six to Nine Months

- The global outlook is divergent, and the US growth prospects are most resilient and supported by fiscal policy.
- Multiyear Federal Reserve easing cycle ahead.
- Slower but positive job and income growth support consumer spending and sentiment.
- Improved credit availability and removed election uncertainty support a stronger business outlook.
- Elevated equity valuations offset by strong corporate profits.
- Geopolitical events remain a key risk to our outlook.

Impact on Economy and Financial Markets



Impact on investment: Positive Neutral Negative **Timeframe:** Current Change from last month

Source: Proprietary opinions based on CNR Research, as of December 2024. Information is subject to change and is not a guarantee of future results.

Economic Forecasts

- Modest GDP growth is expected, supported by potential pro-growth fiscal policy.
- Corporate profits are expected to show improving growth.
- Inflation pressures are expected to continue moderating.
- The multiyear Fed easing cycle is supportive of continued expansion.
- Structural pressures will likely keep longer-term Treasury yields higher.

City National Rochdale Forecasts		2023	2024e	2025e
Real Annual GDP Growth		2.5%	1.75% to 2.25%	1.75% to 2.25%
Corporate Profit Growth		1.0%	9.0% to 12.0%	10% to 14%
Headline CPI Year End		3.3%	2.50% to 3.00%	2.50% to 2.75%
Interest Rates	Federal Funds Rate	5.25% to 5.50%	4.25% to 4.75%	3.75% to 4.25%
	Treasury Note, 10-Yr.	3.88%	3.75% to 4.25%	3.75% to 4.25%

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.
e: estimate.
The Consumer Price Index (CPI) measures the monthly change in prices paid by U.S. consumers.
Sources: Bloomberg, proprietary opinions based on CNR Research, as of December 2024. Information is subject to change and is not a guarantee of future results.

2025 Global Market Themes

Trump Administration Policy

- Tariffs
- Immigration
- Taxes
- Deregulation
- Digital Currencies
- Debt: Reduced deficit or Fiscal Expansion?

Geopolitical Tension

- U.S.-China Relations
- U.S.-Russia Relations
- U.S.-Europe Trade disputes
- Energy Security and Supply Chains
- Debt Crises & Capital Outflows

AI Acceleration

- Proof of Concept transition to large-scale deployment
- Market size is expected to show an annual growth rate of 28.46% through 2030[1]
- AI adoption could add $7 trillion to global GDP by 2030[2]

Equity Market Valuation

- Mega-Cap tech stocks account for 20% global market cap[3]
- Elevated valuations with P/E >22x[3]
- Federal Reserve Policy impact
- Can earnings continue to advance?

Sources: JPMorgan, FactSet, CNR Research, as of December 2024.
[1] – Statista, as of December 2024.
[2] - McKinsey & Co. , as of December 2024.
[3]- FactSet, as of December 2024.
Information is subject to change and is not a guarantee of future results.

Economic Impacts of Potential Trump Administration Policy

- Pro-business and U.S. based policy is positive but has created concern over rates and inflation.
- The policy mix will likely result in smaller reactions than any policy on its own.

Policy Change	Economic Impact			
	Growth (*GDP*)	Corporate Profits	Inflation	Interest Rates
	Positive = Higher		Positive = Lower	
Lower Tax Rates	Higher	Higher	Higher	Higher
Additional Tariffs	Lower	Lower	Higher	Higher
Deregulation	Higher	Higher	Neutral	Neutral
Increase in Federal Debt	Neutral	Neutral	Higher	Higher
Lower Immigration	Lower	Lower	Lower	Lower

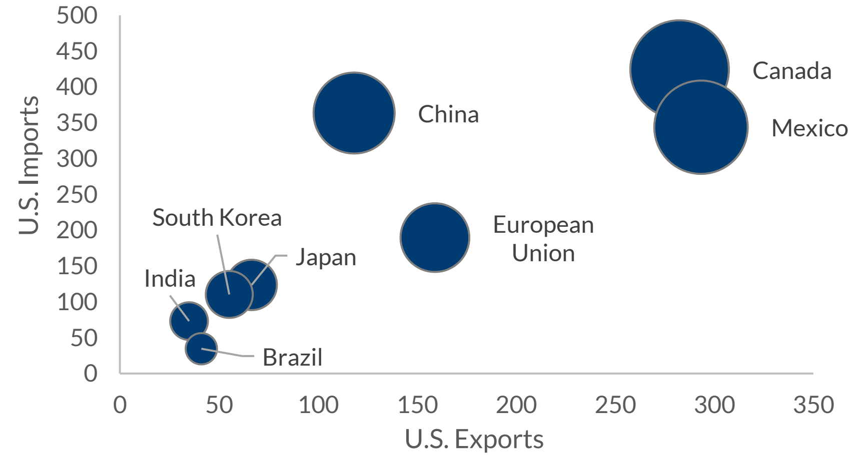
Source: CNR Research, as of December 2024. Information is subject to change and is not a guarantee of future results.

Geopolitical Landscape

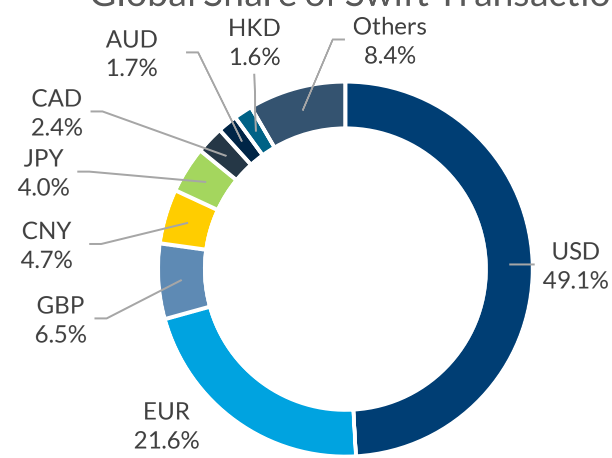
- Ongoing conflicts, trade shifts and currency volatility are likely to impact markets in 2025.

Region	Key Issues
China/ Taiwan	• Long-term strategic competition with the U.S. is increasing. • Elevated military conditions in the South China Sea – Taiwan a potential flashpoint. • Watchful for increased tariffs, trade restrictions, and supply chain disruptions , especially in chip production.
Russia/ Ukraine	• Impact to global energy markets with Europe reducing reliance on Russian production. • Supply chain disruptions continue in agriculture and manufacturing sectors. • Continued conflict risks increase in NATO's presence in Eastern Europe. • Continued U.S. military aid for Ukraine is expensive.
Mideast	• Resolution to Israel's regional conflicts remain elusive. • The fall of Assad's regime highlights the potential latent risks embedded in the Mideast's ongoing conflicts. • Disruptions to supply chains are possible if the region continues to be unstable, especially the ongoing attacks in the Red Sea and the Gulf of Aden.

U.S. Trade (USD Billions)[1]



Global Share of Swift Transactions[2]

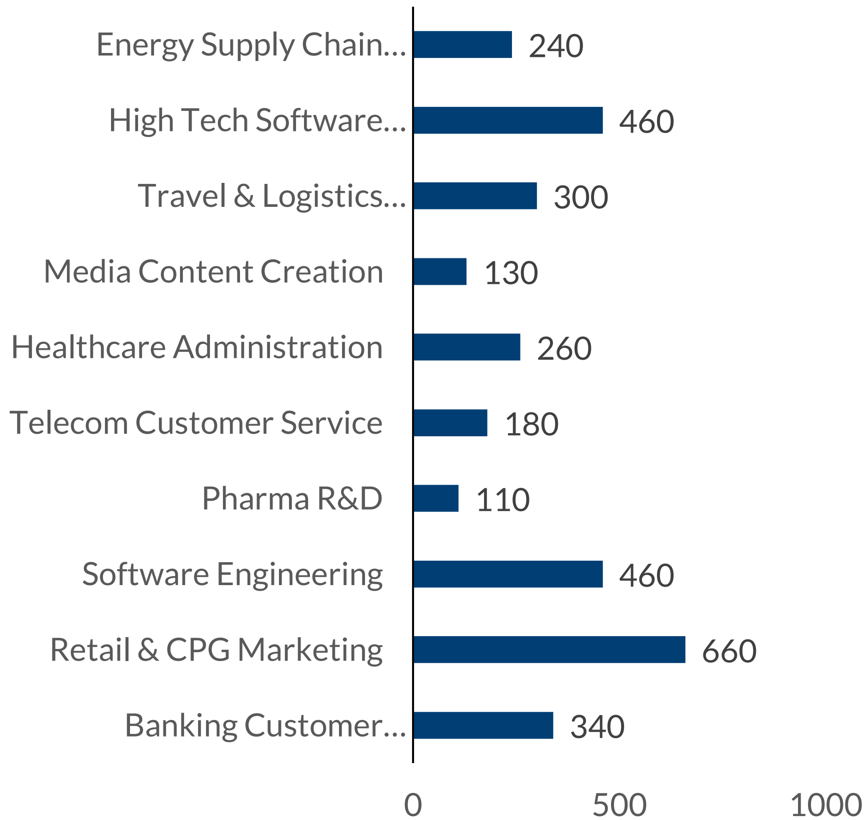


Source: [1]United States Census Bureau, Top Trading Partners – December 5, 2024; [2] Statista – October 22, 2024; CNR Research – December 2024.
SWIFT (Society for Worldwide Interbank Financial Telecommunications) is a global member-owned cooperative that functions as a huge messaging system. Members (banks and other financial institutions) use it to quickly, accurately, and securely send and receive information, primarily money transfer instructions.
Information is subject to change and is not a guarantee of future results.

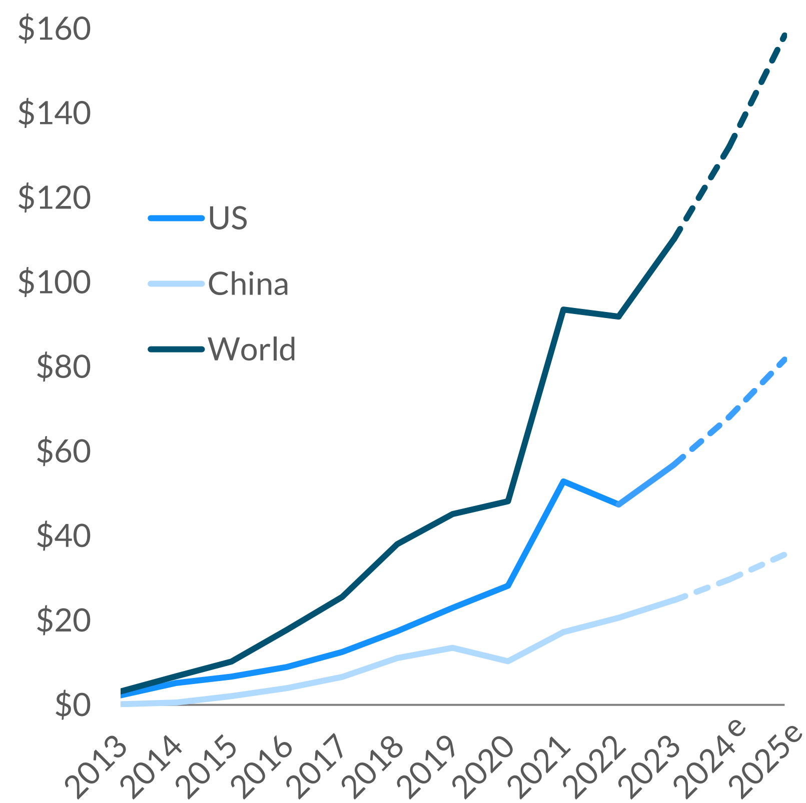
Generative AI Opportunity Set

- Total investment in generative AI reached $120B in just the first five months of 2023.
- Investment is projected to grow to $160B in 2025.
- The highest impact could come to marketing, high tech software, banking and healthcare.

Revenue Opportunity (in billions USD)



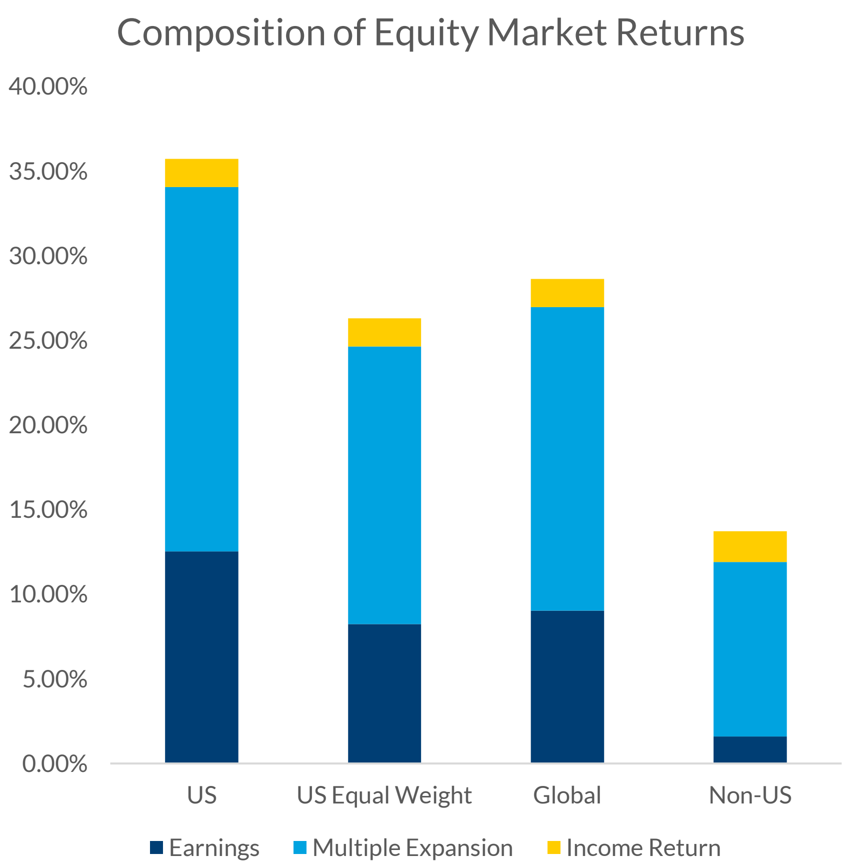
AI Investment
$ Billions

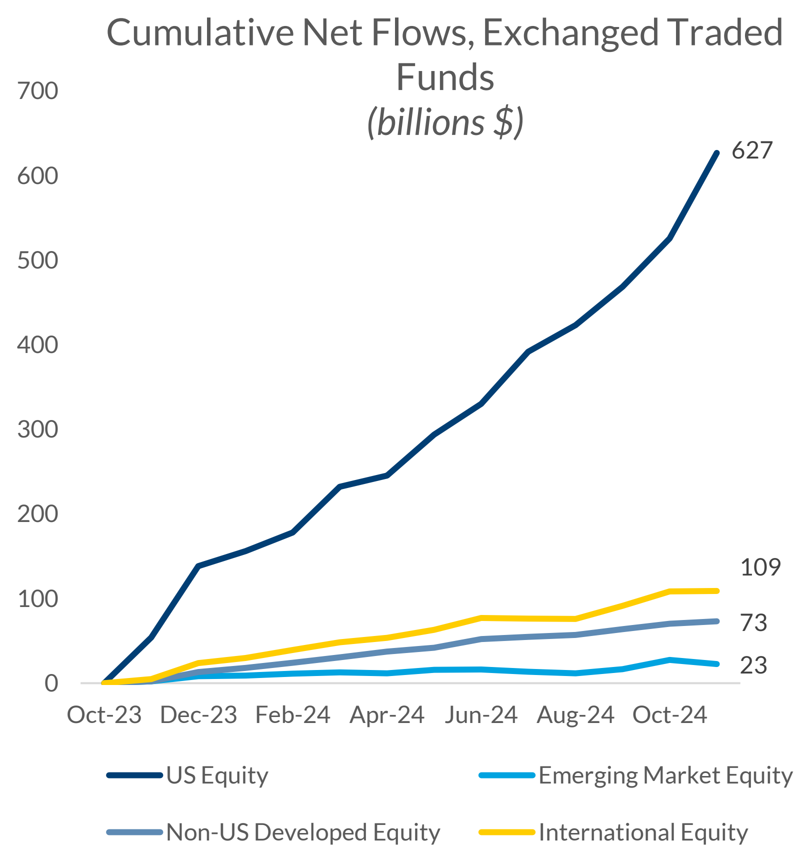


Sources: McKinsey & Co., as of August 2024; Goldman Sachs Research. August 2024.
e: Estimate
Information is subject to change and is not a guarantee of future results.

