

## Applied philosophy

### Strategist from East of the Elbe – Q4 2025

**The total returns on assets in Central and Eastern EU member countries (CEE11) have been subdued within both equities and government bonds in the last three months. Inflation has increased or remained elevated in most economies alongside interest rate expectations (except crucially, for the Fed) as global economic indicators seem mixed with continuing geopolitical risks and slowing US growth. We expect growth to reaccelerate in the next 12 months both within and outside the region, although we expect inflation to stay above central bank targets in the short term. In my view, this outlook should support both government bonds and equities in our CEE11 universe.**

The leaves falling, the memory of summer holidays fading away and I am gearing up for the last stretch before the end of the year. Risk assets seem to be on an unending grind higher even as the labour market cools in the US and inflation reaccelerates there and beyond. Is there a storm brewing in the background or are we in the clear?

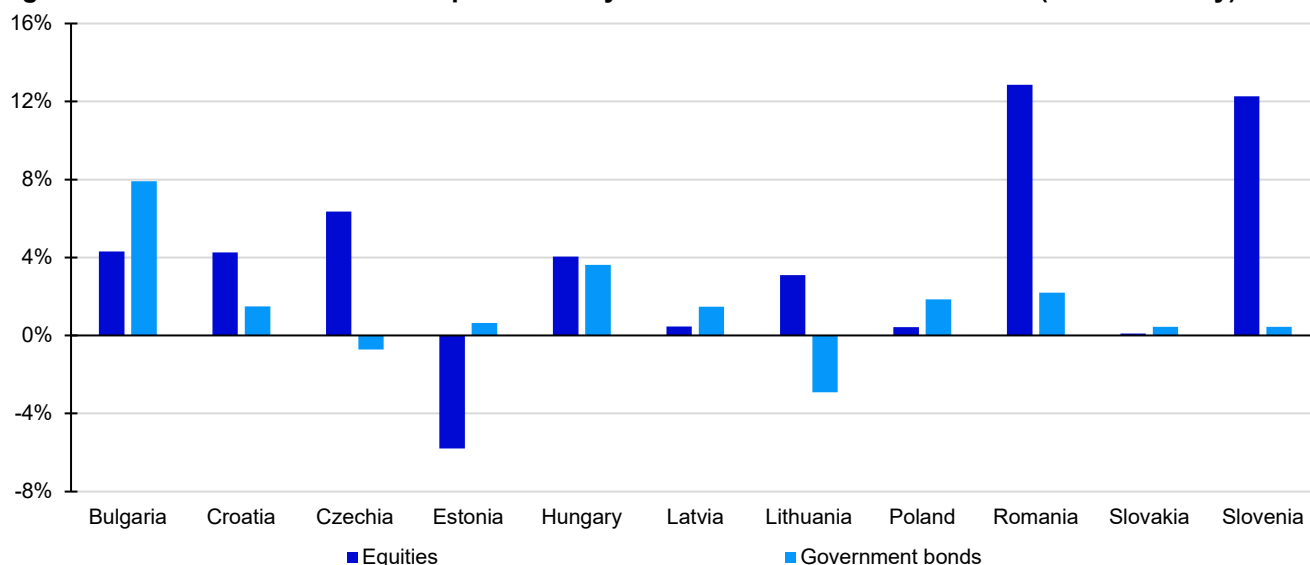
Equity returns since the end of June in the CEE11 countries within our universe have been modest (Estonia even had negative returns), while government bond returns also remained subdued. Within equities, we highlighted Slovenia and Poland as our most preferred markets in our last edition, while we thought Bulgaria and Romania were likely to underperform (see [here](#) for the full detail). As shown in **Figure 1**, Slovenia

was the second best performer, but Poland barely eked out a positive return. At the same time, Bulgaria's returns were close to the average, while Romania was the best performer.

Government bond returns were mostly positive, but in the low single digits for almost all CEE11 countries, except for Czechia and Lithuania, as inflation stayed high. We chose Romania and Czechia as our most preferred in our last edition. Although Romania was the third best performer (Bulgaria had the highest returns), Czech government bonds had negative returns as the country's central bank has become increasingly hawkish. On the other hand, we highlighted Croatia and Lithuania as our least preferred. Although Croatia had average returns, Lithuania was the worst performer between 30 June and 30 September 2025.

