Applied philosophy
Strategist from East of the Elbe – Q1 2026

The total returns on assets in Central and Eastern EU member countries (CEE11) have been strong within equities and subdued for government bonds in the last three months. Globally, inflation has increased or remained elevated in most economies alongside interest rate expectations (except crucially, for the Fed) as global economic indicators seem mixed with continuing geopolitical risks. We expect growth to reaccelerate in 2026 both within and outside the region, although we expect inflation to stay above central bank targets in the short term. In my view, this outlook should support both government bonds and equities in our CEE11 universe.

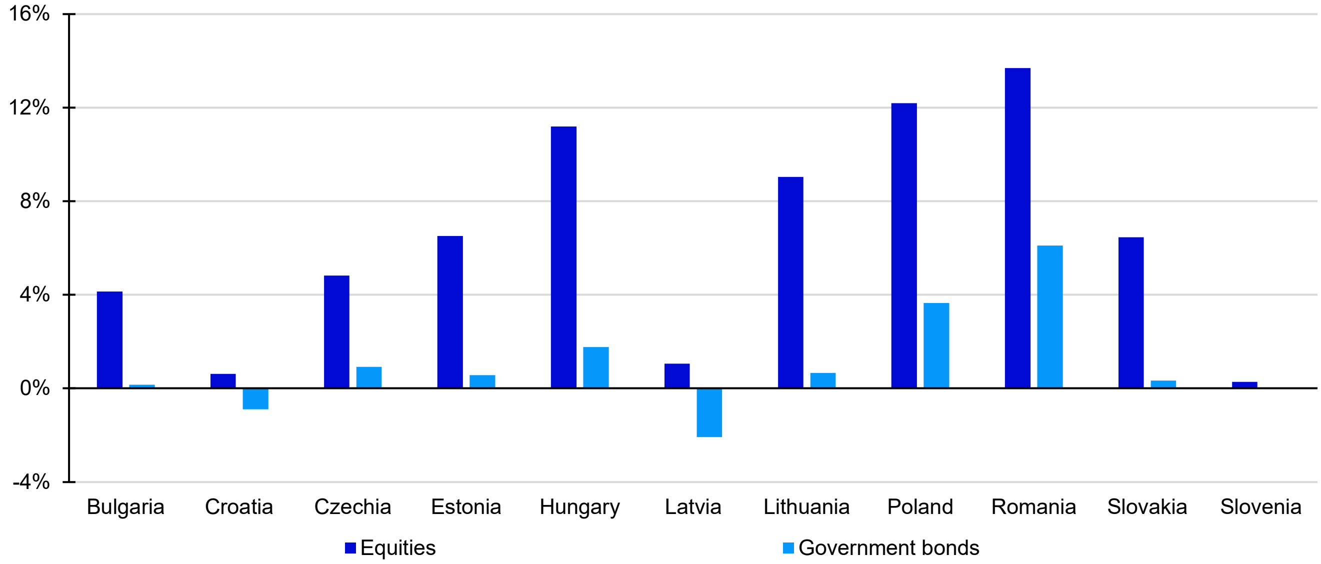
The Christmas tree is long gone, and we are deep into winter covered in ice and snow with our thoughts turning to what 2026 may bring. Risk assets had a good start to the year perhaps looking forward to stronger economic growth and ignoring any flare-up of geopolitical risk. Is that how the rest of the year may shape up?

Equity returns since the end of September in the CEE11 countries within our universe have remained strong for most countries, while government bond returns stayed subdued. Within equities, we highlighted Slovenia and Poland as our most preferred markets in our last edition, while we thought Bulgaria and Romania were likely to underperform (see here for the full detail). As shown in **Figure 1**, Poland was the second best performer, while Slovenia had the worst, albeit positive returns (only just). At the same time, Bulgaria was the fourth worst performer, while Romania was the best performer.

Government bond returns were mostly positive, but in the low single digits for almost all CEE11 countries, except for Croatia and Latvia, as inflation stayed high. We chose Romania and Czechia as our most preferred in our last edition. Although Romania was the best performer, Czech government bonds had only the fourth highest returns. On the other hand, we highlighted Bulgaria and Croatia as our least preferred. Croatia had the second worst returns, while Bulgaria had the fourth lowest returns between 30 September and 31 December 2025.

