CANTOR FITZGERALD ASSET MANAGEMENT

Market Update

AUGUST 2025

Data points over the course of July vindicate our decision to remain fully invested despite the strong move in equity markets off the April lows. The US Q2 Earnings season has been better than expected regarding both top and bottom-line beats with guidance also exceeding expectations. With strong operating leverage going forward from slower wage growth driving leaner cost structures. Corporates are expected to see significant productivity and margin benefits in 2026 and beyond as AI becomes integrated into businesses.

AI capex spend remains a key investment theme for us with Data Centres likely to see 6X capacity growth to 2030. Regions such as the Middle East are poised to see Data Centre capacity grow 10-12X over next decade with their cheap energy supply an advantage as 40-45% of cost of running a datacentre is energy.

Post the big four hyperscaler results, their Capex spend for 2026 is poised to total close to €360bn which is a staggering 50% year on year increase. This ever-increasing Capex spend will remain a key driver for many of our core equity holdings, across a number of sectors.

Cash tax savings from the OBBBA (Trumps One Big Beautiful Bill of America) will be an important driver as cash tax rates are poised to hit historical lows with accelerated expensing. OBBB’s major corporate tax cuts—100% bonus depreciation, structures expensing, R+D expensing will generate major FCF immediately especially given retroactivity to start of 2025. Aside from driving yet further capex spend and GDP growth it will boost company profits margins over the medium term.

There has been significant de regulation that has been announced and more to come including the lowering of the SLR (Supplementary Leverage Ratio) for the financial sector. Deregulation takes time to kick in, but it should have a positive impact into 2026.

The “Tariff War” which drove lots of equity market de-risking in March and April is now becoming less of a focus as the US has now done deals with the EU, Japan, Korea and the UK amongst other regions and has made progress with China & Mexico. These trades deals look better for the US economy relative and combined with accelerating net capital foreign inflows at a time of recent record short USD positioning and a bullish trend reversal, the funds are positioned for a stronger USD over the coming months. Stablecoins are also bullish for the USD as most of them are pegged to the USD creating demand for US assets such as Treasury bills.

Technically speaking equity market sentiment is not frothy and positioning in aggregate is not extended so with many key equity markets breaking out to new highs supported by strong breadth the path of least resistance looks higher. It’s also rare to see multiple compression in periods of above-median EPS growth and accommodative monetary policy.

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As we enter a seasonally weaker period risks include a delayed inflation impact to the tariff announcements, a potential air pocket in demand after companies front-loaded orders, the UK fiscal deficit situation, China growth and US Housing, given house prices have started to decline. Recent commentary from Carlisle and Saint Gobain would support concerns over US housing.

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