Assessing Global Tariff Scenarios, Sector Implications

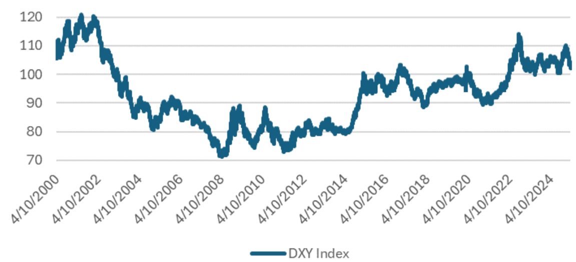
WEEKLY VIEW FROM THE DESK | April 7, 2025

LINK TO WEEKLY RETURNS TABLE

LINK TO OUR WEBINAR SERIES ON TARIFFS

MACRO

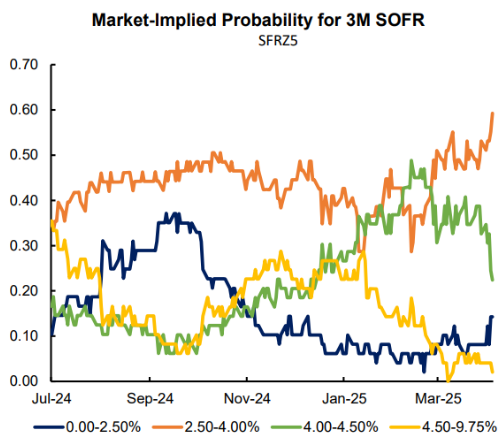
- Our assessment of the global macroeconomic fallout from the tariff developments includes a reduction in our **2025 U.S. GDP forecast** from 2.2% to 1.5%. In a downside escalation scenario, that outcome could remove 1 percentage point from the revised estimate, and the upside scenario of capitulation could add 0.5 pp. We've also reduced our **EA growth forecast** from 0.8% to 0.6%, and the upside/downside scenarios carry a 0.5 pp adjustment in either direction. Our estimate for 4.2% **GDP growth in China** could take a 1 pp hit in the downside scenario and receive a 1 pp boost in the upside scenario (for thematic insights into the recent market volatility, see our Q2 Outlook).
- Potential developments in our **tariff-related base case scenario** include: about half of the announced tariffs roll back on negotiations, leaving the effective U.S. tariff rate in the 12% area (up from the 2% area to start the year); less than a 1:1 retaliation from the rest of world (RoW); reduced potential for monetary and fiscal policy support vs. RoW amidst one-off price effects and possibly constrained fiscal space; gradual Fed rate cuts combined with relatively hawkish Fed rhetoric; and the likelihood that the ECB and BoE likely remain on their easing trajectories, with the ECB cutting the deposit rate two more times to 2% by the summer. Labor markets also remain key in this scenario with unemployment in the U.S. and UK remaining below 5% and below 7% in the EA.
- Our **downside scenario** includes announced tariff levels that stick; expanded global retaliation that could encompass services; ECB/BoE rate cuts to below neutral, opening up fiscal space for industrial strategies/pacts across like-minded countries/regions; a slowing U.S. economy that increases the deficit further, potentially shrinking the capacity for fiscal stimulus; reduced inflows into the U.S. that push long-term yields higher and weaken the dollar; intensifying credit pressures; and a Fed that is compelled to address the fallout, abandoning its meeting-to-meeting, data dependent approach.
- Our **upside scenario** is relatively capped (i.e., the asymmetric upside/downside changes to U.S. growth) amidst the lingering effects from uncertainty and strained relationships, and it potentially consists of another headfake where the U.S. and RoW capitulate to lower-than-announced tariffs, leading to a rally in risk markets.
- Attention turned to the **U.S. dollar** on the tariff developments, and we see it as a two-part story. In the near term, the dollar could find additional support—as it did the day after the reciprocal tariff announcement—on a safe-haven bid, Fed Chair Powell's comments that it will be patient in setting monetary policy (not rushing towards rate cuts), reduced trade-related flows to RoW, and entities that may accumulate dollars to repay dollar-denominated debt. Beyond these short-term effects, the dollar may be poised to continue its pre-April 2 weakening (see the accompanying dollar index chart) as the effective tariff rate acts as a similar devaluation on the currency. Eventual Fed rate cuts and the potential for equity market outflows could contribute to a weaker USD over the long term as well.



