

The Big Picture

Global Asset Allocation 2025 Q4

Quarterly update from Invesco's Global Market Strategy Office
14 September 2025

For professional/institutional/qualified/accredited investors only.



The Big Picture

Global Asset Allocation 2025 Q4

On the positive side, we think the global economy could accelerate (despite a slowing US economy) and that the Fed is about to embark on rapid easing. However, we also believe that inflation is no longer trending down, that some central banks are near the end of their easing cycles and that geopolitical risks remain high. After recent strong gains on some assets, we reduce risk within our Model Asset Allocation by cutting high yield to Underweight and raising cash to Neutral. Nevertheless, we maintain a slight preference for riskier assets and regions.

Model asset allocation

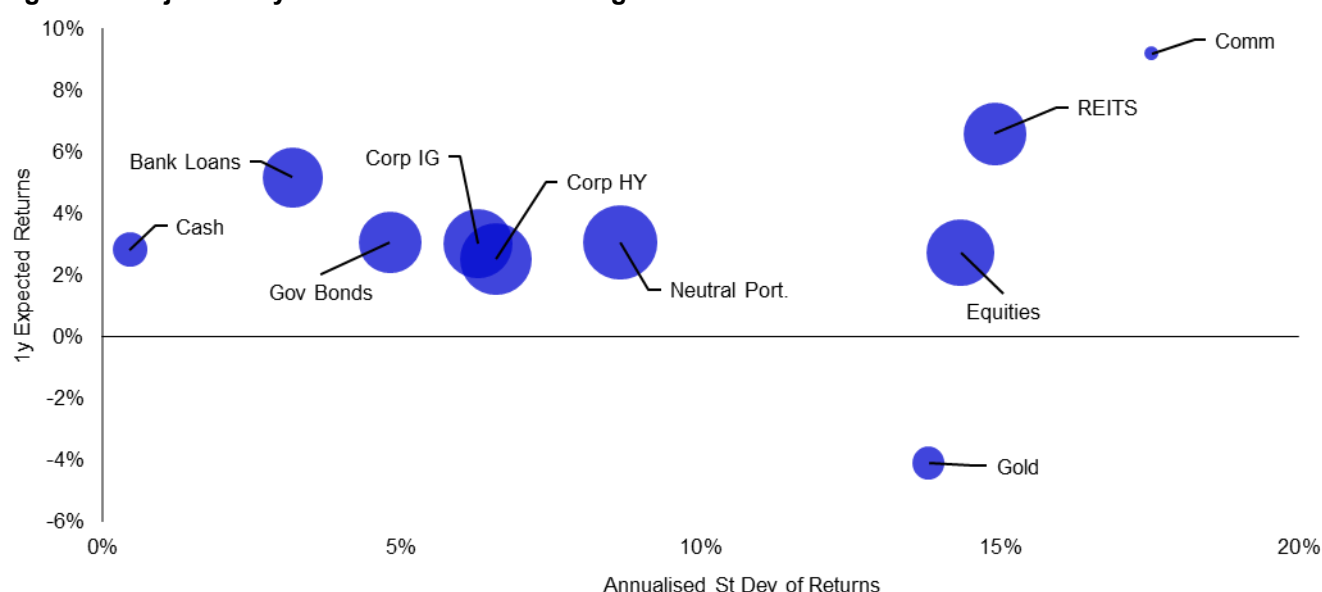
In our view:

- Commodities should benefit as the global economy improves. We stay at the Maximum.
- Bank loans offer an attractive risk-reward trade-off. We stay at the Maximum.
- Real estate (REITS) have rebounded but may benefit as rates fall. We remain Overweight.
- Government bond yield direction will be mixed. We remain Neutral.
- Corporate investment grade (IG) has a similar profile to government bonds. We remain at Neutral.
- Corporate high yield (HY) spreads have tightened further. We reduce to Underweight.
- Cash brings diversification that could be important as other assets become expensive. We boost to Neutral.
- Equities have rebounded and we remain Underweight (Underweight the US, Overweight non-US).
- Gold may be helped by a weakening dollar and geopolitics, but is expensive. We remain at Zero.
- Regionally, we favour Europe and EM.
- US dollar is likely to weaken and we maintain the partial hedge into JPY.

Our best-in-class assets (based on 12m projected returns)

- China equities
- Eurozone REITS
- Industrial commodities
- European bank loans

Figure 1: Projected 1-year return versus risk for global assets



Based on annualised local currency returns. Returns are projected but standard deviation of returns is based on 5-year historical data. Size of bubbles is in proportion to average 5-year pairwise correlation with other assets (hollow bubbles indicate negative correlation). Cash is an equally weighted mix of USD, EUR, GBP and JPY. Neutral portfolio weights shown in Figure 3. As of 29 August 2025. **There is no guarantee that these views will come to pass.** See Appendices for definitions, methodology and disclaimers.

Source: Credit Suisse/UBS, ICE BofA, MSCI, S&P GSCI, FTSE Russell, LSEG Datastream and Invesco Global Market Strategy Office

Table of contents

Summary and conclusions: Fed easing built into markets	4
Model asset allocation*	5
Calm is restored	6
Economic momentum: improving, despite concerns about the US	7
Policy rates: the Fed is about to join the easing party	8
Asset momentum: cyclical assets outperformed over the last three months	9
Asset valuations: short duration assets still have a yield advantage	10
Currency outlook: the yen looks good value but remains weak	12
Threats, opportunities and risk appetite assessment	13
Projections and asset preferences	14
The long term view: focusing on the next decade using Invesco's CMAs	16
Appendices	17
Appendix 1: Global valuations vs history	17
Appendix 2: Asset class total returns.....	18
Appendix 3: Invesco 10-year Capital Market Assumptions (USD version)	19
Appendix 4: Key assumptions.....	20
Appendix 5: Methodology for asset allocation and expected returns	21
Appendix 6: Definitions of data and benchmarks	22
Appendix 7: Invesco Solutions Capital Market Assumptions methodology	25
Investment risks	26
Important information	26

The Fed seems ready to start easing but this has been long anticipated and we reduce risk

We favour REITS, commodities, non-US equities and bank loans

HY reduced to Underweight and cash boosted to Neutral

But we still prefer riskier assets and regions

JPY is favoured

Summary and conclusions: Fed easing built into markets

On the positive side, we think the global economy could accelerate (despite a slowing US economy) and that the Fed is about to embark on rapid easing. However, we also believe that inflation is no longer trending down, that some central banks are near the end of their easing cycles and that geopolitical risks remain high. After recent strong gains on some assets, we reduce risk within our Model Asset Allocation by cutting high yield (HY) to Underweight and raising cash to Neutral.















Figure 1 shows that we expect to be rewarded (a bit) for taking risk over the next 12 months and **Figure 2** shows that among riskier assets we favour REITS, commodities and non-US equities. Among defensive assets, we favour **bank loans**, which we think still offers an attractive risk-reward trade off. We remain Neutral on **government bonds** and **investment grade credit (IG)** and have just moved to Neutral on cash. We are Underweight HY, gold and **US equities** (the Fed seems ready to embark on rapid easing, but we think the US stock market is expensive, brings concentration risk and has priced in a lot of Fed easing, with little regard for the risks of a slowing economy).

Figure 3 shows that we reduce **US HY** to Underweight (from Neutral), taking the global HY allocation to Underweight. We believe the US HY spread is too tight, especially given the slowing US economy. Given that cyclical assets have performed well, we boost **cash** to Neutral (from zero). This renders the overall Model Asset Allocation a little more defensive, adding to the caution expressed by the preference for bank loans.

However, given that we expect falling interest rates and rising real wages to boost global growth, we still favour risky assets overall. This is reflected in the Maximum allocation to **commodities**, an asset class that we think brings diversification (though we are Zero allocated to **gold**, which we think has already benefitted a lot from geopolitical tensions). The Overweight allocation to **real estate (REITS)** also boosts riskiness (within which we boost the UK to Overweight and reduce emerging markets to zero). Finally, the ongoing Overweighting of **non-US equities** also brings risk and cyclicity as does the preference for Europe and emerging markets (EM) across all asset categories.

Among currencies, we prefer JPY and partially hedge from USD to JPY.

Figure 2: Asset scoring and Model Asset Allocation*

	Total Score	Model Asset Allocation*	Preferred assets
Cash		Neutral	JPY, EUR
CLOs		N/A	
Bank Loans		Overweight	US
Hedge Funds		N/A	
Government Bonds		Neutral	UK, EM
Investment Grade		Neutral	UK, EM
High Yield		Underweight	
Gold		Underweight	
Non-US equities		Overweight	China, Europe, EM
US equities		Underweight	Equal weight, banks
REITS		Overweight	Europe, Japan
Commodities		Overweight	Energy, agriculture
Private Equity		N/A	
Bitcoin		N/A	

Note: *This is a theoretical portfolio and is for illustrative purposes only (see **Figure 3** for the details). It does not represent an actual portfolio and is not a recommendation of any investment or trading strategy. "CLOs" is AAA collateralised loan obligations. "Total Score" is a summary of subjective scores across a range of factors that we think will impact asset returns over the coming 12 months (see **Figure 18** for details). Positive (dark blue) scores indicate a positive outlook relative to other assets and negative scores (light blue) indicate the opposite. "N/A" indicates that the asset concerned is not part of our Model Asset Allocation framework. See appendices for definitions, methodology and disclaimers. Source: Invesco Global Market Strategy Office

Model asset allocation*

Figure 3 – Model asset allocation (14/9/2025)

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

*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. **China is included in Emerging Markets allocations. Cash is an equally weighted mix of USD, EUR, GBP and JPY. Currency exposure calculations exclude cash. Arrows show direction of change in allocations. See appendices for definitions, methodology and disclaimers.

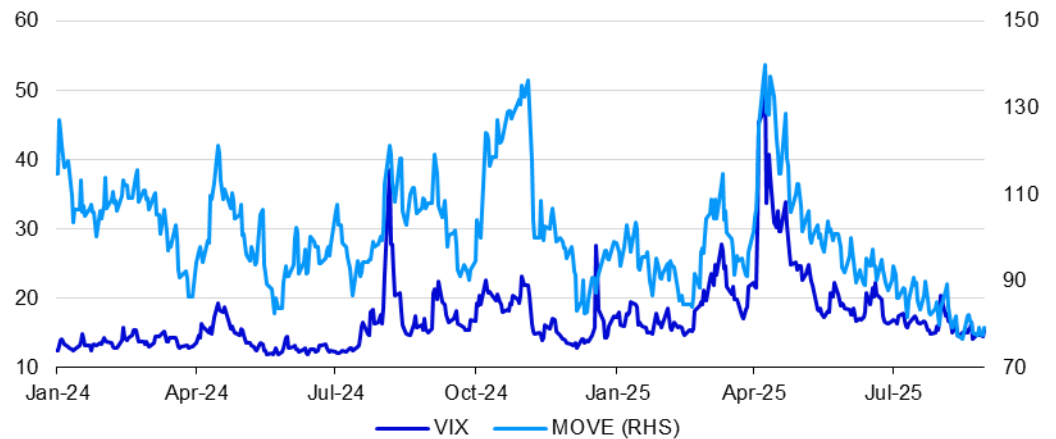
Source: Invesco Global Market Strategy Office

Market volatility has fallen back to levels seen in early 2024

Calm is restored

The spike in market volatility after the announcement of reciprocal tariffs on 2 April 2025 was short-lived (see **Figure 4**). Judging by the VIX and MOVE indices of implied volatility in US equity and treasury markets, market wariness has returned to levels seen prior to the November 2024 elections. This is most noticeable in equity markets, with US and some other national indices hitting record highs in recent months.