Government bond yields moved little since the end of June 2025 in most countries, apart from Lithuania, where the 10-year yield rose by 46 basis points (bps) and Bulgaria, where it declined by 82bps (as of 30 September 2025). Signs of a slowdown in the US offset concerns about inflation reaccelerating in the region. The International Monetary Fund (IMF) expects fiscal deficits to rise or stay high in most countries within the CEE11 in 2025 versus 2024, mostly driven by increased spending on defence and interest payments, in my view, while there may be more fiscal consolidation in 2026.

**Figure 1 – Central and Eastern European country total returns since 30 June 2025 (local currency)**



Notes: **Past performance is no guarantee of future results.** Data as of 30 September 2025. We use Datastream Total Market indices for equity returns. Government bond returns for Czechia, Hungary and Poland are based on Datastream 10-year benchmark government bond indices. We create a monthly index of government bond returns for all other countries by calculating the net present value of coupon payments and capital repayment based on redemption yields.

Source: LSEG Datastream and Invesco Global Market Strategy Office

I think the political landscape is likely to be more settled in the next 12 months after the turbulence in Poland and Romania around their respective presidential elections. The next potential flash point is the Czech parliamentary election on 3-4 October, where the populist ANO is leading the polls even if it is unlikely to reach a majority. Therefore, forming a government may take some time. After that, the parliamentary elections in Hungary and Slovenia in April 2026 are probably too far ahead to appear on the markets' radar.

In our view, the global economy could reaccelerate in the next 12 months after going through a phase of weaker growth, especially in the US, thus some central banks may be nearing the end of their easing cycle (though not the Fed). In CEE11, GDP growth in Q2 2025 picked up in most countries or remained stable, except for slightly slower year-on-year growth in Poland, Romania and Slovakia compared to Q1 2025. I expect this cyclical upturn to continue, especially in countries exposed to higher infrastructure and defence spending in the Euro Area.

That probably implies no significant decline in inflation in the region, and therefore interest rates may remain near current levels, in my view. I think a lot will also depend on how long policy uncertainty and geopolitical risks remain and how much that impacts economic growth especially in the near term. It would not surprise me if central banks continued with their wait-and-see approach, thus leaning towards holding rates at current levels, while monitoring economic indicators.

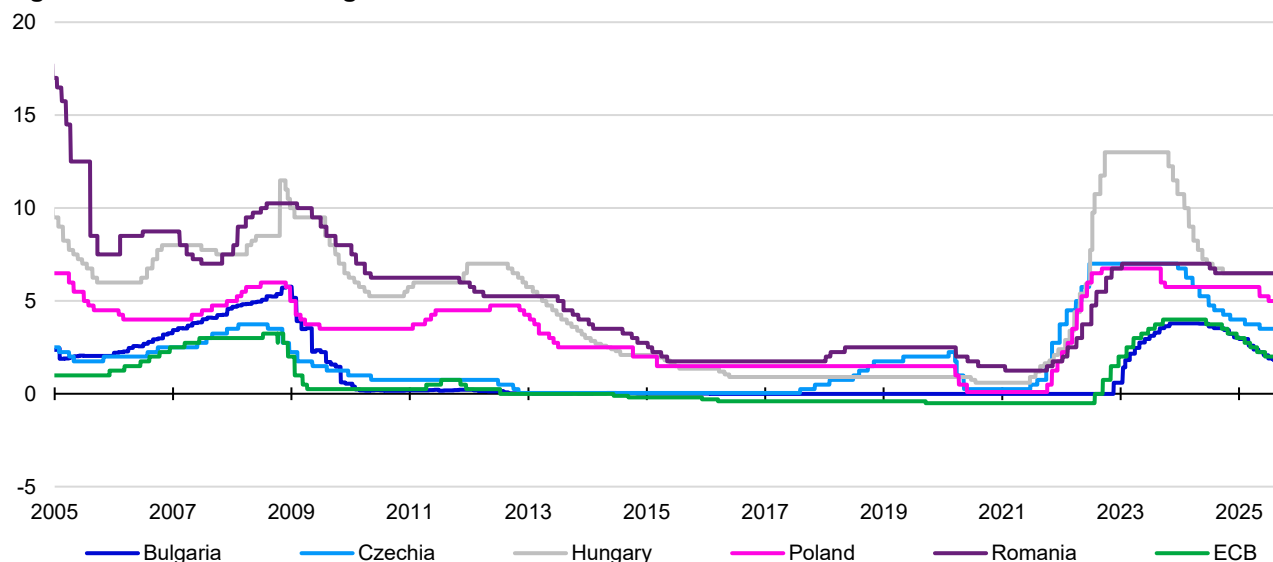
In CEE11 countries, I think growth will stay higher than in DM assuming decent real wage growth and no need

