Strategic Sector Selector
After the recovery

By the end of Q2 2025, global equities recovered ground lost during the tariff-driven turmoil at the beginning of the quarter. Market leadership narrowed again with technology and media leading equities higher. We think the probability of US recession has faded into a tail risk, although that could imply stickier inflation than previously assumed (especially if the impact of tariffs crystallises during H2 2025). We think there may be some consolidation after such a strong run, but we see upside in the next 12 months as the global economy reaccelerates. With that in mind, we maintain our allocation to defensive sectors but increase our exposure to defensive growth by upgrading healthcare and downgrading telecommunications as we expect monetary easing to resume in the US (within our Model Sector Allocation). At the same time, after a sharp rally we reduce our allocation to early-cyclicals by downgrading media and retailers, while we raise our allocation to late-cyclicals by upgrading industrials (including construction & materials).

**Changes in our Model Sector Allocations:**

- Upgrades: construction & materials, industrial goods & services (UW to N), healthcare (UW to OW)
- Downgrades: retailers (OW to N), telecommunications (N to UW), media (OW to UW)

Most favoured	Least favoured
US banks	US media
US utilities	European telecommunications

Sectors where we expect the best returns:

- Banks: steepening yield curve, attractive valuations, exposure to potential financial deregulation
- Healthcare: attractive valuations, exposure to growth factor, tariffs impact may be priced in
- Utilities: high yield, defensive sector, low exposure to rising tariffs

Figure 1 – Global sectors valuation matrix
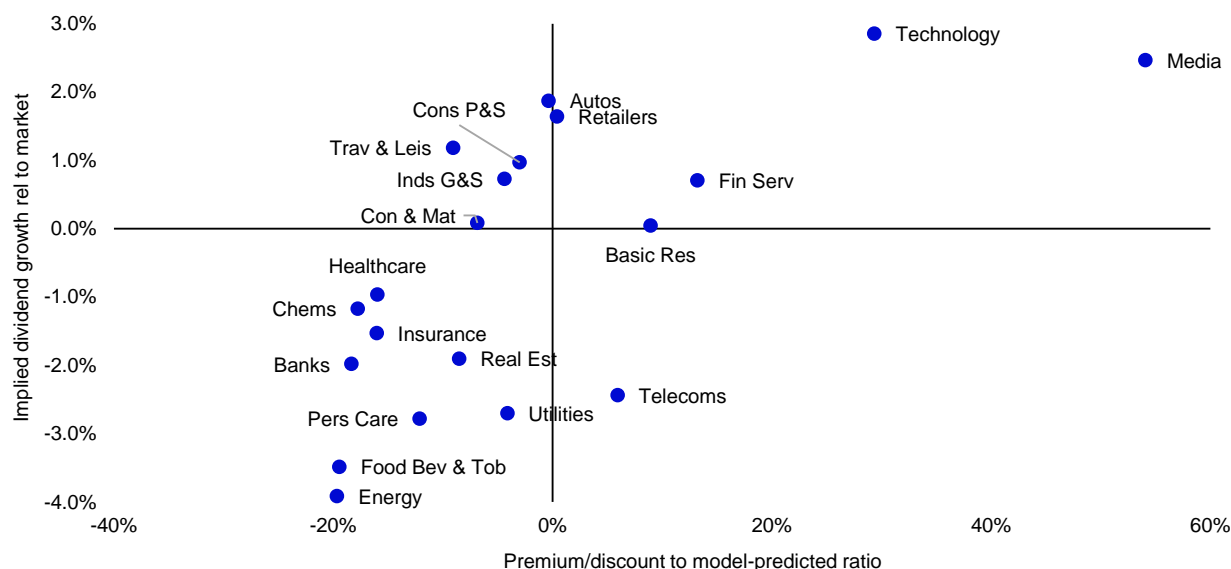
Notes: Data as of 30 June 2025. On the horizontal axis, we show how far a sector's valuation is above/below that implied by our multiple regression model (dividend yield relative to market). The vertical axis shows the perpetual real growth in dividends required to justify current prices relative to that implied for the market. We consider the sectors in the top right quadrant expensive on both measures, and those in the bottom left are considered cheap. See appendices for methodology and disclaimers.
Source: LSEG Datastream and Invesco Global Market Strategy Office

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Summary and conclusions

Since the last time

Donald Trump's "Liberation Day" announcements had a significant, but brief impact on global equities at the beginning of Q2 2025. In the end, the MSCI All-Country World index returned 9.5% in local currency terms for the whole quarter. The recovery was partially driven by hopes that "reciprocal tariffs" would not be applied at the levels proposed. At the same time, even though tariffs would still be higher than before 2025, stimulus measures in Europe and "green shoots" in China may be enough to keep the global economy in a robust enough shape to weather the impacts.

Figure 2 – 3m Global sector returns relative to market in USD
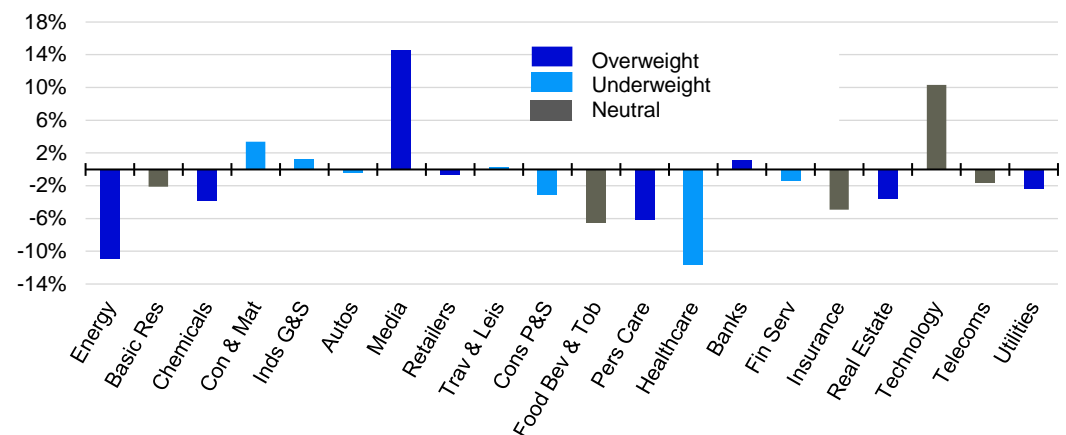
Notes: Data as of 30 June 2025. See appendices for methodology and disclaimers. Returns shown between 31 March 2025 and 30 June 2025. Colours indicate allocations in period considered (this is a theoretical portfolio and is for illustrative purposes only. It does not represent an actual portfolio and is not a recommendation of any investment or trading strategy). **Past performance is not a guarantee of future results.** Source: LSEG Datastream and Invesco Global Market Strategy Office

It seems evident in **Figure 2** that the rally narrowed again after a brief broadening in Q1 2025 with leadership restricted mainly to the technology and media sectors. I think this highlights concerns about the global economy where growth may be scarce with US policy uncertainty frequently in the headlines. Although we were Overweight the best performing (media) and Underweight the worst performing sector (healthcare), we were also Neutral the second best performer (technology) and Overweight the second worst performer (energy). In such a narrow market it is perhaps unsurprising to find only three sectors that outperformed by more than 2%, but 10 sectors underperformed by more than the same margin.

Changes to model sector allocations

After a stormy start to Q2 2025, global equities recovered all the ground lost by the beginning of Q3 as tariffs were on "pause". Nevertheless, it strikes me as odd how enthusiastic markets have been when tariffs are higher, and macroeconomic indicators have been mixed. At the same time, as President Trump's self-imposed deadline for holding back "reciprocal" tariff rates expired, double-digit headline tariffs have been proposed by the US administration for countries that have yet to reach new trade agreements with the world's largest economy.

Of course, the big question is how much that will impact equities this time. It seems to me that markets are getting increasingly de-sensitised to tariff announcements either because they think the US government will back down or assume that the global economy can withstand their impact without a significant slowdown. Left alone, we think the global economy could reaccelerate despite potentially sticky inflation, which may limit support from monetary policy in the next 3-6 months, especially in the US. Although trade barriers are rising between the US and its trading partners, supportive fiscal policy (for example, the "Big Beautiful Bill") could offset some of that impact for the US.

Meanwhile, the uncertainty around trade policy may remain and could have a slow detrimental effect over corporate investment decisions, chipping away at the trend growth rate of the US economy over the long term. Having said that, we may have passed "peak tariff", thus the risk of recession has receded and the current weak patch evident in retail sales and survey data may not last long. Nevertheless, the reacceleration in global economic growth that we expect may not be as strong as recent equity returns suggest, even though earnings growth picked up in Q1 2025 as shown in **Figure 5**.

I expect the second half of 2025 to be tricky for policymakers to navigate as US inflation may pick up reducing real wage growth while any fiscal boost will only materialise during or after 2026. The Fed could remain in "wait-and-see" mode even if it is prepared to look through a temporary increase in inflation, especially if the labour market proves to be resilient. **Figure 6** shows how global interest rates have followed falling inflation with some lag (mostly due to the Fed) and that is unlikely to change, in my view. At the moment, rate futures are pricing in about 100bps worth of rate cuts for the Fed, while the Bank of England (BOE) is not far behind with 75bps (as of 18 July 2025). On the other hand, the European Central Bank (ECB) and the Bank of Canada (BOC), for example seem to be close to the end of their respective monetary easing cycles, while the Bank of Japan (BoJ) may raise its target rate towards the beginning of 2026. In any case, this divergence in policy will keep the US dollar weak, in my view, which may give Emerging Market central banks more room to respond to economic weakness as strengthening currencies reduce the inflationary threat somewhat.

What does this mean for our sector allocations? I expect this environment to remain a tricky time for strategists. Uncertainty has not completely diminished, while valuations have returned to levels around the February peak. I cannot rule out a repeat of Q3 2024, when a series of weaker economic data releases spooked markets and volatility increased. Therefore, I think that retaining exposure to defensives could be necessary, while positioning for a potential recovery with allocations to select cyclical sectors.

After spending most of the last three years with valuations at a premium on our multiple regression model, **construction & materials** has moved to a discount. At the same time, its implied dividend growth rate is close to that of the market, and therefore I think at least some of any potential bad news has been priced in. On the other hand, I am concerned that higher costs of labour will continue to put pressure on profit margins, while regulatory uncertainty in the US may not dissipate quickly. While I view the sector as a beneficiary of European plans to spend on infrastructure and defence, that is yet to push forward earnings growth above that of the market, therefore I upgrade the sector only to **Neutral** from Underweight.

I am becoming more positive on the prospects of **industrial goods & services** as we may have passed "peak tariff". Although the planned boost to defence spending may not be enough to counteract short term headwinds, especially in manufacturing industries, I no longer view valuations as a hindrance. The sector may have moved to a slight discount on our multiple regression model, but it is still at a slight premium on implied dividend growth relative to the market. I expect some regional differences in returns, as Chinese industrial production growth remains strong and fiscal stimulus seems to be limited to Europe, while higher tariffs may weigh on the US including a potential slowdown in consumer spending growth impacting payment providers. Therefore, the sector moves to **Neutral** from Underweight until there are clearer signs of a reacceleration of global growth.

Media was the best performing sector in H1 2025 by some margin perhaps due to its relative lack of exposure to tariffs. This has driven valuations to become so stretched that they are now impossible to ignore: the sector has the highest premium on our multiple regression model and it has the second highest implied dividend growth. I think further outperformance may be limited and any reduction in interest rates may have been priced in. At the same time, relative forward earnings momentum is negative and margin

expansion may be limited from current levels. Thus, I downgrade the sector to **Underweight** from Overweight. The valuation of **retailers** may not warrant the same caution, but I view the near-term prospects of a sector dominated by US names to be uncertain enough to downgrade to **Neutral** from Overweight. The sector looks close to "fair value" on our multiple regression model, though its implied dividend growth is significantly above that of the market. However, my main concern is that after current inventory runs out, the sector will have little choice but to raise prices in the US, which could have a dampening effect on demand. Forward earnings momentum looks positive for now, but I am concerned that may deteriorate in the next two quarters. Nevertheless, revenue and profit growth may recover as the economy reaccelerates, thus I expect the next 12 months to be a "year of two halves".

