

# nuveen

A TIAA Company

# Uncertainty grips global equity markets

*Equities market update*

---

As of 31 Mar 2025

OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

NOT FDIC INSURED | NO BANK GUARANTEE | MAY LOSE VALUE

# Initial tariff announcements above market expectations lead to downward earnings revisions

**Mitigating risks and volatility is critical to navigating equity markets**

## Macroeconomic factors

- Recently announced tariff policies have the potential to lead to a trade war
- As a result of recently announced trade policy, support for additional rate cuts remains influx
- Labor market appears to be trending towards equilibrium and consumers remain resilient
- However, while not weak, the economy has been weakening heading into the tariff announcements

## Market implications

- Double-digit earnings expectations are currently being revised lower due to tariffs
- Defending corporate margins and return on invested capital (ROIC) will remain a challenge
- Select opportunities in high quality equities, dividend payers and infrastructure
- Active management opportunities due to increased risks in various areas of equity markets

## Risks to expectations

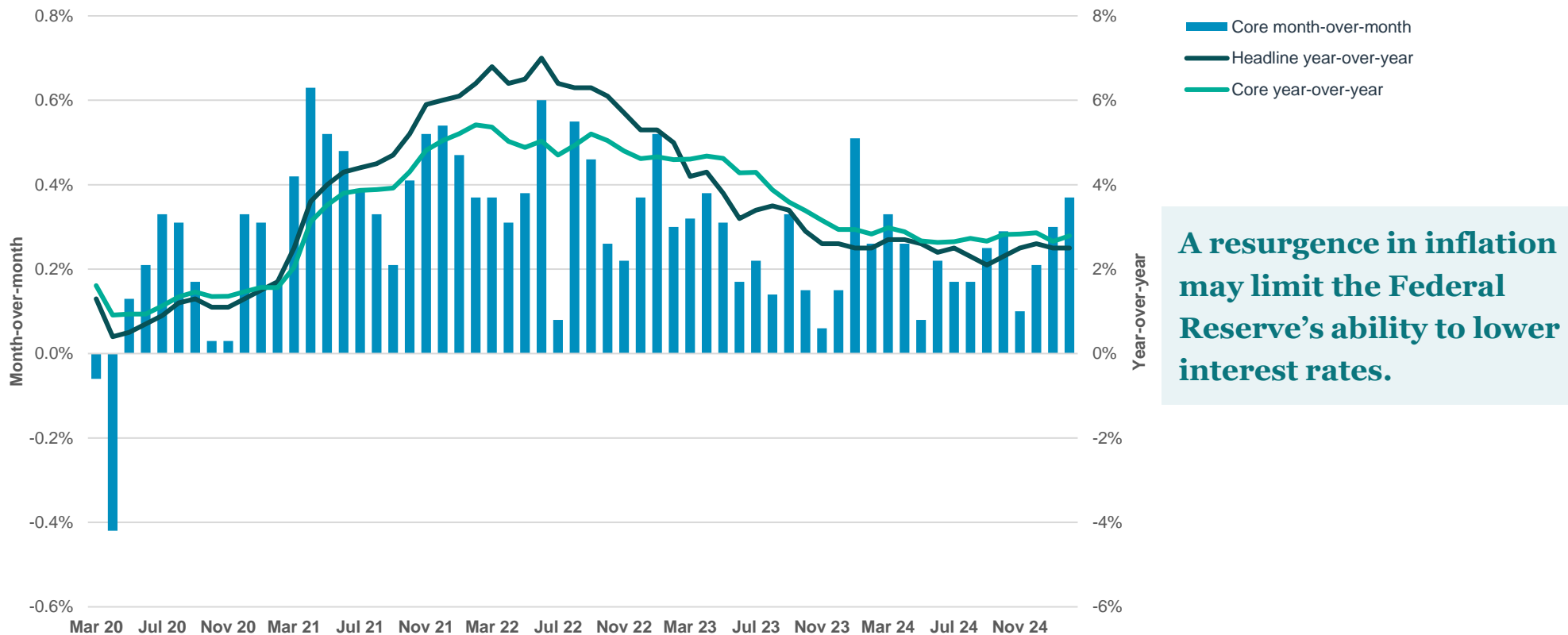
- Further downward earnings revisions driven by tariffs, margin contraction and demand destruction
- Central bank policy error
- Subsequent wave of global inflationary pressures
- Labor market weakens and consumer deteriorates
- Trade and geopolitical conflicts intensify and create additional economic instability

OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

# Global trade policy could lead to a reacceleration of inflation

Several key inflationary components remain stubbornly high

## Personal Consumption Expenditures (PCE) Price Index



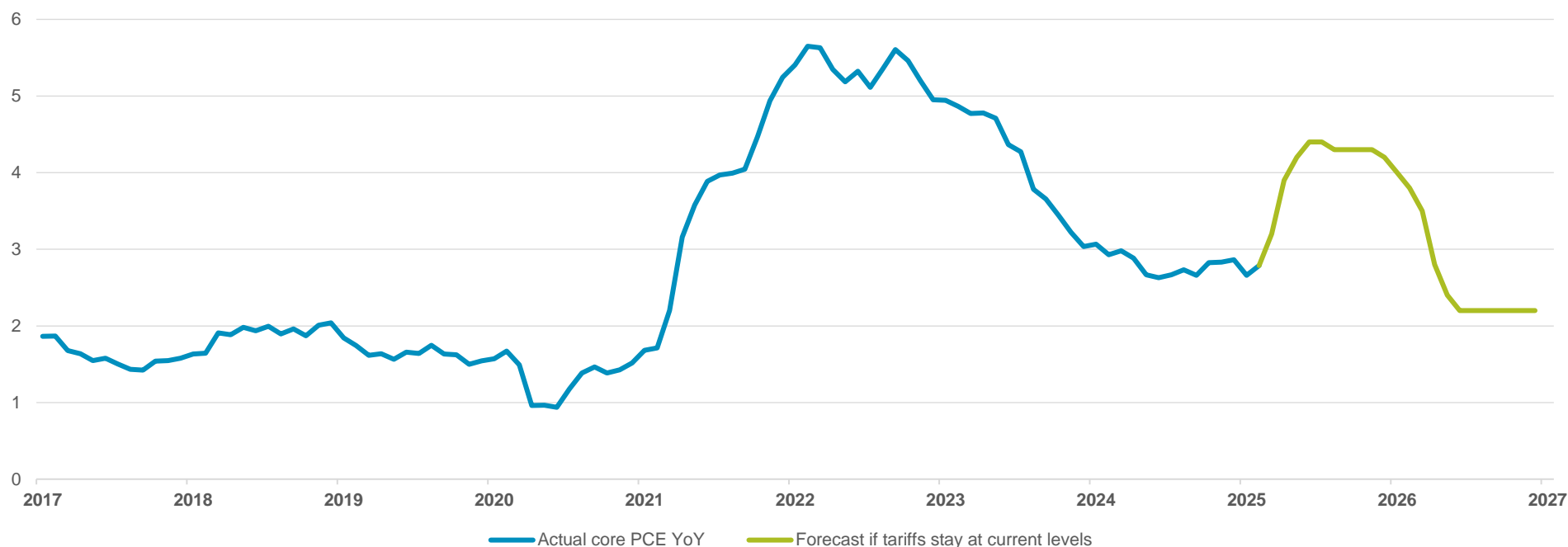
Data source: Bureau of Economic Analysis, Bloomberg, L.P., 28 Feb 2025. Most recent data available.

OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

# How tariffs may affect the Core PCE inflation forecast

If tariffs are maintained at current levels, core PCE inflation could increase by 2% this year

## Core PCE YoY if tariffs stay at current levels



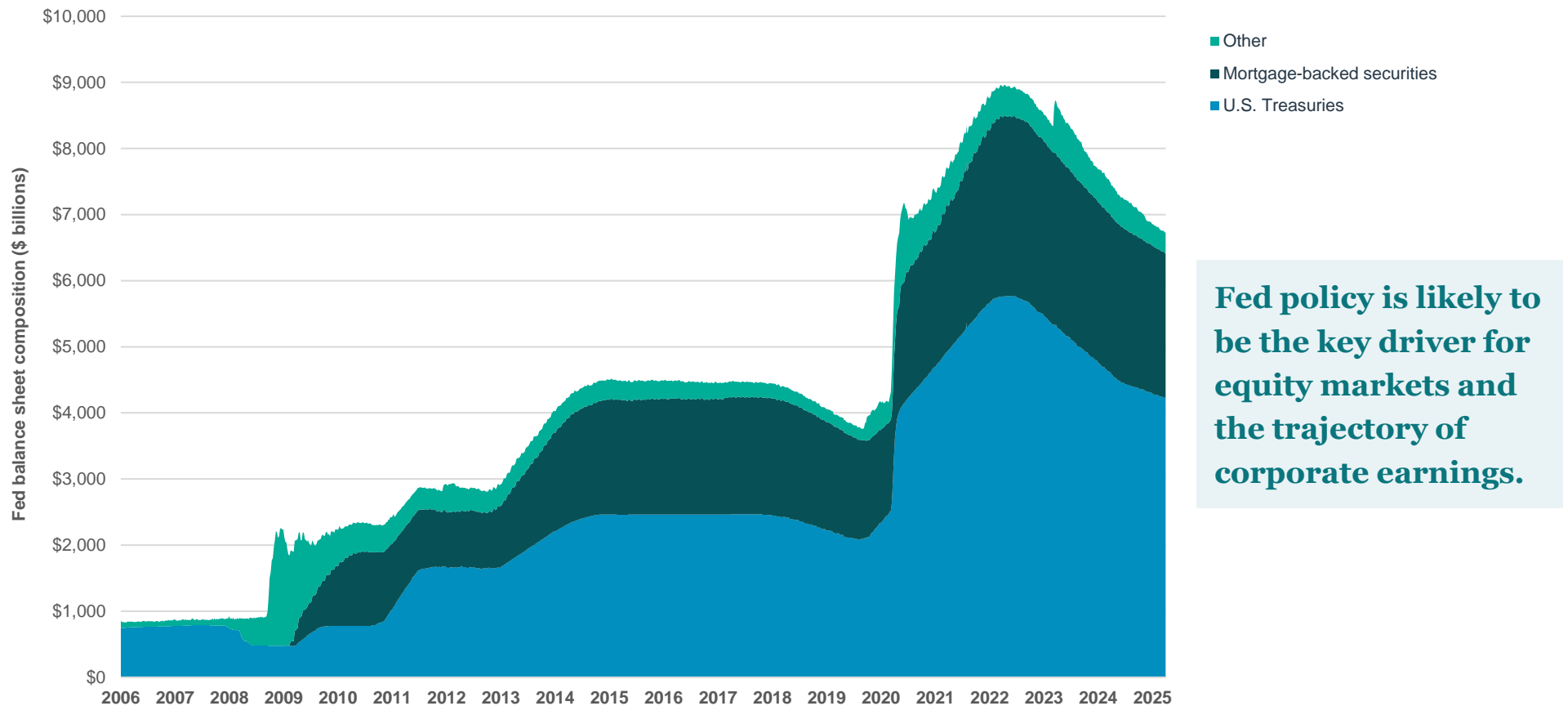
Data source: Exante Data. **Past performance does not predict or guarantee future results.** Certain data may be deemed forward-looking. Please note that any such data is not guarantees or intended to constitute a prediction of any future performance; actual results or developments may differ materially from those projected.

**OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.**

Macro factors

# The Fed has started easing monetary policy, and is slowing the pace of its balance sheet drawdown

The Fed is likely to shrink its balance sheet at a slower pace until a debt ceiling deal is reached



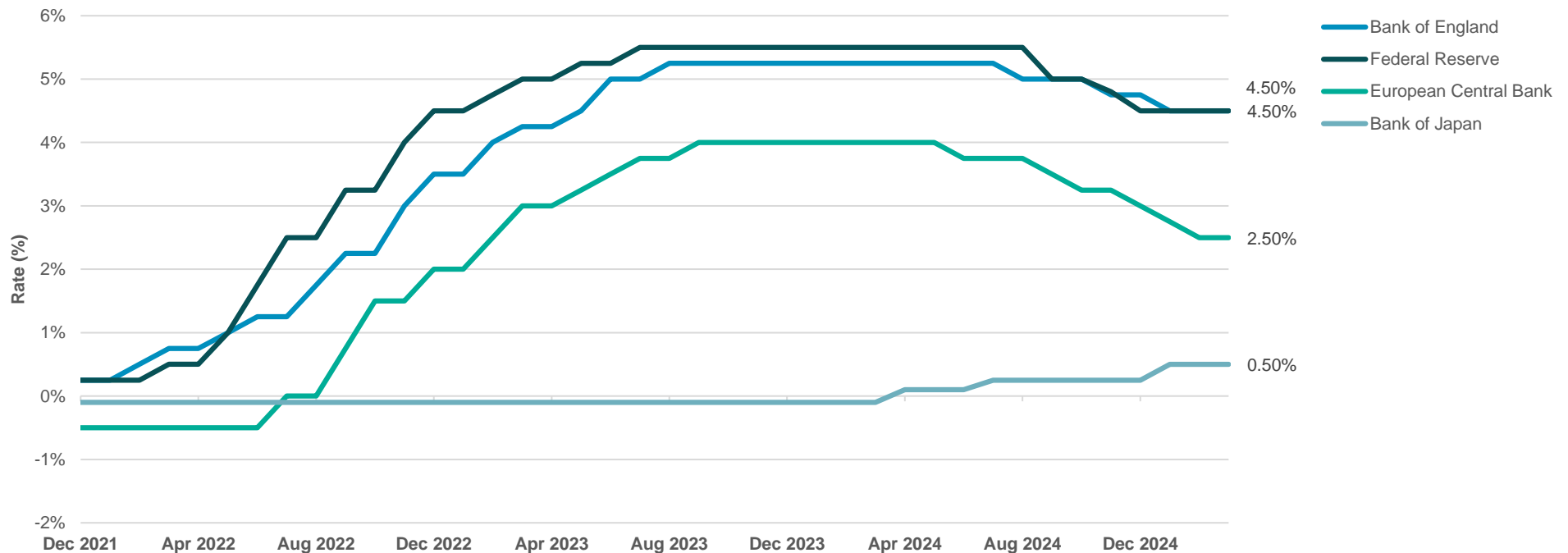
Data sources: Federal Reserve Board, [Federalreserve.gov](https://www.federalreserve.gov), 04 Jan 2006 – 02 Apr 2025.

OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

# Central banks across the globe engage in a balancing act

Monetary policy diverged in the first quarter even as inflation remained above central bank targets

## Global central bank policy rates (%)



Source: Nuveen Portfolio Strategy Group, Bloomberg, 31 Dec 2021 – 31 Mar 2025.

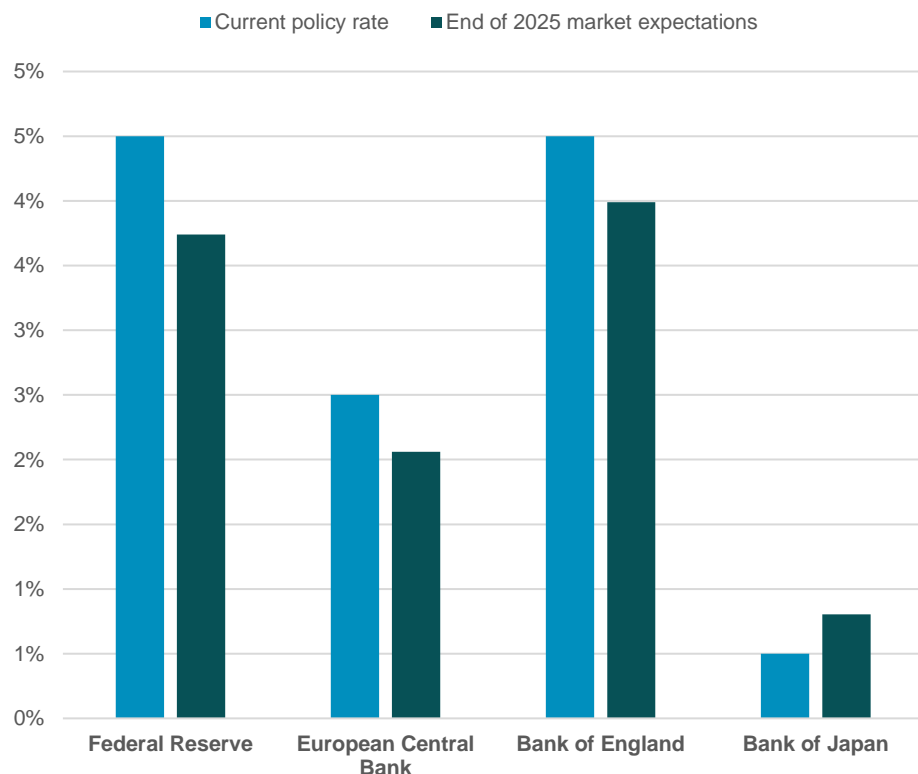
OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

