

October 2024
Trade Rationale

State Street Quarterly Asset Allocation ETF Portfolios


State of the Market Regime Indicator (MRI)

▼ Current
- - - Previous
MRI plotted as an estimate.




Key Takeaways

- Our Market Regime Indicator (MRI) has marginally improved since last month. However, the MRI still indicates a slightly elevated level of risk aversion, which can be a headwind for risk assets.
- The announcement of stimulus in China, solid service sector activity, stronger US jobs reports, and the first Fed rate cut have supported investors' outlook.
- On the other hand, elevated geopolitical risk in the Middle East, catastrophic weather, election uncertainty, and non-US economic growth concerns continued to weigh on investor sentiment.
- From an asset class perspective, our forecast for equities continued to soften while our fixed income expectations were little changed.

INCREASE 

High Yield & Loans	+7.50%
Treasury Bills	+6.00%

DECREASE 

Aggregate Bonds	-9.25%
Long-Term Treasuries	-2.00%
US Large-Cap Equity	-1.50%
Developed ex-US Equity	-0.50%
Active Fixed Income	-0.25%

Source: State Street Global Advisors as of 10/08/2024.

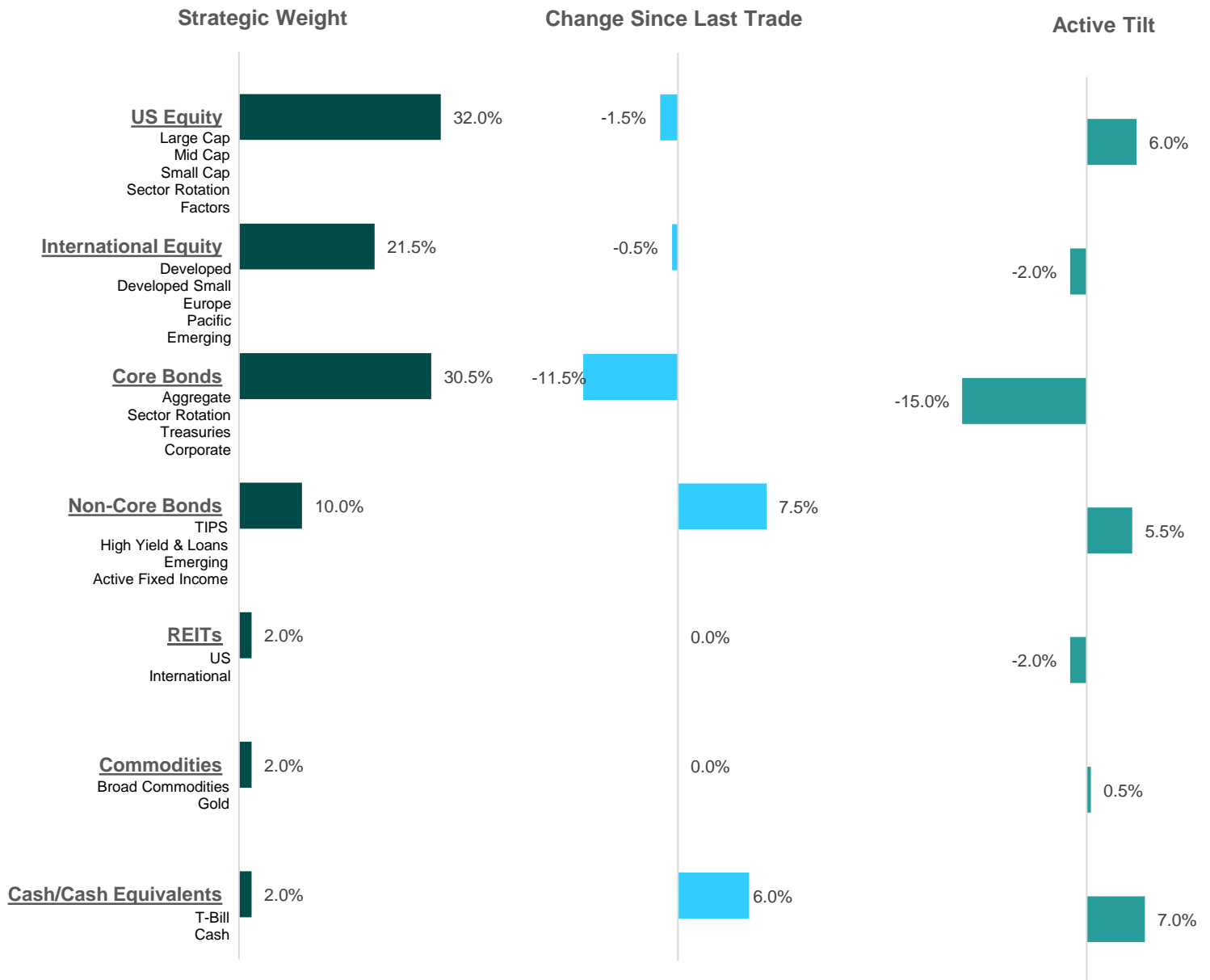
Portfolio Positioning

Our overall equity forecast weakened due to a continued deterioration in sentiment and both sales and earnings expectations, which turned negative. Price momentum and quality remain supportive, but unattractive valuations and poor macroeconomic factors led us to decrease our allocation to equities. Our regional rankings have not changed and we continue to prefer US and emerging markets. Forecasts were generally weaker across developed equities, with worsening sentiment and earnings in Europe and lower sentiment and quality in the Pacific weighing on our outlook.

Within fixed income, expectations for slightly higher rates led us to reduce our allocation to aggregate bonds in favor of Treasury bills. We also increased our allocation to high yield and loans, as our forecast suggests higher returns relative to other fixed income sectors. We sold long-government bonds as risk aversion remains slightly elevated, but has improved to some extent.

Positioning Update

State Street Global Advisors Quarterly Asset Allocation ETF Portfolio – Moderate



