



Timely investment positioning (TIP)

Views reflect a 6-12 month time horizon for dynamic positioning

May 1, 2026

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	View	Description
Asset Class	Equities	Our approach to risk has become somewhat more constructive heading into May, as tensions in the Middle East show tentative signs of easing. While energy supplies may also be restricted, we would largely expect markets to look through any temporary setbacks. Sentiment and positioning are not yet overextended, despite the recent strong market rally, supporting risk assets.
	Fixed Income	Inflation remains persistent, and any setbacks in resolving the Iran conflict could keep it elevated. Central banks—particularly those with a sole inflation mandate—are likely to remain constrained, while resilient US growth further reduces the case for easing.
	Cash	We believe cash offers attractive risk-free returns and are reducing portfolio interest-rate sensitivity. Our preference reflects a cautious stance on interest rates amid elevated uncertainty.
Equities	United States	Corporate fundamentals are strong; we see a high likelihood of double-digit earnings growth over the next 12 months. Weak breadth modifies our conviction but does not supplant our positive earnings view.
	International Developed	Europe ex UK: Europe ex-UK: Growth indicators remain weak, pressured by rising input costs and structural challenges in Germany, including high energy costs, labor shortages and regulatory burdens. A subdued macro backdrop, elevated energy prices, and soft domestic demand are weighing on eurozone equities, in our view, reflected in margin pressure and narrowing earnings breadth. Greater exposure to Middle East energy adds further risk. We remain pessimistic. Japan: Japanese equities have seen mixed signals recently. Some economic indicators are slowing, while others are improving as companies bring production forward amid geopolitical uncertainty. As a result, earnings growth has leveled off in the near term. That said, longer-term supports—like corporate reforms and targeted government stimulus—remain in place.
	Emerging Markets	Emerging markets ex China: The risk of an extreme energy shock from a Strait of Hormuz closure has eased. Earnings expectations continue to rise, driven by AI-related spending from hyperscalers supporting Asian hardware demand. While revisions remain positive, breadth has narrowed alongside semiconductor outperformance. Recent earnings have been strong, with robust demand and pricing power driving margin expansion. China: China’s economy remains K-shaped, with subdued domestic demand offset by strong export performance, reducing the urgency for stimulus. For equities, the outlook hinges on domestic conditions, in our view, with challenges in the property sector and ongoing deflationary pressures weighing on sentiment. While new e-commerce regulations may help stabilize valuations at the margin, the broader backdrop of limited stimulus and uneven growth keeps us neutral.
	US Treasuries	Markets are no longer pricing in interest-rate cuts from the Federal Reserve (Fed), as labor markets have stabilized and growth is near trend. Sticky core inflation will make it difficult for the Fed to ease policy. Rising fiscal deficits and uncertainty around a new Fed regime can add to upward pressure on yields.
Fixed Income	US Investment Grade	A modest deterioration in macro forecasts is a concern. Credit spreads have widened but remain relatively narrow. We hold a neutral viewpoint on higher-quality credit, preferring the potential defensive features of government bonds.
	US High Yield	Investors are not benefiting from the usual cushion of falling rates in the current environment. Moreover, excess returns on equities appear more attractive than credit, amid strong earnings and tight spreads. We believe the balance of risk and rewards favors neutrality.
	International Developed	In Europe, higher energy prices have the potential to add further pressure to an already weakened economy. However, energy prices remain near cyclical highs and may continue to add upward pressure to eurozone yields.
	Emerging Markets	Local-currency debt still offers a compelling long-term opportunity, as fiscal and monetary policy stability, in tandem with corporate governance improvements, should help to boost inflows of foreign capital. However, we are cautious due to risks related to conflict in the Middle East and a strengthening US dollar.

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>Small Large</p> <p>Market Cap</p>	Cost shocks are relatively bad for small caps given their generally lower pricing power, higher operating leverage and greater domestic cost exposure. From a sector standpoint, we believe small caps would be hurt more by an increasingly “K-shaped” economy fueled by higher energy prices.
	<p>Value Growth</p> <p>Style</p>	If economic and earnings growth were to falter—potentially due to the Iran conflict—markets have historically favored scarce growth, with higher-quality, large-cap companies tending to outperform. However, we remain cautious on the sustainability of AI capex.
Fixed Income	<p>Short Long</p> <p>Duration</p>	Central banks face a two-sided challenge: inflation risks, potentially exacerbated by higher oil prices, and a possible demand slowdown. On balance, we maintain a cautious stance on duration, as persistent inflation and resilient US corporate growth expectations are likely to keep upward pressure on yields.

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Periodic* insights on alternative asset classes

Alternatives	Private Equity	Private equity conditions have improved modestly from last quarter, supported by better exit activity and somewhat lower dry powder, but the backdrop is still selective rather than broad-based. We continue to favor the middle market and still see secondaries—especially general partner-led/single-asset continuation vehicles—as attractive.
	Private Credit	We remain broadly constructive on US private credit while remaining slightly cautious on corporate direct lending. Though absolute spreads are tight and competition remains elevated, forward deployment still looks attractive relative to public credit on a relative spread basis. Negative headlines and fundraising pressure have the potential to increase spreads—improving attractiveness—but we may see multiple quarters of redemption pressures first.
	Real Assets	Private real estate: The outlook is broadly unchanged from last quarter, but with a firmer underpinning. Fundamentals remain strongest in sectors such as multifamily and industrial, while office remains the clearest laggard. The medium-term opportunity is attractive, though returns will depend heavily on interest rates and policy, and transaction evidence still suggests some gap between appraisal values and clearing prices. Real estate credit also remains attractive given elevated yields and a large refinancing pipeline over the next two years. Commodities: We remain neutral on commodities overall. Energy markets already reflect a significant geopolitical risk premium. Gold has become more attractive after the recent pullback, with positioning likely cleaner and prior pressure from higher real rates already absorbed. At the same time, the AI capex buildout should continue to support demand for select industrial metals and energy markets.
	Hedge Strategies	We are neutral but more constructive on long/short equity managers as catalysts across regions support an attractive environment for stock selection. We have a neutral but modestly declining outlook on event-driven strategies, as elevated market volatility can tamper confidence, leading to less deal activity. The global macro environment remains broadly supportive, with elevated market volatility expanding the opportunity set. Commodity managers face an opportunity set that is robust but challenging, as renewed volatility increases tail risks for directional and relative value strategies.

* Commentary as of March 2026.

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