

Uncommon truths

2025: a year in review



Despite the angst about tariffs, 2025 was a good year for most global assets, especially metals and equities. The performance of my my Aristotle List of 10 surprises was more nuanced.

A year ago, we were expecting central bank easing and more economic growth, which led to our optimism about market outcomes (see [2024 in review](#)). Central banks did ease but economic growth disappointed. Nevertheless, asset returns were healthy.

The best performing global assets in 2025 were metals and equities (see **Figure 3**). The only assets to generate negative returns in USD were energy and agriculture. The 7.8% USD total return on our neutral portfolio in 2024 (11.0% in local currency) was followed by 16.3% so far in 2025 (+12.8% in local currency), the highest since 2019. The neutral portfolio is a static mix of global cash, fixed income, equity, real estate and commodity assets (see **Figure 6** for weightings).

As a reminder of events, here are Bloomberg's most-read articles during 2025 (paraphrased):

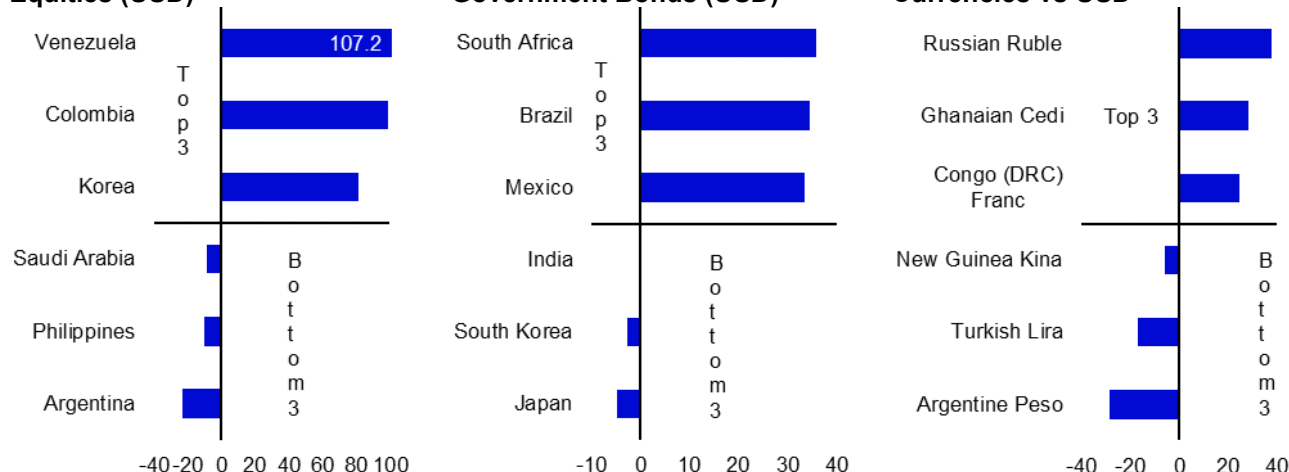
1. Trump says market response expected (Apr 3)
2. "Can't imagine further tariff increase on China" Trump (Apr 9)
3. Trump U-turns on Powell, China (Apr 24)
4. Trump's tariffs send shockwaves (Apr 3)
5. Air India crash kills 241 (Jun 12)
6. AI stock rally hurt by Chinese upstart (Jan 27)
7. Trump pauses tariff hikes; ups China rates (Apr 10)
8. "My bad": Bill Ackman on failure on Trump (Apr 8)
9. Bessent: Japan may get priority response (Apr 7)
10. Best stock rally since 2008...(Apr 9)

As usual, bad news sells and the majority of the most-read stories were on the negative side. Most came in the days following the 2 April Liberation Day tariff announcement (note that in 2024, tariffs were not mentioned in the top 20 most-read stories). The first mention of a military conflict came in item #14, and the second Fed mention wasn't until #38, with mention of President Trump's attempt to fire Governor Lisa Cook.