Figure 4 – Market volatility is becalmed



Note: **Past performance is no guarantee of future results.** Based on daily data from 1 January 2024 to 29 August 2025. "VIX" is the CBOE VIX Index and is a calculation designed to produce a measure of constant, 30-day expected volatility of the U.S. stock market, derived from real-time, mid-quote prices of S&P 500® Index (SPXSM) call and put options. "MOVE" is the Merrill Lynch Option Volatility Estimate. It is a measure of US bond market volatility provided by ICE BofA and tracks implied normal yield volatility of a yield curve weighted basket of at-the-money one-month options on the 2-year, 5-year, 10-year and 30-year constant maturity US interest rate swaps.

Source: CBOE, ICE BofA, Bloomberg, LSEG Datastream and Invesco Global Market Strategy Office

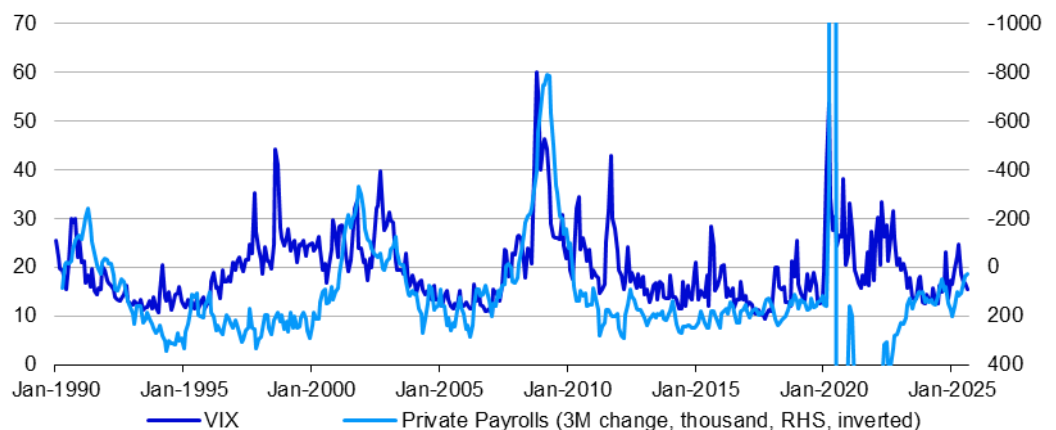
However, risks remain

Markets appear to be behaving as though all is well in the world. However, geopolitical risks remain (Russia/Ukraine, Gaza, trade relations...) and the US economy appears to be growing less rapidly than last year.

Among which is the slowing of the US economy

Figure 5 shows the relationship between US employment and the VIX index. Our interpretation is that volatility is a cyclical phenomenon, so if the US economy slows further, we wouldn't be surprised to see a rise in volatility (especially if there is recession). Of course, if growth picks up, we would expect risk appetite to improve so long as Fed easing is still possible.

Figure 5 – US payrolls and the VIX index



Note: **Past performance is no guarantee of future results.** Based on monthly data from January 1990 to August 2025. "VIX" is the CBOE VIX Index and is a calculation designed to produce a measure of constant, 30-day expected volatility of the U.S. stock market, derived from real-time, mid-quote prices of S&P 500® Index (SPXSM) call and put options. Payroll data is truncated to hide the extremes seen during the Covid pandemic.

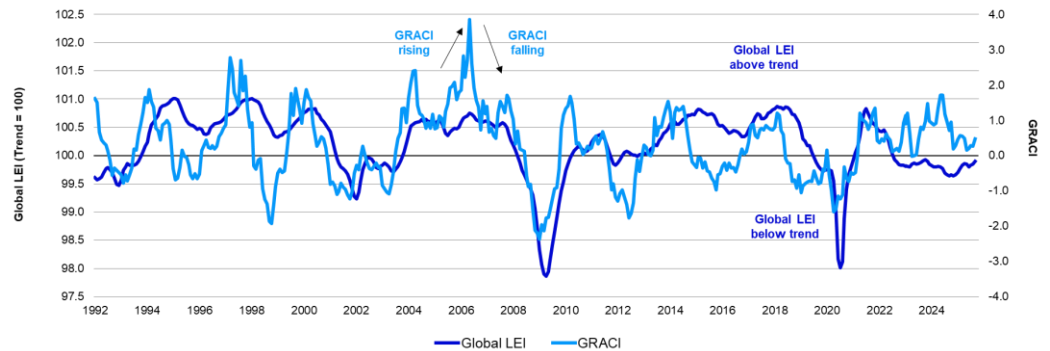
Source: CBOE, ICE BofA, Bloomberg, LSEG Datastream and Invesco Global Market Strategy Office

Market behaviour and leading indicators suggest we are in a contraction regime

Economic momentum: improving, despite concerns about the US

Figure 6 shows two proprietary indicators from Invesco Solutions, designed to help decide where we are in economic and market cycles. The Global LEI (leading economic indicator) measure suggests global growth is improving (though below trend), while the GRACI (Global Risk Appetite Cycle Indicator) suggests risk appetite is trending lower.

Figure 6 – Global risk appetite and the global business cycle



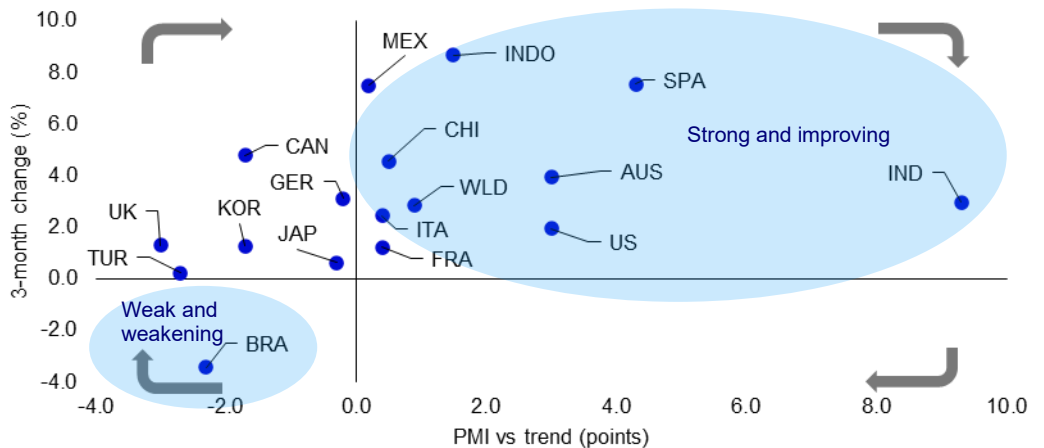
Note: **past performance does not guarantee future results.** Monthly data from January 1992 to August 2025 (as of 29 August 2025). Both Global LEI (Leading Economic Indicator) and GRACI (Global Risk Appetite Cycle Indicator) are proprietary tools provided by Invesco Solutions. Global LEI is a weighted average of leading indicators for 23 countries (both developed and emerging). A reading above (below) 100 signals growth above (below) a long-term average. GRACI measures the average incremental return received per incremental unit of risk taken in global financial markets (i.e., incremental return received for moving from government bonds to credit, from credit to developed equities, from developed equities to emerging equities, etc.). It is calculated using country-level total return indices across fixed income and equity markets. A reading above (below) zero signals a positive (negative) compensation for risk taking in global capital markets in the recent past. A rising index signals improving market sentiment and vice-versa.

Sources: Bloomberg L.P., Macrobond, MSCI, FTSE, JP Morgan and Invesco Solutions

PMIs are improving and we expect global acceleration into 2026

PMI data has been improving. **Figure 7** shows that manufacturing PMI indices have largely improved over recent months. Also, many are above trend (50), suggesting that manufacturing sectors are in expansionary territory, which we think is good news for the economic cycle overall (Brazil is the obvious exception). Despite the apparent weakening of the US economy, its manufacturing PMI has improved in recent months, though we note that the more popular manufacturing ISM index has been below 50 since March. The improvement in the global economy hinted at by this PMI data is exactly what we would expect given the decline in policy rates and growth in real wages in many countries. Among risks, we worry that the volatility of US tariffs and other US policies could depress business and consumer spending.

Figure 7 – Manufacturing PMIs are improving



Note: based on monthly data up to August 2025. PMI data is provided by S&P Global and "PMI vs trend" is the PMI for each country/region minus 50. Arrows indicate our view of the direction of movement around the chart. See appendices for country abbreviations.

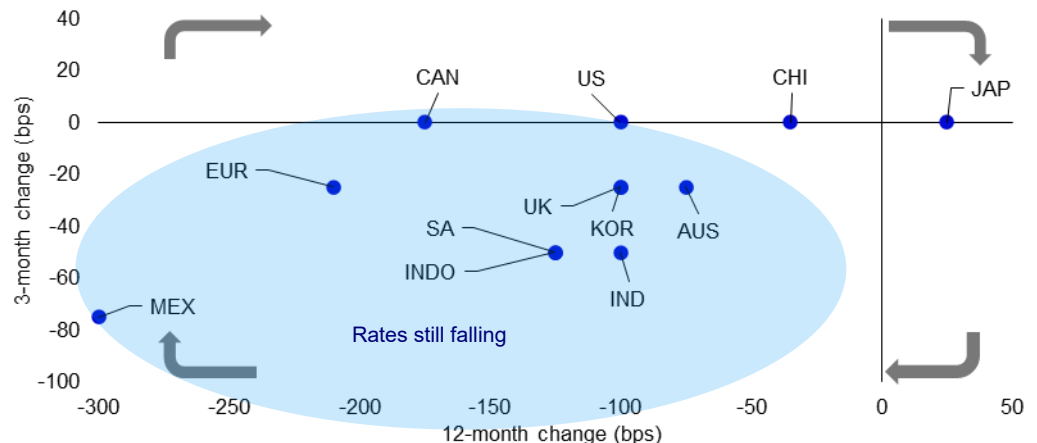
Source: S&P Global, LSEG Datastream and Invesco Global Market Strategy Office

More than 40 central banks have cut rates in 2025. The Fed may soon join them

Policy rates: the Fed is about to join the easing party

More than 40 central banks have cut rates during 2025 (see **Figure 8** for some examples). The Fed has been a laggard, with no rate cut since December, since when the ECB (for example) has eased four times. However, we expect the Fed to ease at its 17 September 2025 meeting, with more by year-end and a total of 125bps worth of cuts over the next 12 months (Fed Fund Futures indicated 150bps, as of 11 September).

Figure 8 – Central bank policy rates have continued to fall



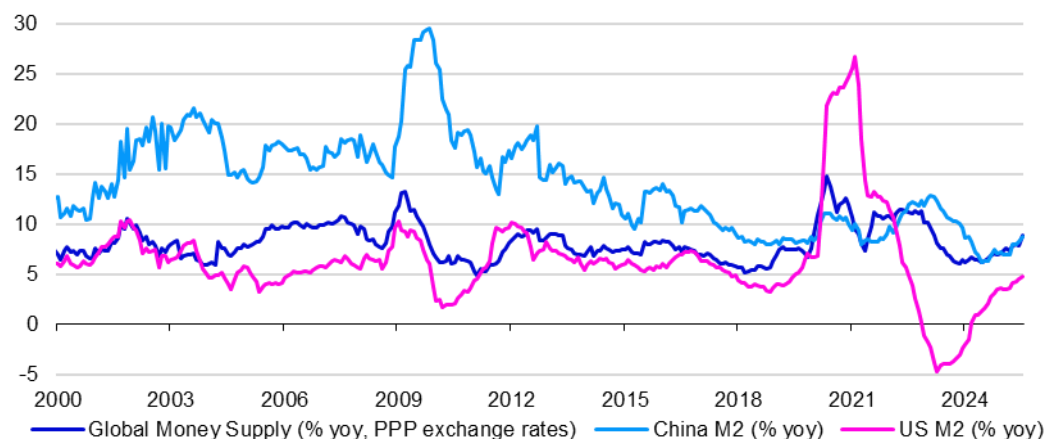
Note: Based on monthly data up to August 2025 (as of 29 August 2025). Arrows indicate our view of the direction of movement around the charts. See appendices for country abbreviations.