Source: Bloomberg

DEVELOPED MARKET RATES

- Thus far, **U.S. Treasury and funding markets** are operating smoothly with the ability to transfer risk, albeit at reduced market depth. As volatility increased, high-frequency traders withdrew, yet sizable trades were still completed with only slightly wider bid-ask spreads.
- At this point, the markets are pricing in slightly more than 100 bps in **Fed rate cuts** through year end. However, in addition to Powell's reticence to quickly cut rates, it's unclear how much of a cushion they could provide to the economy. That said, when the Fed reaches the point of rate cuts, we believe it will act rather decisively in easing policy. Indeed, our market-implied model for three-month SOFR by year end indicates rising probabilities for a Fed funds rate between zero and 4.0% and falling probabilities for an outcome greater than 4.0%.
- In the U.S., **the yield curve steepened notably** on Monday with the 10-year yield recrossing the 4.20% threshold (see more color on that development in our Q2 Outlook) amidst the speculation about further deficit spending.
- **Agency MBS spreads widened** last week, but held in better than expected given the increase in implied volatility and the risk selloff. Convexity accounts continued to add duration as rates declined. At this point, we're staying nimble and prefer to tactically trade UMBS and Fannie Mae production coupons, while selectively adding some GNMAs within the coupon stack.



Source: Bloomberg

IG CORPORATES

- Last week, the U.S. IG market remained "orderly" until the headlines on China's retaliatory tariffs widened bid-ask spreads. Overall, the MOVE index spiked, and U.S. IG corporate spreads widened, along with CDX IG (+15 bps). In addition, copper and crude oil were down 14% and 11%, respectively.

- **Outperformance of Sectors with a Domestic Focus:** Utilities (+5-15 bps), domestic telecom (15 bps wider), and healthcare pharmaceuticals / insurance (+10-15 bps). **Underperformance of Higher Beta / Tariff-Exposed Sectors**: energy (+30-40 bps), pipes (+20-45 bps); metals (+25-40 bps), and chemicals (+25-35 bps). In the auto sector, **Ford** was +50 bps, with spreads on 10-Year bonds at 320 (+130 bps YTD). In retail, there was significant bifurcation, with AA-rated names (e.g., Walmart) +15 bps, while much weaker BBB- rated names were +50 bps. In financials, money center banks were +20 bps and Yankees were +25-30 bps.
- **Decompression:** A-rated, BBB-rated, BB-rated bonds were 14 bps, 19 bps, and 65 bps wider (respectively). YTD, A-BBBs have widened ~10 bps. A preference for longer dated paper led to a modest flattening of credit curves, with 5-10 year spreads +35 bps and 10-year spreads +31 bps (YTD).
- Yields and total returns have been a positive for the U.S. IG market, and declining yields combined with higher volatility could see insurance companies and overseas investors step back. In addition, lower yields may encourage companies to may pull forward issuance, despite some concession on spreads. Last week, daily volumes averaged $45B (up from a historical $30B due to the combined effect of quarter/month end) and the Street sold an impressive $6B of paper (net).
- EUR IG spreads widened 23 bps last week, and primary issuance totaled €4B. Given the blackout periods and elevated volatility, we are unlikely to see meaningful primary issuance this week. Similarly, in GBP IG we expect only one deal this week, Corebridge Financial printing a 5-year, A-rated fixed annuity-backed note. On Monday, the EUR and GBP markets were in price discovery mode. Still, utilities are outperforming, while high beta and subordinated paper are underperforming.

LEVERAGED FINANCE

- HY spreads widened last week to a degree not seen since the March 2023 regional banking crises. Returns across all credit tiers and sectors were negative, with BBs outperforming, and CCCs getting hit the worst. Among sectors, aerospace, food & drug retail, and electric utilities outperformed, while consumer products, air transportation, and super retail were the weakest.
- Despite the tumultuous week, four deals totaling $2.9B priced. Further, HY saw net inflows of $467M into actively managed funds ($445M flowed out of ETFs), the ninth weekly inflow over the past 11 weeks. Flows YTD remain positive at $7.9B. We note that the current U.S. HY market is uniquely positioned to “weather the storm” due to a purge of the weakest credits during COVID, solid balance sheets, historically strong credit quality, attractive yields, and supportive technicals.
- Bank loan prices reversed the mild gains from the previous week and eased broadly. Last Thursday saw the largest single-day price decline since the March 2023 reginal banking crisis. Of the eight deals totaling around $8B that priced in the primary market, nearly 80% supported acquisitions, with the remainder slated for refinancings. Outflows of $400M were half of the prior week, bringing YTD net inflows to $9.7B.
- In European HY, single-B rated issues outperformed BBs on a risk-adjusted basis, albeit on much lighter trading volumes. European bank loans, while softer, saw less volatility last week. Overall, European HY bonds and bank loans continue to outperform the U.S., as strong technicals in the form of limited supply and positive flows prevail.