I think the positive market outcomes owe much to the resilience of the global economy and the ongoing easing by most central banks. Tariffs and other geopolitical factors brought only temporary volatility (see **Figure 2**). Major idiosyncratic themes have been AI and gold, based on conversations with investors around the world. Bonds may have lagged equities but the returns were respectable, in my opinion, especially when measured in US dollars (see **Figure 3**). Strong returns were seen in US bonds but were matched by emerging markets and bettered by Europe (in USD).

Figure 1 shows the results of our annual ranking within asset groups. As is often the case, emerging markets dominate both ends of the spectrum, though Japanese government bonds appear in the bottom three for the third year in a row. Venezuela topped the equity league table, on both a local and a common currency basis (China was the best performing big stock market). Otherwise, positive returns on Argentinian stocks turned negative when measured in USD. Despite stabilising during Q4, the Argentine peso fell more than 20% during 2025 (versus USD) and the Turkish Lira was likewise penalised by a high inflation rate. After a strong year, the Russian Ruble is close to pre-war levels.

Figure 1 – Top and bottom performers by asset class in 2025 (year-to-date total returns, %)
Equities (USD) **Government Bonds (USD)** **Currencies vs USD**



Past performance is no guarantee of future results. As of 12 December 2025. Equity data is based on Datastream indices; government bond indices are supplied by ICE BofA; currencies are based on WM/Refinitiv exchange rates.
Source: LSEG Datastream and Invesco Strategy & Insights.

In a repeat of what happened in 2024, markets had to wait until September for the first Fed rate cut of the year (the ECB cut rates four times in the first half of the year). However, once Fed easing started, it went quickly with three 25 basis point (bp) cuts at successive meetings. The latest presidential appointee to the Fed (Stephen Miran) has voted for 50bp cuts at each of those three meetings. With Chair Powell's term due to end on 15 May 2026, and President Trump about to announce his replacement, it will be interesting to see how Fed dynamics change (if at all) during 2026.

Elsewhere, the future path of central bank rates appear less clear cut, with the ECB easing cycle close to an end (in my opinion), while in Australia the RBA is now expected to tighten, rather than ease, and the BOJ is gradually normalising rates upward.

Central bank decision making has been complicated by the flattening of inflation. However, the US avoided the 4.0% inflation rate I predicted in item #1 on my list of 10 surprises for 2025 (published on 12 January 2025 - see [The Aristotle List](#)). The outcomes of much of the rest of the list remains to be decided (TBD), as shown below (with my self-evaluation in blue):

1. US CPI inflation goes above 4.0% during 2025 (No)
2. President Macron steps down after elections (No)
3. US dollar weakens during 2025 (TBD)
4. EU discord causes widening of spreads (TBD)
5. US stocks underperform global indices (TBD)
6. Turkish govt. bonds outperform global indices (TBD)
7. EU carbon price goes above €90 per tonne (TBD)
8. Kenyan stocks outperform major indices (TBD)
9. Bitcoin falls below \$50,000 (TBD)
10. Europe wins the Ryder Cup (Yes)

Remember, this list does not represent my central scenario but is rather an attempt to identify non-consensus ideas that I believe have a reasonable chance of occurring (thereby surprising most investors). They must therefore be put in the context of the prevailing sentiment at the start of the year ("Trump trade" optimism about US stocks and the dollar, say).

It looks as though 2025 will prove to be a mixed year for the Aristotle List. I am reminded of the words of Rudyard Kipling: "If you can meet success and failure and treat them both as impostors, then you are a balanced man...", which is good to remember in good times and in bad.