for monetary tightening in response to higher inflation or currency weakness. In my view, fiscal policy is likely to be expansionary or neutral in most countries (apart from Romania, for example), although spending may be constrained somewhat by higher debt servicing costs.

We expect divergence in monetary policy as Developed Market (DM) central banks face different challenges. Inflation has been picking up in most economies, including in the CEE11 group, while economic growth remains resilient. We expect the US Federal Reserve (Fed) to be the most dovish with four more 25bps rate cuts priced in until the end of 2026, while the Bank of Japan (BOJ) is likely to be the only DM central bank to raise rates (rate futures indicate an increase of about 75bps), with the Bank of England (BOE) and the European Central Bank (ECB) somewhere in between. As **Figure 2** shows, only the Polish and Bulgarian central banks cut rates since the end of June 2025, the former responding to declining inflation, while the latter maintaining its alignment within ERM-II after the ECB's 25bps rate cut in June.

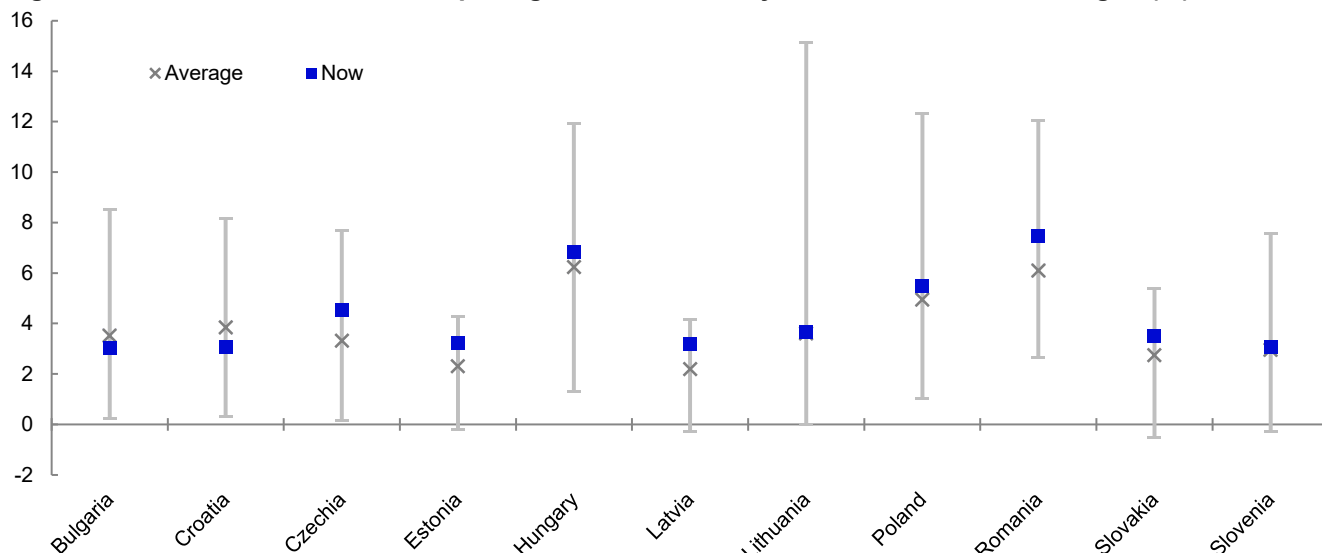
I think this global macroeconomic backdrop will be supportive of regional assets in general. In our latest [The Big Picture](#), we reiterated the view that the prospects for growth may improve in the next 12 months, although there is some uncertainty around the future path of inflation, especially in the US with the potential impact of higher tariffs. Accordingly, we maintained our cautious overweighting of select risk assets (though we remain Underweight high yield bonds and US equities), and we maintained our preference for Emerging Markets.

