Invesco

Presented by

Invesco Strategy & Insights

2026 ANNUAL INVESTMENT OUTLOOK

Resilience and rebalancing

Welcome to our 2026 outlook

Key takeaways

We see global growth reaccelerating

Lower US policy rates and greater fiscal spending in Europe, Japan, and China should lead to an improved global growth trajectory next year—and higher global equity markets.

The Federal Reserve (Fed) is cutting rates

With many major central banks on hold, Fed cuts should contribute to a soft dollar environment. Falling costs for hedging US dollar (USD) exposure are likely to encourage investors to increase hedge ratios and exert downward pressure on the dollar.

The US dollar has weakened and growth outside the US has the potential to increase

We expect a weaker USD and better growth outside of the US to support performance of non-US assets, especially emerging market (EM) equities and EM debt.

Amid expensive valuations, we prefer rebalancing

We reduce allocations to expensive parts of the market, particularly large US artificial-intelligence (AI)-related stocks, and look for other opportunities. Alternative assets remain attractive in our opinion with comparatively better valuation opportunities, and we see fundamentals improving in a falling rate environment.

Executive summary

2025 was a year marked by uncertainty, yet risk assets delivered strong returns,[1] culminating in what could be described as an "almost everything" bull market. As we look ahead to 2026, we believe the conditions are in place for the market advance to continue.

Our outlook, Resilience and rebalancing, reflects two key themes:

Resilience

The private sector has demonstrated a remarkable ability to absorb economic shocks, in our view, supported by healthy corporate and household balance sheets with limited leverage and excess according to our analysis. We expect this resilience to be further bolstered by policy easing in the United States and fiscal support across Europe, Japan, and China. These stimulus measures should help lift the global economy out of what we view as a mid-cycle slowdown.

Rebalancing

While US equity markets, particularly the tech sector driven by the AI trade, are at elevated valuations, we see compelling opportunities elsewhere. Valuations are more attractive in non-US markets, smaller-capitalization stocks, and cyclical sectors within the US. A pickup in global activity could unlock value across these areas, contributing to a more balanced market leadership.

We enter 2026 with optimism, confident in the private sector's durability, inclined to not fight global policymakers, and mindful of the need for diversification as the market narrative evolves.

Note: Diversification does not guarantee a profit or eliminate the risk of loss.

Our outlook in brief

Macro views

(pages 4 – 5)

Resilient economies and markets set the stage for 2026
Solid corporate and household balance sheets and lower leverage than in previous cycles form a resilient base on which global growth can potentially improve.

Growth is likely to broaden as policy support kicks in
The Fed has restarted an easing cycle, global fiscal spending has been increasing, and political and geopolitical uncertainty have been falling. That should support greater activity and growth in 2026.

China's policy support is expected to keep growth on track despite external pressures
China is likely to continue to support its economy with targeted government action alongside a turn to high-quality growth.

Europe on the mend: Policy has turned positive for the region: A ramp-up in fiscal spending from Germany should start to take effect in early 2026, which should help boost growth. Domestic consumption is expected to improve, too.

Fiscal support, inflation comeback likely to lift Japanese nominal growth: Japanese inflation is back alongside a shift in wage-setting expectations, which should help drive nominal growth higher.

India outlook improves amid geopolitical challenges
We're cautiously optimistic on India's 2026 growth, driven by improving US relations, progress on domestic reforms, and rate cuts.

Investment themes

(pages 6 – 10)

Potentially better growth, broader participation
A reacceleration from a mid-cycle slowdown lays the groundwork for greater market participation and cyclically-oriented sectors.

A weaker US dollar
Central bank policies diverge, weakening the dollar and supporting the groundwork for emerging market assets.

Reducing AI concentration risks
Key players in the AI theme have become expensive, but a clear catalyst for consolidation remains unclear. We prefer rebalancing to manage concentration risk.

Emerging market strength
Better global growth, few EM inflation pressures, and a weaker USD should bode well for emerging market asset performance in 2026.

Private credit offers diversification
A more benign risk environment, better growth, stable inflation, and easier US monetary policy are conditions where we expect private credit to perform well.

Our asset views

(page 11)

Equities
- US
- Developed markets ex-US
- EM

Government bonds
- Developed markets
- Emerging markets local debt

Corporate credit
- Investment grade
- High yield

Commodities
- Industrial metals
- Precious metals

Currencies
- Developed markets currencies versus USD
- Emerging markets currencies versus USD

Alternatives
- Private credit
- Crypto currencies

Opinions expressed are those of Invesco Strategy & Insights. This commentary does not constitute buy/sell recommendations. Views are presented with a 1-5 point rating, as indicated by the bars. The left-most value indicates the least favorable view, while the right-most value indicates the most favorable view.

Macro views

Resilient economies and markets set the stage for 2026

Headline growth figures suggest the US economy is healthy, yet the labor market has weakened and small business capital expenditure (capex) figures have been soft. Recently, high-income consumers have been driving consumption and AI-related investment has supported US gross domestic product (GDP) and corporate earnings.

In most major economies, the corporate and household sectors have not taken on excess leverage and have cash buffers. These conditions helped them weather 2025's huge swings in policy uncertainty. Healthy balance sheets help set the stage for an improvement in growth going into 2026, in our view.

Growth to broaden as policy support kicks in

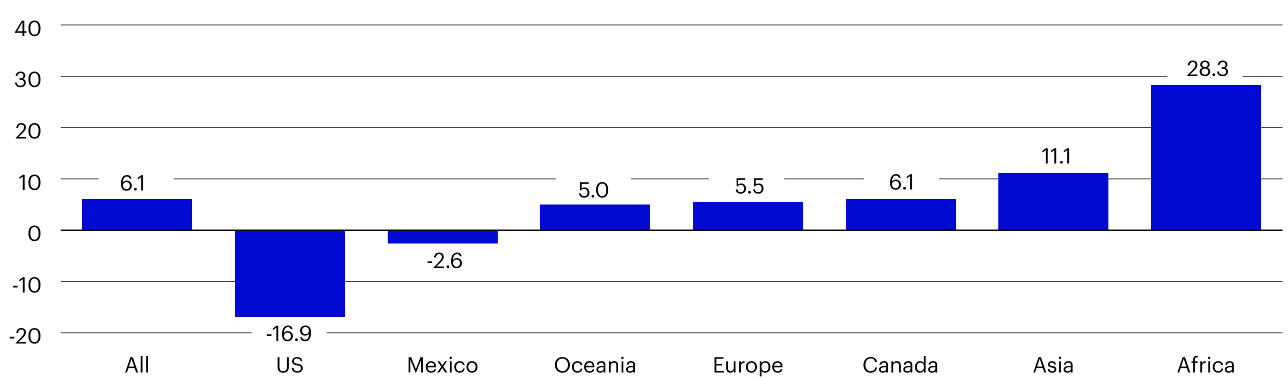
Our core theme for 2026, particularly in the first half, is one of improved global growth compared to 2025.

In the US, we expect growth to be supported by Fed easing, strong foreign direct investment, and a weakening dollar. Outside the US, we anticipate fiscal action and a generally improved global inflation outlook to help global growth.

Less US political and global geopolitical uncertainty should also encourage private economic agents to increase their spending and investment, both in the US and other economies.

China's export volumes grow as global trade rebalances

September 2025 year-to-date, year-over-year %



Sources: Bloomberg L.P., and Invesco Strategy & Insights, as of September 30, 2025.

China's policy support keeps growth on track despite external pressures

Global trade has also been surprisingly resilient in 2025. Chinese export volumes have risen despite higher tariffs placed on US imports.