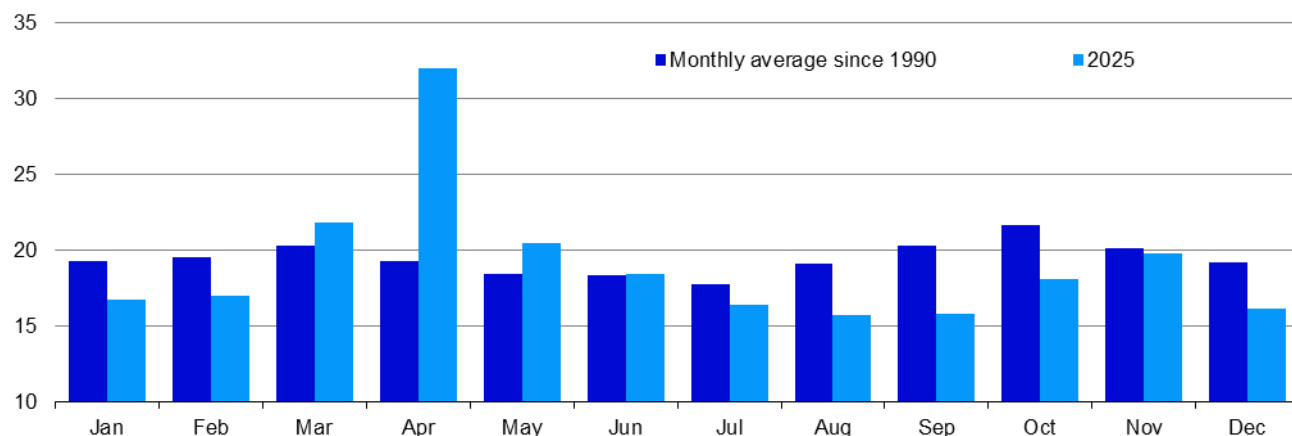
I will publish the selections for 2026 in early January. I have met many investors over recent weeks and months which helps to judge the prevailing mood. I am hoping a break over the Christmas and New Year period will provide some inspiration.

I continue to believe the main driver of returns will be economic and policy cycles. I expect the global economy to accelerate on recent and future central bank easing (and some fiscal impulse). As outlined in [Big Picture 2026 Outlook](#), that leads me to be relatively optimistic about multi-asset returns during 2026 (though 2025 will be hard to match). I believe the big questions facing investors are whether there will be a change of equity market leadership (performance across the Magnificent 7 was already mixed in 2025) and whether precious metals can repeat the stellar performance of 2025 (I am sceptical).

On that note, all that remains is for Andras and I to wish you and your loved ones a happy holiday season.

Unless stated otherwise, all data as of 12 December 2025.

Figure 2: Chart of the year: VIX Index -- tariff related volatility gave way to Fed inspired calm



Notes: **past performance is no guarantee of future results.** Based on daily data from 3 January 1990 to 12 December 2025 (as of 12 December 2025). The chart shows the monthly averages for the VIX index, both for all months since 1990 and for 2025. VIX is the CBOE VIX Index and is a calculation designed to produce a measure of constant, 30-day expected volatility of the U.S. stock market, derived from real-time, mid-quote prices of S&P 500® Index (SPXSM) call and put options. Source: Bloomberg and Invesco Strategy & Insights

Figure 3 – Asset class total returns (%)

