

# Timely investment positioning (TIP)












Views reflect a 12-month time horizon for dynamic positioning

May 2025

Franklin Templeton Investment Solutions translates a wide variety of investor goals into portfolios powered by Franklin Templeton's best thinking around the globe. We calibrate firmwide views with original analysis from our dedicated teams, which include both fundamental and quantitative research professionals.

## Our dynamic view (legend)



Asset Class	 <b>Equities</b>	We move to a neutral stance towards risk assets but hold a negative bias. Given the magnitude of policy changes and the uncertainty posed by them, our conviction toward global equities has lessened.
	 <b>Fixed Income</b>	US duration may be a less defensive hedge amid elevated inflation and concerns about the 'safe-haven' status of US Treasuries. Recent volatility has driven a divergence in the appeal of government bonds across different regions. We hold neutral view of bonds, as upside inflation risks remain, with a preference for duration outside of the United States.
	 <b>Cash</b>	Despite the defensive features of cash and attractive yields, reinvestment risk is high, given rates are projected to decline over the next 12 months.
Equities	 <b>United States</b>	US policy has rattled markets. Tariffs will meaningfully impact production costs across many US industries. The market appears unenthused by first quarter (earnings) beat rates, and forward revisions have dropped markedly over the last month. However, given international equities also face the headwind of geopolitical uncertainty and tariff threats, we maintain our neutral view toward the United States.
	 <b>International Developed</b>	<b>Europe ex UK:</b> We maintain our neutral view. Easier monetary policy may support the economy. However, geopolitical uncertainty and tariff threats remain a headwind. <b>Japan:</b> Market breadth has narrowed amid slowing price momentum. Heavy exposure to US automotive parts tariffs is also a cause for concern. Equity markets appear to have broadly discounted the tighter monetary policy due to inflationary pressures. Given this backdrop, we hold a neutral view on Japanese equities. <b>Pacific ex Japan:</b> Australia's economy stands out as one of the least-sensitive regions to US tariff policy. Against this backdrop, our view on the Australian market is modestly bullish.
	 <b>Emerging Markets</b>	Emerging markets are among the regions most exposed to US tariffs, but a weaker US dollar offers some support. Weaker leading manufacturing indicators challenge the upside for Taiwan and South Korea, given their exposure to semiconductor demand. Overall, we maintain our neutral view on emerging markets excluding China. <b>China:</b> It is unclear if a stimulus-induced boost to markets will translate into stronger macro and corporate fundamentals. Property market risks and weak domestic demand continue and a structural decline in return on equity supports lower valuations. Despite a recent rally in the technology sector, we hold our neutral outlook.
Fixed Income	 <b>US Treasuries</b>	A declining growth limits upside pressure in yields and we do not believe that tariff-induced inflation would spike yields in the same way that demand-driven inflation would. However, the risk of policy mistakes by the Federal Reserve and the potential for sustained inflation remain. Against this background, we retain neutral US duration positioning, as we see better upside potential in international government bonds.
	 <b>US Investment Grade</b>	The sector remains strong given resilient corporate fundamentals. However, our outlook reflects our preference for the more defensive features of government bonds.
	 <b>US High Yield</b>	Financial conditions have weakened and now provide more attractive pricing for high-yield issues. However, we believe the odds of recession are not fully priced in.
	 <b>International Developed</b>	The European Central Bank has continued to cut rates, as euro-area inflation has fallen toward target and growth remains relatively weak. Falling wage pressures should help ease inflation further. Meanwhile, we expect the impact of German fiscal stimulus to be gradual. Against this backdrop, we retain our constructive view.
	 <b>Emerging Markets</b>	Emerging market debt should benefit from easier monetary policy and a supportive macro backdrop. Relatively high real yields versus US Treasuries suggest attractive risk-adjusted returns, but the impact of geopolitical tensions remains uncertain. As a result, we hold a neutral outlook on the asset class.

Our equity and fixed income sub-asset class views reflect relative sentiment within the asset class. Arrows, if included, denote a month-over-month change in a given view.

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### US equity and fixed income factors

Equities	<p><b>Market Cap</b></p>	Economic growth remains resilient but clearly decelerating, which typically is a headwind for small-cap stocks. Small-cap valuation compression reflects relative earnings underperformance, rather than pure sentiment or mispricing. Against this backdrop, we have a bearish view of small caps.
	<p><b>Style</b></p>	We maintain a neutral view, with perhaps a slight tilt toward value. Growth stocks have historically shown high sensitivity to weak growth regimes. Mega-cap growth stocks are disproportionately exposed to US tariff policy. Any broadening of expected earnings growth should benefit value, in our view.
Fixed Income	<p><b>Duration</b></p>	We are neutral on duration. Market expectations have risen to three or more rate cuts over the next year. This is slightly higher than our expectations, although trade and fiscal uncertainty create a fluid backdrop.

Arrows, if included, denote a month-over-month change in a given view.

### Periodic\* insights on alternative asset classes

Alternatives	<b>Private Equity</b>	Private equity (PE) activity and exits continue to improve, although 2025 transaction volume has not yet risen as expected. Activity in the initial public offering market remains below long-term averages. A large backlog of potential exits remains, with holding periods remaining elevated. Secondaries continue to be an important source of liquidity and opportunities.
	<b>Private Credit</b>	Tight spreads and a near-term excess of capital available to finance new PE deals lead to a cautious outlook for the middle-market sector. We continue to watch payment-in-kind interest and other trends related to borrower health. Opportunities persist in some more complex sub-sectors amid higher interest rates and reduced financing options.
	<b>Real Assets</b>	<b>Private Real Estate:</b> Excluding office, core US real estate sectors have generally re-priced to fair value, with stable appraisals and even some pockets of modest price appreciation over the past two quarters. Transaction volume remains low by historical standards but appears set to improve as the outlook for interest rates stabilizes. We remain focused on sector valuation trends. <b>Commodities:</b> The outlook remains modestly negative as longer-term dollar strength and weak economic indicators create headwinds. Crude oil markets appear adequately supplied, and the US administration has taken a balanced approach to avoid excessive shocks to oil prices resulting from foreign policy. Given volatility across markets, further dollar weakness and a sustained fall in real yields should support commodity prices. It will be important to watch changes in commodity momentum as an indicator for future returns after a period of rangebound trading.
	<b>Hedge Strategies</b>	We are neutral long/short equity. We prefer equity market neutral approaches given the environment. We have modestly downgraded our stance on event-driven strategies due to a generally limited opportunity set; higher uncertainty and low confidence has created a dearth of corporate activity for now. Discretionary macro traders with a forward-looking and tactical view can benefit in this environment while some events and policy announcements still pose risks.

Alternative asset sub-asset class views reflect relative sentiment within the asset class. \* Commentary as of March 2025.

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An investment in **private securities (such as private equity or private credit)** or vehicles which invest in them, should be viewed as illiquid and may require a long-term commitment with no certainty of return. The value of and return on such investments will vary due to, among other things, changes in market rates of interest, general economic conditions, economic conditions in particular industries, the condition of financial markets and the financial condition of the issuers of the investments. There also can be no assurance that companies will list their securities on a securities exchange, as such, the lack of an established, liquid secondary market for some investments may have an adverse effect on the market value of those investments and on an investor's ability to dispose of them at a favorable time or price.

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