

Timely investment positioning (TIP)

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

February 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)






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| Asset Class | Equities | Despite some softening of macro indicators, we believe the overall macro backdrop once again remains conducive to risk-asset strength. Strong corporate fundamentals, as evidenced by positive forward earnings revisions and guidance, support equity market momentum. This outweighs valuation concerns, in our view. Certain leading economic indicators have strengthened, fueled by AI capital expenditures (capex) and high-end consumers. Sentiment is stretched and positioning is bullish, which is a potential concern (possible contrarian indicator). |
| | Fixed Income | Inflation remains above central-bank targets in most developed economies. Services inflation has moderated, but goods inflation could remain sticky through the end of this year, despite evidence that pressures have peaked. Elevated fiscal spending linked to tax extensions and rebates (in the United States), as well as higher defense spending (in Europe), should maintain upward pressure on yields in those areas. |
| | Cash | We believe cash offers attractive risk-free returns, but we are neutral due to our more positive view of equities. |
| | Equities | |
| Equities | United States | Economic growth has held up well despite some softening of labor-market data. A resilient high-end consumer, accommodative fiscal policy and AI capex should keep US growth afloat in the first half of 2026. Trailing earnings-per-share growth for US value stocks is starting to accelerate, indicating an improvement in earnings breadth. Corporate guidance is among the rosiest we've seen, with fourth quarter guidance breadth among the strongest since 2011. |
| | International Developed | Europe ex UK: While trailing earnings-per-share growth has jumped, largely driven by banks and defense stocks, manufacturing activity continues to weaken, and forward earnings growth revisions for the next 12 months remain negative. Japan: Political volatility is extremely high, with snap elections next week. The yen has depreciated vis-à-vis the US dollar, and current fiscal plans could see this continue. This leaves unhedged US dollar investors vulnerable. |
| | Emerging Markets | Emerging markets ex China: Earnings growth expectations are among the highest globally, and revisions are better in emerging markets (EM) versus developed markets. A depreciating US dollar relative to EM currencies is also bullish for EM stocks. Lastly, inflation in the region appears stable, providing central banks with relative flexibility. China: Recent equity market weakness does not materially diminish the attractiveness of China's leading tech companies amid positive AI developments, in our view. However, macro and corporate fundamentals in China remain challenging and fiscal and monetary stimulus measures have not materially helped. Domestic demand continues to stagnate. |
| Fixed Income | US Treasuries | Resilient growth and a stable unemployment rate may hinder monetary policy easing, which could maintain upward pressure on longer-term yields. Fiscal deficits may increase if tariff receipts are reduced or judged illegal. Additionally, reduced foreign ownership, as part of a de-dollarization trend, increases dependence on price-sensitive purchasers. |
| | US Investment Grade | The sector has benefited from resilient corporate fundamentals and improved guidance. Credit spreads remain narrow. We believe increased issuance (primarily due to AI-related capex) could limit additional spread compression. |
| | US High Yield | The macro backdrop is supportive, and stretched valuations limit the cushion from carry. However, we expect higher issuance in the asset class, which could pressure yields higher. |
| | International Developed | Disinflation has slowed in the eurozone, while leading indicators of growth remain broadly supportive, making it difficult for the European Central Bank (ECB) to ease further, while labor markets remain tight and financial conditions are easy. German fiscal expansion could result in increased sovereign issuance, pressuring eurozone yields upward. |
| | Emerging Markets | Firm global growth and expectations for a weaker US dollar could create powerful tailwinds for local currency debt. The fiscal weakness in developed market economies strengthens the case for EM exposure, in our view, potentially improving risk-adjusted returns. We believe growing fiscal and monetary policy stability, in tandem with corporate governance improvements, should help to boost inflows of foreign capital. |

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



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US equity and fixed income factors

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| Equities | <p>Small  Large</p> <p>Market Cap</p> | Small caps have outperformed large caps recently, but historically, tend to have weak forward returns after outperforming to this degree. Furthermore, the lack of quality in small companies have us unconvinced about the sustainability of this run. |
| | <p>Value  Growth</p> <p>Style</p> | We expect a lift in earnings expectations across value and growth, and value stocks have outperformed growth in recent short-term lookback periods. The bar for growth is very high; companies can beat and raise yet still be penalized if key segments fail to guide higher. |
| Fixed Income | <p>Short  Long</p> <p>Duration</p> | While the US Treasury's plan to supply short-term issuance could limit demand for longer-dated securities and weigh on yields, we see a steeper yield curve due to the end of quantitative tightening, elevated inflation and tariff pass-throughs in the short-term, and fiscal deficit concerns in the long-term. |

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Periodic* insights on alternative asset classes

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| Alternatives | Private Equity | Private equity (PE) activity and exits show signs of picking up meaningfully in late 2025, despite lingering macro risks. The backlog of exit candidates will take time to work through and the outlook for large buyouts remains challenged, but opportunities look more attractive to us in the middle market and secondaries including single-asset continuation vehicles. |
| | Private Credit | Tight spreads and a near-term excess of capital available to finance new PE deals lead to a cautious outlook. We continue to watch trends related to borrower health. Opportunities persist in real estate credit and other overlooked sub-sectors. |
| | Real Assets | Private Real Estate: Property prices have stabilized after a multi-year decline, helping returns turn positive for the past few quarters. Transaction volume remains muted by historical standards, and it may take a few more quarters for sentiment to turn decisively positive, but we believe the longer-term outlook remains strong for key real estate sectors based on supply-demand imbalances. Commodities: We have a constructive outlook, supported by positive roll yields, a weaker US dollar, and a resilient growth backdrop even in the face of tariff uncertainty. Momentum remains slightly positive at the index level as well. Gold retains structural support from elevated central-bank purchases and ongoing geopolitical risks, enhancing its traditional safe-haven role. Industrial metals appear well positioned as supply disruptions and infrastructure demand drive tighter balances. Meanwhile, energy markets face oversupply challenges, but we see this risk as largely priced in. We believe commodities can serve as a valuable allocation amid inflation uncertainty, particularly as goods prices remain sticky. |
| | Hedge Strategies | We are neutral the following strategies (in bold). Long/short equity managers face crowding and macro volatility, but those running lower net exposure may be able to capitalize on stock-level dispersion. Event-driven: activism outcomes have been inconsistent and vulnerable to downside risks; merger arbitrage and special situations appear to be improving. The global macro opportunity set remains attractive but economic trajectories appear increasingly two-sided. We favor commodity managers able to react in a dynamic environment, as dispersion should continue to present opportunities. |

* Commentary as of December 2025.

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