Timely investment positioning (TIP)

Views reflect a 12-month time horizon for dynamic positioning

April 2025

FRANKLIN TEMPLETON

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)

Bearish — Bullish

Risk	Risk Off / Risk On	While growth has been resilient, we were seeing signs of it slowing, and new tariff policy is a risk. Our views will be continuously evaluated as ramifications from tariff policy become better understood. We remain a slight overweight to risk, preferring not to sell into fear, and will adjust should we feel downside risk is not priced into risk assets.
Asset Class	Equities	We are remaining slightly bullish, especially given the potential for rapid changes to policy. Equity positioning and sentiment has weakened materially, which creates a more constructive set up moving forward. Household balance sheets and corporate fundamentals enter this period of uncertainty from a position of strength. However, given the magnitude of policy changes and the uncertainty posed by them, our conviction has lessened.
Asset Class	Fixed Income	Upside inflation risks remain, especially in the United States, and tariff policy is likely to steepen the yield curve. Furthermore, corporate bond spreads remain relatively tight. Recent volatility has driven a divergence in the appeal of government bonds across different regions. We currently prefer the return potential of equities.
Asset Class	Cash	Despite attractive yields, reinvestment risk is high, given rates are projected to decline over the next 12 months.
Equities	United States	US policy has rattled markets. Corporate fundamentals have turned shaky; forward earnings per share estimates have declined. However, while there has been a marginal deterioration in US fundamentals, the recent equity market selloff has been intense in magnitude, and we question if bad news is not baked into prices. We have neutralized our view.
Equities	International Developed	**Europe ex UK:** We improve our view to neutral. Positive surprises in leading economic data are supportive of equities. Easier monetary policy and fiscal stimulus announcements from Germany may support the economy. However, geopolitical uncertainty and tariff threats remain a headwind. **Japan:** Business activity across manufacturing and services declined in March. Tighter monetary policy due to inflationary pressures appears to be priced in. Given this backdrop, we hold a neutral view on Japanese equities. **Pacific ex Japan:** We hold a neutral outlook. Australia's economy should benefit from any new fiscal/monetary stimulus in China but could be impacted by US policy. Some macro indicators are improving, but equity price momentum has deteriorated.
Equities	Emerging Markets	US tariffs have the potential to negatively impact emerging markets, but the policy backdrop and a weaker US dollar offer some support. Semiconductor demand remains fairly resilient but a slowdown in global manufacturing activity is a concern. Overall, our view on emerging markets excluding China improved to neutral. **China**: A broad package of stimulus measures had an initial positive impact on equity markets, and the Deepseek-R1 release fueled a tech rally. However, property market risks and weak domestic demand continue. Trade disputes remain unresolved and we retain a neutral stance, reflecting uncertainty on whether stimulus will translate into sustained stronger fundamentals.
Fixed Income	US Treasuries	Tariff-related fears were driving yields lower since January; yield levels accelerated downward after April 2. With inflation expectations rising, the Federal Reserve is in a tricky spot, which we believe could put a floor to how low longer-dated yields can fall. Tariff policy should force the longer end of the yield curve higher, in our view.
Fixed Income	US Investment Grade	The sector remains strong given resilient corporate fundamentals. However, our outlook reflects our preference for the more defensive features of government bonds.
Fixed Income	US High Yield	Financial conditions have weakened and now provide more attractive pricing for high yield issues.
Fixed Income	International Developed	The European Central Bank continues cutting rates, as euro-area inflation falls toward target. Falling wage pressures should help ease inflation further. Meanwhile, German fiscal stimulus may have a rebounding effect on the term premium. Against this backdrop, we moderate our stance on the asset class.
Fixed Income	Emerging Markets	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.

Asset class insights (continued)

Please visit our website to read additional insights from Franklin Templeton Investment Solutions.

US equity and fixed income factors

Equities	Small — Large **Market Cap**	Economic growth remains resilient but clearly decelerating, which typically is a headwind for small-cap stocks. With small-cap profitability at low levels relative to history, we remain cautious although relative valuations favor small caps. We remain close to benchmark between large and small caps.
Equities	Value — Growth **Style**	We maintain a neutral view on value versus growth with perhaps a slight tilt towards value. Enthusiasm for artificial intelligence leaves the growth style little margin for error while valuation differentials have narrowed. Any broadening of expected earnings growth should benefit value, in our view.
Fixed Income	Short — Long **Duration**	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	**Private Equity**	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.
Alternatives	**Private Credit**	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.
Alternatives	**Real Assets**	***Private Real Estate***: 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. ***Commodities***: 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 would 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.
Alternatives	**Hedge Strategies**	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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