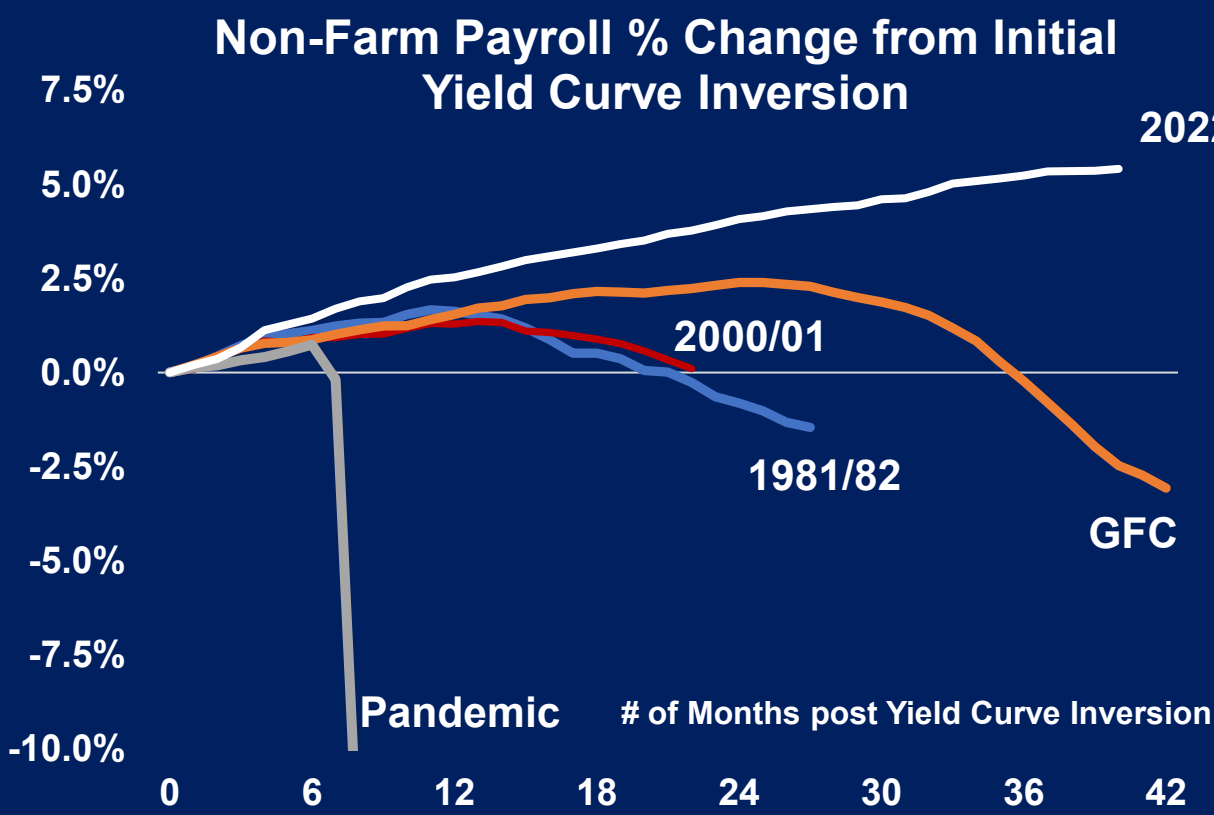


Rubrics Fixed Income Macro View

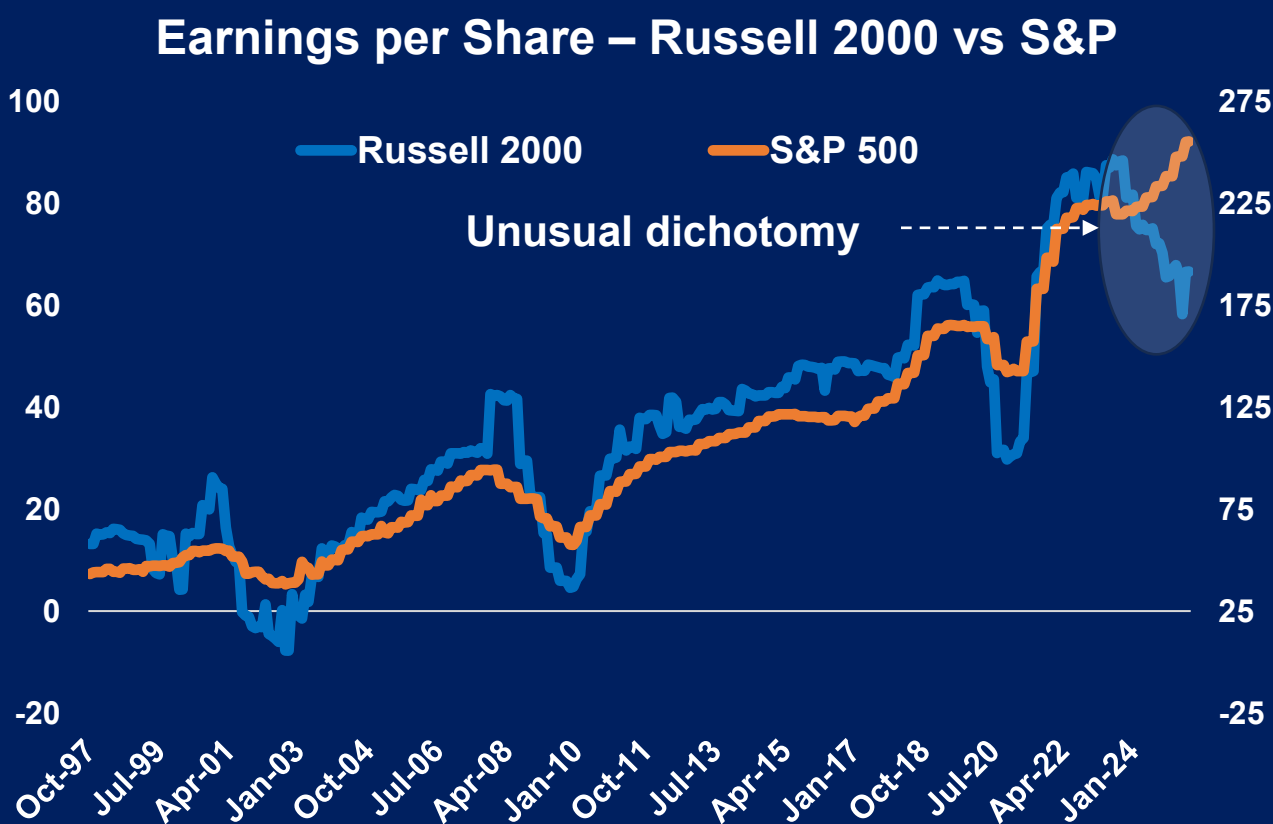
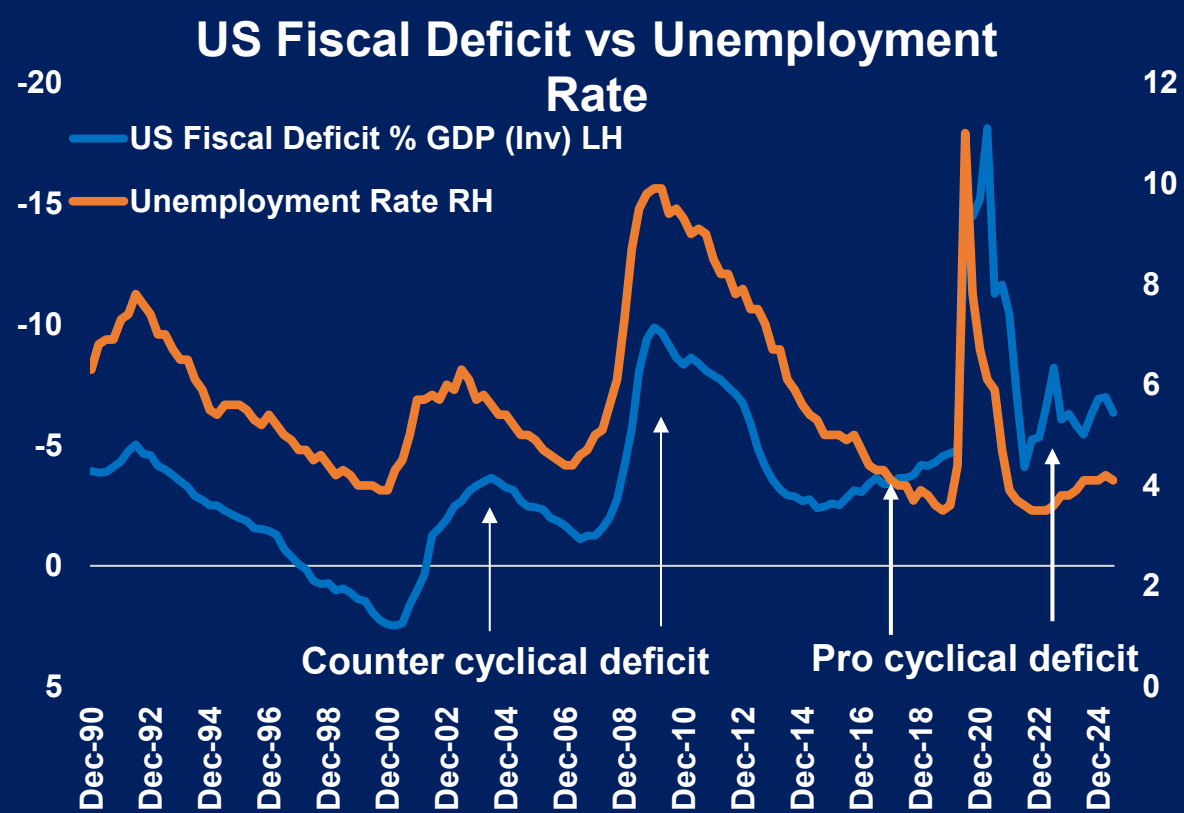
17 March 2025

