CRI Quarterly Review

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Catholic Responsible Investments



A conversation with Thomas Digenan, CFA

Chief Investment Officer

While global markets remained relatively strong across the last three months, volatility remained stubbornly high. In this quarter's investment update, CBIS' Chief Investment Officer Tom Digenan shares his thoughts on what's driving today's markets and how investors might want to position their portfolios amid current uncertainties.

Can you offer us some insight into the key factors driving the markets this period?

Overall, the markets were pushed and pulled from several angles. Equity markets benefited from the AI sector and good earnings, while geopolitical tensions, tariffs, and raising interest rates fueled volatility.

Uncertainty surrounding the Strait of Hormuz continues to influence global markets. We don't see a resolution to that matter yet, but when it comes, we expect the markets to aggressively move in either direction. Tariffs, meanwhile, continue to weigh on the markets as their inflationary effects work through the economy.

On interest rates, dramatic increase at the long end of the yield curve is seen. The drop in bond prices impacts investors, but rising rates also affect consumers. Mortgage rates in the U.S, for example, are now over 7%. As a result, the cost of and affordability of homes has gone up dramatically.

"Any period of uncertainty, particularly when it's global, means there are additional risks to investors in the short term."



Would you suggest that current investment risks are running unusually high?

Global uncertainty increases investment risks in the short term. Prolonged unrest in the Middle East could further strain the oil market. Elevated petroleum prices place greater pressure on oil-dependent economies, especially within Europe and the UK. A quick resolution to the conflict could trigger a drop in oil prices.

On the interest rate front, investors are facing risks both to the upside and the downside. To the extent we have a relaxation of inflationary pressures that actually dampen inflation, investors will benefit from lower rates. The negative case is that rates not only remain high, they also increase as inflationary pressures increase.

Then, there's the economy. Right now, unemployment is very low and jobless claims are very low. That could change dramatically with any kind of technological disruption. And by that, I mean AI. We're already seeing a degree of disruption at the entry level of the job force.



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As you think about these key market drivers and risks, what's your high-level outlook?

Right now, we think equities will remain strong, in no small part due to AI's massive earnings power. There's still a good tailwind there. On bond positioning, we'd be very cautious around duration, definitely not wanting to extend duration too much, because that's where the risk will likely be.

That said, our central portfolio positioning principle remains diversification. Rising interest rates, for example, despite the challenges I mentioned earlier, also present opportunities. As it happens, rising rates tend to compress earnings multiples, which are what someone will pay for a stock. And when earnings grow at a faster rate than the multiple is compressing, we can have strong equity markets. The trick is to stay invested.

Do you have a final message to investors?

I know we've spoken about this before, but diversification and disciplined portfolio positioning are key, regardless of market uncertainty. I believe that investors who maintain discipline around their long-term allocations and remain attentive to valuations will be well served.

It's important to know that the CBIS investment team regularly reviews key market drivers and risks while emphasizing diversification and a cautious approach to portfolio positioning.

I encourage all CBIS investors to reach out to their CBIS representative and schedule a meeting to gain further insight into our thoughts.

Important Information

All material of opinion reflects the judgement of the Adviser at this time and are subject to change. This material is not intended as an offer or solicitation to buy, hold, or sell any financial instrument or investment advisory services.

Contact Us

We want to hear from you!

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