Source: LSEG Datastream and Invesco Global Market Strategy Office

We suspect that other central banks will ease less than the Fed over the next 12 months. Some may be approaching the end of their easing cycles

Given that many central banks are ahead of the Fed in this easing cycle, we suspect that many of them are approaching the end of easing. For example, the Swiss National Bank has already cut its policy target rate to zero and the ECB's Deposit Facility Rate is 2.00%, down from a peak of 4.00%. Progress in lowering inflation is less evident across countries and **Figure 9** shows that global money supply growth has picked up. That is what we would expect when central banks ease and could point to an acceleration in the global economy (which we think would be good for cyclical assets). However, it may also point to the risk of a subsequent pick-up in inflation. Hence, we suspect that most other central banks will ease much less than the Fed over the next 12 months, while we expect the BOJ to continue gradually tightening (see the forecasts in **Figure 20**).

Figure 9 – Money supply growth is picking up



Note: based on monthly data from January 2020 to July 2025. "Global Money Supply" is based on an aggregation of broad money supply aggregates (usually M3) for the following countries: Australia, Brazil, Canada, Chile, China, Colombia, Costa Rica, Czech Republic, Denmark, Eurozone, Hungary, India, Indonesia, Israel, Japan, Mexico, New Zealand, Norway, Poland, Russia, South Africa, South Korea, Sweden, Switzerland, Turkey, United Kingdom and United States. The aggregation is based on national money supplies using purchasing power parity (PPP) exchange rates to convert to US dollars (PPP exchange rates are those which equalise spending power across countries and are usually more stable than market exchange rates).

Source: OECD, Oxford economics, LSEG Datastream and Invesco Global Market Strategy Office

It has been a good three months for most assets, especially the more cyclical categories...

... reflecting 12-month performance, though gold and Bitcoin have moved down the rankings and REITS have climbed

So long as the global economy accelerates, we expect continued outperformance by riskier assets

But risks remain

Asset momentum: cyclical assets outperformed over the last three months

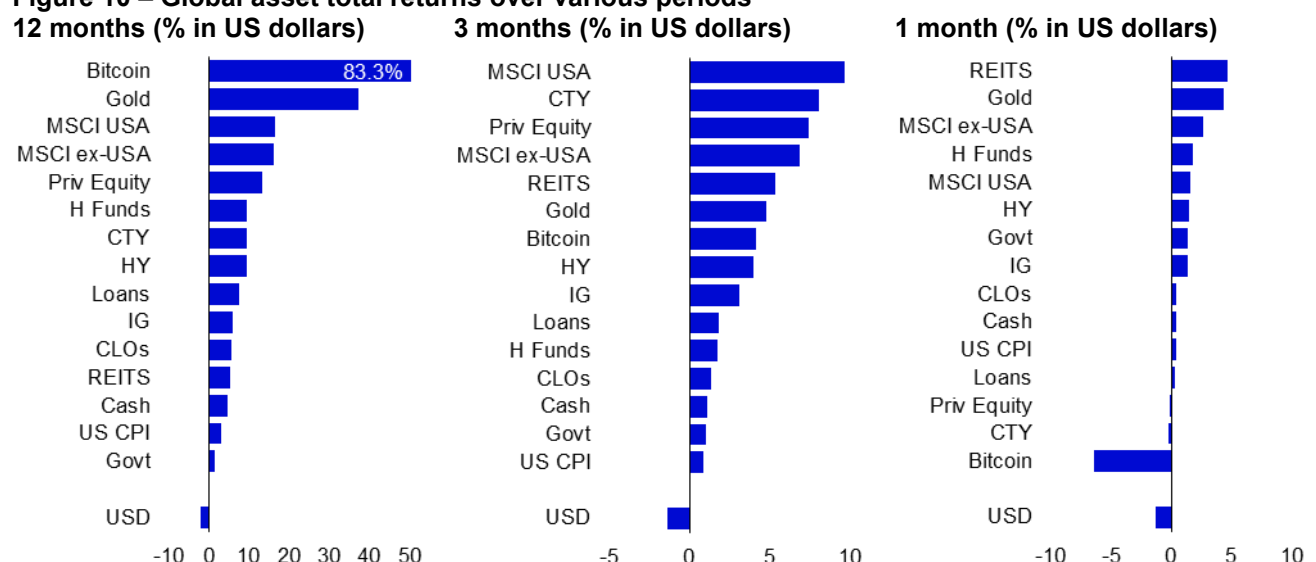
Total returns were positive on all of the fourteen monitored global assets over the last three months, measured in US dollars (see **Figure 10**). This suggests the uncertainty expressed in reaction to US tariff policies is largely behind us. The strongest returns were delivered by what we consider to be cyclical assets: equities (US and non-US), commodities, private equities and REITS. We were Overweight all except US equities and private equity (the latter is not in our Model Asset Allocation framework). Regional detail for some of those assets is shown in **Appendix 2**. Though the US equity market has been strong, China produced the best returns (luckily, we were Overweight that market). Among commodities, the best returns were delivered by energy. The US dollar weakened (based on the Goldman Sachs Trade Weighted Index), though it strengthened against the Japanese yen (see **Appendix 2**).

Those three-month returns largely reflect the pattern of the last 12 months. However, Bitcoin and gold, which dominated returns over 12 months, slipped down the rankings in the last three months (though still generated better returns than fixed income assets). It is also noticeable that REITS have recently performed better than over the full 12-month period, with Japanese REITS outperforming other regions over both timeframes. Strikingly, REITS were the best performing global asset over the last month. Given our Overweight stance on REITS, we hope this recent strong performance continues.

The question is whether the bullish performance of recent months, with stocks outperforming government bonds and US equities outperforming other markets, represents a return to pre-2025 patterns, or whether it is just a relief rally after the shock of US tariff announcements. Our view is that it will depend upon the economic cycle. Without a marked slowdown in global GDP growth, we doubt that defensive assets such as government bonds and IG will be among the best performers. Rather than such a slowdown, we expect global acceleration over the next 12 months, which in our opinion points to outperformance by riskier assets (non-US equities and industrial commodities).

Even with global economic acceleration, our concerns about the US economy and valuations make us wary of US equities. Other assets that we believe are extended are USD, gold and Bitcoin (see the following section on valuations).

Figure 10 – Global asset total returns over various periods



Past performance is no guarantee of future results. Based on monthly total return data for global assets in US dollars up to 29 August 2025. Abbreviations are as follows: "CTY" is commodities, "Govt" is government debt, "H Funds" is hedge funds, "HY" is high yield credit, "IG" is investment grade credit, "Loans" is bank loans or leveraged loans, "MSCI ex-USA" is MSCI ACWI ex USA Index, "Priv Equity" is private equity, "CLOs" is AAA collateralised loan obligations, "US CPI" is the US Consumer Price Index and "USD" is a trade weighted US dollar index. See appendices for definitions of asset categories and sources.

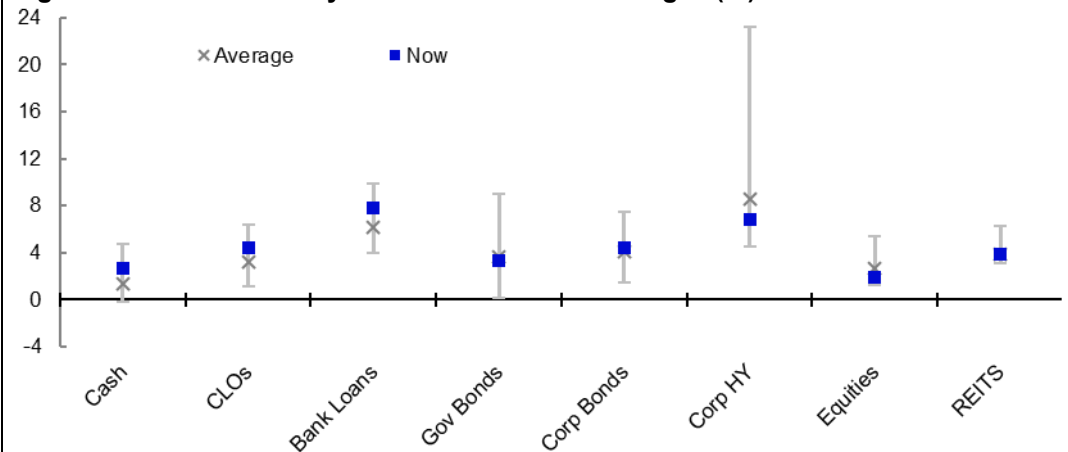
Source: ICE BofA, Credit Suisse, Credit Suisse/UBS, GPR, Goldman Sachs, JP Morgan, MSCI, S&P GSCI, LPX, Bloomberg, LSEG Datastream and Invesco Global Market Strategy Office

Cash rates and CLO/bank loan yields remain higher than normal, so being defensive isn't that costly (in our view)

Asset valuations: short duration assets still have a yield advantage

Judging by asset yields, valuations vary depending upon the duration of assets. Despite policy rate cuts, the yields on shorter duration instruments such as cash, CLOs and bank loans remain above historical norms (see **Figure 11**). On the other hand, the yield on cyclical longer duration assets such as HY and equities are below historical averages. Those on more defensive longer duration instruments (government bonds and IG) are close to historical norms. **Appendix 1** shows the regional detail.

Figure 11 – Global asset yields within historical ranges (%)



Start dates for historical ranges are Cash 1 January 2001; CLOs 30 December 2011; Bank Loans 31 January 1998; Gov Bonds 31 December 1985; Corp Bonds 31 December 1996; Corp HY 31 December 1997; Equities 1 January 1973; REITs 18 February 2005. CLOs is AAA collateralised loan obligations. See appendices for definitions, methodology and disclaimers. As of 29 August 2025. Source: ICE BofA, Credit Suisse Indices/UBS, JP Morgan, LSEG Datastream and Invesco Global Market Strategy Office

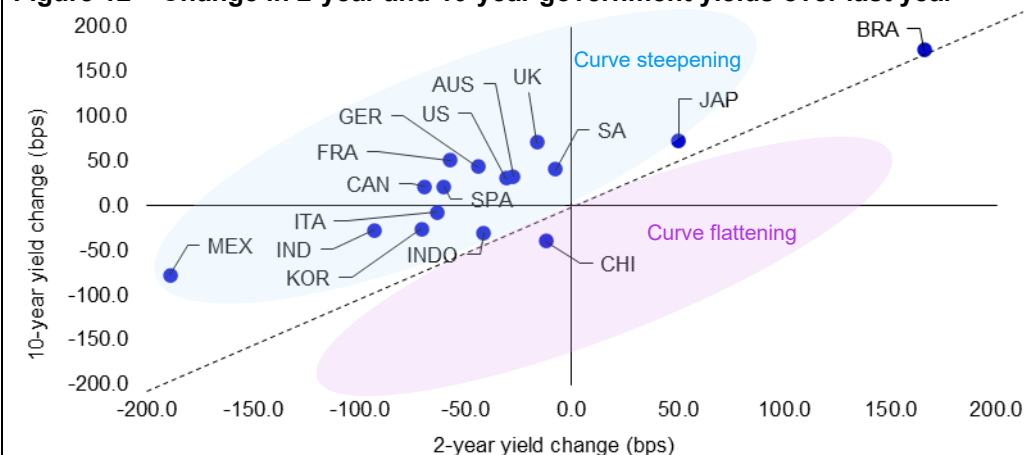
EM and eurozone bond yields are relatively attractive, while HY spreads are narrow

Within government bond and IG markets, EM has outperformed over the last 12 months (see **Appendix 2**). This has brought EM yields down towards historical norms (see **Appendix 1**). This reduces the valuation attraction of EM bonds but we note that US yields are below historical norms, which suggests that EM fixed income assets may still have a relative advantage (in our opinion). Eurozone yields are in line with historical norms, which improves the comparison with US and UK bonds. HY spreads remain too narrow, in our opinion.

