Uncommon truths
Should we be worried about inflation?

Markets appear to have lost faith in the Fed's desire to fight inflation. Globally, inflation remains above target but there is no clear trend. However, cyclical forces could push it higher over the coming years.

Three major central banks met last week. They all remained on hold, as expected, but market reactions varied. The BOJ announced what my Tokyo colleague (Tomo Kinoshita) described as a hawkish hold at 1.00% and the Bloomberg market implied path of BOJ rates ticked up (Tomo now favours a hike in October). Just as important, the yen strengthened the day before the meeting, with a suspicion of intervention, which could be interpreted as a sign of tightening.

The BOE decision to hold at 3.75% was the result of a 6-3 vote, with three members of the MPC (Monetary Policy Committee) voting to hike (two of those three had voted for a hike at the previous meeting). MPC member statements suggested a split between those believing it would be prudent to hike in the face of volatile energy prices and those emphasising the belief that policy is already restrictive and that domestic inflation pressures are easing, which could allow further easing if energy prices stabilise. Market reaction was muted, with little change in the implied path of BOE rates (a hike is expected in November or December).

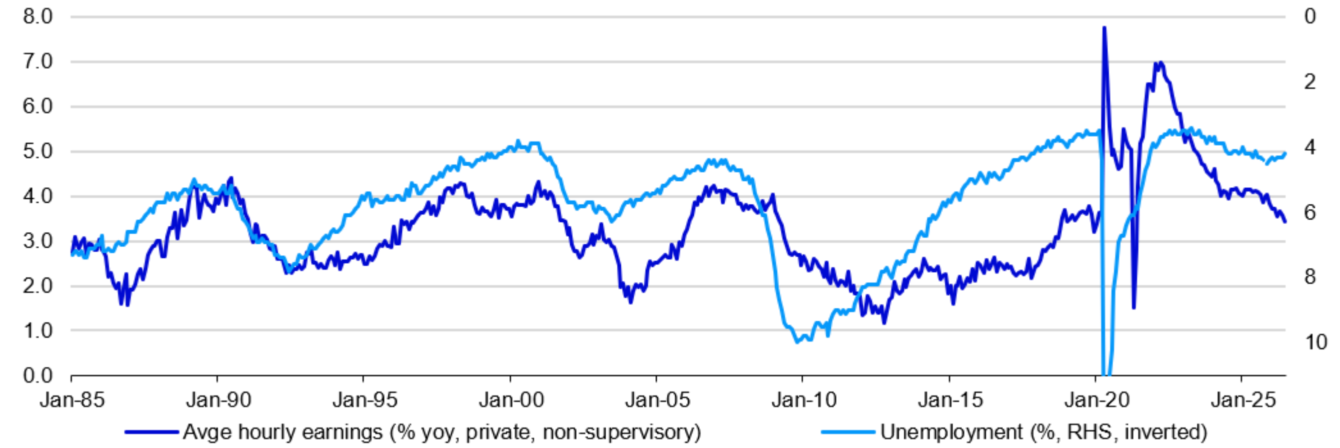
The Fed meeting had the biggest impact. The decision to hold at 3.50%-3.75% appears to have been interpreted by markets as a dovish hold, despite the fact that three members of the FOMC voted for a rate hike (versus none at the previous meeting). Treasury yields jumped, with all of the movement focused on the inflation component (the rise in the 10-year yield was almost equal to the rise in the breakeven inflation rate). The market implied path of Fed policy rates is now lower than it was, with the suggestion that the first hike will come in October or December (versus September prior to the meeting).

On that basis, the market seems to fear the Fed is behind the inflation curve. Is that fair? First, it is worth noting that the median forecast of FOMC members suggests the Fed's neutral policy rate is around 3.1%, implying that FOMC members believe the current policy rate (3.50%-3.75%) is restrictive. To believe the Fed is behind the curve, you would need to believe the Fed's neutral policy rate is higher than the FOMC suggests. Personally, I think the neutral rate is in the 3.50%-4.00% range (based on the assumption that inflation will be 2.00% and that economic growth will be 1.50%-2.00% over the long term). On that basis, I would say that Fed policy is neutral.

