

# Market Pulse

## Transamerica Asset Management, Inc. 2025 Mid-Year Market Outlook

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Chief Investment Officer

Transamerica Asset Management, Inc.

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# 2025 year-end forecasts

Forecasts	Year-End 2025
CY U.S. GDP growth	1.50%
Core CPI inflation	2.80%
Core PCE inflation	2.50%
Federal funds rate (target range)	3.75%–4.00%
10-year U.S. Treasury bond yield	4.40%
S&P 500®	6,600

Portfolio positioning	
Asset allocation	Balanced stocks/bonds (60/40)
Fixed income (yield curve)	Short to intermediate term (2–8 years)
Fixed income (credit)	A-BBB investment grade
U.S. stocks	Large-cap value
International stocks	Developed markets, Europe, Japan

All opinions, estimates, projections, and security selections contained herein are those of Transamerica Asset Management, Inc. They do not constitute investment advice and should not be used as a basis for any investment decision. Please reference the end of this presentation for a glossary of terms and additional definitions.

# 2025 Mid-Year Market Outlook Summary

U.S. economy	U.S. fixed income
While uncertainty is likely to persist for the remainder of the year, we believe the U.S. economy can maintain positive gross domestic product (GDP) growth of approximately 1.5% driven by tariff and trade policy resolution, upcoming deregulation, and Federal Reserve rate cuts toward year-end. We see core rates of inflation holding steady at approximately 2.7%. Netting everything out, we see the environment as modestly favorable for stocks and opportunistic for investment-grade bonds.	We believe the Federal Reserve is likely to implement two quarter-point rate cuts in the latter months of the year reducing the year-end federal funds rate to a target range of 3.75%-4.00%. We see the 10-year U.S. Treasury yield concluding the year at about 4.40% and believe the credit environment will remain favorable for short to intermediate term investment-grade corporate bonds.
U.S. stocks	International stocks
Although stocks will likely remain volatile, we still see modest upside in U.S. equities with our year-end price target on the S&P 500® being 6,600. Potential catalysts for equities going forward include some degree of tariff resolution, resilient corporate earnings, tax legislation, and Federal Reserve rate cuts. We continue to favor value stocks versus growth as a longer-term shift in market leadership between these groups appears to be in progress.	We believe international developed stocks remain well positioned for the remainder of the year and beyond. Valuations versus U.S. equities continue to appear attractive and as ongoing trade uncertainty with the U.S. potentially mitigates, more global capital could migrate into this space. In particular, we see opportunities in the Eurozone and Japan.
Wild cards	
Wild cards for the markets include ongoing tariff-based trade negotiations and geopolitical military conflicts in the Middle East.	

# U.S. economy

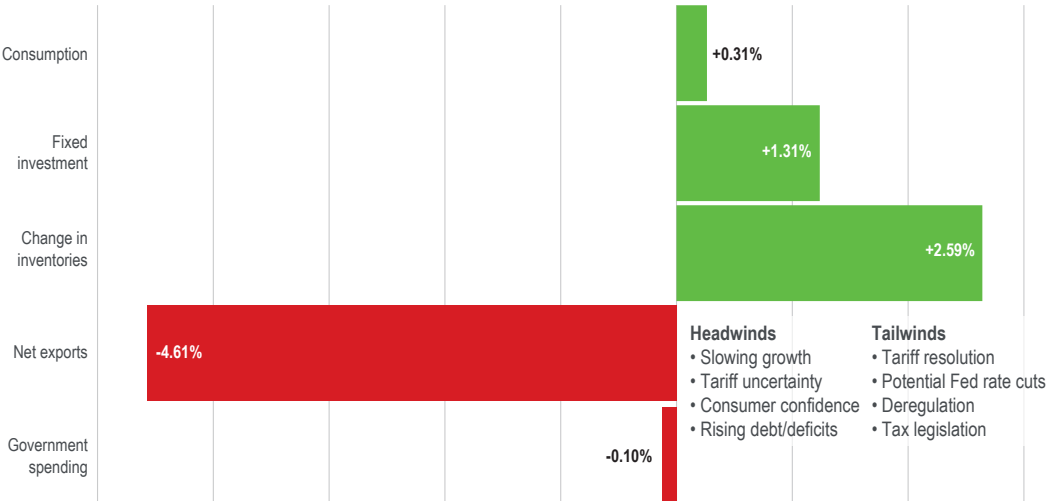
## Underlying growth still intact

Component breakdown of 1Q annualized U.S. gross domestic product (GDP) growth, displaying that underlying growth trends of consumption and fixed income remain positive.

### U.S. economy - Underlying growth still intact

Composition of 1Q 2025 GDP growth

Net growth -0.5%



Source: Bureau of Economic Analysis. Contribution to GDP growth, first quarter 2025, final release

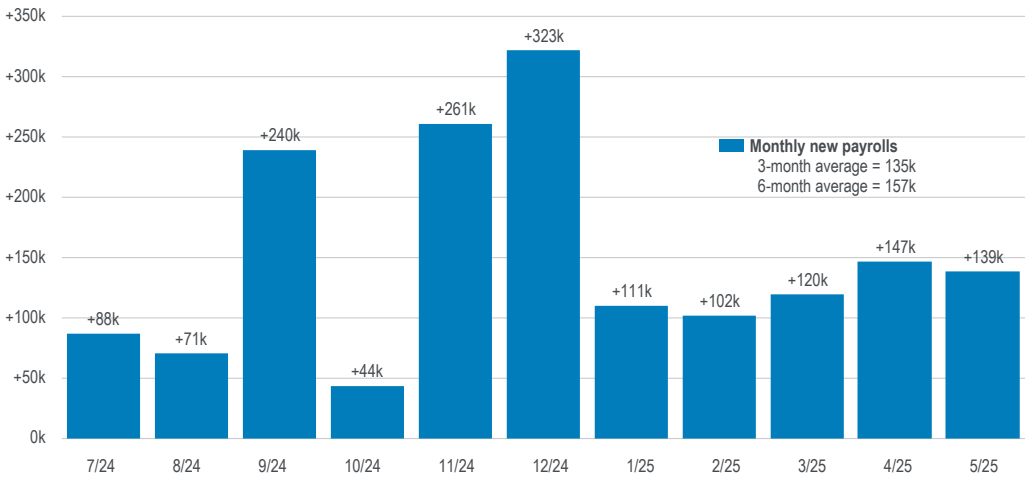
# U.S. economy

## Hard economic data

Monthly new nonfarm payrolls continue to trend positively, representing resilience in recent hard economic data.