The Cycle that Won't Die

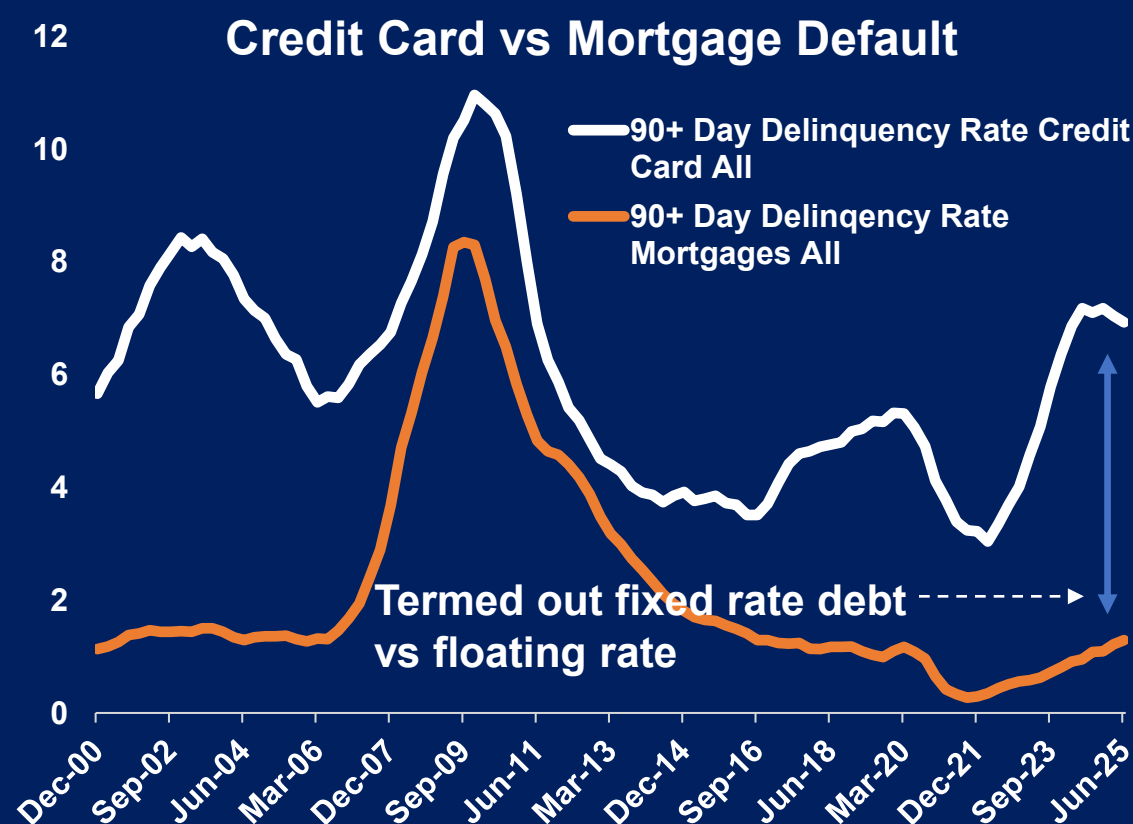
The US economy is in the longest period of expansion post yield curve inversion (38 months) on record. While the weight of higher interest rates has been a major burden for certain cohorts, aggregate growth has continued owing to the unprecedented levels of government spending, immigration and combined fiscal and monetary support. The dichotomy that has emerged between the economic haves and have nots is evident in the notable earnings disparity between S&P 500 companies and those of the Russell 2000, or the delinquency rates or fixed rate mortgages (asset owners) vs floating rate credit cards (weaker borrowers). Problems however appear to be working their way up the food chain.