The second way in which the Fed could be behind the curve is if inflation is above target and is on an upward trajectory. With June headline CPI and PCE inflation rates of 3.5% and 3.7%, respectively, US inflation remains above the Fed's 2% target. The Fed's favoured measure of inflation, core PCE, was 3.3% in June, and core CPI was 2.6%. So, the starting point for Kevin Warsh is an inflation rate that remains above target, though the trimmed mean PCE measure, that he has advocated, is closer to target at 2.2%.

As for the trend there is a cyclical element, as suggested by Figure 1. During recession, supply of goods & services may exceed supply, thus depressing prices. In the labour market, rising unemployment is associated with falling wage inflation. Once the economy recovers, demand and supply should move into better balance and inflation stabilise, until, in the later stages of the cycle, demand outstrips supply and price inflation rises. As the cycle advances, the jobless rate is likely to fall, driving wage growth higher.

Figure 1 – US wage inflation is cyclical (the Phillips Curve works!)



Note: Based on monthly data from January 1985 to June 2026.
Source: LSEG Datastream and Invesco Strategy & Insights

The current economic upswing started in most countries in the middle of 2020. It is now six years old and already longer than that of 1973-79 and close to that of 2001-2007 (based on G7 aggregate GDP). Though only half-to-two-thirds of the 1980-90, 1991-2000 and 2008-19 upswing lengths, I think this expansion is reaching the stage at which inflation pressures could start to emerge.

Having said that, inflation is often a lagging indicator. Indeed, Figure 1 shows that the trend in wage inflation usually lags unemployment. US Unemployment peaked in November 2025 at 4.5% and has since fallen to 4.2%. That downtrend has not been strong enough or long enough to yet cause an uptick in wage inflation. However, if unemployment continues to fall, history suggests that wage inflation could pick up over the next year or so (the lags are variable).

Another cyclical force to watch is house price inflation. There are tentative signs of an upturn in US house price inflation and history suggests there is a 12–18-month lag between house prices and the shelter component of the consumer price index.

Hence, cyclical forces could drive US inflation higher but that seems more likely to be a 2027 H2 event. What about the rest of the world? Figure 2 suggests that headline and core inflation rates are close to or above the 2% level in the countries shown (except China), though with no obvious general tendency. There are signs of an uptrend in China (from a low level), while the UK shows signs of a downtrend.

When it comes to non-cyclical forces, the most obvious risk is prolonged closure of the Strait of Hormuz and the Red Sea. Though the Brent first future price, at around $90, is above the pre-war level, it is well below the $120 seen in March and April. To provoke a durable uplift in inflation, I believe the oil price would need to keep rising beyond $120. That could happen if energy flows remain substantively reduced into Q4, but that is not our base case (though the situation remains volatile). On the other hand, once energy flows restart, the departure of the UAE from OPEC+ could boost global supply and depress prices.

The other immediate non-cyclical force that I touched upon last week is the potential effect of the building El Nino on crops, and therefore on agricultural prices in late 2026/early 2027 (see Hot, Hot, Hot!).

Many investors have mentioned the effect of AI on inflation, by which they mean the inflationary effect of rising technology component prices. That could become a factor but is hard to detect right now. Further, I would expect the opposite effect if AI started to deliver productivity gains (see Is AI delivering?).

Finally, demographics could provide a steady disinflationary effect. Global population growth is easing, and I expect that to be associated with lower inflation over the coming decades, notwithstanding cyclical swings (see Don't shoot the messenger).

Overall, inflation remains above target in most countries but there is no trend. I think the situation in the Middle East presents the greatest upside risk, while other non-cyclical factors appear balanced. As for the economic cycle, the upswing is well advanced and that could bring higher inflation over the coming years. That may suggest the window of opportunity to cut rates is closing (with the BOE an exception, in my view) and could eventually bring general tightening.

Unless stated otherwise, all data as of 31 July 2026.

Figure 2a – Consumer price inflation (% yoy)