### U.S. economy - Hard economic data

Monthly new nonfarm payrolls July 2024–May 2025



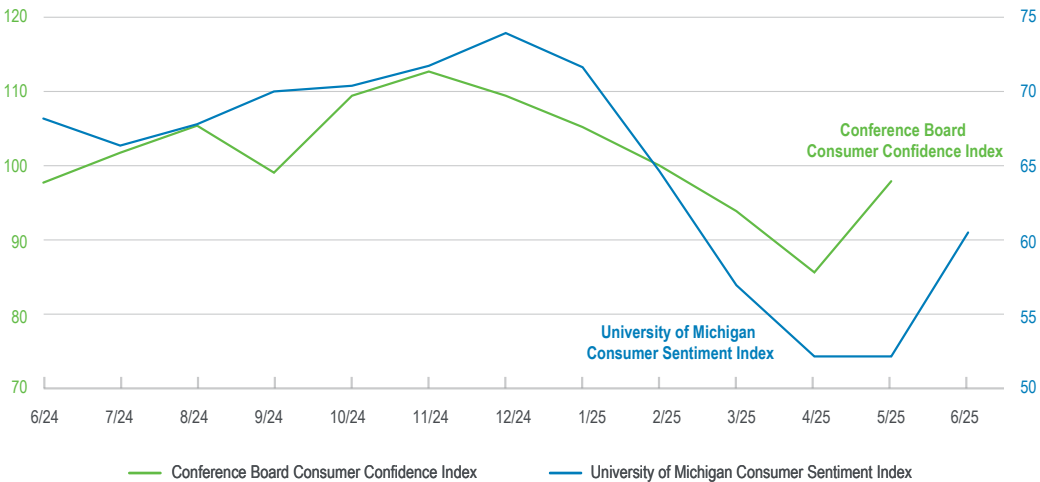
Source: Bureau of Labor Statistics, as of May 31, 2025

# U.S. economy

## Soft economic data

Recent Consumer Confidence and Consumer Sentiment survey results have shown declines since the year began, perhaps reflecting skepticism and caution in soft economic data due to tariff-based uncertainty.

U.S. economy - Soft economic data  
Consumer confidence and business sentiment indexes



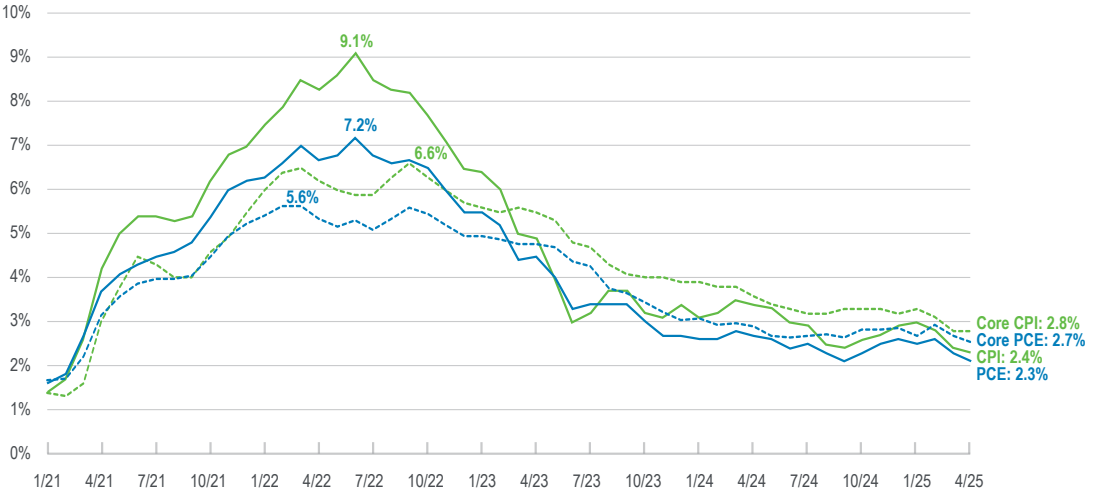
Source: Consumer Confidence: Conference Board, as of May 31, 2025; Consumer Sentiment: University of Michigan, as of June 30, 2025

# U.S. economy

## Inflation trends

Inflation trends since their cycle peak in 2022 display a continuing downward trend as measured by consumer price index (CPI) and personal consumption expenditures (PCE) headline and core measures.

U.S. economy - Inflation trends  
Year-over-year inflation rates 2021–2025  
Consumer Price Index (CPI) - Personal Consumption Expenditures (PCE)

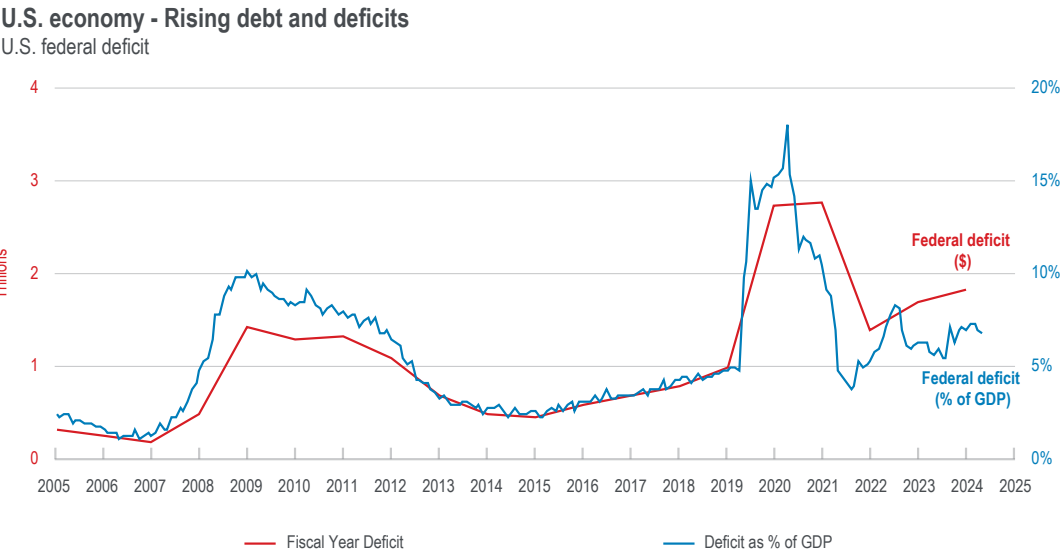


As of May 31, 2025. CPI Source: Bureau of Labor Statistics; PCE Source: Bureau of Economic Analysis

# U.S. economy

## Rising debt and deficits - U.S. federal deficit

The U.S. federal deficit continues to rise in both dollar terms and as a percentage of GDP.

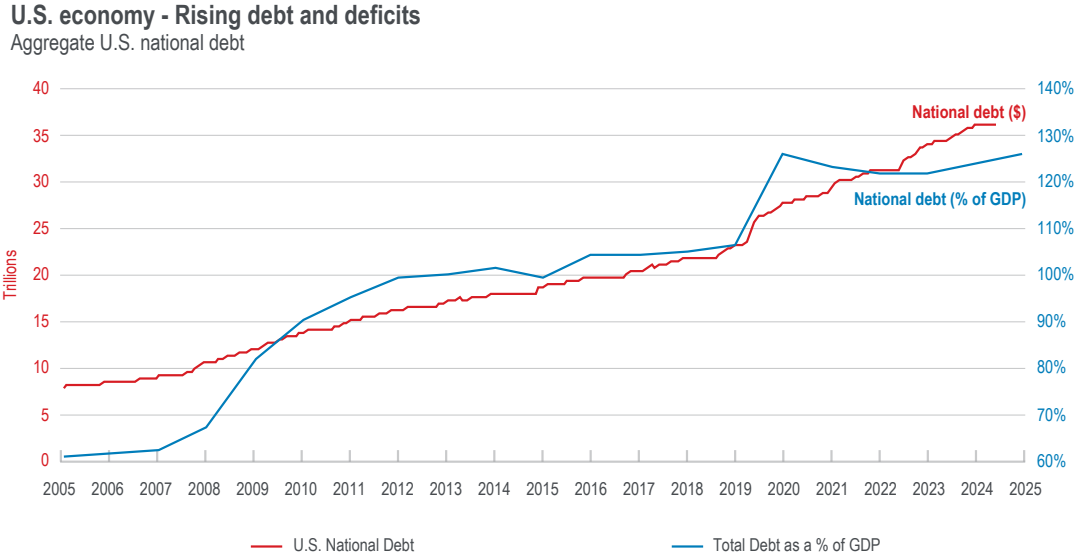


Source: U.S. Treasury, as of May 31, 2025

# U.S. economy

## Rising debt and deficits - aggregate U.S. national debt

The U.S. aggregate national debt continues to rise in both dollar terms and as a percentage of GDP.