While global trade has not collapsed, trade patterns are changing, which brings opportunities for some emerging markets and sectors.

While we do not expect any meaningful improvement in the external backdrop, Chinese growth in 2026 is likely to be close to 5%, helped by easing monetary policy and fiscal stimulus that should support infrastructure investment and domestic demand.

The 15th Five-Year Plan (starting in 2026) also emphasizes greater self-reliance, which comes from growing the domestic consumer base and retaining China's leadership in innovation, especially in the AI and high-tech manufacturing sectors.

The weaker US dollar has helped reduce inflation in many emerging markets (EM) and is now allowing those central banks to engage in easier policy. This is likely to factor significantly in asset returns. For example, EM debt provided solid returns in 2025,[2] which we expect will be repeated in 2026 for emerging markets ex-China.

Contents

Macro views

Europe on the mend: Policy has been turning positive for the region

Eurozone growth has disappointed for several years, partly due to fiscal consolidation in Germany. However, we think that is changing with Germany embarking on a period of higher military and infrastructure spending. We expect this to be supported across the region by higher military spending in many countries, continued real wage growth, and recent interest rates cuts (we think the European Central Bank (ECB) is close to the end of its easing cycle).

This fiscal spend should encourage private sector investment, and signs of a growth pick-up have already appeared in improving purchasing manager indices. Trend growth will likely be subdued by demographics and competitive challenges, while a fractious political environment remains a risk (see page 12). But the pessimism towards Europe is high, in our view, so a bit less bad news could be very good for European assets.

Pessimism towards the UK is high, too. Inflation remains above the Bank of England's target, the fiscal challenge is sizeable, and growth has been tepid. The Bank of England (BOE) has cut less than the ECB, but we believe it now has more scope to ease (see page 7). Retail sales volumes appear to be on an uptrend (supported by falling interest rates, real wage growth, and healthy savings, in our view). GDP growth could surprise positively in 2026 and support UK assets accordingly.

Fiscal support, inflation comeback to lift Japanese nominal growth

Japan is experiencing a structural return of inflation that has helped ignite a virtuous cycle where consumption is climbing alongside nominal wages. The labor market remains tight, and capital investment has been consistently stronger than most economies, in our assessment.[3]

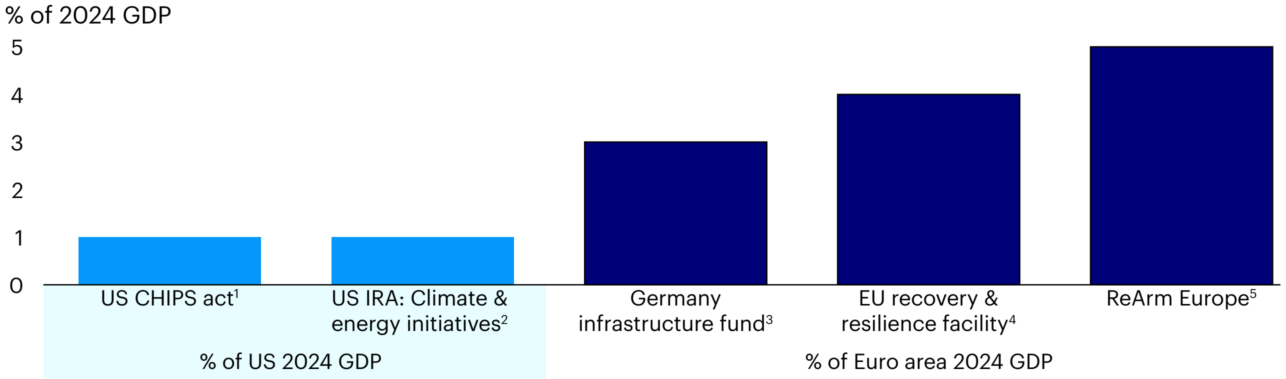
We expect Japanese growth will continue to improve and move above trend in 2026, helped by new fiscal stimulus. We expect the Bank of Japan (BOJ) to hike slowly, keeping rates well in accommodative territory, which should help support growth and investment.

India outlook improves amid geopolitical challenges

Despite equity market underperformance amid geopolitical tensions, we are cautiously optimistic on India in 2026, due to ongoing reforms and signs of stabilization and room for potential improvement in US-India relations. We expect India to remain the world's fastest growing large economy, with growth modestly accelerating on Reserve Bank of India rate cuts.

Domestic economic reforms remain crucial for raising trend growth and for long-term resilience, in our view. We expect gradual progress given political constraints.

Recently proposed fiscal plans show a big shift in Europe



Sources: Bloomberg L.P., and Invesco Strategy & Insights, as of September 30, 2025. | 1. $280bn of funding to boost domestic research and manufacturing of semiconductors in the United States. | 2. $369bn in climate and energy initiatives as part of Inflation Reduction Act. | 3. €500bn of funding for federal infrastructure and climate projects, and funding for state governments. | 4. € 650bn for reforms and projects. | 5. € 800bn aim through 2030 targeting increased national spending and security investments.

Potentially better growth, broader participation

After a subdued experience in 2025, we expect global economic activity to pick up in 2026. This should benefit cyclically-exposed sectors and contribute to greater market breadth, particularly in US markets.

We emphasize the distinction between a reacceleration from a slowdown and a reacceleration to a new, higher sustained level of growth. The current outlook calls for the former. Growth is expected to pick up modestly, driven by policy easing and targeted stimulus, but not by a significant shift in consumer behavior. We note that even a modest improvement in nominal growth may have meaningful implications for financial markets.

This is particularly relevant given investor concerns about elevated valuations in the technology sector and the concentration within major US market cap indices. A reacceleration in activity, supported by policy, creates an opportunity for investors to diversify. That includes rotating into cyclical sectors, as well as smaller capitalization and value-oriented stocks.

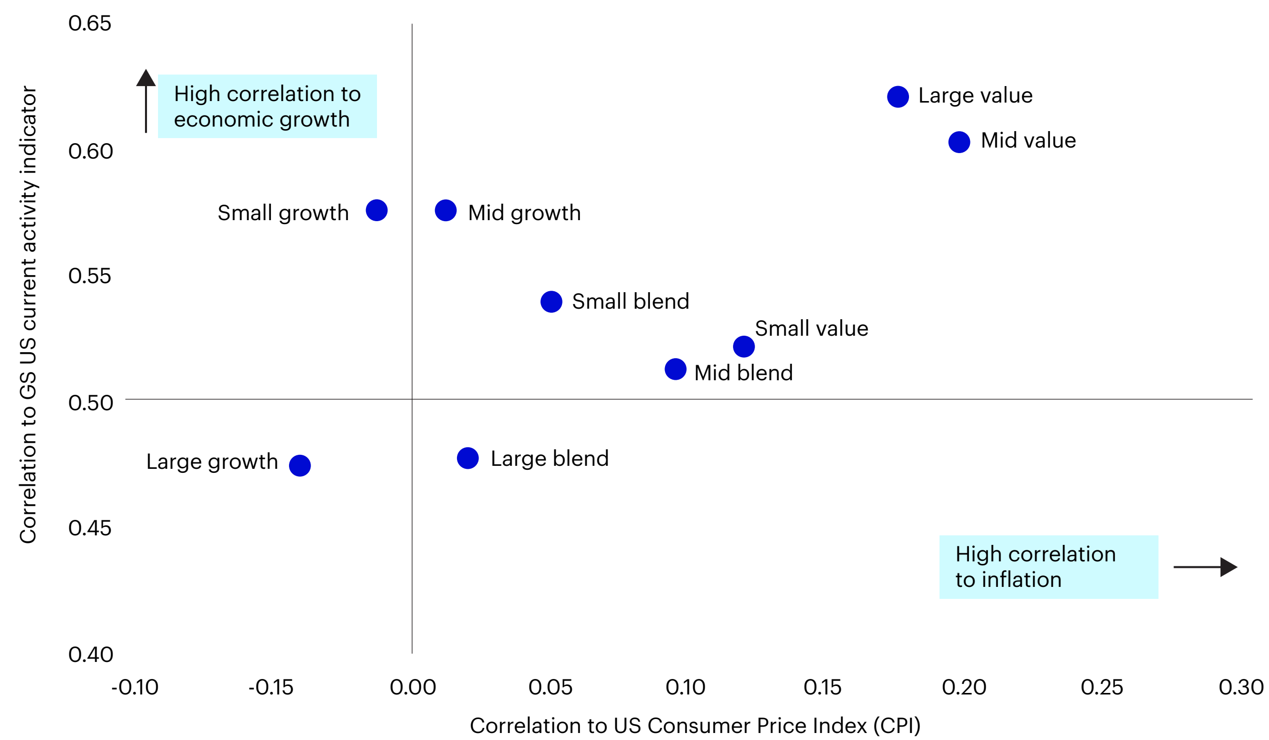
Importantly, history suggests that the largest-cap US growth stocks, which have been the primary drivers of market performance, tend to have a low correlation to both growth and inflation. These companies often outperform in a variety of macroeconomic environments, including periods of subdued nominal growth, due to their secular growth characteristics and dominant market positions. As such, they do not necessarily require a strong economic backdrop to deliver returns.