I upgrade **healthcare** to **Overweight** from Underweight in a reshuffle of defensive sectors. The main reason why I have been cautious on the sector was the threat of tariffs and pressure from regulators to reduce prices. Sector valuations seem to have adjusted to this new reality and healthcare now appears at a discount on both our multiple regression and implied dividend growth models. The scaling back of university research facilities in the US remains a concern putting its potential for future innovation into doubt, but I do not expect that to have a significant impact in the next 12 months. At the same time, even a gradual reduction of the Fed's target rate may turn out to be a tailwind.

On the other hand, the **telecommunications** sector has moved to a premium on our multiple regression model after outperforming year-to-date. I also consider it a "defensive value" sector, and therefore it may underperform in an environment when the Fed eases monetary policy. This puts it at a disadvantage despite its low, but historically stable revenue growth rates. I find it hard to justify its valuations, especially in light of its negative and deteriorating forward earnings momentum. I downgrade it to **Underweight** from Neutral.

The best and worst of the rest

Although war in the Middle East has faded from view for now and a production boost by OPEC+ member states has put downward pressure on oil prices, I retain my **Overweight** allocation to the **energy** sector. Despite all the attention focusing on tariffs and trade, geopolitical conflicts are still simmering in the background. I also think that when the current period of uncertainty subsides, oil prices will recover, and I would like to maintain exposure to that. The sector is also the cheapest on both of our models, and therefore I think a lot of bad news may have been priced in.

I retain my **Neutral** stance in **basic resources** in the model sector allocation for similar reasons. I think commodities provide exposure to any recovery in growth once we are through the current period of uncertainty. However, I think that some of that upturn may have already been reflected in its valuations, which stand at a premium on our multiple regression model and close to that of the market on implied dividend growth.

In a nod to the hope of an improving economic environment, I maintain my **Overweight** allocation to **chemicals**. Although I expect weakness in the global economy in the short term, sector valuations suggest at least some of that may have been priced in. They look attractive on both of our models, which is the main reason I stay positive on the sector. At the same time, with the decline in the prices of energy commodities (both crude oil and natural gas), input costs may decrease potentially improving margins.

Despite being the worst performing sector in H1 2025 mainly driven by the threat of "trade war", **automobiles & parts** still looks just above "fair value" versus the relative dividend yield implied by our multiple regression model. Although I consider the sector an early-cyclical and therefore think it can benefit from a reacceleration in economic growth, I think that may not be imminent, while its long and geographically dispersed supply chains give it full exposure to rising tariffs. The sector may only start outperforming when more sustainable drivers are behind its returns, thus I stay **Underweight** for now.

I expect **travel & leisure** to remain under pressure as long as fears about economic growth persist, thus I think it is appropriate to keep our **Underweight** allocation. I believe the many headwinds the sector faces are proving too much: labour costs have continued to rise and demand may not fully recover until economic growth picks up, while higher costs could eat further into disposable incomes as excess savings are depleted.

I also keep my allocation to **consumer products & services** at **Underweight**. I think luxury groups will continue to struggle especially with clouds over consumer spending growth, especially in the US. The sector has moved to just under "fair value" on our multiple regression model after underperforming in Q2 2025. It tends to be a relatively resilient and well-diversified sector (which I value). However, I would prefer to wait for a more attractive entry point where valuations reflect the risk of higher inflation, or for signs of economic reacceleration to appear.

Within consumer staples, I keep **food, beverage & tobacco** at **Neutral** and **personal care, drug & grocery stores** at **Overweight**. I am concerned that food, beverage and tobacco is vulnerable to trade disruption and could face sharply rising prices and falling demand as tariffs rise. It is also the most cyclical defensive sector in my view and therefore could be sensitive to any short-term economic slowdown. At the same time, I would like to maintain exposure to consumer staples, and I think that personal care, drug & grocery stores may be more resilient in the face of higher volatility.

At the same time, I think the probability of major issues in the banking sector will be lower if monetary policy becomes less restrictive, especially if the global economy avoids a recession (there is a lower probability of recession than three months ago, in my view). I also expect a steepening yield curve, which coincided with outperformance in the past, especially in the US and UK (deregulation may also boost returns in these countries). Valuations look attractive both compared to the relative dividend yield implied by our multiple regression model and versus historical norms. Of course, I cannot sound the all-clear that the risk stemming from higher interest rates has passed (loan delinquencies are rising in the US, for example), or from a potential severe economic slowdown, but valuations suggest that at least some of that is priced in, in my view. I stay **Overweight banks**.

As the clouds have not completely cleared over financial markets, I find the rich valuations of the **financial services** sector difficult to justify. After a fall in business sentiment, any upturn in the global mergers and acquisitions cycle looks to be fragile despite some "green shoots". Asset managers may also underperform if markets become more volatile again, at least in the short term. Sector valuations are the third highest on our multiple regression model, while they are above that of the market on implied dividend growth. I stay **Underweight**.

Rising bond yields provided a boost to **insurance** in the period after COVID-related restrictions were lifted. I think the prospect of lower yields drove the sector's underperformance in Q2 2025. That headwind may remain if the Fed eases monetary policy as reflected in rate futures. I also think the rising cost of natural disasters will become an increasingly important driver of returns. At the same time, the sector seems less cyclical to me than other financials, and therefore an economic recovery may provide less of a boost. With that said, valuations look favourable on both of our models compared to most other sectors, which may offset some of the pressure on earnings. Therefore, I keep the allocation at **Neutral**.

Assuming the global economy reaccelerates as we expect, I think that **real estate** could outperform even in a world of potentially higher inflation. Landlords tend to be able to increase rent helping protect margins in times of inflation, although in the event of an economic downturn, occupancy rates could suffer. However, sector valuations look attractive both on our multiple regression model and implied dividend growth, which implies potential for multiple expansion. At the same time, rate cuts may improve their financing conditions especially in the US, albeit only gradually. I stay **Overweight**.

The biggest decision I face every quarter concerns the largest sector (based on market cap): **technology**. Even after tepid relative returns in H1 2025, valuations remain high and the sector has the second largest premium based on our multiple regression model, which makes it vulnerable to continued negative sentiment, in my view. I remain positive about the sector's long-term growth potential, which I think will continue to benefit from increasing investment and boosted by the focus on generative artificial intelligence. I also value its high margins and solid cash generation, but valuations keep me cautious, thus I stay **Neutral**.

Within defensive value, I favour **utilities**, whose valuations look attractive on our multiple regression model and also based on implied dividend growth. Sector earnings are likely to be boosted by investments into power generation by cloud hyper-scalers. Its high dividend yield and pricing power can also be an advantage if inflation rates remain high. Finally, as long as developed market central banks remain committed to easing monetary policy, its high gearing should not be a major hindrance. I stay **Overweight**.

Figure 3 – Model allocations for global sectors*

	Neutral	Invesco		Preferred Region
Energy	**5.6%**	**Overweight**		**EM**
Basic Materials	**3.3%**	**Neutral**		**US**
Basic Resources	2.0%	Neutral		US
Chemicals	1.3%	Overweight		Europe
Industrials	**13.3%**	**Underweight**		**Europe**
Construction & Materials	1.7%	Neutral	↑	Europe
Industrial Goods & Services	11.6%	Neutral	↑	Europe
Consumer Discretionary	**14.2%**	**Underweight**		**Europe**
Automobiles & Parts	2.3%	Underweight		Europe
Media	1.3%	Underweight	↓	Europe
Retailers	5.5%	Neutral	↓	Europe
Travel & Leisure	2.0%	Underweight		EM
Consumer Products & Services	3.1%	Underweight		Europe
Consumer Staples	**4.9%**	**Neutral**		**US**
Food, Beverage & Tobacco	3.1%	Neutral		US
Personal Care, Drug & Grocery Stores	1.8%	Overweight		Europe
Healthcare	**7.8%**	**Overweight**	↑	**US**
Financials	**16.7%**	**Overweight**		**Europe**
Banks	8.1%	Overweight		Europe
Financial Services	5.5%	Underweight		Japan
Insurance	3.2%	Neutral		US
Real Estate	**2.7%**	**Overweight**		**Japan**
Technology	**24.7%**	**Neutral**		**EM**
Telecommunications	**3.6%**	**Underweight**	↓	**US**
Utilities	**3.3%**	**Overweight**		**US**

Notes: *This is a theoretical portfolio and is for illustrative purposes only. It does not represent an actual portfolio and is not a recommendation of any investment or trading strategy. Arrows indicate latest changes in allocations versus the previous edition. See appendices for methodology and disclaimers. Source: LSEG Datastream and Invesco Global Market Strategy Office

**Figure 4 – Economic cycle and main sector allocation decisions**
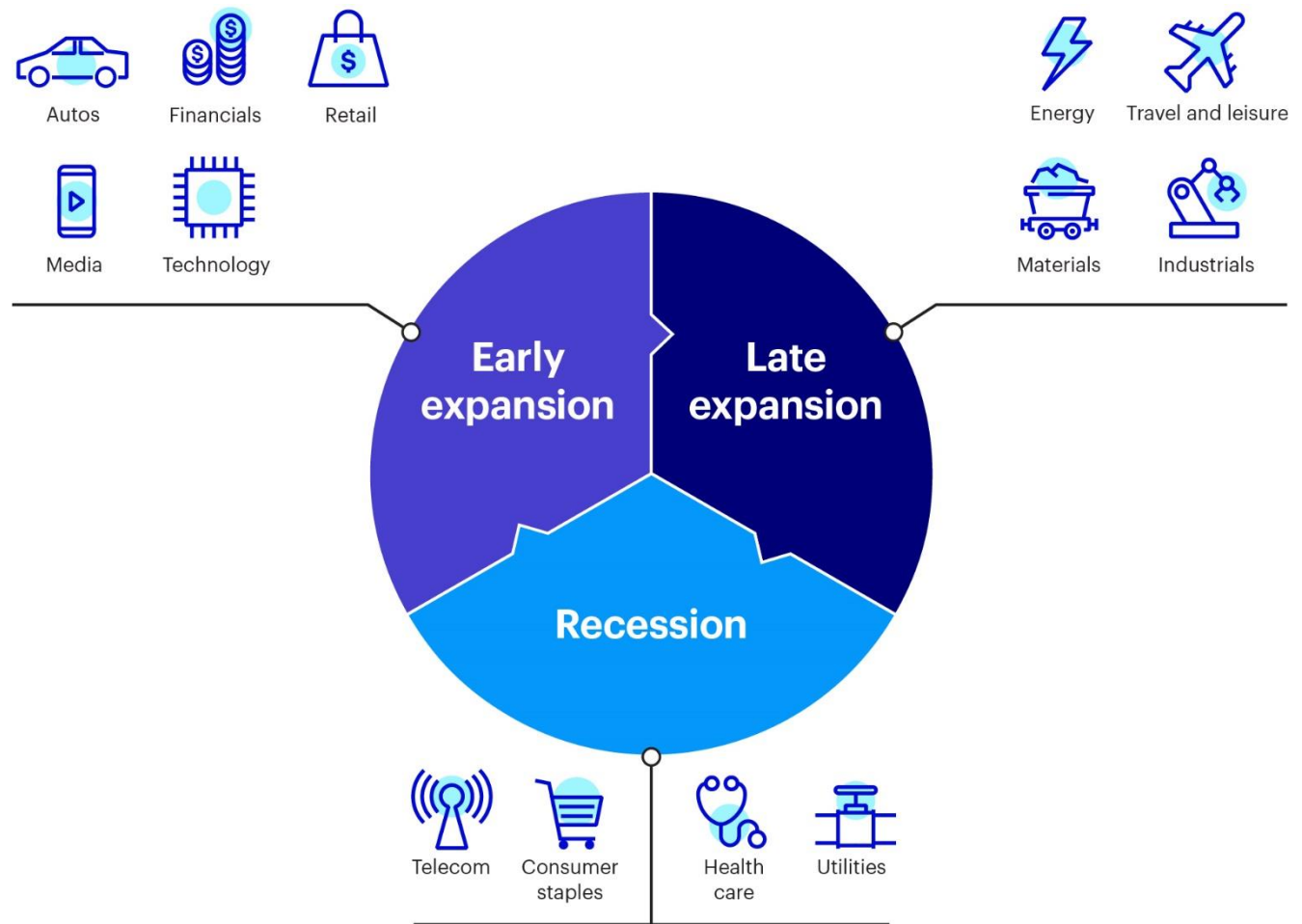
Note: The chart shows our opinion about which sectors tend to perform best at which stage of the economic cycle, based on our analysis of previous cycles.
Source: Invesco Global Market Strategy Office