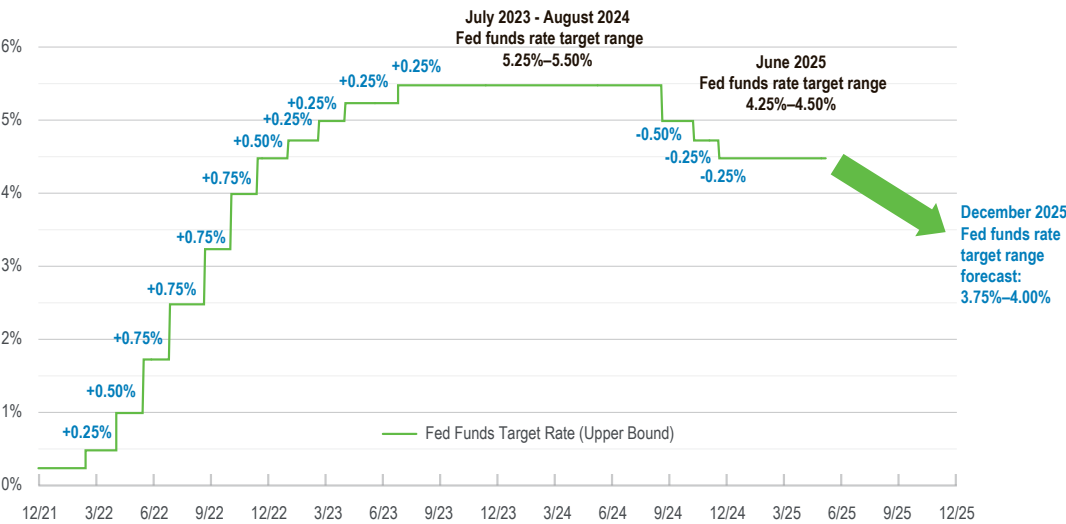
U.S. national debt source: U.S. Treasury, as of May 31, 2025; Total debt as a % of GDP source: White House Office of Management and Budget; Calendar year projection as of May 29, 2025

# U.S. fixed income

## Forecasted path of federal funds rate

The path of the federal funds rate target range since early 2022 and Transamerica Asset Management, Inc.'s forecast as to where it will conclude CY 2025.

U.S. fixed income - Forecasted path of federal funds rate



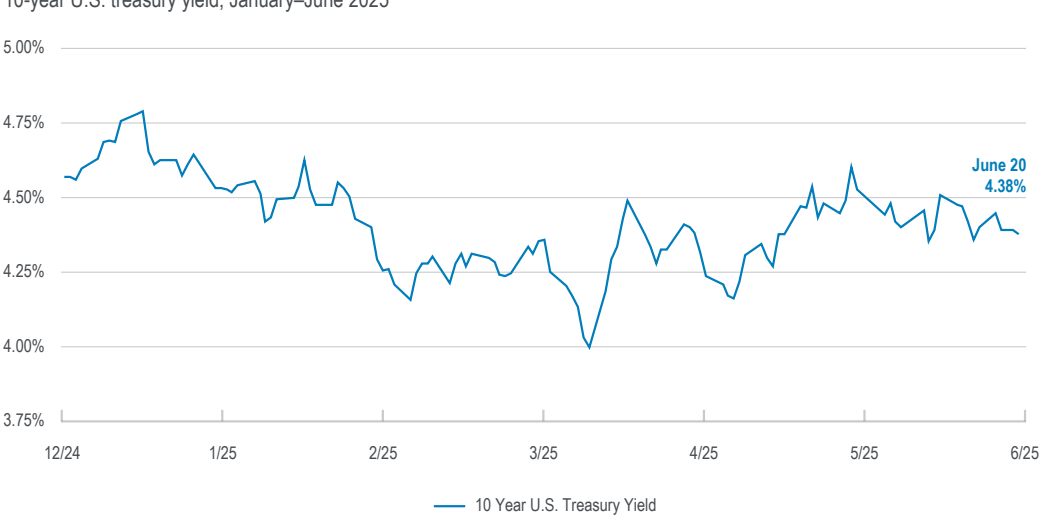
As of June 18, 2025. Source: Fed Funds Target Rate: Federal Reserve Board of Governors. Forecast: Transamerica Asset Management, Inc.

# U.S. fixed income

## Interest rate volatility

Longer-term rates have experienced volatility since the beginning of 2025 as seen the trading range of the 10-year U.S. Treasury bond yield.

U.S. fixed income - Interest rate volatility



Source: Bloomberg, as of June 20, 2025

# U.S. fixed income

## Expectations of a changing yield curve

Transamerica Asset Management, Inc.'s forecast of a steepening yield curve by YE 2025 based in large part on Federal Reserve rate cuts in the latter months of the year.

### U.S. fixed income - Expectations of a changing yield curve

U.S. treasury bond 3-month to 10-year yield curve



As of June 20, 2025; Source: Treasury Yield Curve: Bloomberg. Forecast: Transamerica Asset Management, Inc.

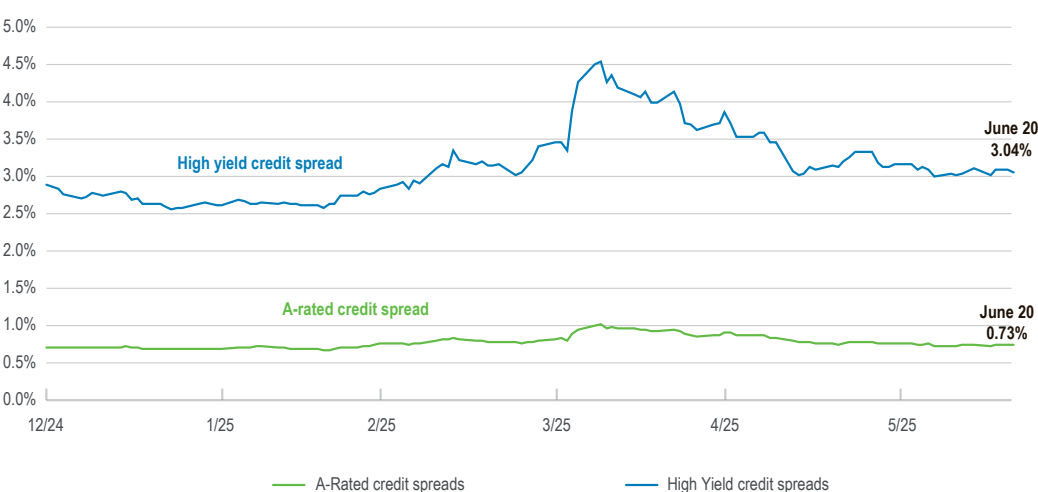
# U.S. fixed income

## Credit spreads remain stable

High-yield and investment-grade credit spreads have remained basically stable since the beginning of the year, reflecting a relatively benign credit environment.