Equity Market Valuations

- Multiple expansion has been the primary driver of returns across markets both domestically and globally.
- Despite stretched valuations, U.S. exceptionalism and a pro-business administration provide tailwinds.
- Cumulative flows into U.S. Equities have been tremendous during 2024 and are likely to continue.





Source: Bloomberg, MSCI, S&P, CNR Research as of December 6, 2024.
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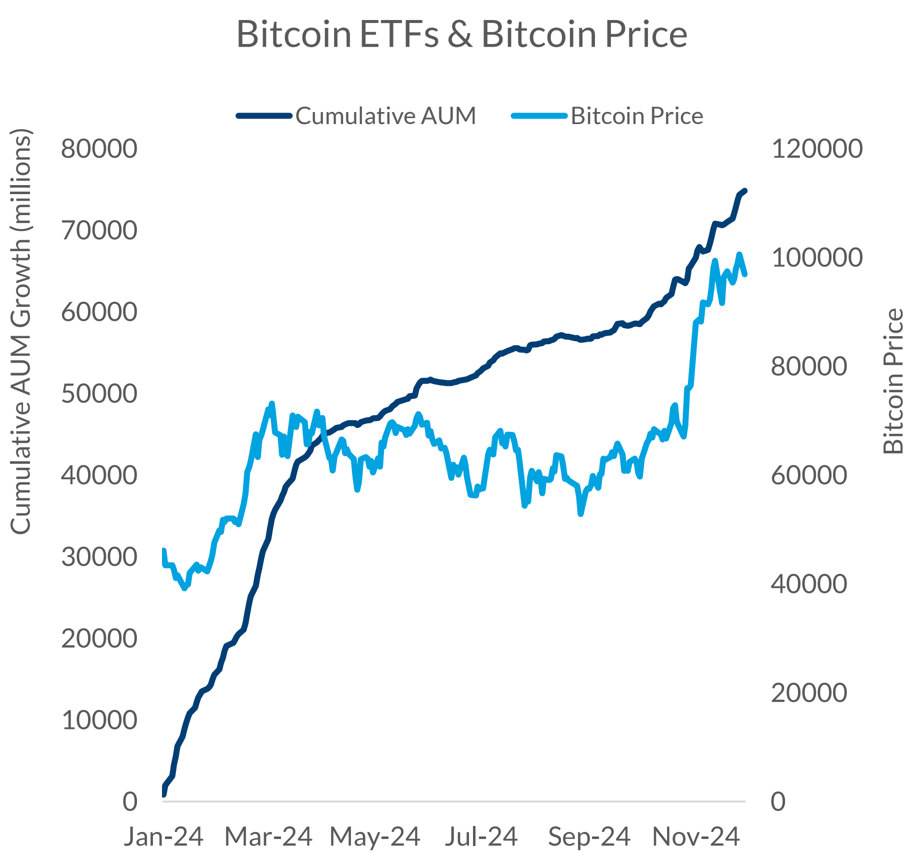
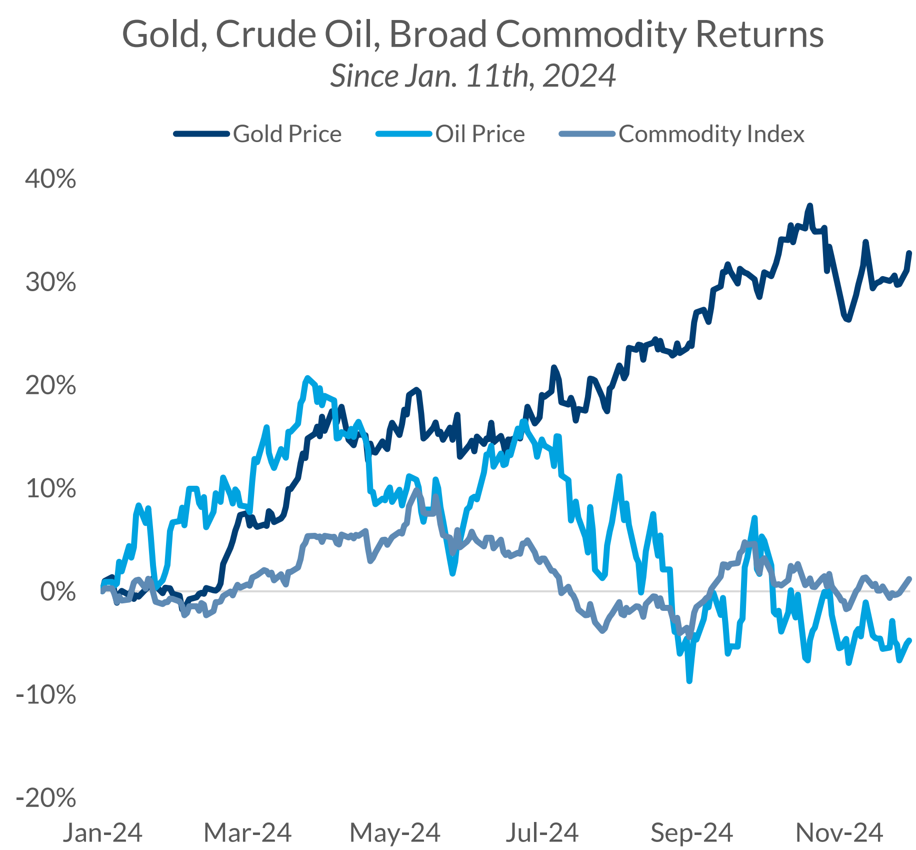
Gold & Digital Currencies

- The development of Bitcoin ETFs has spurred institutional demand for digital currency.
- Gold is also high, but has been moving for very different reasons, primarily central bank buying.
- We believe that Gold prices remain at risk, while we are further evaluating the potential of bitcoin within portfolios.





Source: CNR Research, Bloomberg, as of December 2024. Information is subject to change and is not a guarantee of future results.

Key Takeaways: Global 2025 Themes

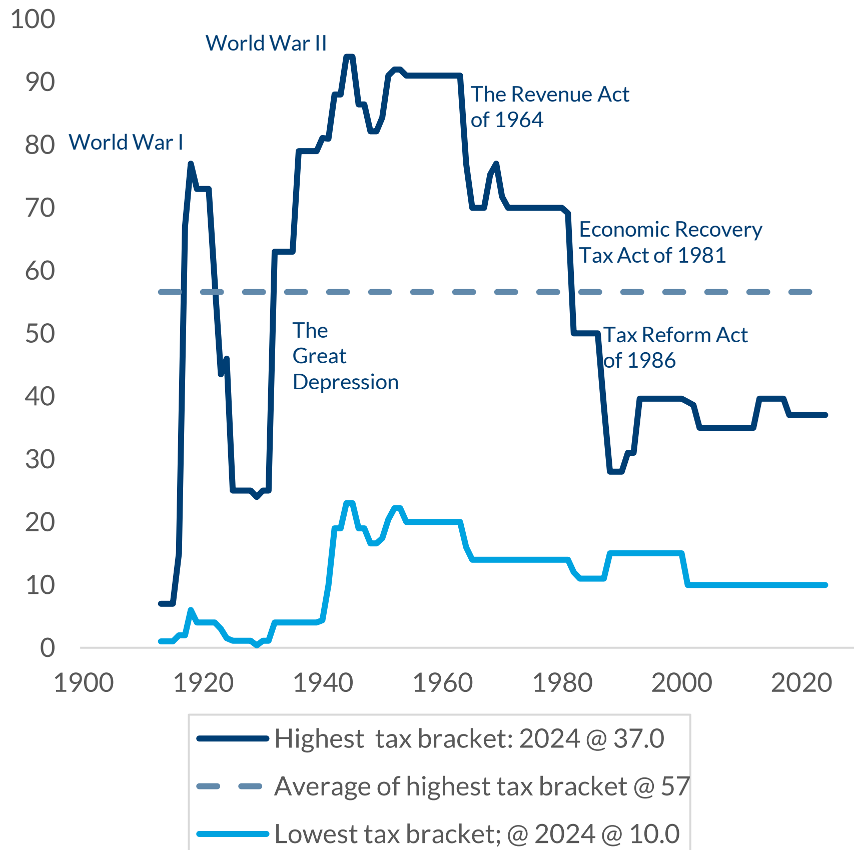
- Economic growth in 2025 is expected to be driven by pro-business policies, Fed easing, consumer spending and corporate profits.
- Trump's pro-business policies may boost growth but raise concerns over debt and inflation.
- Geopolitical dynamics, including instability in Syria, will evolve, with U.S.-China relations playing a central role in 2025.
- Accelerating adoption of AI at the enterprise level is expected to fuel spending growth.
- Strong earnings and capital inflows should support high equity market valuations and sustain the rally.
- Digital currencies are gaining momentum through ETFs, while gold faces a potential price reversal.

Source: CNR Research, as of December 2024.
Information is subject to change and is not a guarantee of future results.

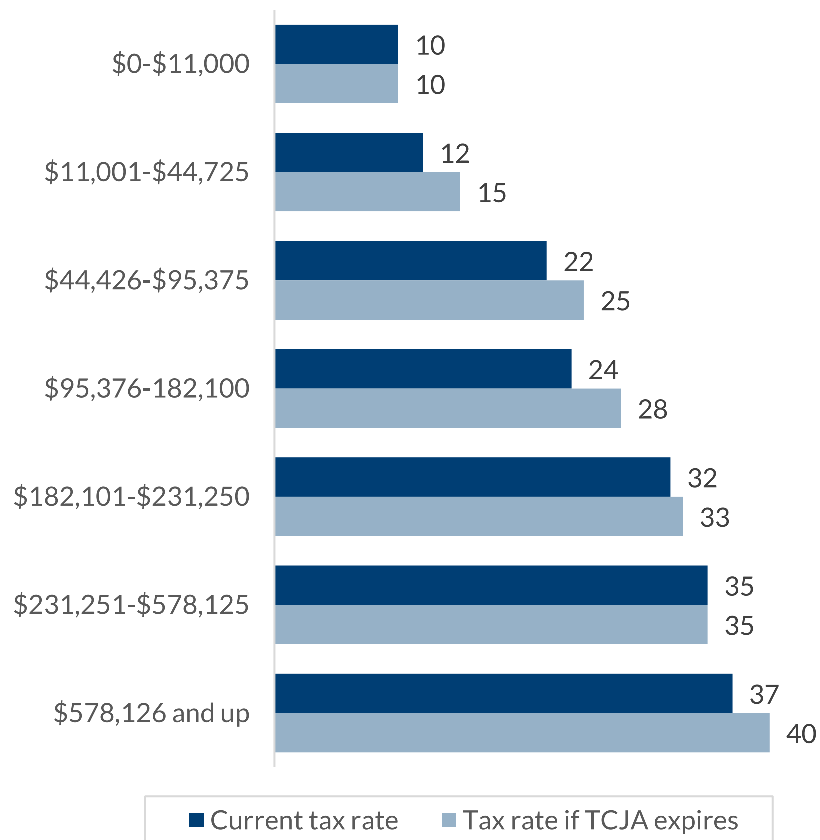
Taxes

- Americans love tax cuts.
- Congress is expected to pass legislation extending the TCJA for another ten years, with some variation.
- Corporate taxes may get cut, which could boost corporate profits.

Individual Income Tax Rate
%, not seasonally adjusted



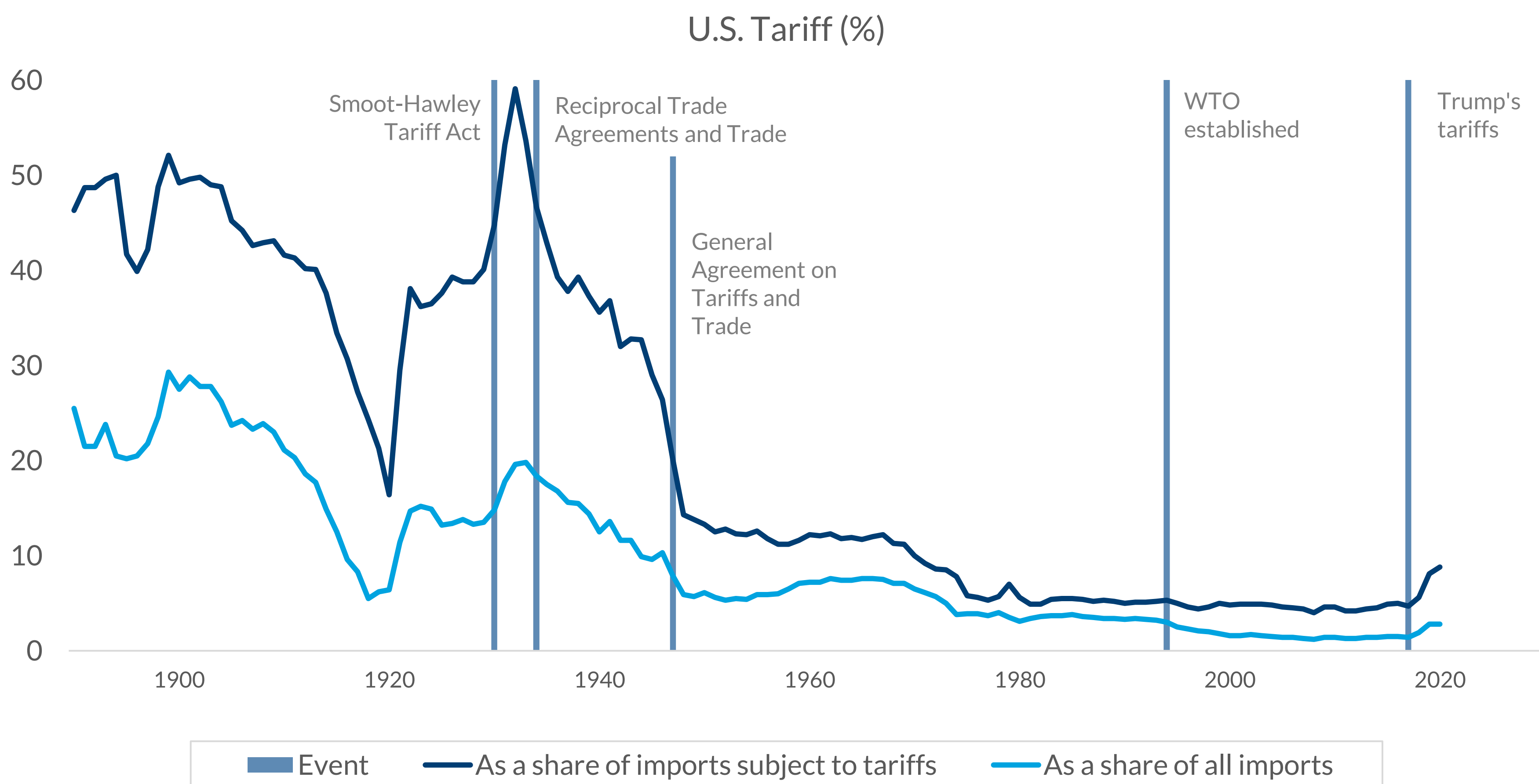
Tax Rate for Single Payer
%, tax rate based on income bracket



Data current as of December 10, 2024
Source: U.S. Treasury
Information is subject to change and is not a guarantee of future results.