Government bond yields moved little since the end of September 2025 in most countries, apart from Latvia, where the 10-year yield rose by 35 basis points (bps), while it declined by 60 and 30bps in Romania and Poland respectively (as of 31 December 2025). Concerns about an economic slowdown in the US may have offset worries about inflation reaccelerating in the CEE region. The International Monetary Fund (IMF) expects fiscal deficits to rise or stay high in most countries within the CEE11 in 2026 versus 2025 (except in Romania and Slovakia), mostly driven by increased spending on defence and interest payments, in my view.

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



Notes: **Past performance is no guarantee of future results.** Data as of 31 December 2025. We use Datastream Total Market indices for equity returns. Government bond returns for Czechia, Hungary and Poland are based on Datastream 10-year benchmark government bond indices. We create a monthly index of government bond returns for all other countries by calculating the net present value of coupon payments and capital repayment based on redemption yields.
Source: LSEG Datastream and Invesco Strategy & Insights

I think the political landscape in the region is likely to be settled in the next 12 months after the Czech parliamentary election in 2025, where the populist ANO received the most votes and formed a governing coalition. The next potential flash points are the parliamentary elections in Hungary and Slovenia in April 2026.

In our view, the global economy could reaccelerate in 2026 after going through a phase of weaker growth, especially in the US, thus some developed market central banks may be edging closer to a tightening cycle (though not the Fed). In CEE11, GDP growth in Q3 2025 picked up in most countries or remained stable, except for slower year-on-year growth in Bulgaria, Croatia, Lithuania and Romania compared to Q2 2025. I expect this cyclical upturn to continue, especially in countries exposed to higher infrastructure and defence spending in the Euro Area.

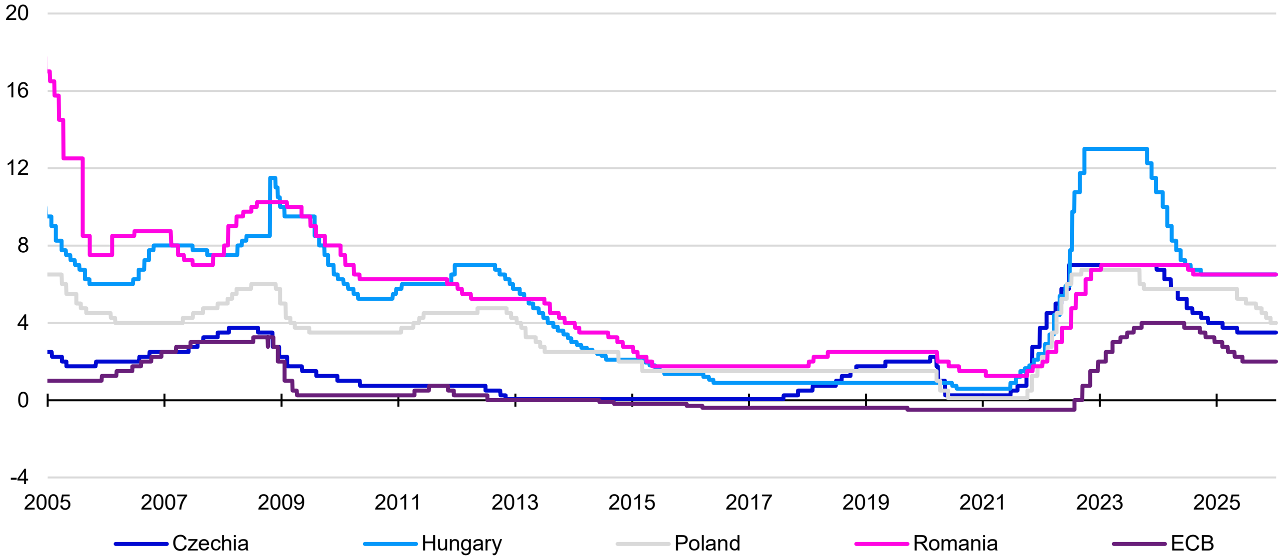
That probably implies no significant decline in inflation in the region, and therefore interest rates may remain near current levels, in my view. I think a lot will also depend on stability in the US policy environment with mid-term elections looming in H2 2026, while geopolitical risks remain. It would not surprise me if central banks retained their gradual stance towards changing target rates, thus leaning towards holding rates close to current levels, while monitoring economic indicators.

