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How “ex-U.S.” marks a spot on global equity map

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As Nuveen’s Chief Investment Officer and leader of our Global Investment Committee, Saira drives market and investment insights, delivers client asset allocation views and brings together the firm’s most senior investment leaders to deliver our best thinking and actionable investment ideas. In addition, she is a portfolio manager for several key investment strategies.

Bottom line up top

Inflation is cooling, but the forecast for U.S. Federal Reserve policy is still partly cloudy. Last week’s milder Consumer Price Index (CPI) data for July followed the prior week’s negative surprise in July payrolls. Together, these inflation and employment reports weaken the case for a potential Fed rate hike and may reopen the conversation around another eventual rate cut — although the fed funds futures market appeared skeptical of this narrative following the CPI report (Figure 1). Inflation is still above the Fed’s 2% target, and energy prices remain a wildcard amid persistent Middle East supply uncertainty and geopolitical risk. Meanwhile, despite a late-week U.S. Treasury rally amid inflation optimism, the yield curve has steepened, with 10- and 30-year rates remaining near levels not seen since the 2007-2009 global financial crisis. This suggests some investors remain mindful of longer-run inflation, fiscal fragility and term premium risks embedded in U.S. debt.

This week: a little less conversation about inflation and jobs. The calendar is packed with releases on the health of the underlying economy, with metrics beyond the high-profile inflation and labor market headlines that have dominated the U.S. macro backdrop of late. Among the data are readings on U.S. industrial production and capacity utilization, housing (homebuilder confidence, housing starts, building permits and pending home sales), regional manufacturing surveys and The Conference Board’s index of leading economic indicators. Also on tap are the minutes from the Fed’s July meeting, which was notable for three dissenting votes favoring a rate hike instead of holding steady.

At the same time, flash (preliminary) purchasing managers’ indexes (PMIs) for August will shed light on economic momentum in the U.S. and Europe. These survey-based gauges of manufacturing and services activity should help answer an increasingly urgent question: Is growth slowing just enough to give central banks greater flexibility, or is softer economic activity becoming a more meaningful threat to corporate earnings? The former scenario could support both equity and bond markets, while the latter could test investor resilience.

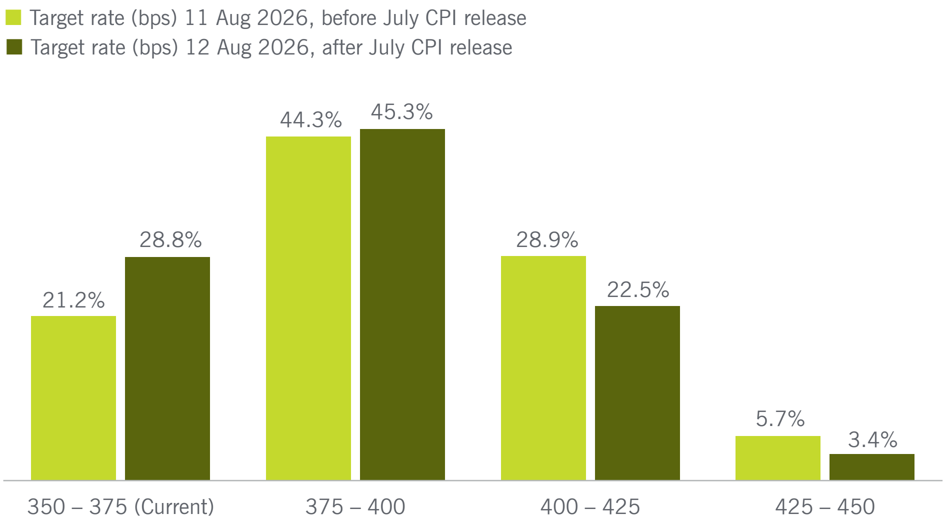
These global conditions reinforce the value of pursuing investment opportunities outside the U.S. We see a number of factors in the current environment that support an allocation to non-U.S. equities as part of a diversified, long-term portfolio.

> Global conditions reinforce the value of persuing select investment opportunities outside the U.S.

Figure 1

Inflation data didn't move the needle on rate expectations

Implied market probability of federal funds rate at December Fed meeting



Data source: CME FedWatch, 12 Aug 2026.

Portfolio considerations

What happens when the world's largest and most influential stock market becomes too concentrated in one story? Right now, that story is AI. And it's reshaping how investors think about risk and opportunity across the global equity landscape.

Yet despite the constant spotlight on AI-related mega cap tech stocks in the U.S., several broad non-U.S. equity benchmarks have kept pace or outperformed the S&P 500 Index and the tech-heavy Nasdaq Composite for much of 2026. Year-to-date through 14 August, for example, the MSCI All Country World Index ex-USA returned +15.5%, compared to +13.7% for the S&P 500 and +15.0% for the Nasdaq.