Source: Bloomberg as at 30/06/25



Source: Bloomberg as at 30/06/25



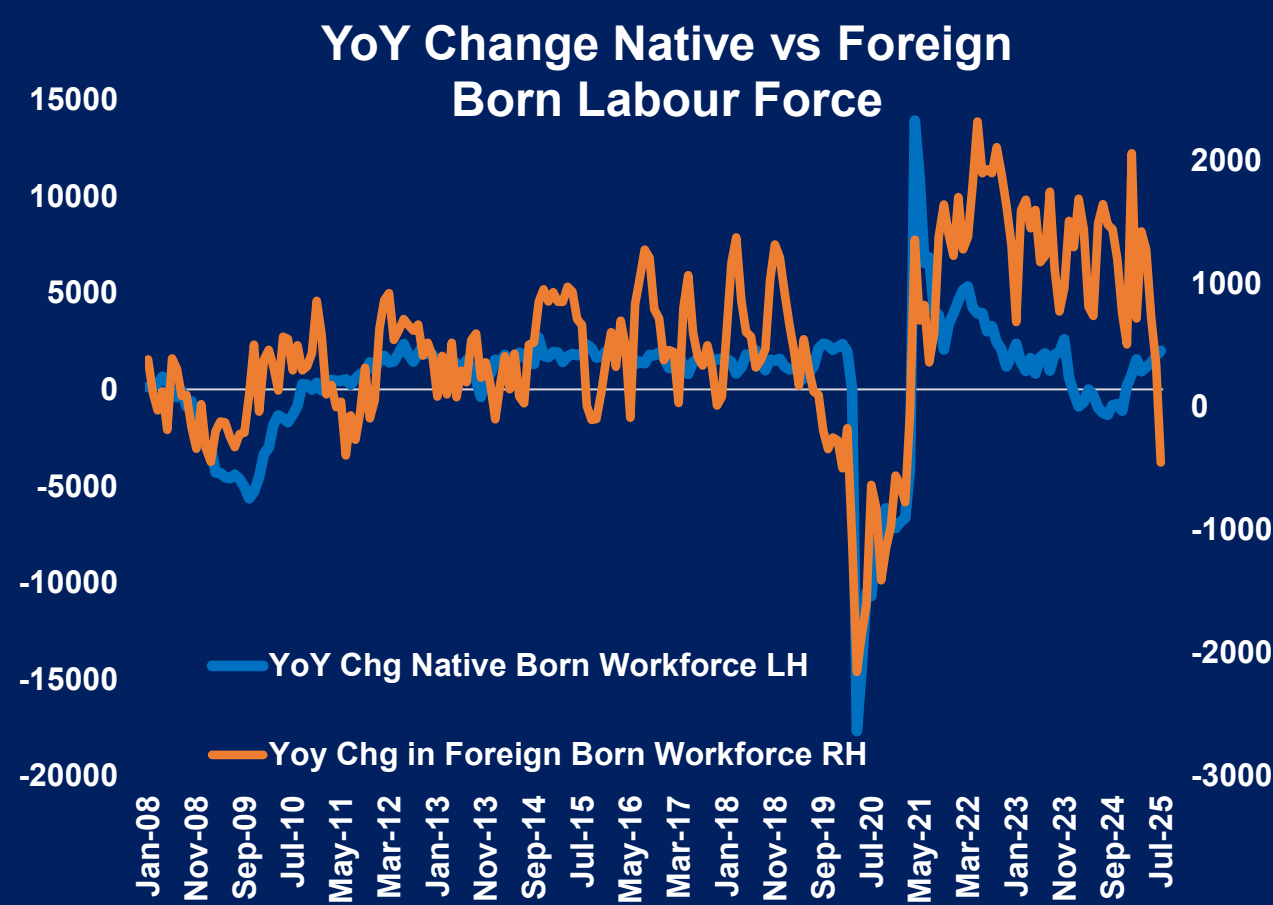
Source: Bloomberg as at 30/06/25

Rubrics Fixed Income Macro View

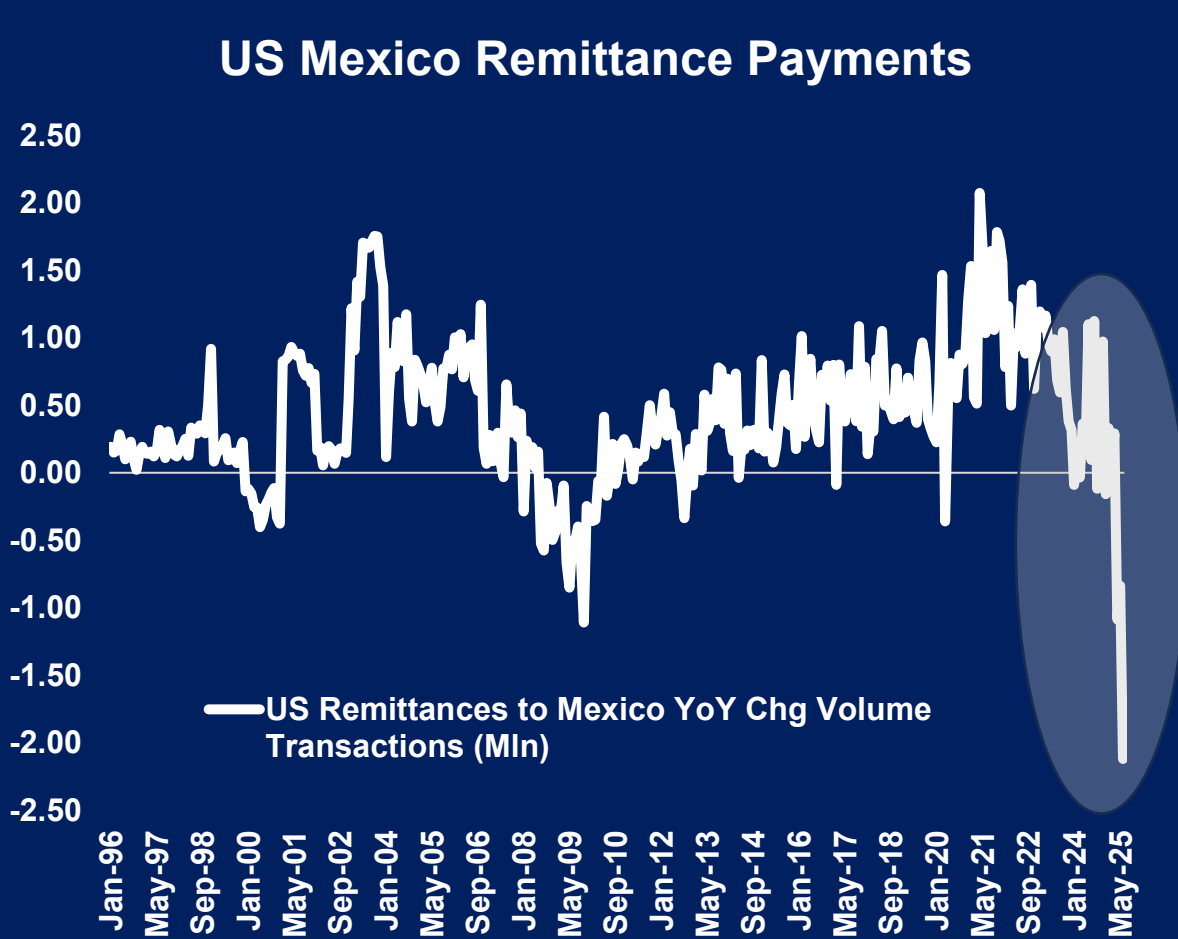
17th March 2025

Is Trump Killing It?