In CEE11 countries, I think growth will stay higher than in DM assuming decent real wage growth and no need for monetary tightening in response to higher inflation or currency weakness. In my view, fiscal policy is likely to be expansionary or neutral in most countries (apart from Romania and Slovakia, for example), although spending may be constrained somewhat by higher debt servicing costs.

We expect divergence in monetary policy as Developed Market (DM) central banks face different challenges. Inflation has been picking up in many economies, including in the CEE11 group, while economic growth remains resilient and may reaccelerate. We expect the US Federal Reserve (Fed) and the Bank of England (BOE) to be the most doveish with two more 25bps rate cuts priced in until the end of 2026, while some developed market central banks may join the Bank of Japan (BOJ) in raising rates (rate futures indicate an increase of about 25bps), with the European Central Bank (ECB) somewhere in between with no change. As **Figure 2** shows, only the Polish central bank cut rates in H2 2025 responding to declining inflation, while Bulgaria became a member of the Euro Area on 1 January 2026 and is therefore no longer shown separately.

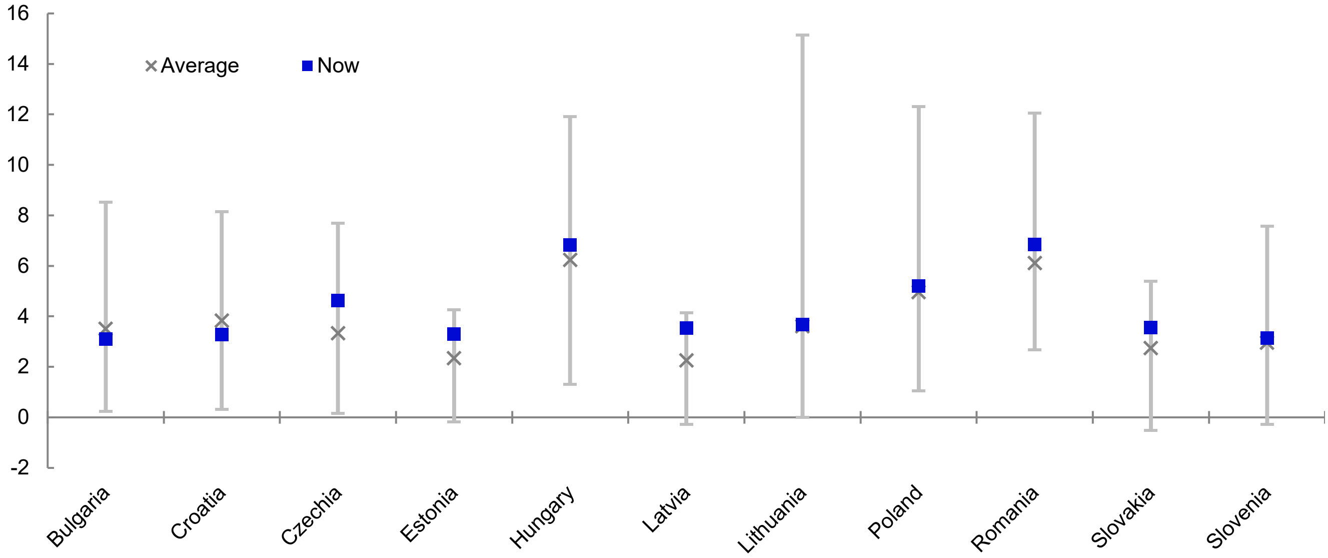
I think this global macroeconomic backdrop will be supportive of regional assets in general. In our latest The Big Picture, we reiterated the view that the prospects for growth may improve in the next 12 months, although there is some uncertainty around the future path of inflation, especially in the US with the potential combined impact of higher tariffs, tax cuts and Fed loosening. Accordingly, we maintained our selective overweighting of risk assets (though we upgraded high yield bonds to Neutral from Underweight and remained Underweight US equities), and we maintained our preference for Emerging Markets.