Tariffs

- Until income taxes became legal, tariffs were one of the significant sources of government tax revenue.
- In the 1930s, Congress granted the president power to negotiate trade deals to increase global trade.
- The post-World War II period was focused on increasing global trade.



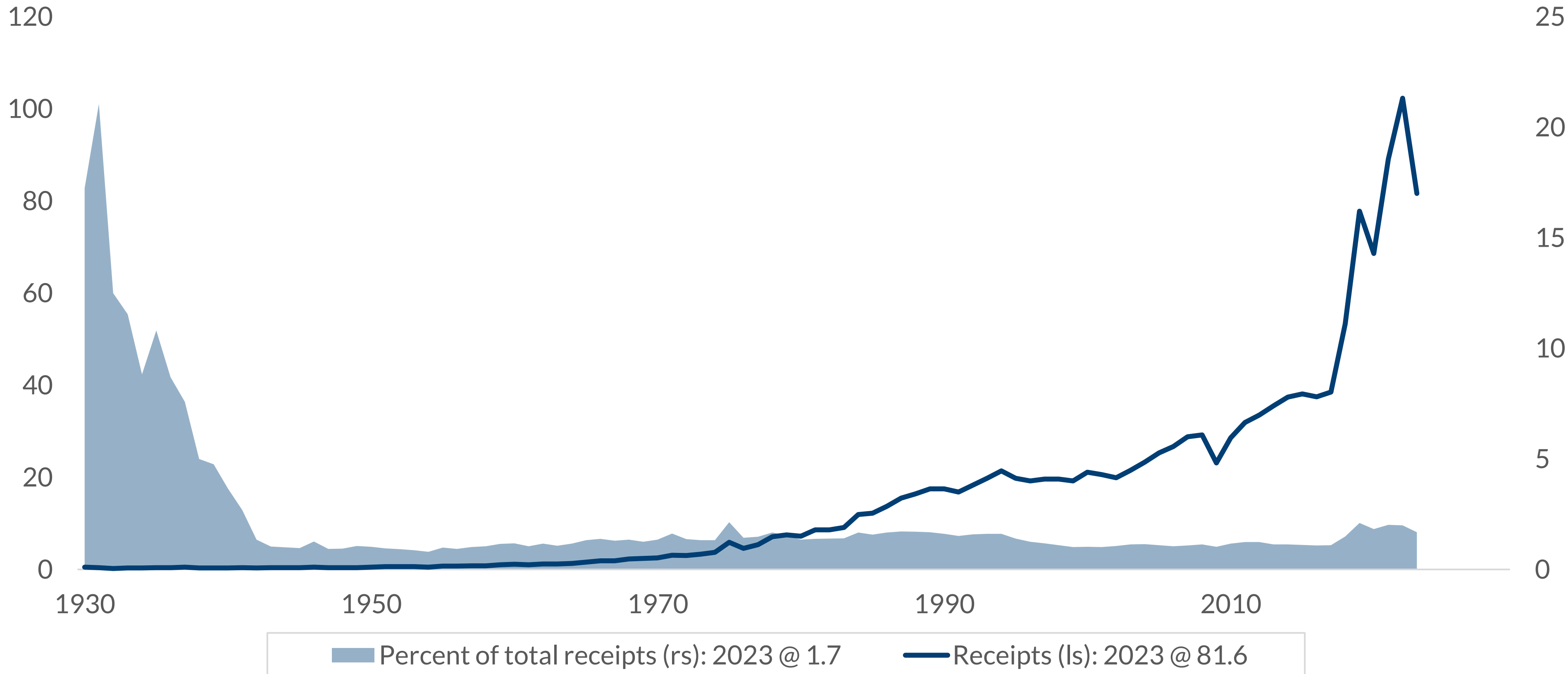
Data current as of December 10, 2024
Source: U.S. Department of Commerce
Information is subject to change and is not a guarantee of future results.

Tariffs

- In 1930, tariffs accounted for about 20% of the federal government's revenue.
- Income taxes became the favored source of tax revenue due to being less cyclical and not regressive.
- Revenue from tariffs is now viewed as a replacement for lower taxes in other parts of the economy.

Treasury Revenue: Customs Duties

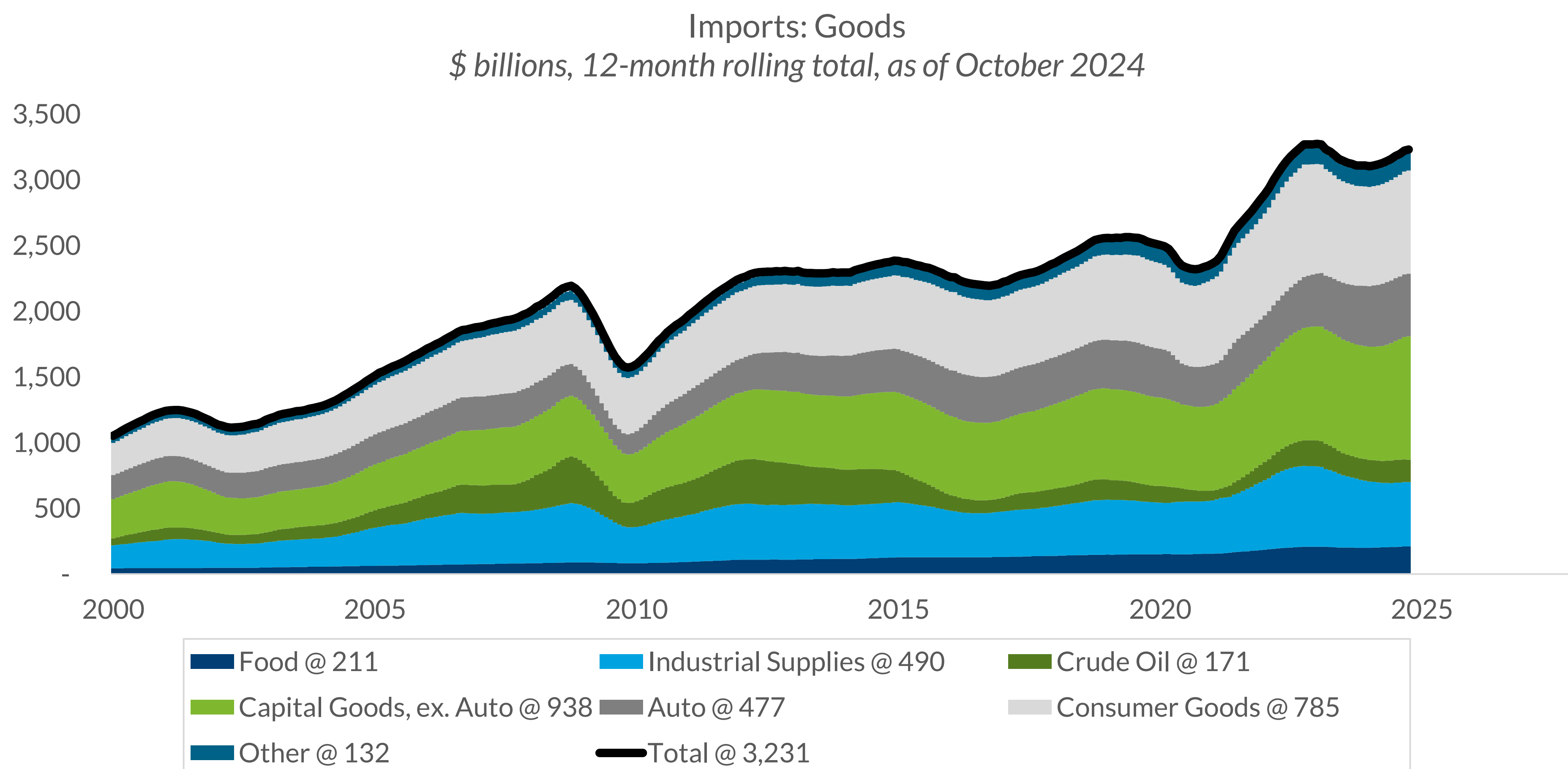
$ billions, % of total revenue, seasonally adjusted annual rate



Data current as of December 10, 2024
Source: Bureau of Economic Analysis
Information is subject to change and is not a guarantee of future results.

Tariffs

- Imports have grown faster than the economy, tripling since 2000.
- An increase in tariff on any of these items is likely to be noticed quickly by consumers. A strengthening dollar and high corporate profits may be able to masquerade the cost of the tariff.

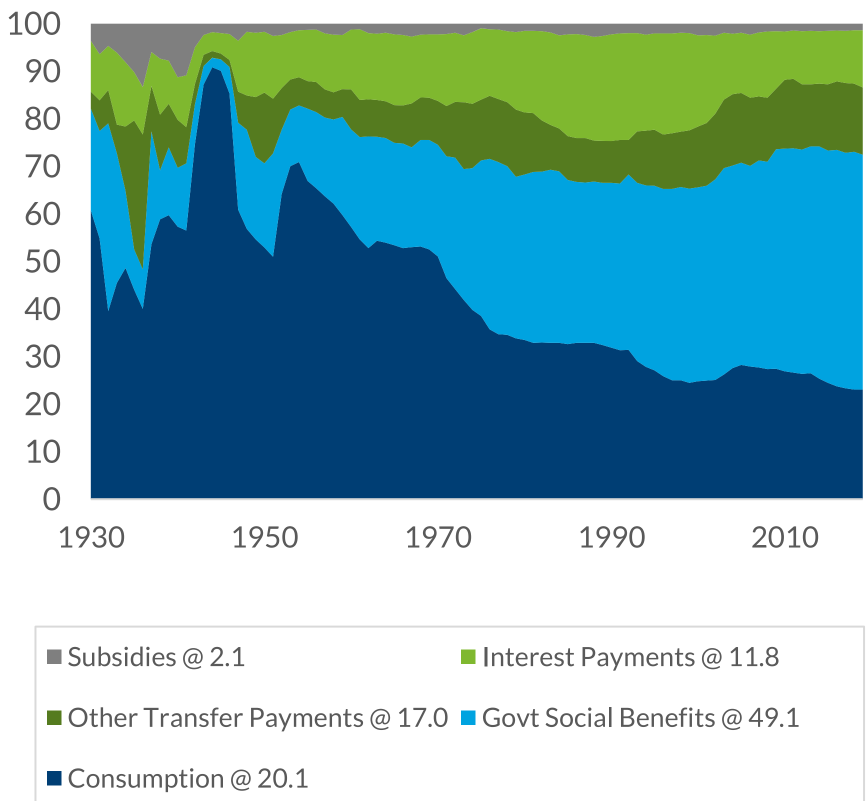


Data current as of December 10, 2024
Source: U.S. Census Bureau
Information is subject to change and is not a guarantee of future results.

DOGE: Department of Government Efficiency

- DOGE's lofty goal is to cut $2.0 trillion in the federal government's annual spending.
- Of the $7.2 trillion in federal spending last year, $1.7 was discretionary.
- For this to be successful, DOGE must work closely with Congress, which controls the purse strings.

Federal Expenditures
% of total, seasonally adjusted annual rate



NFP: Federal Workforce
millions of workers, percent of total workforce

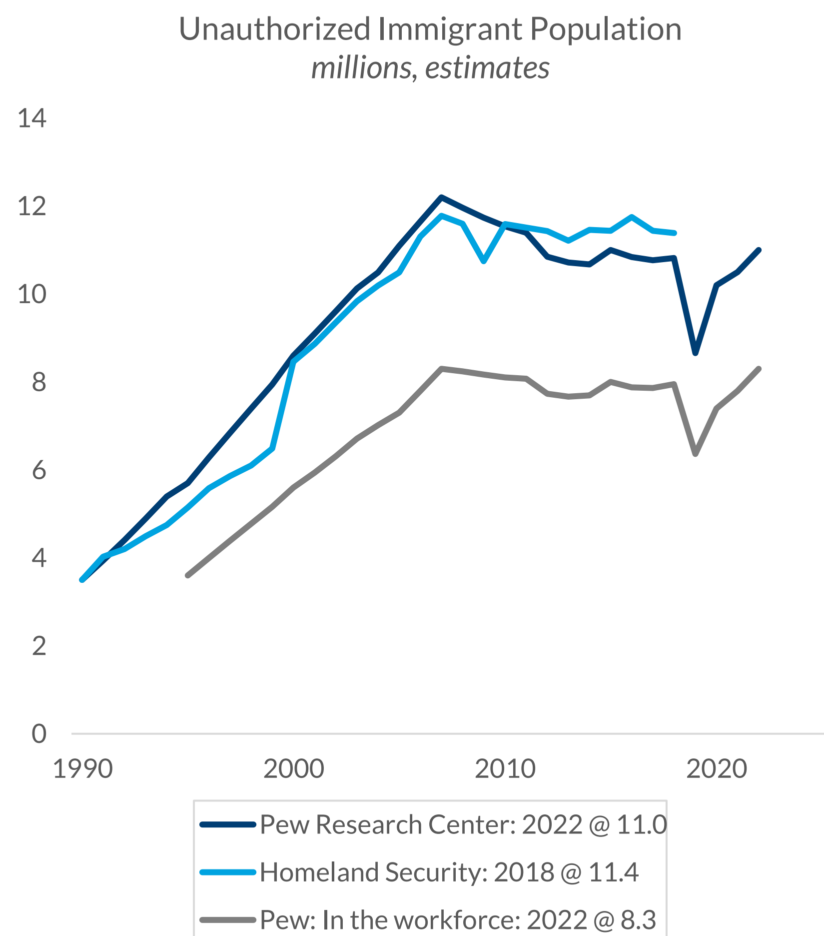
Data current as of December 10, 2024
Source: Bureau of Economic Analysis, Bureau of Labor Statistics
Information is subject to change and is not a guarantee of future results.