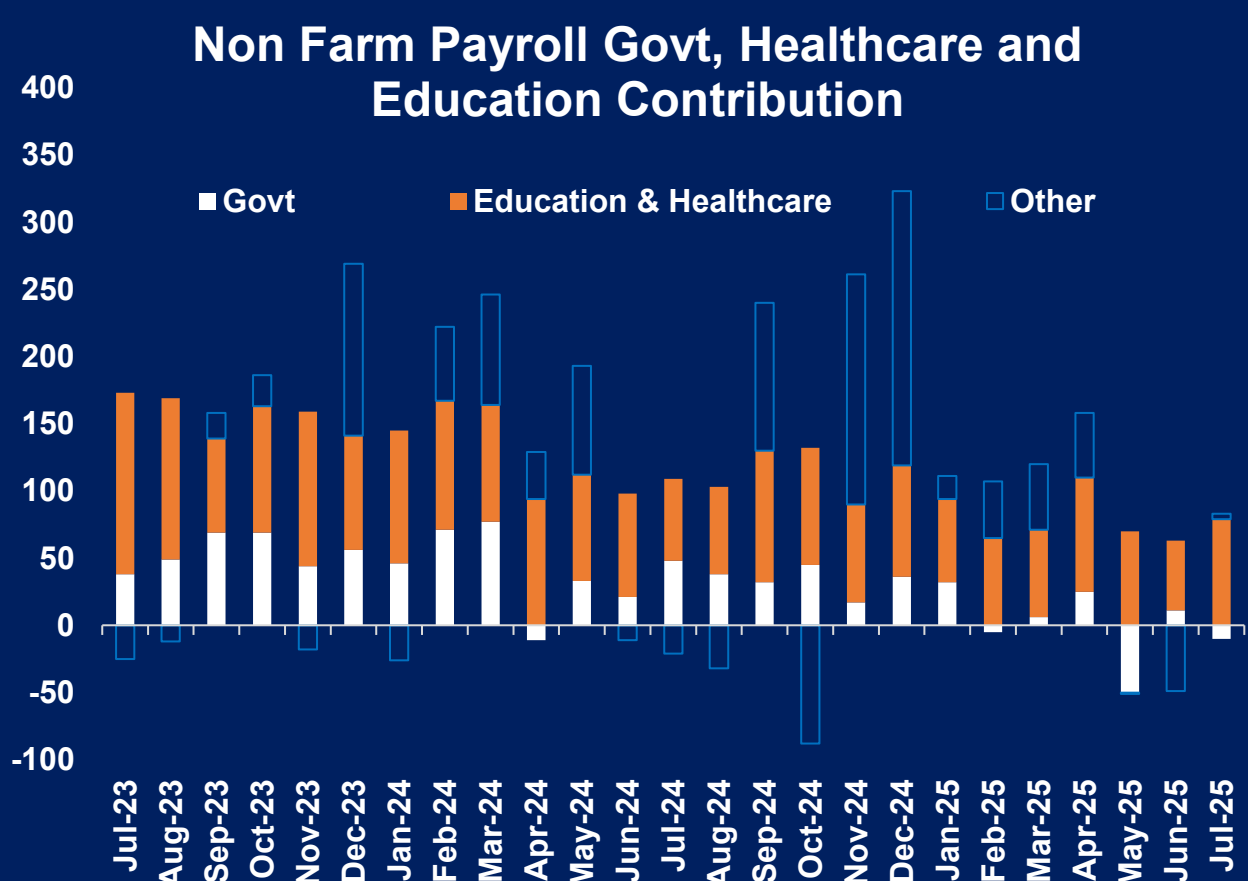
The US labour market has been running on fumes for the last couple of years reliant on a) foreign born workers to fill the post COVID void and b) government, healthcare & education as the primary employers in the economy. It is clear from the data that foreign born workers have been leaving in large numbers post the Trump election, while DOGE related job cuts continue impact employment at a government level. Perhaps most tellingly, the ‘golden goose’ of healthcare and education may too be under threat from impending cuts to Medicare. Combined these factors can lead to a meaningful rise in unemployment.