Source: State Street Global Advisors, as of 10/08/2024. Allocation changes are only shown for the Moderate Portfolio. Allocation changes, active weights and benchmark weights may vary for other portfolios. The benchmark is a custom Quarterly Asset Allocation Benchmark. Model portfolio positions are of the date indicated, are subject to change, and should not be relied upon as current thereafter. The model portfolio positions presented above are representative of ISG’s market views and our positioning for our active portfolio as of the date given. The results shown were achieved by means of a mathematical formula, and are not indicative of actual future results which could differ substantially. This information should not be considered a recommendation to invest in a particular sector or to buy or sell any security shown. It is not known whether the sectors or securities shown will be profitable in the future.

Current Holdings

Ticker	Fund	Conservative (%) 20/80	Moderate Conservative (%) 40/60	Moderate (%) 60/40	Moderate Growth (%) 75/25	Growth (%) 90/10	Maximum Growth (%) 98/2
	US Equity	14.5%	26.5%	38.0%	46.0%	55.0%	59.5%
SPY	SPDR® S&P 500® ETF Trust	7.8%	13.3%	18.0%	20.8%	24.5%	25.5%
XLSR	SPDR® SSGA US Sector Rotation ETF	1.9%	4.4%	6.8%	8.1%	9.8%	10.5%
SPMD	SPDR® Portfolio S&P 400® Mid Cap ETF	1.0%	1.5%	2.5%	3.8%	4.5%	6.0%
QUS	SPDR® MSCI USA StrategicFactors™ ETF	1.9%	4.4%	6.8%	8.1%	9.8%	10.5%
SPSM	SPDR® Portfolio S&P 600® Small Cap ETF	2.0%	3.0%	4.0%	5.3%	6.5%	7.0%
	International Equity	5.0%	12.0%	19.5%	26.5%	32.5%	35.0%
SPDW	SPDR® Portfolio Developed World ex-US ETF	0.0%	0.5%	6.0%	10.0%	13.5%	14.5%
GWX	SPDR® S&P® International Small Cap ETF	0.0%	2.0%	2.0%	3.0%	3.5%	4.0%
SPEM	SPDR® Portfolio Emerging Markets ETF	5.0%	9.5%	11.5%	13.5%	15.5%	16.5%
	Fixed Income	69.0%	50.0%	31.0%	16.0%	4.0%	0.0%
SPAB	SPDR® Portfolio Aggregate Bond ETF	14.0%	6.8%	0.0%	0.0%	0.0%	0.0%
TIPX	SPDR® Bloomberg 1-10 Year TIPS ETF	6.0%	4.5%	2.0%	0.0%	0.0%	0.0%
SPTL	SPDR® Portfolio Long Term Treasury ETF	0.5%	0.5%	0.5%	0.5%	0.5%	0.0%
EBND	SPDR® Bloomberg Emerging Markets Local Bond ETF	4.0%	3.5%	3.0%	1.5%	0.0%	0.0%
EMHC	SPDR® Bloomberg Emerging Markets USD Bond ETF	3.0%	2.0%	1.5%	1.5%	0.0%	0.0%
TOTL	SPDR® DoubleLine® Total Return Tactical ETF	29.5%	22.3%	15.0%	4.0%	0.0%	0.0%
HYBL	SPDR® Blackstone High Income ETF	12.0%	10.5%	9.0%	8.5%	3.5%	0.0%
	Real Assets	2.5%	2.5%	2.5%	2.5%	2.5%	3.5%
GLD	SPDR® Gold Shares	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
RWO	SPDR® Dow Jones® Global Real Estate ETF	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%
RWX	SPDR® Dow Jones® International Real Estate ETF	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Cash/Cash Equivalents	9.0%	9.0%	9.0%	9.0%	6.0%	2.0%
BIL	SPDR® Bloomberg 1-3 Month T-Bill ETF	7.0%	7.0%	7.0%	7.0%	4.0%	0.0%
N/A	Cash	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