Immigration

- The last primary immigration law was passed in 1986, Since then, legislative efforts to reform policy have floundered.
- Unauthorized immigrants represent 3.3% of the U.S. population and 23% of the foreign-born population.

➢ The unauthorized immigrant population in the U.S. is estimated at 11.0 million (2022), an increase from the previous year but below the peak of 12.2 million in 2007.

➢ An estimated 8.3 million unauthorized immigrants are in the workforce, representing 5.2% of the workforce.

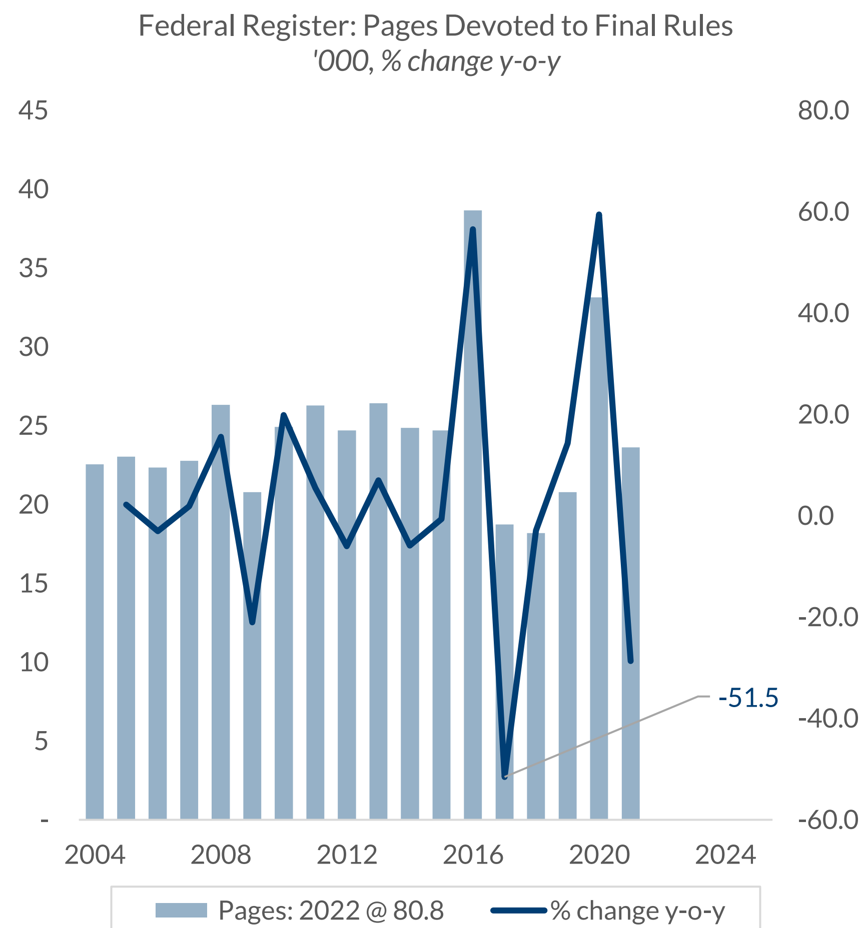


Data current as of December 10, 2024
Source: Homeland Security, Pew Research Center
Information is subject to change and is not a guarantee of future results.

Deregulation

- Donald Trump appears determined to go down in history as a deregulator, maybe more than Ronald Reagan.
- He sees regulations as an intrusion on the freedoms of private citizens and enterprises.
- These efforts are expected to reduce anti-trust concerns and benefit sectors like energy, oil & gas, finance and AI.

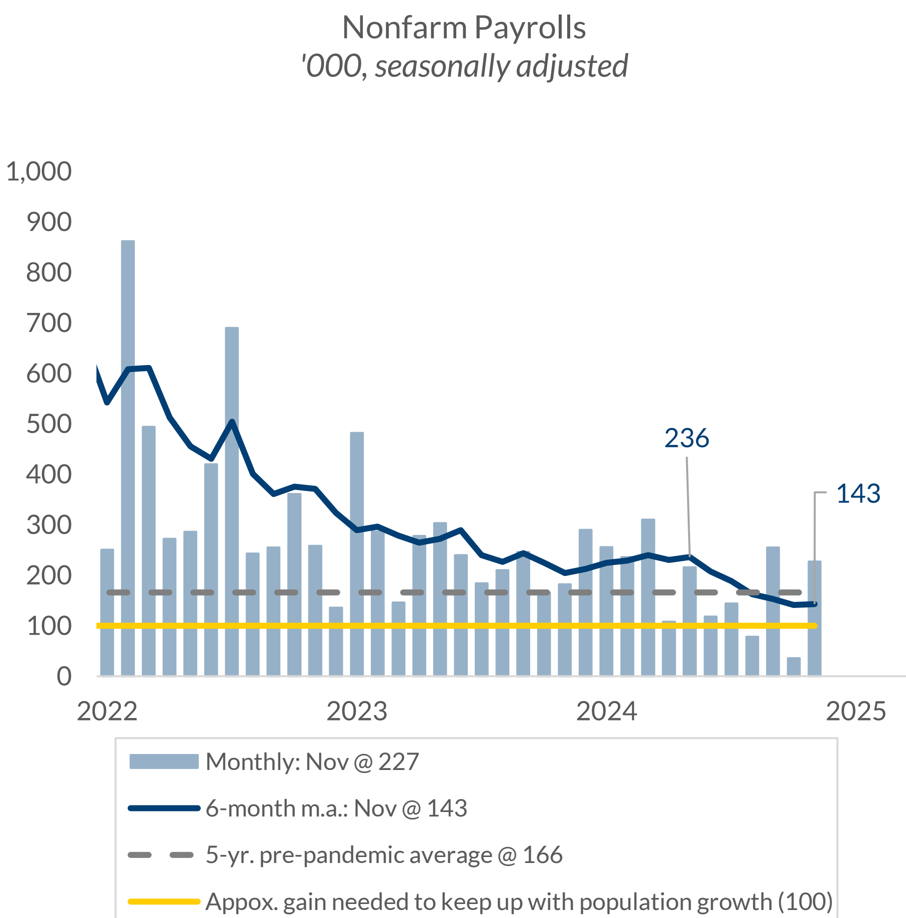
- ➢ In Trump's first term, he slowed the growth of new regulatory costs on the economy.
- ➢ In 2016, Executive Order 13771 stipulated that "for every new regulation issued, at least two prior regulations [must] be identified for elimination.
- ➢ There is a separate debate on whether all this deregulation is good or bad for the economy and US citizens.

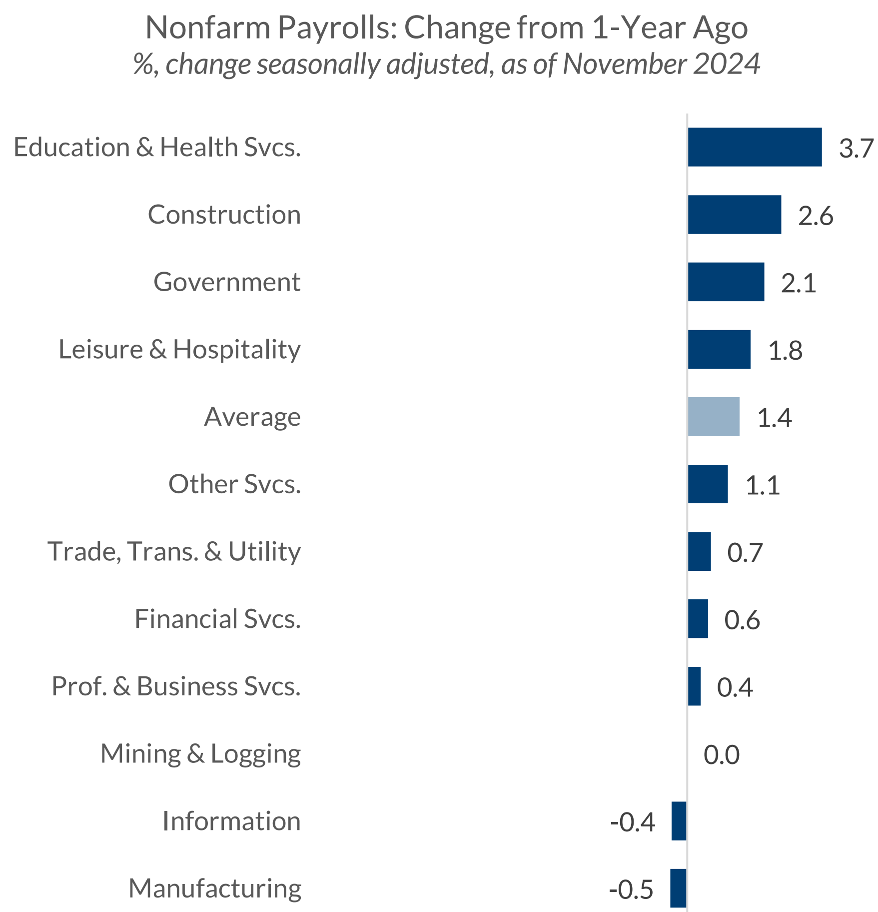


Data current as of December 10, 2024
Source: National Archives and Records Administration, Office of the Federal Register, The Cato Institute, The Brookings Institute
Information is subject to change and is not a guarantee of future results.

Labor

- Payroll growth remains positive but only grows slightly above the population growth.
- Furthermore, most job growth is not in the cyclical areas of the economy.
- Combined, we believe these are the main catalysts for the Fed needing to lower interest rates further in 2025.

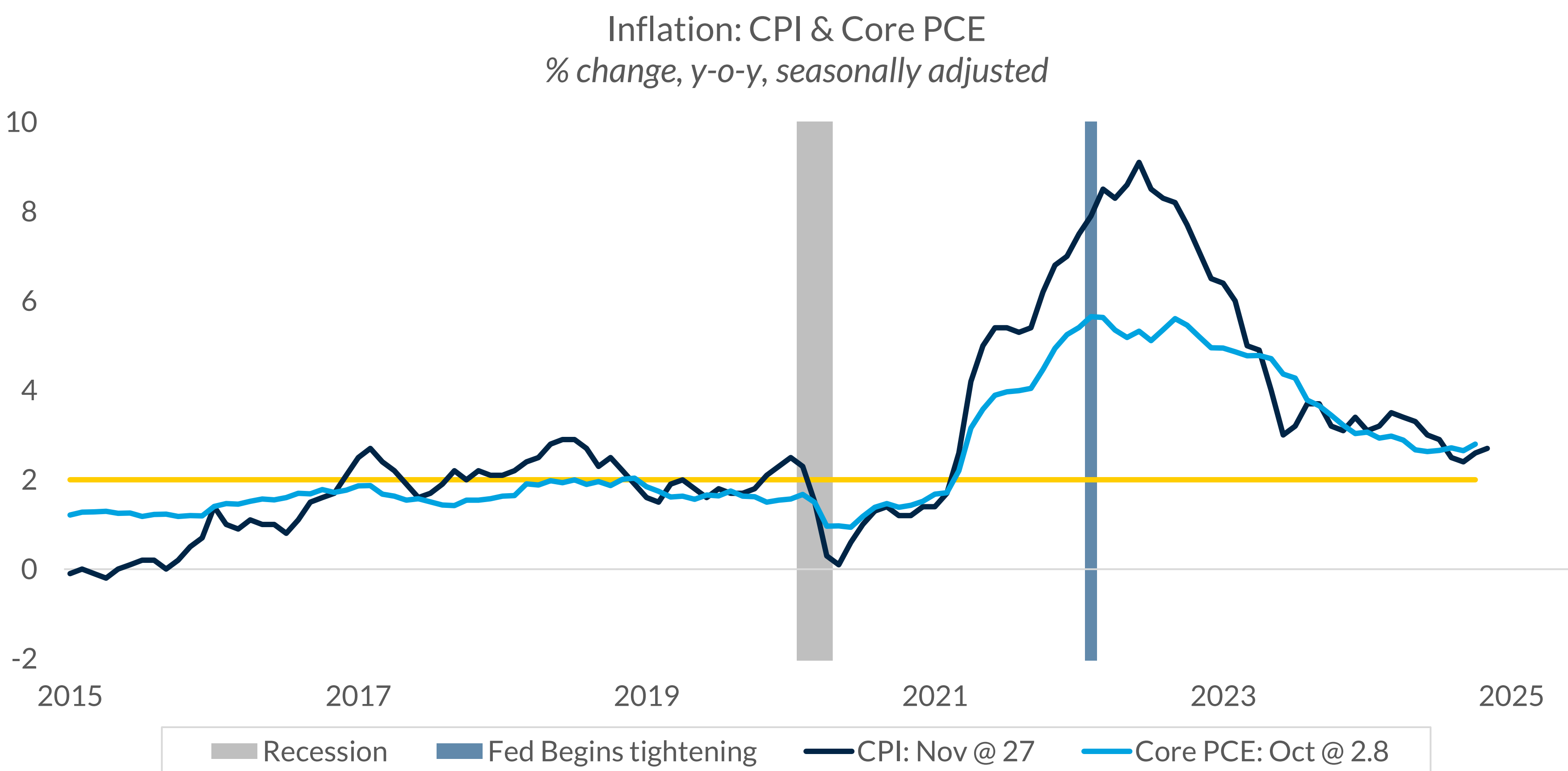




Data current as of December 10, 2024
Source: Bureau of Labor Statistics
Information is subject to change and is not a guarantee of future results.

