

## OUTLOOK

# Stock market outlook: New growth catalysts amid volatility

**Cheryl Frank, Martin Jacobs, Jody Jonsson and Samir Parekh**

June 11, 2025

As tariffs, trade wars and real wars upend the global economy, the path of equity markets remains uncertain heading into the second half of 2025.

Early progress in tariff negotiations with the U.K., China and India helped calm some of the market turbulence, but with the contours of the global trade landscape still evolving and growth slowing in the U.S., investors should brace for further bouts of volatility.

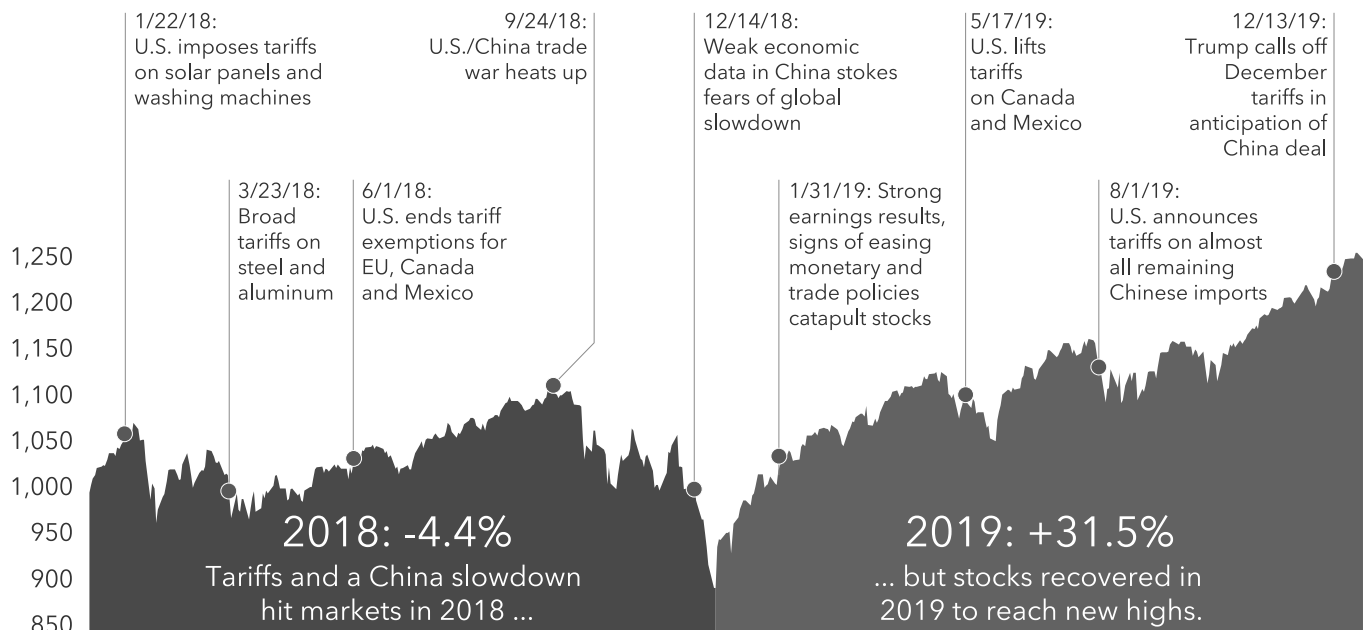
“I expect stock markets to be noisy in the coming months, because many companies are frozen in place until they have more clarity on where global trade is headed,” says Cheryl Frank, an equity portfolio manager for [American Mutual Fund®](#) and [CGCV – Capital Group Conservative Equity ETF](#). “But as the new trade landscape comes into focus, I expect markets to stabilize and a new set of investment opportunities to emerge.”

## History doesn't repeat, but often rhymes

Investors may take comfort in remembering that markets endured tariff-induced volatility in the not-so-distant past. During President Trump's first term in office, a series of tariffs launched in 2018 sparked a trade war with China that whipsawed markets and dominated headlines, much like today. The S&P 500 Index reacted by falling 4.4% for the year. But as the administration worked out trade deals and consumer spending remained steady, the index recovered sharply in 2019, rising 31.5%.