However, the expectation is that nominal growth will pick up in 2026, and that has implications for market leadership. The chart shows that value stocks and small/mid-cap equities tend to have a higher correlation to stronger growth and higher inflation. If that materializes, it could support a broadening of market participation. The argument for diversification hinges on this potential nominal growth shift.

Segments of the US equity market that have historically shown stronger correlations with growth and inflation include mid-cap stocks and value-oriented equities across all market capitalizations. An improving nominal growth environment may allow investors to lower the overall valuation of their US portfolios while positioning for broader participation in the next phase of the cycle.

Reacceleration in growth to support broader participation

Yearly correlation to GS US Current Activity Indicator and US Consumer Price Index



Sources: Bloomberg L.P., and Invesco Strategy & Insights, as of October 31, 2025. The Goldman Sachs Current Activity Indicator is a composite index that provides a real-time, high-frequency measure of current economic activity. Large blend is based on the S&P 500 Index. Large value is based on the S&P 500 Value Index. Large growth is based on the S&P 500 Growth Index. Mid blend is based on the S&P MidCap 400 Index. Mid value is based on the S&P MidCap 400 Value Index. Mid growth is based on the S&P MidCap 400 Growth Index. Small blend is based on the S&P 600 SmallCap Index. Small value is based on the S&P SmallCap 600 Value Index. Small growth is based on the S&P SmallCap 600 Growth Total Return Index. See disclosures for index definitions. An investment cannot be made directly into an index. **Past performance does not guarantee future results.**

Contents

A weaker US dollar

Some central banks are approaching the end of their easing cycles. However, two stand out from the crowd: the US Federal Reserve and the Bank of Japan, with potential implications for currencies and asset prices.

Most central banks relaxed their policy stance during 2023 and 2024, with sizeable cuts in interest rates. We expect the global easing cycle to broadly continue in 2026 but with some important points of divergence.

Some European central banks appear close to, or at, the ends of their easing cycles. For example, the Swiss National Bank policy rate is at zero and the European Central Bank Deposit Facility Rate is 2.00%, below what we consider to be the neutral rate (3.00%).[4] The ECB is unlikely to cut further next year.

The People's Bank of China started easing well in advance of other central banks, and any further easing is likely to be limited, in our view. Other emerging market nations are seeing lower inflation rates and have more room to cut rates further. Outside China, EM local currency debt looks attractive.

The US Federal Reserve has some catching up to do, having been on hold for most of 2025. Weaker jobs growth looks set to continue to provide an excuse to cut rates further. Absent a resurgence in the jobs market we expect around three to four cuts in 2026.

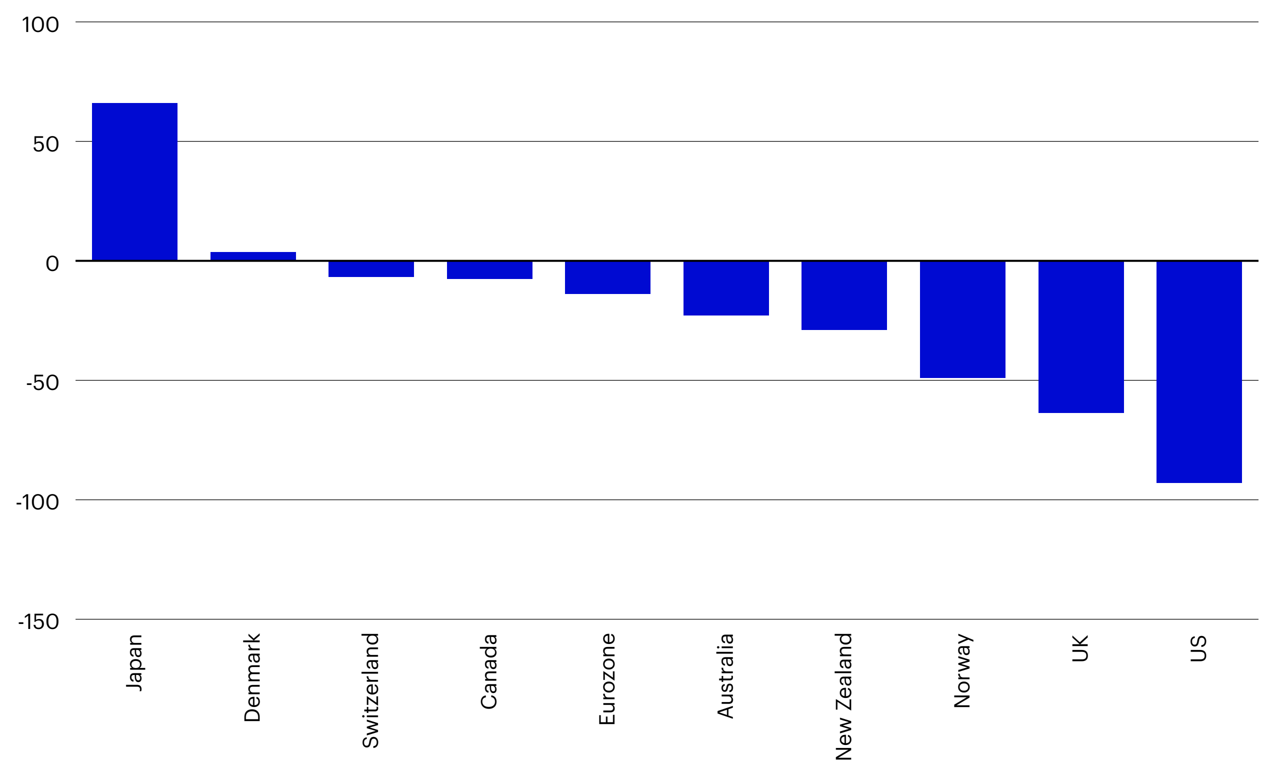
By contrast, the Bank of Japan is the one major central bank that we expect to raise rates (likely twice) before the end of 2026, as it continues to normalize policy after a period of extreme accommodation.