**Figure 2 – Central bank target rates since 2005**



Notes: **Past performance is no guarantee of future results.** Data as of 30 September 2025. Using daily data from 1 January 2005.  
Source: LSEG Datastream and Invesco Global Market Strategy Office

**Figure 3 – Central and Eastern European government bond yields within historical ranges (%)**



Notes: **Past performance is no guarantee of future returns.** Data as of 30 September 2025. Historical ranges and averages include daily data from 14 April 2006 for Bulgaria, 30 January 2008 for Croatia, 1 May 2000 for Czechia, 1 February 1999 for Hungary, 15 April 2003 for Lithuania, 1 January 2001 for Poland, 16 August 2007 for Romania, 7 January 2004 for Slovakia, 3 April 2007 for Slovenia and 24 November 2020 for Estonia and Latvia. We use Refinitiv Government Benchmark 10-year bond indices for Bulgaria, Croatia, Lithuania, Romania, Slovakia and Slovenia. We use Datastream benchmark 10-year government bond indices for Czechia, Hungary and Poland. We use OECD 10-year government bond yields for Estonia and Latvia as of 31 August 2025.

Source: LSEG Datastream, Organisation for Economic Co-operation and Development, Invesco Global Market Strategy Office

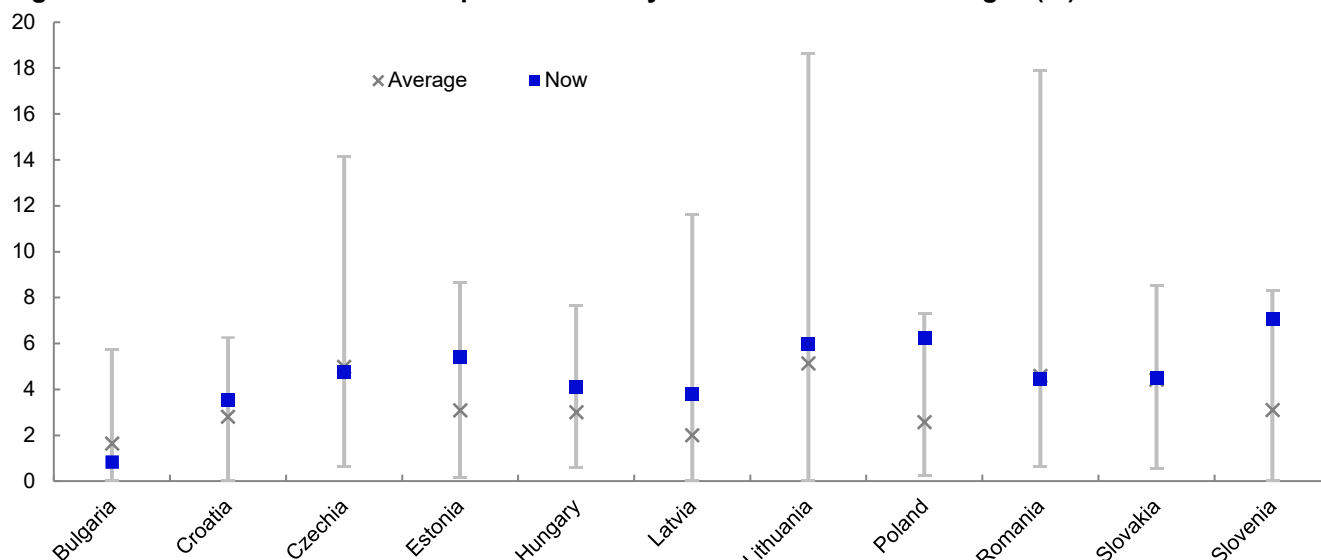
What does this imply for markets? The main question, in my view, is how far and how quickly growth reaccelerates after getting through its current soft patch in the US. Financial markets may have already started to look ahead to a more supportive environment in 2026, therefore I remain positive on the prospects of both equities and government bonds within CEE11, especially if USD weakness persists (we consider them risk assets within a global asset allocation context).