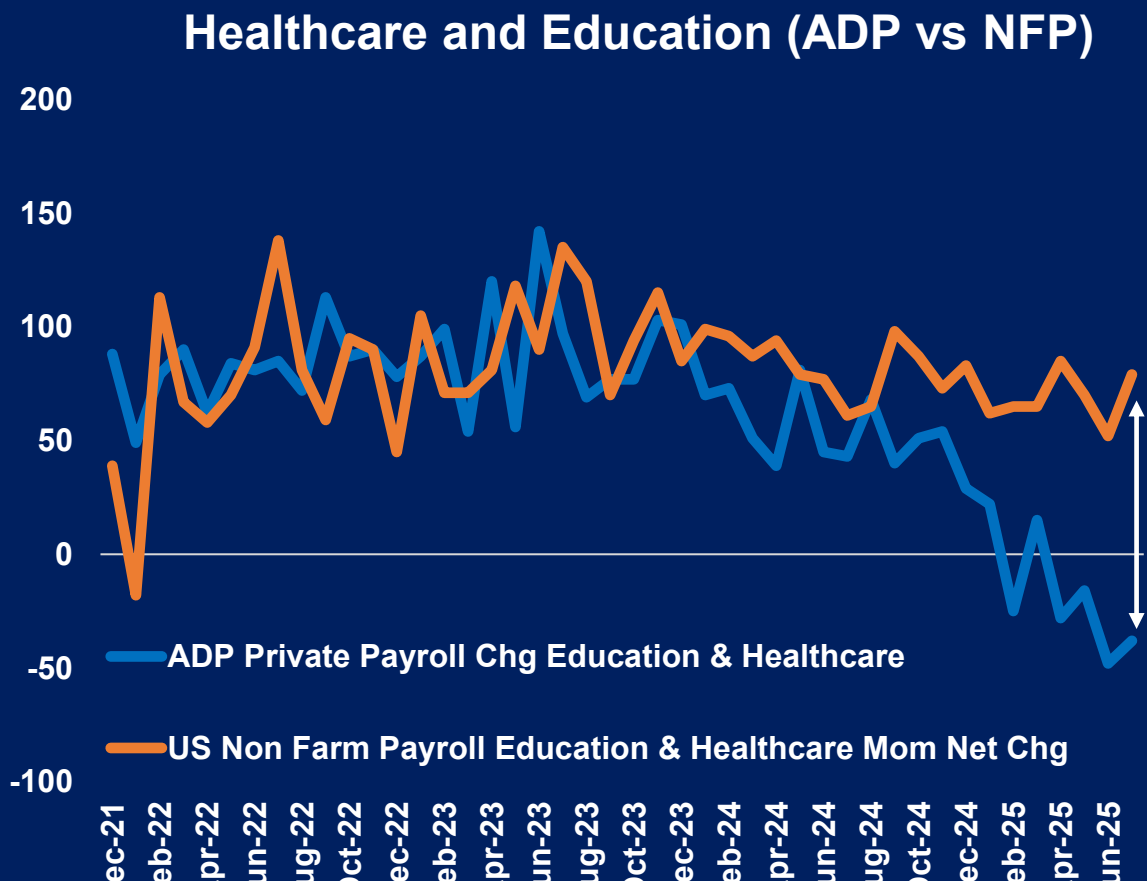
Source: Bloomberg as at 31/07/25



Source: Banxico as at 30/06/25



Source: Bloomberg as at 31/07/25



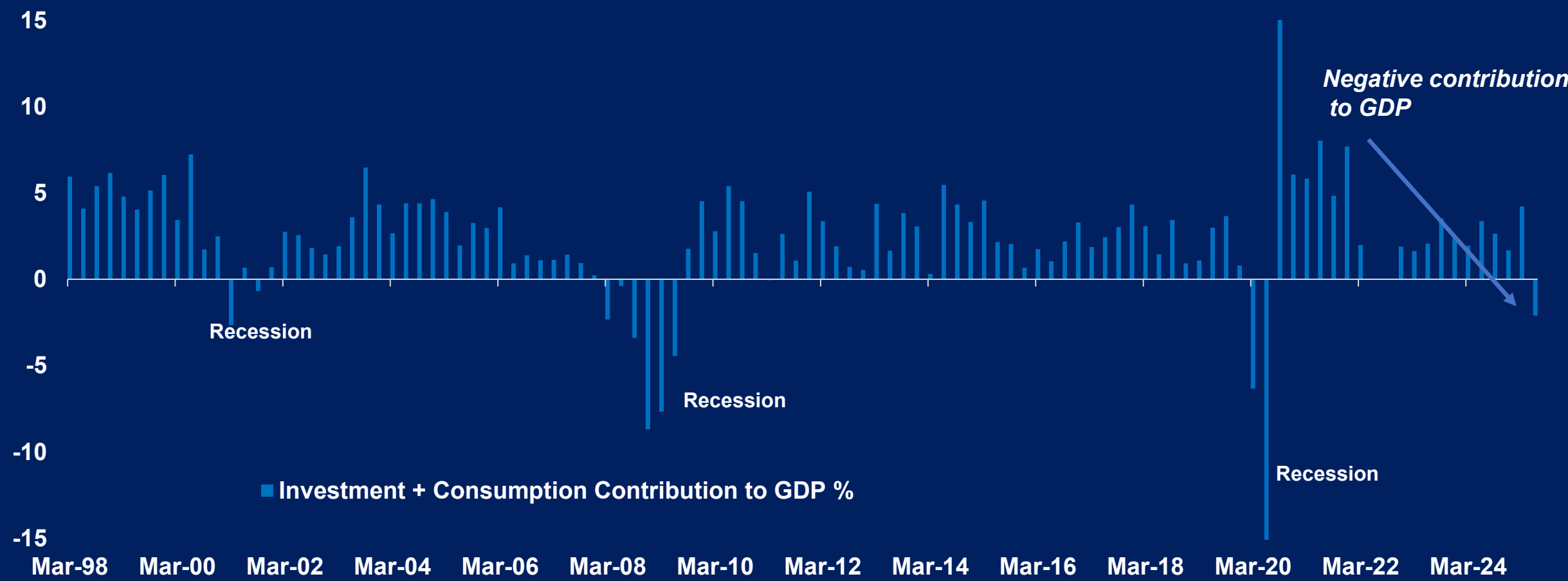
Source: Bloomberg as at 31/07/25



Weak Underbelly Exposed

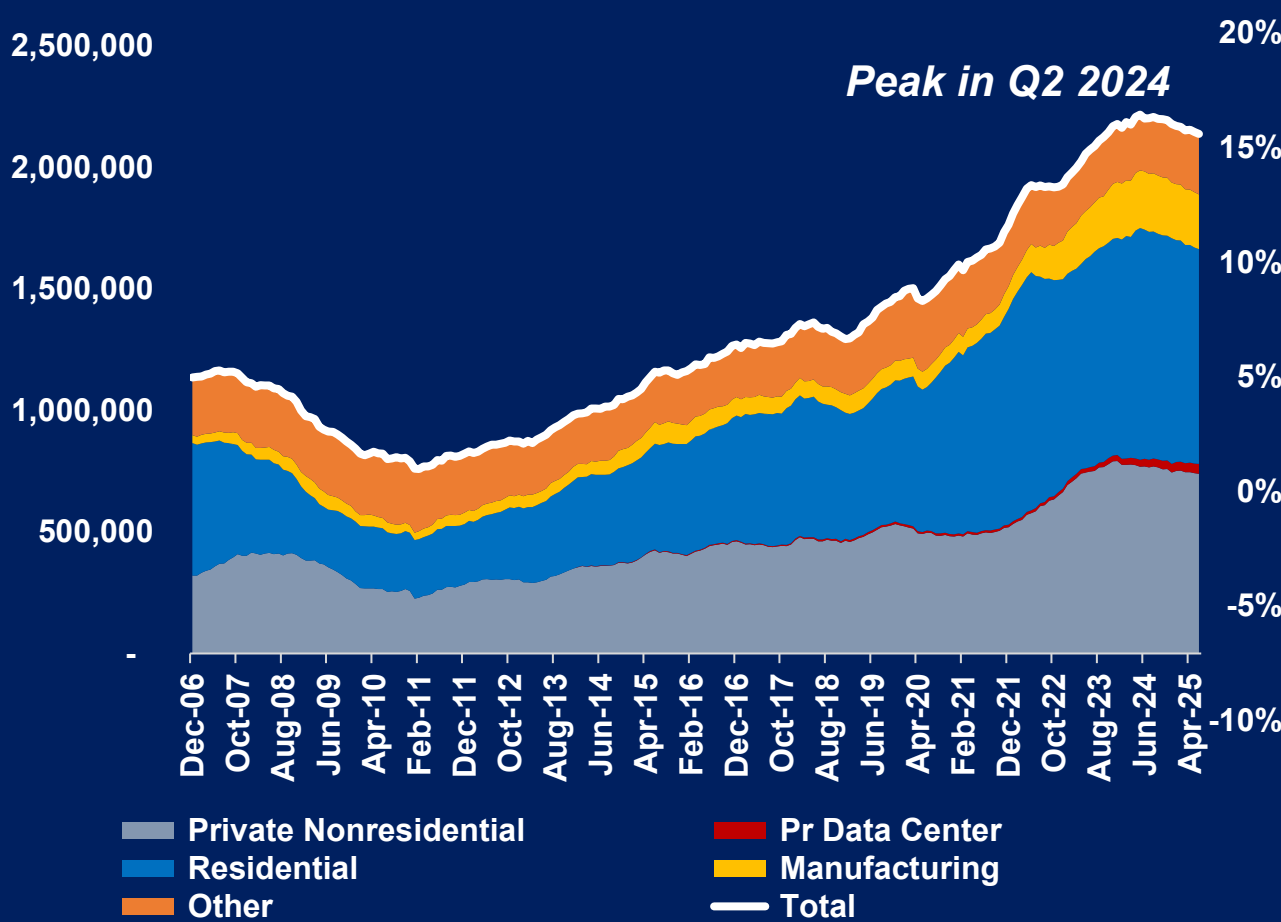
As we have maintained for some time, Trump’s economic inheritance was not as strong as the headline numbers would suggest. While policy enacted by the current administration has not helped, evidence of a cyclical slowdown was already apparent. With investment in certain parts of the economy having stalled for several months now (e.g Non-Residential Investment), the spillover into consumption may be underway.