We expect such divergence in the path of policy rates to continue weakening the US dollar, which we believe remains above its long-term real trade-weighted equilibrium. Narrower interest rate differentials will reduce the relative attractiveness of US short-term assets (including via carry trade activity) and mean the cost to foreigners of hedging their USD exposure should fall. Greater hedging activity in 2026 should put downward pressure on the USD. We see scope for strength in the euro, Japanese yen, and EM currencies.

Dollar weakness should be supportive of emerging market and commodity-related assets. With the notable exception of China, EM local currency debt looks attractive. Improved global activity should offer some support to industrial commodities, too. Precious metals also tend to benefit from a lower USD and lower policy rates, but fading geopolitical risks may take some of the steam out of the recent rally.

Such a policy and currency outlook could support US equities in absolute terms, but we think that effect could be offset by an uplift in US long rates, which would place some pressure on valuations in some parts of the US market.

Market implied change in policy rates to end-2026 (basis points)



Note: Based on calculations by LSEG Refinitiv (except for New Zealand, which is based on Bloomberg calculations), concerning changes in central bank policy rates using interest rate futures or overnight index swaps. Changes are to the final central bank meeting of 2026, except for New Zealand which is up to September 2026. As of October 31, 2025. Sources: LSEG Refinitiv, Bloomberg L.P., and Invesco Strategy & Insights.

Contents

Reducing AI concentration risks

Artificial intelligence has dominated global equity returns over recent years. We think risks are growing for underperformance as concentration reaches multi-decade highs.[5] We prefer to rebalance to best capture other opportunities.

It is difficult to overstate the effect of artificial intelligence on the recent investment environment. Just a handful of AI names has driven more than half of S&P 500 returns and almost one third of global equity returns in 2025 (as of end-October). Meanwhile, investment in data centers contributed 1.1 percentage points to US GDP growth[6] in the first half of 2025 – albeit that figure does ignore the partially offsetting import component.

Investors are now questioning whether the AI investment boom is becoming overdone, asking "Are we in a bubble?" To date, much of the data center build-out has been financed with existing cash and operating cash flow. But this year we have started to see signs of concern emerge, such as the use of debt and complex equity investments and vendor financing deals.

Concerns around an AI bubble are perhaps best captured by the tension between capital spending to build out data centers and related AI infrastructure, versus the revenue of AI builders. Currently, capital spending is running at a rate somewhere around six times that of current revenues. This suggests dramatic revenue growth is necessary to justify this rate of spending.

To be sure, AI is delivering significant revenue and revenue growth. A set of large companies with existing data center resources and technical know-how--what we refer to as "hyperscalers"-- are seeing substantial cash flow growth from their cloud computing operations, while key AI builders have delivered triple-digit growth rates[7] as they rapidly expand product offerings and grow user counts.

At this stage, we think the AI investment theme can continue, but returns should increasingly be driven by earnings growth rather than climbing valuations. Meanwhile, we favor rebalancing portfolios to best navigate growing concentration and valuation risks. We also highlight other AI opportunities at more attractive valuations, particularly Chinese technology stocks.

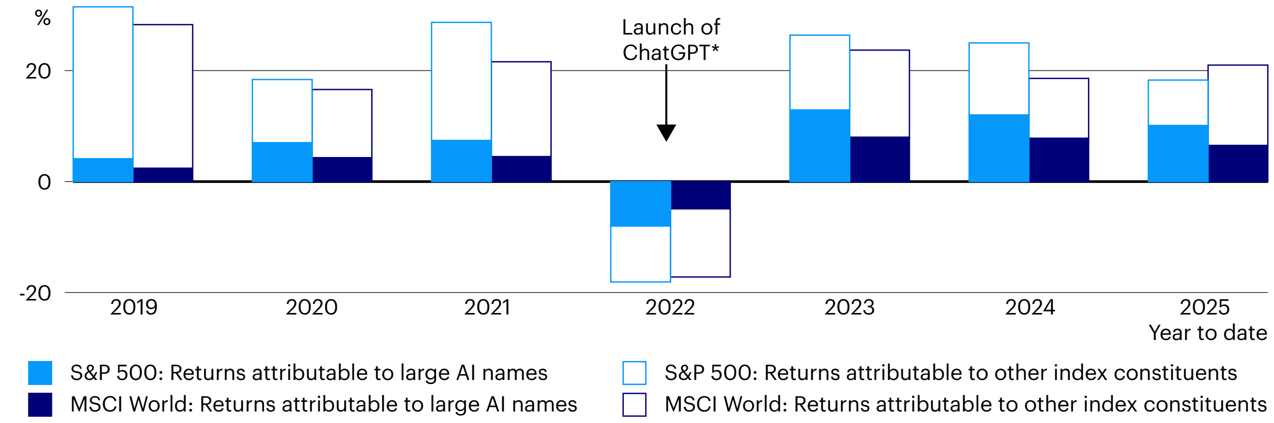
We note the AI theme can also play out along other angles. AI adopters may see emergent cost efficiencies or new product offerings, which can present opportunities for selective company exposure. Strategies that deemphasize market capitalization weights are a prudent means to approach risk management.

We accept that should the AI narrative dominate in 2026, our rebalancing stance will be wrong.

Contents

AI has contributed an outsized proportion of returns in recent years

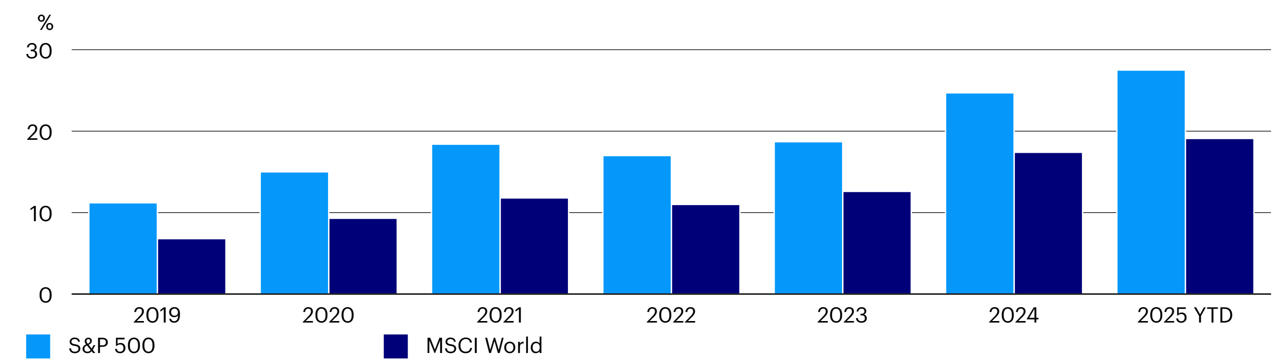
Annual returns for S&P 500 and MSCI World



* ChatGPT was officially launched for public access in November 2022.

A handful of AI-involved names make up an increasing share of indices

Average weight of large AI names in the S&P 500 and MSCI World indices



Note: S&P 500: AI return measures the contribution to total S&P 500 Index performance specifically from NVDA, MSFT, AMZN, META, AVGO, GOOGL, ORCL, and AMD. S&P 500: ex-AI return measures the contribution to total S&P 500 Index performance, from all stocks other than those categorized as "S&P 500: AI", previously listed Sources: Bloomberg L.P., and Invesco Strategy & Insights, as of October 28, 2025.
Past performance does not guarantee a profit or eliminate the risk of loss. An investment cannot be made directly into an index.

Emerging market strength

Supportive macro conditions, attractive valuations, and exposure to long-term growth trends mean the case for EM equities in the current environment is increasingly compelling.

