

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

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.

OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

NOT FDIC INSURED | NO BANK GUARANTEE | MAY LOSE VALUE

CIO WEEKLY COMMENTARY

17 AUG 2026



Saira Malik, CFA
Chief Investment Officer

*On behalf of
Nuveen’s Global
Investment Committee*

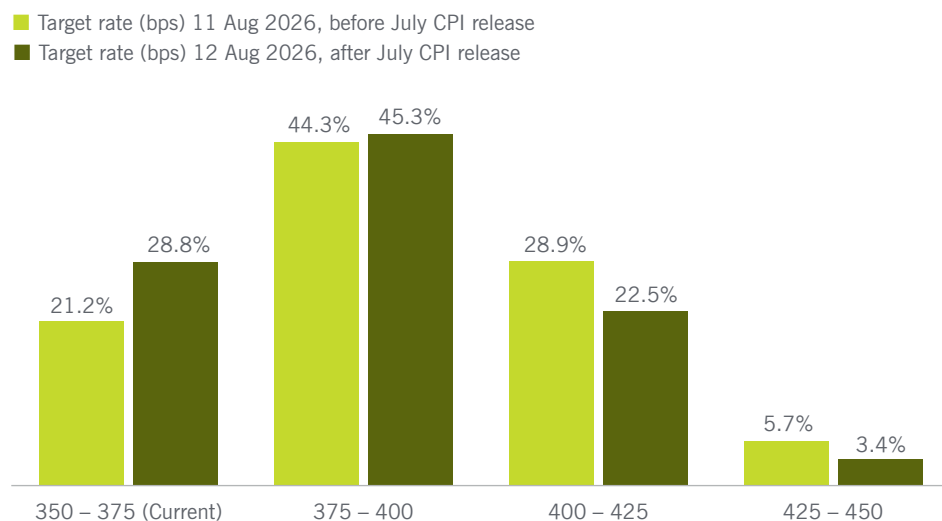
As Nuveen’s Chief Investment Officer and leader of our Global Investment Committee, Saira drives market and investment insights, delivers client asset allocation views and brings together the firm’s most senior investment leaders to deliver our best thinking and actionable investment ideas. In addition,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

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.

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.

“

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

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,

OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

02 | CIO Weekly Commentary 17 AUG 2026

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.

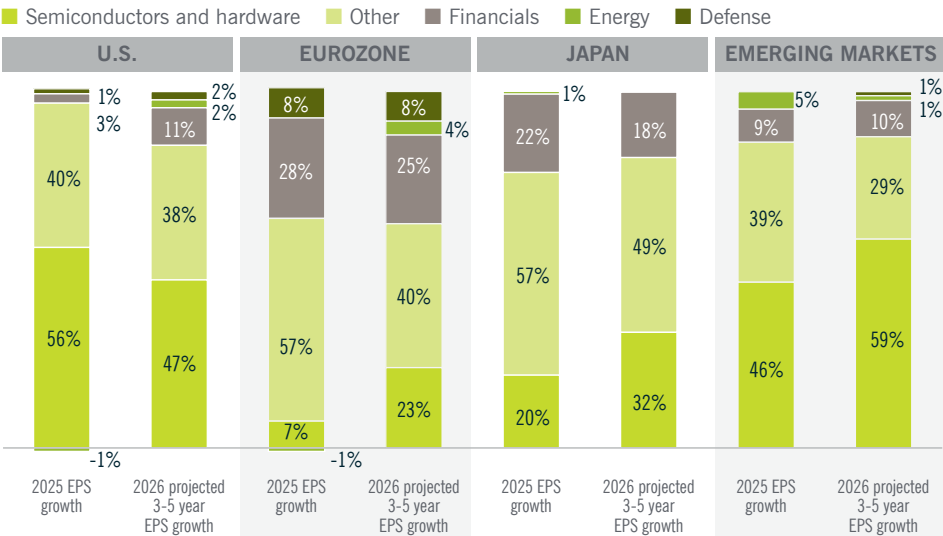
A remarkably different story unfolds in the eurozone, where approximately 77% of projected earnings growth will be driven by domestic economic resilience, as government stimulus flows into defense, infrastructure and power grids. Informed by bottom-up, fundamental research, we’re gaining confidence in 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

For more information, please visit nuveen.com.

Endnotes

Sources

All market and economic data from Bloomberg, FactSet and Morningstar.

This material is not intended to be a recommendation or investment advice, does not constitute a solicitation to buy, sell or hold a security or an investment strategy, and is not provided in a fiduciary capacity. The information provided does not take into account the specific objectives or circumstances of any particular investor, or suggest any specific course of action. Investment decisions should be made based on an investor's objectives and circumstances and in consultation with his or her financial professionals.

The views and opinions expressed are for informational and educational purposes only as of the date of production/writing and may change without notice at any time based on numerous factors, such as market or other conditions, legal and regulatory developments, additional risks and uncertainties and may not come to pass. This material may contain “forward-looking” information that is not purely historical in nature.

Such information may include, among other things, projections, forecasts, estimates of market returns, and proposed or expected portfolio composition. Any changes to assumptions that may have been

made in preparing this material could have a material impact on the information presented herein by way of example. **Performance data shown represents past performance and does not predict or guarantee future results. Investing involves risk; principal loss is possible.**

All information has been obtained from sources believed to be reliable, but its accuracy is not guaranteed. There is no representation or warranty as to the current accuracy, reliability or completeness of, nor liability for, decisions based on such information and it should not be relied on as such. For term definitions and index descriptions, please access the glossary on nuveen.com. **Please note, it is not possible to invest directly in an index.**

Important information on risk

All investments carry a certain degree of risk and there is no assurance that an investment will provide positive performance over any period of time. Equity investments are subject to market risk, active management risk, and growth stock risk; dividends are not guaranteed. Non-U.S. investments involve additional risks, including currency fluctuation, political and economic instability, lack of liquidity and differing legal and accounting standards. These risks are magnified in emerging markets. The use of derivatives involves additional risk and transaction costs. It is important to review your investment objectives, risk tolerance and liquidity needs before choosing an investment style or manager. This information does not constitute investment research as defined under MiFID.

OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

NOT FDIC INSURED | NO BANK GUARANTEE | MAY LOSE VALUE

WF5035273

5838799