Macroeconomic indicators – Global

Figure 5 – Global GDP growth vs earnings growth since 1975

Market Capitalisation Weighted GDP Growth — Global Earnings Growth (RHS, 6-month lagged)
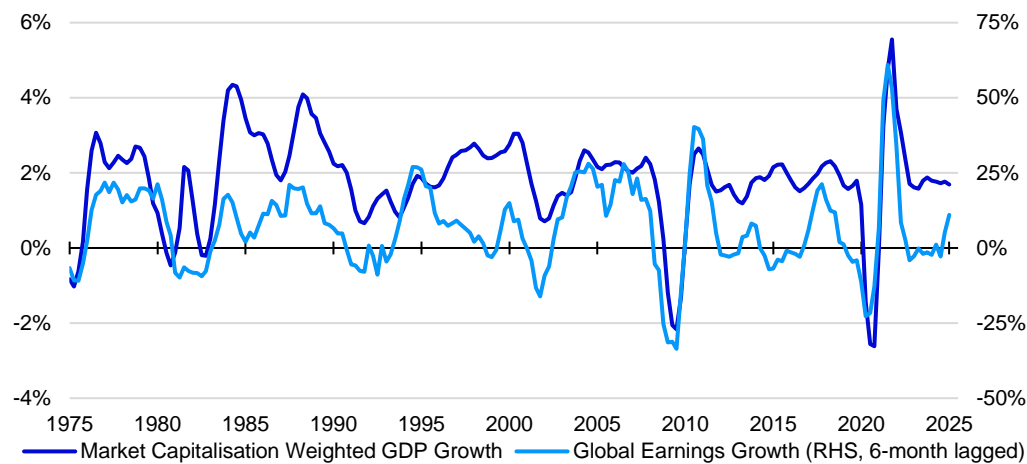
- Global GDP growth has been gradually slowing but remains at a level that could be consistent with strong earnings growth.
- However, GDP growth could slow in H2 2025 depending on the impact of tariffs on the US economy.

Figure 6 – GDP-weighted global inflation and central bank policy rate

GDP-weighted interest rate — GDP-weighted inflation rate (YoY)
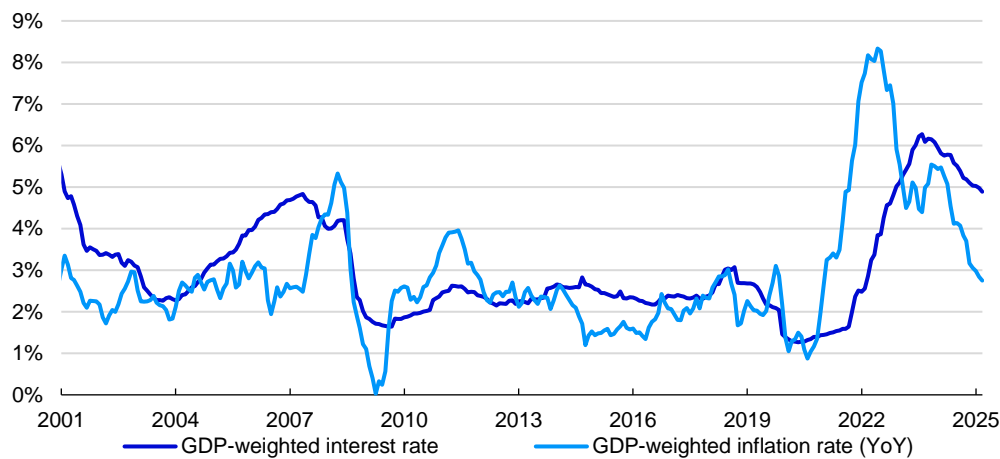
- Global inflation has been falling sharply, though momentum may be stalling or reversing in a number of countries.
- Monetary policy has followed it with a lag, especially in the US. I expect central banks to continue to ease gradually.

Figure 7 – OECD leading indicators (amplitude adjusted)

US — China — Germany — Japan — India — UK — France
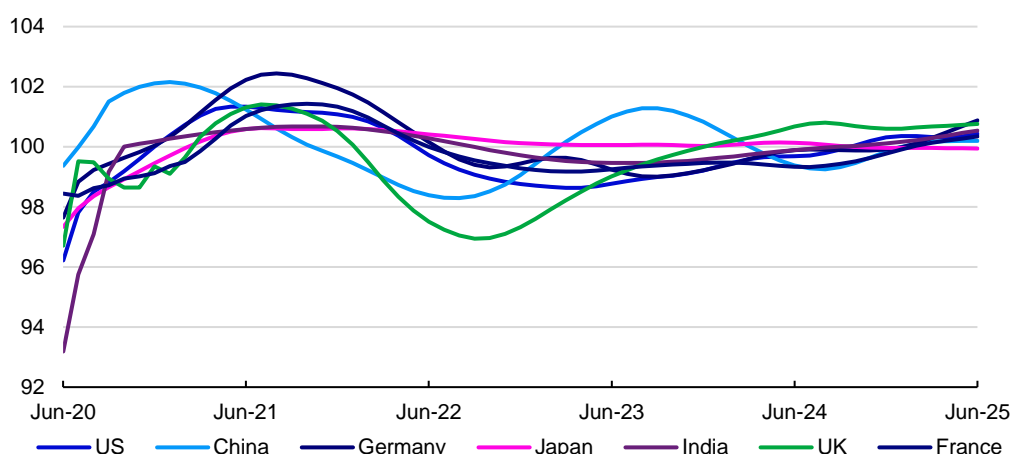
- Leading indicators imply that growth has settled around historical average levels.
- Germany and France have the strongest momentum currently, while Japan is the only large economy with a leading indicator below trend.

Notes: Data as of 30 June 2025. **Past performance is no guarantee of future results.** See appendices for methodology and disclaimers. Figure 7 is based on quarterly data from Q1 1975 to Q1 2025. Figure 8 is based on monthly data from April 2001 to June 2025 using the IMF World Economic Outlook April 2025. Figure 9 is based on monthly data from June 2020 to June 2025.
Source: International Monetary Fund, OECD, LSEG Datastream, Invesco Global Market Strategy Office
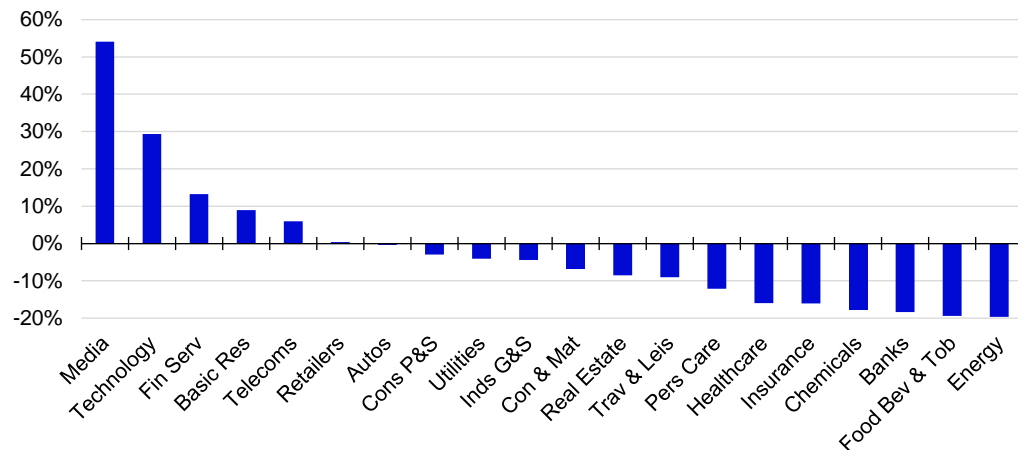
Valuations – Global

Figure 8 – Global sectors valuation matrix
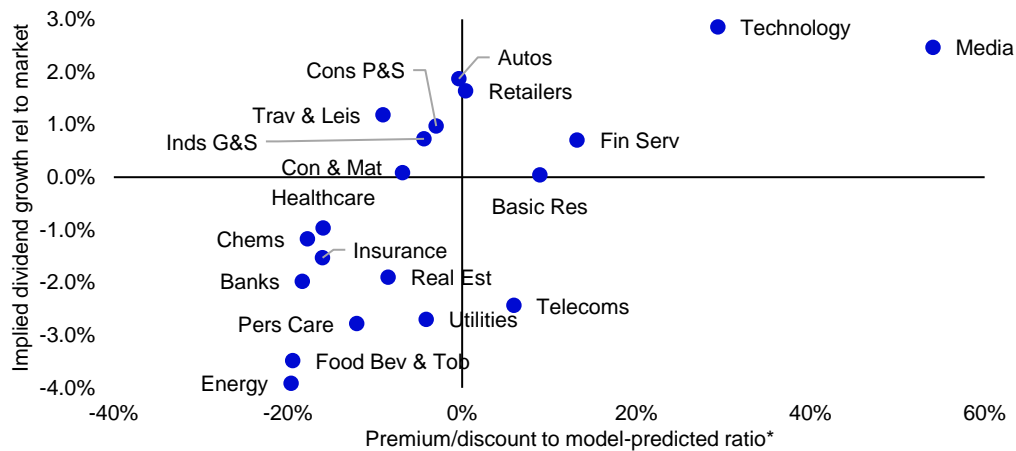
- Sectors in the top right corner look overvalued on both measures, while those in the bottom left appear undervalued
- This approach would avoid, for example, tech, financial services and media.
- Food, beverage & tobacco, energy, and banks look better value

Figure 9 – Premium/discount to model-predicted ratio*

- Media, technology and financial services look the most overvalued versus our model
- Energy, food, beverage & tobacco and banks seem the most undervalued versus our model-predicted ratios

Figure 10 – Global implied perpetual real dividend growth
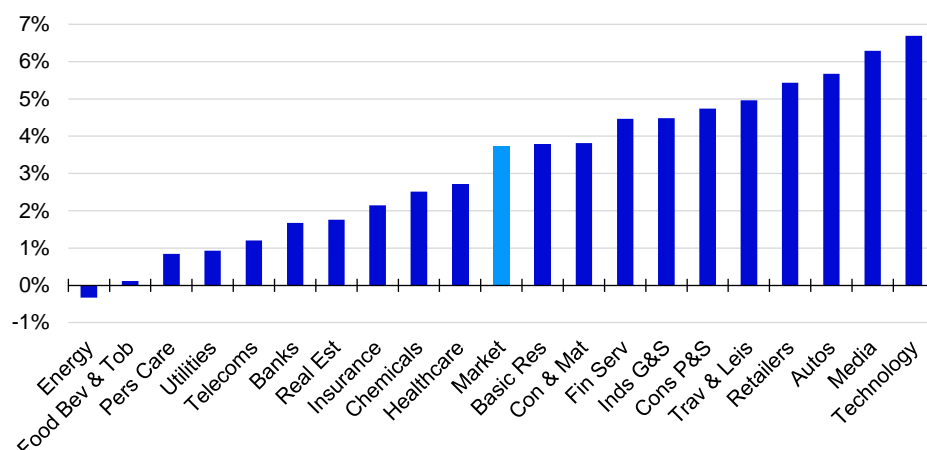
- Shows the future real growth required to justify current prices
- Technology and media appear priced for around 6% real growth in dividends (expensive)
- Three defensive sectors and energy seem priced for sub-1% growth (cheap).