Consumption + Investment Decline



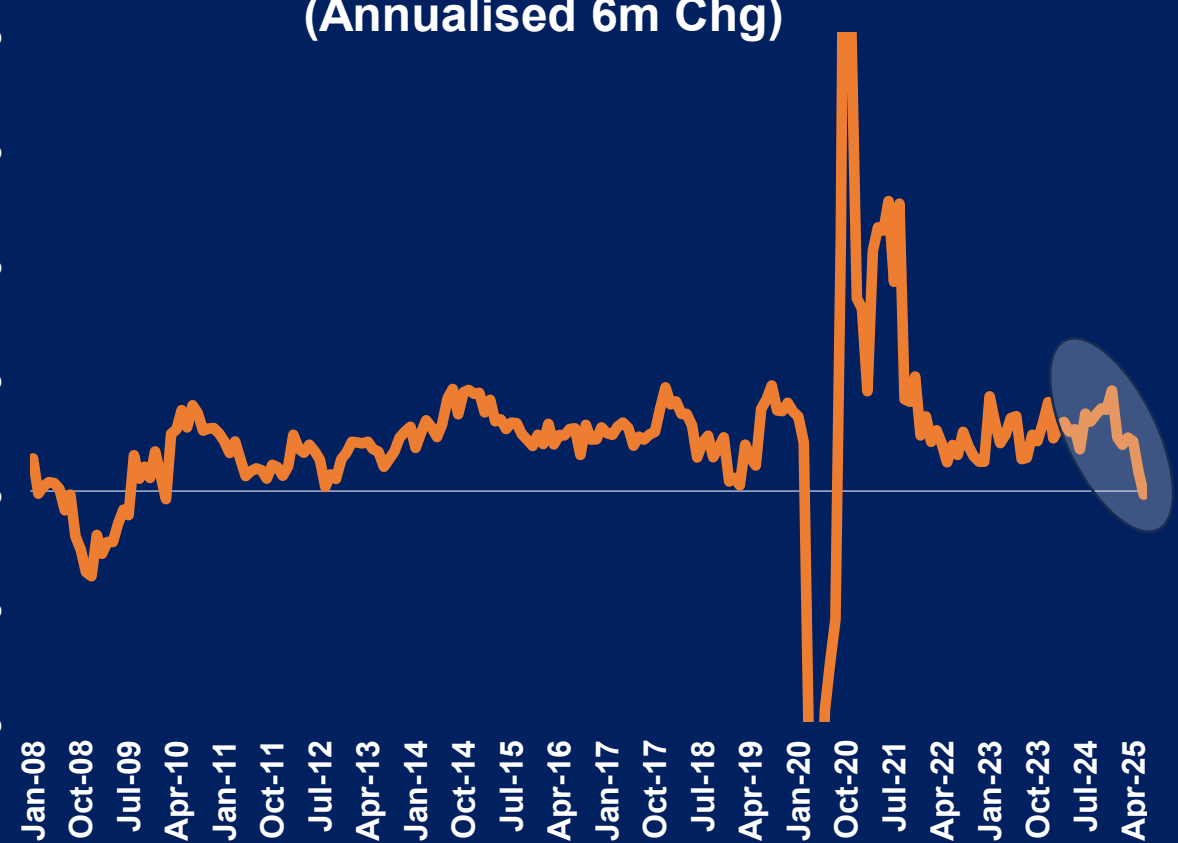
Source: Bloomberg as at 30/06/25

US Construction Spending Slowdown



Source: Bloomberg as at 30/06/25

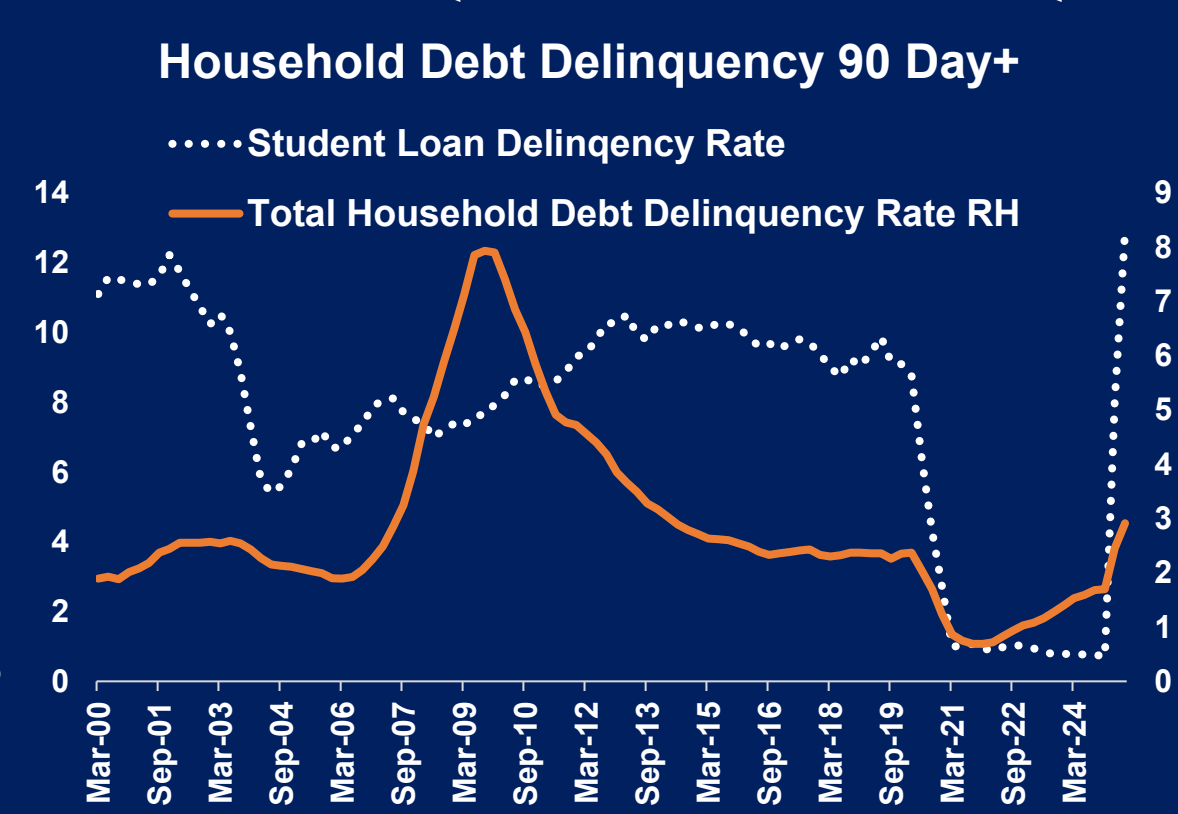
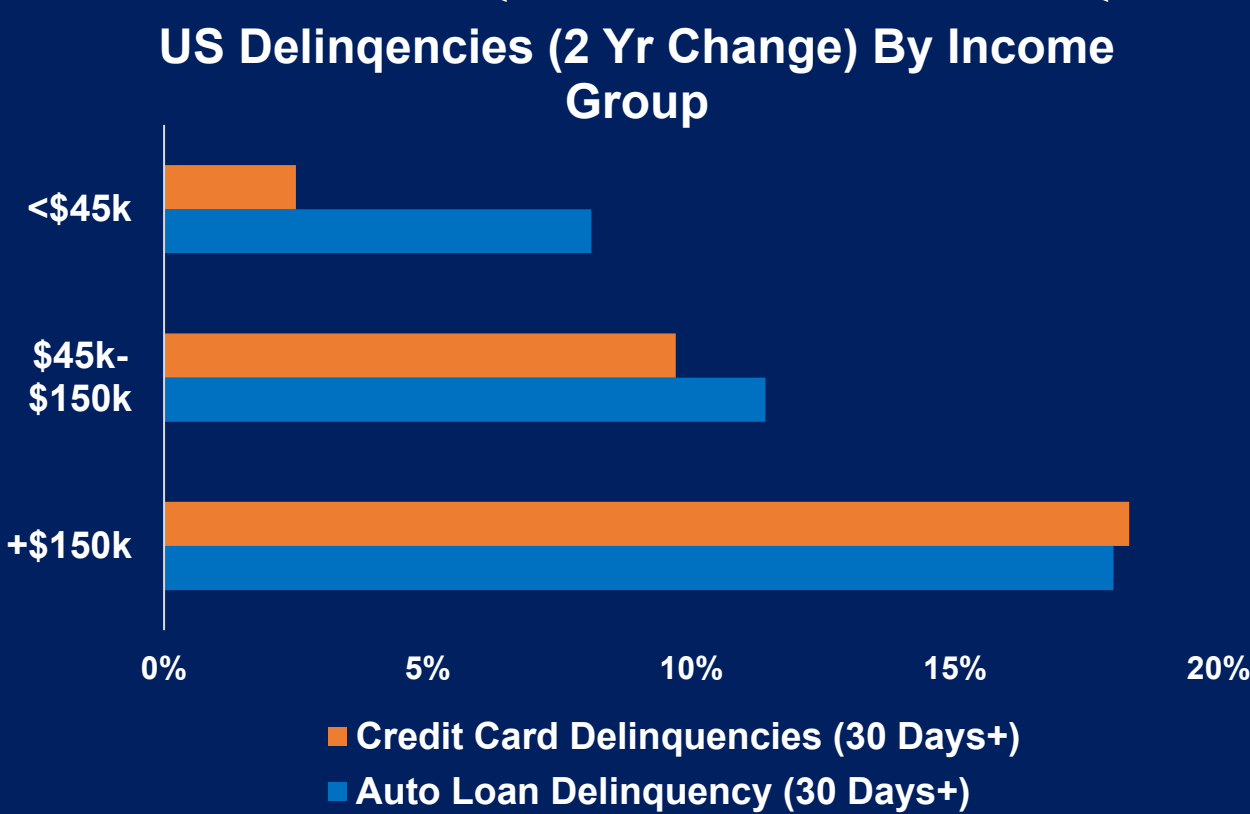
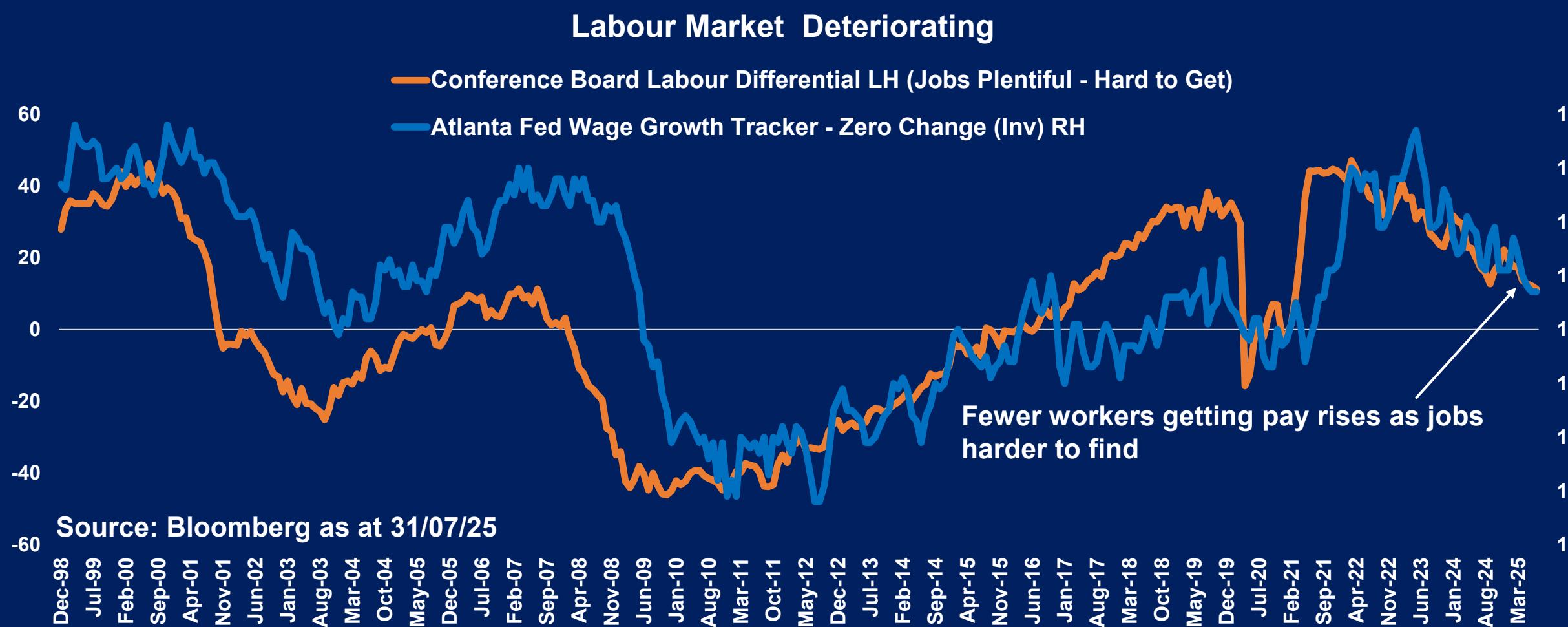
US PCE Chained Dollars (Annualised 6m Chg)



