

Chris Hyzy:

This is Chris Hyzy, Chief Investment Officer for the mid-year 2025 outlook in the July Viewpoint. We title it “The Asset Light Era Meets Innovative Infrastructure.” With the first half of 2025 in the books, we highlight our top views for the second half in the context of a macro backdrop that continues to remain resilient, and with new forces powering the next profit cycle gathering momentum.

The asset light era, which is the consistent evolution of less labor intensive businesses meets innovative infrastructure which in our words, is the growing demand for smart data centers and efficient power generation, just to name two specific infrastructure related items. This is our core theme, for not only the remainder of ‘25, but also for the years ahead. As this marriage matures, a variety of new growth streams are likely to develop, many of which are occurring more rapidly than ever before. Rapid innovation that powers new growth streams in the private sector is the foundation for our bullish view in the coming years. With this in mind, we believe it’s important to ask the following questions: what are we watching now, and what is the likely path forward across asset classes for the remainder of the year?

So, first, what are we watching now? Employment data in the private sector including job growth, average hourly earnings, and jobless claims. Two, consumer spending data to assess the degree of the expected so-called soft patch that many have talked about in the economy. Three, consumer prices and inflation statistics to assess the tariff pass-through effect. Four, capital investment plans from the technology and technology-like companies. Is it increasing, decreasing, or staying the same as announced?

Treasury auction demand at what part of the curve in any impact on yields. Real estate loan maturities coming due by the end of the year, and how are they clearing? The internals of the equity markets overall to assess whether new leaders are emerging, and the degree of market and sector rotations. Investor positioning, sentiment, and flows: is it bearish, bullish, or neutral? And finally, the policy landscape domestically and globally, including overall geopolitical risks.

As we continue to watch these areas to assess the potential impact on asset prices, we believe the second half of 2025 includes a few pitstops along the way, given where valuation is currently, and short periods of increased volatility, but the uptrend to remain intact in equities as far as we are concerned. So, where do we go from here? The uptrend in equities remains, but with a few pitstops and short periods of equity volatility around the world, and we expect this to occur as prices get ahead of themselves from time to time. We do believe we're still in this little mini [mouth-up] phase that is gathering momentum, but again, with a few pitstops and short periods of equity volatility. International equity markets to maintain their outperformance given the weaker dollar, but the US to close some of the gaps. Technology leaders in the US to remain the power source for the overall market, but financials, utilities, and segments of industrials to also provide some tailwinds.

The US dollar to maintain the weaker path that has been transpiring year-to-date. Investment flows to continue to support gold prices. Oil prices to stay flattish or slightly lower, interest rates and yields also to remain flattish or lower on the short-end, as more and more Fed comments and actions come into focus. And finally, credit spreads to remain tamed.

So, in summary, we remain over with equities relative to fixed income and bullish over the long-term given our favorable view on the corporate profit cycle, and the ability of companies to harness new growth [spigot] and productivity pathway. We expect short periods of volatility in the second half as geopolitical risks remain high, and equity prices get ahead of themselves from time to time.

Exhale periods would be buying and rebalancing opportunities for long-term investors in our view. In the coming weeks, we provide more detailed view on a variety of other questions on the minds of investors. For now, we continue to believe that the short-term uptrend is intact, and the long-term overall uptrend is very well intact.

That will do it for today, thanks for listening.

Operator:

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