

## Macro Pulse for September 7: Turning leaves, turning points

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Our latest monthly Macro Pulse report for September is [now available](#). We summarize the key changes to the market environment and our team's view [here](#).

For the past 9 months, global markets have inconsistently priced risk: policy risk stemming primarily, but not exclusively, from the U.S.; inflation risks stemming from tighter trade policy; and a broadening scope of geopolitical risk. For September, we expect this sense of risk to remain in the rearview: U.S. public markets can maintain strong valuations despite broadening policy uncertainty; the Fed is likely to resume interest rate cuts despite inflation risk, supporting both public and private credit creation; and global equity returns may converge despite tariffs and geopolitical risks. We believe this is a critical moment for investors to rethink allocation. **The goal isn't to avoid risk, but to take it deliberately.**

### What's happened

Liberation Day volatility is now firmly behind us and stable macro data had allowed global markets to recover.

In public markets, U.S. valuations have exceeded a full V-shaped recovery, but U.S. tariff policy is still having an impact on investors' asset class and geographic preferences. Traditional relationships between asset classes like gold, oil, the U.S. dollar, and Treasuries appear to be changing, reflecting questions around demand for U.S. assets. In our view, this means investors must think more holistically about diversification, both within and across geographies.

Outside the U.S., the picture is mixed. China's recovery remains uneven as policymakers toggle between stimulus and structural reform. Japan's reflation experiment appears increasingly fragile. In Europe, growth is soft but stabilizing.

In private markets, policy uncertainty stalled hoped-for improvements in deal flow.

### What's changed

Over the past few months, investors have shifted from a "wait and see" posture to re-engaging in U.S. markets, even as the impacts of policy change, including tariff-driven inflation and immigration-related shocks to labor supply, are becoming more visible. In our view, they will continue to impact economic activity, costs, and the ease of doing business.

Hopes for a Fed rate cut this month are supporting hopes for better credit creation in both public and private markets. In our view, a modestly lower cost of capital only goes so far to support an economy facing broader policy change.

As the dollar has stabilized, ex-U.S. equity performance has converged with that of the U.S. But in private markets, global investors remain cautious of new, illiquid deployments to the U.S.

## **What's next: our updated 6-month outlook**

We believe the Fed will resume its easing cycle in the September and Q4, a signal supporting loose financial conditions – including strong public equity valuations and tight credit spreads – in the U.S. While we are not overly bearish on the U.S. economy, there is growing potential for asymmetry between market pricing and economic fundamentals: our base case scenario is that economic growth will slow, cracks in employment will widen, and inflation will edge higher.

With the bulk of dollar weakness likely played out, we expect ex-U.S. public equity outperformance to slow markedly. In Europe, however, disinflation provides some breathing room for ongoing policy easing, supporting cyclical performance.

In private markets, we look to remaining forces of resilience – strong credit quality, new sources of liquidity, democratization of access, lower interest rates – to begin supporting deal flow in the face of policy uncertainty.

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