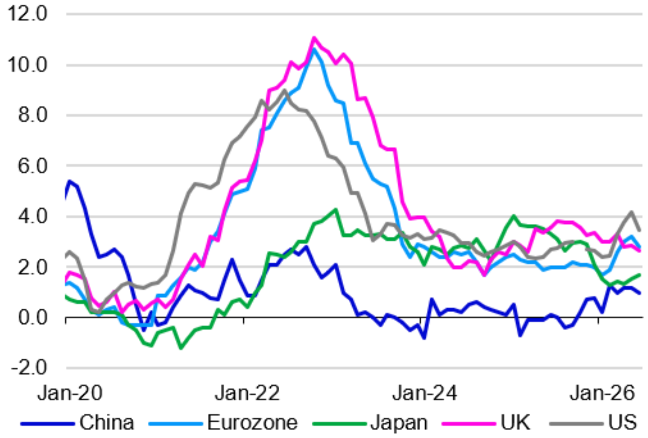
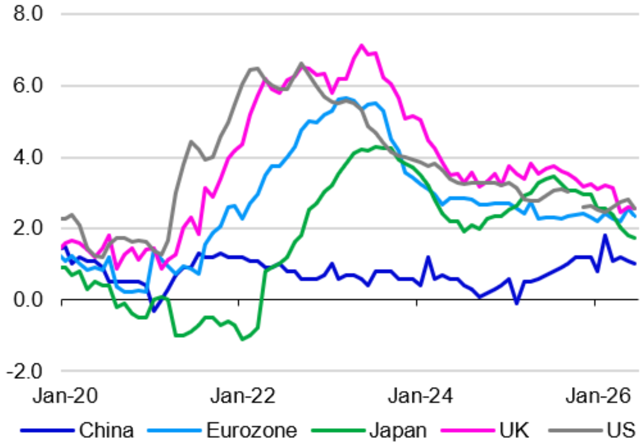


Figure 2b – Core consumer price inflation (% yoy)



Notes: Based on monthly data from January 2020 to June 2026. "Core" excludes the following items: food & energy in China and the US; energy, food, alcohol & tobacco in the eurozone and the UK; fresh food & energy in Japan.
Source: LSEG Datastream and Invesco Strategy & Insights

Figure 3 – Asset class total returns (%)