The Czech koruna, the Hungarian forint and the Polish zloty all strengthened against the euro, with only the Romanian leu weakening slightly in the last three months, which may have been driven by the difference in inflation expectations. Rate futures and Reuters consensus forecasts indicate rate cuts of 125bps for Poland, 100bps for Hungary and no change for Czechia and Romania compared to about 25bps for the ECB and just over 100bps for the Fed until the end of 2026 (as of 30 September 2025). Thus, it seems to me that the PLN and the HUF are likely to reverse course and weaken against the euro in the next 12 months but change little versus the US dollar. On the other hand, the CZK and the RON could strengthen against the USD, but I expect limited movements in their exchange rates versus the euro. Of course, this outlook assumes that there is no sudden deterioration of economic momentum (either within the region or globally).

In absolute terms, the 10-year yields of Romania and Hungary at 7.4% and 6.8% respectively are the

highest, which is not surprising given that they also have the highest central bank rates within the region (as of 30 September 2025 – see **Figure 3**). In general, I would expect CEE11 yields for Eurozone member countries to be lower than the 3.6% yield on the broader EM universe (**Figure 6** – based on the JP Morgan Government Bond Index Emerging Markets Global Composite Index in USD as of 2 October 2025) due to their structurally lower inflation and interest rate expectations partly driven by currency strength. At the same time, CEE11 countries outside the Eurozone have higher yields partly reflecting higher levels of currency risk and inflation.

With inflation increasing or remaining high in the region apart from Czechia and Poland, I think the critical determinant of government bond performance will be how far and how fast inflation falls. In Hungary's case, plans for fiscal loosening before the elections in 2026 may not leave much room for strong returns, especially if interest rates remain higher than in the rest of the region. In Czechia, a lot may depend on the new government and its policies (after the Czech elections on 3-4 October), but inflationary pressures seem to be under control, and I think Czech bonds could outperform, especially as government bond yields and spreads versus Bunds are both among the highest compared to historical averages. Perhaps with a more risk-on environment in 2026, the time will finally come for Romanian bonds to outperform. At the same time, Bulgarian and Croatian bonds seem to have the least

**Figure 4 – Central and Eastern European dividend yields within historical ranges (%)**


Notes: **Past performance is no guarantee of future returns.** Data as of 30 September 2025. Based on daily data using Datastream Total Market indices. Historical ranges and averages include daily data from 2 October 2000 for Bulgaria, 3 October 2005 for Croatia, 27 January 1994 for Czechia, 5 June 1997 for Estonia, 21 June 1991 for Hungary, 3 November 1997 for Latvia, 1 April 1998 for Lithuania, 1 March 1994 for Poland, 29 December 1997 for Romania, 1 March 2006 for Slovakia and 31 December 1998 for Slovenia.

Source: LSEG Datastream and Invesco Global Market Strategy Office

attractive valuations with yields and spreads versus Bunds below historical averages.

I expect healthy equity returns in the region based on our assumption of global economic acceleration in the next 12 months. While there may be a few bumps in the road in the near term, valuations look favourable in most markets within the CEE11. Apart from Bulgaria, they also offer higher yields in absolute terms than the 3% of the broader EM universe (using Datastream Total Market indices as of 30 September 2025). In my view, Slovenia and Poland continue to be in the sweet spot of having a dividend yield well-above historical

norms and relative to their peers in the region with Estonia and Hungary also looking attractive (see **Figure 4**) despite strong double-digit returns year-to-date.

On the other hand, I cannot overlook the low yields on offer on Bulgarian equities, which are also the only ones below their historical averages. At the same time, although absolute yields are higher in Czechia and Romania, their yield premiums compared to historical norms are now the second and third lowest within the region respectively, thus I view these markets as having the least potential for outperformance.

