

# nuveen

A TIAA Company

VIEWPOINTS FROM THE GLOBAL INVESTMENT COMMITTEE  
2025 Q4 GIC OUTLOOK

## Alternate routes

The Fed's moves and implications for stocks,  
bonds and beyond



OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

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## Key takeaways

The path ahead for the economy and markets appears uncertain, but we see **compelling fundamentals across asset classes**.

**Traditional and alternative credit sectors** offer attractive yields and favorable risk/return characteristics.

In addition, we see opportunities in **U.S. large cap stocks, real estate and infrastructure**.

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# Alternate routes:

## The Fed's moves and implications for stocks, bonds and beyond

Yogi Berra, Robert Frost and the Cheshire Cat, among other real and imaginary luminaries, all offered memorable wisdom about roads and which ones to follow. Though their words are often adapted so loosely that they barely resemble their original form, the underlying themes endure — from “If you come to a fork in the road, take it” to “Two roads diverged...and I took the one less traveled by” to “If you don’t know where you’re going, any road will take you there” (a nowhere-near-verbatim inference based on what Lewis Carroll’s grinning cat told Alice when she asked which way to go in Wonderland).

Diversified, long-term investors face the ongoing task of assessing which asset classes and allocation strategies are most likely to put them on the road to successful portfolio outcomes. The path is typically neither static nor in a frenzied flux over long periods, but instead tends to wind through an evolving economic and market landscape shaped by cyclical and secular forces.

Of course, the road is always subject to potential disruption and detours. That’s certainly been true in 2025, a year of sometimes volatile, unpredictable — and even unprecedented — change. Markets are approaching year end after resolving one of the biggest uncertainties (When will the Federal Reserve begin cutting rates?) and other questions still lingering (What will the Fed’s easing path look like for the remainder of 2025 and in 2026?).

The pace and scope of further rate reductions, whether a swift sprint or a cautious crawl, could drive divergent results for asset classes in the near to medium term. With that in

mind, we would caution against being too risk averse, as conservative bonds on their own, for example, are unlikely to capture the range of opportunities available in the current environment. Staying on the sidelines holding large amounts of cash, rarely a winning long-term strategy, looks even less productive with interest rates now on a downward path. At the same time, overexposure to equities without a focus on fundamentals or meaningful acknowledgment of risks (such as stretched valuations and lack of market breadth) may also be problematic.

If neither purely traditional fixed income and cash at one extreme nor overly equity-centric approaches at the other are optimal portfolio strategies, where do we see the most compelling opportunities? Our “Five themes for 2025” section provides an overview of our preferences and accompanying rationales for non-U.S. Treasury taxable fixed income sectors like securitized assets, senior loans, emerging markets debt and private credit; municipal bonds; commercial real estate; U.S. large cap stocks; and energy-related global infrastructure assets.

Our asset allocation heat map and best investment ideas within asset classes provide additional detailed perspective. It’s worth noting that selectivity and thoughtful portfolio construction are as critical to our outlook as the principle of broad diversification, as not all roads lead to Rome (or to winning investment performance). That’s why, in keeping with our theme of alternate routes, a number of our chosen asset classes — including real estate, global infrastructure and private credit — are somewhat off the beaten path.



### SAIRA MALIK

*Chief Investment Officer, Head of Equities and Fixed Income*

As Head of Equities and Fixed Income, Nuveen’s CIO 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 chairs Nuveen’s Equities Investment Council and is a portfolio manager for several key investment strategies.

# The economy and markets

## Key points to know

### The slowdown has arrived, but not a recession.

The U.S. economy decelerated in 2025, with first-half growth averaging a 1.4% annualized pace, half of 2024's robust 2.8% expansion. European growth is tracking at a similarly sluggish pace, while momentum in China has softened as well.