Inflation

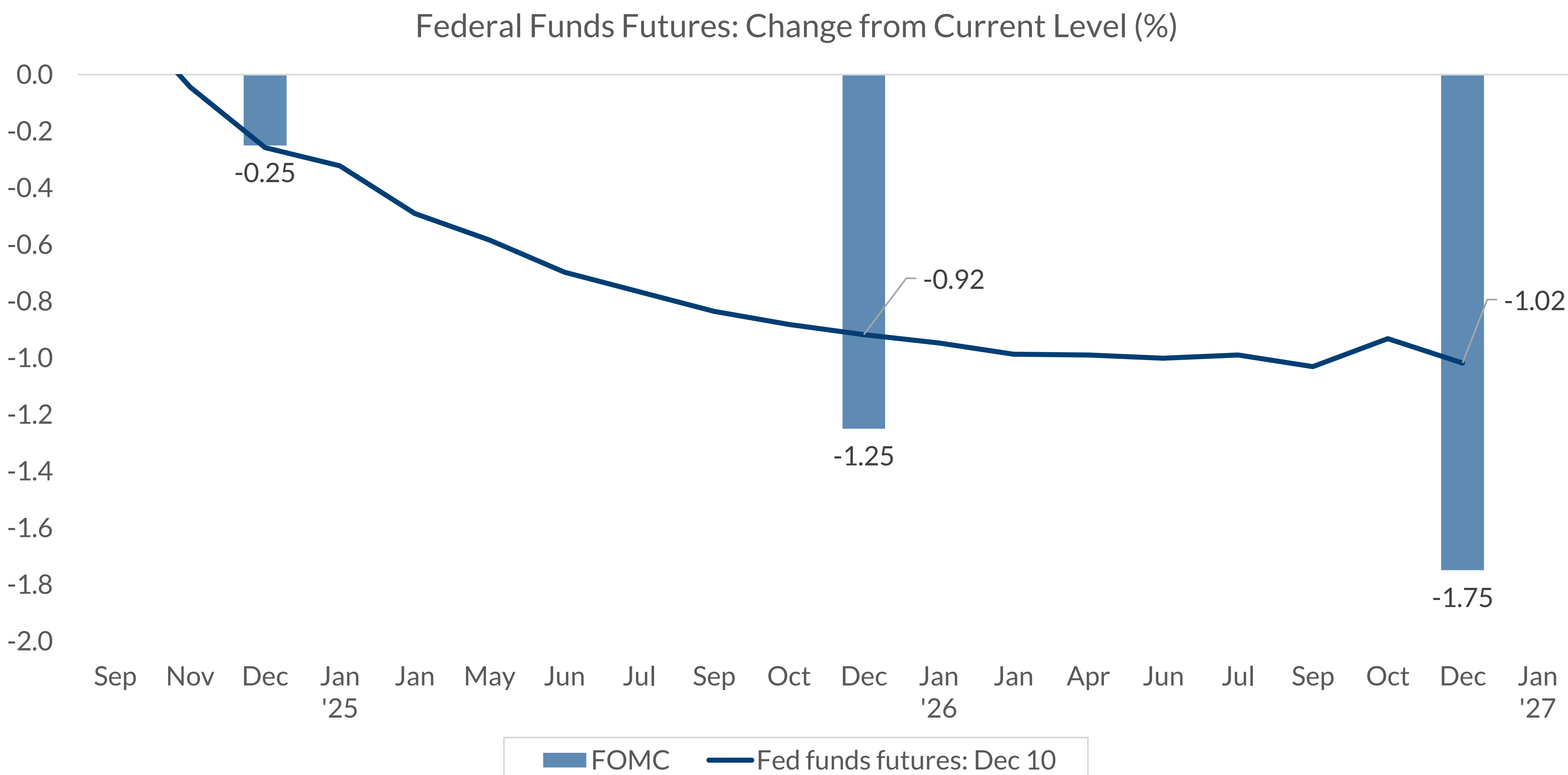
- Inflationary pressures have receded to near the Fed's target of 2.0%.
- However, the "last mile" is always the toughest.
- The proposed expansionary fiscal stimulus may keep inflationary pressure elevated.



Data current as of November 2024
Source: Bureau of Economic Analysis, Bureau of Labor Statistics
Information is subject to change and is not a guarantee of future results.

The Fed

- The Fed is widely expected to cut the funds rate by 25 bps, next week.
- However, 2025 and 2026 have become more uncertain due to policy shifts by the Administration.
- The Fed must keep on the defensive as they figure out the impact.



Data current as of December 10, 2024
Source: Federal Reserve Bank, Bloomberg's WIRP page
Information is subject to change and is not a guarantee of future results.

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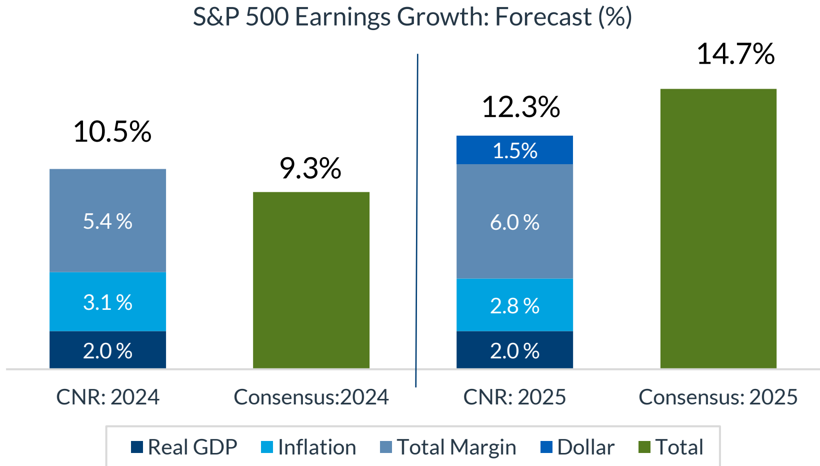
Key Takeaways

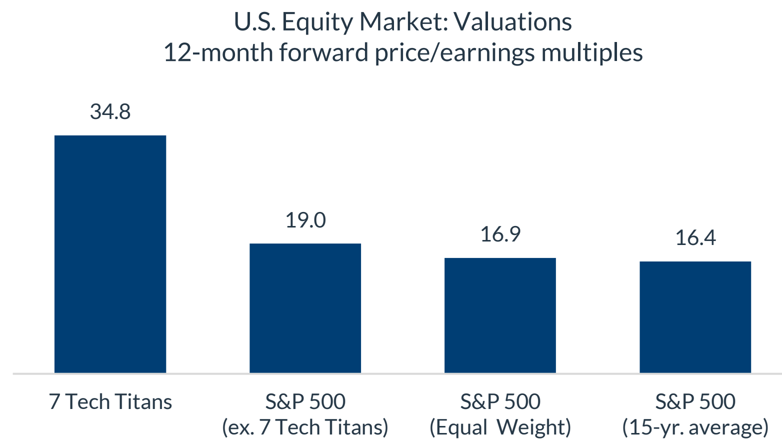
- The pace of economic growth remains strong heading into the new year.
- It can be characterized by strong consumer spending fueled by solid balance sheets, moderating inflation and labor gains.
- The Fed is expected to continue easing monetary policy, but it will be defensive as it figures out the impact of the new Administration's social and economic changes.
- The anticipated policy changes can impact the Fed's focus areas of inflation (actual and expectations) and labor. Since the Administrations policy agenda is ambitious and sweeping, the implementation of its various parts is unknown.

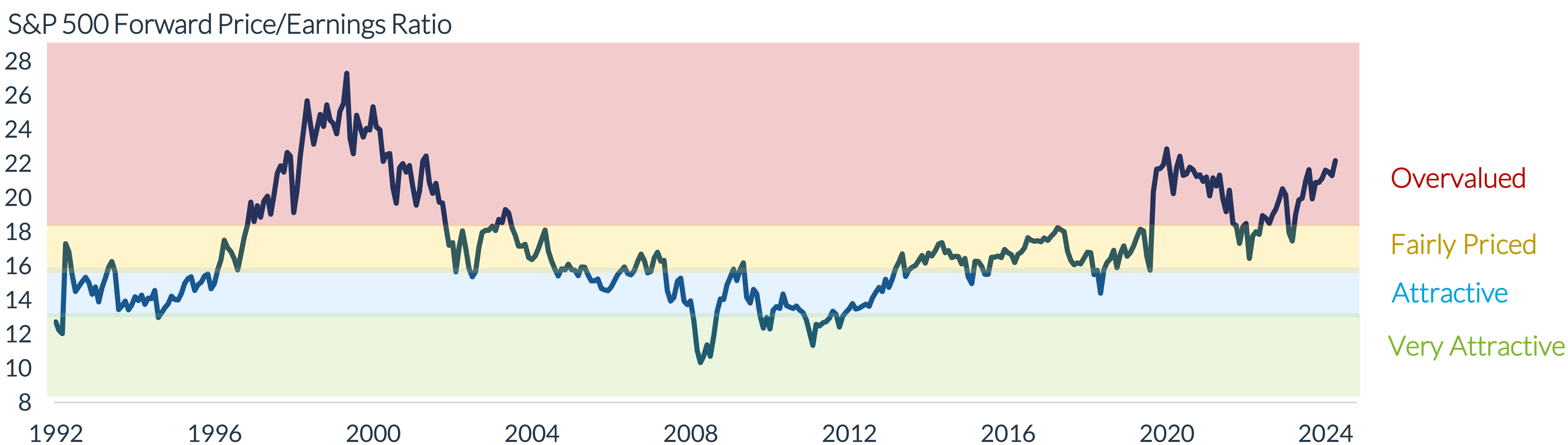
Source: CNR Research, as of December 2024.
Information is subject to change and is not a guarantee of future results.

Equity Performance, Valuation Levels and Trends

- Focusing on fundamentals is key.
- Improving non-tech earnings expected to support solid corporate profit growth, but 2025 expectations bar is high.
- Equity valuations appear more reasonable for the broader market.







Sources: FactSet, CNR Research, as of November 29, 2024.
Indices are unmanaged, and one cannot invest directly in an index. Information is subject to change and is not a guarantee of future results.

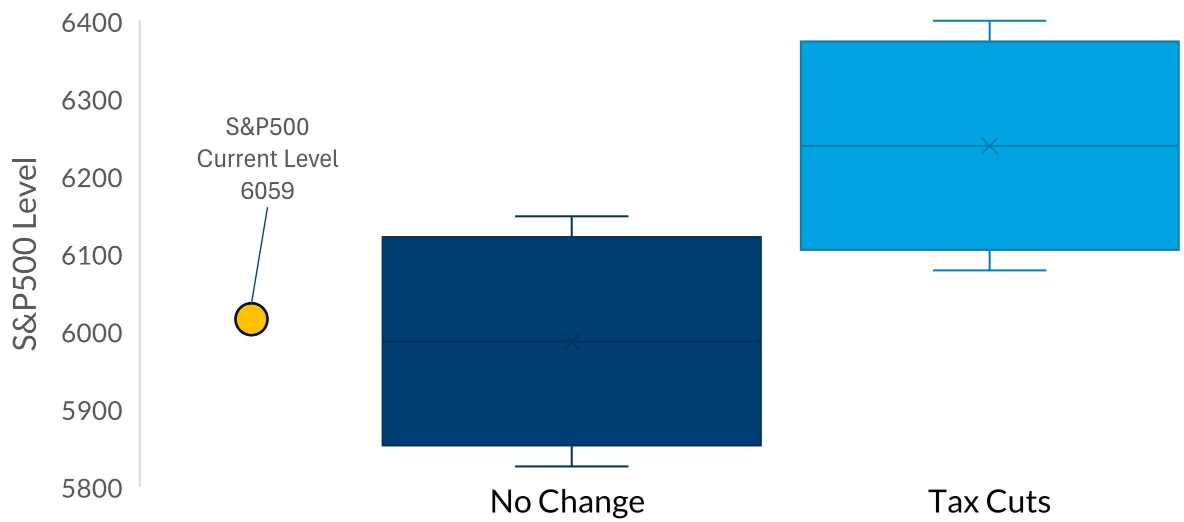
S&P500 Fair Valuation Ranges At Current Multiples

- At current multiples and expected earnings levels, the S&P500 can continue moving higher, albeit at a slower pace.
- Tax cuts may be the biggest influence on the overall level of earnings and could accelerate profits.

S&P 500 Valuation Analysis

		Consensus Earnings	-2%	-4%	-6%
Earnings	No Change	14.7%	12.7%	10.7%	8.7%
	Tax Cuts	19.4%	17.4%	15.4%	13.4%
S&P500 Value	No Change	6148	6041	5933	5826
	Tax Cuts	6400	6292	6185	6078

Expected 2025 S&P Valuation Ranges



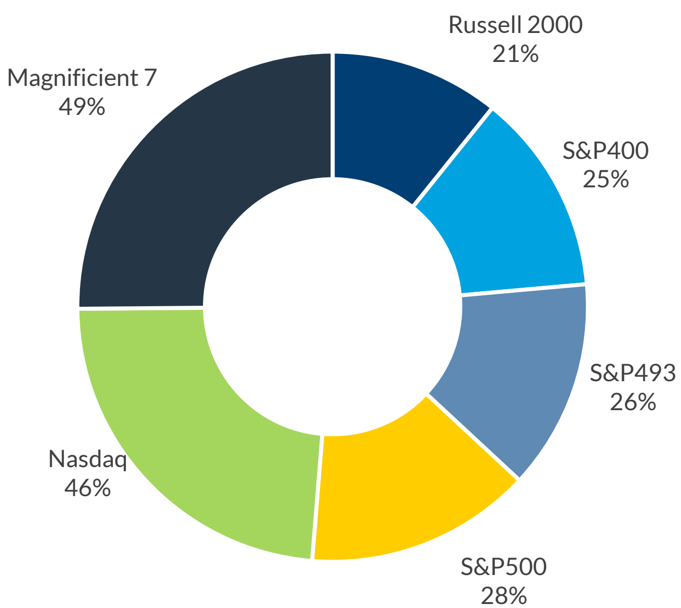
Tax impact estimated at 4.7% based on Ned Davis expectation of 15% tax rate of domestic revenue and 20% tax rate on international revenue.
Source: FactSet, CNR Research, as of December 9, 2024. Information is subject to change and is not a guarantee of future results.

Small-Cap Exposure Has Become More Attractive

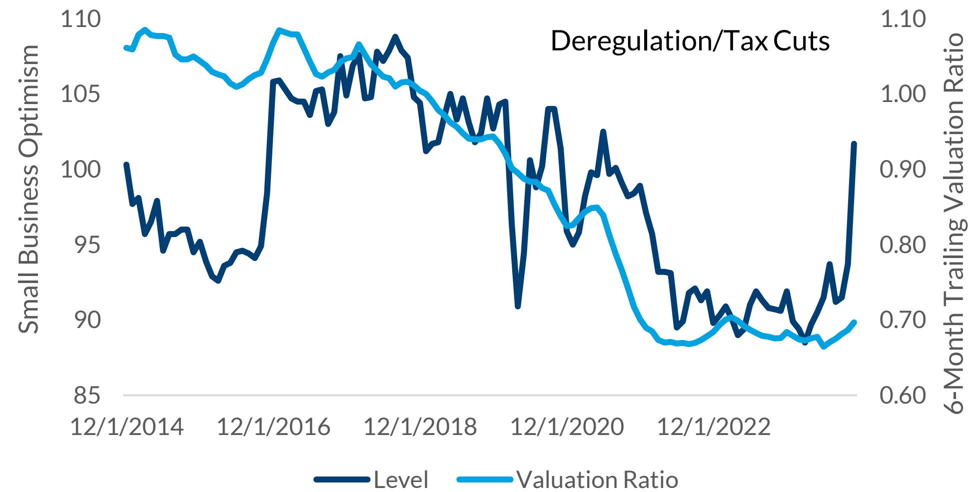
- Small-cap stocks have valuation discounts relative to large-cap stocks in addition to more cyclical exposure.
- Small-cap sector positioning and exposure to domestic revenue generation is also positive.

