

Applied philosophy

Are commodities too optimistic?

Most assets welcomed signs of a thawing in trade relations between the US and the rest of the world. Commodities, however, have given us mixed signals year-to-date with energy commodities remaining near lows due to expectations of increasing supply, while industrial metals recovered. Gold seems to be the closest to pricing in a recession in the US. Although the probability of that happening in the near term seems lower than in early-April, risks remain to our Overweight allocation to cyclical commodities.

The relief has been anticipated for about a month. Perhaps this was the plan all along. Threaten to push up tariffs to extreme levels only to use them as leverage in trade negotiations. Unfortunately, they will most likely end up at higher levels than before the “Liberation Day” announcements with 10% as a new baseline. As we outlined earlier in May (see [here](#) for more detail), this could still lead to a slowdown that seems inconsistent with recent returns on risk assets.

In early-April major equity indices reached levels implying a significant slowdown in growth: the S&P 500 fell 19%, the Topix 18%, the Stoxx 600 16% and the MSCI Emerging Markets (EM) index dropped 13% compared to their respective year-to-date peaks in late-February and early-March (total returns all in local currency terms as of 20 May 2025). Despite persistent policy uncertainty in the US, these indices recovered to within touching distance of their Q1 2025 peaks leaving

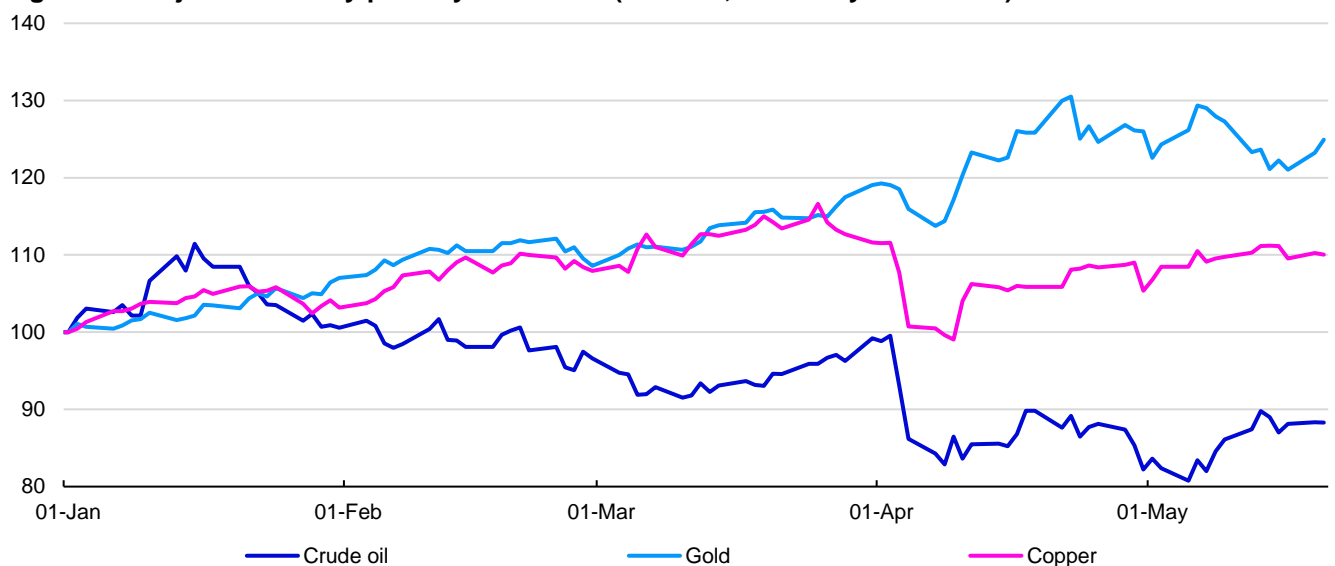
them in positive territory for the year apart from the Topix (as of 20 May 2025 in local currency terms).

Global fixed income indices for government bonds, investment grade and high yield moved little year-to-date and their total returns are just above flat for now (as of 20 May 2025, using Bank of America Merrill Lynch indices in local currency terms). At the same time, they are caught between expectations of lower growth and higher inflation in the US, which may have pushed yields in opposite directions.