Macro factors

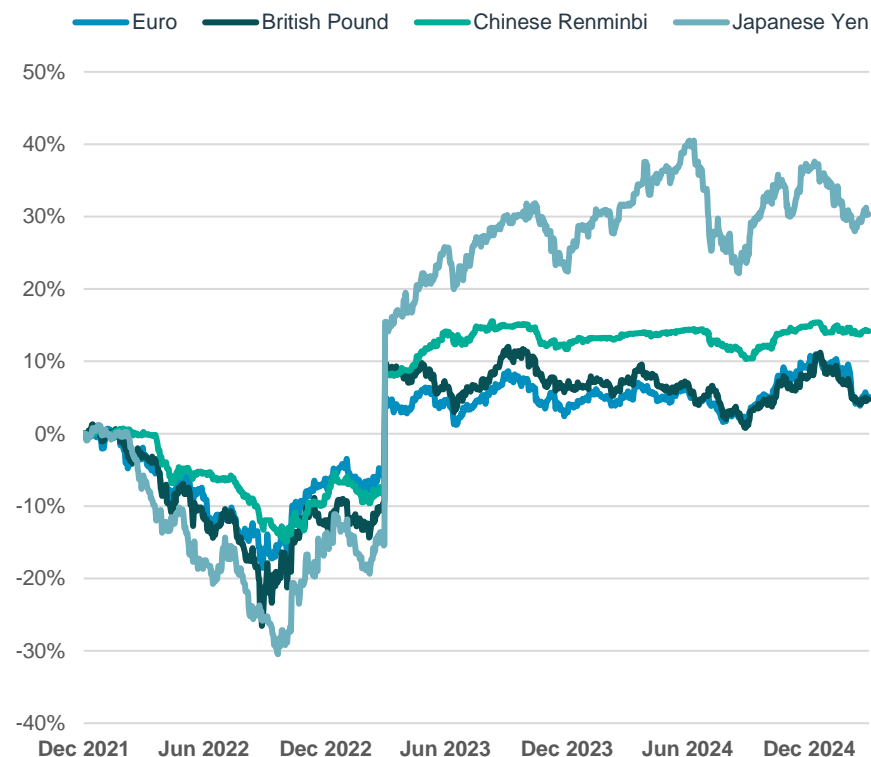
# U.S. dollar direction is increasingly dependent on the administration's policy changes

Global central banks continue to exhibit caution on the timing and pace of policy decisions

## Central bank policy rates and expectations



## Currency returns versus U.S. dollar



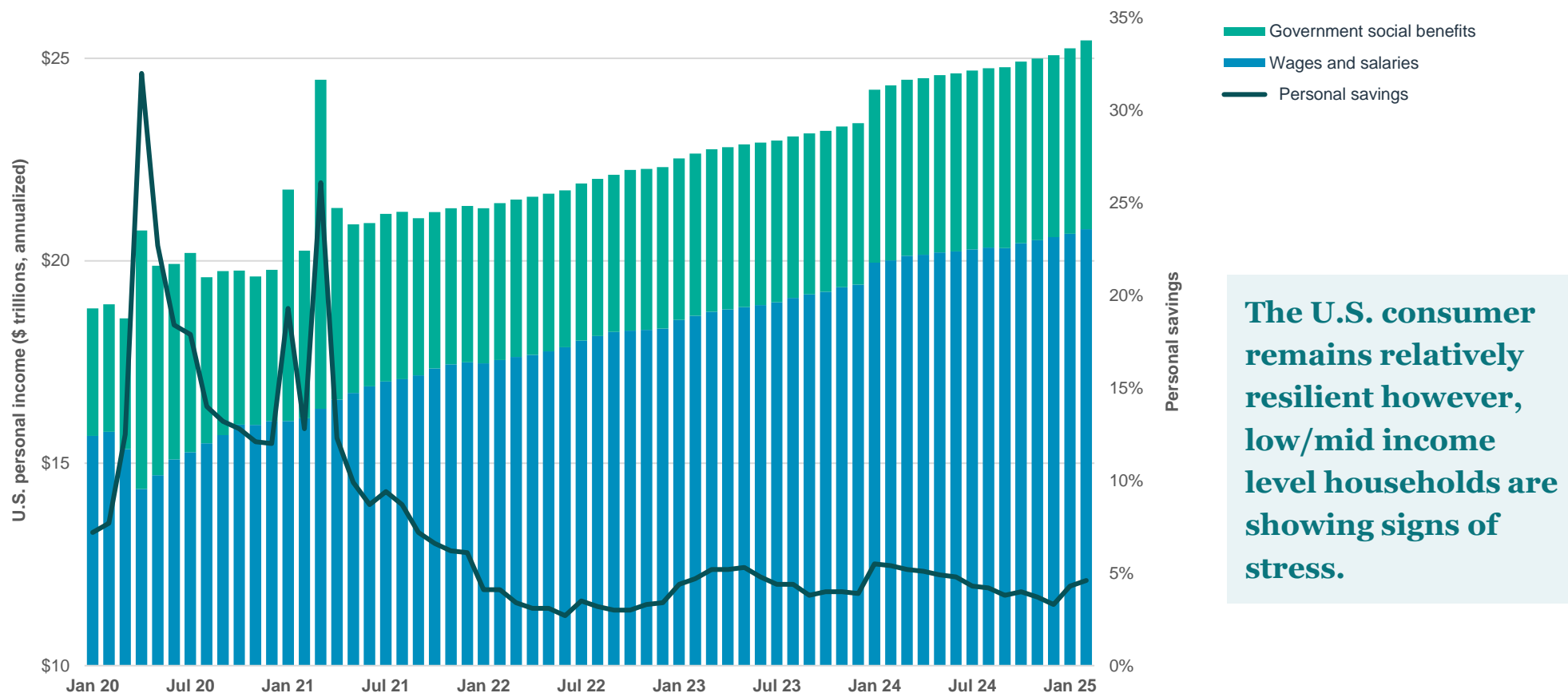
Source: Bloomberg, Nuveen Portfolio Strategy & Solutions, 31 Dec 2021 – 31 Mar 2025. Performance data shown represents past performance and does not predict or guarantee future results.

OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

Macro factors

# Consumer spending has softened, yet continues to hold up despite normalized savings rates

Job security and real wage growth will be key variables to monitor



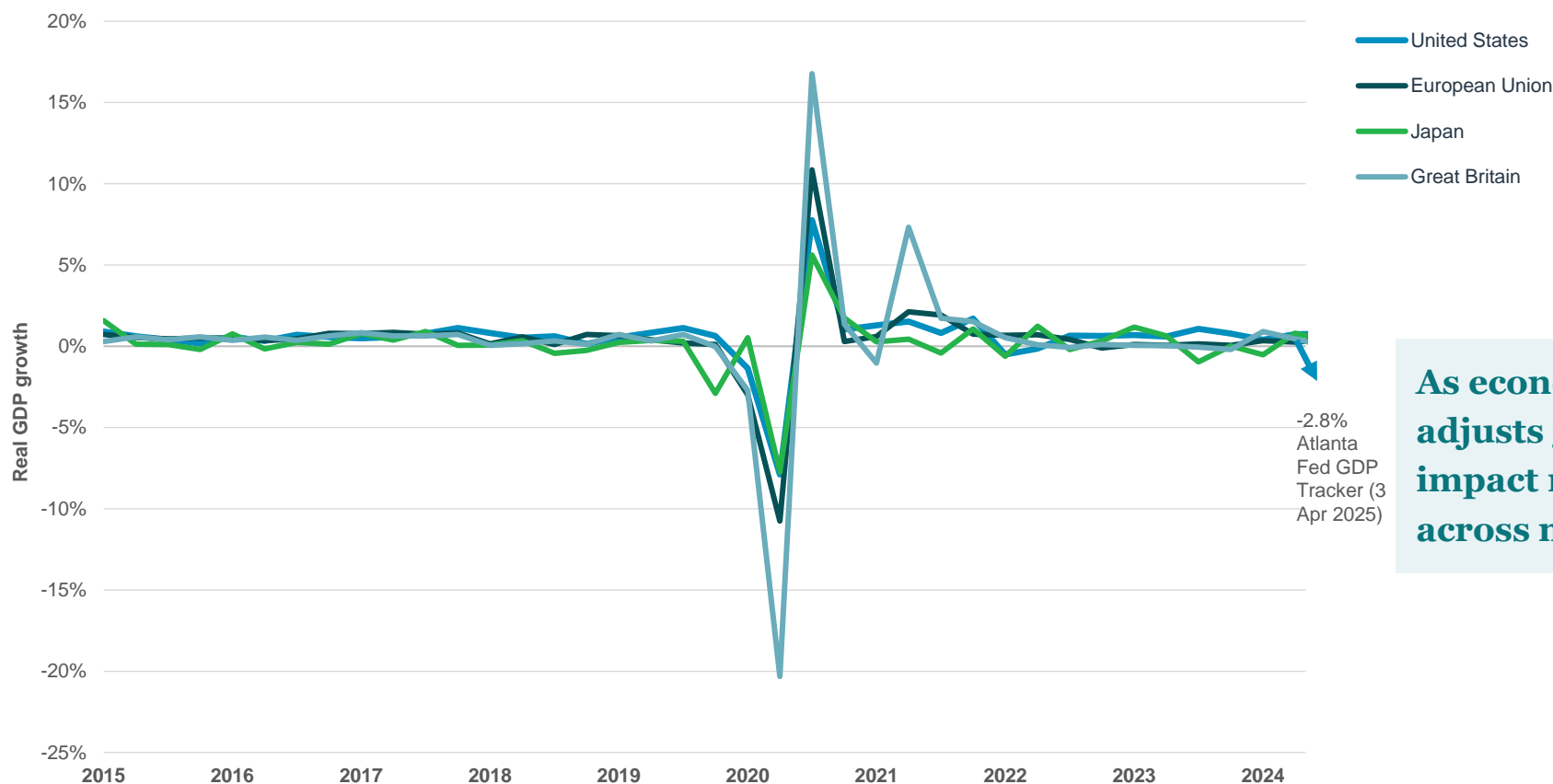
Data source: Bureau of Economic Analysis, 28 Feb 2025. Wages and salaries include typical government social benefits such as Social Security, Medicare, Medicaid, unemployment insurance and veterans' benefits. Personal savings represent a percentage of disposable personal income.

OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.



# Global economic growth is softening and the odds of recession are increasing

Tariffs, inflation risks, elevated costs of capital, margin pressures and geopolitical tensions continue to drive uncertainty



**As economic policy adjusts globally, the impact may vary across markets.**

Data source: Organisation for Economic Co-operation and Development, 31 Mar 2015 – 31 Dec 2024. Most recent data available. 2.6% is the Atlanta Fed GDP Tracker for fourth quarter 2024.

OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

# The Nuveen Macro Market Monitor

HOW ARE THESE FACTORS AFFECTING THE U.S ECONOMY			AS OF 31 Mar 2025
INFLATION			While training inflation remains elevated, forward-looking inflation expectations are approaching the long-term median.
	Long-term inflation expectations	2.2%	
U.S MONETARY POLICY			Generally restrictive, given the current fed funds rate and the impact of higher overall rates on financial conditions.
	Federal funds rate	4.5%	
	Financial conditions	99.5	
ECONOMIC ACTIVITY			Recent economic data are mixed. Household debt service ratios and economic surprises have been strong, while consumer expectations have declined, and August housing starts were below expectations.
	Consumer expectations	54.2	
	Household debt service ratio	11.3%	
	Housing starts	1.50M	
	Economic surprises	-3.1	
EMPLOYMENT			Healthy, with jobless claims and job openings near their 20-year lows and highs, respectively.
	Jobless claims	224,000	
	Job openings	7.6M	
INVESTOR SENTIMENT			Mixed, with individual investors reflecting more optimism than the overall investor community.
	Broad investor sentiment	0.0	
	Individual investor survey	-24.8	
U.S EQUITY FUNDAMENTALS			While positive earnings revisions are a plus, index-level valuations and below-median expected earnings growth warrant caution.
	S&P 500 forward price to earnings ratio	20.1x	
	S&P 500 forward expected earnings growth	11.7%	
	Revisions to expected earnings	1.1%	

● Positive ● Neutral ● Negative

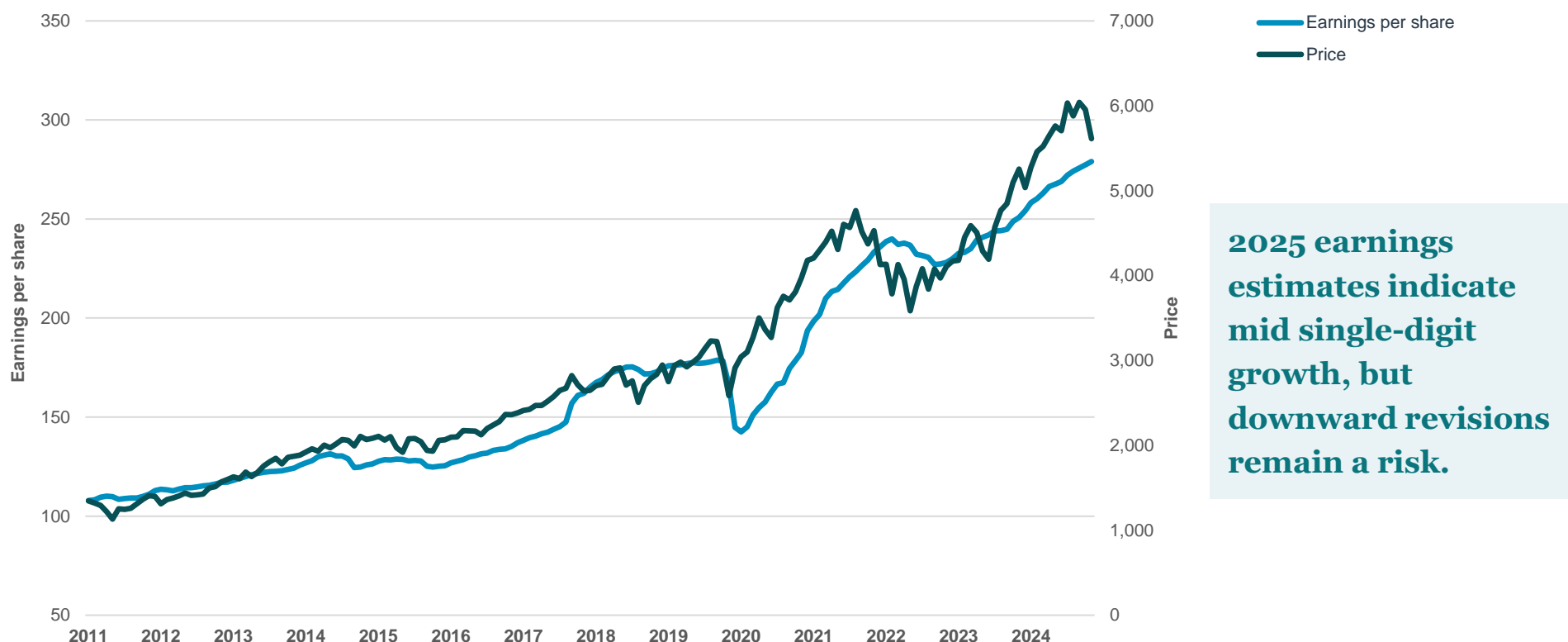
Data source: Bloomberg L.P., 31 Mar 2025. Past performance does not predict or guarantee future results. The views above are for informational purposes only and do not reflect the experience or performance of any Nuveen product, strategy or service.

OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

# U.S. equity markets remain extremely dependent on earnings growth this year

Despite modest downward revisions in Q1 2025, earnings growth expectations remain positive, although recent tariff announcements may require further downward revisions

## S&P 500 Index



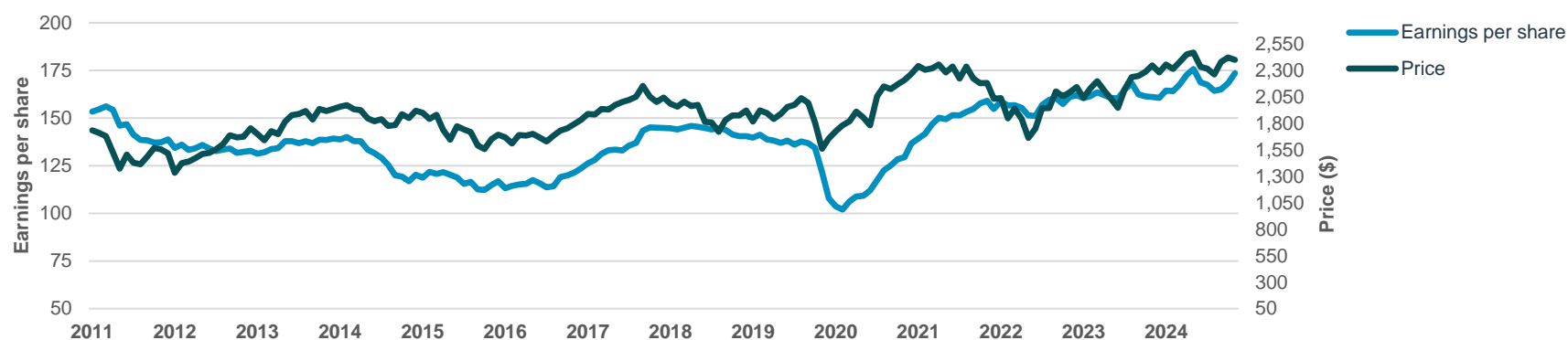
Data source: FactSet, 31 May 2011 – 31 Mar 2025. Performance data shown represents past performance and does not predict or guarantee future results.

OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

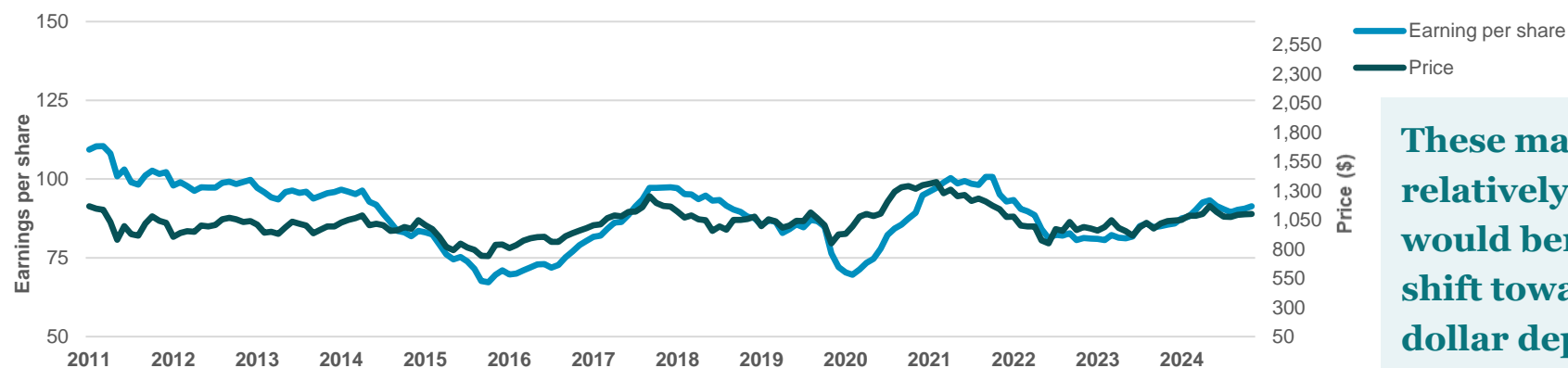
# Non-U.S. equity markets outpaced the U.S. in Q1 2025

Equity market landscape outside the U.S. appears mixed, with select developed market and emerging market opportunities

## MSCI EAFE



## MSCI Emerging Markets



**These markets are relatively cheaper and would benefit from a shift towards U.S. dollar depreciation.**

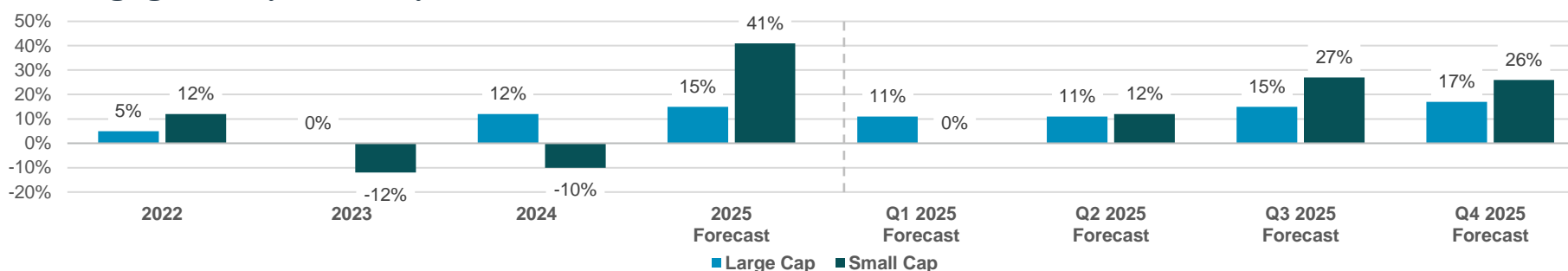
Data source: FactSet, 31 May 2011 – 31 Mar 2025. Performance data shown represents past performance and does not predict or guarantee future results.

OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

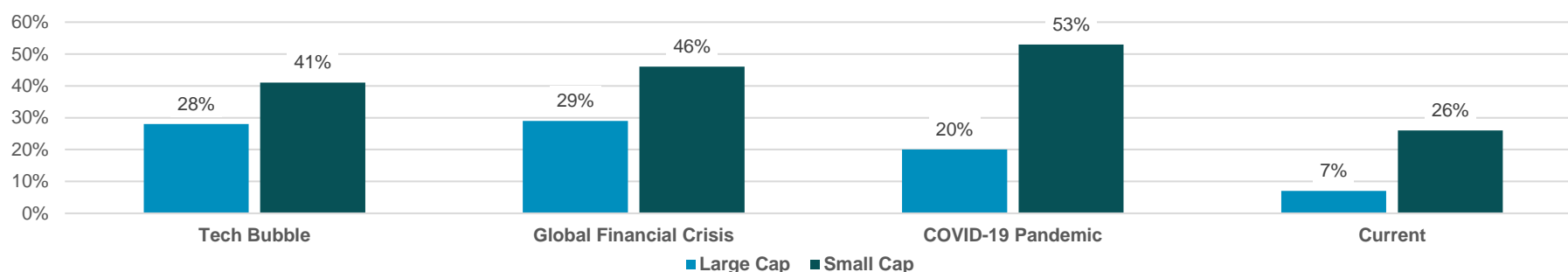
# Small cap earnings are expected to reaccelerate in the second half of 2025

Selectivity through active management is warranted due to a growing number of unprofitable publicly traded small cap companies

## Earnings growth (year-over-year)



## Percent of unprofitable companies\*



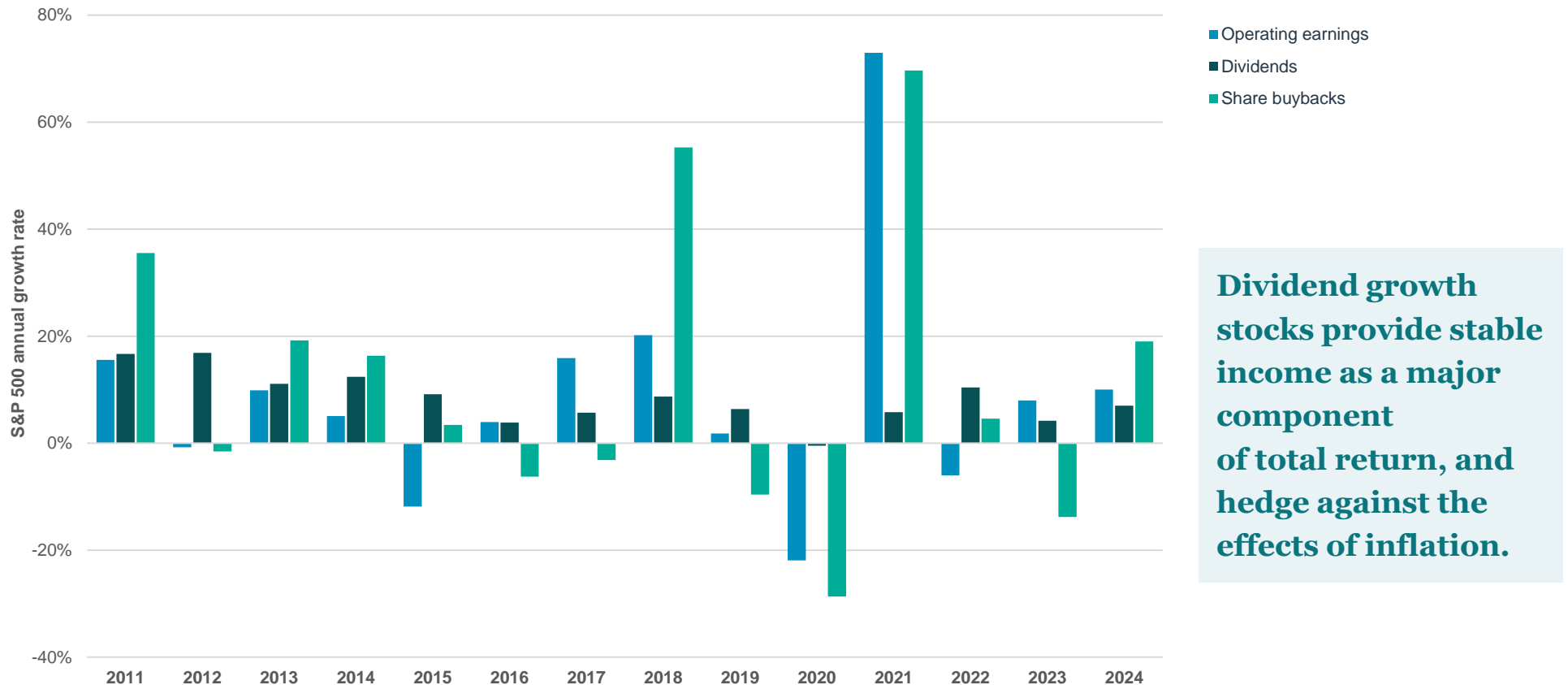
\*Data represented for the percentage of unprofitable companies are from the following quarters: Tech Bubble: Fourth quarter 2001; Global Financial Crisis: Fourth quarter 2008; Covid-19 Pandemic: First quarter 2020; Current: Fourth quarter 2024.

