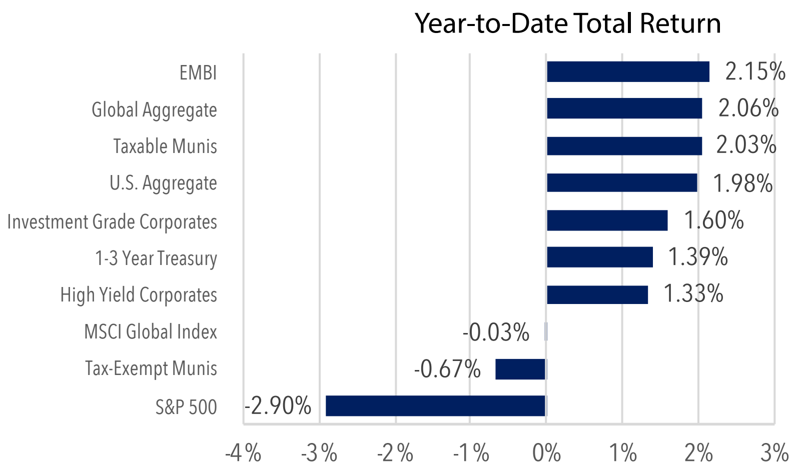
Week Ending: **March 28, 2025**

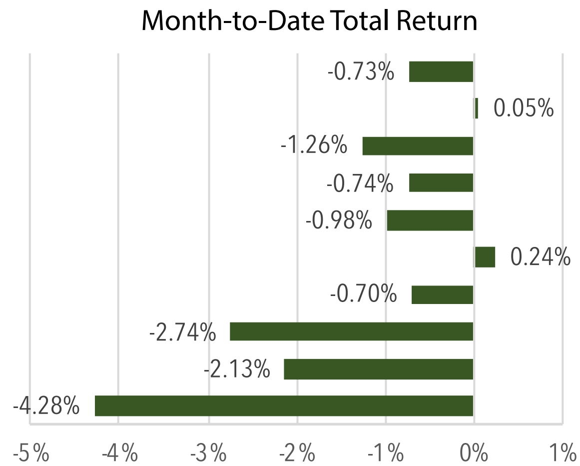
Actions Speak Louder Than Words

Economic Overview:

This week, the Conference Board's consumer confidence survey for March fell to its lowest since 2021. Following a string of weak survey-based indicators in recent weeks, the fall in consumer confidence inflamed fears that the U.S. consumer would pull back on spending. However, we'd caution against using survey-based or "soft" data to forecast spending. First, factors other than the ability to spend may be weighing on the consumer psyche, like political concerns. Second, the relationship between changes in consumer confidence and actual consumer spending is weak. Even when consumer confidence takes a hit, roughly 60% of the time, we still observe a healthy pace of spending growth (>2% year-over-year). The February Personal Income and Outlays report, also out this week, illustrates the case: real consumer spending is up 2.7% compared to a year ago despite a 10% drop in consumer confidence since the start of the year. As the adage goes, actions speak louder than words, so watch what the consumer does, not what the consumer says, when assessing recession risk.

Total Returns by Asset Class





Source: Bloomberg

Highlights of the Week:

High Yield: Earlier this month, the rolling 20-day standard deviation of high yield spreads surpassed 20% for only the second time since November 2023. Mixed economic signals will likely result in spread volatility remaining elevated throughout this year, creating opportunities for active managers.

Corporates: Another bustling week for IG Corporates, with $41 billion coming to market despite no deals on Thursday and the auto tariff announcements this Wednesday. With one more trading day left in March, a busy Monday would mean the first month this year to reach the $200 billion mark. Street expectations for April range from $90-125 billion.

Municipals: The municipal market experienced fund outflows for a third consecutive week. LSEG Lipper reported $573 million of outflows, driven primarily by $323 million taken out of mutual funds.

Equities: The U.S. equity market ended the week lower on increased tariff uncertainties, disappointing economic data, and lackluster corporate earnings results. Sector leadership was mixed with technology, communications, and industrials, leading markets lower, while consumer staples, energy, and consumer discretionary were up by more than +0.5%.

Securitized Products: Collateralized Loan Obligation (CLO) spreads stabilized this week despite increased secondary selling. The primary market remains active. Spreads moved 20-40 basis points wider in March, with lower-quality CLOs underperforming. Month-to-date, CLO returns have been mixed, with AAA-A returns slightly positive and BBB-BB returns modestly negative.