Real estate returns have been similar to equities year-to-date falling 15% by early-April although their recovery has been less complete as they are still down 7% (as of 20 May 2025 using the FTSE EPRA/NAREIT Global Index in local currency terms). I think their sensitivity to interest rates may have restricted their recovery as futures priced in fewer rate cuts than earlier this year.

However, where the picture gets really muddled, in my opinion, has been in commodities, a cyclical asset class that tends to have its own “super-cycles”. In a world where US dollar assets have not been able to play their traditional role as so-called “safe havens”, gold became the ultimate expression of flight to safety. On the other hand, energy and industrial metals could be exposed to a cyclical slowdown in global growth (see **Figure 1**). How much of that may have been priced in came up as a question in recent meetings with investors.

Figure 1 – Major commodity prices year-to-date (rebased, 1 January 2025 = 100)



Notes: Data as of 20 May 2025. **Past performance is no guarantee of future results.** We use the West Texas Intermediate Cushing Spot prices for crude oil, London Metal Exchange Grade A Cash for Copper and London Bullion Market prices for gold. We use daily data starting on 1 January 2025 rebased to 100.

Sources: LSEG Datastream and Invesco Global Market Strategy Office

It is not always easy to extract signals from the movements of commodity prices as their relationship with global GDP can be characterised as loose at best. This may be partly due to the lag between changes in demand and the response in supply. A further complication in this cycle is the outsized impact of the post-COVID supply crunch and normalisation. This has left most commodity prices significantly lower than their 2022 peaks.

Nevertheless, I think we can assume that, after an initial burst of optimism when the result of the US presidential election was announced in November 2024, concerns about US growth have resurfaced only this year driven by the aggressive tariff policy of the Trump administration. Commodity returns in 2025 so far have diverged significantly, as I would expect given the uncertainty around economic growth, with gold surging to new highs, while more cyclical energy down significantly and industrial metals somewhere in the middle (**Figure 5**).

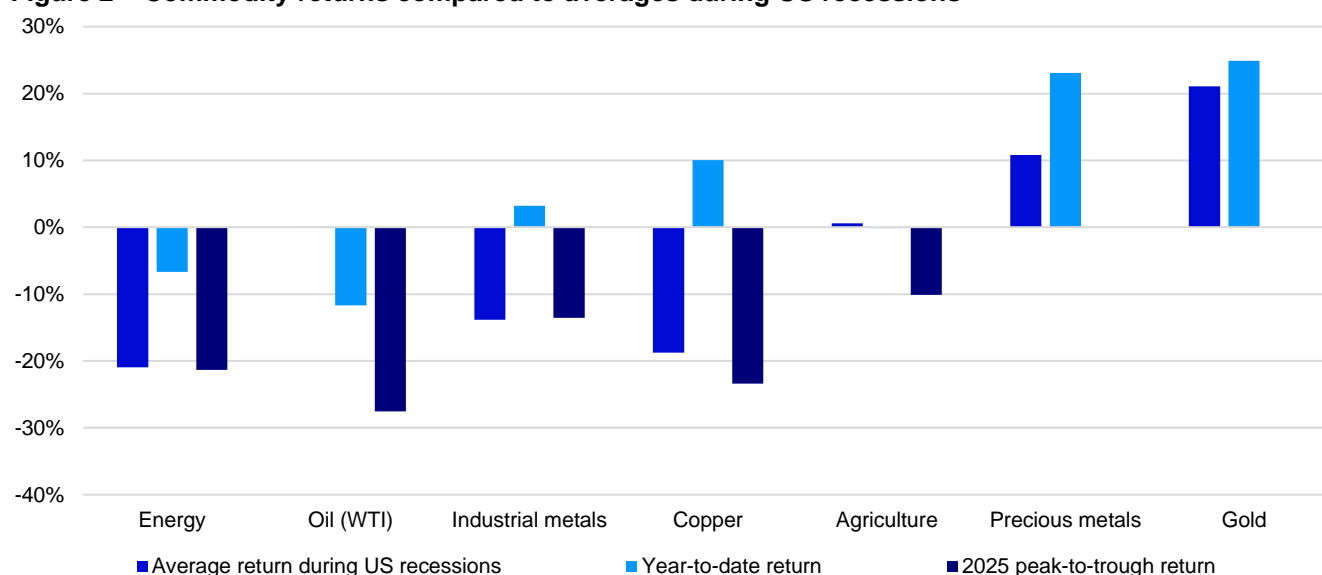
Although there has been a thawing of relations between the US and its major trading partners, some uncertainty remains. At the same time, even if tariffs settle at lower levels than the extreme “reciprocal” rates, they will still be above rates at the beginning of 2025. Thus, with a significant economic slowdown still potentially on the cards, we analysed commodity returns during US recessions since 1973, as defined by the National Bureau of Economic Research.