Data as at 31 Jul 2026		Current	Total Return (USD, %)					Total Return (Local Currency, %)				
	Index	Level/RY	1w	1m	QTD	YTD	12m	1w	1m	QTD	YTD	12m
Equities												
World	MSCI	1121	1.4	0.1	0.1	11.6	22.6	1.0	-0.3	-0.3	12.1	22.9
Emerging Markets	MSCI	1666	2.4	-3.0	-3.0	20.3	37.1	1.5	-4.3	-4.3	21.5	39.7
China	MSCI	75	3.9	9.0	9.0	-7.2	-1.0	3.9	8.9	8.9	-7.1	-2.0
US	MSCI	7093	0.4	-0.7	-0.7	9.3	18.3	0.4	-0.7	-0.7	9.3	18.3
Europe	MSCI	2846	1.9	1.7	1.7	10.2	23.6	0.9	1.1	1.1	12.0	22.6
Europe ex-UK	MSCI	3493	1.9	0.7	0.7	9.7	23.0	0.7	0.2	0.2	12.0	22.2
UK	MSCI	1740	2.2	5.3	5.3	11.9	25.6	1.3	3.9	3.9	11.8	23.6
Japan	MSCI	5563	2.5	1.0	1.0	17.2	32.7	-0.3	-1.0	-1.0	19.0	40.4
Government Bonds												
World	BofA-ML	3.98	0.8	-0.7	-0.7	-1.9	-0.7	0.0	-1.3	-1.3	-1.1	-0.1
Emerging Markets	JP Morgan	6.26	1.1	0.3	0.3	1.8	9.0	0.4	-0.2	-0.2	2.3	6.0
China	BofA-ML	1.49	0.6	1.0	1.0	5.9	8.4	0.2	0.4	0.4	2.3	1.7
US (10y)	Datastream	4.71	-0.1	-1.7	-1.7	-1.6	1.9	-0.1	-1.7	-1.7	-1.6	1.9
Europe	Bofa-ML	3.40	1.1	-1.1	-1.1	-2.5	0.3	0.0	-1.7	-1.7	-0.5	-0.2
Europe ex-UK (EMU, 10y)	Datastream	3.18	0.9	-1.6	-1.6	-2.6	-0.3	-0.2	-2.2	-2.2	-0.6	-0.9
UK (10y)	Datastream	5.13	-1.5	-2.8	-2.8	-3.3	1.1	-2.5	-4.2	-4.2	-3.3	-0.6
Japan (10y)	Datastream	2.75	3.0	1.5	1.5	-5.6	-12.5	0.2	-0.6	-0.6	-4.1	-7.4
IG Corporate Bonds												
Global	BofA-ML	4.97	0.4	-1.1	-1.1	-0.8	2.4	0.0	-1.3	-1.3	-0.2	2.2
Emerging Markets	JP Morgan	6.72	0.0	-0.5	-0.5	1.7	5.4	0.0	-0.5	-0.5	1.7	5.4
China	BofA-ML	2.06	0.5	0.8	0.8	5.7	9.1	0.1	0.3	0.3	2.0	2.3
US	BofA-ML	5.49	0.0	-1.5	-1.5	-0.6	2.7	0.0	-1.5	-1.5	-0.6	2.7
Europe	BofA-ML	3.80	1.2	-0.3	-0.3	-1.7	1.6	0.1	-1.0	-1.0	0.4	1.0
UK	BofA-ML	5.86	1.1	0.1	0.1	-0.3	4.5	0.1	-1.3	-1.3	-0.4	2.8
Japan	BofA-ML	2.47	2.9	1.8	1.8	-2.2	-6.9	0.1	-0.3	-0.3	-0.6	-1.5
HY Corporate Bonds												
Global	BofA-ML	7.39	0.3	-0.2	-0.2	1.5	5.0	0.1	-0.3	-0.3	2.0	4.9
US	BofA-ML	7.67	0.1	-0.3	-0.3	1.6	5.0	0.1	-0.3	-0.3	1.6	5.0
Europe	BofA-ML	6.14	1.1	0.3	0.3	-0.5	3.2	0.0	-0.3	-0.3	1.6	2.7
Cash (Overnight rates)												
US		3.66	0.1	0.3	0.0	1.9	4.0	0.1	0.3	0.0	1.9	4.0
Euro Area		2.18	0.5	-1.2	0.2	-1.7	-0.8	0.0	0.2	0.0	1.0	2.0
UK		3.73	1.2	-0.2	0.7	1.0	1.6	0.1	0.3	0.0	1.9	3.9
Japan		0.98	0.3	-0.7	0.7	-2.5	-9.6	0.0	0.1	0.0	0.4	0.6
Real Estate (REITs)												
Global	FTSE	1867	-1.0	2.7	2.7	12.3	17.8	-2.1	2.0	2.0	14.7	17.2
Emerging Markets	FTSE	1301	2.1	2.6	2.6	2.1	6.1	1.0	1.9	1.9	4.2	5.5
US	FTSE	3707	-3.0	2.3	2.3	20.3	24.9	-3.0	2.3	2.3	20.3	24.9
Europe ex-UK	FTSE	2617	2.5	2.0	2.0	0.3	3.0	1.3	1.4	1.4	2.3	2.5
UK	FTSE	901	1.0	7.5	7.5	14.1	20.9	0.0	6.0	6.0	14.0	18.9
Japan	FTSE	2392	2.2	3.1	3.1	-6.4	8.3	-0.6	1.0	1.0	-5.0	14.6
Commodities												
All	GSCI	5469	-2.0	12.6	12.6	39.7	41.6	-	-	-	-	-
Energy	GSCI	1122	-3.0	22.5	22.5	85.7	67.3	-	-	-	-	-
Industrial Metals	GSCI	2359	1.0	3.6	3.6	10.8	35.9	-	-	-	-	-
Precious Metals	GSCI	4527	-0.6	0.2	0.2	-8.1	24.5	-	-	-	-	-
Agricultural Goods	GSCI	501	-3.2	6.9	6.9	6.3	6.6	-	-	-	-	-
Currencies (vs USD)*												
EUR		1.15	1.4	0.9	0.9	-1.9	1.0	-	-	-	-	-
JPY		157.59	4.0	3.2	3.2	-0.6	-4.3	-	-	-	-	-
GBP		1.35	1.0	1.4	1.4	0.1	1.7	-	-	-	-	-
CHF		1.24	1.3	0.1	0.1	-1.8	0.6	-	-	-	-	-
CNY		6.75	0.3	0.5	0.5	3.6	6.7	-	-	-	-	-

