

## Beyond borders: the case for global equities now

### Bottom line up top

**To every season: earn, earn, earn.** U.S. economic growth has held up despite the continuing Middle East conflict, and Q1 earnings season for the S&P 500 Index has so far delivered on expectations for double-digit earnings per share (EPS) growth, led by the information technology sector. Unlike some market rallies, the current advance is being driven not by valuations or an influx of optimism about resolving the geopolitical disruption, but by fundamental earnings performance. Last week's run of strong earnings reports for mega cap tech companies appeared to have the upper hand in keeping investors focused on corporate fundamentals even as the fragile ceasefire in Iran, durable consumer spending and the Federal Reserve's April policy meeting also commanded attention. In our view, earnings will need to carry the weight of market performance from here.

**Recalibrating rate expectations.** The Fed, as expected, remained on hold last week, leaving the target fed funds rate unchanged in the 3.50% to 3.75% range. During his final press conference as Fed Chair, Jerome Powell acknowledged the "highly uncertain" economic outlook and "vigorous" internal debate among members regarding the Fed's easing bias. The vote to maintain rates at their current level was 8-4, with one dovish and three hawkish dissents. Powell noted that while the policymaking committee is moving toward a more neutral stance, a majority did not feel the need to send a formal signal on that shift yet.

This caution was supported the next day by the release of the latest Personal Consumption Expenditures (PCE) Price Index, which showed headline PCE inflation accelerating from 2.8% year over year in February to 3.5% in March — a nearly three-year high. Core PCE, which excludes volatile food and energy costs and is the Fed's preferred inflation gauge, rose to 3.2%, remaining stubbornly above the central bank's 2% target. Although slightly better than feared, these results confirm a "sticky" inflation environment that has caused markets — and the Fed — to grow increasingly hawkish. This trend highlights a divergence among central bank peers: While expected policy rates for the Bank of England and European Central Bank (ECB) have moved significantly higher, there's been a more tempered shift in expectations for the U.S. as the Fed prioritizes policy stability (Figure 1).

OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

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COMMENTARY

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*On behalf of  
Nuveen's Global  
Investment Committee*

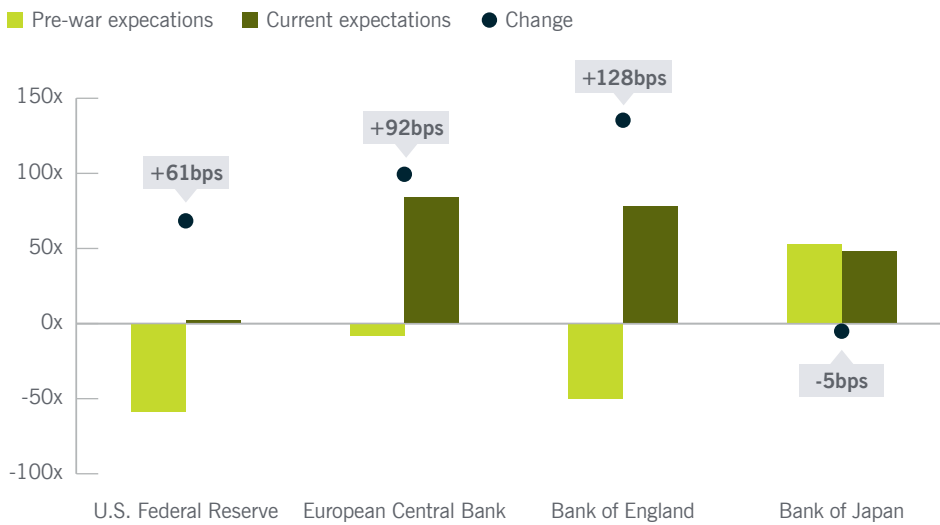
*As Nuveen's Chief Investment Officer and leader of our Global Investment Committee, Saira drives market and investment insights, delivers client asset allocation views and brings together the firm's most senior investment leaders to deliver our best thinking and actionable investment ideas. In addition,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

**The long train to AI gains.** The artificial intelligence (AI) investment narrative was effectively on trial last week as the market looked for a verdict on the top hyperscalers' massive AI capital expenditures, which reached a combined \$131 billion in Q1. Whether this enormous capex is actually translating into tangible revenue gains has been the subject of intense scrutiny. The latest numbers on this point show high confidence for the future return on AI investments among cloud computing names, highlighted by forecasted year-over-year capex growth in the roughly 30% to 60% range. AI infrastructure investments have been aggressive, but it appears the efficiency gains and high demand signals from AI workloads are starting to validate this heavy capital spending.