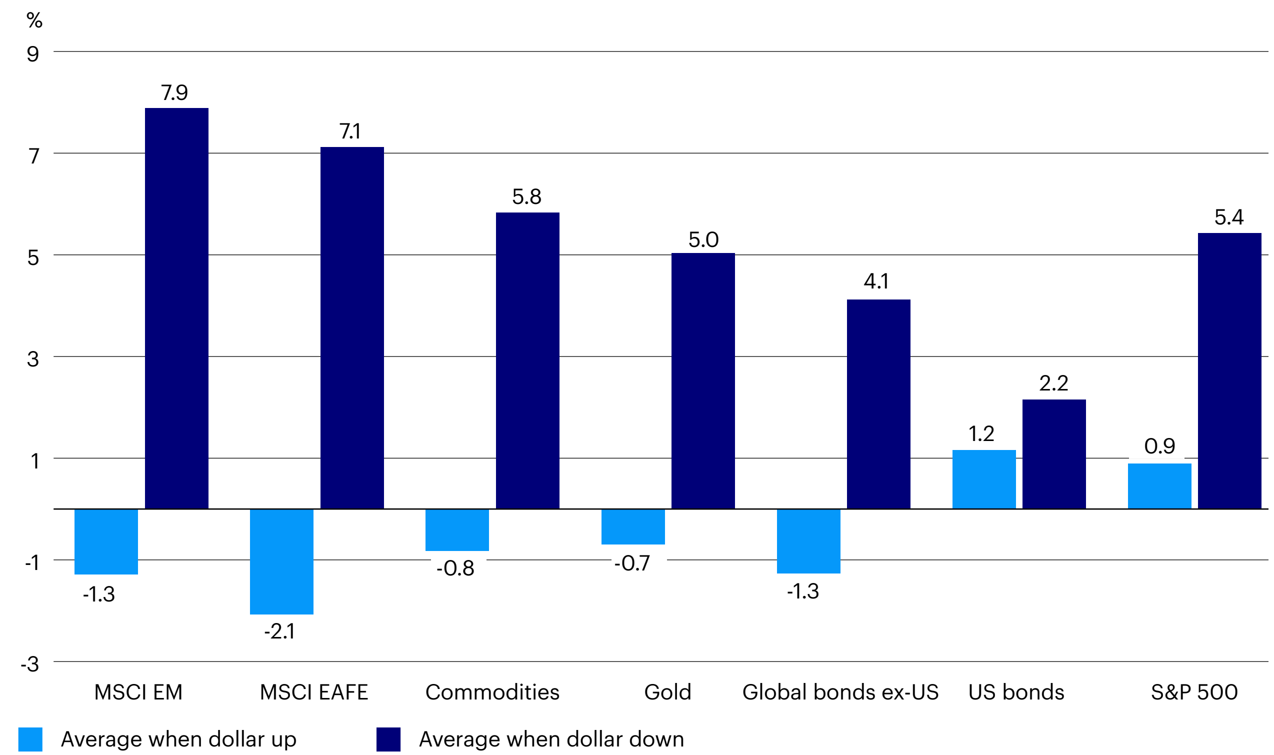
After a prolonged period of underperformance relative to US dollar-denominated assets, emerging market equities posted outsized returns in 2025,[8] marking a potential turning point. This rebound is likely to pique investor interest, in our view, especially given that valuations have remained compelling as EM equities have continued to trade at a significant discount to developed markets, particularly US equities.

Looking ahead, we believe there are continued catalysts for EM outperformance. Chief among them is the anticipated weakening of the US dollar (see page 7). Historically, EM equities have performed well in such environments, often outpacing the S&P 500 during periods of dollar weakness.

An easing cycle in the US also creates room for EM central banks to continue lowering rates, in our view, supporting domestic demand and equity markets. This monetary flexibility, combined with improving macroeconomic fundamentals, helps position EM for stronger growth. Many EM economies are expected to outpace developed markets in GDP expansion, driven by favorable demographics, rising consumption, and investment flows.

Moreover, EMs are poised to potentially benefit from structural growth themes, particularly the global buildout of artificial intelligence infrastructure. China is investing heavily in AI and related technologies, which could serve as a powerful engine for equity market performance. In fact, Chinese stocks have performed well in 2025[9] and we expect that to continue in 2026 as policymakers have outlined their desire for better shareholder returns alongside targeted support for key competitive industries.

Average quarterly return in different dollar environments



Source: Bloomberg L.P., August 8, 2025. Based on quarterly returns from Q1 1974–Q2 2025 for the dollar, S&P 500 Index, MSCI Emerging Market Index, MSCI EAFE Index, gold US dollar spot price, and the Bloomberg Commodities Index (commodities). Based on quarterly returns from Q2 1990 (earliest available)–Q2 2025 for the Bloomberg Global Aggregate ex-USD Index (global bonds ex-US) and from Q2 1976 (earliest available)–Q2 2025 for the Bloomberg US Aggregate Index (US bonds). US dollar performance is based on the Real Broad Trade Weighted US Dollar Index. All return figures are in US dollars. See disclosures for index definitions. An investment cannot be made directly into an index.
Past performance does not guarantee future results.

Private credit may offer diversified income

Private credit remains an attractive option for those seeking diverse sources of income beyond traditional credit. Base rates remain above their pre-pandemic levels, and an improved outlook for both the underlying real estate and cash flows of middle market borrowers should allow for private credit to perform well into 2026.

Direct lending: Despite muted 2025 volumes, all-in yields remain attractive, especially in the core middle market. Fed rate cuts should lower borrowing costs and revive deal flow. Significant private equity dry powder and a backlog of exits point to a potential pickup in activity once markets stabilize.

As clarity improves on rates, recession risk, and global tensions, direct lending has continued to offer high single-digit to low double-digit returns, supported by floating-rate structures, strong demand from private equity sponsors, and a favorable credit outlook.[10]

Broadly syndicated loans and collateralized loan obligations: We expect another year of strong returns in BSL, supported by a pivot toward lower rates. Historically, loans have preserved capital well during rate-cut cycles (excluding shocks like COVID) underscoring their role as a core holding. Lower rates should reduce issuer interest expense, strengthen fundamentals, and limit defaults.