Figure 2 – Central bank target rates since 2005



Notes: **Past performance is no guarantee of future results.** Data as of 31 December 2025. Using daily data from 1 January 2005.
Source: LSEG Datastream and Invesco Strategy & Insights

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



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

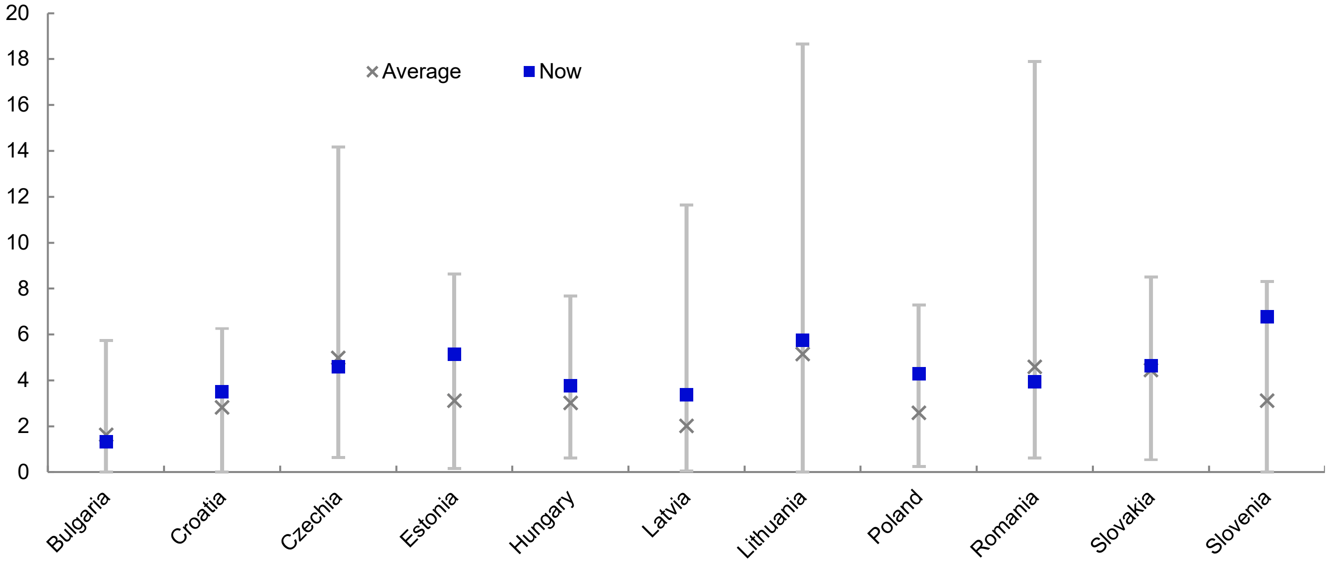
What does this imply for markets? The main question, in my view, is how far and how quickly growth reaccelerates in 2026. Financial markets have remained positive looking ahead to a more supportive environment in 2026. I also remain positive on the prospects of both equities and government bonds within CEE11, especially if USD weakness persists (we consider them risk assets within a global asset allocation context).

The Czech koruna, the Hungarian forint and the Polish zloty all strengthened against the euro, with only the Romanian leu weakening slightly in the last three months, which may have been driven by the difference in inflation expectations. Rate futures and Reuters consensus forecasts indicate rate cuts of about 100bps for Romania, 50bps for Poland and Hungary and no change for Czechia and the ECB, compared to 50bps of cuts for the Fed until the end of 2026 (as of 13 January 2026). Thus, it seems to me that the RON, the PLN and the HUF are likely to weaken against the euro in the next 12 months but may change less versus the US dollar. On the other hand, the CZK could strengthen against the USD, and I expect limited movements in their exchange rates versus the euro. Of course, this outlook assumes that there is no sudden deterioration of economic momentum (either within the region or globally).