Index Level of Global Sales as a % of Revenue

Small & Mid-Cap Has The Highest Domestic Exposure



Small-Cap vs. S&P500 Valuation Ratio and Small Business Optimism



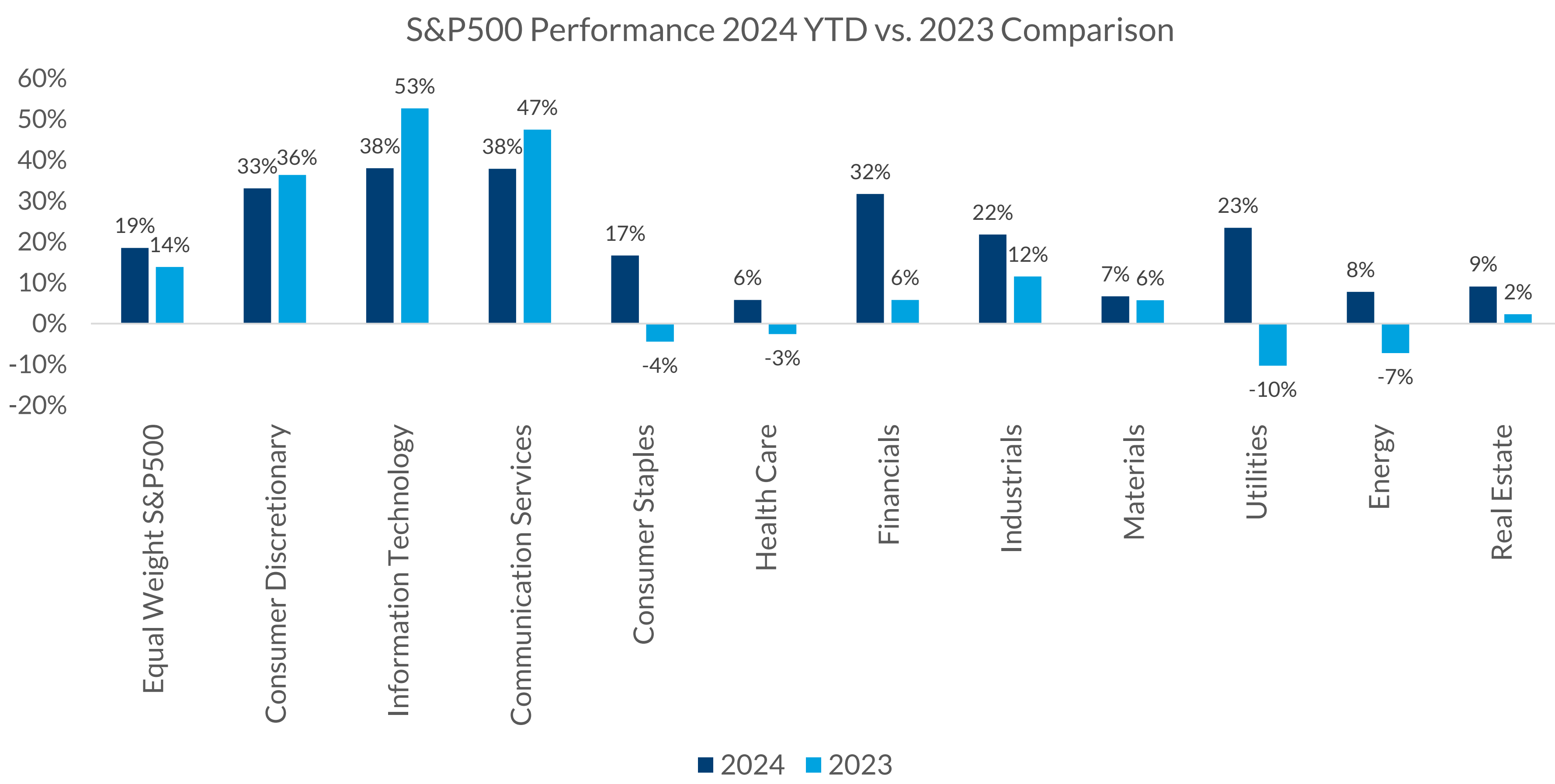
Top 5 Sector Exposures

Sector	S&P600	S&P500	Difference
Financials	19.7%	13.4%	+6.3%
Industrials	17.8%	8.3%	+9.5%
Consumer Discretionary	14.3%	11.2%	+3.1%
Information Technology	11.4%	32.1%	-20.7%
Health Care	11.2%	10.3%	+0.90%

Sources: Goldman Sachs Research, Bloomberg, CNR Research, as of December 2024. Information is subject to change and is not a guarantee of future results.

Continued Broadening In Returns And Earnings

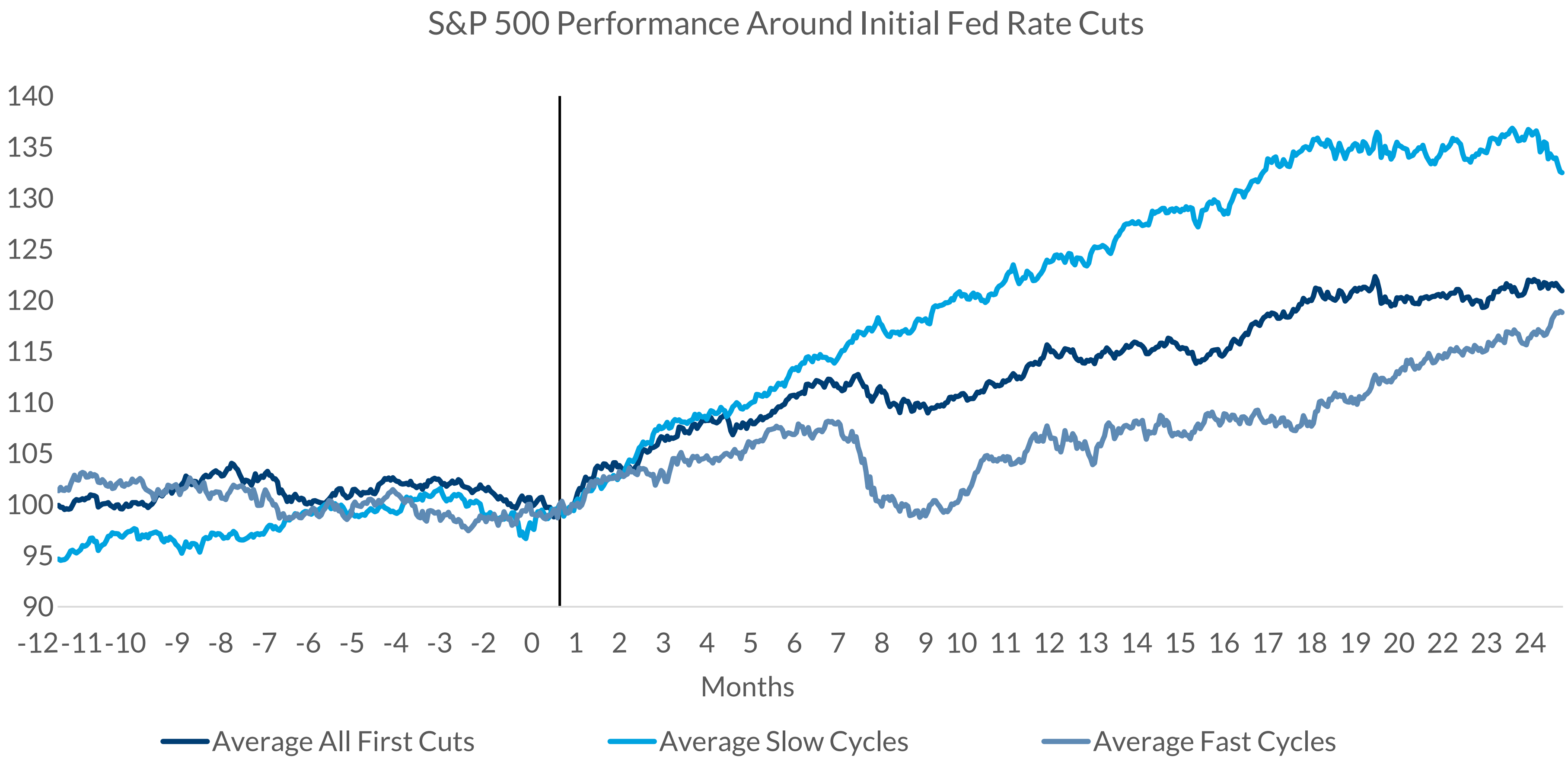
- While technology stocks continue to produce the bulk of returns, cyclical sectors may continue moving higher.
- While the Trump administration pro-business policy is an important element, slow Fed easing cycles tend to result in better performance in cyclical sectors, such as consumer discretionary, financials and industrials.



Source: Bloomberg, S&P, CNR Research, as of December 9, 2024.
Information is subject to change and is not a guarantee of future results.

Fast vs. Slow Fed Easing Cycles

- Rate cuts are supportive over the long term, but stocks tend to do better when cuts are slow and steady.
- If the Fed is cutting aggressively, it's likely due to economic concerns or a reaction to a financial market shock.



Source: Bloomberg, NDR Research, as of September 2024. Past performance is not a guarantee of future results.
Slow Cycles: 02/05/1954, 11/15/1957, 06/10/1960, 11/19/1971, 05/30/1980, 11/21/1984, 07/06/1995, 09/29/1998
Fast Cycles: 11/13/1970, 12/09/1974, 11/02/1981, 06/06/1989, 01/03/2001, 09/18/2007, 07/31/2019

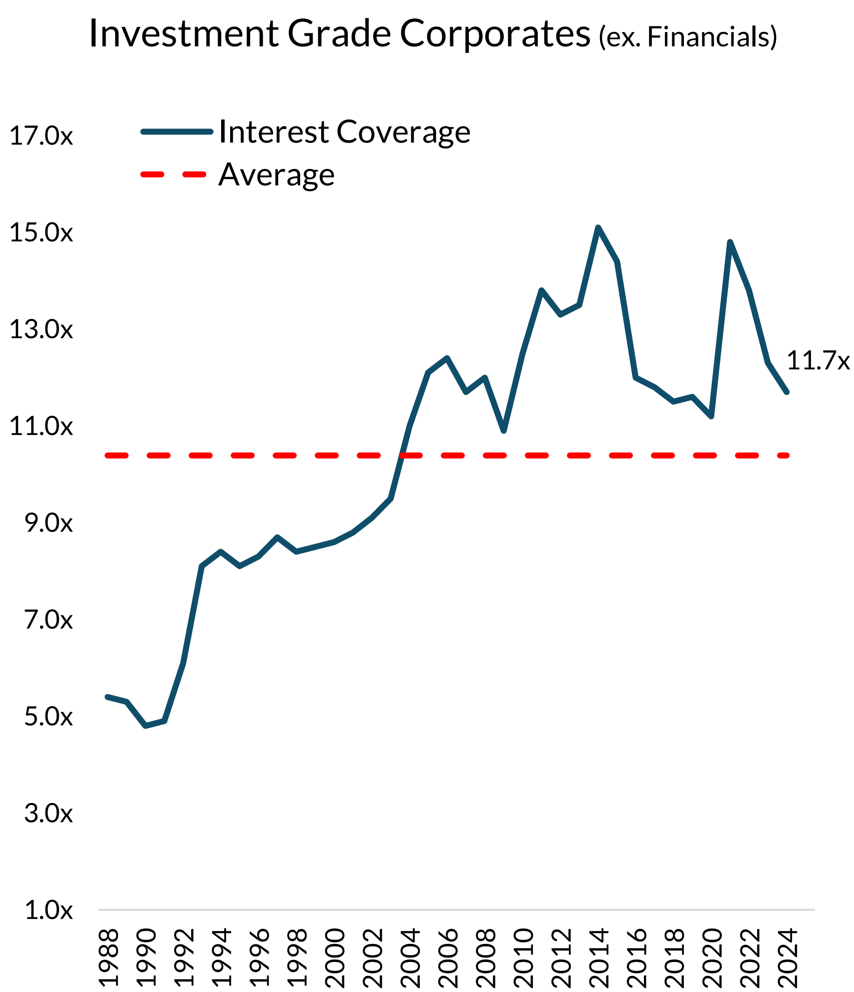
Key Takeaways: Equity Markets

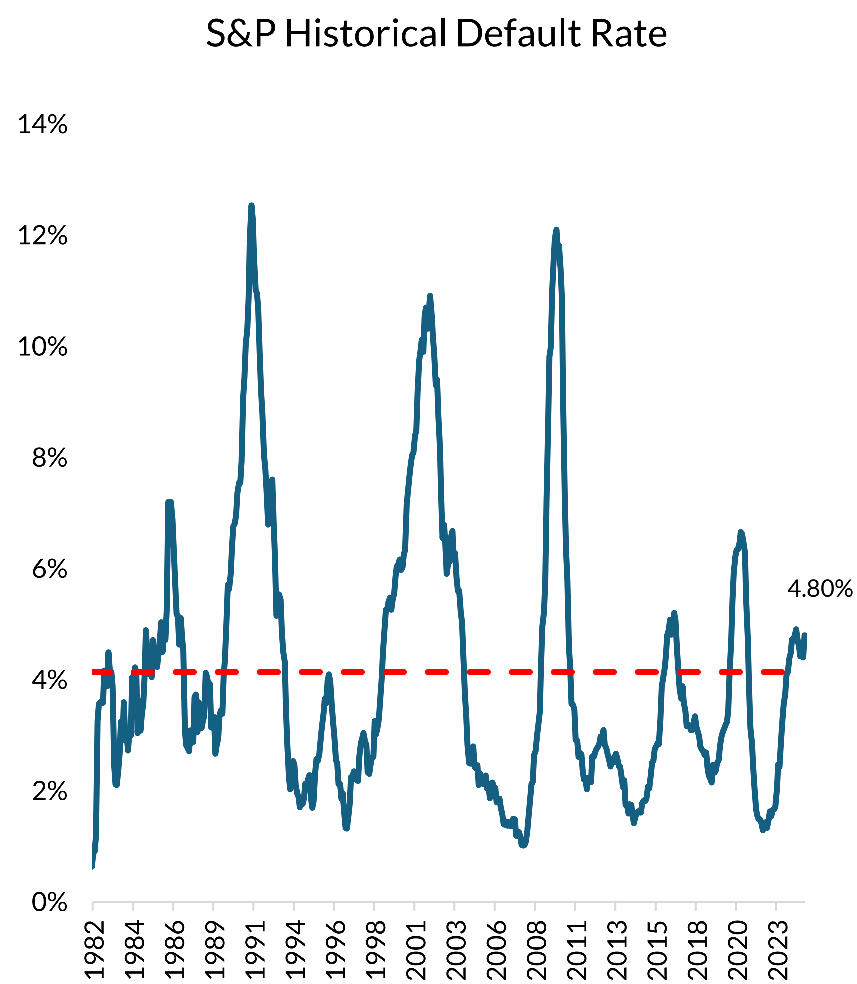
- While overall market valuations remain elevated, specific sectors present more attractive opportunities due to better relative valuations.
- The S&P 500's 2025 performance will hinge on tax policy's impact on earnings, with potential trading ranges projected between 5800 and 6400.
- Small-cap stocks are gaining appeal, benefiting from their domestic focus, favorable valuations, and sector diversification.
- Sustained market progress will require broader participation in earnings and returns across sectors.
- The Fed's easing cycle is expected to provide a strong tailwind for equities, particularly in early 2025.

Source: CNR Research, as of December 2024.
Information is subject to change and is not a guarantee of future results.

Corporate Credit Health Remains Strong

- Balance sheets remain broadly healthy, with interest coverage of almost 12x and manageable leverage.
- The corporate default rate has normalized, sitting slightly above its 40-year average.