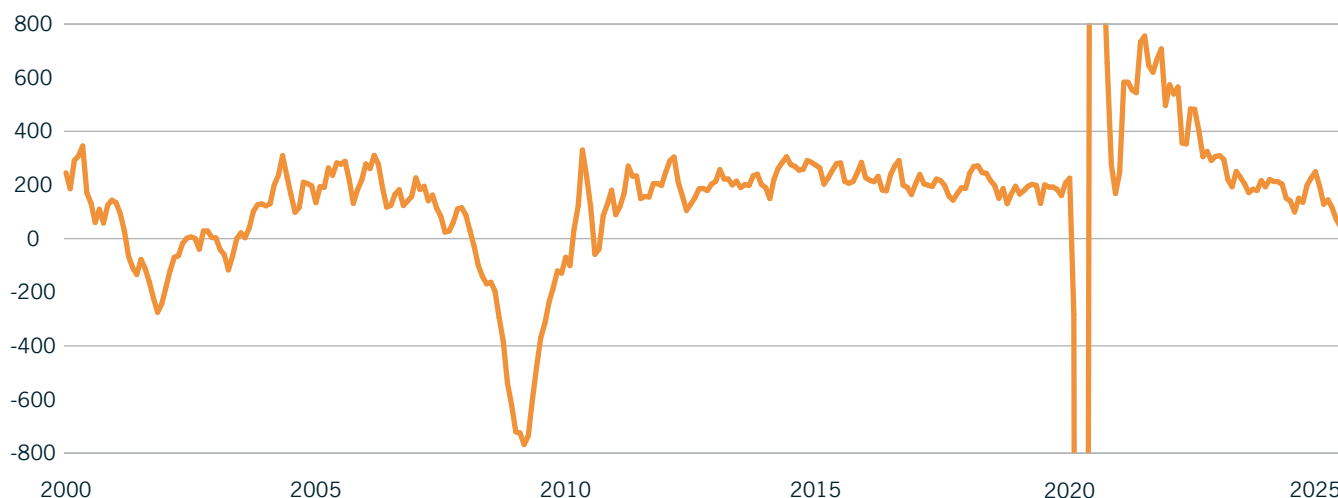
Economic deceleration extends well beyond the headline growth numbers. U.S. job creation has slowed to just 29,000 positions per month (Figure 1), business sentiment surveys have remained weak, and building

permits for new housing construction have declined for four consecutive months — the longest such stretch since 2009.

Despite these concerning trends, we maintain that the odds of a U.S. recession are low. While job creation has undoubtedly slowed, unemployment has risen only modestly, suggesting that demand is not deteriorating at an alarming rate. We also think other geographic regions should hold up relatively well. Manufacturing activity is accelerating across the globe and fiscal stimulus remains a tailwind. We anticipate modest growth across most regions into 2026.

### Figure 1: Economic deceleration extends to slower job creation

*U.S. three-month average job creation (000s)*



Data source: Bloomberg, L.P. and the Bureau of Labor Statistics, 01 Jan 2000 to 31 Aug 2025. Note the extreme job loss and gain volatility during the start of the Covid pandemic are not fully depicted due to scale.



## **Policy uncertainty has ebbed but could continue to drive volatility.**

A major contributor to this year's growth slowdown has been the effects of new U.S. policy initiatives. Tariff uncertainty has dominated attention and weighed on global economic activity. The effective U.S. tariff rate is projected to rise approximately 13% this year, with risks of an even steeper increase ahead. Core goods inflation has accelerated, and we anticipate further upward pressure. By contrast, disinflationary pressures could emerge outside of the U.S.

Counterbalancing these headwinds, U.S. fiscal policy has turned more supportive through renewed tax cuts, with wide deficits expected to persist for years to come. This is a challenge faced across developed markets, including in the U.K., France and Japan.

## **Rate cuts return, but the pace and impact remain unclear.**

Amid this backdrop, the U.S. Federal Reserve is in a tricky spot. Tariff-induced inflation, while modest so far, threatens to derail efforts to restore inflation to the Fed's 2% target in the near term. But we think FOMC officials will place greater emphasis on the employment side of their dual mandate and will follow their September rate cut with at least another 75 bps of additional cuts over the coming quarters.