In absolute terms, the 10-year yields of Romania and Hungary at 6.9% and 6.8% respectively are the highest, which is not surprising given that they also have the highest central bank rates within the region (as of 31 December 2025 – see **Figure 3**). In general, I would expect CEE11 yields for Eurozone member countries to be lower than the 3.6% yield on the broader EM universe (**Figure 6** – based on the JP Morgan Government Bond Index Emerging Markets Global Composite Index in USD as of 13 January 2026) due to their structurally lower inflation and interest rate expectations partly driven by currency strength. At the same time, CEE11 countries outside the Eurozone have higher yields partly reflecting higher levels of currency risk and inflation.

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

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



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

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

I expect healthy equity returns in the region based on our assumption of global economic acceleration in the next 12 months. While there may be a few bumps in the road in the near term, valuations look favourable in most markets within the CEE11. Apart from Bulgaria, they also offer higher yields in absolute terms than the 3% of the broader EM universe (using Datastream Total Market indices as of 31 December 2025). In my view, Slovenia and Poland continue to be in the sweet spot of having a dividend yield well-above historical norms and relative to their peers in the region with Estonia and Hungary also looking attractive (see **Figure 4**) despite strong double-digit returns in 2025.

On the other hand, I cannot overlook the low yields on offer on Bulgarian equities, which are also below their historical average. At the same time, although absolute yields are higher in Czechia and Romania, their yields are at a discount compared to historical norms, thus I view these markets as having the least potential for outperformance.

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

	Government bonds	**Equities**
Most favoured	Romania, Czechia	Slovenia, Poland
Least favoured	Bulgaria, Croatia	Bulgaria, Czechia

