AEGON Asset Management

Macro Perspective
June 2024

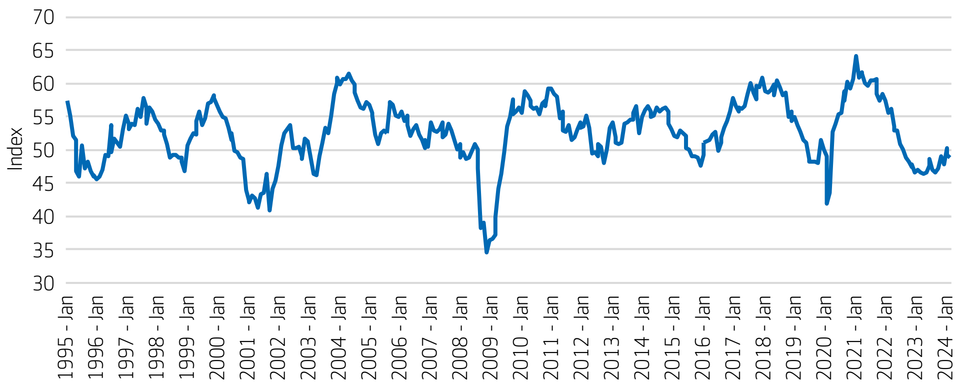
AEGON **INSIGHTS**

US economy: Cooling not collapsing

Manufacturing: Still in the doldrums

The latest report from the Institute for Supply Management (ISM) showed the manufacturing industry continues to contract. May's reading of 48.7 means that only 1 of 20 readings since September 2022 have been north of 50. (Readings below 50 indicate a slowdown in the sector, while readings above 50 show it is growing).

Institute for Supply Management Purchasing managers' index



Sources: Institute for Supply Management, Haver Analytics. Data as of June 2024.

New orders sag

Still, while the report was not surprising, the forward-looking sub-indices imply that there's not much improvement in the pipeline. For instance, while production was roughly flat in May (coming in at 50.2), it was due to factories continuing to work through backlogs (42.4). Meanwhile, the index's new orders reading of 45.4 implies that manufacturing activity will likely continue to slow as we head into the second half of 2024.

Frank Rybinski, CFA
Head of Macro Strategy

Frank Rybinski, CFA, is head of macro strategy responsible for guiding the firm's global macroeconomic view as it pertains to tactical and strategic asset allocation. This includes analysis of the economy, interest rates, and the relative value between asset classes. In this capacity, Frank frequently appears in leading financial media outlets like Bloomberg, CNBC, Fox Business and the Wall Street Journal. Prior to his current role, Frank was a credit strategist for UBS Investment Bank. Prior to that, he worked as an analyst for ZT Zurich Trust in Zurich, Switzerland. Frank began his career as a trader for Spear, Leeds & Kellogg and held a similar position at The Royal Bank of Scotland. He has been in the industry since 1996 and started with the firm in 2008. Frank received his BA in economics from Boston College. He is a CFA® charterholder.

Institute for Supply Management
New orders index

Sources: Institute for Supply Management, Haver Analytics. Data as of June 2024.

Still, the silver lining in terms of GDP may be the fact that manufacturing hasn't been contributing much to the country's overall economic growth recently. So, unless the headline manufacturing ISM reading really sags (i.e., falls into the low 40's), it's not likely to be a major drag on overall GDP.

Still, the silver lining in terms of GDP may be the fact that manufacturing hasn't been contributing much to the country's overall economic growth recently.

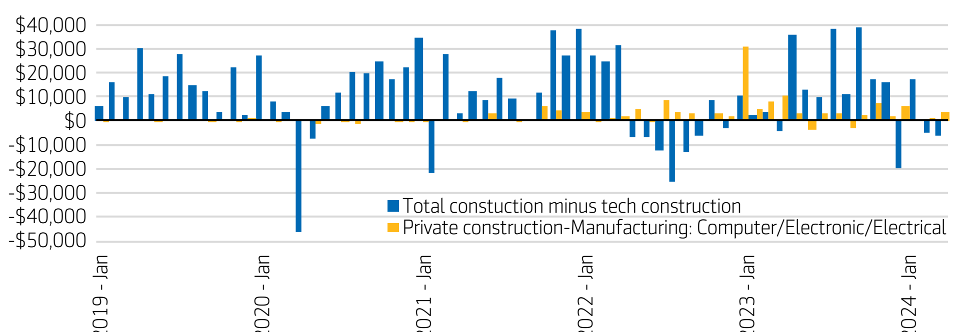
Interest rates matter

On the construction front, a separate report from the Census Bureau showed that private construction continues to cool. US construction spending came in at a seasonally adjusted $2.099 trillion in April, down -0.1% from March. Year to date, private construction was down -1.0% on an annualized basis. It's also worth noting that these numbers are nominal, so the contraction is even larger in real terms.

The main area of growth continues to be technology, which is supported by government subsidies and incentives. In a nutshell, if the government isn't subsidizing it, it's not growing. But technology only accounts for 6% of all construction spending, so growth in technology construction isn't fully able to offset the declines in the much larger components.