EMERGING MARKETS

- EM hard currency spreads widened last week, with the high yield portion of the index underperforming and CCCs performing the worst. From a regional perspective, Africa underperformed as commodity-sensitive and single B-and-below issuers came under pressure. From a flow perspective, volume across dealers was 1.25-2 times normal and, with cash bonds harder to move, CDX was more active. Interestingly, there was some crossover buying of IG names, such as Mexico and Chile.
- Given the magnitude of the news and the early market reaction, we do not yet think we are at an appropriate time to add risk. However, within many EM countries, we would take any meaningful selloff as a promising buying opportunity as we believe we are entering a period when EM spreads and EMFX can provide strong outperformance versus the U.S. and developed markets. Given the high all-in carry of the Index, we believe the uncertainty is being compensated fairly—the current coupon generation of the index can offset about 95 bps of spread widening without any move in core rates, so expected total returns skew positive.
- EMFX was flat last week, with LatAm the largest underperformer. USD was weaker for most of the week, yet volatility increased Friday as the USD rose across the board (and meaningfully versus cyclically growth-sensitive FX) after China announced retaliatory tariffs and Chair Powell signaled the Fed was unlikely to cut rates over the near term. With the hit to global growth expected to be sizeable, the USD may continue to benefit from a safe-haven bid and be biased to appreciate further until the Fed's reaction function is pulled forward.
- EM local yields declined last week, with Turkey, Poland, and Brazil outperforming. South African assets were under pressure as the GNU is expected to fall and the SAGB curve bear steepened. We added duration in low-beta markets, such as Czech, India, Thailand, and Korea. In EM corporates, we modestly lowered our outlook on expectations for continued pressure over the medium term. Fundamentally, while there are few maturities and strong liquidity, there is potential for balance sheets deterioration if commodities and EMFX selloff and growth slows.

SECURITIZED PRODUCTS

- CMBS conduit spreads widened last week, with secondary AAA spreads as much as 15 bps wider, while subordinate tranches widened by as much as 75 bps on limited flows. SASB AAA spreads were 15 bps wider while subordinated tranches widened 25-50 bps. Seven primary deals priced, including one conduit, four SASB, and two agency. The SASB pipeline could see a near-term pullback, but we expect at least four conduit deals in April.
- In RMBS, non-QM AAAs through As and CRTs widened in light trading volumes following the reciprocal tariff announcement. Notably, we have not seen any forced selling. Of the seven primary deals last week, only three totaling $700M priced. Regarding tariffs, if mortgage rates continue falling, then lower rates should offer support to the housing market. However, if inflation resumes, the relief may not stick, and lower credit, subprime borrowers will be the most sensitive. We expect higher quality mortgage credit to remain resilient.
- CLO AAA primary spreads continued to lag secondary widening, but we expect primary widening to catch up in the coming weeks. In the meantime, we continue to focus on secondary opportunities. About $7.2B across 16 deals in the U.S. and €1.4B across three transactions in Europe came to market. In the U.S., six were new issues, while five were resets and five refinancing. Europe saw one new issue and two resets.
- ABS spreads widened on broader market volatility, with widening at the top of the capital stack as high as 20 bps, and as much as 50 bps in mezz classes. We expect further softening near-term. The ABS versus IG corporate basis edged to a new YTD wide of 34 bps, and we expect further expansion if volatility persists. The new issuance market was quiet last week, keeping YTD gross volume unchanged at $88B. We expect 2025 net issuance to reach $65B, 50% of 2024 net issuance.

MUNICIPALS

- Last week, munis rallied on tariffs. While M/T yield ratios were still above their 90-day averages, the 5-year, 10-year, and 30-year ratios were down -3.8%, -3.4%, and -2.0% (respectively). Overall, we expect this outperformance to quickly reverse. Despite having credit risk, municipal bond investors tend to treat the market as a rates product. Therefore, a higher probability of recession must be priced in before the correlation between munis and U.S. Treasuries breaks down. We expect to see muni rates move higher, even if a correlated move is not seen in Treasury rates. As a result, spreads will widen as M/T yield ratios remain high.
- Last week, IG spreads were only marginally wider after the April 2nd tariff announcement, while HY market spreads were +20-30 bps. On the taxable side, munis were +10-15 bps (post reciprocal tariffs). As of Monday (4/7) IG spreads were +30 bps, while HY spreads were +50 bps. Outflows last week totaled $232M, marking the 4th consecutive week of outflows (+$9.8B YTD). Notably, this included the first outflows for HY YTD. This week's calendar is ~$11.4B. Net supply is expected to remain positive with issuance outpacing reinvestment through May. The weaker technical picture should keep the market in check, even as M/T remain elevated.