As would be expected, cyclical commodities tended to fall in these periods on average, while precious metals rose (**Figure 2** – using S&P GSCI total return indices). However, just like every unhappy family is unhappy in its own way, there was a big dispersion of returns across recession episodes (see **Figures 3** and **4**). Although the precious metals index fell slightly in the early-1990s and 2020s, gold outperformed during all US recessions, as expected, while they both rose on average, by 11% and 21% respectively.

We do not have data for the industrial metals index in the 1970s, but it was the most consistent underperformer, falling by 14% on average in five of the other six recessions. Copper (using London Metal Exchange Grade A cash prices) performed even worse, falling by 19% on average including the early-1970s recession.

The oil crises that coincided with recessions in the early-1970s, around 1980 and the early-1990s make energy commodities perhaps a less reliable indicator, although they did fall in all the recessions from 2001 onwards, by around 43% on average. Although oil had close to 0% average returns during recessions, the average return was -29% if we exclude supply shocks (using West Texas Intermediate Cushing spot prices). The agricultural goods index has a similar profile with close to 0% overall returns on average.

Figure 2 – Commodity returns compared to averages during US recessions



Notes: Data as of 20 May 2025. **Past performance is no guarantee of future results.** See Figures 3 and 4 for the recession dates and detailed returns. Commodity index returns are based on S&P GSCI total returns indices for Energy, Industrial metals, Agriculture and Precious metals and we use the West Texas Intermediate Cushing Spot prices for crude oil, London Metal Exchange Grade A Cash for Copper and London Bullion Market prices for gold. Returns during US recessions are calculated between the first day of the month of the start of the recession to the first day of the month at the end.

Source: LSEG Datastream and Invesco Global Market Strategy Office

In my view, based on year-to-date returns, gold is the closest to pricing in a US recession, although geopolitical and debt concern have also boosted returns. All the other commodities came close to returns consistent with recessions in early-April using the difference between their year-to-date lows and highs. For example, energy commodities fell by 21% (oil 27.5%), industrial metals by 13.5% (copper by 15%) and agricultural commodities by 10%. It is important to mention, however, that oil prices were negatively impacted by the OPEC+ production increase around the “Liberation Day” tariff announcements. That may partly explain why oil remains 20% below its year-to-date peak and may have the most potential to gain from any upside surprise to growth.

At the same time, industrial metals, including copper, may be about 6% below their 2025 highs, but their year-to-date returns have been mildly positive. Hence, they could be vulnerable to a significant slowdown in US growth, while other large economies may struggle to compensate for that despite the stimulus flagged by Germany and positive signs in the traditionally capital-intensive Chinese economy.

Thus, our Overweight in industrial commodities in our Model Asset Allocation (**Figure 8**) and our Overweight allocation to the energy sector and Neutral allocation to basic resources in our Model Sector Allocation (**Figure 9**) would feel more comfortable if the global economy accelerates rather than decelerates.

Figure 3 – Commodity returns during recessions in the United States

	Energy	Industrial metals	Precious metals	Agriculture	Oil	Gold	Copper
Nov-1973 to Mar-1975			51.2%	65.9%	95.9%	88.8%	-38.3%
Jan-1980 to Jul-1980		-12.8%	2.1%	19.3%	5.6%	25.5%	-9.4%
Jul-1981 to Nov-1982		-15.3%	5.5%	-25.9%	-6.4%	0.2%	-13.9%
Jul-1990 to Mar-1991	44.5%	16.3%	-3.0%	-13.0%	13.9%	2.5%	-6.8%
Mar-2001 to Nov-2001	-28.7%	-22.0%	1.6%	-17.6%	-26.2%	5.4%	-24.9%
Dec-2007 to Jun-2009	-44.9%	-37.2%	19.7%	-15.0%	-23.2%	24.3%	-25.1%
Feb-2020 to Apr-2020	-54.7%	-11.9%	-1.4%	-9.5%	-59.5%	0.7%	-13.1%
Mean	-20.9%	-13.8%	10.8%	0.6%	0.0%	21.1%	-18.8%
Median	-36.8%	-14.0%	2.1%	-13.0%	-6.4%	5.4%	-13.9%

