

# Mixed Market Messages

The LPL Strategic & Tactical Asset Allocation Committee (STAAC) determines the firm’s investment outlook and asset allocation that helps define LPL Research’s investment models and overall strategic and tactical investment thinking and guidance. The committee is chaired by the chief investment officer and includes investment specialists from multiple investment disciplines and areas of focus. The STAAC meets weekly to closely monitor all global economic and capital markets conditions to ensure that all the latest information is being digested and incorporated into its investment thought.

**Color Key:**

- Strong Overweight View
- Overweight View
- Neutral View
- Underweight View
- Strong Underweight View

**Key changes from February report:**

- **Downgraded view on the U.S. dollar from positive to neutral.**

**STAAC Asset Class Tactical Views as of 03/01/2025 (GWI)**

Asset Class	1	2	3	4	5
<b>Equity</b>	.	.	●	.	.
U.S.	.	●	.	.	.
International Developed (EAFE)	.	.	●	.	.
Emerging Markets	.	.	.	●	.
Large/Mid Growth	●	.	.	.	.
Large/Mid Value	.	.	●	.	.
Small Growth	.	.	●	.	.
Small Value	.	.	.	●	.
<b>Fixed Income</b>	.	.	●	.	.
Treasuries	.	.	●	.	.
MBS	.	●	.	.	.
IG Corporates	.	.	.	.	●
TIPS	.	.	●	.	.
International Developed	.	.	●	.	.
Preferred	.	●	.	.	.
High-Yield	.	.	●	.	.
Bank Loans	.	.	●	.	.
Emerging Markets	.	.	●	.	.
<b>Cash</b>	.	.	.	●	.
<b>Alternatives</b>	.	●	.	.	.

**STAAC Sector Tactical Views as of 03/01/2025 (GWI)**

Sector	1	2	3	4	5
Materials	.	.	.	●	.
Consumer Staples	.	.	●	.	.
Financials	.	.	●	.	.
Real Estate	.	.	.	●	.
Communications Services	.	●	.	.	.
Energy	.	.	.	●	.
Industrials	.	●	.	.	.
Information Technology	.	.	●	.	.
Consumer Discretionary	.	●	.	.	.
Healthcare	.	.	●	.	.
Utilities	.	.	●	.	.

Source: STAAC as of March 1, 2025. All sector and asset allocation recommendations must be considered in the context of an individual investor’s goals, time horizon, liquidity needs and risk tolerance. Not all recommendations will be in the best interest of all investors. The STAAC views expressed are based on a Tactical Asset Allocation (TAA) for a portfolio that has a Growth With Income (GWI) investment objective.

## Investment Takeaways

Major averages succumbed to a risk-off tone in February, ending lower with the Nasdaq falling below the year-to-date flatline at month's end. Sentiment was weighed down from multiple angles as economic growth and stagflation worries began to surface following soft consumer confidence data, sticky inflation, and a decline in retail sales. Plus, policy and trade uncertainty lingered in markets following the first round of U.S. tariff enactments and additional threats from the White House. Meanwhile, corporate America proved its resilience with 75% of S&P 500 companies topping earnings estimates with 97% of index constituents reporting, although, scrutiny around the artificial intelligence (AI) secular growth theme arose following mixed guidance takeaways.

Within fixed income markets, Treasury yields ended lower following a late month slide. Core bonds, measured by the Bloomberg U.S. Aggregate Bond Index, added 2.2% with all sectors ending the month higher. The rate relief experienced in February stemmed from economic growth concerns, a declining Treasury term premium, and momentum from unwinding short positions. Further, debt ceiling restrictions dampened the Treasury Department's ability to issue more debt, adding to downward pressure on yields, while market pricing of inflationary concerns were little changed. Rate cut expectations received a lift due to the weaker-than-expected economic data, but yields are unlikely to fall meaningfully unless the recent growth scare becomes greater than temporary.

LPL's STAAC maintains its tactical neutral stance on equities, as a steadily growing economy and strong corporate profits are offset by headline risk, a cautious Federal Reserve (Fed), and ongoing policy uncertainty. Alternative investment exposure offers diversification benefits, while a neutral fixed income position reflects the Committee's expectation for range-bound interest rates.

### 2025 MARKET FORECASTS

Elevated Volatility May Continue in the Near-Term

	Current
<b>10-Year U.S. Treasury Yield</b>	3.75% to 4.25%*
<b>S&amp;P 500 Index Earnings per Share</b>	\$260
<b>S&amp;P 500 Index Fair Value</b>	6,275 – 6,375**

Source: LPL Research, FactSet, Bloomberg

All indexes are unmanaged and cannot be invested into directly.

\*Our year-end 2025 forecast for the U.S. 10-year Treasury yield is 3.75% to 4.25%. The Fed's higher for longer narrative and the poor supply/demand technicals for Treasury securities will likely keep interest rates at these elevated levels until the economic data weakens and/or inflation falls back in line with the Fed's longer term 2% target.