Data as at 12 Dec 2025			Total Return (USD, %)					Total Return (Local Currency, %)				
	Index	Current Level/Ry	1w	1m	QTD	YTD	12m	1w	1m	QTD	YTD	12m
Equities												
World	MSCI	1009	-0.2	-0.1	2.7	22.1	18.4	-0.2	-0.3	3.1	19.6	16.5
Emerging Markets	MSCI	1390	0.4	-1.0	3.6	32.9	28.5	0.5	-0.6	4.8	31.0	28.0
China	MSCI	84	-0.7	-4.1	-5.7	33.8	30.3	-0.7	-4.1	-5.8	33.3	29.9
US	MSCI	6518	-0.7	-0.3	2.1	17.4	14.0	-0.7	-0.3	2.1	17.4	14.0
Europe	MSCI	2582	0.7	0.2	3.8	33.1	28.6	0.0	-1.0	4.0	18.8	16.3
Europe ex-UK	MSCI	3199	0.9	0.5	4.0	33.9	29.2	0.1	-0.5	4.0	17.9	15.2
UK	MSCI	1530	-0.2	-0.9	3.1	30.2	26.5	-0.2	-2.5	3.9	22.1	20.2
Japan	MSCI	4863	1.4	0.9	4.5	26.5	23.3	1.8	1.6	10.3	25.5	26.1
Government Bonds												
World	BofA-ML	3.38	0.0	-0.5	-0.9	6.2	4.2	-0.2	-0.8	0.0	2.1	1.1
Emerging Markets	JP Morgan	3.64	0.1	0.5	1.5	9.2	8.5	-0.1	0.0	0.7	4.3	4.6
China	BofA-ML	1.65	0.4	0.5	1.3	3.7	4.0	0.2	-0.4	0.4	0.3	1.1
US (10y)	Datastream	4.17	-0.3	-0.5	0.6	7.6	5.8	-0.3	-0.5	0.6	7.6	5.8
Europe	BofA-ML	2.96	0.4	0.1	-0.2	13.7	11.0	-0.3	-1.1	-0.1	0.3	-0.9
Europe ex-UK (EMU, 10y)	Datastream	2.83	0.3	-0.3	-0.8	11.8	9.1	-0.5	-1.5	-0.7	-1.3	-2.6
UK (10y)	Datastream	4.59	-0.1	1.1	1.7	12.2	9.2	-0.2	-0.6	2.5	5.2	3.8
Japan (10y)	Datastream	1.93	-0.4	-2.7	-7.2	-4.5	-7.7	0.0	-2.0	-2.1	-5.2	-5.5
IG Corporate Bonds												
Global	BofA-ML	4.43	0.0	0.2	0.2	9.9	8.2	-0.2	-0.3	0.3	5.9	4.7
Emerging Markets	BBloom	6.11	0.1	0.0	0.4	7.6	6.6	0.1	0.0	0.4	7.6	6.6
China	BofA-ML	2.26	0.3	0.8	1.5	4.7	4.8	0.1	-0.1	0.6	1.2	1.8
US	BofA-ML	4.91	-0.3	-0.2	0.4	7.4	5.9	-0.3	-0.2	0.4	7.4	5.9
Europe	BofA-ML	3.32	0.5	0.8	-0.1	16.5	14.4	-0.3	-0.4	0.0	2.8	2.1
UK	BofA-ML	5.24	-0.1	1.6	1.3	13.5	11.3	-0.2	-0.1	2.1	6.5	5.8
Japan	BofA-ML	1.82	-0.4	-1.2	-5.6	-0.3	-3.5	0.0	-0.5	-0.3	-1.1	-1.2
HY Corporate Bonds												
Global	BofA-ML	6.92	0.1	0.6	0.6	10.1	9.1	-0.1	0.3	0.6	7.5	6.7
US	BofA-ML	7.15	-0.1	0.5	0.7	7.8	7.0	-0.1	0.5	0.7	7.8	7.0
Europe	BofA-ML	5.60	0.7	1.4	0.1	18.8	17.3	-0.1	0.1	0.2	4.8	4.6
Cash (Overnight rates)												
US		3.92	0.1	0.3	0.8	4.1	4.4	0.1	0.3	0.8	4.1	4.4
Euro Area		1.93	0.4	1.5	-0.4	14.8	12.5	0.0	0.2	0.4	2.1	2.3
UK		3.97	0.8	2.5	-0.1	10.8	9.0	0.1	0.3	0.7	4.0	4.4
Japan		0.48	0.5	-0.8	-4.7	1.6	-2.9	0.0	0.0	0.1	0.4	0.4
Real Estate (REITs)												
Global	FTSE	1696	-0.3	-1.1	-1.2	10.3	6.5	-1.1	-2.3	-1.1	-2.7	-5.0
Emerging Markets	FTSE	1316	-0.4	-0.8	-0.3	16.1	12.2	-1.1	-2.0	-0.2	2.5	0.1
US	FTSE	3157	-0.8	-1.3	-1.8	2.6	-1.2	-0.8	-1.3	-1.8	2.6	-1.2
Europe ex-UK	FTSE	2631	-0.8	-2.5	-2.6	18.3	14.1	-1.6	-3.7	-2.5	4.4	1.8
UK	FTSE	875	-3.1	-3.7	-0.5	12.6	8.4	-3.2	-5.3	0.3	5.6	3.0
Japan	FTSE	2612	2.8	3.4	2.7	39.6	38.8	3.2	4.2	8.4	38.5	42.1
Commodities												
All	GSCI	3887	-2.9	-1.5	0.2	6.3	7.8	-	-	-	-	-
Energy	GSCI	607	-6.4	-4.5	-4.6	-4.7	-1.4	-	-	-	-	-
Industrial Metals	GSCI	2001	-0.9	2.0	8.8	21.5	18.1	-	-	-	-	-
Precious Metals	GSCI	4837	2.4	3.4	13.5	65.6	61.0	-	-	-	-	-
Agricultural Goods	GSCI	482	-0.6	-1.8	1.8	-6.4	-5.8	-	-	-	-	-
Currencies (vs USD)*												
EUR		1.17	0.8	1.3	0.1	13.4	12.2	-	-	-	-	-
JPY		155.82	-0.3	-0.7	-5.1	0.9	-2.1	-	-	-	-	-
GBP		1.34	0.1	1.7	-0.8	6.6	5.2	-	-	-	-	-
CHF		1.26	1.1	0.2	0.1	14.0	12.1	-	-	-	-	-
CNY		7.06	0.2	0.8	0.9	3.5	3.0	-	-	-	-	-