Source: Bloomberg as at 30/06/25

Financial Stress Broadening

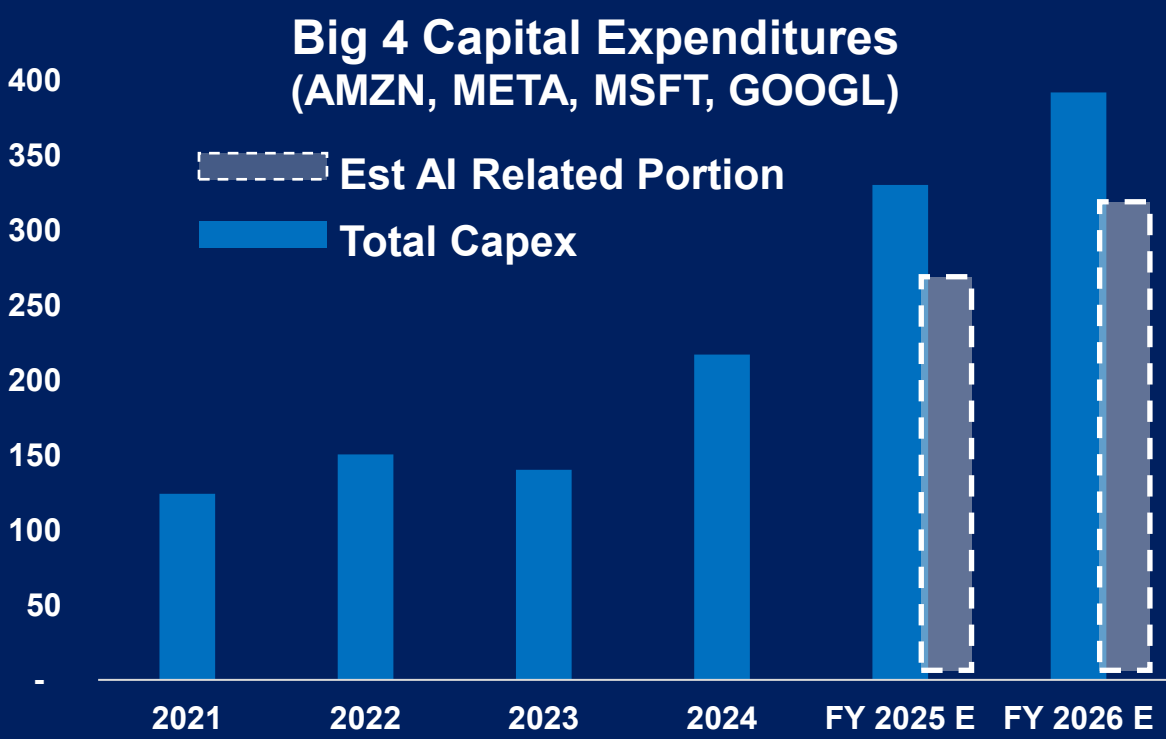
Despite near record lows in unemployment, a slowdown in the labour market has been evident for a couple of years. Jobs are a lot harder to gain today versus the last couple of years while for those in work the likelihood of a pay increase continue to decline. Set against a backdrop of higher rates and overall prices, it is no surprise that delinquencies are continuing to climb – and not just at the low end. The biggest increase in credit card and auto delinquencies over the past 2 years has occurred in higher income brackets (+\$150k). Additionally, the renewed requirement to repay student debt is likely impacting repayment of other forms of debt.