\*\*Our year-end 2025 fair-value target range for the S&P 500 of 6,275-6,375 is based on a price-to-earnings ratio (PE) of 23 and our S&P 500 earnings per share (EPS) forecast of \$275 in 2026.

Any forward-looking statements including economic forecasts may not develop as predicted and are subject to change.

All data, views, and forecasts herein are as of 03/01/25.

- The Committee maintains a strong overweight stance toward large growth. The relatively mild equity market pullback is characteristic of normal market behavior, and positioning has become slightly cleaner as a result. Large growth continues to display superior earnings power and cash-flow growth, robust balance sheets, and lower interest rate sensitivity. In contrast, we remain underweight toward small value due to rising interest rate volatility, a cooling economy in 2025, and elevated headline risk, which supersedes generally attractive valuations on a tactical basis.
- The STAAC's regional preference remains U.S. over developed international and emerging markets (EM), largely due to superior relative earnings and economic growth. This is reinforced by policy stances of the new administration and ongoing volatility in currency markets. Chinese stimulus could aid EM, but the potential for Chinese macro data to continue to underwhelm, paired with tariff actions and potential U.S. dollar strength, increases risk in EM equities.
- The STAAC continues to hold an overweight tilt in preferred securities as valuations remain attractive. However, the risk/reward for core bond sectors (U.S. Treasury, agency MBS, investment-grade corporates) is more attractive than plus sectors. We remain neutral duration relative to benchmarks, and in our view, the middle part of the Treasury curve offers the most attractive income levels.

### 2025 ECONOMIC FORECASTS

U.S. Economy Expected to Slow This Year

	2025 (Y/Y, real GDP)
<b>United States</b>	1.9%
<b>Eurozone</b>	0.9%
<b>Advanced Economics</b>	1.6%
<b>Emerging Markets</b>	4.2%
<b>Global</b>	3.1%

Source: LPL Research, Bloomberg.

The economic forecasts may not develop as predicted.

## Tactical Asset Allocation as of 03/01/2025

	Investment Objective														
	Aggressive Growth			Growth			Growth with Income			Income with Moderate Growth			Income with Capital Preservation		
	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference
<b>Stocks</b>	95.0%	95.0%	0.0%	80.0%	80.0%	0.0%	60.0%	60.0%	0.0%	40.0%	40.0%	0.0%	20.0%	20.0%	0.0%
<b>U.S. Equity</b>	80.0%	76.0%	4.0%	67.0%	64.0%	3.0%	50.0%	48.0%	2.0%	33.5%	32.0%	1.5%	16.0%	16.0%	0.0%
Large/Mid Growth	36.0%	28.5%	7.5%	30.0%	24.0%	6.0%	22.5%	18.0%	4.5%	15.5%	12.0%	3.5%	7.0%	6.0%	1.0%
Large/Mid Value	29.5%	28.5%	1.0%	25.0%	24.0%	1.0%	18.5%	18.0%	0.5%	12.0%	12.0%	0.0%	6.0%	6.0%	0.0%
Small Growth	9.5%	9.5%	0.0%	8.0%	8.0%	0.0%	6.0%	6.0%	0.0%	4.0%	4.0%	0.0%	2.0%	2.0%	0.0%
Small Value	5.0%	9.5%	-4.5%	4.0%	8.0%	-4.0%	3.0%	6.0%	-3.0%	2.0%	4.0%	-2.0%	1.0%	2.0%	-1.0%
<b>International Equity</b>	15.0%	19.0%	-4.0%	13.0%	16.0%	-3.0%	10.0%	12.0%	-2.0%	6.5%	8.0%	-1.5%	4.0%	4.0%	0.0%
Developed (EAFE)	12.0%	12.0%	0.0%	10.0%	10.0%	0.0%	8.0%	8.0%	0.0%	5.0%	5.0%	0.0%	4.0%	4.0%	0.0%
Emerging Markets	3.0%	7.0%	-4.0%	3.0%	6.0%	-3.0%	2.0%	4.0%	-2.0%	1.5%	3.0%	-1.5%	0.0%	0.0%	0.0%
<b>Bonds</b>	0.0%	0.0%	0.0%	15.0%	15.0%	0.0%	35.0%	35.0%	0.0%	55.0%	53.0%	2.0%	75.0%	70.0%	5.0%
<b>U.S. Core</b>	0.0%	0.0%	0.0%	14.5%	15.0%	-0.5%	33.5%	35.0%	-1.5%	53.0%	53.0%	0.0%	72.0%	70.0%	2.0%
Treasuries	0.0%	0.0%	0.0%	7.0%	7.0%	0.0%	16.0%	16.0%	0.0%	26.5%	24.5%	2.0%	36.0%	32.0%	4.0%
MBS	0.0%	0.0%	0.0%	5.0%	4.5%	0.5%	11.0%	10.0%	1.0%	16.0%	15.0%	1.0%	22.0%	20.5%	1.5%
IG Corporates	0.0%	0.0%	0.0%	2.5%	3.5%	-1.0%	6.5%	9.0%	-2.5%	10.5%	13.5%	-3.0%	14.0%	17.5%	-3.5%
<b>Non-Core</b>	0.0%	0.0%	0.0%	0.5%	0.0%	0.5%	1.5%	0.0%	1.5%	2.0%	0.0%	2.0%	3.0%	0.0%	3.0%
Preferred	0.0%	0.0%	0.0%	0.5%	0.0%	0.5%	1.5%	0.0%	1.5%	2.0%	0.0%	2.0%	3.0%	0.0%	3.0%
<b>Alternatives</b>	3.0%	0.0%	3.0%	3.0%	0.0%	3.0%	3.0%	0.0%	3.0%	3.0%	0.0%	3.0%	3.0%	0.0%	3.0%
Tactical: Global Macro	3.0%	0.0%	3.0%	2.0%	0.0%	2.0%	1.5%	0.0%	1.5%	1.0%	0.0%	1.0%	0.0%	0.0%	0.0%
Multi-Strategy	0.0%	0.0%	0.0%	1.0%	0.0%	1.0%	1.5%	0.0%	1.5%	2.0%	0.0%	2.0%	3.0%	0.0%	3.0%
<b>Cash</b>	2.0%	5.0%	-3.0%	2.0%	5.0%	-3.0%	2.0%	5.0%	-3.0%	2.0%	7.0%	-5.0%	2.0%	10.0%	-8.0%