**Figure 5 – Our most favoured and least favoured markets in Central and Eastern Europe**

	Government bonds	Equities
<b>Most favoured</b>	Romania, Czechia	Slovenia, Poland
<b>Least favoured</b>	Bulgaria, Croatia	Bulgaria, Czechia

Source: Invesco Global Market Strategy Office

**Figure 6 – Asset class total returns (% annualised)**

Data as at 2 Oct 2025		Current	Total Return (USD, %)					Total Return (Local Currency, %)				
	Index	Level/RY	1w	1m	QTD	YTD	12m	1w	1m	QTD	YTD	12m
Equities												
World	MSCI	991	1.8	5.0	0.6	19.6	19.4	1.7	4.9	0.7	16.7	18.8
Emerging Markets	MSCI	1368	1.8	8.3	1.6	30.3	18.3	1.8	8.0	1.6	26.9	19.4
China	MSCI	91	3.1	9.2	1.5	43.9	25.1	3.1	9.0	1.5	43.6	25.6
US	MSCI	6424	1.7	4.8	0.4	15.5	19.7	1.7	4.8	0.4	15.5	19.7
Europe	MSCI	2533	3.6	5.1	1.5	30.1	19.2	3.2	4.8	1.8	16.3	13.4
Europe ex-UK	MSCI	3138	3.7	5.6	1.7	31.0	19.3	3.4	5.2	2.0	15.7	12.2
UK	MSCI	1501	3.0	3.5	0.6	27.1	19.0	2.4	3.3	0.9	18.6	17.5
Japan	MSCI	4600	-0.6	2.1	-1.2	19.6	17.6	-2.1	1.6	-1.4	12.2	18.5
Government Bonds												
World	BofA-ML	3.28	0.8	1.3	0.1	7.3	1.3	0.4	1.1	0.1	2.2	0.0
Emerging Markets	JP Morgan	3.62	0.3	0.7	0.0	7.6	4.3	0.1	0.3	0.1	3.6	5.3
China	BofA-ML	1.71	0.1	-0.1	0.0	2.4	1.7	0.0	-0.6	0.0	-0.2	3.2
US (10y)	Datastream	4.07	0.7	1.7	0.5	7.5	2.0	0.7	1.7	0.5	7.5	2.0
Europe	Bofa-ML	2.85	0.8	1.4	-0.3	13.6	6.2	0.5	1.0	0.0	0.5	0.0
Europe ex-UK (EMU, 10y)	Datastream	2.66	1.0	1.4	-0.2	12.5	3.8	0.7	0.9	0.1	-0.5	-2.2
UK (10y)	Datastream	4.78	1.1	1.5	-0.2	10.1	0.9	0.6	1.3	0.1	2.8	-0.4
Japan (10y)	Datastream	1.65	1.5	0.1	0.1	3.1	-5.8	-0.1	-0.4	-0.1	-3.3	-5.1
IG Corporate Bonds												
Global	BofA-ML	4.31	0.7	1.8	0.2	9.8	5.6	0.6	1.7	0.3	5.9	4.1
Emerging Markets	BBloom	5.96	-0.2	1.2	0.1	10.8	8.3	-0.2	1.2	0.1	10.8	8.3
China	BofA-ML	2.32	0.2	0.2	0.0	3.2	1.4	0.1	-0.3	0.0	0.6	2.9
US	BofA-ML	4.81	0.7	2.1	0.4	7.4	4.2	0.7	2.1	0.4	7.4	4.2
Europe	BofA-ML	3.16	0.7	1.3	-0.2	16.4	9.9	0.3	0.8	0.1	2.9	3.6
UK	BofA-ML	5.42	0.8	1.7	-0.2	11.8	5.4	0.3	1.5	0.1	4.3	4.1
Japan	BofA-ML	1.68	1.6	0.4	0.2	5.8	-2.2	0.0	-0.1	0.0	-0.8	-1.5
HY Corporate Bonds												
Global	BofA-ML	6.78	0.2	1.1	0.0	9.6	8.5	0.1	1.0	0.1	6.9	7.4
US	BofA-ML	7.02	0.3	1.2	0.1	7.2	7.4	0.3	1.2	0.1	7.2	7.4
Europe	BofA-ML	5.43	0.4	1.2	-0.3	18.4	12.9	0.0	0.7	0.0	4.6	6.4
Cash (Overnight rates)												
US		4.20	0.1	0.4	0.0	3.3	4.5	0.1	0.4	0.0	3.3	4.5
Euro Area		1.92	0.5	0.8	-0.1	15.1	8.7	0.0	0.2	0.0	1.7	2.5
UK		3.97	0.8	0.7	0.0	11.0	5.9	0.1	0.3	0.0	3.3	4.5
Japan		0.48	1.7	0.8	0.5	7.1	-0.1	0.0	0.0	0.0	0.3	0.4
Real Estate (REITs)												
Global	FTSE	1718	1.4	2.3	-0.4	11.2	1.1	1.0	1.8	-0.1	-1.7	-4.8
Emerging Markets	FTSE	1323	0.1	1.8	-0.4	16.0	-2.4	-0.2	1.3	-0.1	2.6	-8.1
US	FTSE	3214	1.4	2.5	-0.4	4.1	-1.2	1.4	2.5	-0.4	4.1	-1.2
Europe ex-UK	FTSE	2675	2.1	2.0	-1.1	20.2	0.2	1.8	1.6	-0.8	6.2	-5.6
UK	FTSE	889	3.2	7.2	0.1	13.3	-7.6	2.6	7.0	0.4	5.7	-8.8
Japan	FTSE	2498	-0.3	0.3	-2.1	33.1	20.2	-1.8	-0.2	-2.3	24.8	21.1
Commodities												
All	GSCI	3836	-2.5	-1.9	-1.1	4.9	6.8	-	-	-	-	-
Energy	GSCI	620	-5.6	-5.3	-2.5	-2.6	2.3	-	-	-	-	-
Industrial Metals	GSCI	1867	1.9	4.2	1.5	13.4	2.3	-	-	-	-	-
Precious Metals	GSCI	4255	2.7	8.4	-0.1	45.7	43.4	-	-	-	-	-
Agricultural Goods	GSCI	477	-0.6	-1.5	0.8	-7.4	-6.7	-	-	-	-	-
Currencies (vs USD)*												
EUR		1.17	0.4	0.7	-0.1	13.2	6.1	-	-	-	-	-
JPY		147.25	1.7	0.8	0.5	6.8	-0.5	-	-	-	-	-
GBP		1.34	0.5	0.2	-0.3	7.2	1.3	-	-	-	-	-
CHF		1.25	0.2	0.8	-0.2	13.7	6.5	-	-	-	-	-
CNY		7.12	0.2	0.3	0.0	2.5	-1.4	-	-	-	-	-