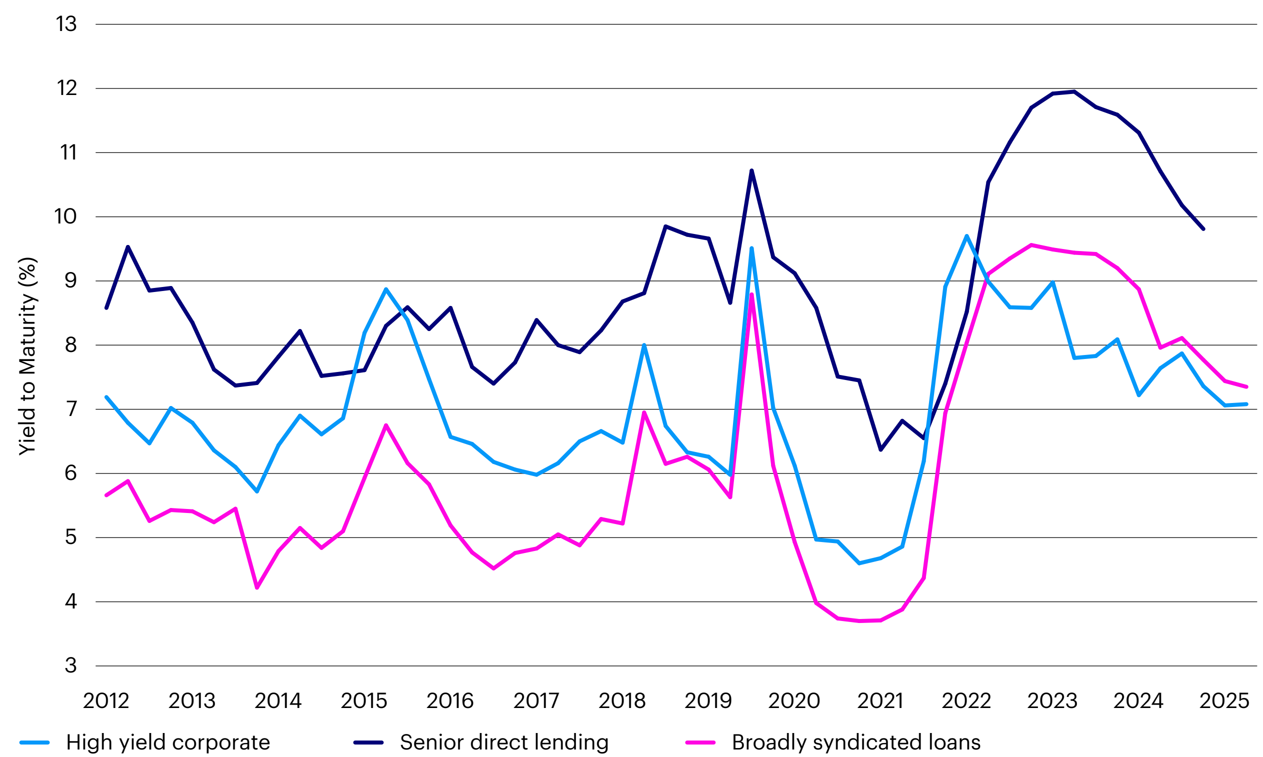
Even if policy rates fall, coupons should remain above historical averages, sustaining income potential. The BSL market has absorbed tariff-related volatility with limited stress, and while isolated defaults highlight the need for credit selection, they remain idiosyncratic.

Distressed debt & special situations: Pockets of stress and uncertainty remain where we see opportunities for distressed debt and special situations to provide financing. Interest is growing in new-money and super-senior deals tied to amend-and-extend transactions. Capital solutions are increasing in volume and quality, driven by longer private equity (PE) holding periods and high base rates. Stress is emerging in loans trading below par, while par credit has remained well bid. These dynamics should persist, potentially creating attractive, risk-adjusted returns for investors willing to navigate complexity.

Real estate debt: Real estate fundamentals, we believe remain healthy, and demand for bridge financing is robust within multifamily and industrial sectors. Prices on commercial properties have appreciated for five consecutive quarters, indicating that valuations are past their trough with a positive outlook for the broader real estate sector. However, headwinds remain for the Life Science and Office property types, the latter depending on market and vintage.[11]

We anticipate continued rate cuts to potentially benefit both lenders and borrowers alike, with less pressure on credit metrics and more liquid capital markets. Rates have remained elevated, and we note that real estate debt should also potentially benefit from interest rate floors that serve as a potential hedge to falling rates for alternative lenders.

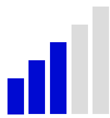
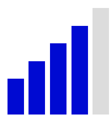
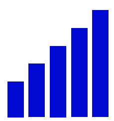
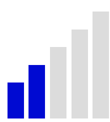
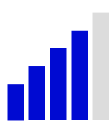
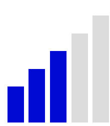
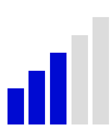
Yield-to-maturity for senior direct lending compared to broadly syndicated loans and high yield corporate bonds

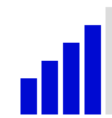
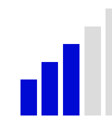
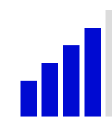
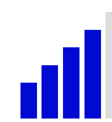
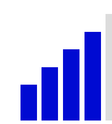
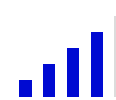


Sources: Morningstar, Bloomberg L.P., Cliffwater, latest quarterly data available as of October 30, 2025, with the last datapoint monthly for HY and BSL. High yield corporate, broadly syndicated loans (BSL) and senior direct lending represented by the Bloomberg High Yield Corporate Bond Index, Morningstar LSTA US Leveraged Loan 100 Index, and the CDLI-S (Cliffwater Senior Direct Lending Index), respectively. As of publication, Cliffwater has only released 2Q25 data (3-year takeout yield) ending June 30, 2025. **Past performance does not guarantee future results.** An investment cannot be made directly into an index.

Contents

Summary of views

Global equities		
US		Fiscal and monetary policy dynamics should support US equities in absolute terms, but higher multiples and concentration risk mean we advocate for a lower allocation to US stocks compared to previous years.
DM ex-US		Valuations are more attractive outside of US markets. We see more potential for further multiple expansion, while a broad-based improvement in global growth should mean better earnings growth.
EM		EM equities have the most attractive valuations relative to other regions – albeit with wide variation within EM. We anticipate Chinese stocks to continue to outperform while India may struggle.
Government bonds		
DM		Real yields have fallen this year. If growth rebounds, as we expect in 2026, then real yields should move higher, making sovereign bonds a less attractive prospect. We do not expect a material fall in inflation next year.
EM local currency		A weaker USD has tended to favor local EM debt in the past. EM central banks are broadly not facing inflation pressures, giving them greater room to cut rates. Furthermore, we have a favorable view of the fiscal position of many EM economies.
Corporate credit		
Investment grade		Investment grade credit is marginally preferred to DM sovereigns because of the small yield pick up. We do not expect to see much spread compression. Higher all-in yields in the US compared to Europe make investment grade debt look attractive, in our view, but active opportunities are greater in Europe.
High yield		We do not expect to see a meaningful increase in defaults as private sector fundamentals are tight. Because of the limited yield pick up, risk is better taken in equities, in our view. Our expectation of higher yields in the US and falling policy rates mean US HY is marginally preferred to Europe.

Commodities		
Industrial metals		We see better global growth and a weaker USD as favorable conditions for industrial metals to perform well. A build out of energy infrastructure may mean robust demand for many industrial metals.
Precious metals		Central banks are likely to continue building gold stocks. ETF positions are not elevated by historical standards, so they could continue to be a source of demand. However, lower geopolitical risk and stable inflation may mean gains are likely to be more limited than in 2025.
Currencies		
Developed markets currencies versus USD		Lower US short-term rates likely mean the relative yield differential compared to Japan and Europe narrows. That may reduce hedging costs for foreign investors. Further hedging may put downward pressure on the USD.
Emerging markets currencies versus USD		EM currencies offer positive carry and relatively stable inflationary and growth backdrops. Latin American currencies are preferred in this environment.
Alternatives		
Private credit		Private credit remains an attractive option for those seeking diverse sources of income beyond traditional credit. We see a more benign risk environment, better growth, and stable inflation, coupled with easier US monetary policy, as supportive conditions for this area.
Crypto currencies		We expect cryptocurrencies should perform well alongside other risk assets. Recent regulatory changes have also catalyzed an ongoing structural adoption tailwind as more investors and institutions participate in the digital assets ecosystem, particularly in many of the largest cryptocurrencies.

Views are presented with a 1-5 point rating, as indicated by the bars. The left-most value indicates the least favorable view, while the right-most value indicates the most favorable view. Opinions expressed are those of Invesco Strategy & Insights. This commentary does not constitute buy/sell recommendations.

Risks to the outlook

The global economic and political landscape is shifting rapidly, marked by a broad reordering of trade relations and political alliances around the globe. At the same time, fiscal sustainability and questions over central bank independence are top of mind.

We are mindful of the many risks these and other factors pose—and the resulting shifts in investment preferences that may emerge in the course of our outlook. We explore some of the stand-out risks and their implications for our investment views here.