Notes: *% above/below using relative dividend yield. Data as of 30 June 2025. See appendices for methodology and disclaimers.
Source: LSEG Datastream and Invesco Global Market Strategy Office

Decomposed returns – Global

**Figure 11 – Global year-to-date total returns decomposed (annualised)**
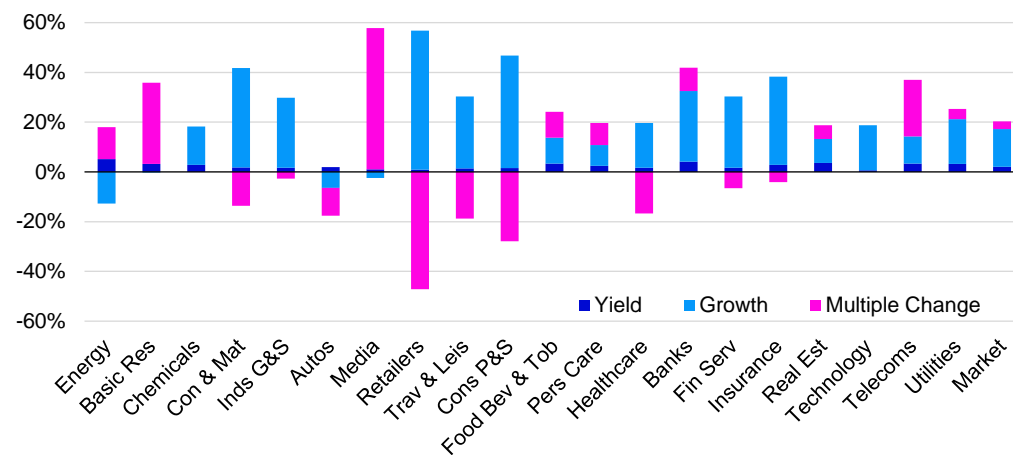
- Only four sectors had negative growth: energy, basic resources, autos and media.
- Four sectors had growth above 15%: construction, retailers, consumer products & services and insurance.

Figure 12 – Global rolling 12-month total returns decomposed
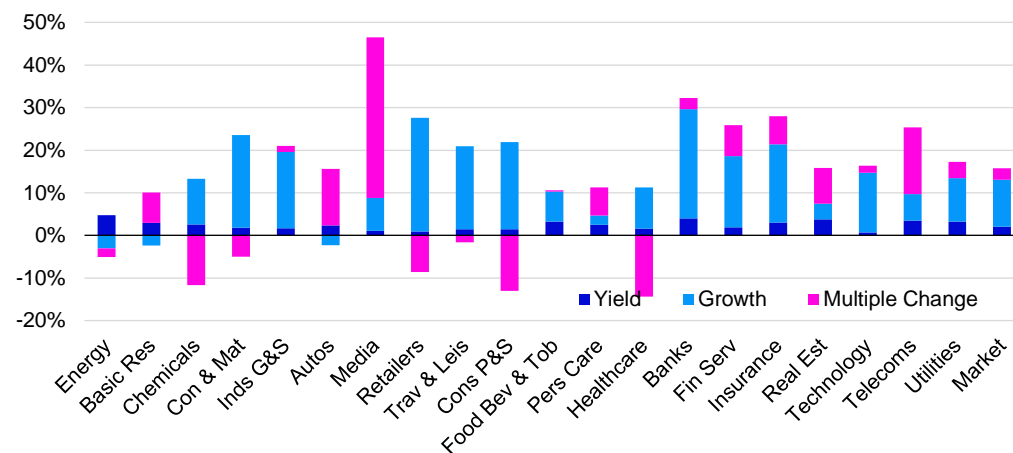
- Only two sectors had negative total returns: energy and healthcare. Most sectors had double-digit returns.
- Only energy had a yield above 4%, but six other sectors had yields above 3%: food, beverage & tobacco, banks, insurance, real estate, telecoms and utilities.

Figure 13 – Global overall total returns decomposed (annualised, since 1973)
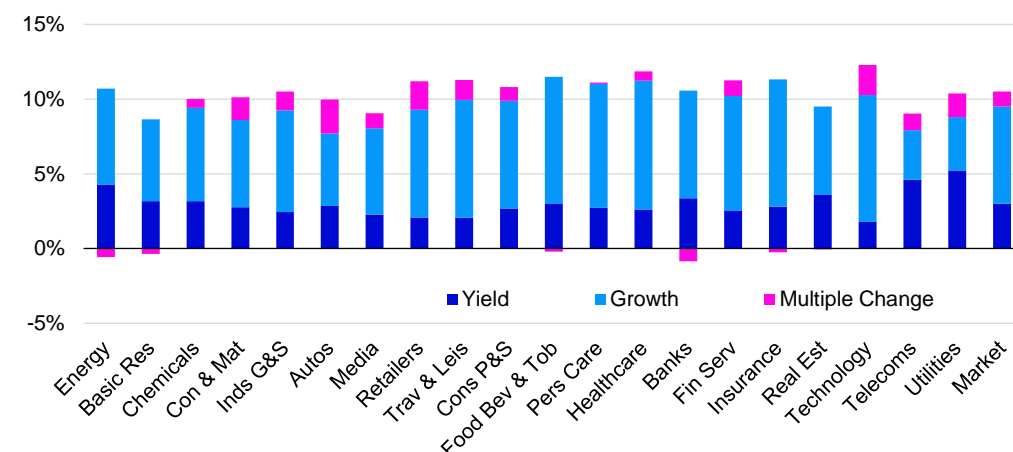
- Growth and yield drive long-term returns
- Growth is the most important, except for telcos and utilities
- Six sectors suffered from a multiple-related performance drag: energy, basic resources, food & bev, banks, insurance and real estate

Notes: Data as of 30 June 2025. See appendices for methodology and disclaimers. **Past performance is not a guarantee of future results.**
Source: LSEG Datastream and Invesco Global Market Strategy Office

Forward earnings growth – Global

Figure 14 – Global 12-month forward earnings estimate changes relative to market
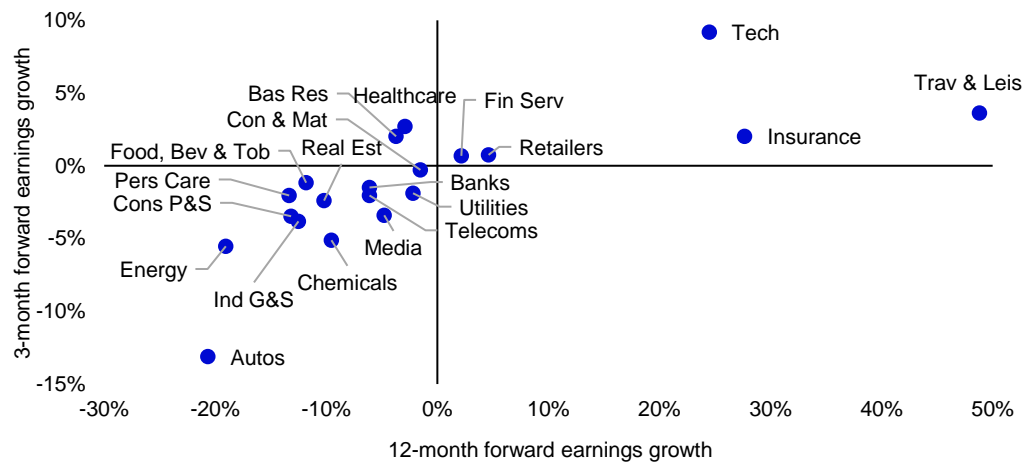
- Only five sectors have seen positive change in consensus earnings estimates over both the last 3- and 12-months.
- The change in earnings estimates seems to be turning around for basic resources and healthcare.

Figure 15 – Global 12-month forward earnings estimate changes relative to market
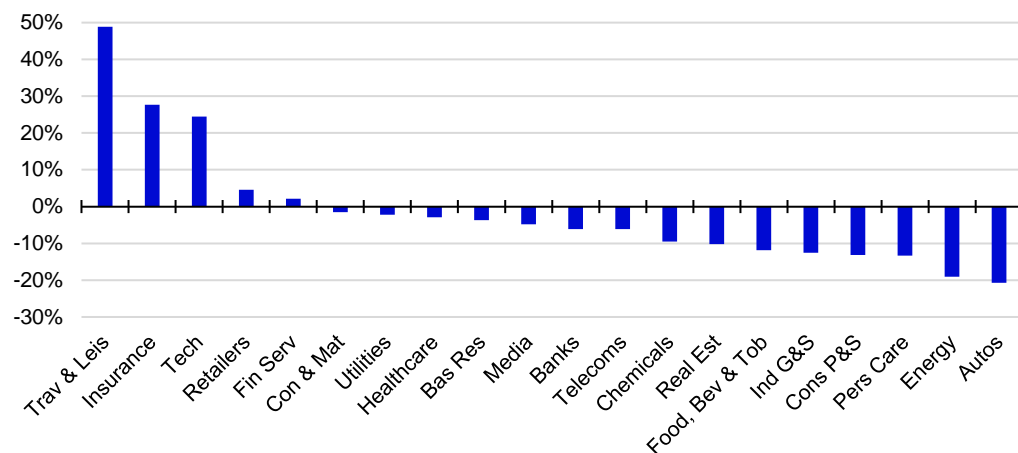
- Travel, leisure, insurance and technology have seen the largest improvement in earnings
- Automobiles & parts, energy and personal care have the weakest forward earnings improvement.

Figure 16 – Global 3-month forward earnings estimate changes relative to market
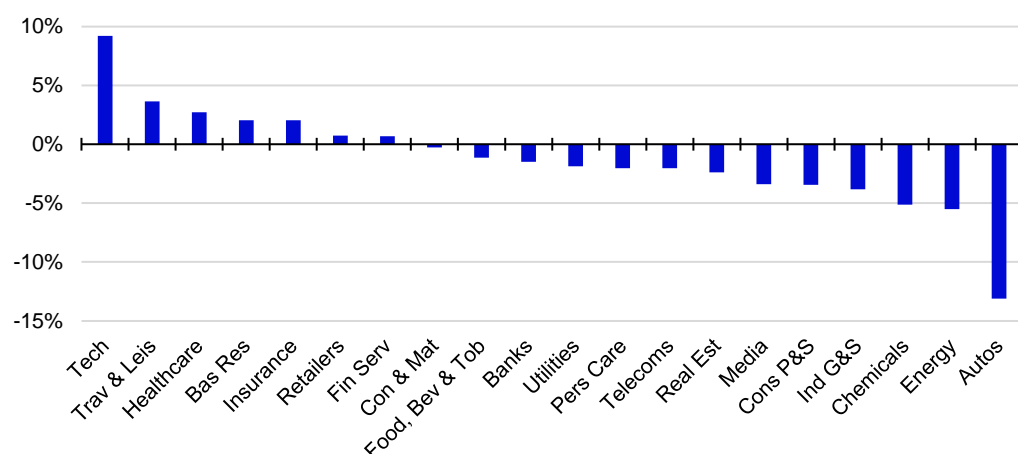
- Technology, travel & leisure, healthcare and basic resources have had the best short-term momentum.
- Autos, energy and chemicals have the worst short-term forward relative earnings momentum.