Data source: FactSet. Performance data shown represents past performance and does not predict or guarantee future results. Representative Indexes: Large Cap: S&P 500 Index; Small Cap: Russell 2000 Index.

OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

# Consensus estimates call for mid-single digit dividend growth for the S&P 500

While share buybacks have historically comprised a larger component of capital return, dividends have been less volatile



Data source: S&P Global, 01 Jan 2011 – 31 Dec 2024. Most recent data available. Performance data shown represents past performance and does not predict or guarantee future results.

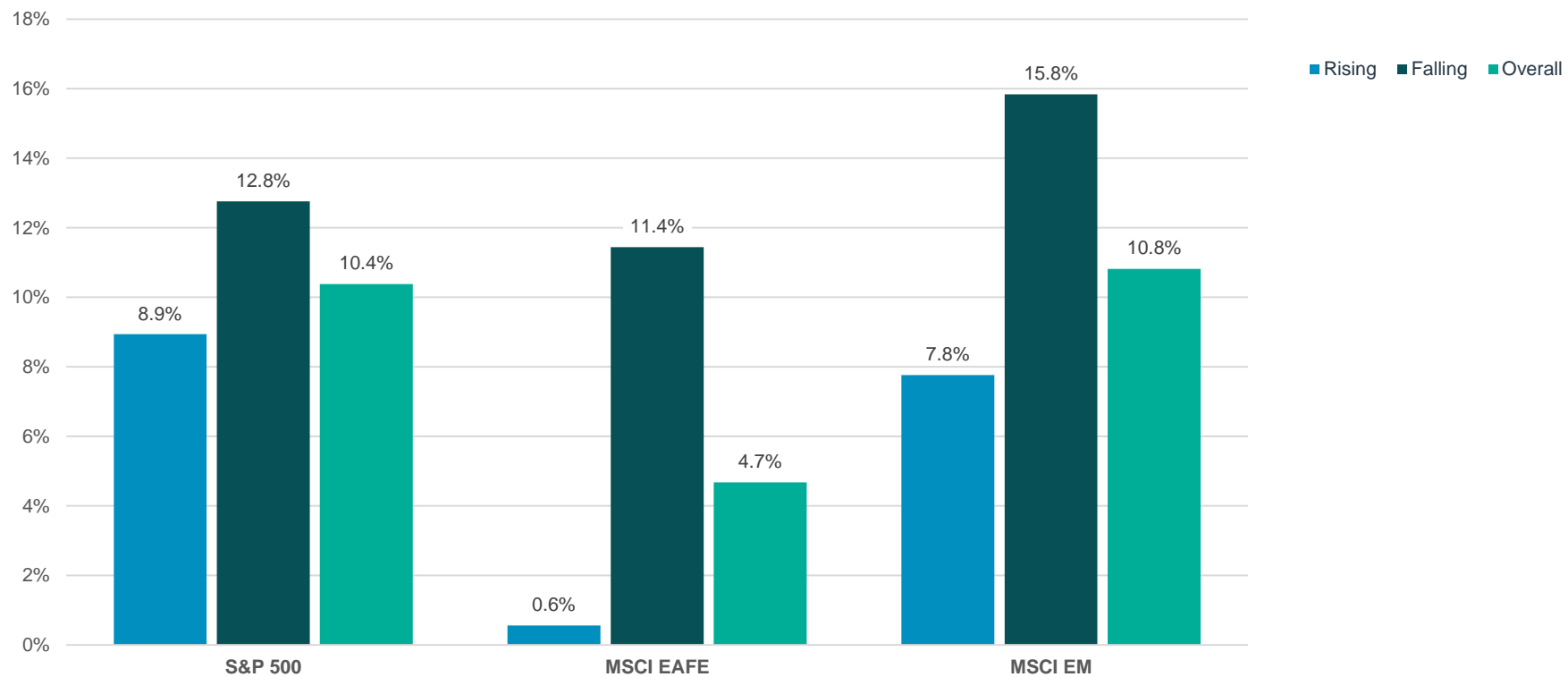
OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

Market implications

# History shows that a depreciating U.S. dollar has led to solid returns for non-U.S. equity markets

However, the direction of the U.S. dollar remains uncertain pending the administration's policy decisions

Average annual performance when the Dollar Index is rising or falling



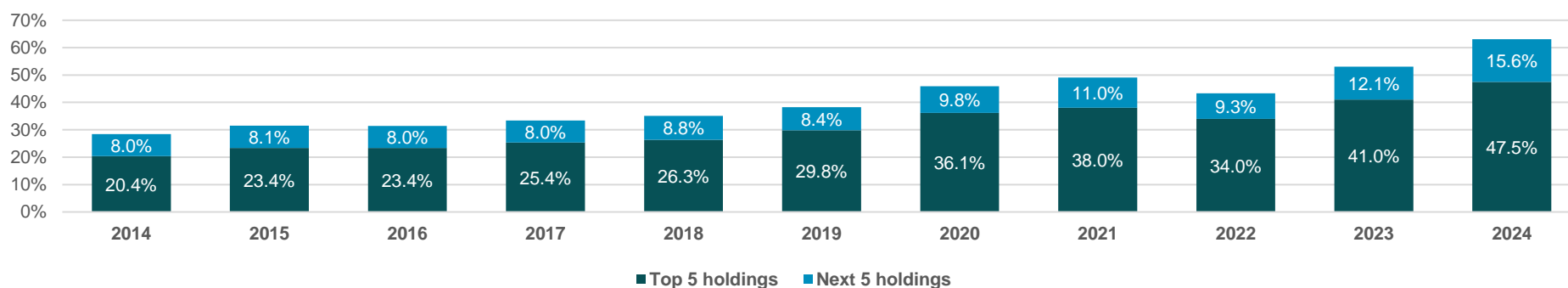
Data source: Strategas Securities, 1988 – 2024. Performance data shown represents past performance and does not predict or guarantee future results.

OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

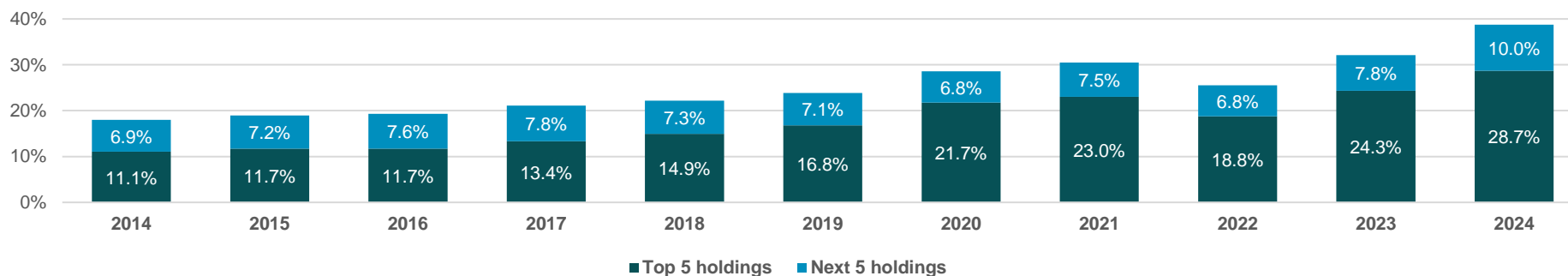
# The overall composition of U.S. large cap indices has grown increasingly concentrated

This is commensurate with the growing valuation disparity between market cap and equal weight