THE RETURNS TABLE As of April 4, 2025

Sovereign Rates	Duration	YTM	OAS	Yield/ OAS Change (BPS) WTD	QTD	YTD	Prior Year	Total Return (%) WTD	QTD	YTD	Prior Year
U.S. 2-Year	1.89	3.66	---	-26	-23	-59	-99	0.51	0.44	2.01	5.57
U.S. 5-Year	4.48	3.73	---	-27	-24	-67	-59	1.22	1.06	4.01	6.36
U.S. 10-Year	7.87	4.01	---	-25	-21	-58	-31	2.03	1.61	5.69	6.37
U.S. 10-Year Breakeven	--	2.19	---	-17	-18	-14	-17	---	---	---	---
U.S. 10-Year TIPS	4.38	1.80	---	-8	-3	-43	-15	0.79	0.24	5.47	6.44
U.S. 20-Year	12.80	4.46	---	-21	-16	-42	-14	2.69	2.00	6.26	4.87
U.S. 30-Year	16.13	4.43	---	-22	-16	-37	-7	3.58	2.61	7.13	4.46
U.S. SOFR	---	---	---	1	-6	-14	-97	0.08	0.05	1.14	5.08
UK 10-Year	7.87	4.45	---	-25	-23	-12	43	2.05	1.86	1.75	1.75
Germany 10-Year	8.58	2.58	---	-15	-16	21	22	1.35	1.41	0.33	0.33
Switzerland 10-Year	10.03	0.43		-15	-11	16	-26	1.49	1.14	-1.00	3.74
Japan 10-Year	8.96	1.19	---	-35	-29	11	42	-2.25	-1.98	0.98	5.51
Australia 10-Year	8.61	4.22	---	-24	-17	-15	4	2.54	1.84	2.74	4.35
Canada 10-Year	8.17	2.88	---	-13	-9	-35	-67	1.14	0.76	3.71	7.07
MAJOR FI MS INDICES											
Global Aggregate Unhedged	6.64	3.47	38	4	4	3	0	1.65	1.54	4.22	4.87
Global Aggregate Hedged	6.64	3.47	38	4	4	3	0	1.10	0.94	2.12	5.97
U.S. Aggregate	6.19	4.44	39	5	4	6	1	1.12	0.88	3.69	6.39
Euro-Aggregate (Unhedged)	6.45	2.86	62	8	7	0	-2	0.60	0.66	-0.24	2.95
Japanese Aggregate	8.92	1.16	-1	-1	0	-1	-1	2.53	2.27	-0.16	-2.40
MAJOR FI CREDIT INDICES											
Mortgage-Backed (Agency)	5.81	4.76	38	3	2	-5	-9	1.20	1.02	4.11	7.01
Global IG Corporate Bonds	6.09	4.60	113	18	16	24	13	0.72	0.70	3.56	5.78
U.S. IG Corporate Bonds	7.07	5.10	109	16	15	29	19	0.55	0.33	2.65	5.96
European IG Corporate	4.53	3.30	117	23	19	15	7	-0.24	-0.08	-0.08	4.10
U.S. High Yield Bonds	3.64	8.30	427	87	80	140	115	-1.78	-1.71	-0.73	6.31
European High Yield Bonds	3.17	6.39	398	59	52	80	37	-1.53	-1.28	-0.75	6.38
U.S. Leveraged Loans	0.3	8.60	545	55	47	70	40	-1.50	-1.39	-0.78	5.40
European Leveraged Loans	0.3	7.57	517	30	23	45	13	-1.10	-1.00	-0.02	6.26
EM Hard Currency Sovs.	6.54	7.92	384	38	34	58	47	-0.85	-0.82	2.25	6.09
EM Corporates	4.34	6.83	293	30	28	52	20	-0.32	-0.33	2.09	7.55
EM Currencies	---	6.89	---	0	0	-1	-1	0.07	0.15	3.29	2.92
EM Local Rates	5.32	6.18	6	0	0	0	0	0.79	0.67	2.30	5.93
CMBS	4.06	4.72	93	7	6	13	0	0.83	0.74	3.32	7.42
ABS	2.65	4.38	61	1	0	17	7	0.59	0.51	2.05	6.51
CLOs	3.70	4.88	143	-2	0	3	-9	-0.04	-0.07	1.01	6.03
Municipal Bonds	6.19	3.71	---	-28	-23	-12	1	1.82	1.48	1.26	3.33

Equity/Volatility	Level	Total Return (%) WTD	QTD	YTD	Prior Yr
S&P 500 Index	5,074	-9.1	-9.6	-13.4	-0.1
DAX	19,863	-8.1	-6.9	3.7	12.2
Stoxx 600	305	-8.2	-6.9	-1.0	0.3
Nikkei 225	31,137	-9.0	-5.2	-14.6	-13.5
Shanghai Composite	3,097	-0.3	0.2	0.0	12.6
MSCI ACWI Index	416	-7.9	-7.6	-8.8	0.3
FTSE 100	7,738	-6.9	-6.1	-0.4	4.7
MOVE Index	126	29.8	24.0	27.2	30.8
VIX Index	48	109.3	103.4	161.2	177.1