### U.S. fixed income - Credit spreads remain stable

Bloomberg high yield and US aggregate A-rated credit spreads



Source: Bloomberg, as of June 20, 2025. A-rated bond spreads represented by the spread on the US Aggregate Bond Index. A-Rated Index, High Yield Bond Spreads represented by the spread on the Bloomberg US Corporate High Yield Bond Index

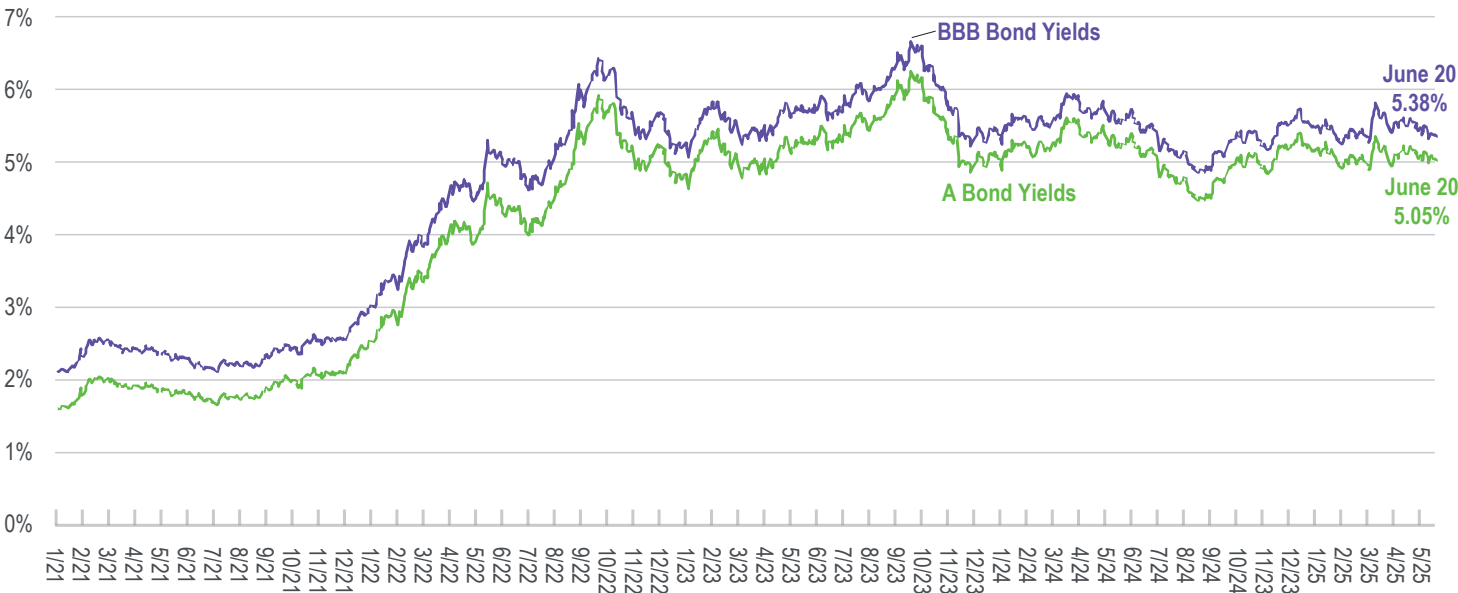


# U.S. fixed income

## Investment-grade bond yields

Investment-grade bond yields, as seen in Single-A and BBB-rated credits appear attractive in comparison to most levels since early 2021.

U.S. fixed income - Investment-grade bond yields  
A and BBB rated corporate bond yields January 2021 – June 2025



Source: Bloomberg, as of June 20, 2025. A-rated bond yields represented by the yield to worst on the US Aggregate Bond: A Index; BBB-rated bond yields represented by the yield to worst on the US Aggregate Bond: BBB Index

# U.S. stocks

## Stock volatility on the rise

Stock volatility is on the rise based on recent history in which the S&P 500® has experienced three complete bear markets (20% or greater declines from record highs) over the past five years.

### U.S. stocks - Stock volatility on the rise

S&P 500® bear markets since 2020



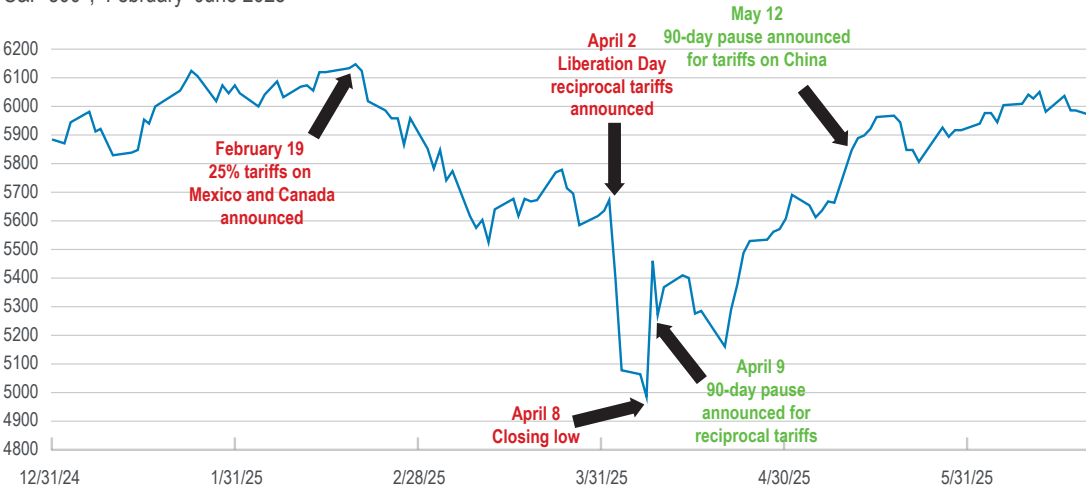
Source: Bloomberg, as of June 30, 2025.  
Indexes are unmanaged and an investor cannot invest directly in an index. Past performance does not guarantee future results.

# U.S. stocks

## Recent tariff-based volatility

Stocks have experienced high volatility since the beginning of the year, largely driven by tariff-based news and developments.

