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# Building on the power of diversification with listed infrastructure

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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.*

## Bottom line up top

**Markets recalibrate in the Warsh era.** Equity investors can be certain of uncertainty heading into this week's U.S. Federal Reserve meeting, the second under new Fed Chair Kevin Warsh. His first was notable for rhetoric that both expressly prioritized price stability over full employment and declared that forward guidance was being eliminated from the central bank's policy statements. The lack of telegraphed policy decisions may pose a challenge for prognosticators but won't stop markets from calibrating, and recalibrating, their expectations. Market odds are close to 90% that the Fed will hike rates in 2026 (Figure 1). Of potentially greater consequence are looming shifts in the Fed's overall policy framework. Five newly formed task forces are actively reviewing Fed operations, focused on communications, the balance sheet, data use, productivity and inflation, with findings expected by year-end. The transition to a Fed that is more data- and principle-driven on the one hand and less predictable on the other should make this week's Fed meeting the center of attention for investors.

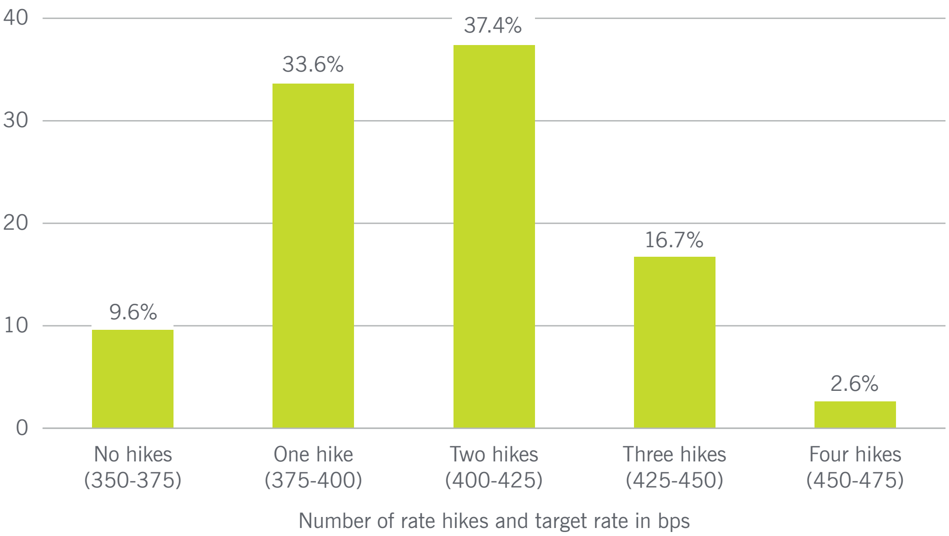
**Complexity could create opportunity.** The Fed transition is unfolding against a backdrop of elevated structural risk: Per Deutsche Bank, margin debt for the New York Stock Exchange has increased 136% since October 2023, making valuations more sensitive to hawkish policy surprises. At the same time, geopolitical disruptions, particularly involving energy supply routes, have kept oil prices elevated and introduced a stagflationary dimension to the macro outlook — simultaneously hampering demand growth in the economy while putting upward pressure on inflation through higher energy and logistics costs.

That said, history offers a somewhat reassuring perspective: Strategas Research shows that oil prices have tended to revert toward pre-conflict levels within roughly 65 to 250 days following geopolitical shocks, and equity markets have generally recovered over a one-year horizon after periods of military conflict. If geopolitical tensions and energy prices were to moderate meaningfully, the path to eventual rate cuts in early 2027 (or possibly even late 2026) could potentially reopen. This would likely serve as a tailwind for rate-sensitive asset classes, including real asset categories such as publicly listed infrastructure.

Figure 1

### Markets expect at least one rate hike by year-end

*Market-implied odds (%) for various rate-hiking scenarios*




Data source: CME FedWatch. Bars reflect the market-implied probabilities of each scenario as of 22 Jul 2026. Hikes are assumed to be 25 bps each.