It is still not clear we will be rewarded for taking duration risk

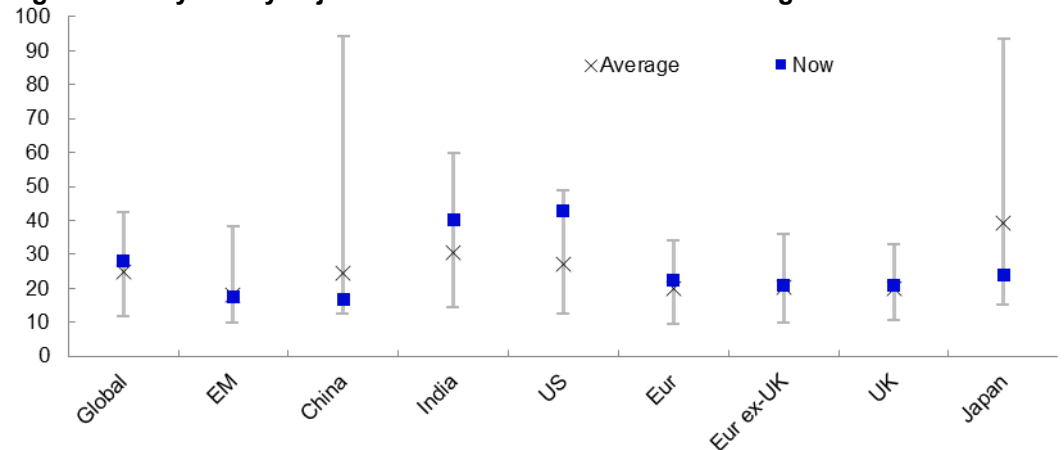
Yield curves have steepened in most countries (see **Figure 12**) and are now positively sloped (on the whole). Though a decline in shorter (2-year) yields has been an important factor in the steepening of curves over the last 12 months, a rise in 10-year yields has also played a role in many countries, making it hard to benefit from extending duration.

Figure 12 – Change in 2-year and 10-year government yields over last year



Note: **Past performance is no guarantee of future results.** The chart shows the change in government bond yields in the 12 months to 29 August 2025. "bps" is basis points. See appendices for country abbreviations. Source: LSEG Datastream and Invesco Global Market Strategy Office

Figure 13 – Cyclically adjusted PE ratios within historical ranges



Note: Cyclically Adjusted Price/Earnings uses a 10-year moving average of earnings. Based on daily data from 3 January 1983 (except for China from 1 April 2004, India from 31 December 1999 and EM from 3 January 2005), using Datastream indices. As of 29 August 2025.
Source: LSEG Datastream and Invesco Global Market Strategy Office

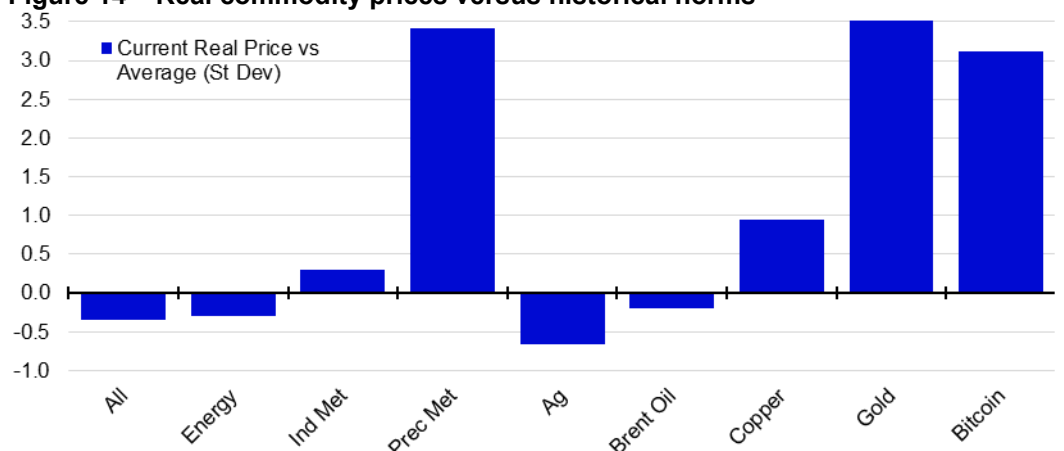
US and Indian equities remain expensive, while those of China are still below historical norms. Europe now has an interesting growth outlook

Judging by cyclically adjusted P/E ratios, there has been little change in the broad equity valuation picture since we wrote about the outlook for 2025 in November 2024. All of the markets in **Figure 13** are now more expensive than at end-October 2024, with the exception of India (which nonetheless remains more expensive than usual). However, the rankings are broadly similar, with the US very expensive (relative to other regions and relative to its own history), Europe close to historical norms (with Japan at a similar level in absolute terms) and China at the lower end of its own historical range and cheaper than other regions. As a result we believe there is more scope for returns in non-US markets, especially China, and we think Europe has an interesting growth outlook, which has not always been the case.

Gold and Bitcoin are unusually expensive. Industrial commodities may be an inexpensive way to get exposure to a global upswing

Turning to commodities, **Figure 14** shows that gold (and precious metals in general) and Bitcoin are significantly above historical norms in real terms (Bitcoin is not normally thought of as a commodity but it shares some characteristics with gold and it is not clear where else to put it). There may be good reasons why gold and Bitcoin have strengthened but they are unusually expensive (admittedly, it is hard to judge Bitcoin, as it only came into existence in 2009). On the other hand, industrial commodities (energy and industrial metals) are in line with historical norms and we think they could benefit if the global economy accelerates.

Figure 14 – Real commodity prices versus historical norms



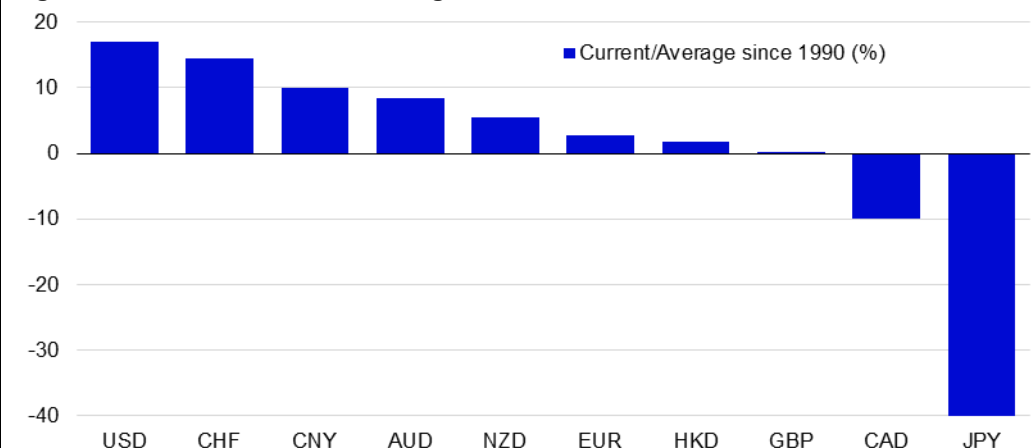
Note: Abbreviations: "Ind Met" is industrial metals, "Prec Met" is precious metals and "Ag" is agriculture. Historical ranges start on: All and Ag 31 December 1969; Energy 31 December 1982; Ind Met 31 January 1977; Prec Met 31 December 1974; Brent 29 May 1987; copper 31 January 1974, gold 31 January 1974, Bitcoin 30 November 2010. Prices are deflated by the US consumer price index. As of 29 August 2025. See appendices for definitions, methodology and disclaimers.
Source: GSCI, LSEG Datastream and Invesco Global Market Strategy Office

The euro has been in the ascendant, while the yen remains well below historical norms

Currency outlook: the yen looks good value but remains weak

Among the most traded currencies, the euro has been the strongest in trade weighted terms over recent months (according to Goldman Sachs indices). We suspect that is the result of expectations of a fiscal boost for the European economy, on the back of rising defence spending and German plans to lift infrastructure spending. The Japanese yen has been the weakest among those most traded currencies over the last three months and remains cheapest, when compared to historical norms in real terms (see **Figure 15**).

Figure 15 – Real effective exchange rates* relative to historical norms



*Currency indices measured against a trade-weighted basket of currencies and adjusted for inflation differentials (based on Goldman Sachs Real Trade-Weighted Indices). As of 29 August 2025.
Source: Goldman Sachs, Bloomberg and Invesco Global Market Strategy Office

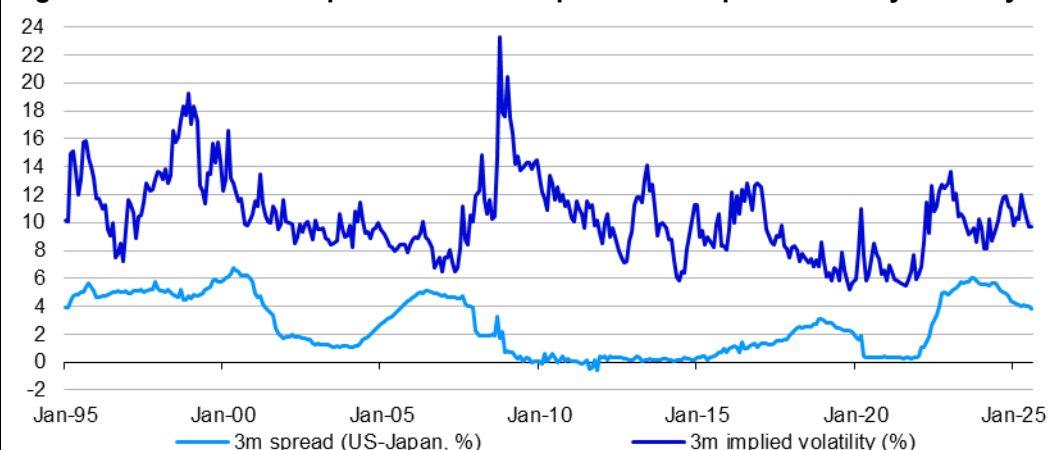
We think the yen has a lot of upside potential...

With the BOJ expected to further tighten, while most other central banks are easing (and with 10-year Japanese government yields at levels not seen since mid-2008), we believe the yen has potential to strengthen. In fact, we expect it to be the strongest major currency, while we expect the dollar to weaken.

...which we think will be realised as interest rate spreads narrow

Figure 16 shows how the US-Japan 3-month interest rate spread peaked at 6% in late 2023 and has since fallen to 3.8% (as of 29 August 2025). Though the USD/JPY rate didn't peak until mid-2024, it has started to weaken (initially helped by a rise in USD/JPY option implied volatility, which made carry trade activity riskier). Though, the rise of the yen has been slower than we expected, we believe it will continue, largely because we expect that interest rate spread to halve over the next 12-18 months (to around 2%). We believe that the "normal" rate for USD/JPY is below 100 (but are not forecasting that).

Figure 16 – US versus Japan interest rate spread and implied currency volatility



Note: **Past performance is no guarantee of future results.** Based on monthly data from January 1995 to August 2025 (as of 29 August 2025). 3m spread is the difference between US and Japanese 3-month deposit rates. 3m implied volatility is based on 3m currency options between the US dollar and Japanese yen.
Source: LSEG Datastream and Invesco Global Market Strategy Office.

We were cautiously optimistic about asset returns

But some risks appear to have deepened

As usual, there are some balancing factors

Our risk appetite has fallen but remains slightly positive

Threats, opportunities and risk appetite assessment

When the last Big Picture was published in June, we continued to cautiously embrace risk, believing the global economy could accelerate (helped by falling interest rates and rising real wages). The caution came largely from policy uncertainties in the US and the extended valuation of some US assets (notably stocks and HY).