## Markets recovered from trade uncertainty in Trump's first term

### Value of \$1k initial investment in S&P 500 Index



Sources: Capital Group, Bureau of Labor Statistics, Peterson Institute for International Economics, Standard & Poor's. Value of investment in the S&P 500 reflects the total return of the index over the period from January 1, 2018, to December 31, 2019.

Of course, past results are not predictive of future outcomes. The global economy is much different than it was in 2018, and today's trade war is on a much bigger scale. But as Mark Twain wrote, "history doesn't repeat itself, but it often rhymes." And any further progress with negotiations could provide a strong tailwind for stocks.

"Trump's first term shows the outcome can vary significantly from the initial headlines," says Martin Jacobs, an equity portfolio manager with [AMCAP Fund®](#) and [CGDV – Capital Group Dividend Value ETF](#). "As someone who believes the market tends to go up far more than it goes down, I am not discouraged by this year's volatility. I view the dislocation as an opportunity to invest in great companies and multiyear investment trends where I have conviction, setting up the portfolios I manage for years to come."



## 2025 Midyear Outlook

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## Multinationals go multi-local

Just as markets have proven resilient, well-run companies have been able to adapt to even the most challenging circumstances. Multinational companies, for example, may appear to be among the most vulnerable to the current trade headwinds. On the contrary, many are well positioned because they've navigated choppy trade waters for years.

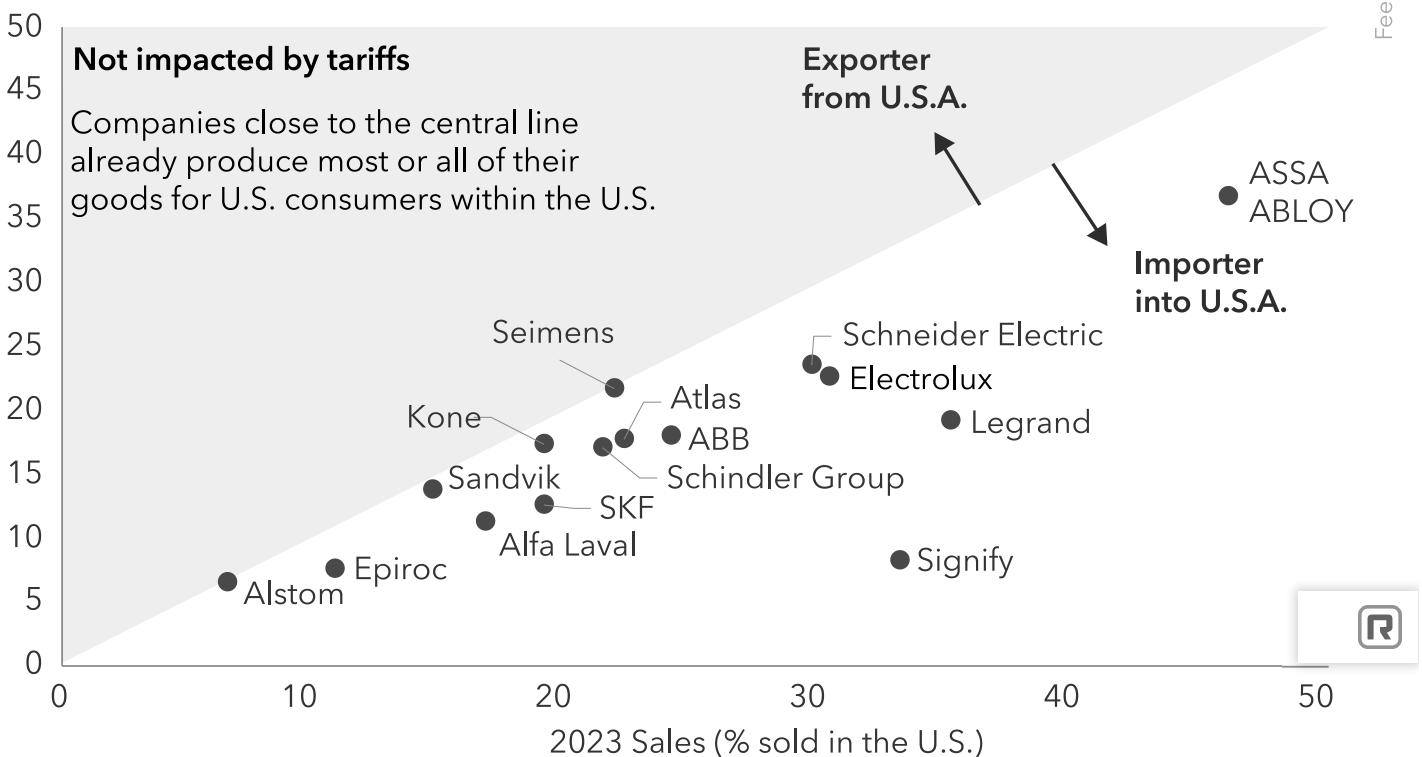
"Many multinationals are developing a 'multi-local' approach to business, moving closer to customers in the countries where they operate," says Jody Jonsson, an equity portfolio manager with [New Perspective Fund®](#).