For investors who have their own benchmarks, we would recommend emphasizing underweights or overweights relative to the individual benchmark at the most similar overall risk level.

Equity benchmark style weights are equally distributed across growth, core, and value. Cap weights are based on the underlying holdings of the domestic benchmark indexes.

Bond benchmark sector allocations are based on a look-through analysis of the major sector components of the Bloomberg US Aggregate Bond Index.

Treasuries include other government related debt. MBS includes other securitized debt.

To better align with other STAAC publications, mid caps have been combined with large caps in the TAA. Accounts with distinct mid cap allocations may disaggregate mid caps from the "Large & Mid" exposure shown in the table roughly in-line with relative market cap values: 75% Large Cap 25% Mid Cap.

# Equity Asset Classes

## Sticking With Growth Style Preference Amid Slowing Economic Growth and Strong Earnings

The STAAC maintains its tactical neutral stance on equities, based on steady but slowing economic growth, expected further easing of inflation pressure, strong corporate profits, and a supportive Fed. We're watching for trade policy clarity before considering buying the dip, while positioning and sentiment indicators have become more constructive following the recent pickup in volatility.

LPL's STAAC continues to favor the growth style despite recent outperformance by value, informed by LPL Research's quantitative and technical analysis work and supported by superior cash flow growth.

The Committee favors the earnings power and strong balance sheets of large caps over their smaller brethren as the economy slows. Small cap enthusiasm around their domestic focus and low valuations may be overdone.

The STAAC's regional preference remains U.S. over developed international due largely to superior domestic earnings and economic growth, though recent U.S. dollar weakness, European Central Bank rate cuts, and more deficit/defense spending are supportive of European markets. Earnings quality and trade tensions remain concerns for China-heavy emerging market equities.

### Color Key:

● Strong Overweight  
 ● Overweight  
 ● Neutral  
 ● Underweight  
 ● Strong Underweight