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

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

Data as of 31 Jul 2026	Global				
	1w	1m	QTD	YTD	12m
Energy	**-1.4**	**8.3**	**8.3**	**11.3**	**8.2**
Basic Materials	**-1.0**	**0.6**	**0.6**	**-2.5**	**11.1**
Basic Resources	-0.3	1.7	1.7	-4.1	23.0
Chemicals	-2.6	-2.0	-2.0	1.2	-8.0
Industrials	**-0.5**	**-0.2**	**-0.2**	**0.7**	**-2.9**
Construction & Materials	-1.7	-6.2	-6.2	-5.8	-9.2
Industrial Goods & Services	-0.3	0.8	0.8	1.7	-1.9
Consumer Discretionary	**4.1**	**1.8**	**1.8**	**-12.1**	**-14.7**
Automobiles & Parts	1.2	-10.3	-10.3	-24.5	-12.6
Media	0.1	1.6	1.6	-23.7	-35.0
Retailers	7.1	7.1	7.1	-2.2	-7.4
Travel & Leisure	2.8	1.9	1.9	-8.4	-15.2
Consumer Products & Services	2.7	3.0	3.0	-16.1	-20.4
Consumer Staples	**0.6**	**3.6**	**3.6**	**-2.0**	**-7.9**
Food, Beverage & Tobacco	0.8	3.7	3.7	0.7	-4.8
Personal Care, Drug & Grocery Stores	0.2	3.4	3.4	-6.8	-13.2
Healthcare	**-1.0**	**1.4**	**1.4**	**-6.6**	**-1.1**
Financials	**0.1**	**5.7**	**5.7**	**0.7**	**1.4**
Banks	0.1	6.1	6.1	5.0	10.6
Financial Services	0.1	4.6	4.6	-5.9	-10.6
Insurance	-0.1	6.5	6.5	0.6	-1.2
Real Estate	**-1.3**	**3.1**	**3.1**	**-3.4**	**-8.7**
Technology	**-0.4**	**-5.3**	**-5.3**	**6.2**	**8.9**
Telecommunications	**0.0**	**-6.4**	**-6.4**	**6.7**	**5.6**
Utilities	**-3.4**	**-0.3**	**-0.3**	**-3.9**	**-7.6**

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

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

Data as of 31 Jul 2026	Absolute					Relative to Market				
	1w	1m	QTD	YTD	12m	1w	1m	QTD	YTD	12m
Growth	2.8	2.1	2.1	11.3	16.6	1.8	2.2	2.2	1.0	-2.4
Low volatility	-1.3	1.4	1.4	8.0	6.9	-2.4	1.4	1.4	-2.0	-10.6
Price momentum	-0.4	-5.9	-5.9	23.2	31.2	-1.4	-5.9	-5.9	11.8	9.8
Quality	0.7	4.7	4.7	9.6	17.5	-0.3	4.8	4.8	-0.5	-1.7
Size	2.2	3.1	3.1	11.0	16.5	1.1	3.2	3.2	0.8	-2.5
Value	0.8	4.7	4.7	20.1	34.1	-0.3	4.8	4.8	9.1	12.1
Market	1.1	-0.1	-0.1	10.1	19.6					
Market - Equal-Weighted	0.6	1.0	1.0	13.3	19.2					

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

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

Data as of 31 Jul 2026	Absolute					Relative to Market				
	1w	1m	QTD	YTD	12m	1w	1m	QTD	YTD	12m
Growth	1.5	3.1	3.1	13.6	18.8	0.8	1.8	1.8	1.2	-3.0
Low volatility	0.1	2.0	2.0	8.2	13.2	-0.7	0.7	0.7	-3.6	-7.7
Price momentum	-1.0	-2.8	-2.8	11.8	25.7	-1.8	-4.0	-4.0	-0.4	2.6
Quality	1.3	3.7	3.7	12.8	22.6	0.6	2.4	2.4	0.5	0.0
Size	1.8	7.4	7.4	8.7	12.5	1.1	6.0	6.0	-3.1	-8.2
Value	2.3	7.1	7.1	13.9	27.4	1.6	5.7	5.7	1.5	4.0
Market	0.7	1.3	1.3	12.3	22.6					
Market - Equal-Weighted	1.2	3.4	3.4	11.6	18.5					