Figure 1

## Global interest rate expectations have shifted noticeably

Changes in rate cut/hike expectations since the start of the Iran war (bps)



Data source: Bloomberg, L.P. as of 29 Apr 2026. Data reflects the year-end 2026 market-implied central bank rates as of 27 Feb 2026 and 28 Apr, 2026.

## Portfolio considerations

**Diversification, valuation, payout elevation.** The current global equity market landscape is defined by a compelling but complex interplay of opportunity and risk. With the dominance of mega cap technology stocks still inhibiting durable market broadening in the United States, non-U.S. equities are reaffirming their traditional role as portfolio diversifiers — and their attractive relative valuations add to their appeal.

As shown in Figure 2, the U.S. market currently trades at a price-to-earnings (P/E) ratio of approximately 20.9x forward earnings, meaningfully above its long-term average of 17.1x. Japanese equities are at a slightly lower premium (17.6x vs. 14.8x average), while eurozone (14.9x vs. 13.4x average) and emerging market (EM) stocks (11.8x vs. 11.4x average) are both hovering at or near their historical norms.

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**Investors will likely need to rely on strong corporate earnings to drive equity markets higher from here.**

Also worth noting: the U.S. payout advantage (dividends plus share buybacks) over non-U.S. equities has narrowed from its 2014-2022 average of nearly 40% to just 5% today, per Bloomberg, further strengthening the case for non-U.S. exposure in investor portfolios. Globally, EPS growth remains positive, led by double-digit forward estimates for both U.S. and EM indexes.

**EM Asia in the spotlight.** China’s “AI Plus” initiative and India’s favorable demographics and consumer-oriented fiscal policies present differentiated opportunities to participate in the AI theme outside of the U.S., often at more reasonable valuations. South Korea and Taiwan — two Asian markets where advanced memory chip makers stand to benefit from structural long-term demand for critical AI components — are also worthy of consideration. Globally, AI and the associated surge in capex remain a dominant market force, creating tailwinds for semiconductors, power infrastructure and cybersecurity.

While we see a constructive case for global equities, we recognize that all markets are facing inflation and growth risks, among other challenges. Concerns about already-sticky inflation have been exacerbated by the Iran war and energy price shock, with the Brent crude oil benchmark briefly spiking above \$125 per barrel last Thursday. This has raised the specter of stagflation, leading the Fed and other central banks to recalibrate their rate paths. Amid geopolitical and policy uncertainty, elevated market volatility and fluctuating AI dynamics, we think investors are best-served by a long-term approach that emphasizes not just geographic diversification, but also selectivity, active management and vigilant risk monitoring.

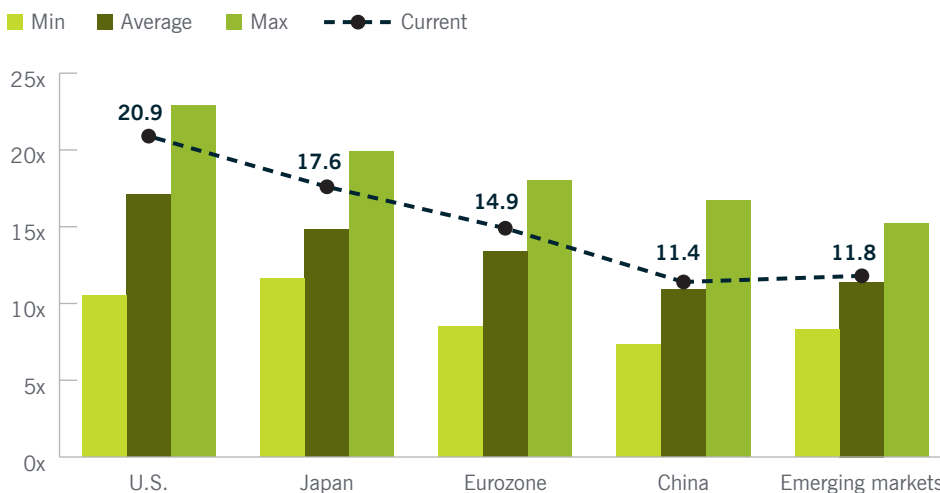
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**Select non-U.S. equities offer attractive valuations and opportunities to capitalize on the AI boom.**

Figure 2

## Equity valuations outside of the U.S. are closer to average

Forward price-to-earnings ratios



Data source: Bloomberg, L.P., monthly data from 29 Dec 2009 to 27 Apr 2026. Representative Indexes: **U.S.:** S&P 500 Index, **Japan:** MSCI Japan Index, **Eurozone:** MSCI Europe Index, **China:** MSCI China Index, **Emerging markets:** MSCI Emerging Markets Index.

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*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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## Endnotes

### Sources

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

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