Source: State Street Global Advisors as of 10/08/2024. Allocations may not sum to 100% due to rounding.

Important Disclosure: The model portfolios primarily utilize ETFs that make payments to SSGA Funds Management, Inc. or its affiliates (collectively "SSGA") for advisory or other services, which presents a conflict of interest for SSGA. Income earned by SSGA would be lower, and the returns generated by implementing one or more model portfolios might be higher, if the model portfolios were to be constructed using ETFs or other investments that do not pay fees to SSGA.

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Glossary

Commodities Basic goods used in commerce that are interchangeable, or "fungible," with other commodities of the same type. Commodities are most often used as inputs in the production of other goods or services. For example, crude oil is a commodity that is used to make motor fuels, and heating oil and lubricants.

Emerging Markets Developing countries where the characteristics of mature economies, such as political stability, market liquidity and accounting transparency, are beginning to manifest. Emerging market investments are generally expected to achieve higher returns than developed markets but are also accompanied by greater risk, decreasing their correlation to investments in developed markets.

High Yield A company or bond that is rated 'BB' or lower is known as junk grade or high yield, in which case the probability that the company will repay its issued debt is deemed to be speculative.

Real Assets Physical or tangible assets that have value and often are investable. Real assets include precious metals, commodities, real estate, agricultural land and oil, and their inclusion in most diversified portfolios is considered appropriate.

TIPS or Treasury Inflation Protected Securities Treasury securities that are indexed to inflation in order to protect investors from the negative effects of inflation. TIPS are backed by the US government and are thus

considered an extremely low-risk investment. The par value of TIPS rises with inflation, as measured by the Consumer Price Index, while the interest rate remains fixed.

Developed Markets Refers to countries or market areas with relatively high levels of economic growth, market liquidity and transparency as well as political stability, rule of law and safety.

Treasuries The debt obligations of a national government. Also known as "government securities," Treasuries are backed by the credit and taxing power of a country, and are thus regarded as having relatively little or no risk of default.

Small Cap Stocks Stocks with a relatively small market capitalizations—generally companies with market values of between \$300 million and \$2 billion. Small-cap stocks are more volatile than mid- or large-cap stocks, but tend to deliver higher returns over longer time periods.

Yield Curve A graph or line that plots the interest rates or yields of bonds with similar credit quality but different durations, typically from shortest to longest duration. When the yield curve is said to be "flat," it means the difference in yields between bonds with shorter and longer durations is relatively narrow. When the yield curve is said to be "steep," it means the difference in yields between bonds with shorter and longer durations is relatively wide.

Bond A debt investment in which an investor loans money to an entity—typically a corporate or governmental entity—that borrows the funds for a defined period of time at a variable or fixed interest

rate. Bonds are used by companies, municipalities, states and sovereign governments to raise money and finance a variety of projects and activities. Owners of bonds are debtholders, or creditors, of the issuer.

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