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 7 – Global equity sector total returns relative to market (%)**

Data as of 02 Oct 2025	Global				
	1w	1m	QTD	YTD	12m
<b>Energy</b>	<b>-2.4</b>	<b>-3.0</b>	<b>-0.7</b>	<b>-9.8</b>	<b>-11.9</b>
<b>Basic Materials</b>	<b>0.9</b>	<b>2.5</b>	<b>-0.3</b>	<b>10.6</b>	<b>-4.2</b>
Basic Resources	1.9	6.4	-0.1	22.9	5.4
Chemicals	-0.9	-4.5	-0.5	-7.5	-18.7
<b>Industrials</b>	<b>0.3</b>	<b>-1.6</b>	<b>0.0</b>	<b>0.3</b>	<b>-2.1</b>
Construction & Materials	0.8	-2.2	-0.2	2.2	-3.0
Industrial Goods & Services	0.2	-1.5	0.0	0.0	-1.9
<b>Consumer Discretionary</b>	<b>-0.7</b>	<b>-1.2</b>	<b>-0.6</b>	<b>-5.9</b>	<b>-0.3</b>
Automobiles & Parts	-0.3	8.2	-1.1	-6.1	12.5
Media	-2.8	-4.4	-2.2	0.3	11.6
Retailers	-0.7	-2.2	-0.2	-6.8	-0.8
Travel & Leisure	-2.1	-7.2	-0.7	-10.9	-6.5
Consumer Products & Services	0.4	-2.0	0.0	-3.4	-8.8
<b>Consumer Staples</b>	<b>-1.1</b>	<b>-6.3</b>	<b>-1.0</b>	<b>-7.7</b>	<b>-14.9</b>
Food, Beverage & Tobacco	-1.1	-6.5	-0.9	-7.2	-15.1
Personal Care, Drug & Grocery Stores	-1.1	-6.1	-1.2	-8.5	-14.4
<b>Healthcare</b>	<b>4.6</b>	<b>-0.3</b>	<b>2.7</b>	<b>-8.7</b>	<b>-17.4</b>
<b>Financials</b>	<b>-1.1</b>	<b>-3.0</b>	<b>-1.3</b>	<b>3.3</b>	<b>6.1</b>
Banks	-1.5	-2.3	-1.3	9.5	14.7
Financial Services	-1.4	-3.6	-1.4	-2.9	-0.2
Insurance	0.2	-3.6	-0.9	-0.3	-3.0
<b>Real Estate</b>	<b>-0.6</b>	<b>-3.4</b>	<b>-1.0</b>	<b>-5.0</b>	<b>-12.7</b>
<b>Technology</b>	<b>0.5</b>	<b>5.9</b>	<b>0.9</b>	<b>6.4</b>	<b>13.4</b>
<b>Telecommunications</b>	<b>-1.6</b>	<b>-2.3</b>	<b>-0.3</b>	<b>6.1</b>	<b>4.8</b>
<b>Utilities</b>	<b>-0.1</b>	<b>-0.9</b>	<b>-0.5</b>	<b>-0.9</b>	<b>-7.0</b>