Since then, it is our feeling that some risks have deepened:

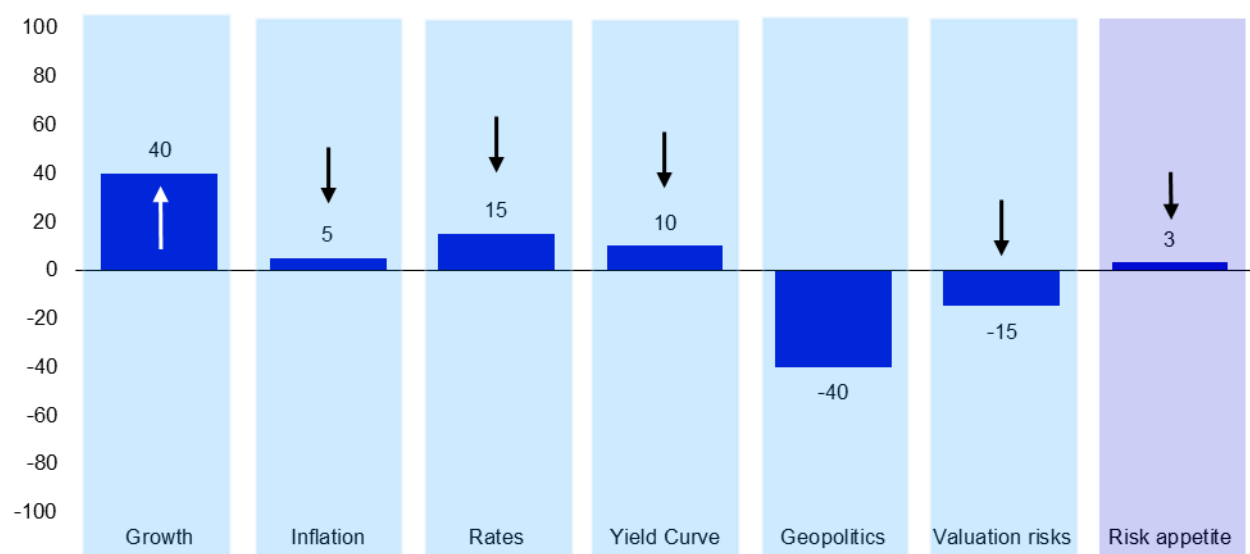
- The US economy appears to be slowing, as witnessed by recent employment data. If this goes too far, it could jeopardise US equity and high yield markets.
- Long-term government yields have risen in many countries, despite easing by most central banks. This makes the financing of government debt even harder.
- Another French government has fallen on struggles to force budget cuts through parliament, causing wider French and Italian yield spreads versus Germany.
- The independence of the Fed is a frequent source of concern among investors and we think the outlook is worsening.
- Geopolitical risks remain elevated, with no end in sight to the conflicts in Ukraine and Gaza (US/Israel attacks on Iran and Israel's strike on Qatari territory brought new tensions). Further, the recent gathering of leaders in China points to a deeper rift between the US and its allies, on the one hand, and much of the developing world, on the other.

This being said, we think there are some new opportunities:

- The US economy is slowing, making it more likely that the Fed will cut rates rapidly.
- Contrary to the fears provoked by higher tariffs, the global economy appears to be accelerating (judging by leading indicators and PMIs), which we think is good for cyclical assets (though it may limit further central bank easing outside the US).
- Peace appears to have broken out between China and India. This may be more a case of my enemy's enemy is my friend (concerning the US) but any rapprochement between the two most populous economies (that happen to be developing and growing rapidly) could be good news for the world economy.

Figure 17 shows our assessment of factors that impact our risk-appetite. The arrows suggest the recent changes in risk appetite factors have mainly been negative. Exceptions are the outlook for growth, which we think may have improved in many countries, and geopolitical risks, which may have stabilised. The average "Risk appetite" score has fallen from 4 to 3 but remains slightly positive. Hence, we remain cautious in our embrace of risk within our Model Asset Allocation framework.

Figure 17: Risk appetite assessment



Note: The chart shows how various factors are impacting our risk appetite. Positive scores suggest an addition to risk appetite, while negative scores imply the opposite. "Risk appetite" is an average of the other scores in the chart. Arrows indicate the direction of recent changes in our views. Source: Invesco Global Market Strategy Office

Economies to accelerate but there are risks and some assets are expensive

Central banks to continue easing but some are close to the end of that process

Geopolitical risks remain high, but falling interest rates could help riskier assets

We favour bank loans, non-US equities, REITS and commodities

Projections and asset preferences

We think the global economy could accelerate over the next 12 months in response to central bank easing and real wage growth. However, the US economy may be experiencing a growth pause, opening the door to Fed rate cuts, just as other central banks may be reaching the end of their easing cycles. We think geopolitical risks remain elevated. Some asset categories are ignoring these risks, in our opinion.

Underpinning our projections for the next 12 months are the following assumptions (see **Appendix 4** for details):

- Global GDP growth will improve (despite risks in the US)
- Global inflation is no longer trending down and money supply growth is picking up
- The Fed will ease but other central banks have less need (the BOJ will tighten)
- Yield curves will mostly steepen (though flatten in Japan)
- Credit spreads will widen slightly and defaults rise a bit (from low levels)
- Bank loan current yield spreads will widen slightly and defaults rise (from low levels)
- Equity and REIT dividend growth will be low; the direction of yields will be mixed
- USD will weaken as the Fed eases, especially versus JPY (as the BOJ tightens)
- Commodities will benefit from more global growth and USD weakness

Figure 18 shows our assessment of the likely impact of a range of factors on asset returns over the next 12 months. For example, we believe improving growth is likely to benefit cyclical assets, while geopolitical risks and valuations favour lower duration and defensive assets. Falling central bank rates could be more beneficial to riskier assets, as would yield curve steepening but these trends are likely to become less generalised (perhaps more focused on the US and UK, for example). A tense geopolitical situation may be benefiting gold, commodities and Bitcoin (in our view). Momentum has recently swung towards riskier and more cyclical assets. The “Total” score is an average of the individual scores, except that “Valuations” is given three times the weighting of other categories (reflecting our value bias).

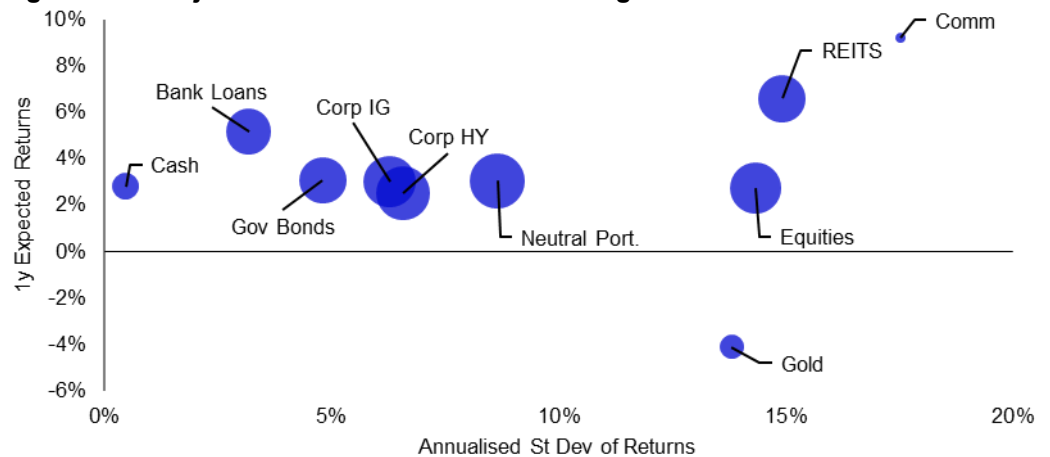
The total scores push us to favour non-US equities, commodities, REITS and bank loans (see **Figure 3** for detailed allocations). This is confirmed by the projected returns shown in **Figure 19**. The highest returns are expected on commodities, REITS and bank loans, with the latter having the advantage of low volatility, while the former has low correlation to other assets (correlation is in proportion to the size of the bubbles). The equity projected return is unimpressive but is dragged down by our caution on US stocks.

Figure 18 – Factors affecting global asset returns over the next 12 months and asset preferences

	Growth Improving	Inflation Flattening	Rates Falling	Yield curve Steepening	Geopolitics Poor	Momentum	Valuations	Total	Model Asset Allocation*	Preferred assets
Cash									Neutral	JPY, EUR
CLOs									N/A	
Bank Loans									Overweight	US
Hedge Funds									N/A	
Govt. Bonds									Neutral	UK, EM
Investment Grade									Neutral	UK, EM
High Yield									Underweight	
Gold									Underweight	
Non-US equities									Overweight	China, Europe, EM
US equities									Underweight	Equal weight, banks
REITS									Overweight	Europe, Japan
Commodities									Overweight	Energy, agriculture
Private Equity									N/A	
Bitcoin									N/A	

Note: *This is a theoretical portfolio and is for illustrative purposes only (see **Figure 3** for the details). It does not represent an actual portfolio and is not a recommendation of any investment or trading strategy. “CLOs” is AAA collateralised loan obligations. The chart shows our subjective assessment of various factors that we believe will impact the performance of assets over the next 12 months (assets are ordered based on historical volatility). Positive (dark blue) scores suggest a factor that we believe will improve returns, while negative (light blue) scores imply the opposite. “Momentum” is based on recent returns in US dollars. “Total” is an average of the scores, with “Valuations” given three times the weighting of any other factor. See appendices for definitions, methodology and disclaimers. Source: Invesco Global Market Strategy Office

Figure 19 – Projected 12m return versus risk for global assets



Notes: based on local currency returns. Returns are projected but standard deviation of returns is based on 5-year historical data. Size of bubbles is in proportion to average pairwise correlation with other assets. Cash is an equally weighted mix of USD, EUR, GBP and JPY. Neutral portfolio ("Neutral Port.") weights are shown in Figure 3. As of 29 August 2025. **There is no guarantee that these views will come to pass.** See Appendices for definitions, methodology and disclaimers. Source: ICE BofA, Credit Suisse Indices/UBS, FTSE Russell, MSCI, S&P GSCI, LSEG Datastream and Invesco Global Market Strategy Office

Our market forecasts suggest upside for non-US stocks

Figure 20 shows a conversion of these expectations into market targets. Though we expect policy rates to continue falling (except in Japan), we feel that some central banks are near the end of their easing cycles. Our 10-year yield forecasts are mixed, with an expectation of upside in Japan but downside in the UK, for example. Further downside is expected in the US dollar, especially versus the Japanese yen as the BOJ tightens. We see upside in most stock markets but the US is an exception. We believe that US concentration and valuations remain too high, and believe that a lot of Fed easing is in the price (with little allowance for a slowing economy). We believe gold is already very expensive, while industrial commodities can benefit from an uptick in global growth.

Figure 20 – Market forecasts

		Current (29/08/25*)	Forecast 12-month
Central Bank Rates	US	4.50	3.25
	Eurozone	2.00	1.75
	China	3.00	2.80
	Japan	0.50	1.00
	UK	4.00	3.50
10yr Bond Yields	US	4.21	4.30
	Eurozone	2.68	2.50
	China	1.79	1.90
	Japan	1.60	1.90
	UK	4.72	4.30
Exchange Rates/US\$	EUR/USD	1.17	1.25
	USD/CNY	7.13	7.00
	USD/JPY	147.05	130.00
	GBP/USD	1.35	1.40
	USD/CHF	0.80	0.75
Equity Indices	S&P 500	6460	6250
	Euro Stoxx 50	5352	5625
	FTSE A50	14966	16000
	Nikkei 225	42718	43500
	FTSE 100	9187	9650
Commodities (US\$)	Brent/barrel	68	75
	Gold/ounce	3441	3300
	Copper/tonne	9822	10500

Notes: * except for central bank rates which take account of subsequent changes. **There is no guarantee that these views will come to pass.** See Appendices for definitions, methodology and disclaimers.

Source: LSEG Datastream and Invesco Global Market Strategy Office

Invesco's 10-year CMAs have been published

The long term view: focusing on the next decade using Invesco's CMAs

Having considered projections for the next year, it may be instructive to use longer term return projections as a strategic guide. Invesco Solutions have just published their 10-year capital market assumptions (CMAs). **Figure 21** shows their projected returns for global asset classes in a range of currency bases (their framework differs from ours, so we have had to adapt some of their categories – for instance, we use their US Treasury Short category to represent cash and Precious Metals is used for gold). A more detailed version showing regional projections is contained in **Appendix 3**.