Elsewhere, the European Central Bank has signaled a pause at 2.0%, assessing that the growth outlook is supported by fiscal stimulus. Inflation pressures are showing persistence in the U.K., keeping the Bank of England cautious on its cutting cycle. In contrast, sustained price pressures should support gradual tightening from the Bank of Japan through 2026.

We do not expect the long end of the U.S. Treasury yield curve to neatly follow the Fed's policy rate lower. We forecast the 10-year Treasury yield to remain near its current level this year and next, as deeper structural forces keep it supported.

The primary driver of our forecast for steeper developed market curves is the fiscal backdrop. With deficits remaining persistently wide, debt levels are projected to rise by approximately 20% of GDP in the U.S. over the next decade. This deteriorating fiscal environment argues for roughly 75 bps of upside to 10-year yields from fiscal pressures alone, almost completely offsetting any downside pressure from Fed rate cuts.

## **Fed cuts will ripple beyond rates.**

Though we don't anticipate big movements in long-end yields due to Fed rate cuts, we do expect changes in U.S. monetary policy to reverberate across the global economy and financial markets.


Interest-rate sensitive sectors like housing should benefit, supporting the U.S. growth outlook into 2026. Beyond Treasuries, we expect credit spreads to remain well-supported even as growth moderates. Lower front-end rates should also boost total returns for shorter-duration segments of fixed income markets. And corporate profit margins could benefit from lower borrowing costs, potentially creating tailwinds for select equity sectors.

In currency markets, the dollar has already depreciated this year but remains historically expensive, sitting in the 92nd percentile of valuations over the last 35 years. We expect further weakening, albeit at a slower pace.





# Portfolio construction themes



The U.S. Federal Reserve has (re)embarked on its rate cutting path, joining most other global central banks in an easing trend. But lower short-term rates don't automatically translate into a unified market environment.

In addition to shifting interest rates, investors must contend with slowing growth, persistently sticky inflation, the ongoing AI and energy demand boom, and shifting market valuations and fundamentals across global financial markets. The crosscurrents are likely to put different asset classes, market sectors and investment styles on different trajectories.



To help navigate this complex landscape, we offer our current **five investment themes and best asset class ideas** in the following sections.

## Asset class “heat map”

Our cross-asset class views indicate where we see the best relative opportunities within global financial markets. These are not intended to represent a specific portfolio, but rather to answer the question: “What are our highest conviction views when it comes to putting new money to work?” These views assume a U.S. dollar-based investor seeking long-term growth and represent a one-year time horizon.

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Downgrade  
from last  
quarter

▶▶▶▶▶▶▶▶▶▶

Upgrade from  
last quarter

	◀ Less positive	Neutral	More positive ▶
<b>EQUITIES</b>			
U.S. large cap equities			
U.S. small cap equities			
Non-U.S. equities			
Emerging markets equities			
Private equity			
<b>FIXED INCOME</b>			
U.S. Treasuries (10 yr)			
Investment grade			
High yield			◀◀◀◀◀◀◀◀
Emerging markets debt			▶▶▶▶▶▶▶▶▶▶
Senior loans			
Preferred securities			◀◀◀◀◀◀◀◀
Securitized assets			
Municipals			
Private credit			
<b>REAL ASSETS</b>			
Listed REITs			
Listed infrastructure			
Commodities			
Farmland			
Private real estate			
Private infrastructure			
Real estate debt			

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

# 5 themes for 2025

## 1

Relative yields and credit selection, more than risk-free rates, should drive returns in public and private debt markets.

As we explained in the previous section, we expect the Fed and other central banks to continue cutting rates modestly. But that won't necessarily translate into broad market bond yields moving lower given upward pressure from other sources. This dynamic should produce a steeper U.S. yield curve over the coming quarters, yet we don't think investors should extend duration to seek returns.

