

Our multi-asset investment views - October 2026

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Resilient growth and continued earnings momentum support our positive view on equities. The main risk to our forecasts is that longer-term bond yields rise more than expected.

Growth continues to be resilient, particularly in the United States, and we continue to see earnings momentum, which supports a positive view on equities. Bond market investors appear to have reached the “acceptance” phase for “higher-for-longer” rates, and for the first time in years rate expectations are now aligned with Schroders’ economists’ views.

Higher yields have also raised concerns about equity valuations. We view the rise in yields as reflecting higher nominal growth which should be supportive of equities. A more disorderly sell-off at the longer end of yield curves would challenge this view, and the main risk to our forecasts is that longer-term bond yields rise more than expected, causing yield curves to steepen.

This could arise from concerns about central banks’ credibility when confronted with energy-induced inflation, or a flare-up in sovereign debt concerns, with France still looking vulnerable in that respect. We continue to see gold as a hedge against some of these concerns. We believe that the oil price could correct lower in the short term as supply is picking up, however we continue to view energy stocks and mining stocks as a source of diversification given our bias to stronger rather than weaker growth and ever-present geopolitical risks.

Within equities we also continue to be positive on technology, recognising that earnings momentum is being driven by this sector. But we are more cautious on US investment grade credit where valuations do not provide a sufficient cushion against the risk of deteriorating balance sheets.

Lastly, this month we take a positive view on the Japanese yen given attractive levels and the potential for tighter monetary policy out of Japan.

In conclusion, the positive cyclical environment still leads us to favour equities but rising bond yields are increasing the burden of proof.

Main Asset Classes

Unchanged on equities. Strong nominal growth and resilient earnings continue to support risk assets, while our positioning remains focused on areas benefiting from ongoing AI investment and improving economic activity. We are mindful that expectations are elevated but continue to see earnings as supportive of our positive stance.

We have moved to a neutral stance on government bonds. Valuations have improved following the rise in yields, but inflation risks, fiscal concerns and uncertainty around the future path of policy continue to limit conviction. We see opportunities in selected markets but are not yet ready to adopt a broad positive view on duration.

Continuing our positive stance. Gold is supported by continued central bank buying and concerns

around fiscal sustainability, while industrial metals continue to benefit from supply constraints. We maintain exposure to energy and mining equities as a portfolio diversifier.

We remain negative on credit. Although spreads have widened modestly, we continue to believe compensation remains limited relative to the risks posed by elevated issuance, slowing earnings momentum and growing financing requirements.

Equities

Robust earnings momentum continues to support US equities and underpins our positive exposure through the Nasdaq. While expectations remain elevated and market leadership concentrated, earnings delivery remains supportive.

The UK market remains relatively defensive in nature. Despite reasonable valuations, we continue to favour regions with stronger earnings momentum and greater exposure to structural growth themes.

Our positive view on Europe is expressed through the DAX, where earnings trends remain supportive. We continue to see opportunities in businesses exposed to industrial activity, technology adoption and domestic demand.

An improving domestic backdrop and higher nominal growth remain supportive for Japan. Exposure could be obtained via the yen, rather than the equity market.

Emerging markets have been upgraded to positive as earnings revisions remain supportive and technology-related investment continues to provide an important tailwind across several markets.

Broader economic weakness and a softer domestic growth backdrop continue to temper our enthusiasm for China, leaving us neutral despite ongoing policy support.

Taiwan remains one of our preferred ways to access global AI investment. Earnings revisions remain supportive and participation extends across a broad technology ecosystem rather than a small number of individual companies.

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

Government bonds

Higher yields have improved valuations, but uncertainty around inflation and policy expectations continues to limit conviction. For now, we remain selective rather than broadly constructive on duration.

Valuations have become increasingly attractive, although uncertainty around inflation and fiscal policy continues to argue for caution.

Political and fiscal concerns continue to cloud the outlook for European sovereign debt. Improved valuations are encouraging, but not yet sufficient to increase conviction materially.

Rising wages and inflation continue to support policy normalisation in Japan. Nevertheless, longer-term fiscal considerations keep us on the sidelines.

We remain neutral. Inflation risks persist, but uncertainty around the pace of further policy tightening limits conviction at present.

Attractive carry and improving domestic fundamentals continue to support emerging market local debt. We favour Korean government bonds, where valuations appear attractive and inflation remains relatively

well contained.

Investment grade credit

The surge in AI-related investment is driving significant issuance across parts of the investment grade market. While corporate fundamentals remain healthy, we continue to favour equities as a better way to express our positive growth outlook.

Broad-based spread widening has created more attractive valuations across European investment grade credit. While political uncertainty remains elevated, corporate balance sheets have generally remained resilient.

Emerging market sovereign and corporate fundamentals remain broadly supportive. However, we continue to see more attractive opportunities in local currency markets, where valuations and carry appear more compelling.

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

Oil markets have proven more resilient than expected, with supply adapting despite continued geopolitical disruptions. However, we maintain our positive score reflecting our view of energy related equities.

Recent weakness has tested conviction in gold, but the asset has held up better than many fixed income markets despite higher real yields. Continued central-bank demand and investor inflows remain supportive of the longer-term case.

Industrial metals remain supported by a challenging supply backdrop. Weather disruption in key producing regions and limited availability from China continue to constrain supply across several markets.

We remain neutral on agriculture. Improving crop conditions are offsetting potential supply disruptions, leaving us without a strong conviction in either direction.

Currencies

Recent dollar strength has been driven by stronger US growth and higher real yields, but we believe much of this improvement is now reflected in market pricing. The dollar appears vulnerable to a period of consolidation following its sharp appreciation.

We remain neutral. The UK continues to face fiscal challenges despite a resilient economic backdrop. We remain cautious on sterling as questions around fiscal sustainability and future policy decisions persist.

European political and fiscal concerns have weighed heavily on sentiment, with much of the recent

weakness driven by developments in France. While the outlook remains uncertain, we believe markets are already pricing a particularly pessimistic scenario.

The renminbi remains supported by resilient exports and continued progress towards higher-value economic activity. We continue to favour the currency, particularly given its attractive role within broader emerging market positioning.

We have upgraded the Japanese yen to positive. Improving inflation dynamics, the prospect of further policy normalisation and attractive valuations provide a supportive backdrop for a stronger currency.

The Swiss franc retains its defensive appeal during periods of uncertainty. However, with more compelling opportunities available elsewhere, we remain neutral.

Source: Schroders, October 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/our-multi-asset-investment-views-october-2026/>