Notes: Data as of 30 June 2025. Based on IBES consensus earnings per share aggregates for each sector. We calculate the 12-month and 3-month change in EPS estimates relative to the market using Datastream World Level 3 indices for sectors and the Total Market index for the market.
Source: IBES, LSEG Datastream, Invesco Global Market Strategy Office

Appendices

Appendix 1: Coefficients for variables used in multiple regression model

Figure 17 – Regression coefficients of Global defensive sectors

	Food, Bev & Tobacco	Personal Care	Health Care	Telecoms	Utilities	Market
Real Oil		-0.23			0.40	
Real Copper	0.00	0.01	0.00	0.02	-0.01	
Consumer Confidence	0.00		0.00	0.00	0.00	-0.01
Manufacturing Confidence	-0.01	0.00	0.01	0.01		0.01
IP	1.20	0.61	1.23	-0.64	2.49	-5.14
10y Yield	2.64		2.44	-5.37	10.11	-11.47
CPI	3.23		-3.04	-1.99	-7.31	3.64
Net Debt/EBITDA	0.10	0.08		0.12		
ROE	-2.63	-1.30	0.86	0.98	-5.00	

Notes: Data as of 30 June 2025. IP = industrial production. CPI = consumer price index. EBITDA = earnings before interest, taxes, depreciation and amortization. ROE = return on equity. Bev = beverage. Only showing coefficients that have a statistically significant relationship with valuations at the 0.05 level. We use the dividend yield relative to market as our dependent variable. See the Methodology in Appendix 5 for more details. Source: LSEG Datastream and Invesco Global Market Strategy Office

Figure 18 – Regression coefficients of Global resource-related and industrial sectors

	Energy	Basic Resources	Chemicals	Construction & Materials	Industrial G&S	Market
Real Oil	-2.28	-0.85				
Real Copper	0.02	-0.01	0.00	-0.01	0.00	
Consumer Confidence	0.01	0.01	0.01	0.00		-0.01
Manufacturing Confidence	-0.01	-0.02	-0.01	-0.01	-0.01	0.01
IP	-2.21		-0.80	1.31	0.24	-5.14
10y Yield		-8.94				-11.47
CPI	13.42	29.09	7.29	6.25	0.93	3.64
Net Debt/EBITDA	-0.23	-0.11		0.25		
ROE	-4.20	-2.07	-1.65	-0.79		

Notes: Data as of 30 June 2025. IP = industrial production. CPI = consumer price index. EBITDA = earnings before interest, taxes, depreciation and amortization. ROE = return on equity. G&S = goods & services. Only showing coefficients that have a statistically significant relationship with valuations at the 0.05 level. We use the dividend yield relative to market as our dependent variable. See the Methodology in Appendix 5 for more details. Source: LSEG Datastream and Invesco Global Market Strategy Office

Figure 19 – Regression coefficients of Global consumer discretionary and technology sectors

	Autos & Parts	Media	Retail	Travel & Leisure	Cons P&S	Tech	Market
Real Oil	0.99	0.29	0.30	0.44	1.04	0.44	
Real Copper	-0.01		0.00	0.00	-0.01		
Consumer Confidence	0.01	0.00	0.00	0.00	0.00	0.00	-0.01
Manufacturing Confidence		0.00	0.00	0.00		0.02	0.01
IP	-3.21		1.02	-0.44	0.94	-1.72	-5.14
10y Yield	3.71	6.20	2.31	-1.05	5.05	-2.08	-11.47
CPI	-1.70	-6.45	-4.98	-3.12	-4.46	-2.62	3.64
Net Debt/EBITDA	-0.07	0.04	0.24		-0.17	0.08	
ROE		1.56	-0.62	0.62	-2.29	0.50	

Notes: Data as of 30 June 2025. IP = industrial production. CPI = consumer price index. EBITDA = earnings before interest, taxes, depreciation and amortization. ROE = return on equity. Cons = consumer. P&S = products & services. Only showing coefficients that have a statistically significant relationship with valuations at the 0.05 level. We use the dividend yield relative to market as our dependent variable. See the Methodology in Appendix 5 for more details. Source: LSEG Datastream and Invesco Global Market Strategy Office

Figure 20 – Regression coefficients of Global financial sectors

	Banks	Financial Services	Insurance	Real Estate	Market
Real Oil			-0.64	0.57	
Real Copper		-0.01	0.01	-0.02	
Consumer Confidence	0.01	0.00	0.00	0.01	-0.01
Manufacturing Confidence	-0.02	-0.01	0.00	-0.03	0.01
IP	-2.60	1.84		3.74	-5.14
10y Yield	-6.82		-5.06	2.39	-11.47
CPI	6.06		9.86		3.64
ROE	3.85	0.60	-1.05	-3.41	

Notes: Data as of 30 June 2025. IP = industrial production. CPI = consumer price index. EBITDA = earnings before interest, taxes, depreciation and amortization. ROE = return on equity. Only showing coefficients that have a statistically significant relationship with valuations at the 0.05 level. We use the dividend yield relative to market as our dependent variable. See the Methodology in Appendix 5 for more details. Source: LSEG Datastream and Invesco Global Market Strategy Office
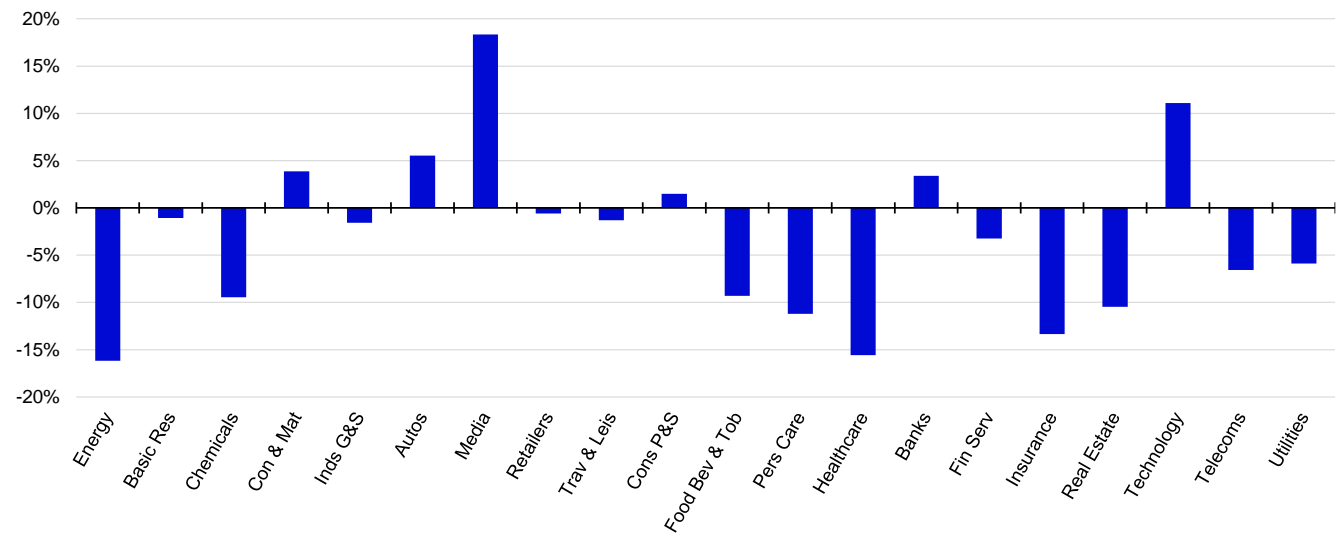
Appendix 2: Sector returns by region

Figure 21 – 3m US sector returns relative to market

Notes: Data as of 30 June 2025. See appendices for methodology and disclaimers. Returns shown between 31 March 2025 and 30 June 2025. **Past performance is not a guarantee of future results.** Source: LSEG Datastream and Invesco Global Market Strategy Office

Figure 22 – 3m European sector returns relative to market
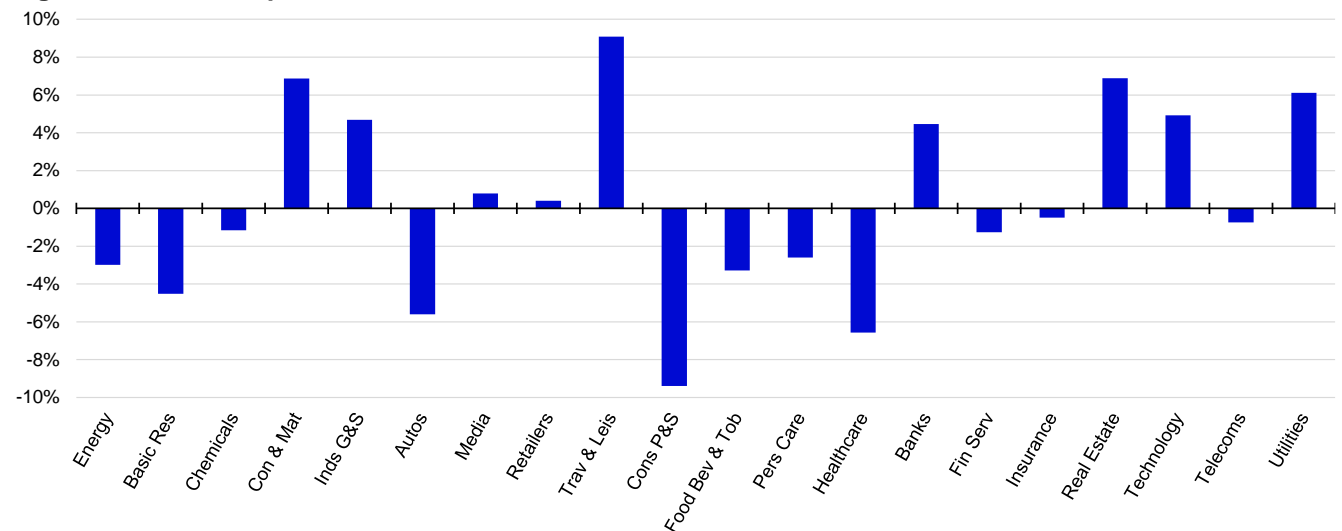
Notes: Data as of 30 June 2025. See appendices for methodology and disclaimers. Returns shown between 31 March 2025 and 30 June 2025. **Past performance is not a guarantee of future results.** Source: LSEG Datastream and Invesco Global Market Strategy Office
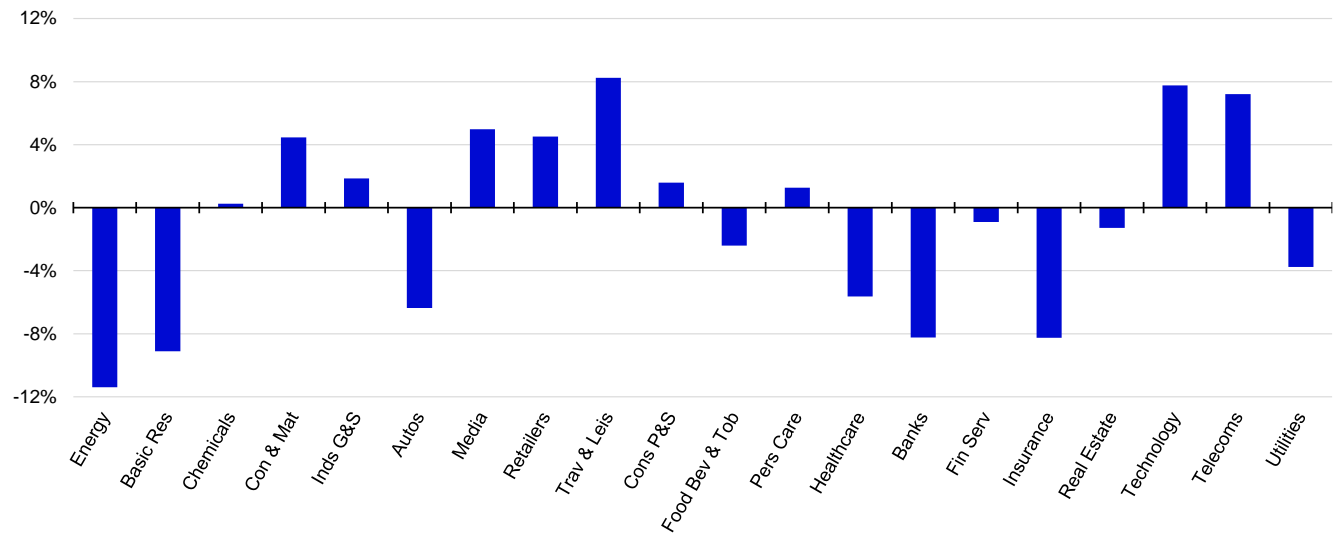
Figure 23 – 3m Japanese sector returns relative to market

Notes: Data as of 30 June 2025. See appendices for methodology and disclaimers. Returns shown between 31 March 2025 and 30 June 2025. **Past performance is not a guarantee of future results.** Source: LSEG Datastream and Invesco Global Market Strategy Office