Notes: **Past performance is no guarantee of future results.** *The currency section is organised so that in all cases the numbers show the movement in the mentioned currency versus USD (+ve indicates appreciation, -ve indicates depreciation). Please see appendix for definitions, methodology and disclaimers.

Source: LSEG Datastream and Invesco Strategy & Insights

Figure 4 – Global equity sector total returns relative to market (%)

Data as of 12 Dec 2025	Global				
	1w	1m	QTD	YTD	12m
Energy	-1.1	-2.1	0.3	-8.9	-8.2
Basic Materials	2.2	4.3	3.6	14.8	10.4
Basic Resources	2.7	6.5	8.1	33.1	26.1
Chemicals	1.0	-0.4	-5.4	-12.1	-13.5
Industrials	1.9	1.5	0.2	0.5	-0.2
Construction & Materials	0.8	2.1	0.7	3.1	0.5
Industrial Goods & Services	2.0	1.4	0.2	0.2	-0.3
Consumer Discretionary	0.4	-0.1	-2.4	-7.7	-8.3
Automobiles & Parts	1.6	4.1	1.9	-3.3	-1.5
Media	0.7	-6.8	-12.3	-10.1	-11.5
Retailers	-0.3	-0.7	-1.3	-7.8	-9.2
Travel & Leisure	2.0	2.3	-2.3	-12.3	-13.4
Consumer Products & Services	-0.7	-1.7	-4.5	-7.8	-8.1
Consumer Staples	0.7	-0.8	-1.9	-8.5	-9.0
Food, Beverage & Tobacco	1.0	-0.5	-0.9	-7.2	-7.9
Personal Care, Drug & Grocery Stores	0.3	-1.3	-3.6	-10.7	-11.0
Healthcare	0.1	0.9	6.1	-5.6	-5.4
Financials	1.5	1.9	1.1	5.8	6.2
Banks	1.5	2.7	3.7	15.0	16.1
Financial Services	0.8	0.7	-1.9	-3.5	-4.0
Insurance	3.1	2.0	-0.5	0.2	1.1
Real Estate	-0.2	-0.9	-3.4	-7.3	-7.7
Technology	-2.1	-1.6	-0.6	4.8	5.5
Telecommunications	-0.7	-1.4	-2.7	3.6	4.1
Utilities	-0.2	-2.1	-1.2	-1.6	0.0