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 8 – Model asset allocation**

	Neutral	Policy Range	Allocation	Position vs Neutral	Hedged	Currency
<b>Cash Equivalents</b>	<b>5%</b>	<b>0-10%</b>	<b>3%</b>	<b>↑</b>		
Cash	3%		3%	↑		
Gold	2%		0%			
<b>Bonds</b>	<b>40%</b>	<b>10-70%</b>	<b>37%</b>	<b>↓</b>		
Government	25%	10-40%	25%			
US	8%		8%			50% JPY
Europe ex-UK (Eurozone)	7%		7%			
UK	1%		2%			
Japan	7%		4%			
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%	2%			
US Dollar	4%		1%			50% JPY
Euro	1%		1%			
<b>Bank Loans</b>	<b>4%</b>	<b>0-8%</b>	<b>8%</b>			
US	3%		6%			
Europe	1%		2%			
<b>Equities</b>	<b>45%</b>	<b>25-65%</b>	<b>42%</b>			
US	25%		10%			
Europe ex-UK	7%		12%			
UK	4%		6%			
Japan	4%		5%			
Emerging Markets	5%		9%			
China**	2%		4%			
<b>Real Estate</b>	<b>4%</b>	<b>0-8%</b>	<b>6%</b>			
US	1%		1%			
Europe ex-UK	1%		2%			
UK	1%		2%			
Japan	1%		1%			
Emerging Markets	1%		0%			
<b>Commodities</b>	<b>2%</b>	<b>0-4%</b>	<b>4%</b>			
Energy	1%		2%			
Industrial Metals	0.3%		1%			
Precious Metals	0.3%		0%			
Agriculture	0.3%		1%			
<b>Total</b>	<b>100%</b>		<b>100%</b>			
<b>Currency Exposure (including effect of hedging)</b>						
USD	52%		29%	↓		
EUR	20%		26%	↑		
GBP	7%		13%	↑		
JPY	13%		18%	↓		
EM	9%		15%	↓		
<b>Total</b>	<b>100%</b>		<b>100%</b>			

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**

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

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



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## Appendix

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### Definitions of data and benchmarks for Figure 6

**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 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 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 JP Morgan Government Bond Index Emerging Markets Global Composite 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

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### Abbreviations for currencies

CZK	Czech koruna
EUR	Euro
GBP	British pound (sterling)
HUF	Hungarian forint
PLN	Polish zloty
RON	Romanian leu
USD	US dollar

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### Abbreviations for central banks

BNR	Banca Națională a României (National Bank of Romania)
BOE	Bank of England
BOJ	Bank of Japan
CNB	Czech National Bank
ECB	European Central Bank
FED	US Federal Reserve
MNB	Magyar Nemzeti Bank (Hungarian National Bank)
NBP	National Bank of Poland

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**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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**Important information**

*Data as of 30 September 2025 unless stated otherwise.*

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