In the latest example, German industrials giant Siemens opened a \$190 million manufacturing plant this year in Fort Worth, Texas. U.S. companies known for building their products overseas are taking the same approach. Apple recently announced it would spend \$500 billion on new U.S.-based facilities over the next four years.

That's one way to get around U.S. tariffs. "We've seen that globally diversified, multinational companies have the flexibility, resources and management expertise to compete very effectively, even when the ground is shifting beneath their feet," Jonsson explains.

### Many multinationals have already shifted some production to the U.S.

2023 Sales (% made in the U.S.)



Sources: Capital Group, Redburn. Data based on internal company estimates as of 2023 sales. As of December 31, 2023.



Multinationals aren't the only potential winners in today's environment. Some domestic companies may also be positioned to weather today's uncertain environment. For example, the once stodgy utilities sector has recently been flexing new growth potential. What's more, domestic utilities are not subject to tariffs and have historically provided a measure of stability during down markets. "A number of trends, including the wider adoption of electric vehicles, the expansion of data centers and the onshoring of some manufacturing, are driving growth of the power grid that we have not seen in two decades," Frank says.

For example, Constellation Energy, a provider of nuclear power, forged an agreement in June with tech giant Meta to supply power to its data centers in Illinois for the next 20 years. Similarly, electric and natural gas utility CenterPoint Energy is seeing demand for services rise with population growth in Texas and the construction of data centers.

Frank, who expects market leadership to broaden beyond the U.S. tech giants that dominated market returns through 2024, has also been looking for opportunities to invest in select financials, industrials and defense companies that could benefit from developing tailwinds.