Rather, we think it makes sense to emphasize credit selection and broad fixed income diversification, with a particular emphasis on market segments that continue to offer yields at extremely attractive entry points, on both an absolute basis and relative to their history (Figure 2).

We offer more details on specific areas of the fixed income market we favor in the following section, but several areas merit highlighting. Emerging markets debt has grown increasingly attractive, and we continue to favor securitized assets and senior loans. While some investors have expressed concern about how weakening growth could negatively impact private credit, we believe deal activity remains robust and continue to favor conservative structures with lower leverage and stronger covenants — especially in the middle market segment.

## 2

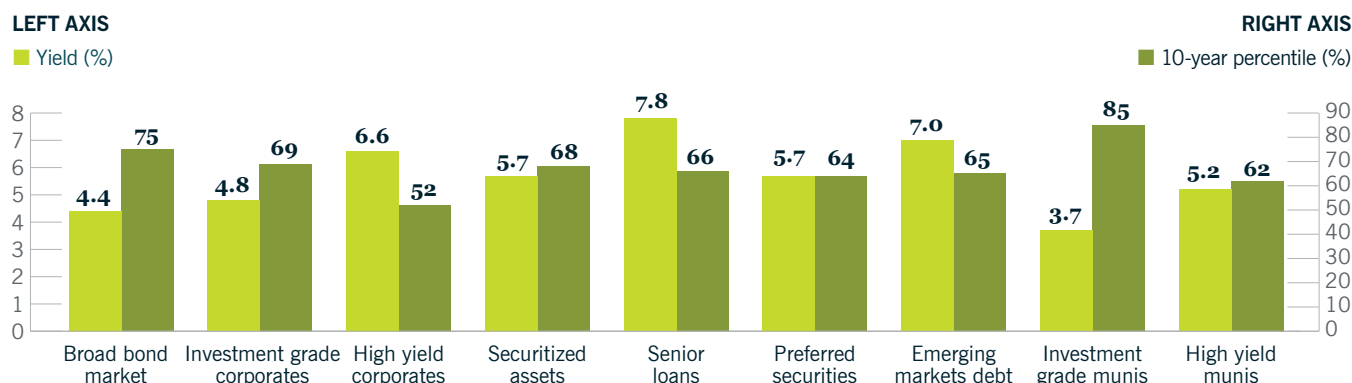
Municipals are still the borrower of choice for investors in it for the duration.

There is much to like about municipal bonds right now. Fundamentals remain solid for state and local governments: Tax revenues have been climbing, cash balances are high and defaults remain quite low. Municipal bond yields are also elevated, thanks in part to growing new supply. That surge in supply has caused municipal bond returns to lag the broader fixed income market this year, creating what we view as excellent value opportunities.

With the municipal bond curve steeper than the Treasury curve, this looks to be an area of the market where investors may be well compensated for accepting some duration risk. From a credit perspective, we see compelling opportunities across both high grade and high yield municipals.

**Figure 2: Fixed income yields offer compelling entry points**

*Current yields and percentile compared to 10-year history*



Data source: Bloomberg, L.P., 24 Sep 2025. Performance data shown represents past performance and does not predict or guarantee future results. Representative indexes: broad bond market: Bloomberg U.S. Aggregate Index; investment grade corporates: Bloomberg U.S. Corporate Investment Grade Index; high yield corporates: Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index; securitized assets: equal blend of ICE BofA AA-BBB U.S. Fixed Rate CMBS Index, ICE BofA AA-BBB U.S. ABS Index and ICE BofA AA-BBB Home Equity Loan U.S. ABS; senior loans: S&P UBS Leveraged Loan Total Return Index; preferred securities: ICE U.S. Institutional Capital Securities Index; emerging markets debt: J.P. Morgan EMBI Global Diversified Blended Yield Index; investment grade municipals: ICE BofA US Municipal Securities Index; high yield municipals: ICE BofA U.S. Municipal Securities High Yield Index.