FX/Commodities	Spot	% Change WTD	QTD	YTD	Prior Year
EUR/USD	1.1	1.2	1.3	5.8	1.1
USD/JPY	146.9	-1.9	-2.0	-6.5	-2.9
GBP/USD	1.3	-0.4	-0.2	3.0	1.9
EUR/CHF	0.9	-1.1	-1.4	0.3	-3.4
USD/CHF	0.9	-2.3	-2.7	-5.1	-4.5
USD (DXY)	103.0	-1.0	-1.1	-5.0	-1.1
Oil	77.0	-10.6	-13.3	-13.6	-28.4
Gold	3038.2	-1.5	-2.7	15.8	32.6

Past performance is not a guarantee or a reliable indicator of future results. See Notice for important disclosures and full index names. All investments involve risk, including possible loss of capital.

Sources: Bloomberg except EMD (J.P. Morgan), HY (ICE BofAML), Bank Loans (S&P), and CLOs (Palmer Square). European returns are unhedged in euros unless otherwise indicated. An investment cannot be made directly in an index

NOTICE: IMPORTANT INFORMATION

Source(s) of data (unless otherwise noted): PGIM Fixed Income as of April 2025.

For Professional Investors only. Past performance is not a guarantee or a reliable indicator of future results and an investment could lose value. All investments involve risk, including the possible loss of capital.

PGIM Fixed Income operates primarily through PGIM, Inc., a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended, and a Prudential Financial, Inc. ("PFI") company. Registration as a registered investment adviser does not imply a certain level or skill or training. PGIM Fixed Income is headquartered in Newark, New Jersey and also includes the following businesses globally: (i) the public fixed income unit within PGIM Limited, located in London; (ii) PGIM Netherlands B.V., located in Amsterdam; (iii) PGIM Japan Co., Ltd. ("PGIM Japan"), located in Tokyo; (iv) the public fixed income unit within PGIM (Hong Kong) Ltd. located in Hong Kong; and (v) the public fixed income unit within PGIM (Singapore) Pte. Ltd., located in Singapore ("PGIM Singapore"). PFI of the United States is not affiliated in any manner with Prudential plc, incorporated in the United Kingdom or with Prudential Assurance Company, a subsidiary of M&G plc, incorporated in the United Kingdom. Prudential, PGIM, their respective logos, and the Rock symbol are service marks of PFI and its related entities, registered in many jurisdictions worldwide.

These materials are for informational or educational purposes only. The information is not intended as investment advice and is not a recommendation about managing or investing assets. In providing these materials, PGIM is not acting as your fiduciary. PGIM Fixed Income as a general matter provides services to qualified institutions, financial intermediaries and institutional investors. Investors seeking information regarding their particular investment needs should contact their own financial professional.

These materials represent the views and opinions of the author(s) regarding the economic conditions, asset classes, securities, issuers or financial instruments referenced herein. Distribution of this information to any person other than the person to whom it was originally delivered and to such person's advisers is unauthorized, and any reproduction of these materials, in whole or in part, or the divulgence of any of the contents hereof, without prior consent of PGIM Fixed Income is prohibited. Certain information contained herein has been obtained from sources that PGIM Fixed Income believes to be reliable as of the date presented; however, PGIM Fixed Income cannot guarantee the accuracy of such information, assure its completeness, or warrant such information will not be changed. The information contained herein is current as of the date of issuance (or such earlier date as referenced herein) and is subject to change without notice. PGIM Fixed Income has no obligation to update any or all of such information; nor do we make any express or implied warranties or representations as to the completeness or accuracy.

Any forecasts, estimates and certain information contained herein are based upon proprietary research and should not be interpreted as investment advice, as an offer or solicitation, nor as the purchase or sale of any financial instrument. Forecasts and estimates have certain inherent limitations, and unlike an actual performance record, do not reflect actual trading, liquidity constraints, fee. These materials are not intended as an offer or solicitation with respect to the purchase or sale of any security or other financial instrument or any investment management services and should not be used as the basis for any investment decision. PGIM Fixed Income and its affiliates may make investment decisions that are inconsistent with the recommendations or views expressed herein, including for proprietary accounts of PGIM Fixed Income or its affiliates.