### New catalysts for growth outside U.S.

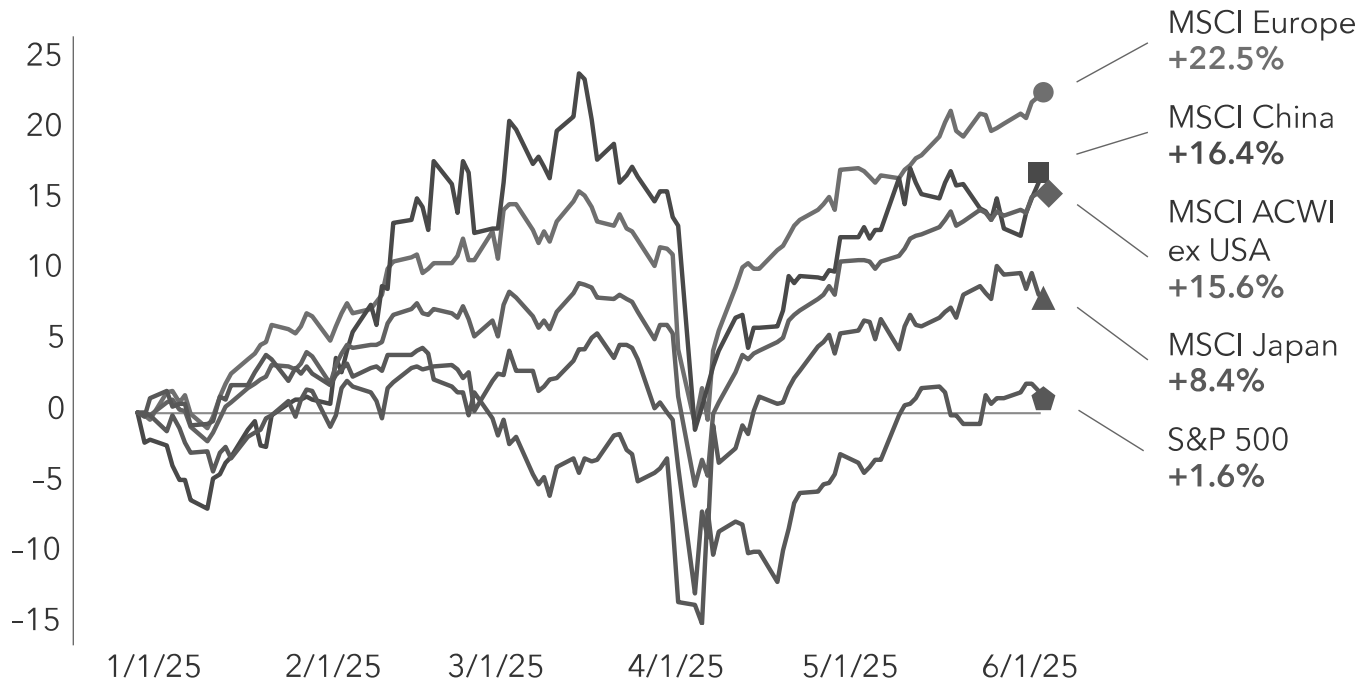
Just as companies have sought to adapt to a changing global order, so too have governments. German chancellor-to-be Friedrich Merz in March declared this to be a "whatever it takes" moment for Europe as Germany, known for fiscal austerity, announced a large fiscal stimulus package focused on defense and upgrading infrastructure.

"There is greater recognition in Europe that it needs to be self-sufficient when it comes to its own defense," explains Samir Parekh, an equity portfolio manager with CGIE – Capital Group International Equity ETF and EUPAC Fund<sup>TM</sup>. "This is likely to have positive ramifications for many companies." While it will take some time for the stimulus to be implemented, it represents opportunity for companies related to defense, building materials and infrastructure. There's also a sense that the regulatory environment may become more pro-investment and open to change as European leaders seek to boost growth.

Corporate reforms are ongoing in Japan and South Korea, and there are signs of stabilization in China. Thanks in part to a weaker U.S. dollar, non-U.S. stocks have enjoyed a strong 2025. Through June 5, the MSCI Europe, MSCI EAFE and MSCI ACWI ex USA indexes have all outpaced the S&P 500.

## International stocks have taken the lead

Year-to-date returns (%)



Sources: MSCI, RIMES, S&P Global. Data through June 5, 2025.

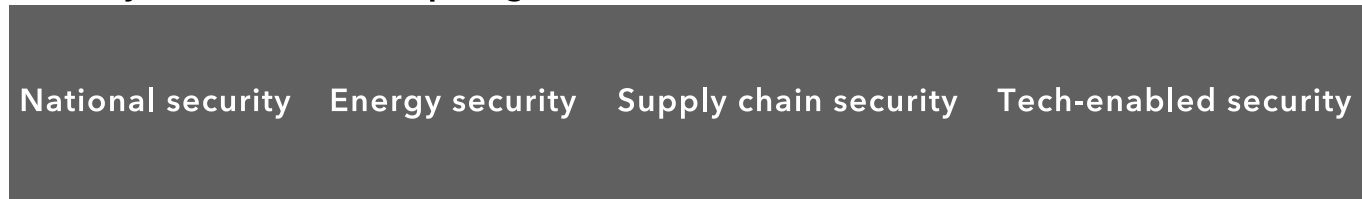
## Security could be an enduring theme

As the U.S. and other nations redefine trade relationships and political alliances, governments around the world are taking steps to prioritize security, starting with national defense. Germany increased fiscal package includes a larger allotment for defense. In December 2024, Japan's cabinet approved a 9.4% increase in its defense budget.

