



SEI has repositioned its theme for “sticky inflation”.

We eliminated positions in commodities and a short on long-term U.S. interest rates, as these positions were more economically sensitive. Other interest rate and CPI swaps remain in our “Sticky Inflation” theme.

Background:

Investors had largely anticipated the announcement of tariffs by the Trump administration on April 2. However, the announced tariffs were larger and broader than expected and kicked off a severe bout of volatility as markets priced in the potential for lower economic growth, higher inflation, and an uptick in the probability of recession. While we still believe the U.S. will avoid recession in 2025, we recognize that the range of potential economic outcomes has dramatically widened. As such, we have scaled back exposure to positions most sensitive to a recession scenario—namely our commodities overweight and a direct short on longer term U.S. rates, which were both eliminated at a profit. We maintained positions in our “Sticky Inflation” theme—namely several CPI and interest rate swaps. Our broader positioning remains unchanged for continued rates volatility through yield curve steepeners in both the U.S. and Europe amid themes of “Central Bank Divergence” and “U.S. Debt Dynamics”.

Exhibit 1: Bloomberg Commodity Index (BCOM)



Source: Bloomberg, December 9, 2020, to April 9, 2025.

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