

Weekly Market Commentary

Shifting Leadership in Global Growth

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Client Summary

The global economy continues to expand, but leadership has shifted. While several emerging markets have lost momentum, stronger growth in the U.S. and improving conditions in Europe are helping support the economic and market outlook.

Positive Factors

- **Developed Markets Are Driving Growth.** The U.S. remains the primary engine of global growth, and parts of Europe are showing signs of recovery. This broadening strength suggests global expansion has become more durable, even if growth rates remain uneven across regions.
- **Interest Rates May Remain Stable.** Recent signs of slower hiring and easing inflation have led investors to expect a pause in Federal Reserve rate increases. Lower inflation and a more stable interest-rate environment can support both consumer spending and corporate profits over time.
- **Risk Assets Continue to Benefit.** As expectations for additional rate hikes declined, investor confidence improved and the S&P 500 reached new highs. While markets rarely move in a straight line, improving economic conditions and continued earnings growth remain constructive for long-term investors.

Concerning Factors

- **Emerging Market Momentum Has Faded.** China, Brazil, and Russia have all experienced slowing growth, reducing an important source of support for the global economy. India remains relatively strong, but growth there has moderated as well.
- **Global Capital Flows Could Shift.** Interest-rate differences between countries have been a major driver of investment flows in recent years. As those differences narrow, capital may move differently across regions, creating periods of market and currency volatility.
- **Foreign Demand Matters for U.S. Borrowing.** Countries such as Japan, the United Kingdom, and China remain major holders of U.S. Treasury securities. Changes in foreign investors' willingness to hold U.S. debt could influence borrowing costs and financial conditions over time.

LPL Research's Perspective

- **Growth Leadership Matters More Than Growth Rates.** The most important development is not that global growth is slowing or accelerating, but where that growth is occurring. The return of U.S. and developed-market leadership is generally favorable for U.S. investors because these regions have historically provided stronger earnings and capital-market support.
- **Markets Are Refocusing on Fundamentals.** As global central-bank policies move closer together, factors such as productivity, earnings growth, innovation, and fiscal discipline may become more important than simply chasing the highest yields. That environment tends to reward higher-quality companies and diversified portfolios.
- **Stay Focused on the Long Term.** Despite pockets of weakness abroad and ongoing policy uncertainty, the combination of improving developed-market growth, easing inflation pressures, and resilient corporate earnings supports a constructive outlook. We believe investors remain best served by staying disciplined, diversified, and focused on long-term goals rather than short-term economic headlines.

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