Notes: Data as of 20 May 2025. **Past performance is no guarantee of future results.** We use recession dates as defined by the National Bureau of Economic Research. Commodity index returns are based on S&P GSCI total returns indices for Energy, Industrial metals, Agriculture and Precious metals and we use the West Texas Intermediate Cushing Spot prices for crude oil, London Metal Exchange Grade A Cash for Copper and London Bullion Market prices for gold. Returns during US recessions are calculated between the first day of the month of the start of the recession to the first day of the month at the end.

Source: LSEG Datastream and Invesco Global Market Strategy Office

Figure 4 – Commodity returns during recessions in the United States (annualised)

	Energy	Industrial metals	Precious metals	Agriculture	Oil	Gold	Copper
Nov-1973 to Mar-1975			36.3%	46.2%	65.6%	61.0%	-30.4%
Jan-1980 to Jul-1980		-23.9%	4.2%	42.4%	11.6%	57.4%	-17.8%
Jul-1981 to Nov-1982		-11.7%	4.1%	-20.1%	-4.8%	0.2%	-10.6%
Jul-1990 to Mar-1991	73.8%	25.4%	-4.5%	-18.9%	21.5%	3.8%	-10.1%
Mar-2001 to Nov-2001	-39.8%	-31.2%	2.4%	-25.2%	-36.7%	8.2%	-34.9%
Dec-2007 to Jun-2009	-32.8%	-26.7%	12.8%	-10.3%	-16.2%	15.6%	-17.5%
Feb-2020 to Apr-2020	-99.1%	-53.3%	-8.1%	-44.9%	-99.6%	4.6%	-56.8%
Mean	-24.5%	-20.2%	6.7%	-4.4%	-8.4%	21.5%	-25.4%
Median	-36.3%	-25.3%	4.1%	-18.9%	-4.8%	8.2%	-17.8%

Notes: Data as of 20 May 2025. **Past performance is no guarantee of future results.** We use recession dates as defined by the National Bureau of Economic Research. Commodity index returns are based on S&P GSCI total returns indices for Energy, Industrial metals, Agriculture and Precious metals and we use the West Texas Intermediate Cushing Spot prices for crude oil, London Metal Exchange Grade A Cash for Copper and London Bullion Market prices for gold. Returns during US recessions are calculated between the first day of the month of the start of the recession to the first day of the month at the end.

Source: LSEG Datastream and Invesco Global Market Strategy Office

Figure 5 – Asset class total returns (%)