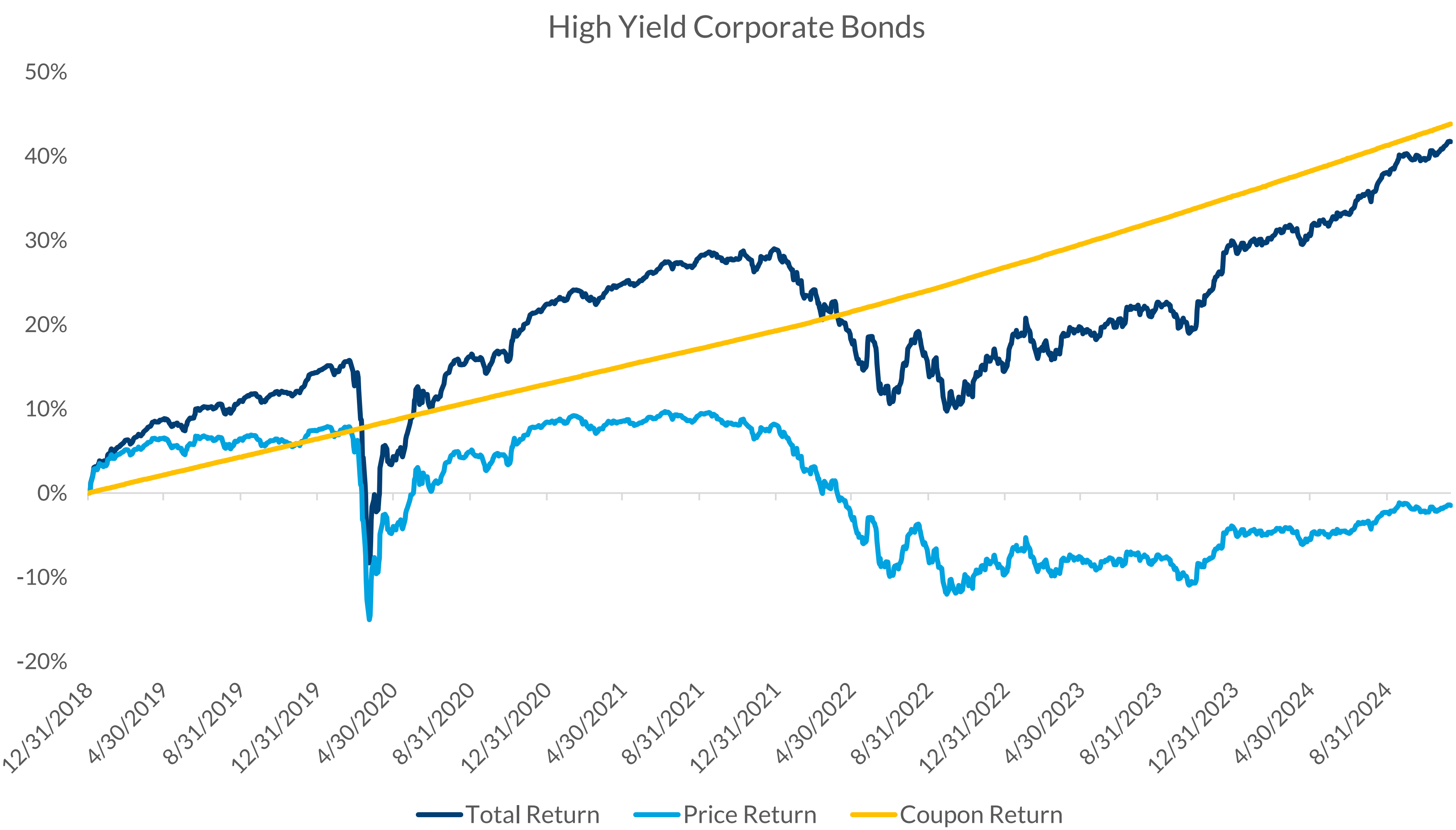




Source: Barclay's and S&P, as of October 2024. Information is subject to change and is not a guarantee of future results.

Income Is The Primary Driver Of Total Return

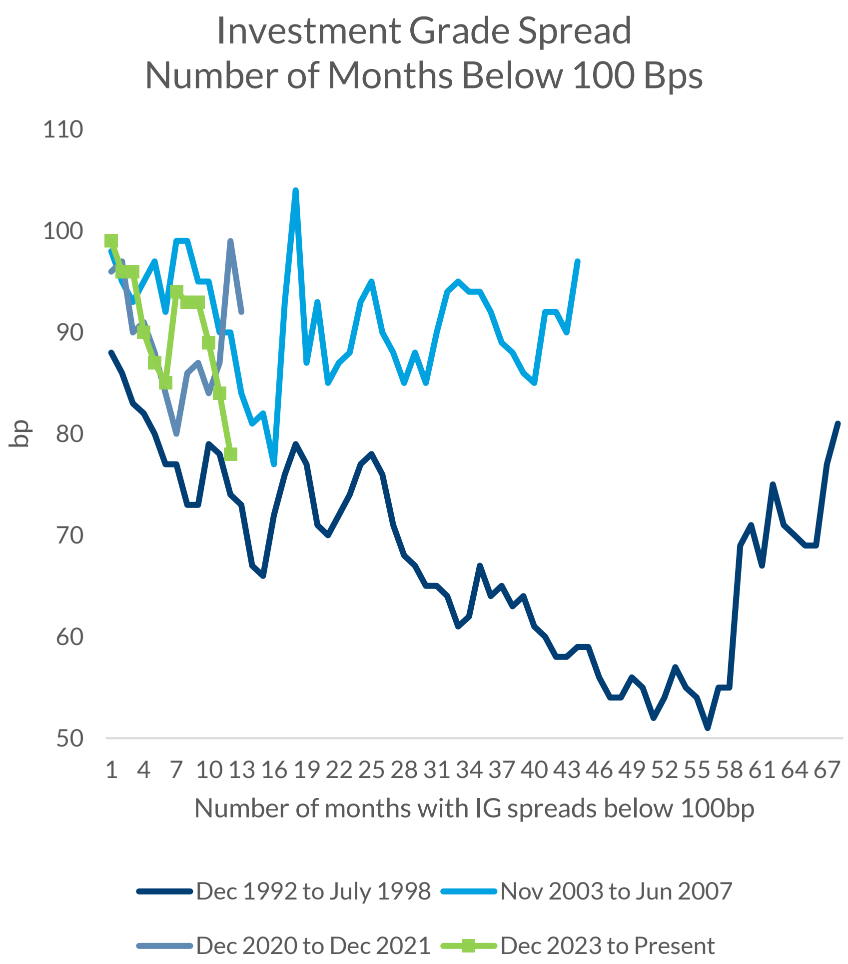
- Currently high levels of income can serve to cushion volatility.
- Income accounts for a high proportionate share of total return over longer periods of time.

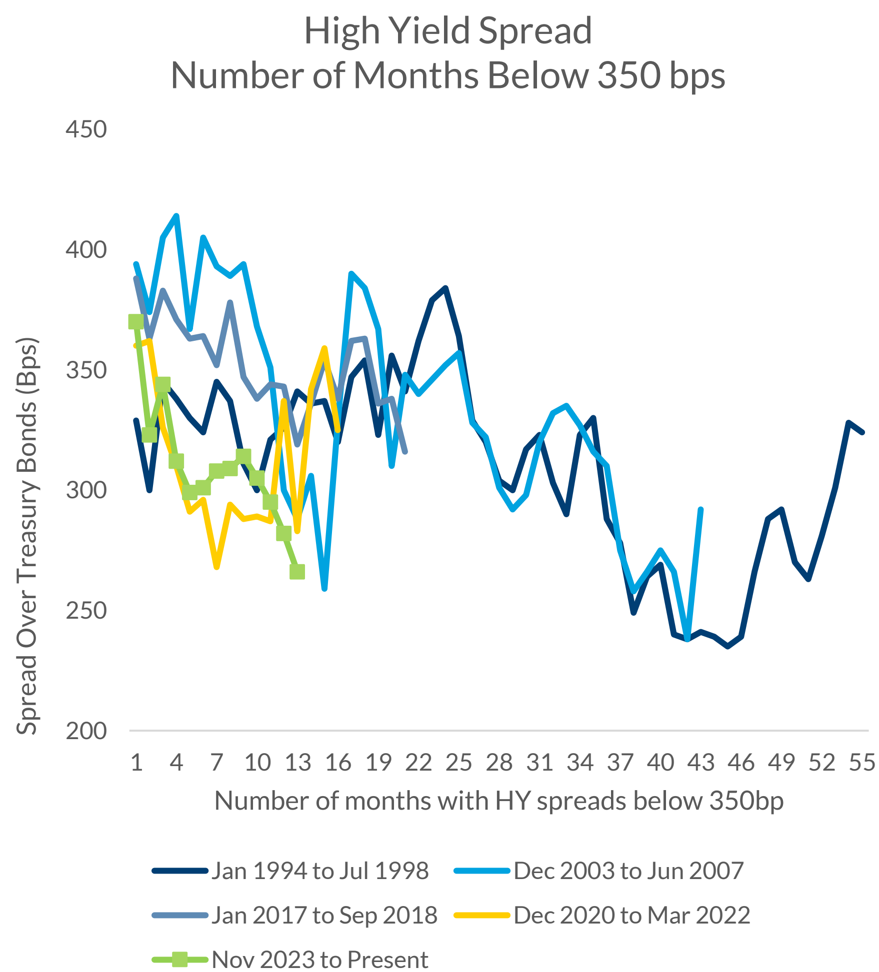


Source: Bloomberg US High Yield Corporate Index, as of 10/21/2024. Past performance is not a guarantee of future results.

Corporate Bonds Can Remain At Current Levels

- Spreads are low relative to U.S. Treasuries, but corporate bonds have experienced these episodes before.
- The level of yield over treasuries tends to be tighter in higher rate environments.

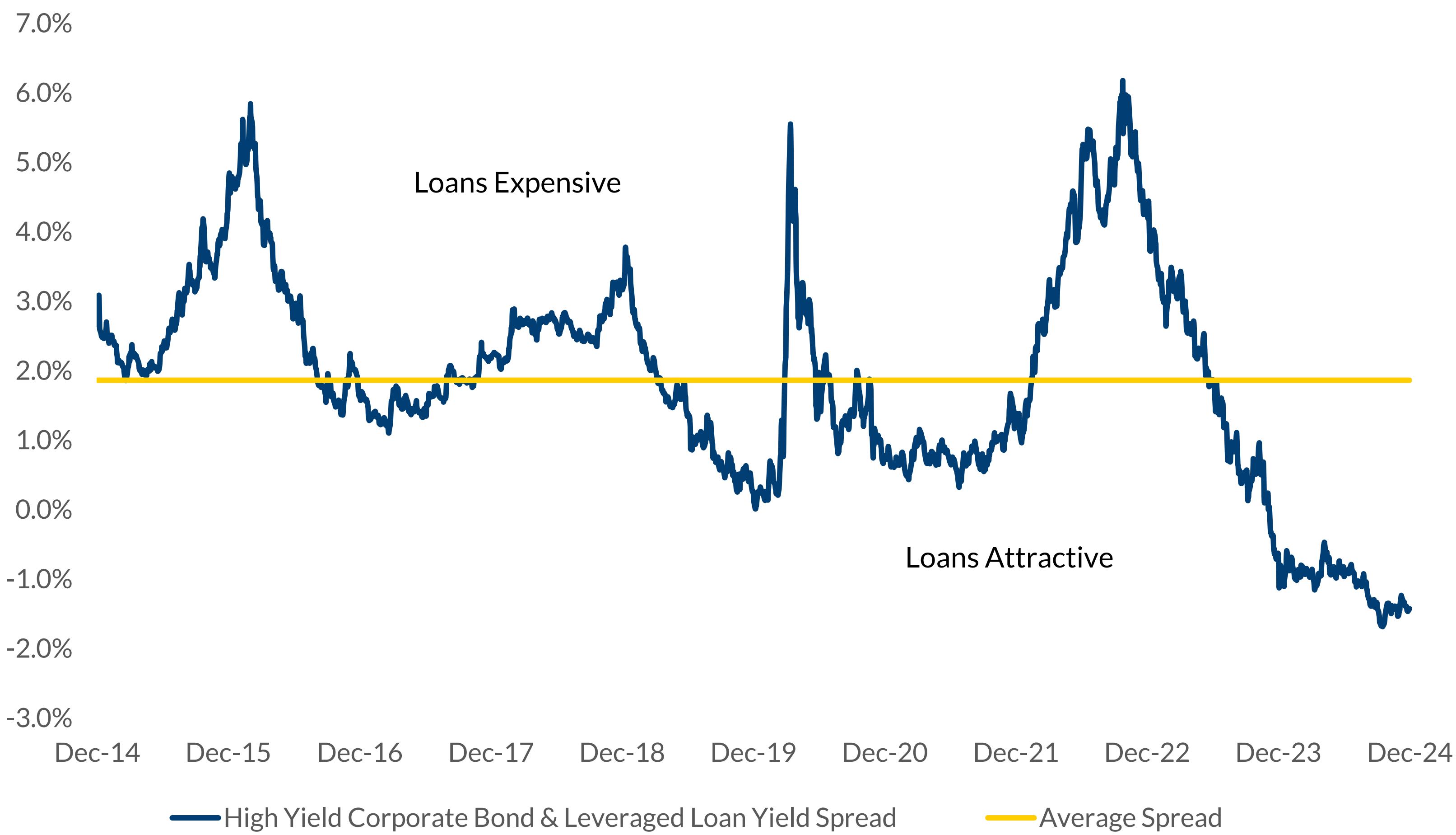




Source: Bloomberg, as of November 29, 2024.
Information is subject to change and is not a guarantee of future results.

Leveraged Loans Poised To Continue Outperformance

- Despite exposure to floating rates, leveraged loans have outperformed over 2024.
- With the current yield advantage to high yield corporate bonds, loans should perform well in 2025.