Figure 24 – 3m Emerging Market sector returns relative to market

Notes: Data as of 30 June 2025. See appendices for methodology and disclaimers. Returns shown between 31 March 2025 and 30 June 2025. **Past performance is not a guarantee of future results.** Source: LSEG Datastream and Invesco Global Market Strategy Office
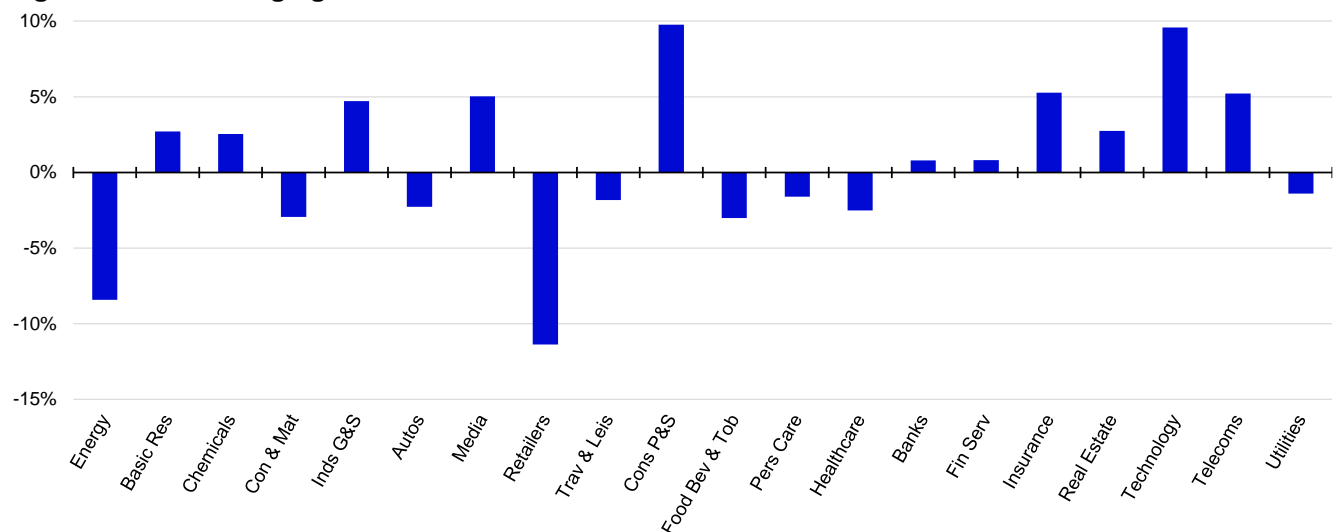
Appendix 3: Valuations tables

Figure 25 – Global absolute valuations

	Price/Earnings			Dividend Yield			Price/Book Value			Price/Cash Flow		
	Now	Avg	Now vs Avg*	Now	Avg	Now vs Avg*	Now	Avg	Now vs Avg*	Now	Avg	Now vs Avg*
Energy	**14.4**	**14.4**	**0.0**	**4.9**	**3.9**	**0.8**	**1.3**	**1.8**	**-0.9**	**6.9**	**6.3**	**0.3**
Basic Materials	**20.5**	**16.7**	**0.8**	**2.8**	**2.8**	**0.0**	**1.8**	**1.8**	**0.1**	**9.0**	**7.4**	**0.9**
Basic Resources	17.5	16.8	0.1	2.8	2.9	-0.2	1.7	1.7	0.1	7.9	7.2	0.3
Chemicals	28.0	17.3	2.0	2.9	2.9	0.0	2.0	2.0	0.1	11.5	8.1	1.9
Industrials	**22.5**	**18.2**	**0.9**	**1.7**	**2.3**	**-0.8**	**3.1**	**2.2**	**2.0**	**13.6**	**9.3**	**2.2**
Construction & Mat.	18.6	16.8	0.4	1.9	2.5	-0.9	2.5	1.8	1.7	12.0	9.2	1.0
Industrial G&S	23.2	18.7	0.9	1.7	2.2	-0.7	3.2	2.3	2.0	13.9	9.4	2.3
Consumer Disc.	**23.1**	**18.9**	**0.8**	**1.4**	**2.2**	**-1.0**	**3.5**	**2.2**	**2.4**	**12.3**	**8.6**	**2.0**
Automobiles & Parts	14.9	15.0	0.0	2.1	2.6	-0.5	1.4	1.5	-0.2	7.3	5.5	1.5
Media	32.0	21.9	1.3	0.8	2.0	-1.5	3.4	2.5	1.1	14.8	9.4	1.4
Retailers	28.7	21.8	1.1	1.0	1.8	-1.0	6.3	3.6	2.3	16.2	13.4	0.8
Travel & Leisure	21.1	23.3	-0.2	1.5	1.8	-0.4	6.0	2.7	3.1	10.3	9.4	0.3
Consumer Prod & Serv	23.3	19.5	0.8	1.7	2.4	-1.0	3.6	2.2	1.9	14.3	11.0	1.2
Consumer Staples	**22.0**	**17.0**	**1.0**	**2.9**	**2.5**	**0.4**	**2.7**	**2.8**	**-0.1**	**11.9**	**10.9**	**0.4**
Food, Bev & Tobacco	20.9	18.5	0.5	3.2	2.7	0.6	2.4	2.7	-0.5	12.0	11.1	0.3
Personal Care	24.1	20.5	0.6	2.3	2.4	-0.1	3.7	3.0	0.8	11.8	10.5	0.5
Healthcare	**27.0**	**20.6**	**1.1**	**1.8**	**2.3**	**-0.6**	**3.9**	**3.4**	**0.4**	**15.8**	**12.9**	**0.8**
Financials	**13.7**	**15.5**	**-0.4**	**3.0**	**2.7**	**0.3**	**1.0**	**1.4**	**-0.7**	**7.8**	**5.8**	**1.4**
Banks	10.9	14.1	-0.6	3.9	3.0	1.0	1.3	1.3	-0.2	6.7	6.3	0.3
Financial Services	20.6	18.3	0.4	1.8	2.2	-0.8	0.7	1.4	-1.2	13.6	9.2	2.1
Insurance	14.4	15.9	-0.3	2.9	2.5	0.5	2.0	1.7	0.5	5.7	3.8	1.8
Real Estate	**23.2**	**19.3**	**0.7**	**3.5**	**3.3**	**0.3**	**1.3**	**1.4**	**-0.4**	**15.4**	**13.8**	**0.6**
Technology	**33.2**	**24.6**	**0.8**	**0.7**	**1.6**	**-0.9**	**8.5**	**3.4**	**3.7**	**23.1**	**12.1**	**2.5**
Telecommunications	**17.8**	**17.3**	**0.1**	**3.1**	**4.2**	**-0.6**	**2.2**	**2.6**	**-0.3**	**6.2**	**6.1**	**0.1**
Utilities	**17.4**	**14.7**	**0.7**	**3.2**	**4.7**	**-0.9**	**2.0**	**1.6**	**1.0**	**7.7**	**5.7**	**1.4**
Market	**21.1**	**17.2**	**0.8**	**2.0**	**2.7**	**-0.7**	**2.4**	**2.0**	**0.7**	**11.6**	**8.0**	**2.1**

Notes: *in standard deviations from historical average. Data as of 30 June 2025. Mat. = materials. G&S = goods & services. Disc. = discretionary. Prod & Serv = products & services. Bev = beverage. Data starts on 1st January 1973 for price/earnings and dividend yield and 1st January 1980 for price/book and price/cash flow. See appendices for methodology and disclaimers.
Source: LSEG Datastream and Invesco Global Market Strategy Office

Figure 26 – Global cyclically-adjusted valuations

	Price/Earnings			Dividend Yield			Price/Book Value			Price/Cash Flow		
	Now	**Avg**	**Now vs Avg***	**Now**	**Avg**	**Now vs Avg***	**Now**	**Avg**	**Now vs Avg***	**Now**	**Avg**	**Now vs Avg***
Energy	**15.8**	**18.5**	**-0.4**	**4.0**	**2.9**	**1.1**	**1.5**	**2.5**	**-0.9**	**7.0**	**8.6**	**-0.5**
Basic Materials	**18.5**	**22.9**	**-0.6**	**2.7**	**1.9**	**1.3**	**1.9**	**2.3**	**-0.6**	**8.9**	**9.8**	**-0.4**
Basic Resources	18.0	21.2	-0.4	2.7	2.2	0.8	1.9	2.2	-0.3	8.1	9.2	-0.3
Chemicals	19.2	24.1	-1.0	2.6	1.9	1.4	2.0	2.7	-1.2	10.1	10.9	-0.5
Industrials	**30.1**	**26.6**	**0.6**	**1.3**	**1.5**	**-0.6**	**3.8**	**3.1**	**1.2**	**16.9**	**13.0**	**1.6**
Construction & Mat.	27.8	23.9	0.4	1.4	1.8	-0.8	2.8	2.3	0.8	14.8	11.9	0.8
Industrial G&S	30.5	27.3	0.6	1.2	1.4	-0.6	4.0	3.2	1.6	17.2	12.9	2.0
Consumer Disc.	**30.6**	**27.1**	**0.7**	**1.1**	**1.4**	**-1.1**	**3.9**	**3.0**	**2.0**	**15.2**	**11.9**	**1.7**
Automobiles & Parts	16.4	18.8	-0.6	1.7	1.7	-0.1	1.6	2.0	-1.0	7.7	6.8	0.7
Media	39.4	29.9	1.1	0.8	1.4	-1.9	4.4	3.4	0.7	18.6	12.8	1.6
Retailers	46.1	32.6	2.1	0.7	1.1	-1.5	8.0	5.2	2.4	23.4	20.3	0.7
Travel & Leisure	28.5	33.6	-0.5	1.1	1.2	-0.1	5.0	3.6	1.5	14.2	13.1	0.4
Consumer Prod & Serv	29.1	28.6	0.1	1.3	1.6	-0.8	4.2	3.1	1.7	17.1	15.6	0.7
Consumer Staples	**22.0**	**22.5**	**-0.1**	**2.4**	**1.7**	**1.6**	**3.4**	**3.8**	**-0.8**	**14.1**	**14.6**	**-0.2**
Food, Bev & Tobacco	24.1	28.0	-0.8	2.5	1.7	1.9	3.1	4.0	-1.9	14.5	16.2	-1.0
Personal Care	26.8	31.2	-0.7	2.0	1.5	1.2	4.0	4.6	-0.7	13.4	16.0	-1.0
Healthcare	**32.6**	**31.7**	**0.1**	**1.4**	**1.4**	**0.1**	**4.7**	**5.2**	**-0.5**	**18.7**	**19.6**	**-0.3**
Financials	**19.6**	**23.0**	**-0.3**	**2.0**	**2.0**	**0.0**	**1.4**	**1.8**	**-0.7**	**9.4**	**7.4**	**1.3**
Banks	15.9	20.4	-0.5	2.5	2.4	0.1	1.4	1.7	-0.4	8.5	7.9	0.3
Financial Services	27.0	29.0	-0.1	1.2	1.5	-0.5	1.0	1.8	-1.2	17.5	11.7	2.3
Insurance	22.4	23.6	-0.1	1.8	1.7	0.2	2.3	2.4	-0.1	6.2	4.9	1.3
Real Estate	**15.9**	**25.7**	**-0.7**	**3.5**	**2.6**	**1.0**	**1.3**	**1.7**	**-0.9**	**14.8**	**17.0**	**-0.6**
Technology	**60.0**	**39.6**	**1.0**	**0.4**	**0.9**	**-0.9**	**11.6**	**5.3**	**2.4**	**36.6**	**19.8**	**1.7**
Telecommunications	**19.8**	**22.5**	**-0.3**	**3.0**	**3.1**	**0.0**	**2.3**	**3.3**	**-0.7**	**6.5**	**7.6**	**-0.4**
Utilities	**22.6**	**18.7**	**0.9**	**2.7**	**3.5**	**-0.9**	**2.2**	**2.0**	**0.3**	**8.9**	**7.0**	**1.5**
Market	**27.4**	**24.7**	**0.5**	**1.6**	**1.8**	**-0.5**	**2.9**	**2.8**	**0.2**	**13.9**	**10.8**	**1.7**

