

Our multi-asset investment views - September 2026

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The benign growth backdrop continues and we see little likelihood of a US recession, but the risks around our central scenario have increased and are becoming more correlated.

The growth backdrop continues to be benign: we see low risk of recession in the United States and corporate earnings momentum remains supportive of our positive view on equities. We have become less positive on Asia technology, reflecting the very strong performance of this theme. We maintain a positive view on the Nasdaq.

The risks around our central scenario have increased and are becoming more correlated. Tension in the Middle East persists and strategic oil reserves are now run down. This increases the attraction of energy and mining stocks.

The potential upward pressure on oil prices complicates an already challenging environment for the Federal Reserve. Rate expectations priced into markets are now aligned with our own expectations and we are tactically long the US 10 year reflecting the improved valuation. The Fed delivered the 16 September rate hike we expected, something that was needed for Warsh to prove his willingness to tackle inflation. Even so we expect concerns about central bank credibility to persist, and we hold gold as a hedge against this risk.

We are less positive toward US investment grade debt, reflecting the limited reward for the risk at current spread levels and concerns about AI-related issuance.

Threats of intervention in the Japanese yen and concerns about the Fed's willingness to raise rates sufficiently to quell inflation have caused us to downgrade the dollar to neutral.

All in all, we remain pro-cyclically positioned in equities but recognise that our view is increasingly priced into markets and that risks are increasing.

Main Asset Classes

We are positive on equities. A benign growth backdrop, with a low risk of recession in the US, and resilient corporate earnings momentum remain supportive of our positive view on equities.

We remain tactically positive on government bonds. Rate expectations priced into markets are now aligned with ours, and we remain tactically long the US 10-year, reflecting the improved valuation.

We remain positive on commodities. Energy and industrial metals are supported by ongoing supply constraints, geopolitical risks and resilient demand, while gold benefits from central bank purchases, a seasonal tailwind and improved investment flows.

We maintain our negative view on credit. Historically tight spreads continue to offer limited compensation for rising leverage, heavy issuance and the substantial financing needs associated with AI investment.

Equities

US equities continue to be supported by a low risk of recession and robust corporate earnings momentum. However, our conviction is increasingly tempered by elevated earnings expectations and concentration within the technology sector.

UK equities have benefited from an improving growth backdrop, but with the market more defensive in nature, we prefer to express our pro-cyclical view elsewhere.

Our positive view continues to be supported by improvements in leading indicators and a more attractive and balanced sector composition.

Supportive fiscal and monetary policy underpin Japanese equities, but an appreciating currency and stretched valuations keep us neutral.

EM markets are still driven by AI productivity and earnings. However, we are mindful of valuation levels and have downgraded to neutral following a strong run.

Broader economic weakness and a weakening domestic growth environment have led us to downgrade to neutral.

Taiwan equities have seen strong returns, benefiting from foundry leadership and AI broadening into tech supply chains. Nonetheless, we believe they are reaching critical levels in the near term, hence our downgrade to neutral.

1. Global Emerging Markets includes Central and Eastern Europe, Latin America, and Asia.

Government bonds

With rate expectations priced into markets now aligned with ours, we continue to hold a tactically positive view on the US 10-year, reflecting its improved valuation.

Although yields are at attractive levels and growth has been slightly stronger, uncertainty around policy expectations and concerns about the labour market keep us neutral.

Italy's deficit trend, primary balance and fiscal credibility have all materially improved, lending support to its bonds; France, by contrast, appears increasingly fragile, with its deficit and debt trajectories deteriorating. On balance, we remain neutral.

Re-accelerating inflation, coupled with firmer wages and consumption should give the Bank of Japan confidence to hike, but a deteriorating fiscal and debt-servicing backdrop keeps us on the sidelines.

We maintain a neutral stance, as we expect the Fed to hike interest rates to restore credibility in the near term.

We remain positive on EM local debt, where positive carry and improving fundamentals support returns. We prefer Korean government bonds, where attractive valuations, contained domestic inflation and a relatively strong fiscal position provide scope for yields to decline.

Investment grade credit

We remain negative on US IG despite attractive yield levels and strong demand, reflecting the limited reward for the risk at current spread levels and concerns about AI-related issuance.

Credit spreads are historically tight and corporate fundamentals are strong. However, these starting valuations point to an asymmetric return profile, while hyperscaler risk is rising as issuers diversify their funding.

Despite improving corporate fundamentals, valuations have tightened, and the premium available over equivalent developed-market corporates remains small.

High yield bonds (non-investment grade)

We remain negative, as current valuations leave little room for error, despite growth remaining strong. Any gradual weakening in corporate fundamentals would lead to wider spreads, with a prolonged period of higher yields likely to increase credit stress.

We remain neutral on European HY, as its incremental spread and yield advantage over US corporates should continue to support some demand. We are monitoring energy-inflation dynamics as we approach the winter months, with gas storage at multi-year lows.

Commodities

Renewed tensions in the Middle East have pushed up oil prices. While geopolitical dynamics remain challenging, other mitigating factors are keeping the market balanced for now.

With inflationary dynamics in the US sticky but under control, investor demand is recovering. A strong seasonal tailwind of central bank purchases also supports our positive view.

Despite continued weakness in China's property market, structural demand remains supportive, particularly for copper. We remain positive.

The El Niño weather pattern is underway, but the recent rally has been driven by higher energy costs and Black Sea disruption rather than fundamentals. With US supply resilient, we remain neutral.

Currencies

Threats of intervention in the Japanese yen and concerns about the Fed's willingness to raise rates sufficiently to quell inflation have pushed us to downgrade the dollar to neutral.

We remain neutral, as improving economic growth from a low base is balanced against still-subdued momentum.

Euro area growth should be supported by higher investment, with manufacturing and loans data pointing to the upside. Nonetheless, broader economic conditions remain mixed, leaving us neutral.

We remain positive on the renminbi, which captures China's transition to a higher value-add economy. Exports remain resilient despite global supply-chain disruption, meaning policymakers retain the latitude to prioritise currency internationalisation over competitive devaluation.

We have upgraded the Japanese yen to neutral, reflecting a generational shift in which nominal growth is moving structurally higher while the BoJ remains behind the curve.

Recent dollar weakness has lent support to the Swiss franc. A clearly decelerating pace of depreciation,

together with an acceleration in August inflation, has moved us to a neutral view.

Source: Schroders, September 2026. The views for equities, government bonds and commodities are based on return relative to cash in local currency. The views for corporate bonds and high yield are based on credit spreads (i.e., duration-hedged). The views for currencies are relative to the US dollar, apart from the US dollar which is relative to a trade-weighted basket.

Source: <https://www.schroders.com/en/global/individual/insights/multi-asset-investment-views---september-2026/>