OCTOBER 1, 2025

Macro Pulse

After the cut: global allocation for a new rate regime

Global markets continue to look past risks: from U.S. policy change, to technological disruption, to geopolitical shifts. In October, the game-changer is the U.S. Federal Reserve's return to rate cuts. A lower cost of capital may do little for the real economy, but easier financial conditions are likely to extend the rally in risk assets and spur more credit creation.

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How to invest our macro views: high conviction ideas

OUR VIEW		HOW TO INVEST
EQUITY		
• Policy risks are rising, with tariff-driven inflation and labor pressures emerging. Data has yet to show the full impact, but growth, costs, and business conditions will be affected, likely reviving volatility and making earnings quality key. Near term, Fed cuts should extend the equity rally and support risk assets. • Global investors are questioning U.S. assets amid rising growth and policy risks, prompting a shift toward diversification, including Europe's defense and infrastructure spending. • Small companies have less buffer against input price rises, and less opportunity to adjust supply chains. • AI remains a durable trend, with digital and energy infrastructure seeing strong, diversified investment and offering a compelling entry point.	1	Stay invested, with a focus on earnings quality.
	2	Consider deploying equity-like risk into high yield credit, where fundamentals and yields outweigh tight spreads.
	3	Ex-U.S. outperformance may slow, but diversification remains prudent amid global risks.
	4	We strongly prefer large caps. We believe small caps likely lag until growth improves.
	5	Consider diversifying equity exposure to AI-linked themes in energy, materials, and infrastructure.
FIXED INCOME		
• After the September cut, we expect the Fed to cut further in coming months, creating a window to lock in higher yields before they move lower across credit classes. • Fed cuts should be sporadic, not sustained, making careful credit selection vital late in the cycle. • Sticky rates and tight spreads raise questions on fixed income, but we see income opportunities as too attractive to ignore. • U.S. credit quality remains strong, Europe looks attractive, but growth and inflation uncertainty may fuel volatility. We favor a "buy and hold" short-duration strategy.	6	Short duration credit can help manage rate volatility and long-term quality risks.
	7	Treasury volatility supports a neutral-to-short duration stance; favor short duration credit (IG, HY, munis) with taxable munis as an infrastructure play.
	8	Strong fundamentals support opportunities in structured credit and convertibles; in floating loans, we believe only the highest-quality credit is likely to hold.
ALTERNATIVES		
• Geopolitical risk has risen since COVID-19, boosting demand for U.S. safe-haven assets. Inflation surprises add pressure, making diversification and inflation-aware strategies important. • U.S. trade policy remains uncertain, but trends in re-globalization, AI, and energy independence point to higher capital intensity, infrastructure investment, and stickier inflation. • Private markets are growing and democratizing, with lower rates potentially supporting deal flow.	9	Consider hedging geopolitical risk with equal parts oil, gold, and bitcoin as an equity satellite.
	10	Inflation-aware assets – commodities, materials, and real estate – may benefit from the macro backdrop.
	11	Qualified investors may diversify into the more resilient lower middle private market.

For the full story visit newyorklifeinvestments.com/global-markets/macro-pulse.

Global Market Strategy

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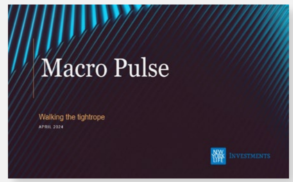
Public-approved resources

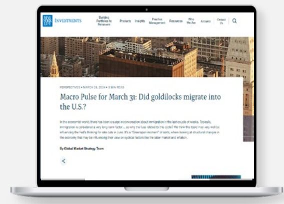
MACRO PULSE: *Economic & market commentary, high conviction ideas*

In an ever-changing landscape, understanding the trajectory of macrotrends and economic forecasts is critical to making informed investment decisions.

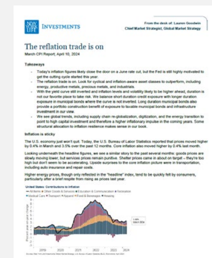


Comprehensive outlook (& quarterly webinars)

Weekly market update



From the desk... (timely response to market movement)

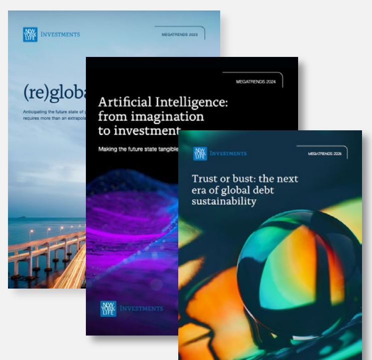


Weekly podcast & bi-weekly video series

THOUGHT LEADERSHIP: *Thematic reports, portfolio construction, etc.*

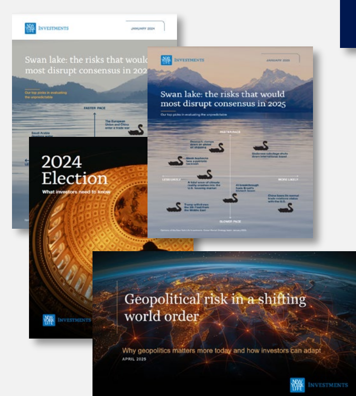
Megatrends

- The next era of global debt sustainability
- Artificial intelligence: from imagination to investment
- (re)globalization



Politics and geopolitics

- Geopolitical risk in a shifting world order
- Swan Lake: the risks that would most disrupt consensus in 2025



Private markets

- Global market outlook

For more information visit newyorklifeinvestments.com/global-markets.

Important Disclosures

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