Source: Invesco Strategy & Insights

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

Data as at 13 Jan 2026	Index	Current Level/RY	Total Return (USD, %) 1w	1m	QTD	YTD	12m	Total Return (Local Currency, %) 1w	1m	QTD	YTD	12m
Equities												
World	MSCI	1038	0.3	3.0	2.3	2.3	27.1	0.5	3.2	2.6	2.6	24.3
Emerging Markets	MSCI	1472	0.4	6.0	4.9	4.9	45.7	0.8	6.2	5.3	5.3	43.0
China	MSCI	87	0.7	3.4	5.3	5.3	48.4	0.8	3.4	5.5	5.5	47.6
US	MSCI	6646	0.2	2.0	1.8	1.8	20.6	0.2	2.0	1.8	1.8	20.6
Europe	MSCI	2704	0.5	4.8	2.3	2.3	41.0	0.9	5.1	2.9	2.9	23.9
Europe ex-UK	MSCI	3340	0.7	4.5	2.4	2.4	41.0	1.1	5.1	3.2	3.2	22.9
UK	MSCI	1619	-0.4	5.9	2.0	2.0	41.0	0.1	5.2	2.1	2.1	27.5
Japan	MSCI	5016	0.2	3.3	4.5	4.5	34.4	1.7	5.3	5.9	5.9	35.6
Government Bonds												
World	BofA-ML	3.39	-0.2	-0.1	-0.3	-0.3	8.0	0.1	0.3	0.2	0.2	3.6
Emerging Markets	JP Morgan	3.58	0.1	1.2	0.2	0.2	11.3	0.1	0.3	0.1	0.1	4.7
China	BofA-ML	1.68	0.2	1.0	0.2	0.2	5.0	0.1	-0.2	0.0	0.0	-0.1
US (10y)	Datastream	4.17	0.0	0.5	0.1	0.1	9.9	0.0	0.5	0.1	0.1	9.9
Europe	Bofa-ML	2.90	-0.1	-0.1	-0.4	-0.4	17.3	0.3	0.7	0.4	0.4	2.7
Europe ex-UK (EMU, 10y)	Datastream	2.81	-0.1	-0.1	-0.3	-0.3	15.6	0.3	0.7	0.5	0.5	1.1
UK (10y)	Datastream	4.47	0.2	2.0	0.7	0.7	20.6	0.7	1.3	0.8	0.8	9.0
Japan (10y)	Datastream	2.13	-1.7	-3.5	-2.1	-2.1	-6.8	-0.3	-1.6	-0.7	-0.7	-6.0
IG Corporate Bonds												
Global	BofA-ML	4.38	0.0	0.5	0.1	0.1	12.2	0.2	0.7	0.4	0.4	7.8
Emerging Markets	JP Morgan	6.28	0.1	0.7	0.3	0.3	9.1	0.1	0.7	0.3	0.3	9.1
China	BofA-ML	2.28	0.2	1.2	0.2	0.2	6.4	0.1	0.1	0.0	0.0	1.2
US	BofA-ML	4.86	0.2	0.7	0.3	0.3	9.4	0.2	0.7	0.3	0.3	9.4
Europe	BofA-ML	3.26	-0.2	-0.2	-0.4	-0.4	19.2	0.2	0.6	0.4	0.4	4.3
UK	BofA-ML	5.11	0.2	2.0	0.7	0.7	21.1	0.7	1.4	0.8	0.8	9.6
Japan	BofA-ML	1.95	-1.5	-2.3	-1.4	-1.4	-2.1	0.0	-0.4	-0.1	-0.1	-1.3
HY Corporate Bonds												
Global	BofA-ML	6.79	0.2	0.9	0.3	0.3	11.8	0.2	1.1	0.5	0.5	8.9
US	BofA-ML	7.00	0.2	1.1	0.5	0.5	9.2	0.2	1.1	0.5	0.5	9.2
Europe	BofA-ML	5.48	-0.1	0.2	-0.2	-0.2	21.5	0.3	0.9	0.6	0.6	6.4
Cash (Overnight rates)												
US		3.64	0.1	0.3	0.1	0.1	4.3	0.1	0.3	0.1	0.1	4.3
Euro Area		1.93	-0.4	-0.7	-0.8	-0.8	16.1	0.0	0.2	0.1	0.1	2.2
UK		3.73	-0.5	0.7	-0.3	-0.3	14.7	0.1	0.3	0.1	0.1	4.3
Japan		0.73	-1.6	-2.0	-1.5	-1.5	-0.6	0.0	0.1	0.0	0.0	0.5
Real Estate (REITs)												
Global	FTSE	1738	1.2	3.0	2.3	2.3	17.0	1.6	3.8	3.1	3.1	2.4
Emerging Markets	FTSE	1352	0.3	2.9	3.5	3.5	25.9	0.7	3.7	4.4	4.4	10.2
US	FTSE	3209	1.1	2.3	2.2	2.2	7.7	1.1	2.3	2.2	2.2	7.7
Europe ex-UK	FTSE	2733	1.6	3.9	0.7	0.7	31.0	2.0	4.7	1.5	1.5	14.7
UK	FTSE	915	1.3	7.9	1.8	1.8	31.5	1.8	7.2	1.9	1.9	18.9
Japan	FTSE	2666	0.1	2.4	2.4	2.4	45.0	1.6	4.4	3.8	3.8	46.3
Commodities												
All	GSCI	4091	3.1	5.2	4.5	4.5	6.0	-	-	-	-	-
Energy	GSCI	638	7.0	5.2	5.7	5.7	-7.6	-	-	-	-	-
Industrial Metals	GSCI	2256	0.2	12.8	5.9	5.9	34.3	-	-	-	-	-
Precious Metals	GSCI	5320	2.9	10.0	8.0	8.0	78.9	-	-	-	-	-
Agricultural Goods	GSCI	465	-2.8	-3.6	-1.5	-1.5	-10.9	-	-	-	-	-
Currencies (vs USD)*												
EUR		1.16	-0.4	-0.8	-0.9	-0.9	13.6	-	-	-	-	-
JPY		159.16	-1.6	-2.1	-1.6	-1.6	-1.1	-	-	-	-	-
GBP		1.34	-0.5	0.6	-0.1	-0.1	10.6	-	-	-	-	-
CHF		1.25	-0.7	-0.6	-1.0	-1.0	14.5	-	-	-	-	-
CNY		6.98	0.1	1.1	0.2	0.2	5.1	-	-	-	-	-

