Asset Class Returns Forecasts H2 2026

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A regime of ruptures is further confirmed. In our 2026 CMA, we identified the coming years as a period of overlapping structural ruptures — geopolitical, technological and energy-related. In this environment, inflation is stickier, fiscal deficits are wider and macroeconomic uncertainty is higher. The first half of 2026 has reinforced this view. The Iran war and the closure of the Strait of Hormuz have triggered a persistent energy shock and more persistent inflation, while AI acceleration remains the main driver of growth, broadening beyond the initial winners across sectors and regions.

Improved expected returns in government bonds and in selected equity markets. Changes in valuations between 31 December 2025, the data reference for our 2026 CMA, and 30 June 2026, the reference date for this update, are the main driver of the shifts in expected returns, which have improved particularly in government bonds. Government yields have risen materially across developed markets, driven by higher term premia and fiscal expansion in Europe. This has enhanced the carry profile and improved the valuation backdrop for fixed income. The outlook for credit remains broadly unchanged. Credit spreads, meanwhile, have shown remarkable resilience. The brief widening episode was quickly reversed, leaving spreads near historically tight levels and with limited scope for further compression. In equities, the regional picture is more mixed. The geopolitical shock of early 2026 triggered a notable de-rating, but this has since been largely retraced, as earnings estimates have remained broadly stable. This suggests that the repricing was driven more by uncertainty than by fundamentals. Japan and AI-related markets in EM delivered exceptional performance, while other markets, such as China and India, lagged, creating a more attractive entry point and supporting higher expected return potential going forward.

Get the full picture:

Exploring long-term themes currently at play provides an even more comprehensive understanding of the key dynamics shaping the path ahead.

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