U.S. stocks - Recent tariff-based volatility  
S&P 500®, February–June 2025



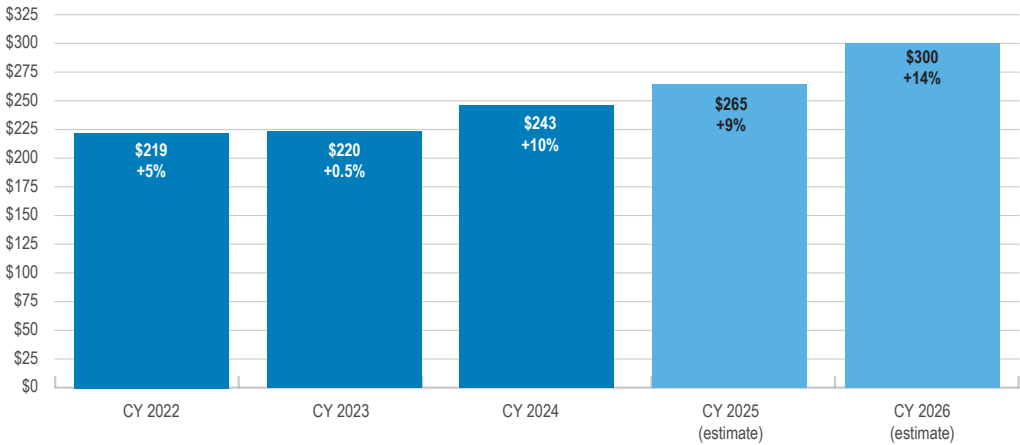
Source: Bloomberg, as of June 20, 2025.  
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# U.S. stocks

## Corporate earnings growth

Corporate earnings estimates reflect potentially strong growth for CY 2025 and CY 2026 as seen in FactSet Earnings Insight aggregated calculations of underlying S&P 500® companies. If these numbers come to fruition, it could bode well for stock prices in the year ahead.

U.S. stocks - Corporate earnings growth  
S&P 500® net operating income annualized and estimated growth 2022–2026



Source: FactSet Earnings Insight, as of June 13, 2025

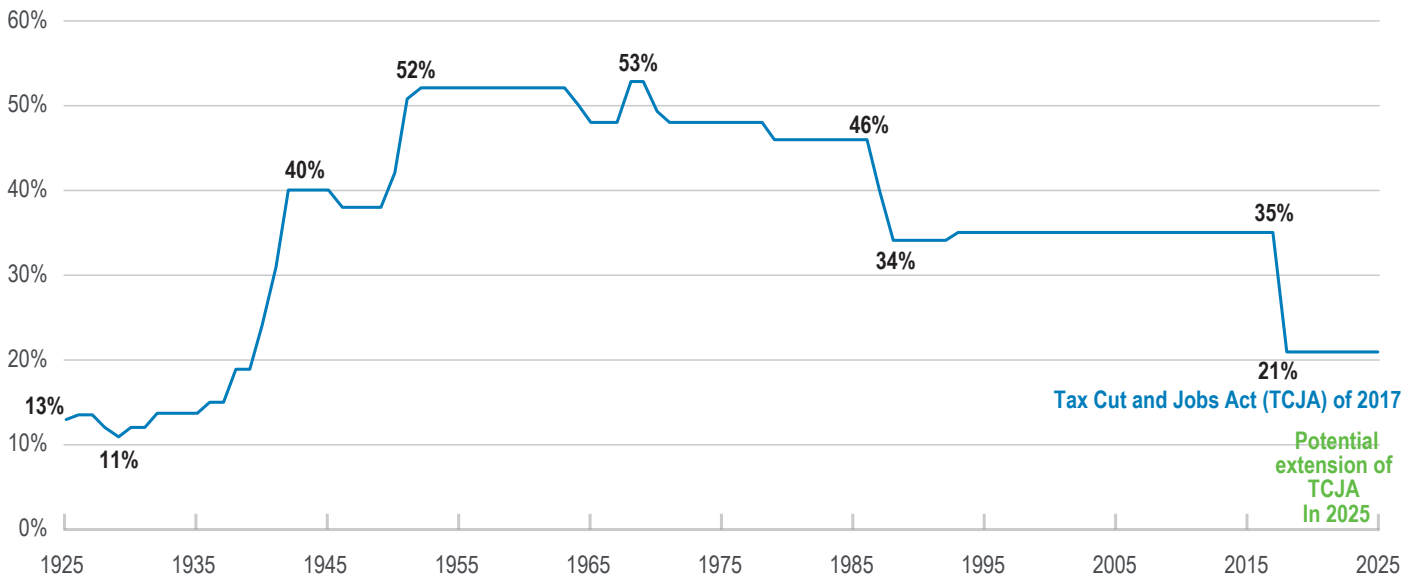
# U.S. stocks

## History of the U.S. marginal corporate tax rate

Should key provisions of the Tax Cuts and Jobs Act of 2017 be extended, it will provide for a “lower for longer” tax environment for corporations in comparison to previous historical corporate tax rates.

### U.S. stocks - Lower-for-longer tax environment

History of the U.S. marginal corporate tax rate



Source: Internal Revenue Service

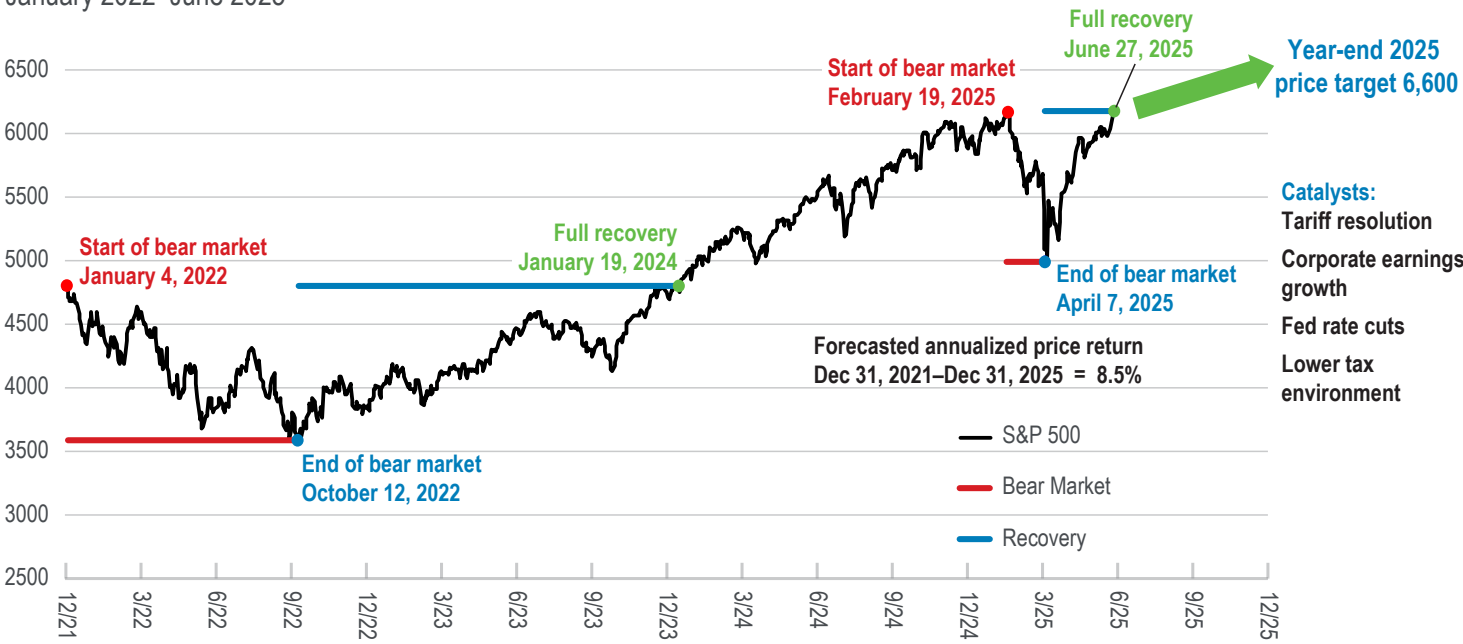
# U.S. stocks

## S&P 500® volatility and forecasted price target

Despite recent stock market volatility Transamerica Asset Management, Inc. maintains a year-end S&P 500® price target of 6,600. This would equate to an 8.5% annualized price gain from December, 31 2021–December 31, 2025. Catalysts for stocks to move higher by year-end 2025 include tariff resolution, corporate earnings growth, Federal Reserve rate cuts, and a continuing lower tax environment.