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

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

Data as of 13 Jan 2026	Global				
	1w	1m	QTD	YTD	12m
Energy	**1.9**	**-0.3**	**0.1**	**0.1**	**-12.5**
Basic Materials	**2.3**	**6.4**	**4.8**	**4.8**	**20.5**
Basic Resources	3.0	9.2	6.9	6.9	42.8
Chemicals	0.5	0.0	0.1	0.1	-12.6
Industrials	**0.2**	**1.2**	**2.1**	**2.1**	**2.1**
Construction & Materials	0.2	-0.1	0.8	0.8	3.8
Industrial Goods & Services	0.2	1.4	2.3	2.3	1.8
Consumer Discretionary	**1.1**	**-0.7**	**0.5**	**0.5**	**-8.1**
Automobiles & Parts	1.5	-2.8	-1.1	-1.1	-5.5
Media	-1.8	-5.5	-4.8	-4.8	-13.4
Retailers	2.6	2.0	3.6	3.6	-6.3
Travel & Leisure	-0.4	-1.1	-1.1	-1.1	-11.7
Consumer Products & Services	0.0	-2.0	-0.5	-0.5	-9.6
Consumer Staples	**1.2**	**-2.0**	**-1.8**	**-1.8**	**-8.8**
Food, Beverage & Tobacco	1.7	-2.2	-1.9	-1.9	-7.1
Personal Care, Drug & Grocery Stores	0.3	-1.6	-1.8	-1.8	-11.6
Healthcare	**-0.7**	**-0.3**	**-0.4**	**-0.4**	**-8.3**
Financials	**-1.6**	**-0.4**	**-1.4**	**-1.4**	**5.7**
Banks	-1.0	0.6	-0.9	-0.9	14.9
Financial Services	-1.7	-0.4	-0.6	-0.6	-2.7
Insurance	-3.1	-3.6	-4.4	-4.4	-1.7
Real Estate	**0.4**	**0.0**	**-0.1**	**-0.1**	**-5.6**
Technology	**0.0**	**-0.1**	**-0.2**	**-0.2**	**5.4**
Telecommunications	**-2.0**	**-0.4**	**-1.8**	**-1.8**	**3.6**
Utilities	**-1.2**	**-1.8**	**-1.9**	**-1.9**	**-2.1**

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

Figure 8a – US factor index total returns (%, annualised)

Data as of 13 Jan 2026	Absolute					Relative to Market				
	1w	1m	QTD	YTD	12m	1w	1m	QTD	YTD	12m
Growth	0.0	0.5	7.4	13.9	13.2	-0.2	-1.6	-4.9	-5.1	-6.3
Low volatility	0.3	0.9	0.2	3.1	4.9	0.0	-1.2	-11.3	-14.0	-13.2
Price momentum	1.0	5.6	14.6	22.2	21.6	0.7	3.4	1.5	1.8	0.6
Quality	0.3	1.4	12.8	19.7	19.0	0.1	-0.7	-0.1	-0.2	-1.6
Size	0.9	2.3	11.2	12.6	13.4	0.6	0.2	-1.6	-6.1	-6.2
Value	0.5	2.1	15.4	22.5	22.4	0.2	0.0	2.2	2.1	1.2
Market	0.3	2.1	13.0	20.0	20.9					
Market - Equal-Weighted	0.4	2.7	9.8	15.1	15.4					

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 8b – European factor index total returns relative to market (%, annualised)

Data as of 13 Jan 2026	Absolute					Relative to Market				
	1w	1m	QTD	YTD	12m	1w	1m	QTD	YTD	12m
Growth	0.4	4.3	6.9	14.2	15.0	-0.5	-1.2	-6.0	-8.1	-7.2
Low volatility	-0.2	3.3	3.8	16.3	16.5	-1.1	-2.3	-8.7	-6.4	-6.0
Price momentum	1.3	8.3	21.8	46.2	46.8	0.4	2.5	7.1	17.6	18.4
Quality	0.1	4.9	13.4	28.3	27.7	-0.7	-0.7	-0.3	3.2	3.0
Size	0.5	5.3	5.3	16.3	19.6	-0.4	-0.3	-7.4	-6.4	-3.5
Value	0.4	4.7	14.1	35.9	38.8	-0.4	-0.9	0.4	9.3	12.0
Market	0.9	5.6	13.7	24.3	24.0					
Market - Equal-Weighted	0.5	5.0	9.8	22.1	23.5					