Data as at 20 May 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	882	1.3	11.5	7.0	5.7	12.9	1.0	11.4	5.8	3.6	11.8
Emerging Markets	MSCI	1167	1.0	9.6	6.5	9.7	9.1	0.8	7.7	3.9	6.8	9.4
China	MSCI	74	1.3	9.8	1.2	16.5	20.2	1.7	10.3	1.6	16.9	20.5
US	MSCI	5677	1.0	12.9	6.4	1.6	13.7	1.0	12.9	6.4	1.6	13.7
Europe	MSCI	2377	3.0	9.8	9.6	21.3	13.1	2.0	10.2	5.0	11.7	7.6
Europe ex-UK	MSCI	2953	2.9	10.5	10.6	22.7	13.0	1.9	11.3	5.7	12.4	7.5
UK	MSCI	1393	3.2	7.4	6.3	16.6	13.4	2.3	6.3	2.6	9.2	7.8
Japan	MSCI	4175	1.0	6.0	6.9	7.4	8.3	-1.3	7.8	3.3	-1.2	0.3
Government Bonds												
World	BofA-ML	3.36	0.7	-1.1	1.6	4.6	4.8	0.0	-0.7	-0.4	0.3	2.2
Emerging Markets	BBloom	6.89	0.2	2.5	1.0	3.8	10.4	0.2	2.5	1.0	3.8	10.4
China	BofA-ML	1.62	-0.3	1.1	1.7	1.6	6.8	0.0	0.1	1.3	0.5	6.6
US (10y)	Datastream	4.48	0.1	-0.8	-1.5	2.5	4.0	0.1	-0.8	-1.5	2.5	4.0
Europe	BofA-ML	2.73	1.4	-1.0	5.7	8.9	7.4	0.5	-0.3	1.3	0.1	3.5
Europe ex-UK (EMU, 10y)	Datastream	2.60	1.7	-1.7	5.7	7.8	5.8	0.7	-1.0	1.3	-1.0	2.0
UK (10y)	Datastream	4.70	0.7	0.4	4.0	7.7	5.8	-0.1	-0.6	0.4	0.9	0.6
Japan (10y)	Datastream	1.51	1.7	-3.4	3.5	5.6	5.0	-0.6	-1.9	0.1	-2.9	-2.8
IG Corporate Bonds												
Global	BofA-ML	4.68	0.6	0.3	1.2	4.2	6.5	0.3	0.5	-0.2	1.5	5.3
Emerging Markets	BBloom	6.70	0.2	2.2	-0.7	3.3	10.0	0.2	2.2	-0.7	3.3	10.0
China	BofA-ML	2.35	-0.3	1.2	1.3	1.7	4.8	0.0	0.2	0.9	0.6	4.7
US	BofA-ML	5.33	0.2	0.7	-0.7	1.7	5.0	0.2	0.7	-0.7	1.7	5.0
Europe	BofA-ML	3.22	1.3	-0.5	5.3	10.0	9.7	0.4	0.2	1.0	1.1	5.8
UK	BofA-ML	5.61	0.9	1.8	4.4	8.2	8.8	0.0	0.8	0.8	1.3	3.4
Japan	BofA-ML	1.45	2.1	-2.1	3.7	8.1	7.4	-0.2	-0.5	0.3	-0.6	-0.5
HY Corporate Bonds												
Global	BofA-ML	7.46	0.2	2.4	2.1	4.2	9.4	0.0	2.5	1.2	2.4	8.6
US	BofA-ML	7.72	-0.1	2.6	1.5	2.4	8.7	-0.1	2.6	1.5	2.4	8.7
Europe	BofA-ML	5.92	1.0	1.2	5.6	10.9	12.0	0.1	1.9	1.3	1.9	8.0
Cash (Overnight rates)												
US		4.27	0.1	0.4	0.6	1.7	4.9	0.1	0.4	0.6	1.7	4.9
Euro Area		2.17	0.9	-0.8	4.6	10.1	7.2	0.0	0.2	0.3	1.0	3.2
UK		4.21	0.7	1.1	4.3	8.9	10.6	0.1	0.4	0.6	1.7	4.9
Japan		0.48	2.1	-1.6	3.8	9.0	8.4	0.0	0.0	0.1	0.2	0.3
Real Estate (REITs)												
Global	FTSE	1649	1.4	4.2	3.2	4.9	8.2	0.5	4.9	-1.1	-3.6	4.3
Emerging Markets	FTSE	1217	0.5	4.8	5.8	5.0	-1.7	-0.4	5.6	1.4	-3.5	-5.3
US	FTSE	3163	1.4	4.2	-0.4	0.6	10.9	1.4	4.2	-0.4	0.6	10.9
Europe ex-UK	FTSE	2655	4.5	5.0	14.6	17.5	10.3	3.6	5.7	9.9	8.0	6.4
UK	FTSE	892	3.9	3.9	10.0	15.7	0.6	3.0	2.9	6.2	8.4	-4.3
Japan	FTSE	2236	0.7	-2.0	5.2	17.3	7.7	-1.6	-0.4	1.7	7.9	-0.3
Commodities												
All	GSCI	3641	-1.0	-0.1	-5.0	-0.4	-3.5	-	-	-	-	-
Energy	GSCI	594	-2.2	-1.4	-11.0	-6.7	-10.0	-	-	-	-	-
Industrial Metals	GSCI	1699	-0.7	4.2	-1.9	3.2	-11.5	-	-	-	-	-
Precious Metals	GSCI	3597	1.1	-0.8	4.1	23.1	30.1	-	-	-	-	-
Agricultural Goods	GSCI	514	1.5	-1.0	1.2	-0.1	-2.7	-	-	-	-	-
Currencies (vs USD)*												
EUR		1.13	0.9	-1.0	4.3	9.0	3.9	-	-	-	-	-
JPY		144.52	2.0	-1.6	3.8	8.8	8.1	-	-	-	-	-
GBP		1.34	0.8	1.0	3.6	6.8	5.2	-	-	-	-	-
CHF		1.21	1.3	-1.5	6.8	9.5	9.9	-	-	-	-	-
CNY		7.22	-0.2	1.1	0.5	1.1	0.2	-	-	-	-	-

Notes: *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). **Past performance is no guarantee of future results.** Please see appendix for definitions, methodology and disclaimers.