	Sector	Overall View	Relative Trend	Rationale
Market Capitalization and Style	Large/Mid Growth	<span style="color: green;">●</span> . . . .	Positive	LPL's STAAC continues to favor the growth style despite recent outperformance by value, informed by LPL Research's quantitative and technical analysis work and supported by superior cash flow growth. Slowing economic growth and superior earnings power also support our preference for growth over value. The STAAC favors the earnings power and strong balance sheets of large caps as the economy slows.
	Large/Mid Value	. . <span style="color: gold;">●</span> . .	No Trend	Potential pro-growth policies and de-regulation from the Trump administration may benefit attractively valued cyclical value stocks, especially financials, but trade uncertainty put a bid under defensive equities in February. LPL Research's quantitative and technical analysis work point squarely to neutral, though attractive mid cap valuations are notable.
	Small Growth	. . <span style="color: gold;">●</span> . .	Positive	Low valuations and healthy credit markets are supportive of small caps, but risk of rising interest rates and a slowing economy in 2025 are potential headwinds. Enthusiasm surrounding a more domestic focus amid trade tensions may be overdone and technical momentum has started to wane.
	Small Value	. . . <span style="color: orange;">●</span> .	Negative	LPL Research's quantitative and technical analysis work indicates the small value outlook has deteriorated. Though small value stocks are attractively valued, large caps possess better technical momentum and stronger earnings trends. Slowing economic growth is a headwind for financials.
Region	United States	. <span style="color: teal;">●</span> . . .	Positive	The U.S. economy is expected to handily outgrow and outearn Europe in 2025. AI innovation, our technical analysis work, and positioning/sentiment also point to the U.S. despite elevated valuations. U.S. dollar weakness, lagging U.S. mega-caps, and Europe's fiscal spending plans have enabled international equities to outperform year to date.
	Developed International	. . <span style="color: gold;">●</span> . .	No Trend	The STAAC continues to favor U.S. over developed international due largely to superior domestic earnings and economic growth. Recent U.S. dollar weakness, European Central Bank rate cuts, deficit/defense spending, and technical momentum are supportive of European markets while tariff risk and stretched positioning keep us at neutral.
	Emerging Markets	. . . <span style="color: orange;">●</span> .	No Trend	The STAAC remains cautious on emerging markets (EM) equities amid shaky earnings quality and escalating trade tensions with China. Fiscal stimulus from China may not be enough to sustain outperformance in a trade war. Low valuations, recent U.S. dollar weakness, technical trends, and tech strength are supportive.

Relative trend is an assessment of the intermediate term price trend and performance between various asset classes and sectors. For regions and styles, the relative trends are compared to each other.

## Equity Sectors

### Defensive Sectors Move to the Top of the Sector Leaderboard as Trade Uncertainty Ratchets Higher

The top sectors last month were either defensive and income-oriented (consumer staples, healthcare, real estate) or cyclical value oriented (energy and financials). Meanwhile, the growth sectors tied to AI (communication services and technology) lagged as the U.S. exceptionalism narrative came under attack.

Our consumer discretionary overweight is supported by our quantitative work, particularly cash flows and valuations, although technical analysis trends and consumer spending have shown signs of leveling off. The STAAC continues to favor communication services and industrials, which offer growth at reasonable prices and exposure to AI, infrastructure spending, and near-shoring/onshoring trends. The Committee maintains underweight recommendations toward the energy, materials, and real estate sectors.

#### Color Key:

● Strong Overweight ● Overweight ● Neutral ● Underweight ● Strong Underweight

	Sector	Overall View	Relative Trend	S&P Wgt.	Rationale
Cyclical	Basic Materials	. . . ● .	Negative	2.0	Flat month as tariff protection boosted steel and copper names, enabling modest outperformance in February. China stimulus prospects were supportive. Technical analysis picture is consistent with our cautious view.
	Consumer Cyclical	. ● . . .	Positive	10.2	Worst sector performer in February (-9.4%) after strong January. Tariffs weighed on retailers, tax policy uncertainty hurt cruise lines, higher mortgage rates hurt homebuilders, and Tesla shares (-27.6%) were a big drag. Long-term relative strength, earnings, and consumer resilience remain supportive.
	Financial Services	. . ● . .	Positive	14.1	Outperformed in February (+1.3%) on strength in insurance. Strong fourth quarter earnings season, steepening yield curve, favorable credit conditions, and the technical analysis picture are all supportive. Positive bias.
	Real Estate	. . . ● .	No Trend	2.2	Among sector leaders in February (+4.1%) as interest rates moved lower and investors rotated out of prior winners into less loved areas. Yields remain attractive and real estate fundamentals have potentially bottomed. Sub-par technical analysis trends.
Sensitive	Communication Services	. ● . . .	Positive	9.5	January gains in Alphabet (GOOG/L) and Meta (META) reversed amid AI skepticism and related shift out of tech, sending the sector down 6.3% in February. Traditional telcos and cable companies rose. Sector still favored for growth at a reasonable price and positive technical analysis trends.
	Energy	. . . ● .	Negative	3.3	Slight outperformer in February (+3.3%) on rising gas prices, which offset lower oil prices. Valuations are attractive, industry capital allocation has improved, and Russian sanctions are supportive, but supply limits upside. Sluggish technicals.
	Industrials	. ● . . .	No Trend	8.4	Trade uncertainty and evidence of slowing economic growth appeared to weigh on the industrials sector in February (-1.6%), while concerns about defense spending have crept up. Infrastructure spending, AI data center buildouts, and near-shoring remain catalysts. Valuations are reasonable. Technical analysis picture is mixed.
	Technology	. . ● . .	Negative	30.5	Down in line with the broad market in February (-1.4%) as U.S. exceptionalism narrative came under attack and bullish sentiment and stretched positioning unwound. Potential buy-the-dip candidate after technicals stabilized at lower valuations. Patience is prudent.
Defensive	Consumer Defensive	. . ● . .	Positive	6.1	Top February performer (+5.6%) as defensive sectors were the prime beneficiary of the rotation out of mega-cap tech stocks. Sector still faces headwinds (GLP-1 effects on snack food demand, RFK Jr. policies, stressed low-income consumers, tepid earnings growth, high tariff risk). But relative safety is in demand in a volatile market.
	Healthcare	. . ● . .	No Trend	11.2	Outperformed in February (+1.4%) on strength in pharma. The market's desire for defensives and healthcare's relatively low exposure to tariff risk were supportive. Less focus on policy risks and reasonable valuations also helped. LPL Research still favors cyclical sectors, but healthcare can no longer be ignored given the technicals.
	Utilities	. . ● . .	Positive	2.4	Outperformer in February (+1.2%) as the market's shift to defensive, income-oriented sectors offset AI skepticism. Interest rates fell during the month, increasing the attractiveness of utilities' yields. Reasonable valuations. Mixed technicals.