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 9 – 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%**		**8%**			
US	3%			6%			
Europe	1%			2%			
Bonds	**40%**	**10-70%**	↓	**36%**			
Government	25%	10-40%	↓	22%			
US	8%		↓	7%		50%	JPY
Europe ex-UK (Eurozone)	7%		↓	6%			
UK	1%			2%			
Japan	7%		↓	3%			
Emerging Markets	2%			4%			
China**	0.2%			0%			
Corporate IG	10%	0-20%	↓	9%			
US Dollar	5%		↓	4%		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%	↑	5%			
US Dollar	4%		↑	4%		50%	JPY
Euro	1%			1%			
Equities	**45%**	**25-65%**		**42%**			
US	25%			10%			
Europe ex-UK	7%		↓	10%			
UK	4%			6%			
Japan	4%		↑	7%			
Emerging Markets	5%			9%			
China**	2%			4%			
Real Estate	**4%**	**0-8%**		**6%**			
US	1%		↓	0%			
Europe ex-UK	1%			2%			
UK	1%			2%			
Japan	1%		↑	2%			
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	51%		↑	30%			
EUR	20%		↓	24%			
GBP	7%		↓	12%			
JPY	14%		↑	20%			
EM	9%			15%			
Total	**100%**			**100%**			

Notes: **China is included in Emerging Markets allocations. This is a theoretical portfolio and is for illustrative purposes only. See the latest The Big Picture document for more details. It does not represent an actual portfolio and is not a recommendation of any investment or trading strategy. Arrows indicate the direction of the most recent changes.
Source: Invesco

Figure 10 – Model allocations for Global sectors

	Neutral	Invesco	Preferred Region
Energy	**5.3%**	**Overweight**	**US**
Basic Materials	**3.6%**	**Neutral**	**Europe**
Basic Resources	2.4%	Underweight	Europe
Chemicals	1.2%	Overweight	US
Industrials	**13.0%**	**Neutral**	**US**
Construction & Materials	1.7%	Neutral	Europe
Industrial Goods & Services	11.3%	Neutral	US
Consumer Discretionary	**14.1%**	**Underweight**	**Europe**
Automobiles & Parts	2.7%	Underweight	Europe
Media	1.2%	Underweight	Europe
Retailers	5.4%	Neutral	US
Travel & Leisure	1.8%	Overweight	EM
Consumer Products & Services	3.0%	Underweight	Europe
Consumer Staples	**4.5%**	**Neutral**	**US**
Food, Beverage & Tobacco	2.8%	Neutral	US
Personal Care, Drug & Grocery Stores	1.7%	Overweight	Europe
Healthcare	**7.5%**	**Overweight**	**US**
Financials	**16.4%**	**Neutral**	**US**
Banks	8.0%	Overweight	US
Financial Services	5.4%	Neutral	Japan
Insurance	3.0%	Neutral	US
Real Estate	**2.6%**	**Overweight**	**Japan**
Technology	**26.3%**	**Underweight**	**US**
Telecommunications	**3.5%**	**Underweight**	**US**
Utilities	**3.2%**	**Neutral**	**Europe**

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

Appendix

Definitions of data and benchmarks for Figure 6

Sources: we source data from Datastream unless otherwise indicated.

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

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

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

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

Corporate high yield (HY) bonds: Bank of America Merrill Lynch high yield total return indices

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

Commodities: Goldman Sachs Commodity total return indices

Real estate: FTSE EPRA/NAREIT total return indices

Currencies: Global Trade Information Services spot rates

Abbreviations for currencies

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

Abbreviations for central banks

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

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 31 December 2025 unless stated otherwise.

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Telephone calls may be recorded.

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