Source: Bloomberg, Leveraged Loan Yield Derived Invesco Senior Loan ETF (BKLN), High Yield Corporate Bond Yield is derived from the Bloomberg High Yield Corporate Bond Index (LF98), Yield Spread Is the U.S. Corporate High Yield Bond Yield minus the 12-Month Yield of BKLN

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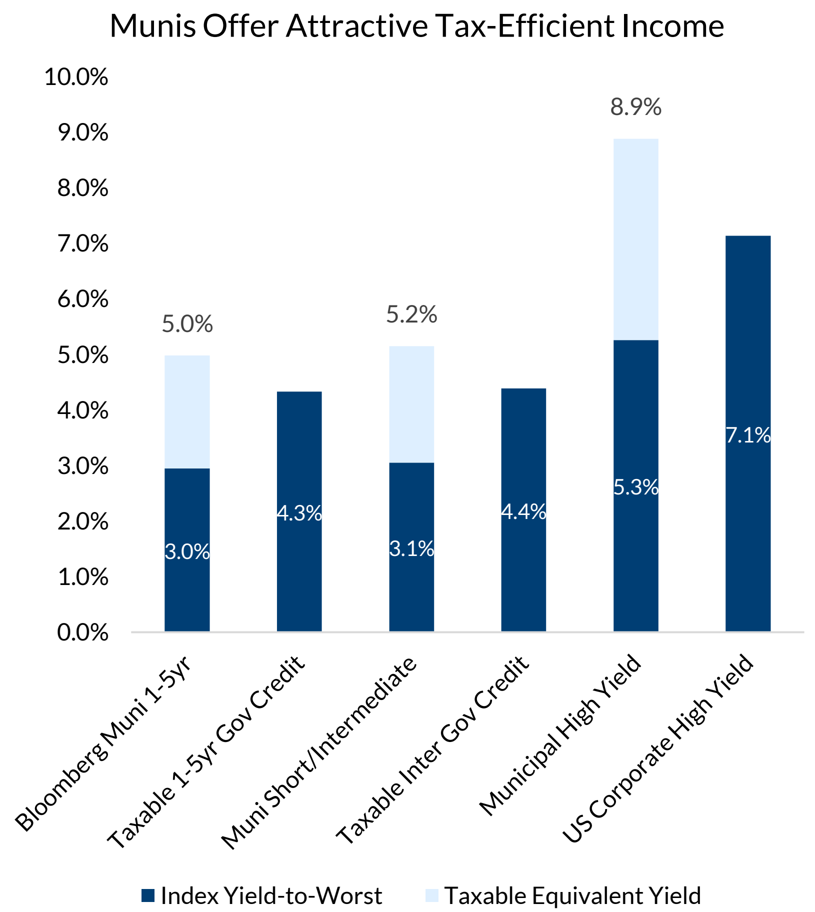
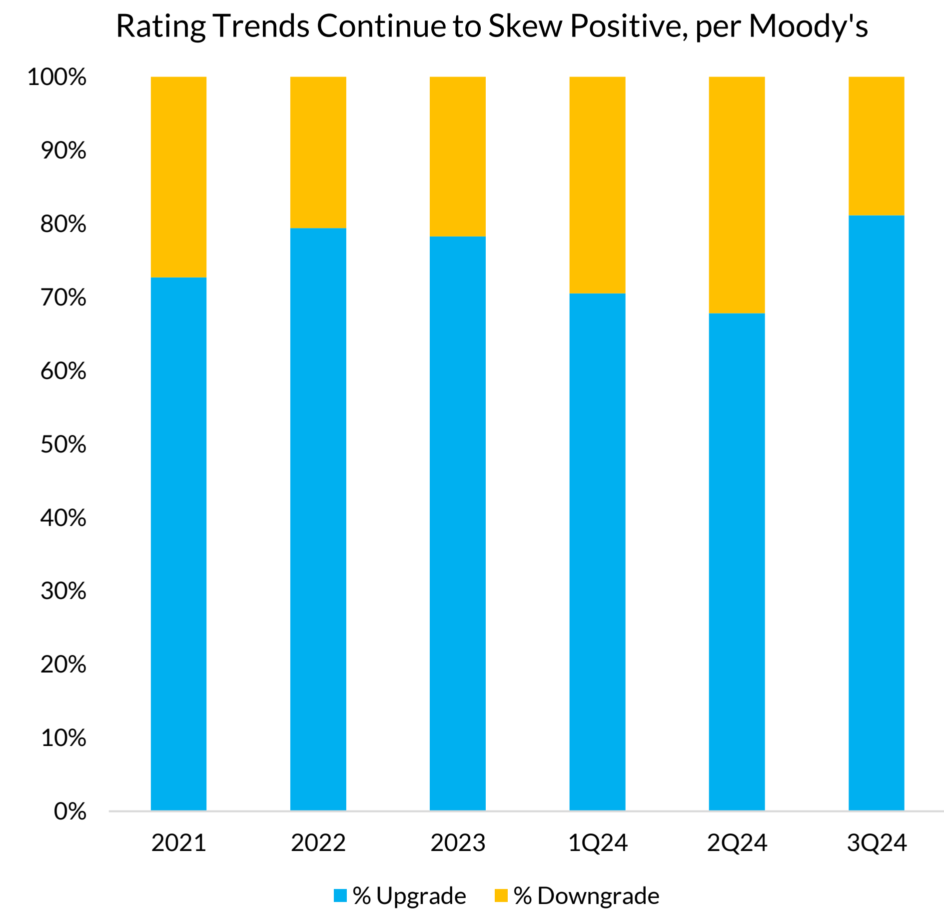
The Case for Tax-Advantaged Investing

- Absolute and taxable-equivalent yields provide compelling opportunities for long term investors.
- Credit conditions remain durable, with a continuation of stable quality expected over the near-term.





Sources: Bloomberg Municipal 1-5yr Index, Bloomberg Taxable 1-5yr Government Credit Index, Bloomberg Municipal Short/Intermediate Index, Bloomberg Taxable Intermediate Government Credit Index, Bloomberg Municipal High Index, and Bloomberg US Corporate High Yield Index; investment grade and high yield municipal bond yield-to-worst is adjusted for 37% Federal tax rate + 3.8% Medicare Surcharge. All data as of November 29, 2024. Moody's Quarterly and Annual Municipal Rating Revisions report dated November 15, 2024. Information is subject to change and is not a guarantee of future results.

Key Takeaways: Fixed Income Markets

- Corporate bond credit fundamentals continue to support the market and provide a look through to the health of corporate earnings.
- Bonds are back to being bonds as the correlation with stocks begins to normalize. Higher income equates to more stability.
- While the cost to own corporate debt is high, there are precedents over which valuations have stayed expensive for years.
- Floating rate debt, particularly leveraged loans and private credit, will continue to be good investments in 2025.
- For investors in high tax states, municipal bonds remain a great option, and underlying ratings trends are positive.

Source: CNR Research, as of December 2024.
Information is subject to change and is not a guarantee of future results.

Q&A

Index Definitions

The Standard & Poor’s 500 Index (S&P 500) is a market capitalization-weighted index of 500 common stocks chosen for market size, liquidity and industry group representation to represent US equity performance.

The S&P 600 is an index of small-cap stocks managed by Standard & Poor's. It tracks a broad range of small-sized companies that meet specific liquidity and stability requirements.

The Bloomberg Barclays US Corporate High Yield Index is an unmanaged, US-dollar-denominated, nonconvertible, non-investment-grade debt index. The index consists of domestic and corporate bonds rated Ba and below with a minimum outstanding amount of $150 million.

Bloomberg Tax-Exempt HY is market value-weighted and designed to measure the performance of US dollar-denominated high-yield municipal bonds issued by US states, the District of Columbia, US territories and local governments or agencies.

The Dow Jones US Select Dividend Index aims to represent the US's leading stocks by dividend yield.

MSCI EAFE Index. The MSCI EAFE (Europe, Australasia, Far East) Index is a free float-adjusted market capitalization weighted index that is designed to measure developed equity market results, excluding the US and Canada.

MSCI Emerging Markets (EM) Index The MSCI Emerging Markets Index captures large and mid cap representation across Emerging Markets countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.The MSCI Europe Index captures large and mid cap representation across Developed Markets (DM) countries in Europe. The index covers approximately 85% of the free float-adjusted market capitalization across the European Developed Markets equity universe.

The S&P 500 Value index measures constituents from the S&P 500 that are classified as value stocks based on three factors: the ratios of book value, earnings, and sales to price

The Small Business Optimism Index is a monthly indicator of the state and outlook of the small business sector in the US.

A commodity index is an index that tracks the price of a basket of commodities. The value of these indexes fluctuates based on their underlying commodities.

The Russell 2000 Index is a small-cap U.S. stock market index that makes up the smallest 2,000 stocks in the Russell Index.

The Magnificent Seven stocks are a group of high-performing and influential companies in the U.S. stock market: Alphabet, Amazon, Apple, Meta Platforms, Microsoft, NVIDIA, and Tesla.

The S&P MidCap 400 is a benchmark index published by Standard & Poor's (S&P). The index comprises 400 companies that broadly represent companies with midrange market capitalization.

The S&P 493 is a market-weighted index that excludes the Magnificent Seven companies from the S&P 500.

Nasdaq is an online global marketplace for buying and trading securities—the world's first electronic exchange.

Index Definitions

Bloomberg Tax-Exempt HY is market value-weighted and designed to measure the performance of US dollar-denominated high-yield municipal bonds issued by US states, the District of Columbia, US territories and local governments or agencies.

The Bloomberg US Municipal Bond Index measures the performance of investment grade, US dollar-denominated, long-term tax-exempt bonds.

The Bloomberg Barclays US Corporate High Yield Bond Index is a measure of the USD-denominated, high yield, fixed-rate corporate bond market.

The Bloomberg US Aggregate Bond Index measures the performance of investment grade, US dollar-denominated, fixed-rate taxable bonds.

The Bloomberg Municipal 1-5yr Index measures the performance of USD-denominated long-term, tax-exempt bond market with maturities of 1-5 years

The Bloomberg Taxable 1-5yr Government Credit Index tracks USD-denominated, investment grade, fixed-rate bonds, including treasuries, government-related and corporate issues.

Bloomberg US 1-15 Yr. Municipal Bond Index consists of a broad selection of investment grade general obligation and revenue bonds of maturities ranging from one year to 17 years.

The Bloomberg Municipal Short/Intermediate Index is a measure of the US municipal tax-exempt investment grade bond market.

The Bloomberg Taxable Intermediate Government Credit Index measures investment grade, US dollar-denominated, fixed-rate, taxable corporate and government-related bond markets with a maturity greater than 1 year and less than 10 years.

The Bloomberg Municipal High Index is a measure of the US municipal tax-exempt non-investment grade bond market.

The S&P 500® Equal Weight Index (EWI) is the equal-weight version of the widely-used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance.

The World Uncertainty Index is a measure that tracks uncertainty across the globe by text mining the country reports of the Economist Intelligence Unit. The index is available for 143 countries.

The Bloomberg 1-3 Month U.S. Treasury Bill Index includes all publicly issued zero-coupon U.S. Treasury Bills that have a remaining maturity of less than 3 months and more than 1 month, are rated investment grade, and have $250 million or more of outstanding face value.

The Bloomberg US Corporate High Yield Index measures the USD-denominated, high yield, fixed-rate corporate bond market.

High Yield Corporate Bond Yield is derived from the Bloomberg High Yield Corporate Bond Index (LF98), Yield Spread Is the U.S. Corporate High Yield Bond Yield minus the 12-Month Yield of BKLN.

A leveraged loan index (LLI) tracks the performance of institutional leveraged loans on a market-weighted basis.

Definitions

Employment Index: US jobs with the exception of farmwork; unincorporated self-employment; and employment by private households, the military, and intelligence agencies.

A consumer price index (CPI) measures changes in the price level of a market basket of consumer goods and services purchased by households. The CPI is a statistical estimate constructed using the prices of a sample of representative items whose prices are collected periodically.

A leveraged loan is a type of loan that is extended to companies or individuals that already have considerable amounts of debt or poor credit history.

Muni Bond: A municipal bond is a debt security issued by a state, municipality or county to finance its capital expenditures, including the construction of highways, bridges or schools. These bonds can be thought of as loans that investors make to local governments.

Investment Grade Municipal Bonds: Investment-grade municipal bonds are debt securities, issued by state and local governments carrying the lowest credit risk that a bond issuer may default. Investment Grade Municipal Bonds: Bloomberg Municipal Bond Inter-Short 1-10 Year Total Return Index.

Investment Grade Corporate Bonds: Investment grade corporate bonds are low-risk bonds. Because they are bonds, they are not tied to equity. Instead, they are like debt notes issued by a corporation. Investment Grade Corporate Bonds: Bloomberg Intermediate Corporate Bond Index.

The "core" Personal Consumption Expenditures (PCE) price index is defined as prices excluding food and energy prices. The core PCE price index measures the prices paid by consumers for goods and services without the volatility caused by movements in food and energy prices to reveal underlying inflation.

Municipal bonds (or "munis") are a fixture among income-investing portfolios. Investors who want higher returns can invest in high yield municipal bonds.

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.

CNR Speedometers® are indicators that reflect forecasts of a 6 to 9 month time horizon. The colors of each indicator, as well as the direction of the arrows represent our positive/negative/neutral view for each indicator. Thus, arrows directed towards the (+) sign represents a positive view which in turn makes it green. Arrows directed towards the (-) sign represents a negative view which in turn makes it red. Arrows that land in the middle of the indicator, in line with the (0), represents a neutral view which in turn makes it yellow. All of these indicators combined affect City National Rochdale's overall outlook of the economy.

The Congressional Budget Office (CBO) is a nonpartisan federal agency that provides economic and budgetary analysis to Congress, helping lawmakers make informed decisions about fiscal policy.

Yield to worst is a measure of the lowest possible yield that can be received on a bond that fully operates within the terms of its contract without defaulting.

Important Information

The views expressed represent the opinions of City National Rochdale, LLC (CNR) which are subject to change and are not intended as a forecast or guarantee of future results. Stated information is provided for informational purposes only, and should not be perceived as personalized investment, financial, legal or tax advice or a recommendation for any security. It is derived from proprietary and non-proprietary sources which have not been independently verified for accuracy or completeness. While CNR believes the information to be accurate and reliable, we do not claim or have responsibility for its completeness, accuracy, or reliability. Statements of future expectations, estimates, projections, and other forward-looking statements are based on available information and management's view as of the time of these statements. Accordingly, such statements are inherently speculative as they are based-on assumptions which may involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those expressed or implied in such statements.

All investing is subject to risk, including the possible loss of the money you invest. As with any investment strategy, there is no guarantee that investment objectives will be met, and investors may lose money. Diversification may not protect against market risk or loss. Past performance is no guarantee of future performance.

Indices are unmanaged, and one cannot invest directly in an index. Index returns do not reflect a deduction for fees or expenses.

CNR is free from any political affiliation and does not support any political party or group over another.

Bonds are subject to interest rate risks and will decline in value as interest rates rise.

HY: Investing in securities that are not investment grade offers a higher yield but also carries a greater degree of risk of default or downgrade and are more volatile than investment grade securities, due to the speculative nature of their investments.

Equity investing strategies & products. There are inherent risks with equity investing. These risks include, but are not limited to stock market, manager or investment style. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.

Fixed Income investing strategies & products. There are inherent risks with fixed income investing. These risks include, but are not limited to, interest rate, call, credit, market, inflation, government policy, liquidity or junk bond risks. When interest rates rise, bond prices fall. This risk is heightened with investments in longer-duration fixed income securities and during periods when prevailing interest rates are low or negative.

High yield securities. Investments in below-investment-grade debt securities, which are usually called “high yield” or “junk bonds,” are typically in weaker financial health. Such securities can be harder to value and sell, and their prices can be more volatile than more highly rated securities. While these securities generally have higher rates of interest, they also involve greater risk of default than do securities of a higher-quality rating.

Municipal securities. The yields and market values of municipal securities may be more affected by changes in tax rates and policies than similar income-bearing taxable securities. Certain investors' incomes may be subject to the Federal Alternative Minimum Tax (AMT), and taxable gains are also possible. Investments in the municipal securities of a particular state or territory may be subject to the risk that changes in the economic conditions of that state or territory will negatively impact performance. These events may include severe financial difficulties and continued budget deficits, economic or political policy changes, tax base erosion, state constitutional limits on tax increases and changes in the credit ratings.

Alternative Investments such as derivatives, hedge funds, private equity funds, and funds of funds can result in higher return potential but also higher loss potential. Changes in economic conditions or other circumstances may adversely affect investments. Alternative investments are speculative and involve a high degree of risk.

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