	Our base case	The risk	What we would anticipate
Global growth slowdown	We expect global growth to improve next year.	A situation where global growth weakens and recessionary conditions emerge in key economies would derail our views. Were companies to move from not hiring to firing employee across a range of economies including the US, we would likely see inflation fall significantly and markets price in more rate cuts.	• Developed market sovereign bonds would likely perform better than stocks. • US stocks and the USD would likely perform better than we expect. • EM and cyclical assets would likely lag, but precious metals may hold up better still.
Inflation rises, growth doesn't	We expect stable, above-target inflation in 2026.	A more extreme version of our "global growth slowdown" risk is that a slowdown is triggered by another supply shock that causes inflation to meaningfully return. In this scenario, central banks would be tested. A trigger could be China cutting off or heavily restricting rare earth supplies, some other trade disruptions, or an oil shock.	• Yield curves should bear flatten, and more cyclically-exposed parts of the market would likely suffer, including small capitalization stocks, value, and sectors such as consumer discretionary, financials, and industrials. • Emerging markets may also reverse course, and the dollar may strengthen – depending on the nature of the supply shock.
AI delivers and the US excels	We expect rest-of-world stocks to outperform the US and the USD to weaken.	A breakthrough in the monetization of AI and/or clear productivity gains next year could catalyze another large move higher in the mega cap names. If coupled with a broad softening in policy from the US administration, we anticipate faith in the US exceptionalism story could be given another strong boost.	• Equity markets would likely move higher in this scenario, which is in line with our core view. However, the gains would likely be led by US stocks. • The USD could strengthen too if foreign investors allocate to the US in an unhedged fashion.
Politics destabilizes Europe	We expect improved growth in Europe next year.	Were more extreme parties in Germany and France to garner more power, European assets could demand a higher risk premium and domestic sentiment could fall. The French political situation remains challenging, but a fracturing of politics in Germany may present the bigger risk as it would likely mean the fiscal spending promised would fail to materialize.	• German and broader European equity markets would likely lag. • Euro would likely weaken against the USD.
The Federal Reserve loses independence	The Fed will likely cut, but its actions may not be seen as overly political.	Central banks are experiencing greater political interference than in recent years. So far, financial markets have seen these attacks as unsuccessful. However, Fed credibility could be called into greater question if a board member is fired or the new Fed Chairperson is overtly political, and the Fed is then seen to be making policy mistakes.	• We would favor real assets and reduce duration. • Lower rates should present a "sugar high" in equities while bonds suffer amid an unmooring of longer-term inflation expectations. • The dollar is also likely to weaken and non-US assets would likely outperform.

Opinions expressed are those of Invesco Strategy & Insights. Source: Invesco, as of October 31, 2025.

Appendix

Index Definitions

- The **Bloomberg Commodity Index** is a broadly diversified commodity price index.
- **Bloomberg L.P., EM Local Currency Government Bond Index** measures the performance of fixed-rate, local currency emerging market treasury issuers.
- The **Bloomberg L.P. Global-Aggregate Bond ex-USD Index** is an unmanaged index considered representative of the global investment grade, fixed-rate, non-USD bond market.
- The **Bloomberg L.P. US Aggregate Bond Index** is an unmanaged index considered representative of the US investment grade, fixed-rate bond market.
- The **Bloomberg L.P., High Yield Corporate Bond Index** measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on the indices' EM country definition, are excluded.
- The **CDLI-S (Cliffwater Senior Direct Lending Index)** is comprised primarily (95%+) of senior and unitranche loans held within BDCs and was created to measure the performance of senior middle market loans.

  Securities lending involves a risk of loss because the borrower may fail to return the securities in a timely manner or at all. If a portfolio is unable to recover the securities loaned, it may sell the collateral and purchase a replacement security in the market. Lending securities entails a risk of loss to the portfolio if and to the extent that the market value of the loaned securities increases and the collateral is not increased accordingly.
- The **Goldman Sachs Current Activity** Indicator is a composite index that provides a real-time, high-frequency measure of current economic activity.
- The **Goldman Sachs US Current Activity Indicator (CAI)** is a measure of real-time U.S. economic activity that uses a dynamic macroeconomic model to aggregate 24 high-frequency indicators, including manufacturing, survey, and expenditure data.
- The **Morningstar LSTA US Leveraged Loan Index** is a market-value weighted index designed to measure the performance of the US leveraged loan market.
- The **The Morgan Stanley Capital International (MSCI) EAFE Index** is an unmanaged index designed to represent the performance of large- and mid-cap securities across developed markets, including countries in Europe, Australasia, and the Far East, and excluding the US and Canada.
- The **The Morgan Stanley Capital International (MSCI) Emerging Markets Index** captures large- and mid-cap representation in emerging market (EM) countries.
- The **The Morgan Stanley Capital International (MSCI) World Index is an unmanaged index** considered representative of stocks of developed countries.
- The **NCREIF ODCE** (National Council of Real Estate Investment Fiduciaries Open-End Diversified Core Equity) is a capitalization-weighted, time-weighted return index that tracks the performance of a group of large, open-end, diversified core real estate funds.
- **OECD MEI –** Organization for Economic Co-operation and Development Main Economic Indicators is an international organization with 38 member countries that promotes economic progress, prosperity, and sustainable development through data, analysis, and policy recommendations. It serves as a forum for member governments to discuss and share their experiences on economic and social policies to solve common problems and identify best practices.
- **Real Broad Trade Weighted US Dollar Index -** The trade-weighted dollar is used to determine the U.S. dollar's purchasing value as well as to summarize the effects of dollar appreciation and depreciation against foreign currencies.
- **Real Capital Analytics is an industry**-leading global database of commercial properties, transactions and participants for asset owners, asset managers, brokers and lenders.
- The **S&P 500® Index** is an unmanaged index considered representative of the US stock market.
- The **S&P 500® Growth Index** consists of stocks in the S&P 500® Index that exhibit strong growth characteristics based on three growth and four value factors.
- The **S&P 500® Value Index** consists of stocks in the S&P 500® Index that exhibit strong value characteristics based on three measures: Book value-to-price, earnings-to-price, and sales-to-price.
- The **S&P/LSTA US Leveraged Loan 100 Index** is representative of the performance of the largest facilities in the leveraged loan market.
- The **S&P MidCap 400® Growth Index** measures the performance of the mid-cap growth segment of the US equity universe.
- The **S&P MidCap 400® Index** is an unmanaged index considered representative of mid-sized US companies.
- The **S&P MidCap 400® Value Index** measures constituents from the S&P MidCap 400 that are classified as value stocks based on three factors: the ratios of book value, earnings, and sales to price.
- The **S&P SmallCap 600® Growth Total Return Index** measures the performance of 600 U.S. small-cap growth companies, including the reinvestment of dividends and other income.
- The **S&P SmallCap 600® Index** measures the performance of small-capitalization stocks in the US.
- The **S&P SmallCap 600® Value Index** measures constituents from the S&P SmallCap 600 that are classified as value stocks based on three factors: the ratios of book value, earnings, and sales to price.