### U.S. stocks - S&P 500® volatility and forecasted price target

January 2022–June 2025



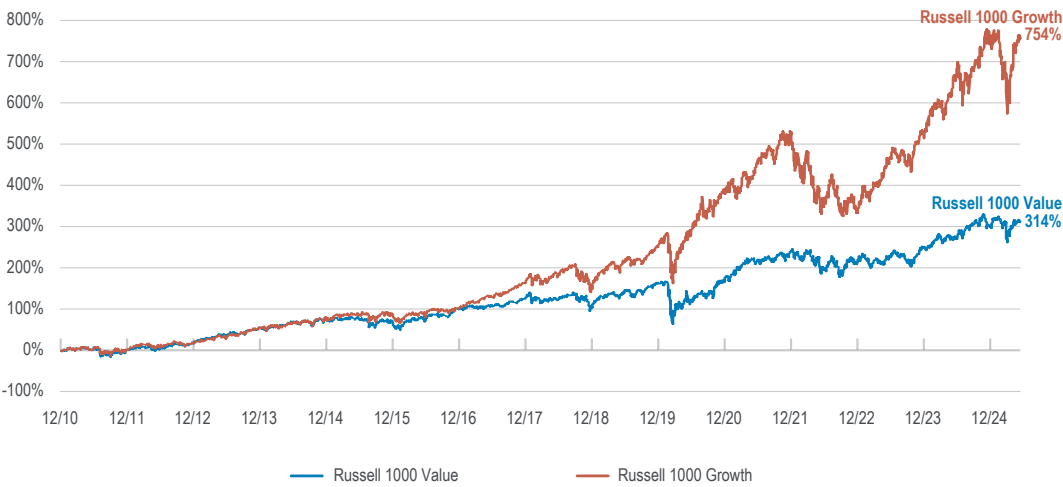
Source: Returns – Bloomberg. Forecast – Transamerica Asset Management, Inc. As of June 30, 2025.

# U.S. stocks

## Value vs. growth - comparative returns

Following more than a decade of dramatic outperformance of large-cap growth stocks versus large-cap value (as seen in the comparative total returns of the Russell 1000 Growth Index versus the Russell 1000 Value Index), market leadership could now be in the process of shifting from growth to value stocks.

U.S. stocks - Value vs. growth – comparative returns  
Russell 1000 Value vs. Russell 1000 Growth, December 2010–June 2025



Source: Bloomberg, as of June 20, 2025  
Indexes are unmanaged and an investor cannot invest directly in an index. Past performance does not guarantee future results.

# U.S. stocks

## Value vs. growth - comparative valuations

Value stocks continue to trade near historic lows in comparison to growth stocks, potentially allowing for a shift in market leadership and a new cycle of longer-term relative outperformance for value stocks.

U.S. stocks - Value vs. growth – comparative valuations  
Russell 1000 Value vs. Russell 1000 Growth - Price to trailing 12-month earnings multiples, December 2010–June 2025



Source: Bloomberg, as of June 20, 2025  
Indexes are unmanaged and an investor cannot invest directly in an index. Past performance does not guarantee future results.

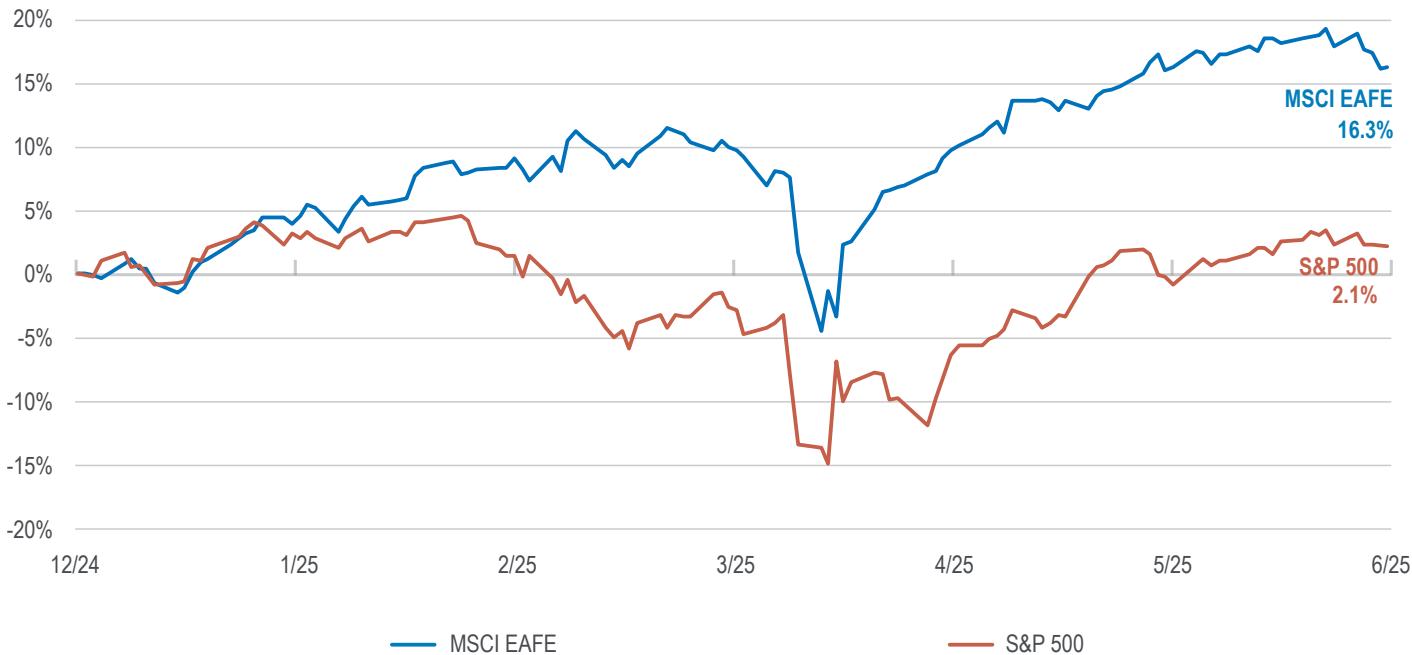
# International stocks

## International developed stocks on the rise

Since the start of the year, international developed stocks have provided strong returns as seen in the comparative year-to-date performance of MSCI EAFE versus the S&P 500®.