Any company names noted herein are for educational purposes only and not an indication of trading intent or a solicitation of their products or services.

# Fixed Income

## Growth Concerns Trump Inflation Progress

Fixed income markets, as proxied by the Bloomberg Aggregate Bond Index, were higher in February by 2.2% as slowing economic growth fears have started to bleed into market sentiment. Both President Trump and Treasury Secretary Scott Bessent have been adamant about bringing down the 10-year Treasury yield, which would, in theory, help reduce consumer and corporate borrowing costs. However, the recent move lower in yields has primarily been a function of slowing economic growth expectations and not due to lower inflationary concerns. Growth concerns would need to accelerate to get yields meaningfully lower than current levels. Credit markets have remained resilient throughout though. We expect volatility to remain elevated.

Aside from preferred securities, valuations for riskier fixed income sectors remain rich relative to core sectors, in our view. And while price appreciation may be limited, until inflationary pressures abate, income levels remain attractive.

### Color Key:

● Strong Overweight ● Overweight ● Neutral ● Underweight ● Strong Underweight

	Low	Med	High	Rationale
Current Stance	<b>Credit Quality Preference</b>		✓	Recommend an up-in-quality approach in allocating to fixed income sectors. While all-in yields for lower quality remain above longer-term averages, we think the risk/reward favors owning core bond sectors over the riskier sectors.
	<b>Duration Preference</b>		✓	Yields have fallen from recent highs, but we expect interest rate volatility to remain elevated. Tariff pressures and an ongoing Treasury Department debt ceiling debate will likely keep rates directionless until/unless the economic data softens enough to allow the Fed to continue its rate cutting campaign. We remain neutral duration to benchmarks.
	<b>Municipal Bond View</b>		✓	Performance was positive for the month but underperformed many taxable markets, which has improved valuations for lower tax-rate investors. Curve steepness still suggests intermediate term allocations are worth a look. Muni credit remains well bid.
	Neg.	Neut.	Pos.	Rationale
	Overall View		Overall Trend	Rationale
Core Sectors	<b>U.S. Treasuries</b>	• • ● • •	Negative	The 10-year was lower by nearly 0.40% in February as slowing growth concerns became from and center. The yield curve will likely be directionless until the Fed is able to resume its rate cutting campaign. Markets are pricing in three full cuts in 2025, which seems appropriate given the economic concerns. To get Treasury yields much lower though, economic data will need to show further deterioration. Technically, 10-year yields have bounced off support from the December lows and recaptured the 200-day moving average.
	<b>MBS</b>	• ● • • •	No trend	We remain constructive on agency mortgage-backed securities(MBS). Yields and spreads remain near multi-year highs, so we think MBS remain an attractive investment opportunity, particularly relative to lower-rated corporates. Elevated interest rate volatility is a headwind to MBS but recent demand from banks, traditionally the largest buyer of MBS, remains supportive.
	<b>Investment-Grade Corporates</b>	• • • • ●	Negative	We recommend a strong underweight to benchmarks, but we think there is an opportunity to invest in shorter to intermediate maturity corporate securities without taking on elevated levels of interest rate or credit risk. Fundamentals remain solid.
	<b>TIPS</b>	• • ● • •	No Trend	Treasury Inflation-Protected Securities (TIPS) outperformed nominals in February as real yields fell on growth concerns. That said, all-in yields for TIPS remain attractive , particularly shorter maturity TIPS, and could provide a good hedge against unexpected inflation surprises.
Plus Sectors	<b>Preferred Securities</b>	• ● • • •	No Trend	Preferred securities have outperformed most other bond sectors over the past 12 months, but valuations remain relatively attractive. Recent Fed stress tests continue to show large, money-center bank fundamentals are generally sound, but the environment favors active management.
	<b>High-Yield Corporates</b>	• • ● • •	No Trend	High-yield bonds underperformed most core sectors in February. Yields for high-yield bonds are only around historical averages, and spreads have widened out a touch recently. We remain neutral but acknowledge risks are to the upside for spreads.
	<b>Bank Loans</b>	• • ● • •	No Trend	Downgrades and defaults have increased and could increase still if the economy slows/contracts. Given the current economic uncertainty, high risk credit sectors could underperform safer "core" sectors.
	<b>Foreign Bonds</b>	• • ● • •	Negative	Yields have surged higher recently but risks to still higher yields remain.
	<b>EM Debt</b>	• • ● • •	Negative	Central banks have largely ended rate hikes as inflationary pressures are starting to abate. A strong dollar could provide a headwind to prices. Valuations are relatively attractive, but idiosyncratic risks remain. Liquidity can be an added risk during periods of stress.