1. MSCI World Index returned 17.5% year-to date through the end of October. Source: Bloomberg L.P., and Invesco Strategy & Insights, as of October 31, 2025. **Past performance does not guarantee future results.** An investment cannot be made directly into an index.
2. BloombergL.P., EM Local Currency Government Bond Index, which returned 7.82% year-to-date as of October 31, 2025. Source: Bloomberg L.P., and Invesco Strategy & Insights, as of October 31, 2025. **Past performance does not guarantee future results.** An investment cannot be made directly into an index.
3. Gross fixed capital formation as a % of GDP has been consistently higher in Japan than in the US, Germany, and the UK between 2005 and 2025. Source: Macrobond, and Invesco Strategy & Insights, as of October 31, 2025
4. Sources: Bloomberg L.P., and Invesco Strategy & Insights as of October 31, 2025.
5. Based on the weight of the top ten stocks for the S&P 500, which are at their highest levels as of October 31, 2025. Source: Bloomberg L.P., and Invesco Strategy & Insights.
6. Source: Bloomberg L.P., and Invesco Strategy & Insights, as of October 31, 2025.
7. Sources: Bloomberg L.P., and Epoch AI, based on hyperscaler and OpenAI revenues. As of October 31, 2025.
8. Emerging market equities rose 28.6% year-to-date in October, as measured by the MSCI Emerging Markets Index. Source: Bloomberg L.P.
9. As measured by the MSCI China Index, which has risen 32.7% year-to-date as of October 31, 2025. Source: Bloomberg L.P.
10. Source: Direct lending returns represented by Cliffwater Senior Direct Lending Index. Real Capital Analytics. Invesco Strategy & Insights. Data as of October 2025. **Past performance does not guarantee future results.** An investment cannot be made directly into an index.
11. NCREIF ODCE index as of June 30, 2025.

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.

The opinions expressed are those of the author, are based on current market conditions and are subject to change without notice. These opinions may differ from those of other Invesco investment professionals. These comments should not be construed as recommendations, but as an illustration of broader themes. Forward- looking statements are not guarantees of future results. They involve risks, uncertainties and assumptions; there can be no assurance that actual results will not differ materially from expectations.

- **Alternatives-** Alternative products typically hold more non-traditional investments and employ more complex trading strategies, including hedging and leveraging through derivatives, short selling and opportunistic strategies that change with market conditions. Investors considering alternatives should be aware of their unique characteristics and additional risks from the strategies they use. Like all investments, performance will fluctuate.
- **Cryptocurrencies -** digital currency in which transactions are verified and records maintained by a decentralized system using cryptography, rather than by a centralized authority.

  Cryptocurrencies have historically exhibited high price volatility relative to more traditional asset classes, which may be due to speculation regarding potential future appreciation in value.

  The further development and acceptance of the cryptocurrencies network, which is part of a new and rapidly changing industry, is subject to a variety of factors that are difficult to evaluate. The slowing, stopping or reversing of the development or acceptance of the network may adversely affect the price of bitcoin.

  Currently, there is relatively limited use of cryptocurrencies in the retail and commercial marketplace in comparison to relatively extensive use as a store of value, contributing to price volatility that could adversely affect an investment in the Shares.

  Regulatory changes or actions may alter the nature of an investment in cryptocurrencies or restrict the use of cryptocurrencies or the operations of the cryptocurrencies network or venues on which cryptocurrencies trade. For example, it may become difficult or illegal to acquire, hold, sell or use cryptocurrencies in one or more countries, which could adversely impact the price of cryptocurrencies.
- Risks of **collateralized loan obligations (CLO)** include the possibility that distributions from collateral securities will not be adequate to make interest or other payments, the quality of the collateral may decline in value or default, the collateralized loan obligations may be subordinate to other classes, values may be volatile, and disputes with the issuer may produce unexpected investment results.
- **China Investing -** Investing in securities of Chinese companies involves additional risks, including, but not limited to: the economy of China differs, often unfavorably, from the U.S. economy in such respects as structure, general development, government involvement, wealth distribution, rate of inflation, growth rate, allocation of resources and capital reinvestment, among others; the central government has historically exercised substantial control over virtually every sector of the Chinese economy through administrative regulation and/or state ownership; and actions of the Chinese central and local government authorities continue to have a substantial effect on economic conditions in China.
- **Equities/Common Stocks -** Stock and other equity securities values fluctuate in response to activities specific to the company as well as general market, economic and political conditions.
- **Fixed-income** investments are subject to credit risk of the issuer and the effects of changing interest rates. Interest rate risk refers to the risk that bond prices generally fall as interest rates rise and vice versa. An issuer may be unable to meet interest and/or principal payments, thereby causing its instruments to decrease in value and lowering the issuer's credit rating.
- **Foreign and Emerging Markets risk** - The risks of investing in securities of foreign issuers, including emerging market issuers, can include fluctuations in foreign currencies, political and economic instability, and foreign taxation issues.
- **Growth -** Growth stocks tend to be more sensitive to changes in their earnings and can be more volatile.
- **Hgh yield** securities involve greater risk and are less liquid than higher grade issues. Changes in general economic conditions, financial conditions of the issuers and in interest rates may adversely impact the ability of issuers to make timely payments of interest and principal.
- **Information Technology Sector -** Concentration - Investments focused in a particular sector, such as information technology, are subject to greater risk, and are more greatly impacted by market volatility, than more diversified investments.
- **Large cap -** Larger, more established companies may be unable to respond quickly to new competitive challenges such as changes in consumer taste or innovative smaller competitors. Returns on investments in large capitalization companies could trail the returns on investments in smaller companies.
- **Precious metals** - Fluctuations in the price of gold and precious metals may affect the profitability of companies in the gold and precious metals sector. Changes in the political or economic conditions of countries where companies in the gold and precious metals sector are located may have a direct effect on the price of gold and precious metals. Investments focused in a particular industry, such as gold and precious metals, are subject to greater risk, and are more greatly impacted by market volatility, than more diversified investments.
- **Real Estate -** Investments in real estate related instruments may be affected by economic, legal, or environmental factors that affect property values, rents or occupancies of real estate. Real estate companies, including REITs or similar structures, tend to be small and mid-cap companies and their shares may be more volatile and less liquid.
- **Securities lending** involves a risk of loss because the borrower may fail to return the securities in a timely manner or at all. If a portfolio is unable to recover the securities loaned, it may sell the collateral and purchase a replacement security in the market. Lending securities entails a risk of loss to the portfolio if and to the extent that the market value of the loaned securities increases and the collateral is not increased accordingly.
- **Small and Mid Cap Investing -** Stocks of small and medium-sized companies tend to be more vulnerable to adverse developments, may be more volatile, and may be illiquid or restricted as to resale.
- **Value investing** - A value style of investing is subject to the risk that the valuations never improve or that the returns will trail other styles of investing or the overall stock markets.

Important information

This document is intended only for investors in Hong Kong for informational purposes only. This document is not an offering of a financial product and should not be distributed to retail clients who are resident in jurisdiction where its distribution is not authorized or is unlawful. Circulation, disclosure, or dissemination of all or any part of this document to any unauthorized person is prohibited.

This document may contain statements that are not purely historical in nature but are "forward looking statements," which are based on certain assumptions of future events. Forward looking statements are based on information available on the date hereof, and Invesco does not assume any duty to update any forward-looking statement. Actual events may differ from those assumed. There can be no assurance that forward-looking statements, including any projected returns, will materialize or that actual market conditions and/or performance results will not be materially different or worse than those presented.

All material presented is compiled from sources believed to be reliable and current, but accuracy cannot be guaranteed. Investment involves risk. Please review all financial material carefully before investing. The opinions expressed are based on current market conditions and are subject to change without notice. These opinions may differ from those of other Invesco investment professionals.

The distribution and offering of this document in certain jurisdictions may be restricted by law. Persons into whose possession this marketing material may come are required to inform themselves about and to comply with any relevant restrictions. This does not constitute an offer or solicitation by anyone in any jurisdiction in which such an offer is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.

This document is issued:

- 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. This document has not been reviewed by the Securities and Futures Commission.

20251202-5030493-AP