## Weight of top 10 companies in the Russell 1000 Growth Index



## Weight of top 10 companies in the S&P 500 Index



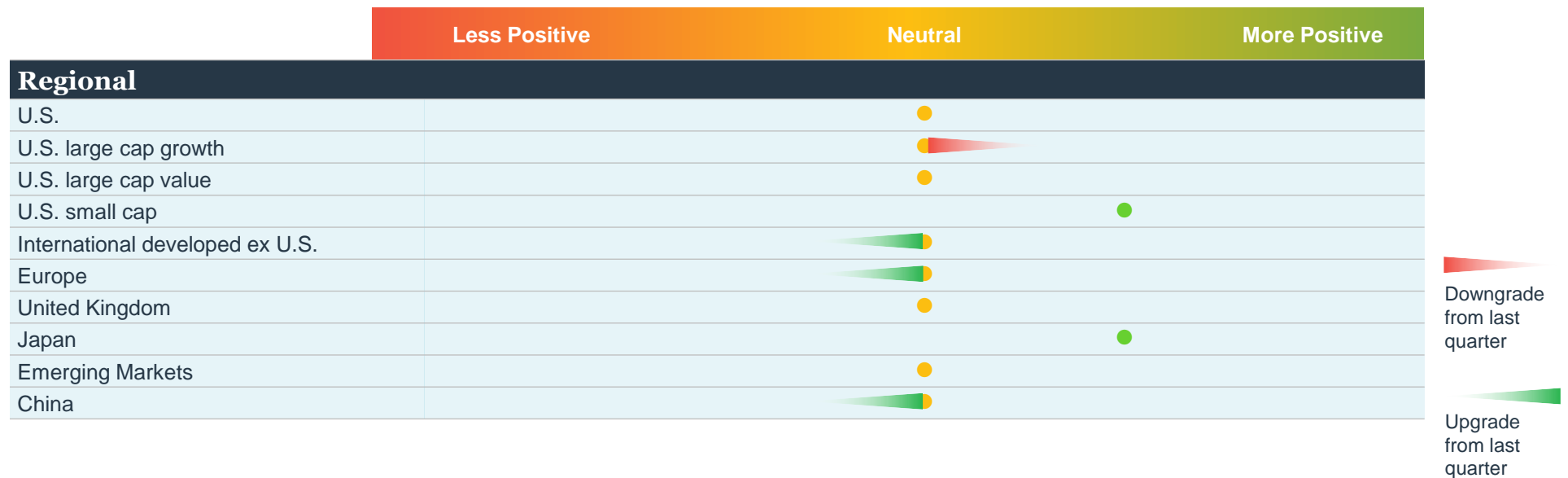
Data source: Nuveen as of 31 Dec 2024. Performance data shown represents past performance and does not predict or guarantee future results. The years shown represent the last trading day of the year.

OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.



# What are our highest conviction equity views?

Our views on the best relative equity opportunities as second quarter 2025 begins



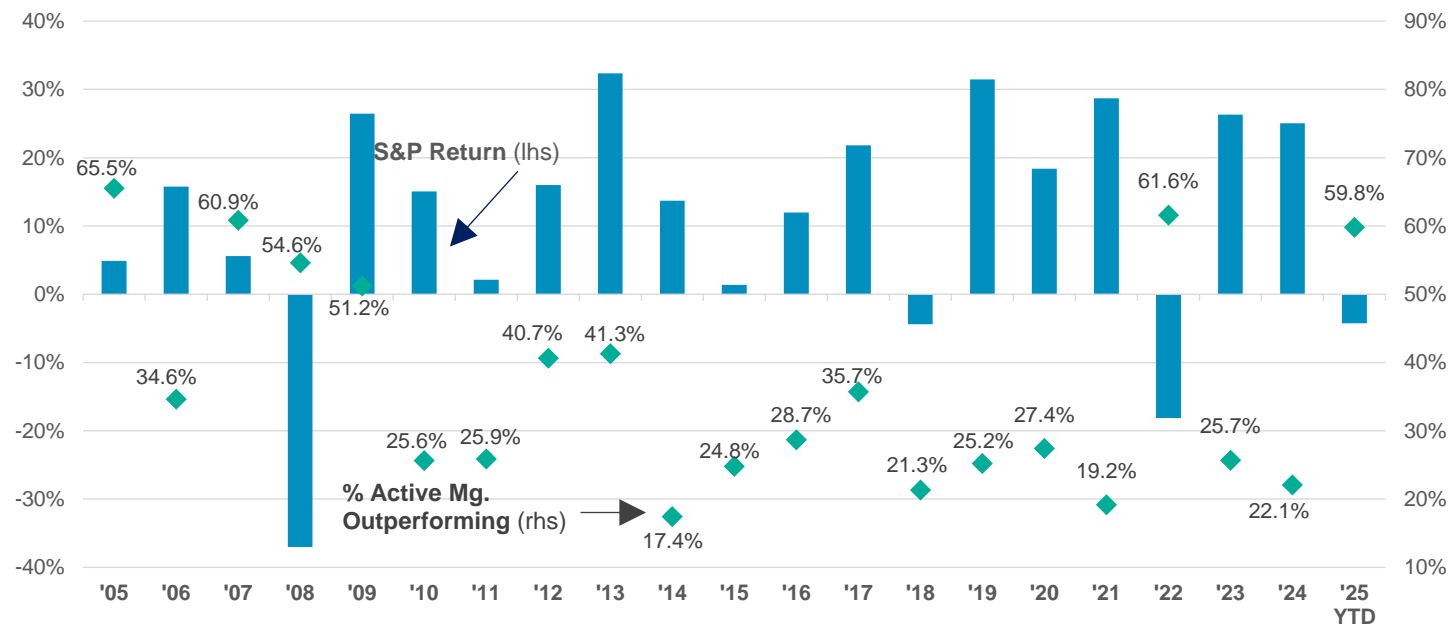
The views above are for informational purposes only and relate a comparison of the relative merits of each asset class based on the collective assessment of Nuveen's Global Investment Committee. These do not reflect the experience of any Nuveen product or service. Upgrades and downgrades reflect quarterly shifts in these views.

OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

# Uncertainty was beneficial for U.S. large cap active management in Q1 2025

The strong showing can be partially attributed to the sell off in the Magnificent 7 stocks

## Annual S&P 500 performance vs. % of active managers outperforming



This marks the highest percentage of outperformance since 2022, when ~62% of managers outperformed over the full year.

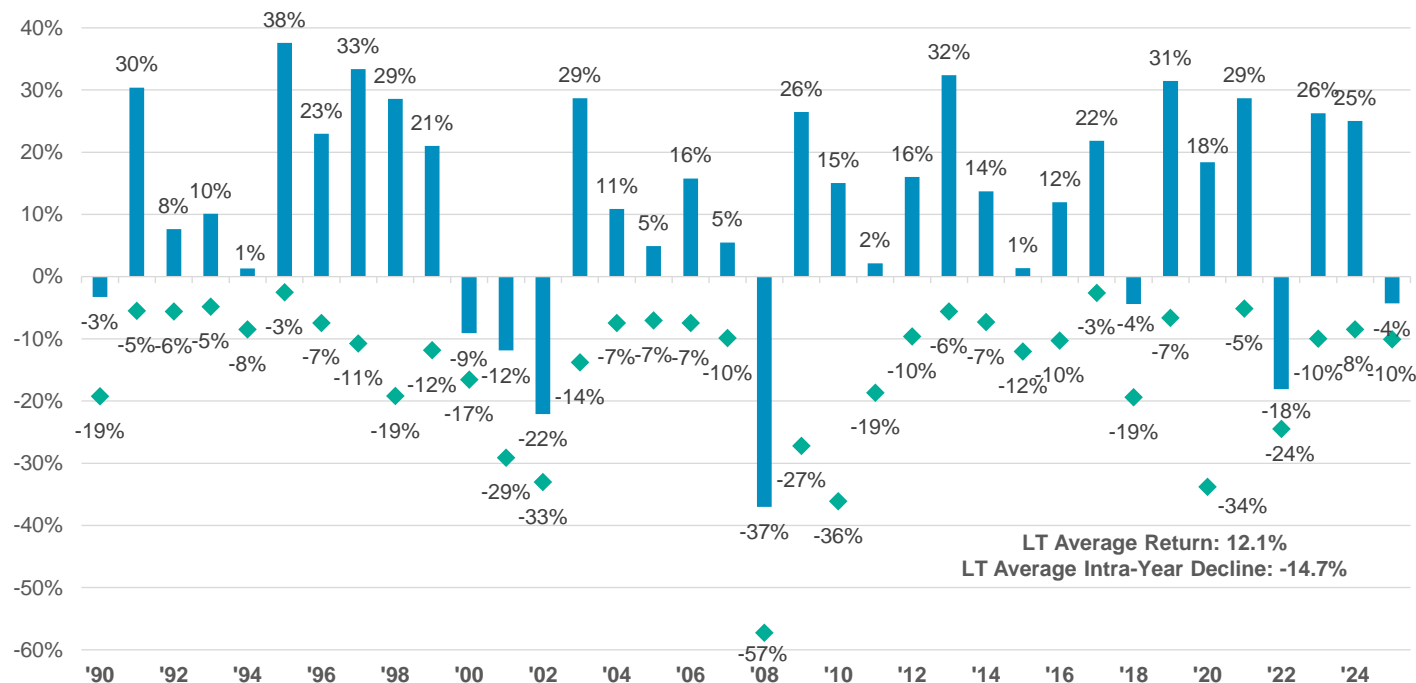
Source: Strategas, FactSet, total return data as of 31 Mar 2025.

OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

## Market implications

# Since 1990, in any given year, the average intra-year decline is -14.7%

## S&P 500 calendar year return vs. largest intra-year decline



*“Far more money has been lost by investors trying to anticipate corrections, than lost in the corrections themselves.”*  
**Peter Lynch,**  
Investor and Author

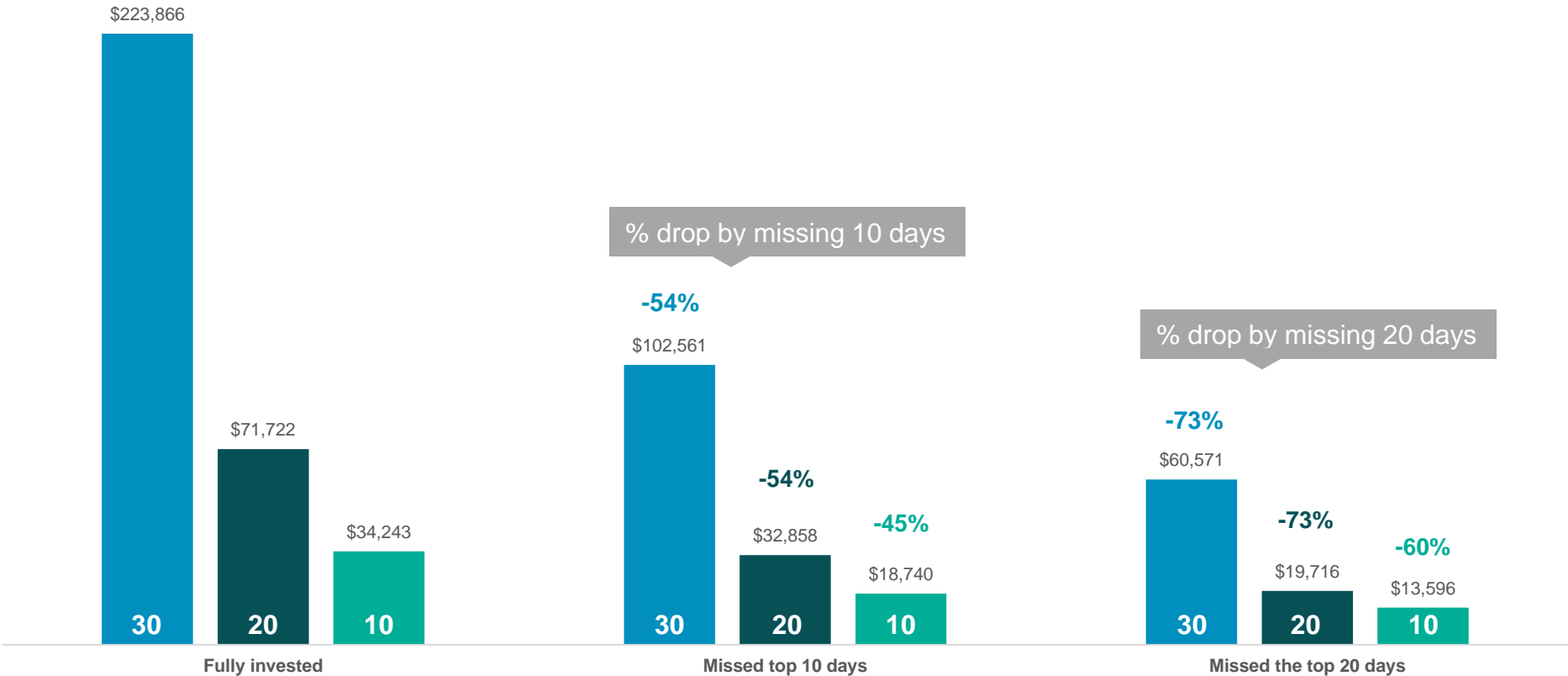
Source: Strategas, FactSet, total return data as of 31 Mar 2025.

OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

# Staying invested has paid off

## The pain of missing out

Growth of \$10,000 in the S&P 500 Index (10, 20 and 30 years)



Data source: Factset, 31 Dec 2024. Most recent data available. Performance data shown represents past performance and does not predict or guarantee future results. Data do not represent the past performance of any Nuveen product or service.  
OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

# Markets recover with time

In 84 of 91 market declines, the recovery was less than one year.

## Historical equity market drawdowns and subsequent recoveries (1937 – 2024)

Drawdown			Occurrences	Average recovery time (months)
-5%	to	-10%	58	1.4
-10%	to	-20%	21	3.4
-20%	to	-30%	5	12.1
-30%	to	-40%	3	11.2
-40%	to	-50%	2	35.3
-50%	+		2	56.2

Data source: Factset, 31 Dec 2024. Most recent data available Performance data shown represents past performance and does not predict or guarantee future results. Average recovery time portrays the market trough until it reaches the previous market peak.  
OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

# Outlook

## Best ideas

- We continue to find select opportunities with companies that exhibit strong fundamentals, including pricing power, that can help overcome inflation and defend free cash flow margins.
- We prefer U.S. large cap, particularly dividend growers, along with global infrastructure and high-quality across all styles, and continue to be constructive on select areas within U.S. small cap.
- Outside of the U.S., we continue to see select opportunities within Europe and Japan, but are increasingly cautious towards other developed and emerging markets until we see economic and investment conditions improve.

## Risks to consider

- Tariffs and the threat of an escalating trade war.
- Central banks around the world continue to respond to volatile economic data, leading to increased risks about market outcomes.
- Increasing margin pressure, combined with tight financial conditions, is increasing the potential for earnings contraction.
- Intermediate- and long-term risks include conflicts in Ukraine and Israel/Middle East, a new Cold War emerging between Russia/China and the West, leading to increased defense spending and deglobalization.

Certain statements may be deemed forward-looking statements. Please note that any such statements are not guarantees or intended to constitute a prediction of any future performance; actual results or developments may differ materially from those projected. Investing involves risk, including possible loss of principal. This information should not be relied upon as investment advice or recommendations. For additional information, please refer to Important Disclosures provided at the end of this presentation.

OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

# Important disclosures

**Dividend policy description:** The performance of each group is based on the equal-weighted geometric average of dividend-paying and non-dividend paying historical S&P 500® stocks, rebalanced monthly. Each stock's dividend policy is determined on a rolling 12-month basis. For example, a stock is classified as dividend-paying if it paid a cash dividend at any time during the previous 12 months. A stock is reclassified only if its dividend payments change. Dividend growers and initiators include stocks that raised their existing dividend or initiated a new dividend during the preceding 12 months. Dividend cutters or eliminators include stocks that lowered their existing dividend or stopped paying regular dividends during the preceding 12 months. The returns do not reflect the deduction of any fees, expenses or taxes that would reduce performance in an actual client portfolio. Returns for stocks that paid dividends assume reinvestment of all income. It is not possible to invest in an index. These groups have been determined by Ned Davis Research, Inc. Further distribution of this information is prohibited without prior permission. Copyright 2023® Ned Davis Research, Inc. All rights reserved.

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

Equity investments are subject to market risk, active management risk, and growth stock risk; dividends are not guaranteed. Foreign 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.

Debt or fixed income securities are subject to market risk, credit risk, interest rate risk, call risk, tax risk, political and economic risk, derivatives risk, income risk, and other investment company risk. As interest rates rise, bond prices fall. Credit risk refers to an issuer's ability to make interest payments when due. Below investment grade or high yield debt securities are subject to liquidity risk and heightened credit risk. Foreign investments involve additional risks as noted above.

Responsible investing incorporates Environmental Social Governance (ESG) factors that may affect exposure to issuers, sectors, industries, limiting the type and number of investment opportunities available, which could result in excluding investments that perform well.

Nuveen, LLC provides investment solutions through its investment specialists.

This information does not constitute investment research as defined under MiFID.

NOT FDIC INSURED | NO BANK GUARANTEE | MAY LOSE VALUE

OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.