# Commodities and Currencies

## The Winning Streak Continues

The broader commodities complex climbed for a fourth straight month in February. Uncertainty over global trade and signs of slowing growth created a challenging macro backdrop, but the Bloomberg Commodity Index (BCOM) still managed to grind out a gain of 0.5%. Price action was choppy with relatively wide return dispersion at the subindustry group level. From a technical perspective, BCOM continued to climb out from a multi-year bottom but stopped just short of clearing the prior highs near 107.50–108. Momentum indicators — including a recent bullish crossover between the 50- and 200-day moving average (dma) — point to a rising probability for a topside breakout above this key area of overhead resistance.

A dip in the dollar and front-running order flows ahead of newly introduced tariffs propped up many metal prices. Industrial metals were led higher by a 5.5% rally in copper. Despite the rally, copper continued to struggle with resistance at \$485. (We also question the sustainability of the rally given the potential impact tariffs could have on global growth.) In precious metals, gold rose 2.1% and reached overbought levels. Outside of trade turmoil and a weaker dollar, physical gold-ETF demand made a notable comeback recently as the fear of missing out minted some new gold bugs last month.

Energy traded higher at the benchmark level, but the gain was attributable to a 26% rally in natural gas. Colder weather across the U.S. this winter depleted inventories, raising expectations for strong refill demand this summer. Tariff threats and rising feedgas demand required by liquified natural gas (LNG) exporters also contributed to the rally. West Texas Intermediate (WTI) crude oil fell 3.8% and has not posted a winning week since January 17. Underwhelming demand, expectations for continued delays to OPEC+’s planned production hikes, and the prospect of a Russia-Ukraine peace deal contributed to the decline in oil.

**Color Key:** ● Positive ● Neutral ● Negative

Sector	Overall View	Overall Trend	Rationale
Energy	● Neutral	Neutral	WTI is approaching oversold levels as it retests key support near the \$65–\$68 range. Speculator short positions have reached contrarian levels. Watch for a potential relief rally back toward the 50- and 200-dmas. Natural gas has transitioned from a consolidation to a trending market. The continued technical progress has caught the attention of speculators, which continue to add to long positions. We expect the uptrend to continue and see \$4.75 as the next resistance hurdle for gas to clear. <b>We maintain our neutral view on the energy commodity sector.</b>
Precious Metals	● Positive	Positive	Gold has cleared the October highs at \$2,790. Based on the size of the prior range, a minimum technical-based price objective sets up near \$3,040. Outside of elevated geopolitical risk, central bank demand remains robust and gold-related ETF demand has notably picked up. The technical setup for silver also remains constructive, with futures recently bouncing off support at the 200-dma/prior highs. <b>We maintain our positive view on the precious metals group.</b>
Industrial Metals	● Positive	Neutral	Deciphering between near-term demand due to the front-running of tariffs and longer-term demand due to global growth remains a challenge. China demand is another wildcard, although Beijing appears willing to sacrifice some fiscal discipline to support economic activity. Copper recently broke out of a bullish flag, leaving \$485 as the next hurdle to clear. Momentum in silver has slowed but prices are holding up above support from the rising 200-dma. <b>We maintain our positive view on the industrial metals group.</b>
Agriculture (Ag) & Livestock	● Negative	Neutral	Ag and livestock markets traded lower last month. Softs outperformed on the back of a 2.5% rally in sugar. Cocoa dropped 16% and underperformed as a demand adjustment due to soaring prices into year-end underpinned a bear surplus. Grains were volatile and lower across the board largely due to tariff uncertainty. A similar story played out in livestock, with live cattle and lean hogs declining last month. <b>Given the mixed technical backdrop, we maintain our negative view on the group.</b>
U.S. Dollar	➔ ● Neutral	Neutral	The U.S. Dollar Index declined 0.7% last month and violated an emerging uptrend. Selling pressure has continued into March, dragging the greenback below its 200-dma and into its prior 100–107 trading range. Signs of slowing domestic growth, vulnerabilities in the U.S. exceptionalism theme, and an improving growth outlook in Europe have all contributed to the weaker dollar. <b>Based on changes to the technical and macro backdrop, we have updated our dollar view to neutral from positive this month.</b>

Any futures referenced are being presented as a proxy, not as a recommendation. The fast price swings in commodities will result in significant volatility in an investor’s holdings. Commodities include increased risks, such as political, economic, and currency instability, and may not be suitable for all investors.