Investing in the **bond market** is subject to risks, including market, interest rate, issuer, credit, inflation risk, and liquidity risk. The value of most bonds and bond strategies are impacted by changes in interest rates. Bonds and bond strategies with longer durations tend to be more sensitive and volatile than those with shorter durations; bond prices generally fall as interest rates rise, and low interest rate environments increase this risk. Reductions in bond counterparty capacity may contribute to decreased market liquidity and increased price volatility. Bond investments may be worth more or less than the original cost when redeemed. **Mortgage- and asset-backed securities** may be sensitive to changes in interest rates, subject to early repayment risk, and while generally supported by a government, government agency or private guarantor, there is no assurance that the guarantor will meet its obligations. **High yield, lower-rated securities** involve greater risk than higher-rated securities; portfolios that invest in them may be subject to greater levels of credit and liquidity risk than portfolios that do not. Investing in **foreign-denominated and/or -domiciled securities** may involve heightened risk due to currency fluctuations, and economic and political risks, which may be enhanced in emerging markets. Currency rates may fluctuate significantly over short periods of time and may reduce the returns of a portfolio. **Commodities** contain heightened risk, including market, political, regulatory and natural conditions, and may not be suitable for all investors. **Diversification** does not ensure against loss.

In the **United Kingdom**, information is issued by PGIM Limited with registered office: Grand Buildings, 1-3 Strand, Trafalgar Square, London, WC2N 5HR.PGIM Limited is authorised and regulated by the Financial Conduct Authority ("FCA") of the United Kingdom (Firm Reference Number 193418). In the **European Economic Area** ("EEA"), information is issued by PGIM Netherlands B.V., an entity authorised by the Autoriteit Financiële Markten ("AFM") in the Netherlands and operating on the basis of a European passport. In certain EEA countries, information is, where permitted, presented by PGIM Limited in reliance of provisions, exemptions or licenses available to PGIM Limited including those available under temporary permission arrangements following the exit of the United Kingdom from the European Union. These materials are issued by PGIM Limited and/or PGIM Netherlands B.V. to persons who are professional clients as defined under the rules of the FCA and/or to persons who are professional clients as defined in the relevant local implementation of Directive 2014/65/EU (MiFID II). In **Switzerland,** information is issued by PGIM Limited, London, through its Representative Office in Zurich with registered office: Kappelergasse 14, CH-8001 Zurich, Switzerland. PGIM Limited, London, Representative Office in Zurich is authorised and regulated by the Swiss Financial Market Supervisory Authority FINMA and these materials are issued to persons who are professional or institutional clients within the meaning of Art.4 para 3 and 4 FinSA in Switzerland. In certain countries in **Asia-Pacific**, information is presented by PGIM (Singapore) Pte. Ltd., a regulated entity with the Monetary Authority of Singapore under a Capital Markets Services License to conduct fund management and an exempt financial adviser. In **Japan,** information is presented by PGIM Japan Co. Ltd., registered investment adviser with the Japanese Financial Services Agency. In **South Korea**, information is presented by PGIM, Inc., which is licensed to provide discretionary investment management services directly to South Korean investors. In **Hong Kong**, information is provided by PGIM (Hong Kong) Limited, a regulated entity with the Securities & Futures Commission in Hong Kong to professional investors as defined in Section 1 of Part 1 of Schedule 1 of the Securities and Futures Ordinance (Cap.571). In **Australia**, information is issued by PGIM (Australia) Pty Ltd ("PGIM Australia") for the general information of its wholesale clients (as defined in the Corporations Act 2001). PGIM Australia is an Australian financial services ("AFS") licence holder (AFS licence number 544946). In **Canada**, pursuant to the international adviser registration exemption in National Instrument 31-103, PGIM, Inc. is informing you that: (1) PGIM, Inc. is not registered in Canada and is advising you in reliance upon an exemption from the adviser registration requirement under National Instrument 31-103; (2) PGIM, Inc.'s jurisdiction of residence is New Jersey, U.S.A.; (3) there may be difficulty enforcing legal rights against PGIM, Inc. because it is resident outside of Canada and all or substantially all of its assets may be situated outside of Canada; and (4) the name and address of the agent for service of process of PGIM, Inc. in the applicable Provinces of Canada are as follows: in **Québec**: Borden Ladner Gervais LLP, 1000 de La Gauchetière Street West, Suite 900 Montréal, QC H3B 5H4; in **British Columbia**: Borden Ladner Gervais LLP, 1200 Waterfront Centre, 200 Burrard Street, Vancouver, BC V7X 1T2; in **Ontario**: Borden Ladner Gervais LLP, 22 Adelaide Street West, Suite 3400, Toronto, ON M5H 4E3; in **Nova Scotia**: Cox & Palmer, Q.C., 1100 Purdy's Wharf Tower One, 1959 Upper Water Street, P.O. Box 2380 -Stn Central RPO, Halifax, NS B3J 3E5; in **Alberta**: Borden Ladner Gervais LLP, 530 Third Avenue S.W., Calgary, AB T2P R3.