> **Forecasting Fed decisions has become more complicated: Currently, the odds of higher rates are growing, but that could change quickly.**

# Portfolio considerations

The case for **listed infrastructure**, especially in the utilities sector, is being galvanized by the AI boom and the energy required to power AI expansion. That power can't be delivered without the regulated infrastructure that generates and transmits it. While data centers can be built in 12 to 36 months, transmission upgrades and added capacity generation operate on significantly longer timelines. This asymmetry creates durable scarcity value for utilities that are able to deliver capacity ahead of demand, and such value is already showing up in earnings.

Landmark power supply agreements involve billions of dollars of investment and decades of longevity. Meta Platforms, Inc.'s Hyperion data center campus in Louisiana, for example, is a 20-year, 5-gigawatt (GW) facility representing over $50 billion in total project costs. Iowa is also a hot spot for utility infrastructure buildouts, with close to 4GW of contracted data center demand across five agreements — including a $500+ million commitment from Google. Management of the local utility company powering those projects has responded to the surge in demand by raising its capital expenditure forecasts by 17% while maintaining earnings growth north of 6%. In our view, the current scope of the infrastructure opportunity can only be described as a generational cycle for the asset class.

**Paring correlations with this powerful pairing.** As broader equity allocations grow increasingly concentrated in the AI trade, listed infrastructure has emerged as a compelling complement in diversified portfolios — a way to stay exposed to the structural forces driving the digital economy while anchored in physical assets that, by definition, are insulated from disruption by the AI technology they're powering.

A meaningful statistical shift underpins the current diversification potential: Because of its defensive nature, infrastructure relative to tech stocks has long offered a compelling option for diversification. With the correlation of returns between the two categories recently turning negative (Figure 2), that beneficial aspect has strengthened. For a portfolio with a substantial concentration in technology stocks, exposure to listed infrastructure may provide precisely the kind of diversification that investors have found difficult to source, especially within equities.

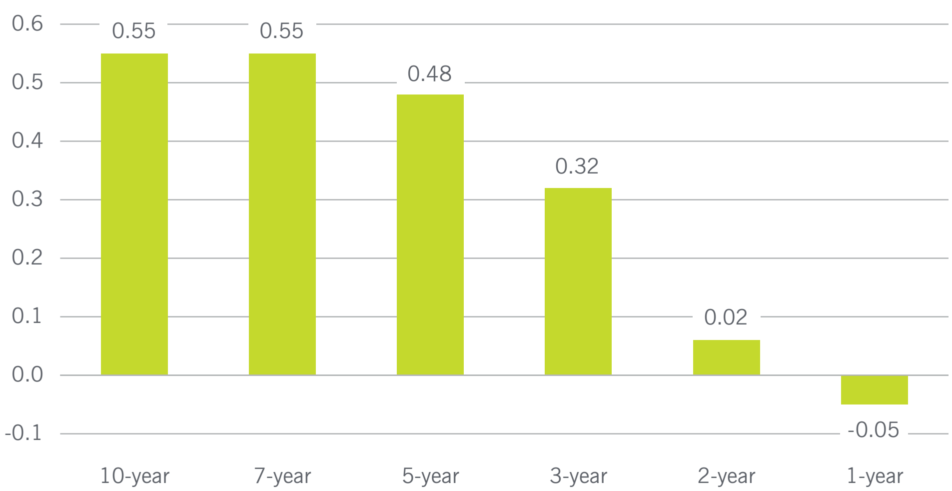
Moreover, the earnings growth profiles for a substantial number of listed infrastructure companies, especially those connected to the AI expansion theme, are being notably upgraded. This has resulted in valuations that continue to trade at a discount to U.S. tech stocks, representing potentially attractive entry points.

> **Infrastructure benefits from structural tailwinds and also offers diversification potential.**

Figure 2

## Infrastructure can help power portfolio diversification

*Historical correlations of the tech-heavy Nasdaq 100 Index and S&P Global Infrastructure Index*




Data source: Morningstar Direct, 30 Jun 2026. **Correlation** is a statistical measure of how two variables move in relation to each other. Perfect positive correlation (a correlation co-efficient of +1) implies that as one variable moves the other will move in lockstep, in the same direction. Alternatively, perfect negative correlation (a correlation co-efficient of -1) means that the variables will move by an equal amount in the opposite direction. **Performance data shown represents past performance and does not predict or guarantee future results.**

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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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