Precious metal investing involves greater fluctuation and potential for losses.

# Alternative Investments

## Strong Downside Equity Preservation

All alternative investment sub-strategies outperformed the S&P 500 (down 1.31%) during February, however, performance relative to the strength seen in the bond market was mixed, as the Bloomberg Aggregate gained an impressive 2.6%. As expected during an equity market sell-off, long/short strategies, as measured by the HFRX Equity Hedge Index (down 0.5%), also participated in the decline. However, these strategies provided downside preservation in-line with their beta profile and alpha through short positioning. Long/short equity and more so market neutral strategies, also benefitted from the high levels of sector dispersion. During February, consumer staples gained 5.7%, while the consumer discretionary sector lost 9.4%, a performance dispersion in excess of 15.0%. This shift in sector performance was most evident at the equity style level, as large value names outperformed large growth by 4.0%. This follows up on the 12.0% delta in sector performance during January.

In the macro space, the HFRX Macro: Systematic Diversified Index declined 0.5%, as short bond positioning and long commodity exposure led to losses. However, their nimbler counterparts in the discretionary macro industry were able to better navigate the sell-off, as the HFRX Discretionary Thematic Index was positive for the month. During months with rather swift moves across any asset class, we expect strategies employing a more discretionary philosophy to be able to better mitigate losses.

Broadly speaking, we hold the view that hedge fund strategies have a favorable environment developing for them. In general, excess return generation is higher when there is a reasonable level of volatility, which is what we expect. Furthermore, total return tends to be higher in a medium to high interest rate environment, which is also what we expect given limited interest rate cuts in 2025. Looking ahead, agility will be crucial, and we favor strategies that can benefit from the macro and fundamental dispersions, higher volatility as well as medium to high interest rates, while staying nimble. As such, we favor Global Macro, Managed Futures and Multi-Strategies for that reason.

**Color Key:** ● Positive ● Neutral ● Negative

	Sector	Overall View	Rationale
Fundamental	Long/Short Equity	● Neutral	The current equity market environment lends to a more attractive stock picking environment for low net equity long/short managers. With rich valuations these managers should be able to build solid short books that can increase their total alpha generation.
	Event Driven	● Neutral	Merger Arbitrage strategies remain attractive fixed income diversifiers and may see a more favorable backdrop in the event of deregulation and an extension of the Tax Cuts and Jobs Act.
Tactical	Global Macro	● Positive	Favor multi-strategy global macro strategies with truly diversified asset class and regional exposure as the market moves on from directional structural themes to more balanced tactical themes across both developed and emerging markets. We continue to believe the strategy serves as a solid portfolio diversifier that deserves a steady allocation.
	Managed Futures	● Positive	Most of the industry entered the year with short bond exposure, this exposure acted as a headwind during February. We encourage investors to consider a combination of trend followers with alternative market coverage and balanced exposure and short-term multi-strategy managers.
Multi-Strategy	Multi-PM Single Funds	● Positive	Multi-Strategy funds continue to benefit from the ability to dynamically invest across the alternative investment strategy landscape, while providing a diversifying risk/return profile. These funds should be able to tactically take advantage of any short-term market disruptions.
	Specialty Strategies	● Neutral	Among private market strategies, private credit and infrastructure strategies, which we were constructive on, continued to perform well and are expected to show their resilience as we navigate through the fog.

Please see <https://www.hfr.com/indices> for further information on the indices.

Definition: The HFRI 400 (US) Hedge Fund Indices are global, equal-weighted indices comprised of the largest hedge funds that report to the HFR Hedge Fund Research



## Important Disclosures

This material has been prepared for informational purposes only, and is not intended as specific advice or recommendations for any individual. There is no assurance that the views or strategies discussed are suitable for all investors and they do not take into account the particular needs, investment objectives, tax and financial condition of any specific person. To determine which investment(s) may be appropriate for you, please consult your financial professional prior to investing. Any economic forecasts set forth may not develop as predicted and are subject to change.

Stock investing involves risk including loss of principal. Because of their narrow focus, sector investing will be subject to greater volatility than investing more broadly across many sectors and companies. Value investments can perform differently from the market as a whole and can remain undervalued by the market for long periods of time. The prices of small and mid-cap stocks are generally more volatile than large cap stocks. Bonds are subject to market and interest rate risk if sold prior to maturity.

### Asset Class Disclosures

Because of its narrow focus, specialty sector investing, such as healthcare, financials, or energy, will be subject to greater volatility than investing more broadly across many sectors and companies. Relative trend is an assessment of the intermediate term price trend and performance between various asset classes and sectors. For sectors each sector's relative trend is versus the S&P 500.