Notes: **Past performance is no guarantee of future results.** Returns shown are for Datastream sector indices versus the total market index. Source: LSEG Datastream and Invesco Strategy & Insights

Figure 5a – US factor index total returns (%)

Data as of 12 Dec 2025	Absolute					Relative to Market				
	1w	1m	QTD	YTD	12m	1w	1m	QTD	YTD	12m
Growth	0.5	2.7	6.9	13.3	7.8	1.1	2.9	-3.4	-3.6	-5.7
Low volatility	0.5	-1.3	-0.7	2.2	-0.8	1.1	-1.1	-10.2	-13.0	-13.2
Price momentum	-0.1	-0.3	8.6	15.7	11.5	0.5	-0.1	-1.9	-1.6	-2.4
Quality	1.3	3.2	11.3	18.1	14.3	1.9	3.4	0.6	0.5	0.0
Size	2.0	3.8	8.7	10.1	5.1	2.7	4.0	-1.7	-6.3	-8.0
Value	2.0	3.9	13.0	20.0	15.8	2.6	4.1	2.2	2.1	1.3
Market	-0.6	-0.2	10.6	17.5	14.3					
Market - Equal-Weighted	0.8	1.7	6.9	12.1	7.8					

Notes: **Past performance is no guarantee of future results.** All indices are subsets of the S&P 500 index, they are rebalanced monthly, use data in US dollars and are equal-weighted. Growth includes stocks in the top third based on both their 5-year sales per share trend and their internal growth rate (the product of the 5-year average return on equity and the retention ratio); Low volatility includes stocks in the bottom quintile based on the standard deviation of their daily returns in the previous three months; Price momentum includes stocks in the top quintile based on their performance in the previous 12 months; Quality includes stocks in the top third based on both their return on invested capital and their EBIT to EV ratio (earnings before interest and taxes to enterprise value); Size includes stocks in the bottom quintile based on their market value in US dollars. Value includes stocks in the bottom quintile based on their price to book value ratios. The market represents the S&P 500 index. Source: LSEG Datastream and Invesco Strategy & Insights

Figure 5b – European factor index total returns relative to market (%)

Data as of 12 Dec 2025	Absolute					Relative to Market				
	1w	1m	QTD	YTD	12m	1w	1m	QTD	YTD	12m
Growth	0.2	-0.6	2.5	9.5	7.4	0.3	0.3	-4.8	-7.0	-6.7
Low volatility	-0.2	-1.1	0.5	12.7	11.7	-0.1	-0.3	-6.6	-4.3	-3.0
Price momentum	1.6	1.4	12.5	35.0	33.0	1.7	2.2	4.5	14.7	15.5
Quality	0.7	0.7	8.1	22.3	20.5	0.8	1.6	0.5	3.9	4.7
Size	-0.1	1.5	0.0	10.5	8.0	0.0	2.4	-7.1	-6.1	-6.1
Value	0.0	0.5	9.0	29.8	27.5	0.1	1.4	1.3	10.3	10.8
Market	-0.1	-0.9	7.6	17.7	15.1					
Market - Equal-Weighted	-0.1	-0.4	4.6	16.3	13.9					