Our view of non-U.S. equities has become more constructive. We currently favor selective positioning in key developed markets, with growing confidence in emerging markets (EM) as well. This is not because the AI story is fading, but because other stories are emerging alongside it, warranting a perspective that is both more expansive and nuanced. In addition, non-U.S. equities delivered these competitive returns while trading at a discount to U.S. shares, making them a more attractively valued source of opportunity.

Figure 2 shows the more varied range of earnings per share (EPS) growth drivers in the eurozone, Japan and emerging markets, relative to the U.S. EM company earnings are projected to grow roughly +16% over the next three to five years, based on FactSet data. But nearly 60% of that growth will depend on AI-linked capital expenditures (capex) and demand for semiconductors, representing some embedded concentration risk that additional non-U.S. diversification may mitigate.

A remarkably different story unfolds in the eurozone, where approximately 77% of projected earnings growth will be driven by domestic economic resilience, as government stimulus flows into defense, infrastructure and power grids. Informed by bottom-up, fundamental research, we're gaining confidence in eurozone financials, industrials and materials. Banks with strong capital ratios appear well-positioned to benefit from share buybacks and higher interest rates. A potential U.S.-Iran agreement to reopen the Strait of Hormuz, if reached, could remove a lingering headwind.

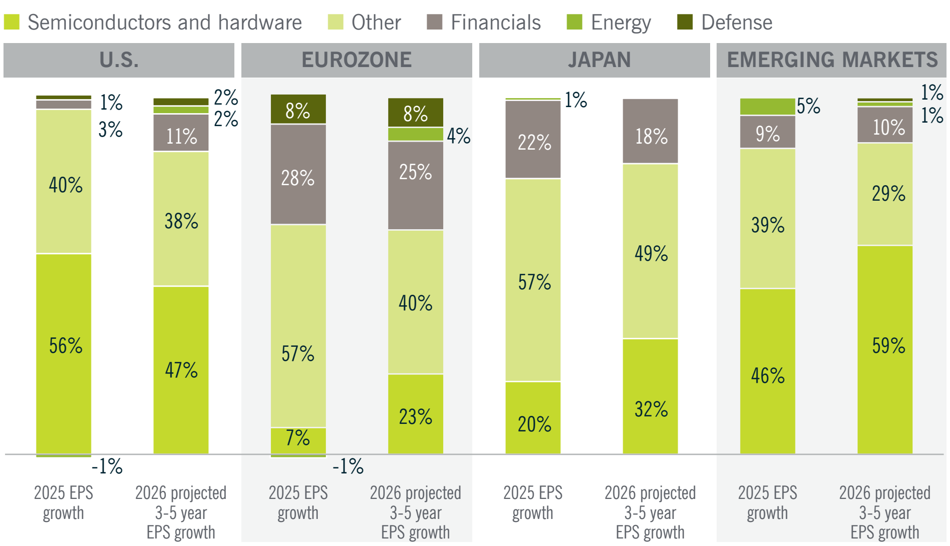
Japan adds its own distinctive layer. More than two-thirds of its estimated earnings growth is expected to come from (a) financials poised to benefit from rising rates, (b) industrials tied to automation and AI supply chains and (c) Japanese consumers and public equity shareholders supported by rising real wages and corporate governance reform. Moreover, Japan has managed to weather oil price spikes thanks to strategic reserves (though this remains a watchpoint), while a weak yen has boosted the earnings of exporters by making their goods more cost-competitive in non-Japanese markets.

> Despite the spotlight on AI, broad non-U.S. equity indexes have delivered competitive returns and remain attractively valued.

Figure 2

Eurozone and Japan earnings growth isn't just about AI capex

2025 and projected 2026 EPS growth by industry (%)



Data source: FactSet. 12 Aug 2026. **Performance data shown represents past performance and does not predict or guarantee future results. Representative indexes: U.S.:** S&P 500; **Eurozone:** MSCI EMU; **Japan:** MSCI Japan; **Emerging markets:** MSCI Emerging Markets.

About Nuveen's Global Investment Committee

Nuveen's Global Investment Committee (GIC) brings together the most senior investors from across our platform of core and specialist capabilities, including all public and private markets.

Regular meetings of the GIC lead to published outlooks that offer:

- macro and asset class views that gain consensus among our investors
- insights from thematic "deep dive" discussions by the GIC and guest experts (markets, risk, geopolitics, demographics, etc.)
- guidance on how to turn our insights into action via regular commentary and communications

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