"The push for security extends beyond defense to the need for reliable energy sources, stable infrastructure and supply chains," Parekh adds.

U.S. and Europe both seek to expand sources of traditional energy, as well as pursuing development of nuclear power and other alternatives. Along with these goals, the focus on supply chain and infrastructure security could represent growth opportunities for industrials. For example, global conglomerates like Mitsubishi Heavy Industries in Japan, Siemens Energy in Germany and GE Vernova in the U.S. offer products across power generation, grid modernization, defense systems and cybersecurity categories.

## Security concerns in the spotlight



**RTX**

**TotalEnergies**

**Linde**

**Apple**

**Safran**

**GE Vernova**

**Schneider Electric**

**Motorola Solutions**

**Lockheed Martin**

**Iberdrola**

**Mitsubishi Heavy  
Industries**

**Axon Enterprises**

Sources: Capital Group, FactSet. Companies shown are among the largest constituents of their respective sub-industries within the MSCI All Country World Index and are meant to serve as examples of potential beneficiaries from investment across the various security applications listed. As of May 20, 2025.

Feedback

## Positioning portfolios for the future

The investment environment has transformed considerably since the start of the year, when markets reflected exuberance after the U.S. presidential election and U.S. tech giants focused on artificial intelligence generated the lion's share of market returns. In the months since, risks to the economy and markets have increased, but opportunities are broadening. According to Frank, for long-term investors, it will be important to seek balance in portfolios and maintain flexibility.

"This year it is critical to remain nimble," she says. "In periods of disruption, markets have tended to punish good companies as well as bad. So, a lot of companies will appear to be on sale. I will take these opportunities to determine where long-term value may lie. This can help lay the foundation for strong return potential in the years ahead."

As turbulent as markets have been this year, circumstances appeared more dire during the COVID pandemic when industries like travel and restaurants seemed uninvestable. Many of those companies have since recovered. "Living through difficult periods can be unnerving," Frank adds. "But our job as active managers is to be prepared and act with conviction when long-term opportunity arises."

[Read important disclosures](#)





**Cheryl Frank** is an equity portfolio manager with 27 years of investment industry experience (as of 12/31/2024). She holds an MBA from Stanford and a bachelor's degree from Harvard.

**Martin Jacobs** is an equity portfolio manager with 37 years of investment industry experience (as of 12/31/2024). He holds an MBA from Wharton and a bachelor's degree from the University of Southern California. Martin is a CFA charterholder and a member of the CFA Institute.

**Jody Jonsson** is vice chair of Capital Group, president of Capital Research and Management Company and an equity portfolio manager. She has 38 years of investment industry experience (as of 12/31/2024). She holds an MBA from Stanford and a bachelor's degree in economics from Princeton.

**Samir Parekh** is an equity portfolio manager and a global research coordinator with 23 years of investment industry experience (as of 12/31/2024). He holds a post-graduate diploma in business administration (equivalent to an MBA) from the Indian Institute of Management, Ahmedabad, and a bachelor's degree from Sydenham College, Bombay University. He also holds the Chartered Financial Analyst® designation.

Feedback

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Past results are not predictive of results in future periods.

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**MSCI All Country World Index** is a free float-adjusted, market capitalization-weighted index that is designed to measure equity market results in the global developed and emerging markets, consisting of more than 40 developed and emerging market country indexes.



**MSCI ACWI ex USA Index** is a free float-adjusted, market capitalization-weighted index that measures equity market results in the global developed and emerging markets, excluding the United States.

**MSCI EAFE (Europe, Australasia, Far East) Index** is a free float-adjusted, market capitalization-weighted index that is designed to measure developed equity market results, excluding the United States and Canada.

**MSCI Europe Index** is designed to measure the performance of equity markets in 15 developed countries in Europe.

**MSCI Japan Index** is designed to measure the performance of the large- and mid-cap segments of the Japanese market.

**S&P 500 Index** is a market capitalization-weighted index based on the results of approximately 500 widely held common stocks.

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