U.S. Investment Grade Corporate Bonds: Bloomberg Barclays U.S. Corporate Bond Index: The Bloomberg Barclays U.S. Investment Grade Corporate Bond Index covers U.S.D-denominated, investment-grade, fixed-rate or step up, taxable securities sold by industrial, utility and financial issuers. It includes publicly issued U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements. Securities included in the index must have at least 1 year until final maturity and be rated investment-grade (Baa3/ BBB-/BBB-) or better using the middle rating of Moody's, S&P, and Fitch.

European Investment Grade Corporate Bonds: Bloomberg Barclays European Corporate Bond Index (unhedged): The Bloomberg Barclays Euro-Aggregate: Corporates bond Index is a rules-based benchmark measuring investment grade, EUR denominated, fixed rate, and corporate only. Only bonds with a maturity of 1 year and above are eligible.

U.S. High Yield Bonds: ICE BofAML U.S. High Yield Index: The ICE BofAML U.S. High Yield Index covers US dollar denominated below investment grade corporate debt publicly issued in the US domestic market. Qualifying securities must have a below investment grade rating (based on an average of Moody's, S&P and Fitch), at least 18 months to final maturity at the time of issuance, and at least one year remaining term to final maturity as of the rebalancing date.

European High Yield Bonds: ICE BofAML European Currency High Yield Index: This data represents the ICE BofAML Euro High Yield Index value, which tracks the performance of Euro denominated below investment grade corporate debt publicly issued in the euro domestic or eurobond markets. Qualifying securities must have a below investment grade rating (based on an average of Moody's, S&P, and Fitch). Qualifying securities must have at least one year remaining term to maturity, a fixed coupon schedule, and a minimum amount outstanding of €100 M. ICE Data Indices, LLC, used with permission. ICE DATA INDICES, LLC IS LICENSING THE ICE DATA INDICES AND RELATED DATA "AS IS," MAKES NO WARRANTIES REGARDING SAME, DOES NOT GUARANTEE THE SUITABILITY, QUALITY, ACCURACY, TIMELINESS, AND/OR COMPLETENESS OF THE ICE DATA INDICES OR ANY DATA INCLUDED IN, RELATED TO, OR DERIVED THEREFROM, ASSUMES NO LIABILITY IN CONNECTION WITH THEIR USE, AND DOES NOT SPONSOR, ENDORSE, OR RECOMMEND PGIM FIXED INCOME OR ANY OF ITS PRODUCTS OR SERVICES.

U.S. Senior Secured Loans: The iBoxx USD Leveraged Loan index family represents the main sections of the USD leveraged loan market. Index constituents are derived using selection criteria such as loan type, minimum size, liquidity, credit ratings, initial spreads and minimum time to maturity.

European Senior Secured Loans: The index universe of the S&P UBS Western European Leveraged Loan Index is meant to represent assets or activity in Western Europe, and includes loans denominated in EUR, GBP, or USD.

Emerging Markets U.S.D Sovereign Debt: JP Morgan Emerging Markets Bond Index Global Diversified: The Emerging Markets Bond Index Global Diversified (EMBI Global) tracks total returns for U.S.D-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, and Eurobonds. It limits the weights of those index countries with larger debt stocks by only including specified portions of these countries' eligible current face amounts of debt outstanding. To be deemed an emerging market by the EMBI Global Diversified Index, a country must be rated Baa1/BBB+ or below by Moody's/S&P rating agencies. Information has been obtained from sources believed to be reliable, but J.P. Morgan does not warrant its completeness or accuracy. The Index is used with permission. The Index may not be copied, used, or distributed without J.P. Morgan's prior written approval.

Emerging Markets Local Debt (unhedged): JPMorgan Government Bond Index-Emerging Markets Global Diversified Index: The Government Bond Index-Emerging Markets Global Diversified Index (GBI-EM Global) tracks total returns for local currency bonds issued by emerging market governments.

Emerging Markets Corporate Bonds: JP Morgan Corporate Emerging Markets Bond Index Broad Diversified: The CEMBI tracks total returns of U.S. dollar-denominated debt instruments issued by corporate entities in Emerging Markets countries.

Emerging Markets Currencies: JP Morgan Emerging Local Markets Index Plus: The JP Morgan Emerging Local Markets Index Plus (JPM ELMI+) tracks total returns for local currency–denominated money market instruments.

Municipal Bonds: Bloomberg Barclays Municipal Bond Indices: The index covers the U.S.D-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds. The bonds must be fixed-rate or step ups, have a dated date after Dec. 13, 1990, and must be at least 1 year from their maturity date. Non-credit enhanced bonds (municipal debt without a guarantee) must be rated investment grade (Baa3/BBB-/BBB- or better) by the middle rating of Moody's, S&P, and Fitch.

U.S. Treasury Bonds: Bloomberg Barclays U.S. Treasury Bond Index: The Bloomberg Barclays U.S. Treasury Index measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury. Treasury bills are excluded by the maturity constraint but are part of a separate Short Treasury Index.