Figure 21: Invesco 10-yr capital market assumptions (global assets, % ann.)

	USD	EUR	GBP	CHF
Cash & Gold	-0.6	-2.3	-0.4	-4.4
Cash - US Treasury Short	3.5	1.8	3.7	-0.3
Gold	-4.7	-6.4	-4.5	-8.5
Government Bonds	4.9	3.2	5.1	1.0
Corporate IG	5.1	3.5	5.4	1.3
Corporate HY - US HY	5.8	4.2	6.1	2.0
Bank Loans (US)	6.1	4.4	6.3	2.3
Equities	5.3	3.7	5.6	1.5
Real Estate (REITS)	7.0	5.4	7.3	3.2
Commodities	5.9	4.3	6.2	2.1

Note: Estimates as of 30 June 2025 and based on the 10-year capital market assumptions published by Invesco Solutions in Long-Term Capital Market Assumptions (September 2025). The USD version of the CMAs is reproduced in Appendix 3. The above table uses the geometric expected return version for global asset classes ("gold" is based on the projections for precious metals and the "Cash & Gold" category shows the average of those two assets). These estimates reflect the views of Invesco Solutions, the views of other investment teams at Invesco may differ from those presented here. **There is no guarantee that these views will come to pass.** Source: Invesco Solutions

Bank loans, HY and commodities dominate 10-year CMA based optimal portfolios

The further we move along the risk spectrum, the higher the projected returns tend to be, though it is a relatively flat curve and equities and commodities don't appear to offer enough return given the extra volatility. When it comes to CMA based optimal solutions, the only consistent overweighting across currency bases and objectives is for bank loans and (almost) HY and commodities (see **Figure 22**). Though commodities offer a limited risk premium, the low correlation with other assets helps. At the other extreme, gold is always zero weighted, while equities is nearly always underweighted. The allocations for other assets are mixed, with cash largely favoured when maximising the Sharpe Ratio.

Figure 22: Optimised global allocations based on Invesco's 10-year CMA projected returns

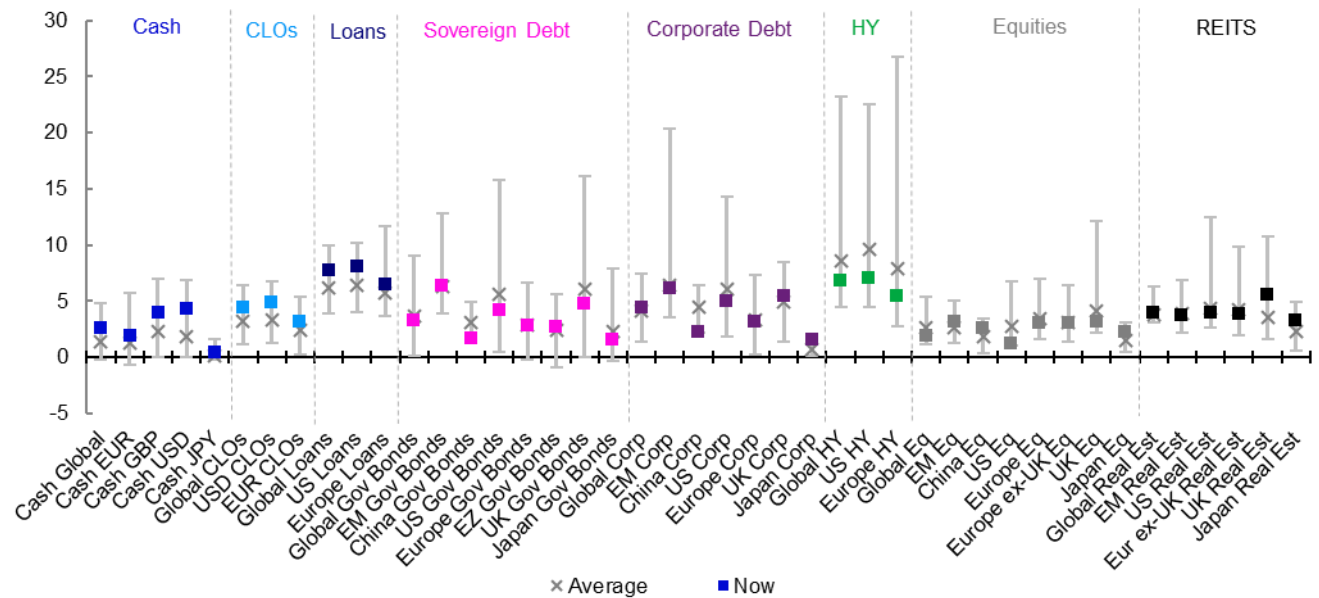
	Neutral Portfolio	Policy Range	Maximise Sharpe Ratio				Maximise Return			
			USD	EUR	GBP	CHF	USD	EUR	GBP	CHF
Cash & Gold	5%	0-10%	10%	0%	0%	0%	10%	10%	10%	0%
Cash	2.5%	0-10%	10%	0%	0%	0%	10%	10%	10%	0%
Gold	2.5%	0-10%	0%	0%	0%	0%	0%	0%	0%	0%
Government Bonds	25%	10-40%	40%	10%	10%	40%	40%	40%	40%	17%
Corporate IG	10%	0-20%	20%	0%	0%	9%	20%	15%	3%	20%
Corporate HY	5%	0-10%	10%	10%	10%	10%	10%	0%	10%	10%
Bank Loans	4%	0-8%	8%	8%	8%	8%	8%	8%	8%	8%
Equities	45%	25-65%	25%	60%	60%	25%	34%	25%	25%	33%
Real Estate (REITS)	4%	0-8%	0%	8%	8%	8%	8%	0%	0%	8%
Commodities	2%	0-4%	4%	4%	4%	0%	4%	2%	4%	4%

Note: optimisations are based on the 10-year projected returns published by Invesco Solutions in Long-Term Capital Market Assumptions (September 2025), as shown in **Figure 21** above. Optimisations are performed by the Asset Allocation Research team using our historical 10-year covariance matrices (for each currency). "Gold" is based on the projections for precious metals and the "Cash & Gold" category shows the sum of allocations for those two assets. "Maximise Sharpe Ratio" optimisations are performed by maximising the Sharpe Ratio subject to not violating the constraints implied by the policy ranges shown in the table. "Maximise Return" optimisations are performed by maximising return subject to the policy range constraints but also subject to the standard deviation of returns not exceeding that of the Neutral Portfolio. The Neutral Portfolio and Policy Range settings are designed to give a benchmark against which the optimal allocations can be judged. Though based on the projected returns provided by Invesco Solutions, these optimal allocations do not represent their views, nor those of any other investment team at Invesco. See appendices for definitions, methodology and disclaimers. Source: Invesco Solutions and Invesco Global Market Strategy Office

Appendices

Appendix 1: Global valuations vs history

Regional yields within historical ranges (%)



Notes: **Past performance is no guarantee of future results.** As of 29 August 2025. "Corporate Debt" is investment grade credit, "HY" is high yield credit, "Loans" are bank loans, "CLOs" are AAA collateralised loan obligations. See appendices for definitions, methodology and disclaimers. Source: Bloomberg, Credit Suisse Indices/UBS, FTSE Russell, ICE BofA, JP Morgan, LSEG Datastream and Invesco Global Market Strategy office

Appendix 2: Asset class total returns

Data as at 29/08/2025	Index	Current Level/RY	Total Return (USD, %)				Total Return (Local Currency, %)			
			3m	YTD	12m	5y*	3m	YTD	12m	5y*
Equities										
World	MSCI	952	8.6	14.7	17.2	12.5	8.3	11.8	16.5	13.1
Emerging Markets	MSCI	1258	8.7	19.6	18.2	5.3	9.3	16.7	18.6	6.9
China	MSCI	82	12.0	29.2	49.9	-2.1	11.4	29.1	50.1	-1.8
US	MSCI	6177	9.7	10.9	17.6	14.4	9.7	10.9	17.6	14.4
Europe	MSCI	2449	4.0	25.7	14.1	11.7	1.6	12.3	8.5	11.5
Europe ex-UK	MSCI	3020	3.2	26.0	13.4	10.9	0.2	11.4	7.2	10.9
UK	MSCI	1475	6.8	24.7	16.4	14.0	6.6	15.6	13.3	13.7
Japan	MSCI	4581	6.7	18.1	14.0	9.1	8.5	10.3	15.2	16.6
Government Bonds										
World	BofA-ML	3.29	1.2	6.6	1.4	-3.7	0.6	1.4	0.2	-2.1
Emerging Markets	JP Morgan	3.58	1.8	7.0	5.7	2.0	1.0	3.2	5.6	3.5
China	BofA-ML	1.65	0.8	2.6	3.6	4.1	0.0	0.3	3.9	4.9
US (10y)	Datastream	4.21	2.9	6.0	1.7	-2.9	2.9	6.0	1.7	-2.9
Europe	Bofa-ML	2.84	2.2	13.0	6.9	-2.9	-0.9	0.0	1.1	-2.6
Europe ex-UK (EMU, 10y)	Datastream	2.68	2.4	12.0	4.8	-4.0	-0.7	-0.9	-0.9	-3.7
UK (10y)	Datastream	4.72	0.8	10.1	1.8	-4.2	0.6	2.1	-0.8	-4.4
Japan (10y)	Datastream	1.60	-1.8	3.8	-5.0	-7.5	-0.1	-3.0	-4.1	-1.1
IG Corporate Bonds										
Global	BofA-ML	4.40	3.2	8.3	5.7	0.2	2.4	4.4	4.1	0.3
Emerging Markets (USD)	BBloom	6.11	5.7	9.7	9.5	1.2	5.7	9.7	9.5	1.2
China	BofA-ML	2.29	1.1	3.2	3.1	3.2	0.2	0.8	3.4	4.0
US	BofA-ML	4.95	3.2	5.4	3.9	0.3	3.2	5.4	3.9	0.3
Europe	BofA-ML	3.16	3.9	15.7	10.4	-0.2	0.8	2.4	4.5	0.2
UK	BofA-ML	5.47	1.9	11.4	6.2	-0.9	1.7	3.3	3.4	-1.2
Japan	BofA-ML	1.59	-1.7	6.3	-2.1	-6.6	-0.1	-0.7	-1.1	-0.2
HY Corporate Bonds										
Global	BofA-ML	6.80	4.0	8.7	9.3	4.3	3.4	6.0	8.2	4.4
US	BofA-ML	7.04	3.5	6.2	8.1	5.2	3.5	6.2	8.1	5.2
Europe	BofA-ML	5.46	4.9	17.6	13.2	3.6	1.8	4.0	7.0	3.9
Cash (Overnight LIBOR)										
US		4.36	1.1	2.5	4.7	2.9	1.1	2.5	4.7	2.9
Euro Area		1.92	2.0	13.5	9.8	1.3	0.5	1.4	2.8	1.5
UK		4.22	0.4	9.5	8.6	3.4	1.1	2.5	4.7	2.8
Japan		0.48	-4.3	6.1	3.9	-6.7	0.1	0.3	0.3	0.0
Real Estate (REITs)										
Global	FTSE	1714	4.7	10.4	4.6	4.7	1.5	-2.4	-1.1	5.0
Emerging Markets	FTSE	1304	7.5	13.8	14.3	-3.5	4.2	0.7	8.1	-3.2
US	FTSE	3211	2.9	3.2	0.5	7.9	2.9	3.2	0.5	7.9
Europe ex-UK	FTSE	2718	1.7	22.0	8.8	-0.3	-1.3	7.9	2.9	0.0
UK	FTSE	896	-7.1	10.5	-6.8	-0.9	-7.2	2.4	-9.2	-1.1
Japan	FTSE	2504	11.4	32.8	14.3	3.8	13.2	24.1	15.5	11.0
Commodities										
All	GSCI	3854	7.5	5.4	7.9	16.4	-	-	-	-
Energy	GSCI	637	9.8	0.1	0.3	20.5	-	-	-	-
Industrial Metals	GSCI	1782	5.0	8.3	6.2	7.2	-	-	-	-
Precious Metals	GSCI	3842	5.7	31.5	35.8	10.8	-	-	-	-
Agricultural Goods	GSCI	489	-1.9	-4.9	3.8	8.8	-	-	-	-
Currencies (vs USD)**										
EUR		1.17	2.8	12.9	5.5	-0.4	-	-	-	-
JPY		147.05	-1.9	6.9	-1.4	-6.5	-	-	-	-
GBP		1.35	0.2	7.9	2.7	0.3	-	-	-	-
CHF		1.25	2.8	13.3	5.8	2.5	-	-	-	-
CNY		7.13	0.8	2.4	-0.5	-0.8	-	-	-	-

Notes: **Past performance is no guarantee of future results.** *Five-year returns are annualised. **The currency section is organised so that in all cases the numbers show the movement in the mentioned currency versus USD (+ve indicates appreciation, -ve indicates depreciation). Please see appendix for definitions, methodology and disclaimers. Source: LSEG Datastream and Invesco Global Market Strategy Office.