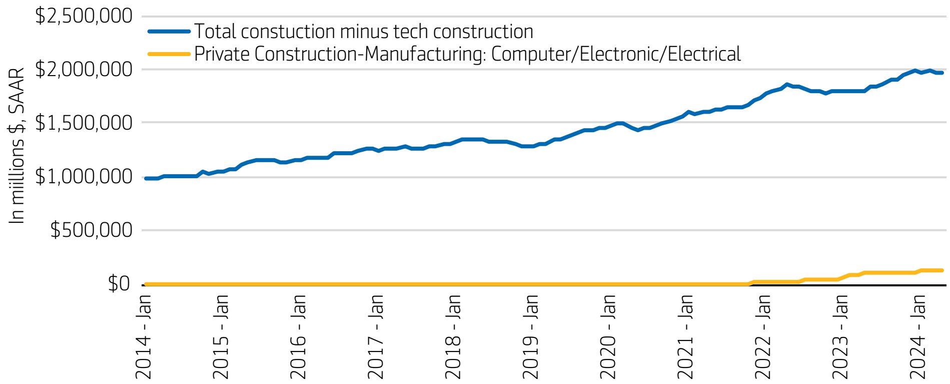
The report underscores the constant operating pressures that interest-rate sensitive activities like construction continue to be under from higher rates. And that pressure is likely to slowly increase the longer higher interest rates are in place.

Total construction minus tech construction
Change period to period, in millions $, SAAR



Sources: US Census Bureau, Haver Analytics. Data as of June 2024.

Total construction minus tech construction
In millions $, SAAR



Sources: US Census Bureau, Haver Analytics. Data as of June 2024.

Disclosures

This material is provided by Aegon Asset Management (Aegon AM) as general information and is intended exclusively for institutional and wholesale investors, as well as professional clients (as defined by local laws and regulation) and other Aegon AM stakeholders.

This document is for informational purposes only in connection with the marketing and advertising of products and services, and is not investment research, advice or a recommendation. It shall not constitute an offer to sell or the solicitation to buy any investment nor shall any offer of products or services be made to any person in any jurisdiction where unlawful or unauthorized. Any opinions, estimates, or forecasts expressed are the current views of the author(s) at the time of publication and are subject to change without notice. The research taken into account in this document may or may not have been used for or be consistent with all Aegon AM investment strategies. References to securities, asset classes and financial markets are included for illustrative purposes only and should not be relied upon to assist or inform the making of any investment decisions. It has not been prepared in accordance with any legal requirements designed to promote the independence of investment research, and may have been acted upon by Aegon AM and Aegon AM staff for their own purposes.

The information contained in this material does not take into account any investor's investment objectives, particular needs, or financial situation. It should not be considered a comprehensive statement on any matter and should not be relied upon as such. Nothing in this material constitutes investment, legal, accounting or tax advice, or a representation that any investment or strategy is suitable or appropriate to any particular investor. Reliance upon information in this material is at the sole discretion of the recipient. Investors should consult their investment professional prior to making an investment decision. Aegon Asset Management is under no obligation, expressed or implied, to update the information contained herein. Neither Aegon Asset Management nor any of its affiliated entities are undertaking to provide impartial investment advice or give advice in a fiduciary capacity for purposes of any applicable US federal or state law or regulation. By receiving this communication, you agree with the intended purpose described above.

Past performance is not a guide to future performance. All investments contain risk and may lose value. This document contains "forward-looking statements" which are based on Aegon AM's beliefs, as well as on a number of assumptions concerning future events, based on information currently available. These statements involve certain risks, uncertainties and assumptions which are difficult to predict. Consequently, such statements cannot be guarantees of future performance, and actual outcomes and returns may differ materially from statements set forth herein.

The following Aegon affiliates are collectively referred to herein as Aegon Asset Management: Aegon USA Investment Management, LLC (Aegon AM US), Aegon USA Realty Advisors, LLC (Aegon RA), Aegon Asset Management UK plc (Aegon AM UK), and Aegon Investment Management B.V.

(Aegon AM NL). Each of these Aegon Asset Management entities is a wholly owned subsidiary of Aegon Ltd.In addition, Aegon Private Fund Management (Shanghai) Co., a partially owned affiliate, may also conduct certain business activities under the Aegon Asset Management brand.

Aegon AM UK is authorised and regulated by the Financial Conduct Authority (FRN: 144267) and is additionally a registered investment adviser with the United States (US) Securities and Exchange Commission (SEC). Aegon AM US and Aegon RA are both US SEC registered investment advisers.

Aegon AM NL is registered with the Netherlands Authority for the Financial Markets as a licensed fund management company and on the basis of its fund management license is also authorized to provide individual portfolio management and advisory services in certain jurisdictions. Aegon AM NL has also entered into a participating affiliate arrangement with Aegon AM US. Aegon Private Fund Management (Shanghai) Co., Ltd is regulated by the China Securities Regulatory Commission (CSRC) and the Asset Management Association of China (AMAC) for Qualified Investors only. The content has not been reviewed or endorsed by any regulatory authority in China.

In Taiwan, neither Aegon AM nor any of its affiliates are registered and may not sell, issue, or offer any products or services while in Taiwan. Marketing is intended for Professional Institutional investors only and the contents have not been reviewed or endorsed by any regulatory authority in Taiwan. The content contained is for information purpose only. Taiwan residents are advised to exercise caution in relation to the proposal. If you are in any doubt about any of the contents of this marketing, you should obtain independent professional advice.

Adtrax: 6667839.1GBL