Mortgage Backed Securities: Bloomberg Barclays U.S. MBS - Agency Fixed Rate Index: The Bloomberg Barclays U.S. Mortgage Backed Securities (MBS) Index tracks agency mortgage backed pass-through securities (both fixed-rate and hybrid ARM) guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The index is constructed by grouping individual TBA-deliverable MBS pools into aggregates or generics based on program, coupon and vintage.

Commercial Mortgage-Backed Securities: Bloomberg Barclays CMBS: ERISA Eligible Index: The index measures the performance of investment-grade commercial mortgage-backed securities, which are classes of securities that represent interests in pools of commercial mortgages. The index includes only CMBS that are Employee Retirement Income Security Act of 1974, which will deem ERISA eligible the certificates with the first priority of principal repayment, as long as certain conditions are met, including the requirement that the certificates be rated in one of the three highest rating categories by Fitch, Inc., Moody's Investors Services or Standard & Poor's.

Palmer Square AAA CLO DM Index represents the discount margin of CLO AAA rated tranches in the Palmer Square CLO Senior Index, which is designed to reflect the investable universe of U.S CLO senior original rated AAA and AA debt issued after Jan 1, 2011.

Global Aggregate Bond Index is a measure of global investment grade debt from twenty four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

U.S. Aggregate Bond Index: Bloomberg Barclays U.S. Aggregate Bond Index: The Bloomberg Barclays U.S. Aggregate Index covers the U.S.D-denominated, investment-grade, fixed-rate or step up, taxable bond market of SEC-registered securities and includes bonds from the Treasury, Government-Related, Corporate, MBS (agency fixed-rate and hybrid ARM passthroughs), ABS, and CMBS sectors. Securities included in the index must have at least 1 year until final maturity and be rated investment-grade (Baa3/ BBB-/BBB-) or better using the middle rating of Moody's, S&P, and Fitch.

Euro Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, euro-denominated, fixed rate bond market, including treasuries, government-related, corporate and securitized issues. Inclusion is based on currency denomination of a bond and not country of risk of the issuer.

Japanese Aggregate Bond Index The Japanese Aggregate Index contains fixed-rate investment-grade securities denominated in Japanese yen and registered as domestic bonds. The index is composed primarily of local currency sovereign debt but also includes government-related, corporate, and securitized bonds.

The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities. There is over U.S.D 9.9 trillion indexed or benchmarked to the index, with indexed assets comprising approximately U.S.D 3.4 trillion of this total. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

The DAX Index is a total return index of 30 selected German blue chip stocks traded on the Frankfurt Stock Exchange. The equities use free float shares in the index calculation. The DAX has a base value of 1,000 as of December 31, 1987. As of June 18, 1999 only XETRA equity prices are used to calculate all DAX indices.

The STOXX 600 Index is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 17 countries of the European region.

The Nikkei 225 Index is a price-weighted average of 225 top-rated Japanese companies listed in the First Section of the Tokyo Stock Exchange. The Nikkei Stock Average was first published on May 16, 1949.

Shanghai Composite Index is a capitalization-weighted index. The index tracks the daily price performance of all A-shares and B-shares listed on the Shanghai Stock Exchange. The index was developed on December 19, 1990.

MSCI ACWI is a free-float weighted equity index. It was developed with a base value of 100 as of December 31 1987. MXWD includes both emerging and developed world markets.

FTSE 100 is a capitalization-weighted index of the 100 most highly capitalized companies traded on the London Stock Exchange. The equities use an investibility weighting in the index calculation. The index was developed with a base level of 1000 as of December 30, 1983.

MOVE Index is a yield curve weighted index of the normalized implied volatility on 1-month Treasury options. It is the weighted average of volatilities on the CT2, CT5, CT10, and CT30. (weighted average of 1m2y, 1m5y, 1m10y and 1m30y Treasury implied vols with weights 0.2/0.2/0.4/0.2, respectively).

VIX Index is a financial benchmark designed to be an up-to-the-minute market estimate of the expected volatility of the S&P 500® Index, and is calculated by using the midpoint of real-time S&P 500 Index (SPX) option bid/ask quotes.

Bloomberg Commodity Index Bloomberg Commodity Index (BCOM) is calculated on an excess return basis and reflects commodity futures price movements. The index rebalances annually weighted 2/3 by trading volume and 1/3 by world production and weight-caps are applied at the commodity, sector and group level for diversification. Roll period typically occurs from 6th-10th business day based on the roll schedule.

The U.S. Dollar Index indicates the general international value of the USD. The USDX does this by averaging the exchange rates between the USD and major world currencies. The ICE US computes this by using the rates supplied by some 500 banks.

2025-3190