Source: LSEG Datastream and Invesco Global Market Strategy Office

Figure 6 – Global equity sector total returns relative to market (%)

Data as of 20 May 2025	Global				
	1w	1m	QTD	YTD	12m
Energy	-1.2	-5.6	-9.2	-4.6	-14.4
Basic Materials	-0.2	-4.4	-2.4	3.4	-15.4
Basic Resources	-0.4	-5.0	-2.3	5.5	-16.0
Chemicals	0.2	-3.5	-2.4	0.4	-14.4
Industrials	0.3	1.4	2.3	3.9	1.1
Construction & Materials	0.2	1.0	5.7	6.9	1.7
Industrial Goods & Services	0.3	1.4	1.8	3.4	1.0
Consumer Discretionary	-0.8	2.5	3.2	-1.7	3.3
Automobiles & Parts	-0.2	9.9	10.1	-8.8	6.3
Media	1.9	7.4	9.8	11.0	20.5
Retailers	-1.6	0.6	0.9	-2.8	6.7
Travel & Leisure	-1.0	0.3	0.3	-4.1	-0.2
Consumer Products & Services	-0.6	0.0	1.7	3.2	-7.3
Consumer Staples	1.6	-8.4	-2.7	5.6	-3.5
Food, Beverage & Tobacco	1.5	-8.2	-2.8	6.4	-4.8
Personal Care, Drug & Grocery Stores	1.7	-8.7	-2.4	4.4	-1.0
Healthcare	1.0	-7.7	-9.5	-5.5	-14.0
Financials	0.1	-1.0	-0.9	6.4	10.6
Banks	0.5	0.4	0.3	8.9	12.9
Financial Services	-0.8	-1.0	-1.3	2.0	7.2
Insurance	0.9	-4.2	-3.3	8.3	11.3
Real Estate	0.2	-5.8	-2.9	0.4	-2.0
Technology	-0.7	8.2	5.4	-5.4	2.6
Telecommunications	1.5	-4.3	-1.7	7.5	10.6
Utilities	2.2	-5.3	-0.7	4.7	-0.8

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

Figure 7a – US factor index total returns (%)

Data as of 20 May 2025	Absolute					Relative to Market				
	1w	1m	QTD	YTD	12m	1w	1m	QTD	YTD	12m
Growth	0.2	15.5	9.8	3.4	5.7	-0.7	2.6	3.5	1.8	-6.8
Low volatility	3.1	3.0	-0.9	4.4	11.9	2.1	-8.5	-6.6	2.8	-1.4
Price momentum	2.1	9.8	6.0	2.6	12.0	1.1	-2.5	0.0	1.0	-1.3
Quality	0.4	10.6	4.4	4.4	5.3	-0.6	-1.8	-1.5	2.8	-7.2
Size	-0.1	11.1	2.6	1.1	4.8	-1.1	-1.3	-3.3	-0.4	-7.6
Value	-0.3	10.2	1.6	4.6	11.7	-1.3	-2.1	-4.2	3.0	-1.5
Market	1.0	12.6	6.1	1.5	13.4					
Market - Equal-Weighted	1.0	10.3	3.6	3.0	8.9					




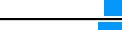
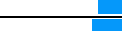



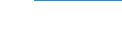








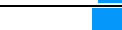



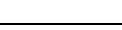






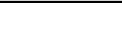




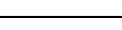
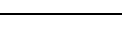











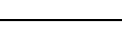
Notes: **Past performance is no guarantee of future results.** All indices are subsets of the S&P 500 index, they are rebalanced monthly, use data in US dollars and are equal-weighted. Growth includes stocks in the top third based on both their 5-year sales per share trend and their internal growth rate (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 Global Market Strategy Office

Figure 7b – European factor index total returns (%)

