

# FORTITUDE FOCUS



Investment Department

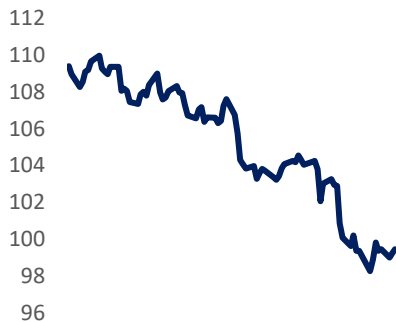
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## THE STORY

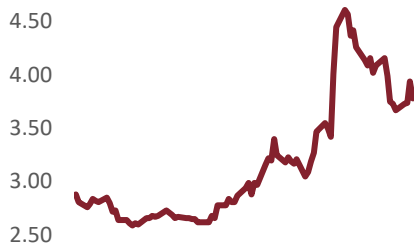
### 10Y Treasury's Volatile April:



### Dollar Index YTD:



### HY Credit Spreads YTD:



\*Sources: Daily 10Y Treasury rate data pulled from St. Louis FRED for April 2025. Daily US Dollar Index data pulled from Morningstar Direct and HY credit spread data based on ICE BofA US High Yield Index Option-Adjusted Spread index from St. Louis FRED. Both YTD charts are based on data from 1/1/2025 to 4/30/2025.

## CREDIT DISORDER:

The recent escalation of trade tensions, spurred by Trump's latest tariff proposals, has injected significant volatility into global debt markets. As investors navigate the heightened uncertainty, ripple effects are being felt across key pillars of fixed income.

For instance, US Treasury markets, traditionally considered a safe haven in hectic times, showed worrying signs of distress in the depths of April's crash as longer dated securities swung violently under the threat of increased term premiums. While a major financial crunch was avoided, these sharp movements may be symptomatic of broader concerns around US credit.

On top of this, the dollar has weakened, similarly marking a shift from its usual role as a stabilizer during periods of global risk aversion and reflecting a broader reassessment of the valuation premium assigned to US assets. For international debt investors, this could mean currency headwinds will lead to

less predictable real returns on US dollar denominated assets.

Finally, credit markets are also showing signs of fear. Credit spreads, especially in high-yield debt, have widened significantly as markets price in an increased risk of an economic slowdown. With rising recession fears and corporate earnings pressures, investors are now demanding more compensation (higher yields) to hold riskier debts.

The multiplicative effects of these moves have sent shockwaves through debt markets around the world as shaky prices mirror investors' struggle for clarity in a blurry, fast-changing environment

In times of such rapid change, a well-diversified portfolio is more critical than ever. A thoughtful, adaptable approach is essential for navigating an evolving global debt environment, ensuring that risk is managed, and opportunities aren't missed.



## UPCOMING EVENTS

FOMC Meeting – 5/7

CPI Report – 5/13

Memorial Day – 5/26

**“Credit means that a certain confidence is given, and a certain confidence is necessary.”**

- Walter Bagehot



# WHAT HAPPENED?

**Trump’s ‘Liberation Day’ Tariffs Trigger Global Trade Turmoil:** Following the first wave of tariffs imposed on “Liberation Day”, China responded with increasingly severe retaliatory measures. The escalating trade conflict has fueled ongoing uncertainty in global markets as firms try to navigate a potential reshaping of the trade system ([WSJ](#)).

**China Halts Boeing Jet Deliveries Over U.S. Tariffs:** China has suspended Boeing jet deliveries in response to new U.S. tariffs. The move escalates trade tensions and affects around 10 Boeing 737 Max aircraft. ([CBS](#)).

**Power Outage Hits Spain & Portugal, Causing Major Disruptions:** A massive blackout on April 28th disrupted transport and services across both Spain & Portugal. Officials are investigating the sudden power loss, possibly linked to a failure in the grid connection with France ([Reuters](#)).

**UK to Nationalize Steel Plant:** The UK Parliament passed emergency legislation granting the government authority to take control of British Steel’s Scunthorpe plant. They aim to prevent its closure amid significant financial losses while citing national security concerns ([BBC](#)).



## EQUITIES DIVERGED

US equity markets fell in April with the S&P 500 down **-0.7%**. On the other hand, global ex-US equity markets rallied with the MSCI World ex-US Index up **4.7%** primarily due to dollar weakness.

	MONTH*	YTD*
US Large	-0.7%	-4.9%
US Mid	-2.2%	-8.2%
US Small	-4.2%	-12.7%
Global ex-US	4.7%	10.7%
Int’l Dev	4.6%	11.8%
Emerging	1.3%	4.3%



## FIXED INCOME MIXED

Fixed income markets were mixed in April as debt markets digested the impacts of a global rebalancing away from US assets and its hazy effects on inflation, term premiums, and currencies worldwide.

	MONTH*	YTD*
Ultra-Short	0.3%	1.4%
Short	0.8%	2.4%
Core	0.4%	3.2%
Long	-1.4%	3.3%
High Yield	0.0%	1.0%
US TIPS	0.1%	4.3%
Intl Bonds	2.9%	5.7%
EM Bonds	-0.3%	2.4%



## ALTERNATIVES VARIED

Store of value alternatives rose amidst heightened geopolitical & trade uncertainty while liquid alternatives struggled to navigate violent market swings driven by largely unpredictable headline risks.

	MONTH*	YTD*
Gold	5.7%	25.0%
Merger Arbitrage	1.4%	4.1%
Infrastructure	2.5%	11.6%
Direct Lending	0.4%	2.6%
Hedge Funds*	-0.3%	-0.3%
Managed Futures	-11.5%	-9.8%

Due to reporting lags, some data represents the latest return as of the month prior to this period.

\*Sources: Each asset class is represented by a corresponding index or fund as of each report’s month-end date. The associated indexes can be found below. This has been provided for informational purposes only, and reflects the current opinion of the author, which is subject to change without notice, as are statements of financial trends, which are based on current conditions.



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Reference Above	Benchmark Index	Reference Above	Benchmark Index
US Large	S&P 500 Index	Hedge Funds	Eurekahedge Hedge Fund NR Index
US Mid	S&P 400 Index	Managed Futures	Credit Suisse Mgd Futures Liquid TR
US Small	S&P 600 Index	Ultra-Short	Bloomberg US Treasury Flt Rate Index
Global ex-USA	MSCI World ex-USA All Cap NR Index	Short	ICE US Treasury 1-3Y Bond Index
Intl Dev	MSCI EAFE NR USD Index	Core	Bloomberg Aggregate Bond Index
Emerging	MSCI EM NR US Index	Long-Term	ICE US Treasury +20Y Bond Index
Gold	S&P GSCI Gold TR	High Yield	Bloomberg US Corporate HY Index
Merger Arbitrage	IQ Hedge Merger Arb TR USD Index	US TIPS	ICE US Treasury Inflation Linked Index
Infrastr (Infrastructure)	MSCI ACWI Infrastructure NR Index	Intl Bonds	Bloomberg Global Agg ex-USD Index
Direct Lending	Cliffwater Corporate Lending I	EM Bonds	Morningstar EM BD GR Index