

Inflation Redux?

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Global inflation rates fell quickly after their 2022 peak, but inflation uncertainty lingers in several major markets including the U.S. At the time of writing in September 2026, equity markets appear unconcerned, but bond markets are more circumspect. How should investors be thinking about inflation risk? Can portfolios be made more resilient without making a directional bet on the future path of inflation? And how should investors evaluate the most inflation-resilient strategies?

This article updates AQR's earlier analysis on inflation sensitivities and inflation protection (published just before the 2022 shock), highlighting the benefits of commodities and trend following strategies and how to evaluate different implementations. It asks, "How should you prepare for the possibility of another global inflation shock?"

Key Takeaways on Inflation Risk and Portfolio Diversification

- Inflation uncertainty remains elevated: Inflation fell quickly after the 2022 peak, but stubborn risks remain in many major markets. Stock/bond correlations reached multi-decade highs in 2026.
- Many investor portfolios are particularly exposed to inflation risk: Stocks and bonds tend to suffer together when inflation strikes, and private assets are unlikely to be immune. AQR's analysis of more than 50 years of data finds that many portfolios are exposed to the same macroeconomic risk.
- Commodities and trend following stand out as inflation diversifiers: Both have tended to outperform amid rising inflation, and both performed strongly during the 2022 inflation shock. Our analysis suggests they may play a valuable role alongside traditional assets.
- Trend following is an especially versatile diversifier of macroeconomic risks: While most portfolios prefer stable macroeconomic conditions, trend following has the opposite pattern. It can take long or short positions across many macro-sensitive assets and has tended to thrive in both inflationary and disinflationary bear markets, including both the 2022 inflation shock and the Global Financial Crisis.
- Improving inflation resilience does not have to mean giving up return, but implementation matters: For commodities and trend following alike, portfolio design and implementation can materially affect both long-term return potential and macro diversification.

This document is not intended to, and does not relate specifically to any investment strategy or product that AQR offers. It is being provided merely to provide a framework to assist in the implementation of an investor's own analysis and an investor's own view on the topic discussed herein.

Source: <https://www.aqr.com/insights/research/alternative-thinking/inflation-redux>