Notes: *in standard deviations from historical average. Data as of 30 June 2025. Mat. = materials. G&S = goods & services. Disc. = discretionary. Prod & Serv = products & services. Bev = beverage. Data starts on 1st January 1983 for price/earnings and dividend yield and 1st January 1990 for price/book and price/cash flow. See appendices for methodology and disclaimers.
Source: LSEG Datastream and Invesco Global Market Strategy Office
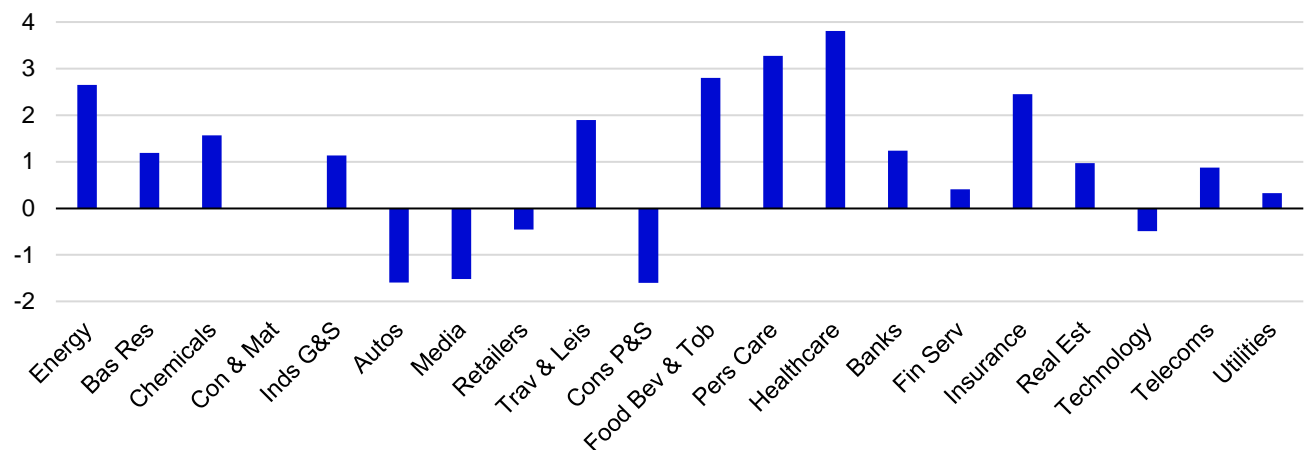
Appendix 4: Sector valuations by region

Figure 27 – Global dividend yields relative to market (z-score)
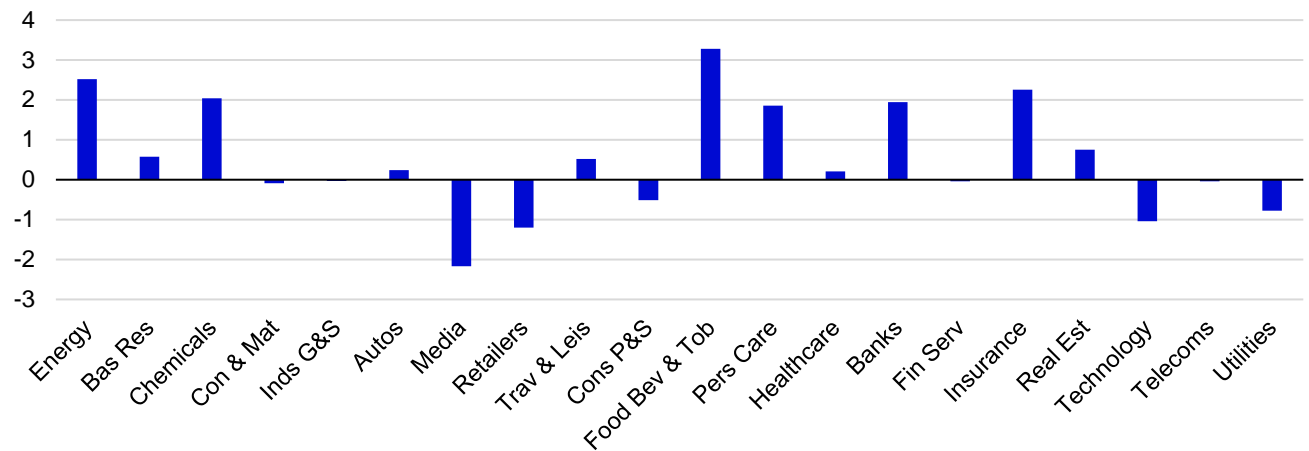
Notes: Data as of 30 June 2025. Based on data between 1 January 1973 and 30 June 2025. See appendices for methodology and disclaimers.
Source: LSEG Datastream and Invesco Global Market Strategy Office

Figure 28 – US dividend yields relative to local benchmark (z-score)

Notes: Data as of 30 June 2025. Based on data between 1 January 1973 and 30 June 2025.See appendices for methodology and disclaimers. The local benchmark is the Datastream US Total Market Index. Source: LSEG Datastream and Invesco Global Market Strategy Office

Figure 29 – Europe dividend yields relative to local benchmark (z-score)

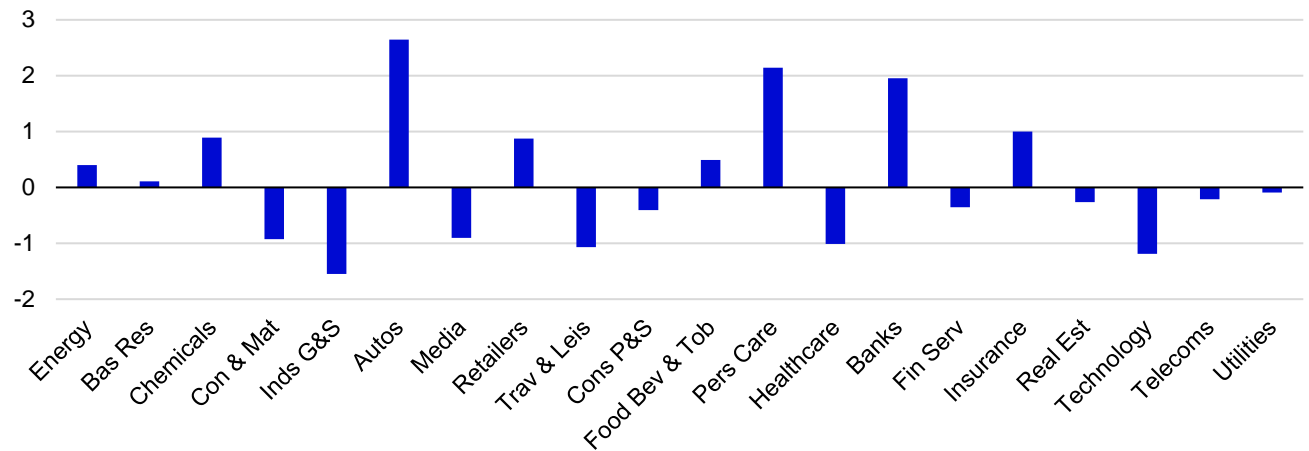Notes: Data as of 30 June 2025. Based on data between 1 January 1973 and 30 June 2025. See appendices for methodology and disclaimers. The local benchmark is the Datastream Europe Ex-Emerging Total Market Index. Source: LSEG Datastream and Invesco Global Market Strategy Office

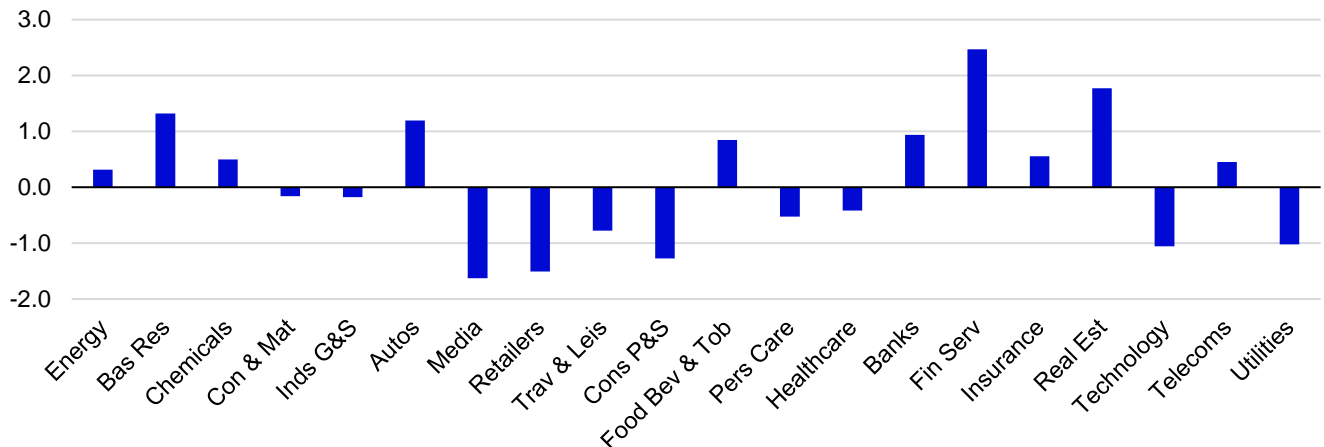**Figure 30 – Japan dividend yields relative to local benchmark (z-score)**

Notes: Data as of 30 June 2025. Based on data between 1 January 1973 and 30 June 2025. See appendices for methodology and disclaimers. The local benchmark is the Datastream Japan Total Market Index. Source: LSEG Datastream and Invesco Global Market Strategy Office

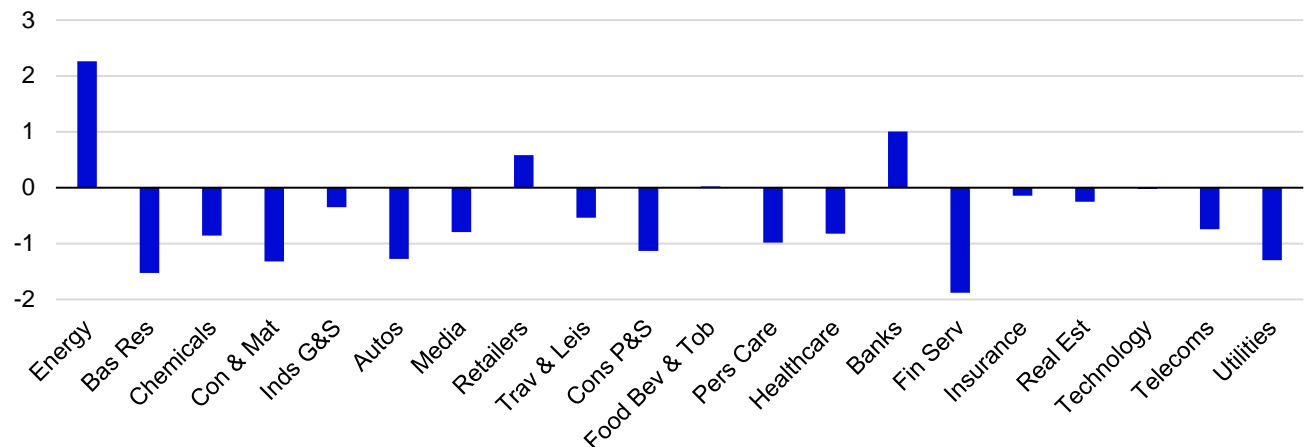**Figure 31 – Emerging markets dividend yields relative to local benchmark (z-score)**

Notes: Data as of 30 June 2025. Based on data between 1 January 1973 and 30 June 2025. See appendices for methodology and disclaimers. The local benchmark is the Datastream Emerging Markets Total Market Index. Source: LSEG Datastream and Invesco Global Market Strategy Office