Yield spread is the difference between yields on differing debt instruments, calculated by deducting the yield of one instrument from another. The higher the yield spread, the greater the difference between the yields offered by each instrument. The spread can be measured between debt instruments of differing maturities, credit ratings, and risk. Bank loans are loans issued by below investment-grade companies for short-term funding purposes with higher yield than short-term debt and involve risk. For the purposes of this publication, intermediate-term bonds have maturities between three and 10 years, and short-term bonds are those with maturities of less than three years.

Bond values will decline as interest rates rise and bonds are subject to availability and change in price. Corporate bonds are considered higher risk than government bonds. Municipal bonds are subject to availability and change in price. Interest income may be subject to the alternative minimum tax. Municipal bonds are federally tax-free but other state and local taxes may apply. If sold prior to maturity, capital gains tax could apply. U.S. Treasuries may be considered "safe haven" investments but do carry some degree of risk including interest rate, credit, and market risk. Bond yields are subject to change. Certain call or special redemption features may exist which could impact yield. Mortgage-backed securities are subject to credit, default, prepayment, extension, market and interest rate risk.

Municipal bonds are subject to availability and change in price. They are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise. Interest income may be subject to the alternative minimum tax. Municipal bonds are federally tax-free but other state and local taxes may apply. If sold prior to maturity, capital gains tax could apply.

High yield/junk bonds (grade BB or below) are not investment grade securities, and are subject to higher interest rate, credit, and liquidity risks than those graded BBB and above. They generally should be part of a diversified portfolio for sophisticated investors.

Floating rate bank loans are loans issued by below investment grade companies for short term funding purposes with higher yield than short term debt and involve risk.

Credit Quality is one of the principal criteria for judging the investment quality of a bond or bond mutual fund. Credit ratings are published rankings based on detailed

financial analyses by a credit bureau specifically as it relates to the bond issue's ability to meet debt obligations. The highest rating is AAA, and the lowest is D. Securities with credit ratings of BBB and above are considered investment grade. Duration is a measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. It is expressed as a number of years.

Preferred stock dividends are paid at the discretion of the issuing company. Preferred stocks are subject to interest rate and credit risk. As interest rates rise, the price of the preferred falls (and vice versa). They may be subject to a call feature with changing interest rates or credit ratings.

Alternative investments may not be suitable for all investors and should be considered as an investment for the risk capital portion of the investor's portfolio. The strategies employed in the management of alternative investments may accelerate the velocity of potential losses. Alternative investments include non-traditional asset classes. This may include hedge funds, private equity/debt/credit, etc. This may also include Business Development Companies (BCDs) and Opportunity Zone investments. These are not registered securities and there may be significant restrictions on purchase and suitability requirements. Please contact your advisor for any further information.

The HFRX Absolute Return 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.

The HFRX Equity Hedge Index measures the performance of the hedge fund market. Equity hedge strategies maintain positions both long and short in primarily equity and equity derivative securities.

The HFRI® Indices are broadly constructed indices designed to capture the breadth of hedge fund performance trends across all strategies and regions.

The HFRI Institutional Macro Index is a global, equal-weighted index of hedge funds with minimum assets under management of USD \$500MM which report to the HFR Database and are open to new investments.

Event driven strategies, such as merger arbitrage, consist of buying shares of the target company in a proposed merger and fully or partially hedging the exposure to the acquirer by shorting the stock of the acquiring company or other means. This strategy involves significant risk as events may not occur as planned and disruptions to a planned merger may result in significant loss to a hedged position. Managed futures are speculative, use significant leverage, may carry substantial charges, and should only be considered suitable for the risk capital portion of an investor's portfolio.

Commodity-linked investments may be more volatile and less liquid than the underlying instruments or measures, and their value may be affected by the performance of the overall commodities baskets as well as weather, geopolitical events, and regulatory developments. The fast price swings in commodities and currencies will result in significant volatility in an investor's holdings. Any futures referenced are being presented as a proxy, not as a recommendation. Commodities include increased risks, such as political, economic, and currency instability, and may not be suitable for all investors. Precious metal investing involves greater fluctuation and potential for losses.

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## Important Disclosures

Investing in foreign and emerging markets securities involves special additional risks. These risks include, but are not limited to, currency risk, geopolitical risk, and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks. All information is believed to be from reliable sources; however, LPL Financial makes no representation as to its completeness or accuracy. Precious metal investing involves greater fluctuation and potential for losses.

Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock. EPS serves as an indicator of a company's profitability. Earnings per share is generally considered to be the single most important variable in determining a share's price. It is also a major component used to calculate the price-to-earnings valuation ratio.

Gross Domestic Product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period, though GDP is usually calculated on an annual basis. It includes all of private and public consumption, government outlays, investments and exports less imports that occur within a defined territory.

All index data from FactSet.

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