Appendix 3: Invesco 10-year Capital Market Assumptions (USD version)

	Asset Class	Index	Expected geometric return %	Expected arithmetic return %	Expected Risk %	Arithmetic return to risk ratio
Fixed Income	US Treasury Short	BBG US Treasury Short	3.5	3.5	0.2	18.65
	US Treasury Intermediate	BBG US Treasury Intermediate	4.2	4.2	3.0	1.39
	US Treasury Long	BBG US Treasury Long	5.4	6.0	12.1	0.50
	US TIPS	BBG US TIPS	4.9	5.1	5.1	0.99
	US Bank Loans	Credit Suisse Leverage Loan Index	6.1	6.1	3.8	1.61
	US Aggregate	BBG US Aggregate	5.0	5.1	5.2	0.98
	US Inv Grd Corps	BBG US Investment Grade	5.3	5.4	5.7	0.96
	US MBS	BBG US MBS	5.5	5.7	6.7	0.85
	US Preferred Stocks	BOA ML Fixed Rate Pref Securities	5.5	5.8	7.8	0.74
	US High-Yield Corps	BBG US High Yield	5.8	6.0	5.7	1.06
	US Muni	BOA ML US Muni	4.9	5.0	5.5	0.92
	US Muni (Taxable)	ICE BOA US Taxable Muni Securities Plus	5.6	5.9	8.0	0.74
	US HY Muni	BBG US Muni Bond HY	5.4	5.6	6.6	0.85
	Global Aggregate	BBG Global Aggregate	4.9	5.0	5.7	0.88
	Global Aggregate-Ex US	BBG Global Aggregate- Ex US	4.8	5.0	7.3	0.69
	Global Treasury	BBG Global Treasuries	4.9	5.0	6.0	0.83
	Global Sovereign	BBG Global Sovereign	5.1	5.3	7.4	0.72
	Global Corporate	BBG Global Corporate	5.1	5.2	5.7	0.92
	Global Inv Grd	BBG Global Corporate Inv Grd	5.1	5.5	8.4	0.65
	Eurozone Corporate	BBG Euro Aggregate Credit - Corporate	4.9	5.3	9.3	0.57
	Eurozone Treasury	BBG Euro Aggregate Government - Treasury	5.0	5.5	10.0	0.55
	Asian Dollar Inv Grd	BOA Merrill Lynch ACIG	5.1	5.2	4.3	1.20
	EM Aggregate	BBG EM Aggregate	5.9	6.1	6.2	0.98
	EM Agg IG	BBG EM USD Agg IG	5.4	5.5	5.6	0.99
	China Policy Bk & Tsy	BBG China PB Tsy TR	4.4	4.5	5.1	0.88
	China RMB Credit	BBG China Corporate	5.0	5.2	4.8	1.07
Equities	World Equity	MSCI ACWI	5.3	6.6	16.5	0.40
	World Ex-US Equity	MSCI ACWI Ex-US	6.5	7.9	17.3	0.45
	US Broad	Russell 3000	4.0	5.4	17.4	0.31
	US Large Cap	S&P 500	4.7	6.0	17.0	0.35
	US Mid Cap	Russell Midcap	5.5	7.2	18.9	0.38
	US Small Cap	Russell 2000	7.7	10.0	23.4	0.43
	MSCI EAFE	MSCI EAFE	5.7	7.2	17.9	0.40
	MSCI Europe	MSCI Europe	6.2	7.9	19.4	0.41
	Eurozone	MSCI Euro X UK	6.3	8.2	20.0	0.41
	UK Large Cap	FTSE 100	5.1	6.9	19.4	0.35
	UK Small Cap	FTSE Small Cap UK	7.9	10.0	21.8	0.46
	Canada	S&P TSX	4.7	6.5	19.9	0.33
	Japan	MSCI JP	3.9	5.6	19.1	0.29
	Emerging Market	MSCI EM	8.6	10.1	18.4	0.55
	Asia Pacific Ex JP	MSCI APXJ	8.0	9.6	18.8	0.51
	China Large Cap	CSI 300	10.0	12.3	23.5	0.53
Alternatives	Global REITs	FTSE EPRA/NAREIT Developed Index	7.0	8.5	18.0	0.47
	Hedge Funds	HFRI HF Index	6.3	6.4	3.7	1.70
	Commodities	S&P GSCI	5.9	7.5	19.0	0.40
	Agriculture	S&P GSCI Agriculture	5.1	6.6	18.0	0.36
	Energy	S&P GSCI Energy	8.4	12.8	32.3	0.39
	Industrial Metals	S&P GSCI Industrial Metals	4.1	6.0	20.4	0.30
	Precious Metals	S&P GSCI Precious Metals	-4.7	-3.4	16.1	-0.21

Notes: Estimates as of 30 June 2025, as published in Long-Term Capital Market Assumptions (September 2025). These estimates reflect the views of Invesco Solutions; the views of other investment teams at Invesco may differ from those presented here. Please note that as of March 31, 2025, Invesco Solutions have changed the methodology of their risk model for estimating volatility and correlations, now utilizing the MSCI Barra Multi-Asset Class (MAC) factor model. **There is no guarantee that these views will come to pass.** TIPS = treasury inflation protected securities, MBS = mortgage-backed securities.

Source: Invesco Solutions

Appendix 4: Key assumptions

Key assumptions for 1-year projected returns

	US	Eurozone/ Europe ex-UK	UK	Japan	EM	China
Central bank rates (%)	3.25	1.75	3.50	1.00	-	2.80
Sovereign spreads vs rates (bps)	100	100	75	100	-	-
Corporate IG spread vs sovereign (bps)	130	50	130	15	-	-
Corporate HY spread vs sovereign (bps)	400	330	-	-	-	-
Bank Loan spread vs 3M cash rates (bps)	400	450	-	-	-	-
Corporate HY default rates (%)	1.5	1.5	-	-	-	-
Corporate HY recovery rates (%)	40	40	-	-	-	-
Bank Loan default rates (%)	2.0	1.0	-	-	-	-
Bank Loan recovery rates (%)	45	50	-	-	-	-
Equities dividend growth (%)*	5.0	5.0	5.0	2.0	2.0	2.0
Equities dividend yield (%)*	1.3	3.0	3.2	2.2	3.0	2.4
Real estate (REITS) dividend growth (%)*	2.0	5.0	2.0	5.0	0.0	-
Real estate (REITS) dividend yield (%)*	3.9	3.7	5.3	3.2	4.0	-

Notes: *assumptions for Europe ex-UK. One-year assumptions are based on our analysis of how current values compare to historical norms (assuming some degree of reversion to the mean, except where our analysis suggests historical norms are unlikely to be a guide to the future), adjusted for our view about the development of the economic and financial market cycles over the next year in each region.

There is no guarantee that these views will come to pass.

Source: Invesco Global Market Strategy Office

Appendix 5: Methodology for asset allocation and expected returns

Which asset classes?

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

Neutral allocations and policy ranges

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

Expected/projected returns

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

Currency hedging

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

Appendix 6: Definitions of data and benchmarks

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

Cash: returns are based on a proprietary index calculated using the Intercontinental Exchange Benchmark Administration overnight LIBOR (London Interbank Offer Rate). From 1st January 2022, we use the Refinitiv overnight deposit rate for euro, British pound and 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

Bitcoin: Spot price of Bitcoin (Bitstamp) in US dollars

Government bonds: Current values in the market forecast table (**Figure 20**) use Datastream benchmark 10-year yields for the US, Eurozone, Japan and the UK and the Thomson Reuters China benchmark 10-year yield for China. Historical and projected yields and returns (**Figures 1, 11, 19, 20**) are based on ICE BofA government bond indices with historical ranges starting on 31 December 1985 for the Global, Europe ex-UK, UK and Japanese indices, 30 January 1978 for the US and 31 December 2004 for China. The emerging markets yields and returns are based on the Bloomberg emerging markets sovereign US dollar bond index with the historical range starting on 28 February 2003. The same indices are used to construct **Appendix 1**.

Corporate investment grade (IG) bonds: ICE BofA investment grade corporate bond indices with historical ranges starting on 31 December 1996 for the Global, 31 January 1973 for the US dollar, 1 January 1996 for the euro, 31 December 1996 for the British pound, 6 September 2001 for the Japanese yen and 31 December 2004 for the China indices. The emerging markets yields and returns are based on the Bloomberg emerging markets corporate US dollar bond index with the historical range starting on 28 February 2003.

Corporate high yield (HY) bonds: ICE BofA high yield indices with historical ranges starting on 29 August 1986 for the US dollar, and 31 December 1997 for the Global and euro indices.

Bank Loans: Credit Suisse Leveraged Loan Indices with historical ranges starting on 31 January 1992 for the US index, 31 January 1998 for the Western Europe Index and 31 January 1998 for the Global Index (the global index is constructed by Invesco Global Market Strategy Office as a weighted average of the US and Western European indices, using market capitalisation as the weighting factor). **Figure 11** and **Appendix 1** are based on current yield. Data is sourced from Credit Suisse Indices/UBS and Bloomberg.

Collateralised Loan Obligations: JP Morgan AAA indices with historical ranges starting on 30 December 2011 for the JP Morgan US CLOIE AAA Index, 29 December 2017 for the JP Morgan European CLOIE AAA Index and 29 December 2017 for the Global Index (the global index is constructed by Invesco Global Market Strategy Office as a weighted average of the US and European indices, using market capitalisation as the weighting factor). Yields are based on yield to worst calculations. Data sourced from Bloomberg.

Equities: We use MSCI benchmark indices to calculate projected returns and calculate total returns with historical ranges starting on 31 December 1969 for the Global, US, Europe ex-UK, UK and Japanese indices, 31 December 1987 for the emerging markets index and 31 December 1992 for the China index (**Figures 1, 19, 20**). Equity index valuations (**Figures 11, 13 and Appendix 1**) are based on dividend yields and price-earnings ratios using Datastream benchmark indices with historical ranges starting on 1 January 1973 for the Global, US, Europe ex-UK and Japanese indices, 31 December 1969 for the UK index, 2 January 1995 for the Emerging Markets index, 26 August 1991 for the China A-Shares index.

Real estate: We use FTSE EPRA/NAREIT indices with historical ranges starting on 29 December 1989 for the US, Europe ex-UK, UK and Japanese indices, 18 February 2005 for the Global index, and 31 October 2008 for the Emerging Markets index.

Commodities: Goldman Sachs Commodity Index with historical ranges starting on 31 December 1969 for the All Commodities and Agriculture indices, 31 December 1982 for the Energy index, 3 January 1977 for the Industrial Metals index, and 2 January 1973 for the Precious Metals index. "Industrial commodities" is oil & gas and industrial metals.