Can AI Save Us?

Forecasts regarding the potential impact of AI on GDP are wide ranging – some as high as 1% p.a. for next 10 years¹ others as low as 1% in total.² The difference in opinion lies in the ability of AI to move from automating basic tasks to more complex/high value add ones (without displacing too many workers). Investment in AI has been a standout area over the past 18 months with just 4 companies slated to spend ~\$300bln this year. Big Tech has thus far been able to take the financial strain but for how much longer before serious questions will be raised over revenue generating capacity? With Mark Zuckerberg intimating ‘Gen AI’ won’t be a revenue generator for at least a few years, how likely is it that growth and productivity gains will be enough to offset a slowdown elsewhere?

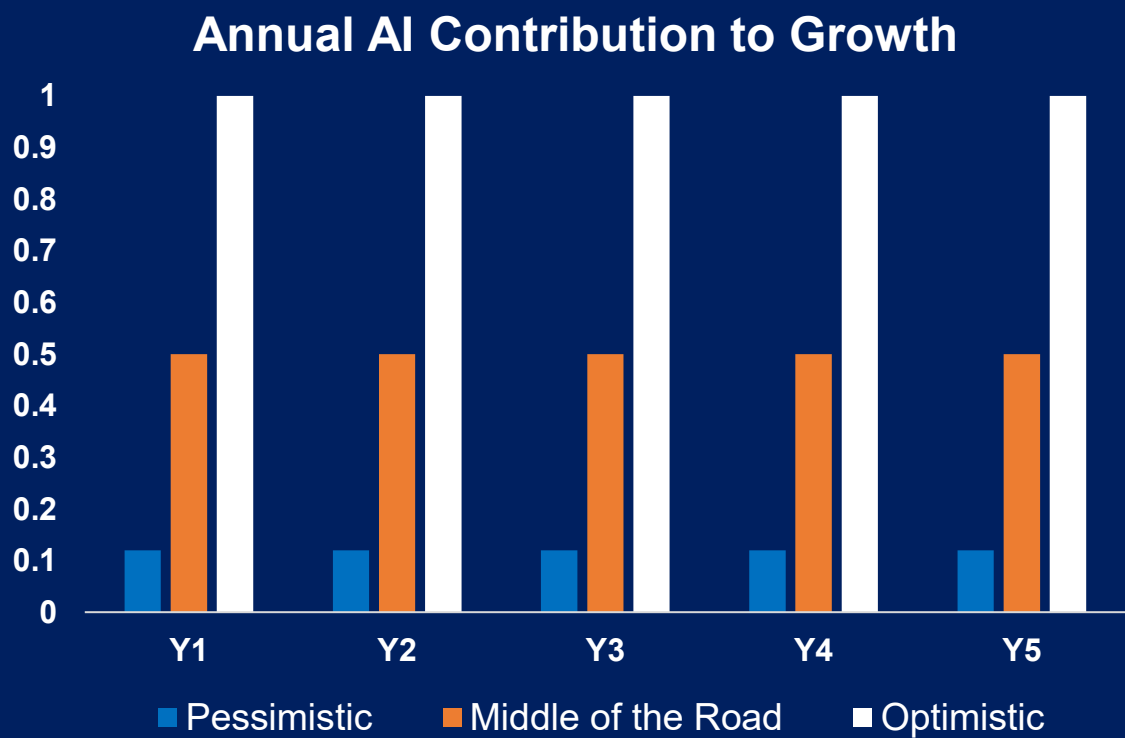
1. [PwC Value in Motion | PwC](#) 2. [The Simple Macroeconomics of AI | NBER](#)



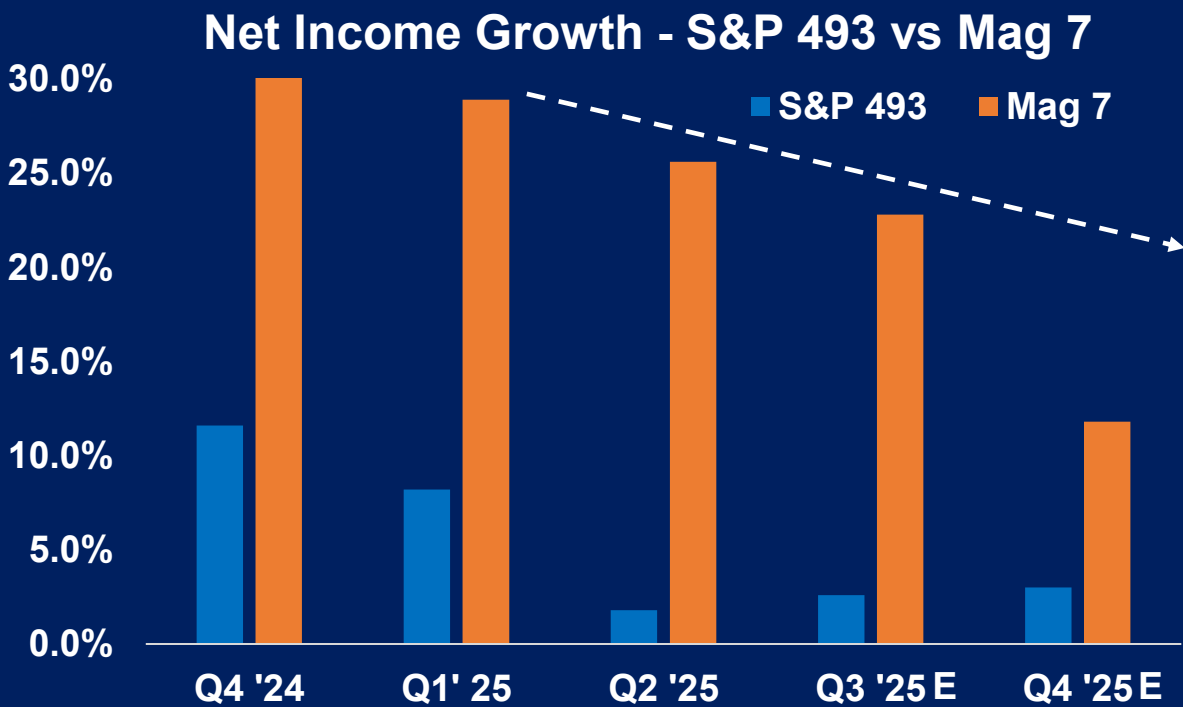
Source: Bloomberg as at 31/07/25



Source: Bloomberg as at 31/07/25



Source: Rubrics AM as at 31/07/25



Source: BofA as at 30/06/25



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