# 3

Real estate reality:  
the trends are  
positive.

Real estate markets appear to be in the early stages of a positive turnaround. Returns have been positive for the last few quarters following a two-year downturn driven by falling values, oversupply and weak demand. We believe the first two headwinds have been largely mitigated, and we are seeing meaningful progress on the third.

Real estate values appear to have found a floor and bottomed out. The oversupply issue that emerged at the end of the pandemic is finally fading as construction starts decline. While demand uncertainty for real estate broadly does remain a concern, we are witnessing robust demand in specific sectors such as medical office, grocery-anchored retail and affordable housing.

# 4

The world may  
be decoupling;  
markets are not.

While some of the tariff turmoil from earlier in the year has subsided, ongoing trade policy uncertainty and geopolitical tensions suggest that globalization may be a distant memory. But from an economic perspective, growth and monetary policy trends are generally still moving in the same direction globally.

We continue to hear discussion around a “sell the U.S.” trade, sparked by a sense that U.S. global economic leadership may be waning. However, we think this trend may be misguided. We maintain our positive stance on U.S. large cap equities, as we believe fundamentals remain strong and that the U.S. will remain the primary beneficiary of the AI boom.

Regarding other areas of the global equity market, we remain broadly neutral toward non-U.S. developed markets, though we view European equities as potentially representing a long-term value opportunity. In contrast, emerging markets equities appear less attractive given heightened global trade policy risks.

# 5

Energy demand  
charges ahead of  
capacity, creating  
opportunities  
amid political  
changes.

The demand for energy continues to surge. Many of the world’s largest technology companies are investing billions in new data centers, AI infrastructure and power generation. While tech companies themselves should benefit from this trend, we also see significant opportunities in power-related infrastructure investments across public and private markets.

U.S. political and regulatory shifts do affect the relative attractiveness of energy-generating investments. On balance, we expect the global green energy transition to continue, particularly in Europe, but investments in natural gas, pipelines and traditional energy should benefit from Trump administration policies. With power demand outstripping existing supply capacity from conventional sources, we could also see increased investment in nuclear and geothermal energy generation. In contrast, we expect areas such as U.S. wind power and electric vehicle charging infrastructure to face greater headwinds.

# Our best investment ideas



**EQUITIES**  
Saira Malik

**Best ideas:** We suggest a barbell approach that balances a focus on the growth-oriented U.S. tech/AI theme with more defensive positioning in dividend growers and listed infrastructure, both of which offer income and potentially lower volatility.

## Investment positioning

- We maintain a broadly neutral stance toward equity markets. Stock prices continue climbing despite uncertainty surrounding economic growth, tariff policies, geopolitical developments and shifting earnings expectations. We anticipate equity market volatility to persist at relatively high levels, and while we are conscious of elevated valuations in some pockets of the market, we continue to see select opportunities for discerning investors.
- With this backdrop, investors should prioritize high-quality companies and stock selection over macroeconomic-driven investment decisions. We particularly favor sectors offering inflation protection, stable growth or market participation with superior downside capture potential.
- Compelling opportunities exist among select growth stocks demonstrating strong fundamentals, meaningful pricing power and reasonable valuations. The technology sector continues offering attractive long-term prospects driven by AI-related productivity gains, especially for companies that can maintain competitive margins. Beyond technology, we favor financials benefiting from reduced regulatory pressure, as well as utilities and health care as more defensive sectors.
- The U.S. dominance in tech, combined with tax cuts and lower regulations, supports our preference for U.S. large caps over small cap equities and other developed markets. We remain cautious toward emerging markets given their vulnerability to evolving global trade policy risks.
- Private equity deal activity appears poised for improvement over the coming quarters, which would benefit this market segment and alleviate some of the pressure it has experienced in recent periods.