Data as of 20 May 2025	Absolute					Relative to Market				
	1w	1m	QTD	YTD	12m	1w	1m	QTD	YTD	12m
Growth	1.1	11.9	8.0	8.4	5.2	-0.9	1.1	2.5	-2.9	-3.8
Low volatility	3.3	7.5	6.6	15.9	18.6	1.3	-2.9	1.2	3.9	8.4
Price momentum	3.1	12.1	9.8	19.3	22.1	1.1	1.2	4.3	6.9	11.6
Quality	1.7	10.7	7.7	12.0	8.7	-0.3	0.0	2.2	0.4	-0.6
Size	1.3	11.9	8.6	9.4	4.5	-0.7	1.1	3.1	-1.9	-4.4
Value	1.6	13.3	9.5	18.3	14.6	-0.4	2.4	4.0	6.0	4.8
Market	2.0	10.7	5.3	11.6	9.4					
Market - Equal-Weighted	1.9	11.4	7.6	12.0	10.2					

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 Global Market Strategy Office

Figure 8 – Model asset allocation

	Neutral	Policy Range	Allocation	Position vs Neutral	Hedged	Currency
Cash Equivalents	5%	0-10%	0%			
Cash	2.5%		0%			
Gold	2.5%		0%			
Bonds	40%	10-70%	35%			
Government	25%	10-40%	21%			
US	8%		6%			50% JPY
Europe ex-UK (Eurozone)	7%		7%			
UK	1%		2%			
Japan	7%		2%			
Emerging Markets	2%		4%			
China**	0.2%		0%			
Corporate IG	10%	0-20%	10%			
US Dollar	5%		5%			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%	4%			
US Dollar	4%		3%			50% JPY
Euro	1%		1%			
Bank Loans	4%	0-8%	8%			
US	3%		6%			
Europe	1%		2%			
Equities	45%	25-65%	45%			
US	25%		12%			
Europe ex-UK	7%		12%			
UK	4%		6%			
Japan	4%		5%			
Emerging Markets	5%		10%			
China**	2%		4%			
Real Estate	4%	0-8%	8%			
US	1%		1%			
Europe ex-UK	1%		2%			
UK	1%		2%			
Japan	1%		2%			
Emerging Markets	1%		1%			
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	52%		30%			
EUR	19%		25%			
GBP	7%		12%			
JPY	13%		16%			
EM	9%		17%			
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

Figure 9 – Model allocations for Global sectors

	Neutral	Invesco	Preferred Region
Energy	6.3%	Overweight	EM
Basic Materials	3.4%	Neutral	Japan
Basic Resources	2.0%	Neutral	Japan
Chemicals	1.3%	Overweight	US
Industrials	13.1%	Underweight	US
Construction & Materials	1.7%	Underweight	US
Industrial Goods & Services	11.4%	Underweight	US
Consumer Discretionary	14.2%	Underweight	US
Automobiles & Parts	2.3%	Underweight	Europe
Media	1.2%	Overweight	US
Retailers	5.5%	Overweight	US
Travel & Leisure	1.9%	Underweight	EM
Consumer Products & Services	3.2%	Underweight	Japan
Consumer Staples	5.3%	Neutral	US
Food, Beverage & Tobacco	3.4%	Neutral	US
Personal Care, Drug & Grocery Stores	2.0%	Overweight	Europe
Healthcare	8.8%	Underweight	US
Financials	17.2%	Overweight	US
Banks	8.2%	Overweight	US
Financial Services	5.6%	Underweight	US
Insurance	3.3%	Neutral	US
Real Estate	2.7%	Overweight	Japan
Technology	22.0%	Neutral	EM
Telecommunications	3.6%	Neutral	US
Utilities	3.4%	Overweight	US

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: Refinitiv Datastream and Invesco

Appendix

Definitions of data and benchmarks for Figure 5

Sources: we source data from 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 Refinitiv overnight deposit rate for the euro, the British pound and the Japanese yen. The global rate is the average of the euro, British pound, US dollar and Japanese yen rates. The series started on 1st 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 Bank of America Merrill Lynch government bond total return index for the World and Europe. The emerging markets yields and returns are based on the Bloomberg Barclays emerging markets aggregate government bond index.

Corporate investment grade (IG) bonds: Bank of America Merrill Lynch investment grade corporate bond total return indices. The emerging markets yields and returns are based on the Bloomberg Barclays emerging markets aggregate corporate bond index.

Corporate high yield (HY) bonds: Bank of America Merrill Lynch 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.

Important information

Data as of 20 May 2025 unless stated otherwise.

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