Notes: **Past performance is no guarantee of future results.** All indices are subsets of the STOXX 600 index, they are rebalanced monthly, use data in euros and are equal-weighted. Growth includes stocks in the top third based on both their 5-year sales per share trend and their internal growth rate (the product of the 5-year average return on equity and the retention ratio); Low volatility includes stocks in the bottom quintile based on the standard deviation of their daily returns in the previous three months; Price momentum includes stocks in the top quintile based on their performance in the previous 12 months; Quality includes stocks in the top third based on both their return on invested capital and their EBIT to EV ratio (earnings before interest and taxes to enterprise value); Size includes stocks in the bottom quintile based on their market value in euros; Value includes stocks in the bottom quintile based on their price to book value ratios. The market represents the STOXX 600 index. Source: LSEG Datastream and Invesco Strategy & Insights

Figure 6 – Model asset allocation

	Neutral	Policy Range	Allocation	Position vs Neutral	Hedged	Currency
Cash Equivalents	5%	0-10%	4%			
Cash	3%		0%			
AAA CLOs	2%		4%			
Bank Loans	4%	0-8%	8%			
US	3%		6%			
Europe	1%		2%			
Bonds	40%	10-70%	36%			
Government	25%	10-40%	22%			
US	8%		7%			50% JPY
Europe ex-UK (Eurozone)	7%		6%			
UK	1%		2%			
Japan	7%		3%			
Emerging Markets	2%		4%			
China**	0.2%		0%			
Corporate IG	10%	0-20%	9%			
US Dollar	5%		4%			50% JPY
Euro	2%		1%			
Sterling	1%		2%			
Japanese Yen	1%		0%			
Emerging Markets	1%		2%			
China**	0.1%		0%			
Corporate HY	5%	0-10%	5%			
US Dollar	4%		4%			50% JPY
Euro	1%		1%			
Equities	45%	25-65%	42%			
US	25%		10%			
Europe ex-UK	7%		10%			
UK	4%		6%			
Japan	4%		7%			
Emerging Markets	5%		9%			
China**	2%		4%			
Real Estate	4%	0-8%	6%			
US	1%		0%			
Europe ex-UK	1%		2%			
UK	1%		2%			
Japan	1%		2%			
Emerging Markets	1%		0%			
Commodities	2%	0-4%	4%			
Energy	1%		2%			
Industrial Metals	0.3%		1%			
Precious Metals	0.3%		0%			
Agriculture	0.3%		1%			
Total	100%		100%			
Currency Exposure (including effect of hedging)						
USD	51%		30%			
EUR	20%		24%			
GBP	7%		12%			
JPY	14%		20%			
EM	9%		15%			
Total	100%		100%			

Notes: **China is included in Emerging Markets allocations. This is a theoretical portfolio and is for illustrative purposes only. See the latest [The Big Picture](#) document for more details. It does not represent an actual portfolio and is not a recommendation of any investment or trading strategy. Arrows indicate the direction of the most recent changes.

Source: Invesco Strategy & Insights

Figure 7 – Model allocations for global sectors

	Neutral	Invesco	Preferred Region
Energy	5.3%	Overweight	US
Basic Materials	3.6%	Neutral	Europe
Basic Resources	2.4%	Underweight ↓	Europe
Chemicals	1.2%	Overweight	US
Industrials	13.0%	Neutral	US
Construction & Materials	1.7%	Neutral	Europe
Industrial Goods & Services	11.3%	Neutral	US
Consumer Discretionary	14.1%	Underweight	Europe
Automobiles & Parts	2.7%	Underweight	Europe
Media	1.2%	Underweight	Europe
Retailers	5.4%	Neutral	US
Travel & Leisure	1.8%	Overweight ↑	EM
Consumer Products & Services	3.0%	Underweight	Europe
Consumer Staples	4.5%	Neutral	US
Food, Beverage & Tobacco	2.8%	Neutral	US
Personal Care, Drug & Grocery Stores	1.7%	Overweight	Europe
Healthcare	7.5%	Overweight	US
Financials	16.4%	Neutral	US
Banks	8.0%	Overweight	US
Financial Services	5.4%	Neutral ↑	Japan
Insurance	3.0%	Neutral	US
Real Estate	2.6%	Overweight	Japan
Technology	26.3%	Underweight ↓	US
Telecommunications	3.5%	Underweight	US
Utilities	3.2%	Neutral ↓	Europe

Notes: These are theoretical allocations which are for illustrative purposes only. They do not represent an actual portfolio and are not a recommendation of any investment or trading strategy. See the latest [Strategic Sector Selector](#) for more details.