**FIXED INCOME**  
Anders Persson

**Best ideas:** Securitized assets (especially commercial mortgage-backed securities) and senior loans offer a compelling combination of attractive yields and value. For municipal bonds, we favor water/sewer bonds and select opportunities in health care and higher education.

## Investment positioning

- We maintain a broadly positive outlook toward global bond markets despite fixed income appearing rich on a credit spread risk premium basis. Current yields remain very attractive, credit fundamentals are strong and investor demand for fixed income assets remains elevated.
- Long-term rates have declined over the last month, and we expect bond market volatility will remain elevated. We encourage investors to take advantage of volatility driven by policy shifts and economic deceleration through broad diversification and active management. We advocate maintaining a neutral duration stance while continuing to identify attractive credit opportunities. We expect duration will reassume its role as a growth hedge over the coming quarters.
- Regarding specific bond market sectors, we think investment grade credit faces potential headwinds from extremely tight credit spreads and extended duration profiles. And we see better valuations outside of U.S. Treasuries as well. Senior loans, CLOs and securitized assets remain attractive given their relatively high yields. We are increasingly optimistic about emerging markets debt given improving fundamentals and appealing relative valuations. High yield and preferred securities feature solid fundamentals with favorable long-term prospects, though recent price appreciation has elevated valuations.
- Municipal bonds represent one of our most preferred market segments, with prices dislocated from underlying fundamentals (primarily due to substantial supply increases). State and local government finances remain resilient, and, given municipal bonds' underperformance relative to the broader fixed income market this year, we view current levels as presenting exceptional value opportunities.
- Private credit markets have experienced some spread compression, yet overall yields remain attractive with robust demand, particularly within the middle market loan segment.





**REAL ESTATE**  
Donald Hall

**Best ideas:** We remain focused on “global cities” experiencing growing, educated and diverse populations with a particular focus on the health care, industrial and housing sectors.

### Investment positioning

- We believe the real estate sector remains in the early stages of recovery with an increasingly favorable risk/reward profile. Property prices have strengthened across property types and geographies over recent quarters, supported by solid underlying fundamentals and accelerated demand trends.
- Among sectors, we favor medical office and senior housing properties, both benefiting from very low vacancy rates, robust demand and favorable demographic tailwinds. Neighborhood retail also presents compelling opportunities given limited new supply pipelines and strengthening consumer demand.
- Real estate debt continues offering attractive valuations and relatively wide spread premiums. Currently, we view opportunities between real estate equity and debt instruments as roughly balanced.



**REAL ASSETS**  
Justin Ourso

**Best ideas:** In public markets, our best ideas include non-U.S. industrial real estate (attractive valuations and solid earnings) and AI-related infrastructure, especially areas like electric utilities that have yet to fully realize potential benefits. Across private markets, we continue to focus on investments that align with climate and digital transformations, such as solar/battery storage and data centers.

### Investment positioning

- In public real asset markets, we maintain a slight preference for infrastructure over real estate. The AI boom should continue to benefit infrastructure, especially utilities positioned to capitalize on strong secular growth trends. We are focused on regions experiencing the highest power demand growth while avoiding jurisdictions experiencing regulatory scrutiny.
- Public real estate also looks compelling as the asset class appears positioned for broad cyclical recovery. Improving fundamentals, rising demand and constrained supply create favorable conditions, especially in areas such as health care and senior housing. Lower rates would also support real estate investments.
- On the private markets side, we continue identifying diverse infrastructure opportunities across equity and debt markets, chiefly those benefitting from surging power demand and expanding AI and cloud computing needs. We are focused on modern, efficient energy and digital infrastructure over legacy, with special attention to data centers and sustainability-focused infrastructure investments promoting and benefitting from environmental transitions.
- Long-term farmland allocations remain attractive for their differentiated return potential and inflation hedging characteristics. However, we are seeing price moderation in row crop margins and anticipate some tariff-related headwinds for areas such as U.S. soybeans.

## 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. Quarterly 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](https://nuveen.com).

### Endnotes

#### Sources

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

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