Private equity: LPX Major Market Listed Private Equity Index, sourced from Bloomberg.

Hedge Funds: Credit Suisse Hedge Fund Index, sourced from Bloomberg.

Definitions of data and benchmarks for Appendix 2

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

Cash: returns are based on a proprietary index calculated using the Intercontinental Exchange Benchmark Administration overnight LIBOR (London Interbank Offer Rate). From 1st January 2022, we use the LSEG 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 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 China, the World and Europe. The emerging markets yields and returns are based on the JP Morgan Emerging Markets Global Composite Index.

Corporate investment grade (IG) bonds: Bank of America Merrill Lynch investment grade corporate bond total return indices and the Barclays Bloomberg emerging markets corporate US dollar bond total return index for emerging markets.

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

Country abbreviations for Figures 7, 8, 12

AUS	Australia
BRA	Brazil
CAN	Canada
CHI	China
EUR	Eurozone
FRA	France
GER	Germany
IND	India
INDO	Indonesia
ITA	Italy
JAP	Japan
KOR	South Korea
MEX	Mexico
SA	South Africa
SPA	Spain
TUR	Turkey
UK	United Kingdom
US	United States of America
WLD	World

Definitions and sources for asset categories used in the asset momentum chart (Figure 10)

Based on monthly total return data for global assets in US dollars (unless stated otherwise). Calculated using spot price of gold, spot price of Bitcoin, ICE BofA 0-3-month US treasury index (Cash), ICE BofA Global Government Index (Govt), ICE BofA Global Corporate Index (IG), ICE BofA Global HY Index (HY), Credit Suisse Leveraged Loan Indices (Loans, with the global index constructed by Invesco Global Market Strategy Office as a weighted average of the US and Western European indices), JP Morgan CLOIE CLO AAA Indices (CLOs, with the global index constructed by Invesco Global Market Strategy Office as a weighted average of the US and European indices), GPR General World Index (REITS), S&P GSCI total return index for commodities (CTY), MSCI USA Index (MSCI USA), MSCI ACWI ex USA Index (MSCI ex-USA), Credit Suisse Hedge Fund Index (H Funds), LPX Major Market Listed Private Equity Index (Priv Equity), Goldman Sachs Trade-Weighted US Dollar Index (USD) and US Consumer Price Index (US CPI). Data is sourced from LSEG Datastream and Bloomberg.

Appendix 7: Invesco Solutions Capital Market Assumptions methodology (Figure 21 & Appendix 3)

We show a summary of the Capital Market Assumptions produced by Invesco's Solutions team (Solutions) and this is a summary of their methodology.

Invesco Solutions employ a fundamentally based "building block" approach to estimating asset class returns. Estimates for income and capital gain components of returns for each asset class are informed by fundamental and historical data. Components are then combined to establish estimated returns. This is a summary of key elements of the methodology used to produce long-term (10-year) estimates.

Fixed income returns are composed of the average of the starting (initial) yield and expected yield for bonds, estimated changes in valuation given changes in the Treasury yield curve, roll return which reflects the impact on the price of bonds that are held over time, and a credit adjustment which estimates the potential impact on returns from credit rating downgrades and defaults.

Equity returns are composed of: a dividend yield, calculated using dividend per share divided by price per share, buyback yield, calculated as the percentage change in shares outstanding resulting from companies buying back or issuing shares, valuation change, the expected change in value given the current Price/Earnings (P/E) ratio and the assumption of reversion to the long-term average P/E ratio, and the estimated growth of earnings based on the long-term average real GDP per capita and inflation.

Alternative returns are composed of a variety of public versus private assets with heterogeneous drivers of return given their distinct nature. They range from a beta driven proxy to public markets or a bottom up, building block methodology like that of fixed income or equities, depending on whether they are more bond like or stock like.

Risk estimates, including individual volatilities, cross-asset correlations, and the covariance matrix, for the different asset classes displayed are derived using the MSCI Barra Multi-Asset Class (MAC) factor model. Please refer to the MSCI MAC methodology for more information about the model.

For the full Capital Market Assumptions methodology, please contact the Solutions team.

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 29 August 2025 unless stated otherwise.

By accepting this document, you consent to communicating with us in English, unless you inform us otherwise.

This marketing communication is for informational purposes only and is intended only for Professional Clients and Financial Advisers in Continental Europe (as defined below); Professional Clients only in Dubai, Ireland, the Isle of Man, Jersey, Guernsey and the UK; for Qualified Clients/Sophisticated Investors in Israel, for Professional/Qualified/Sophisticated Investors in Bahrain, Jordan, Kuwait, Lebanon, Mauritius, Oman, Qatar, Saudi Arabia, South Africa, Tunisia, Turkey, and the United Arab Emirates; for Professional Investors in Hong Kong, for certain specific sovereign wealth funds and/or Qualified Domestic Institutional Investors approved by local regulators only in the People's Republic of China, for Sophisticated/Professional Investors in Australia, for Institutional Investors in the United States, Peru and Singapore; for AFPs and Qualified Investors in Chile and Colombia; for Accredited/Institutional Investors in Mexico; for Wholesale Investors (as defined in the Financial Markets Conduct Act) in New Zealand; for certain specific Qualified Institutions and/or Sophisticated Investors only in Taiwan, for Qualified Professional Investors in Korea, for certain specific institutional investors in Brunei and Indonesia, for Qualified Institutional Investors and/or certain specific institutional investors in Thailand, for qualified buyers in Philippines and for certain specific institutional investors in Malaysia, upon request, for informational purposes only. This document is only intended for use with Qualified Institutional Investors in Japan; in Canada, this document is restricted to Institutional Investors and Advisors, is for educational purposes only, does not constitute investment, tax or legal advice and should not be relied on as such. This is not to be construed as an offer to buy or sell any financial instruments and should not be relied upon as the sole factor in an investment making decision. As with all investments there are associated inherent risks. Please obtain and review all financial material carefully before investing. All material presented is compiled from sources believed to be reliable and current, but accuracy cannot be guaranteed.

Continental Europe is defined as Andorra, Austria, Belgium, Bulgaria, Czech Republic, Croatia, Denmark, Finland, France, Germany, Gibraltar, Greece, Hungary, Italy, Kosovo, Latvia, Lithuania, Liechtenstein, Luxembourg, Malta, Monaco, Netherlands, North Macedonia, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and Switzerland.

In Monaco this document is for duly authorised intermediaries only. Such intermediaries are banks and financial activities companies duly licensed by the "Commission de Contrôle des Activités Financières" by virtue of Law n° 1.338, of September 7, 2007, and authorised under Law n° 1.144 of July 26, 1991.

This is marketing material and not financial advice. It is not intended as a recommendation to buy or sell any particular asset class, security or strategy. Regulatory requirements that require impartiality of investment/investment strategy recommendations are therefore not applicable nor are any prohibitions to trade before publication.

Views and opinions are based on current market conditions and are subject to change. These materials may contain statements that are not purely historical in nature but are "forward-looking statements." These include, among other things, projections, forecasts, estimates of income, yield or return, future performance targets, sample or pro forma portfolio structures or portfolio composition, scenario analysis, specific investment

strategies and proposed or pro forma levels of diversification or sector investment. These forward-looking statements can be identified by the use of forward-looking terminology such as “may,” “will,” “should,” “expect,” “anticipate,” “project,” “estimate,” “intend,” “continue,” “target,” “believe,” the negatives thereof, other variations thereon or comparable terminology. Forward looking statements are based upon certain

assumptions, some of which are described herein. Actual events are difficult to predict, are beyond the Issuer’s control, and may substantially differ from those assumed. All forward-looking statements included herein are based on information available on the date hereof and Invesco assumes no duty to update any forward-looking statement.

Australia

This document has been prepared only for those persons to whom Invesco has provided it. It should not be relied upon by anyone else. Information contained in this document may not have been prepared or tailored for an Australian audience and does not constitute an offer of a financial product in Australia. You may only reproduce, circulate and use this document (or any part of it) with the consent of Invesco.

The information in this document has been prepared without taking into account any investor’s investment objectives, financial situation or particular needs. Before acting on the information the investor should consider its appropriateness having regard to their investment objectives, financial situation and needs.

You should note that this information:

- may contain references to dollar amounts which are not Australian dollars;
- may contain financial information which is not prepared in accordance with Australian law or practices;
- may not address risks associated with investment in foreign currency denominated investments; and
- does not address Australian tax issues.

New Zealand

This document is issued only to wholesale investors (as defined in the Financial Markets Conduct Act) in New Zealand to whom disclosure is not required under Part 3 of the Financial Markets Conduct Act. This document has been prepared only for those persons to whom it has been provided by Invesco. It should not be relied upon by anyone else and must not be distributed to members of the public in New Zealand. Information contained in this document may not have been prepared or tailored for a New Zealand audience. You may only reproduce, circulate and use this document (or any part of it) with the consent of Invesco. This document does not constitute and should not be construed as an offer of, invitation or proposal to make an offer for, recommendation to apply for, an opinion or guidance on Interests to members of the public in New Zealand. Applications or any requests for information from persons who are members of the public in New Zealand will not be accepted.

Issued in Australia and New Zealand by Invesco Australia Limited (ABN 48 001 693 232), Level 26, 333 Collins Street, Melbourne, Victoria, 3000, Australia which holds an Australian Financial Services Licence number 239916.

Israel: This document may not be reproduced or used for any other purpose, nor be furnished to any other person other than those to whom copies have been sent. Nothing in this document should be considered investment advice or investment marketing as defined in the Regulation of Investment Advice, Investment Marketing and Portfolio Management Law, 1995 (“Investment Advice Law”). Neither Invesco Ltd. nor its subsidiaries are licensed under the Investment Advice Law, nor does it carry the insurance as required of a licensee thereunder.

This document is provided by Invesco Management S.A., President Building, 37A Avenue JF Kennedy, L-1855 Luxembourg, regulated by the Commission de Surveillance du Secteur Financier, Luxembourg, Invesco Asset Management (Schweiz) AG, Talacker 34, 8001 Zurich, Switzerland, and Invesco Asset Management Limited, Perpetual Park,

Perpetual Park Drive, Henley-on Thames, Oxfordshire RG9 1HH, UK Authorised and regulated by the Financial Conduct Authority, Invesco Asset Management Limited, Index Tower Level 6 - Unit 616, P.O. Box 506599, Al Mustaqbal Street, DIFC, Dubai, United Arab Emirates. Regulated by the Dubai Financial Services Authority.

This document is issued in the following countries:

- in Hong Kong by Invesco Hong Kong Limited 景順投資管理有限公司, 45/F, Jardine House, 1 Connaught Place, Central, Hong Kong
- in Singapore by Invesco Asset Management Singapore Ltd, 9 Raffles Place, #18-01 Republic Plaza, Singapore 048619.
- in Taiwan by Invesco Taiwan Limited, 22F, No.1, Songzhi Road, Taipei 11047, Taiwan (0800-045-066). **Invesco Taiwan Limited is operated and managed independently**
- in Japan by Invesco Asset Management (Japan) Limited, Roppongi Hills Mori Tower 14F, 6-10-1 Roppongi, Minato-ku, Tokyo 106-6114: Registration Number: The Director – General of Kanto Local Finance Bureau (Kin-sho) 306; Member of the Investment Trusts Association, Japan and the Japan Investment Advisers Association
- in the US by Invesco Advisers, Inc., 1331 Spring Street NW, Suite 2500, Atlanta, GA 30309 and Invesco Capital Management LLC, 3500 Lacey Road, Suite 700, Downers Grove, IL 60515
- in Canada by Invesco Canada Ltd., 16 York Street, Suite 1200, Toronto, Ontario M5J 0E6

Telephone calls may be recorded.

© 2025 Invesco. All rights reserved. II-GMSOBP-COM-19-E 4821570.

Author

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

Global Market Strategy Office

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

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

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

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

Telephone calls may be recorded