### International stocks - International developed stocks on the rise

MSCI EAFE vs. S&P 500®, January–June 2025



Source: Bloomberg, as of June 20, 2025  
Indexes are unmanaged and an investor cannot invest directly in an index. Past performance does not guarantee future results.

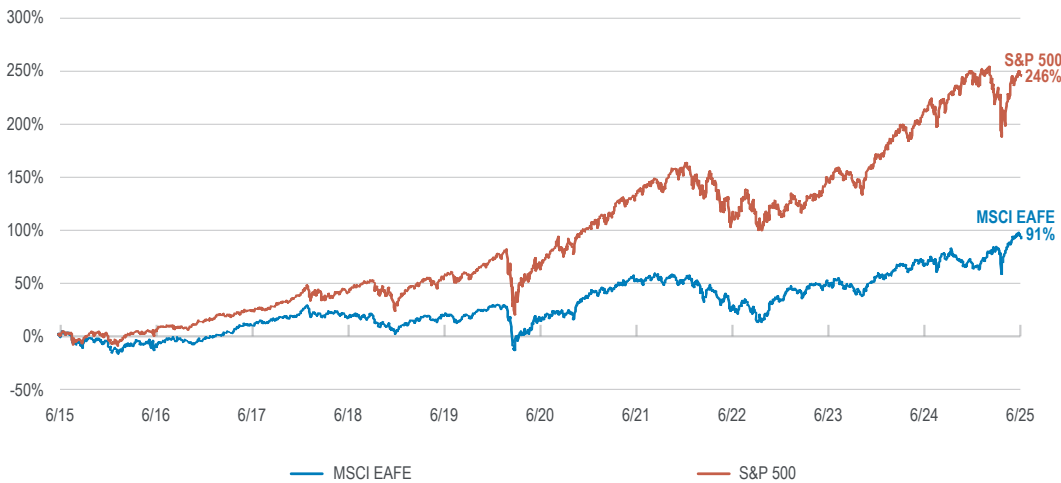
## International stocks

### MSCI EAFE vs. S&P 500 – comparative returns

International developed stocks have experienced more than a full decade of heavy underperformance versus U.S. stocks as seen in the comparative returns of MSCI EAFE versus the S&P 500®.

#### International stocks - Comparative returns

MSCI EAFE vs. S&P 500® - comparative returns, 2015–2025



Source: Bloomberg, as of June 20, 2025

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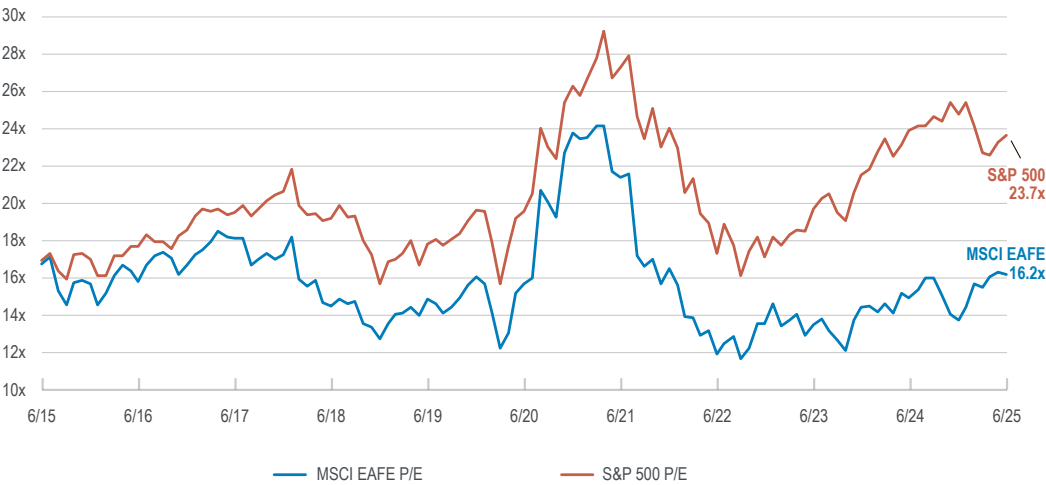
## International stocks

### MSCI EAFE vs. S&P 500 – comparative valuations

As a result of their underperformance over the past decade, international developed stocks continue to trade at near-historic valuation discounts to U.S. stocks as seen in the comparative price to trailing 12-month earnings multiples of MSCI EAFE versus the S&P 500®.

#### International stocks - Comparative valuations

MSCI EAFE vs. S&P 500® - comparative valuations, 2015–2025



Source: Bloomberg, as of June 20, 2025

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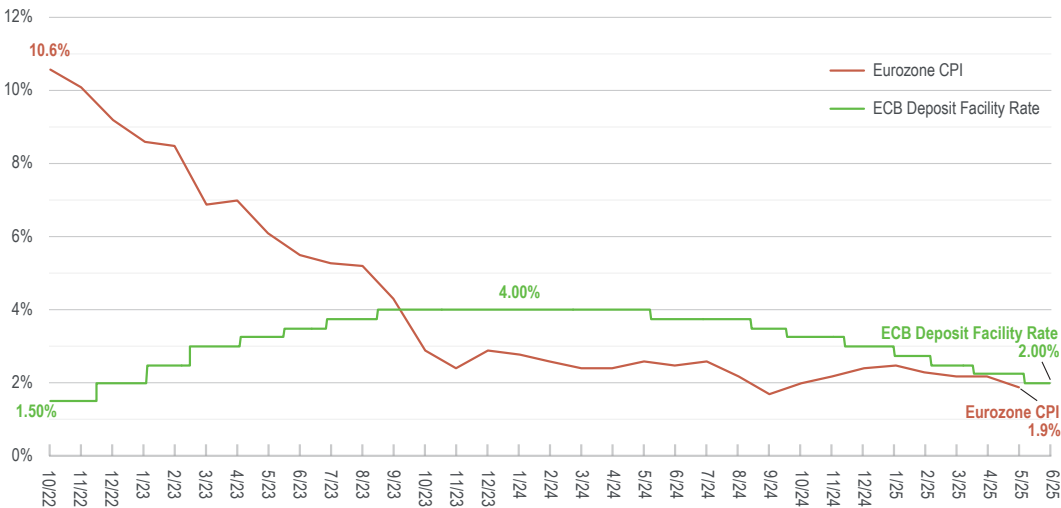


# International stocks

## Eurozone inflation and ECB key interest rates

The investment environment within the Eurozone continues to appear favorable based in large part on declining inflation and recent European Central Bank (ECB) rate cuts.