Appendix 4: Performance tables

Figure 32 – Global equity sector total returns relative to market

Data as of 30 Jun 2025	Global				
	3m	YTD	12m	5y*	10y*
Energy	**-11.0**	**-7.0**	**-14.0**	**-0.4**	**-5.2**
Basic Materials	**-2.8**	**3.7**	**-9.2**	**-1.7**	**-1.6**
Basic Resources	-2.1	6.9	-7.0	1.3	0.5
Chemicals	-3.8	-0.9	-12.3	-5.7	-4.2
Industrials	**1.4**	**3.1**	**4.2**	**0.7**	**0.4**
Construction & Materials	1.7	3.6	2.4	2.5	-0.4
Industrial Goods & Services	1.4	3.1	4.5	0.4	0.5
Consumer Discretionary	**0.2**	**-4.4**	**1.6**	**-2.7**	**-1.1**
Automobiles & Parts	-0.4	-16.5	-2.3	1.1	-2.7
Media	14.6	15.9	26.5	0.6	-1.0
Retailers	-0.6	-4.9	2.6	-3.7	0.9
Travel & Leisure	0.3	-3.9	3.0	-1.8	-3.1
Consumer Products & Services	-3.1	-0.7	-6.0	-4.4	-1.3
Consumer Staples	**-6.3**	**1.0**	**-4.3**	**-6.4**	**-4.1**
Food, Beverage & Tobacco	-6.5	1.8	-4.5	-5.8	-4.2
Personal Care, Drug & Grocery Stores	-6.1	-0.3	-4.1	-7.6	-4.1
Healthcare	**-11.6**	**-7.9**	**-16.6**	**-7.1**	**-2.7**
Financials	**-0.8**	**6.4**	**12.1**	**5.0**	**0.1**
Banks	1.2	10.0	15.1	5.9	-1.2
Financial Services	-1.4	1.6	8.7	3.7	1.8
Insurance	-4.9	6.4	10.8	5.2	1.0
Real Estate	**-3.6**	**-0.7**	**0.0**	**-7.6**	**-4.9**
Technology	**10.3**	**-0.7**	**0.4**	**5.8**	**9.3**
Telecommunications	**-1.7**	**7.6**	**8.5**	**-3.2**	**-3.8**
Utilities	**-2.4**	**2.3**	**1.4**	**-2.0**	**-0.9**

Notes: *showing annualised returns. Returns shown are for Datastream sector indices versus the total market index. **Past performance is no guarantee of future results.** Source: LSEG Datastream and Invesco Global Market Strategy Office

Appendix 5: Methodology

Multiple regression analysis
We have run a multiple regression analysis to examine how macroeconomic factors influence sector valuations. We have used the dividend yield relative to market as the dependent variable and have run the regressions with the following independent variables:

Monthly series since 31/01/1991:
- **1-year change in:** industrial production, consumer price index
- **The level of:** real oil price (US CPI adjusted), real copper price (US CPI adjusted), consumer confidence index, manufacturing confidence index, 10-year benchmark government bond yield, net debt/EBITDA (only for non-financial sectors), return on equity

We calculate a global measure of industrial production growth, consumer price index growth, consumer confidence, manufacturing confidence and government bond yields using data from four regions or countries representing 65% of global Gross Domestic Product: United States, Europe, Japan and China. The global measures are weighted averages using Datastream global index market capitalisations as weights.

This analysis shows us which independent variables have a statistically significant relationship with sector valuation ratios. In addition, the regression coefficients tell us how much each independent variable influences those ratios. Finally, we use those coefficients to calculate what the valuation ratios should be, based on the model, and compare them to currently observed valuations. In theory, this allows us to determine whether a sector is undervalued or overvalued based on the macroeconomic factors we have used.

Sector classification
We use the Industry Classification Benchmark (ICB).

Leverage and profitability ratios
We calculate Net Debt/EBITDA from sector and market level aggregates supplied by LSEG Datastream. They define Net Debt as Total Debt minus Cash, where Cash represents Cash & Due from Banks for Banks, Cash for Insurance companies and Cash & Short Term Investments for all other industries. We tend to exclude Financials from Net Debt/EBITDA comparisons for it is difficult to distinguish debt they sell as a product and debt they incur during the operation of the business. In addition, LSEG Datastream define EBITDA – Earnings before Interest, Taxes and Depreciation – as the earnings of a company before interest expense, income taxes and depreciation. It is calculated by taking the pre-tax income and adding back interest expense on debt and depreciation, depletion and amortisation and subtracting interest capitalised.

Decomposed returns
We break down total returns into 3 components to examine what has driven sector performance year-to-date, in the last 12 months and for the whole history of the index. "Yield" shows the income investors received from dividends paid during the period concerned. "Growth" shows the rate of dividend growth, calculated using the percentage change in dividend per share (DPS) values for the sector indices. DPS is calculated as dividend yield times the price index. "Multiple Change" refers to the change in dividend yield between the two periods indicated, plus the change in dividend yield times dividend growth. We use it to measure investor expectations and sentiment regarding the sectors.

Implied perpetual growth models

A valuation cross-check is sought by calculating the perpetual real growth in dividends required to justify current prices. This then allows an evaluation of whether those implied growth rates are realistic.

We use a simple perpetual growth model to calculate implied growth. If Price = Dividend/(Discount Factor - Growth), then Growth = Discount Factor – Dividend Yield. The Discount Factor is equal to Risk Free Rate + (Beta x Market Risk Premium). Everything is expressed in real terms to eliminate the distorting influence of inflation, the output being growth in real terms. The important ingredients are derived as follows:

- The risk-free rate is an equity market capitalisation weighted average of US, UK, Eurozone, Japanese and Chinese 10-year real yields.
- Sector betas are calculated using five years of weekly price movements relative to the global market index.
- The risk premium is derived from US equity and treasury market returns since 1871.
- The dividend yield for each sector is the 12-month trailing yield calculated by Datastream.

Sector allocations

We start by considering where the equity markets are in their respective economic cycles, which determines whether cyclical or defensive sectors are more likely to outperform. Our preferred measure of cyclical sensitivity is beta. Sector betas are calculated using five years of weekly price movements relative to the local market index.

Next, we refine our decisions by looking at how sector yields relative to the market relate to the ratio calculated by our multiple regression model and how much dividend growth is implied in current trailing 12-month dividend yields relative to market.

Finally, we rank sectors by their recent volatility, using the standard deviation of daily returns for the three months before our cut-off date. After that we rank sectors by their 12-month trailing dividend yield. Based on our thematic report about sector strategies, Sector strategies: Control your volatility, combining these approaches provided the best cost-adjusted and risk-adjusted returns in the US, and was among the best in cost-adjusted returns in Europe.

An investment decision is the result of balancing a range of factors and the weightings applied to those factors can vary across time and sectors. "Overweight" suggests that we prefer to hold more of the given sector than suggested by the market capitalisation-weighted "neutral" position. "Underweight" suggests we prefer to hold less of the given sector than suggested by the market capitalisation-weighted "neutral" position. "Neutral" suggests a holding in line with the market capitalisation-weighted benchmark.

Preferred regions

We measure sector valuations relative to their respective local benchmarks in the United States, Europe, Japan and Emerging Markets. We calculate a z-score comparing the latest relative dividend yield to its historical average, which gives us a standardised way to measure how far valuations are from those averages in each region. Our normal preference would be for the cheapest region based on this measure, but we also take into account thematic and other fundamental considerations.

Appendix 6: Abbreviations

Changes in allocations on the front page: OW = Overweight, N = Neutral, UW = Underweight

Sector name abbreviations:

Autos = Automobiles & parts
Basic Res = Basic Resources
Chem = Chemicals
Con & Mat = Construction & Materials
Cons P&S = Consumer Products & Services
Fin Serv = Financial Services
Food, Bev & Tob = Food, Beverage & Tobacco
Ind G&S = Industrial Goods & Services
Pers Care = Personal Care, Drug & Grocery Stores
Pers & Hh Gds = Personal & Household Goods
Real Est = Real Estate
Tech = Technology
Telecoms = Telecommunications
Trav & Leis = Travel & Leisure

Appendix 7: Definitions of data and benchmarks

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

Government bonds: Current values use LSEG Datastream benchmark 10-year yields for the US, Eurozone, Japan and the UK and the Thomson Reuters China benchmark 10-year yield for China.

Value sectors: stocks or sectors that have low price/book value or price/earnings multiples or high dividend yields. Some of these stocks or sectors may generally trade at a discount compared to the market if investors expect their earnings or dividends to grow at a slower pace than the market. Examples of such sectors are utilities, telecommunications, banks and oil & gas.

Growth sectors: stocks or sectors that have high price/book or price/earnings multiples or low dividend yields, because investors expect them to have high earnings or dividend growth. Examples of these sectors are technology, healthcare and food & beverage.

Defensive sectors: stocks or sectors that have business models that investors consider to be relatively stable throughout the business cycle. We refer to the following sectors as defensive: food & beverage, personal & household goods, healthcare, telecommunications and utilities.

Cyclical sectors: stocks or sectors that have business models that investors consider to be sensitive to the economic cycle. We refer to the following sectors as cyclical: oil & gas, basic resources, chemicals, construction & materials, industrial goods & services, automobiles & parts, media, retail, travel & leisure, banks, financial services, insurance, real estate and technology.

Growth factor: a subset of the S&P 500 in the US and the Stoxx 600 index in Europe and 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 factor: a subset of the S&P 500 in the US and the Stoxx 600 index in Europe and includes stocks in the bottom quintile based on the standard deviation of their daily returns in the previous three months.

Price momentum factor: a subset of the S&P 500 in the US and the Stoxx 600 index in Europe and includes stocks in the top quintile based on their performance in the previous 12 months.

Quality factor: a subset of the S&P 500 in the US and the Stoxx 600 index in Europe and 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 factor: a subset of the S&P 500 in the US and the Stoxx 600 index in Europe and includes stocks in the bottom quintile based on their market value in US dollars for the US and euros for Europe.

Value factor: a subset of the S&P 500 in the US and the Stoxx 600 index in Europe and includes stocks in the bottom quintile based on their price to book value ratios.

Global GDP growth rates and earnings growth in Figure 5: we show a proxy measure for global GDP growth using trailing 12-month real GDP figures in local currency for the United States, Japan, the United Kingdom, the Eurozone, Canada, China, Australia, Switzerland and South Korea. We calculate a weighted average annual GDP growth using their market capitalisations based on Datastream Total Market indices in US dollar. Showing quarterly data since 1st January 1975. GDP data included in the GDP growth series from 1975 for US, UK, Canada, Australia, South Korea, from 1981 for

Japan and Switzerland, from 1993 for China and 1996 for the Euro Area. Global earnings growth is derived from the price index and P/E ratio of the Datastream World Total Market index in US dollars.

Global inflation and interest rates in Figure 6: Based on monthly data from April 2001. "GDP-weighted interest rate" is a weighted average of central bank policy rates and "GDP-weighted inflation rate" is a weighted average of consumer price inflation. Based on the 20 largest economies during each calendar year, according to nominal GDP in US dollars (based on data from the International Monetary Fund World Economic Outlook).

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.

Important information

Data as of 30 June 2025 unless stated otherwise. This publication is updated quarterly.

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Telephone calls may be recorded.

Global Market Strategy Office
Strategic Sector Selector

Authors

András Vig
Multi-Asset Strategist
Telephone +44(0)20 3370 1152
andras.vig@invesco.com
London, EMEA

Global Market Strategy Office

Brian Levitt
Global Market Strategist, Americas
brian.levitt@invesco.com
New York, Americas

James Anania
Investment Strategy Analyst, Americas
james.anania@invesco.com
New York, Americas

David Chao
Global Market Strategist, Asia Pacific
david.chao@invesco.com
Hong Kong, Asia Pacific

Thomas Wu
Market Strategy Analyst, Asia Pacific
thomas.wu@invesco.com
Hong Kong, Asia Pacific

Tomo Kinoshita
Global Market Strategist, Japan
tomo.kinoshita@invesco.com
Tokyo, Asia Pacific

Arnab Das
Global Macro Strategist
arnab.das@invesco.com
London, EMEA

Paul Jackson
Global Head of Asset Allocation Research
paul.jackson@invesco.com
London, EMEA

András Vig
Multi-Asset Strategist
andras.vig@invesco.com
London, EMEA

Ashley Oerth
Associate Global Market Strategist
ashley.oerth@invesco.com
London, EMEA

Telephone calls may be recorded.