Source: LSEG Datastream and Invesco Strategy & Insights

Appendix

Methodology for asset allocation and expected returns

Which asset classes?

We look for investibility, size and liquidity. We have chosen to include equities, bonds (government, corporate investment grade and corporate high yield), bank loans, REITs to represent real estate, commodities and cash (all across a range of geographies). We use cross-asset correlations to determine which decisions are the most important.

Neutral allocations and policy ranges

We use market capitalisation in USD for major benchmark indices to calculate neutral allocations. For commodities, we use industry estimates for total ETP market cap + assets under management in hedge funds + direct investments. We use an arbitrary 5% for the combination of cash and gold. We impose diversification by using policy ranges for each asset category (the range is usually symmetric around neutral).

Expected/projected returns

The process for estimating expected returns is based upon yield (except commodities, of course). After analysing how yields vary with the economic cycle, and where they are situated within historical ranges, we forecast the direction and amplitude of moves over the next year. Cash returns are calculated assuming a straight-line move in short term rates towards our targets (with, of course, no capital gain or loss). Bond returns assume a straight-line progression in yields, with capital gains/losses predicated upon constant maturity (effectively supposing constant turnover to achieve that). Forecasts of corporate investment-grade, high-yield and bank loan spreads are based upon our view of the economic cycle (as are forecasts of credit losses). Coupon/interest payments are added to give total returns. Equity and REIT returns are based on dividend growth assumptions. We calculate total returns by applying those growth assumptions and adding the forecast dividend yield. No such metrics exist for commodities; therefore, we base our projections on US CPI-adjusted real prices relative to their long-term averages and views on the economic cycle. All expected returns are calculated in local currency and then, where necessary, converted into other currency bases using our exchange rate forecasts.

Currency hedging

We adopt a cautious approach when it comes to currency hedging as currency movements are notoriously difficult to accurately predict and sometimes hedging can be costly. Also, some of our asset allocation choices are based on currency forecasts. We use an amalgam of central bank rate forecasts, policy expectations and real exchange rates relative to their historical averages to predict the direction and amplitude of currency moves.

Definitions of data and benchmarks for Figure 3

Sources: we source data from LSEG Datastream unless otherwise indicated.

Cash: returns are based on a proprietary index calculated using the Intercontinental Exchange Benchmark Administration overnight LIBOR (London Interbank Offer Rate). From 1st January 2022, we use the euro short term rate, the UK Sterling Overnight Index Average (SONIA), the US Secured Overnight Financing Rate (SOFR) and the uncollateralised overnight rate for the Japanese yen. The global rate is the average of the euro, British pound, US dollar and Japanese yen rates. The series started on 1 January 2001 with a value of 100.

Gold: London bullion market spot price in USD/troy ounce.

Government bonds: Current levels, yields and total returns use Datastream benchmark 10-year yields for the US, Eurozone, Japan and the UK, and the ICE BofA government bond total return index for the World and Europe. The emerging markets yields and returns are based on the JP Morgan Emerging Markets Global Composite Index.

Corporate investment grade (IG) bonds: ICE BofA investment grade corporate bond total return indices, except for in emerging markets where we use the Bloomberg emerging markets corporate US dollar bond index.

Corporate high yield (HY) bonds: ICE BofA high yield total return indices

Equities: We use MSCI benchmark gross total return indices for all regions.

Commodities: Goldman Sachs Commodity total return indices

Real estate: FTSE EPRA/NAREIT total return indices

Currencies: Global Trade Information Services spot rates

Investment risks

The value of investments and any income will fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the full amount invested.

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