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

Figure 6 – Model asset allocation

	Neutral	Policy Range	Allocation	Position vs Neutral	Hedged	Currency
Cash Equivalents	**5%**	**0-10%**	**4%**			
Cash	3%		0%			
AAA CLOs	2%		4%			
Bank Loans	**4%**	**0-8%**	**5%**			
US	3%		4%			
Europe	1%		1%			
Bonds	**40%**	**10-70%**	**31%**			
Government	25%	10-40%	18%			
US	8%		5%			
Europe ex-UK (Eurozone)	7%		5%			
UK	1%		2%			
Japan	7%		2%			
Emerging Markets	2%		4%			
China**	0.2%		0%			
India**	0.1%		1%			
Corporate IG	10%	0-20%	8%			
US Dollar	5%		3%			
Euro	2%		1%			
Sterling	1%		2%			
Japanese Yen	1%		0%			
Emerging Markets	1%		2%			
China**	0.1%		0%			
Corporate HY	5%	0-10%	5%			
US Dollar	4%		4%			
Euro	1%		1%			
Equities	**45%**	**25-65%**	**53%**			
US	25%		25%			
Europe ex-UK	7%		9%			
UK	4%		5%			
Japan	4%		7%			
Emerging Markets	5%		7%			
China**	2%		3%			
India**	1%		1%			
Real Estate	**4%**	**0-8%**	**5%**			
US	1%		0%			
Europe ex-UK	1%		2%			
UK	1%		2%			
Japan	1%		1%			
Emerging Markets	1%		0%			
Commodities	**2.0%**	**0-4%**	**2.3%**			
Energy	1.0%		0.0%			
Industrial Metals	0.3%		1.0%			
Precious Metals	0.3%		0.3%			
Agriculture	0.3%		1.0%			
Total	**100%**		**100%**			
Currency Exposure (including effect of hedging)						
USD	51%		45%			
EUR	20%		21%			
GBP	7%		11%			
JPY	14%		10%			
EM	9%		13%			
Total	**100%**		**100%**			

Notes: *This is a theoretical portfolio and is for illustrative purposes only. It does not represent an actual portfolio and is not a recommendation of any investment or trading strategy. **China and India are 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. India has been added in this edition. See the latest The Big Picture document for more details. See appendices for definitions, methodology and disclaimers. Source: Invesco Strategy & Insights

Figure 7 – Model allocations for global sectors

	Neutral	Invesco		Preferred Region
Energy	**6.7%**	**Overweight**		**Europe**
Basic Materials	**4.3%**	**Neutral**		**Europe**
Basic Resources	3.0%	Overweight	↑	Europe
Chemicals	1.3%	Underweight	↓	US
Industrials	**12.8%**	**Neutral**		**US**
Construction & Materials	1.8%	Overweight	↑	Europe
Industrial Goods & Services	11.0%	Neutral		US
Consumer Discretionary	**12.9%**	**Underweight**		**Europe**
Automobiles & Parts	2.6%	Underweight		Europe
Media	0.9%	Underweight		Europe
Retailers	5.2%	Underweight	↓	US
Travel & Leisure	1.7%	Underweight	↓	EM
Consumer Products & Services	2.5%	Neutral	↑	Europe
Consumer Staples	**4.5%**	**Neutral**		**US**
Food, Beverage & Tobacco	2.9%	Neutral		US
Personal Care, Drug & Grocery Stores	1.6%	Overweight		Europe
Healthcare	**7.9%**	**Neutral**		**US**
Financials	**16.2%**	**Neutral**	↓	**US**
Banks	8.3%	Neutral	↓	Japan
Financial Services	5.0%	Overweight		Japan
Insurance	2.9%	Neutral		US
Real Estate	**2.5%**	**Overweight**		**Japan**
Technology	**24.9%**	**Neutral**	↑	**US**
Telecommunications	**3.8%**	**Underweight**		**US**
Utilities	**3.4%**	**Overweight**	↑	**US**

Notes: These are theoretical allocations which are for illustrative purposes only. They do not represent an actual portfolio and are not a recommendation of any investment or trading strategy. See the latest Strategic Sector Selector for more details.
Source: LSEG Datastream and Invesco Strategy & Insights

Appendix

Methodology for Model Asset Allocation

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 AAA CLOs. We impose diversification by using policy ranges for each asset category (the range is usually symmetric around neutral).

Currency hedging

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

Definitions of data and benchmarks for Figure 3

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

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

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

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

Corporate investment grade (IG) bonds: ICE BofA investment grade corporate bond total return indices, except for in emerging markets where we use the JP Morgan Corporate Emerging Market Broad Bond Index.

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

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

Commodities: Goldman Sachs Commodity total return indices

Real estate: FTSE EPRA/NAREIT total return indices

Currencies: Global Trade Information Services spot rates

Investment risks

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

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