International stocks - Eurozone inflation and ECB key interest rate  
Eurozone CPI and European Central Bank target rate October 2022–June 2025



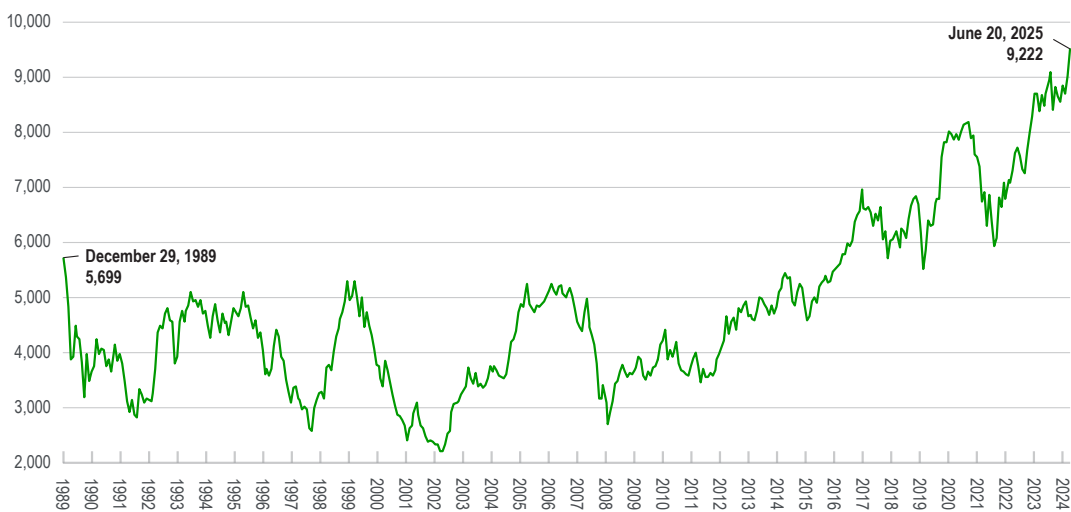
Source: Eurostat, as of June 20, 2025

# International stocks

## Japan breaking out from longer-term doldrums

The overall environment in Japan appears to be improving and is reflected in the recent strength of the MSCI Japan Index. Catalysts for Japan include a rebounding economy, lower comparative trade gap with the U.S., and ongoing corporate reforms driven by the Tokyo Stock Exchange to strengthen balance sheets and improve overall returns on capital.

International stocks - Japan breaking out from longer term doldrums  
MSCI Japan Index December 1989–June 2025



Source: Bloomberg, as of June 20, 2025

Indexes are unmanaged and an investor cannot invest directly in an index. Past performance does not guarantee future results.

# Portfolio positioning 2H 2025

Transamerica Asset Management, Inc.'s summary of potentially favorable portfolio positioning in regard to asset allocation, fixed income, and equities for the second half of 2025 and beyond.

Asset Allocation	Fixed Income	Equities
<div>1. Balanced allocations stocks/bonds</div> <div>2. 60/40 providing strong mix of capital appreciation and income</div>	<div>1. Most favorable on investment-grade bonds</div> <div>2. Short- to intermediate-term portion of yield curve (2-8 years)</div> <div>3. A - BBB-rated corporate bonds opportunistic yields</div>	<div>1. Favorable on U.S. stocks</div> <div>2. Most favorable on large-cap value</div> <div>3. Proportional market cap weightings</div> <div>4. Favorable on international developed, Europe, and Japan</div>

The above strategy overview is intended to illustrate major themes for the identified period. No representation is being made that any particular account, product, or strategy will engage in any or all of these themes.

# About the author

Tom Wald, CFA® is the Chief Investment Officer of Transamerica Asset Management, Inc. (TAM), the mutual fund arm of Transamerica.

Tom has more than 35 years of investment management experience and has managed large mutual fund portfolios and separate accounts.

As a member of the senior management team, Tom heads Transamerica Asset Management's thought leadership efforts and provides perspectives to advisors, clients, the media, and general public. He writes and publishes TAM's Market Outlook and other relevant commentary. He also heads Transamerica's mutual fund sub-adviser selection and monitoring process, as well as product management. Tom holds a bachelor's degree in political science from Tulane University and an MBA in finance from the Wharton School at the University of Pennsylvania.

**Thomas R. Wald, CFA®**

Chief Investment Officer,  
Transamerica Asset Management, Inc.



# Glossary & index definitions

CPI: Consumer price index

ECB: European Central Bank

EPS: Earnings per share

GDP: Gross domestic product

PCE: Personal consumption expenditures

The **Bloomberg US Aggregate Bond Index** measures investment-grade, U.S. dollar-denominated, fixed-rate taxable bonds, including Treasuries, government related and corporate securities, as well as both mortgage- and asset-backed securities.

The **Bloomberg US High Yield Index** covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets (sovereign rating of Baa1/BBB+/BBB+ and below using the middle of Moody's, S&P, and Fitch) are excluded, but Canadian and global bonds (SEC-registered) of issuers in non-EMG countries are included.

The **Bloomberg Municipal Index** consists of a broad selection of investment-grade general obligation and revenue bonds of maturities ranging from one year to 30 years. It is an unmanaged index representative of the tax-exempt bond market.

The **Bloomberg US Corporate Investment Grade Index** is an unmanaged index consisting of publicly issued U.S. Corporate and specified foreign debentures and secured notes that are rated investment grade (Baa3/BBB or higher) by at least two ratings agencies, have at least one year to final maturity and have at least \$250 million par amount outstanding. To qualify, bonds must be SEC-registered.

The **10-year U.S. Treasury bond** is a U.S. Treasury debt obligation that has a maturity of 10 years.

The **federal funds rate** refers to the target interest rate range at which commercial banks borrow and lend their excess reserves to each other overnight, which is set by the Federal Open Market Committee.

The **MSCI EAFE Index (Europe, Australasia, Far East)** is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. & Canada.

The **Russell 1000 Growth Index**<sup>®</sup> measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 1000 Value Index**<sup>®</sup> measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

The **S&P 500**<sup>®</sup> **Index** is widely regarded as the best single gauge of the U.S. equities market. The index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. The S&P 500 Index<sup>®</sup> focuses on the large-cap segment of the market; however, since it includes a significant portion of the total value of the market, it also represents the market.

The **MSCI Japan Index** is designed to measure the performance of the large and mid cap segments of the Japanese market. With 183 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan.

Indexes are unmanaged. The figures for the index reflect the reinvestment of all income or dividends, but do not reflect the deduction of any fees or expenses which would reduce returns. Investors cannot invest directly in indexes.

# Important information

**Investments are subject to market risk, including the loss of principal. Asset classes or investment strategies described may not be appropriate for all investors.**

**Past performance does not guarantee future results.**

Fixed income investing is subject to credit rate risk, interest rate risk, and inflation risk. Credit risk is the risk that the issuer of a bond won't meet their payments. Inflation risk is the risk that inflation could outpace a bond's interest income. Interest rate risk is the risk that fluctuations in interest rates will affect the price of a bond. Investing in floating rate loans may be subject to greater volatility and increased risks.

Equities are subject to market risk meaning that stock prices in general may decline over short or extended periods of time. Growth stocks typically are particularly sensitive to market movements and may involve larger price swings because their market prices tend to reflect future expectations. Growth stocks as a group may be out of favor and underperform the overall equity market for a long period of time, for example, while the market favors "value" stocks.

Value investing carries the risk that the market will not recognize a security's intrinsic value for a long time or that an undervalued stock is actually appropriately priced.

Investments in global/international markets involve risks not associated with U.S. markets, such as currency fluctuations, adverse social and political developments, and the relatively small size and lesser liquidity of some markets. These risks may be greater in emerging markets.

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