Our multi-asset investment views

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Resilient growth and robust corporate earnings keep us positive on cyclical assets, while we upgrade our view on gold amid strong central bank demand.

The combination of resilient global growth and robust corporate earnings, as evidenced by second-quarter earnings, continues to support our constructive stance on cyclical assets, particularly equities. Following the strong rally since the second half of July, we acknowledge that market expectations have now moved into extended territory. However, in the absence of any meaningful deterioration in growth dynamics, we believe a pro-cyclical positioning remains warranted.

In addition to our overweight in global equities, which we have maintained throughout the year, we have reinforced our preference for technology following the June/July correction and expanded our breadth to German equities as a means of expressing a positive view on industrials and defence. We also retain some exposure to natural resources via a combination of global mining companies and energy producers.

While we remain mindful of the risks posed to monetary policy independence in a domain of large fiscal deficits, we place confidence in the ability of central banks to maintain an appropriate policy course. Market pricing currently implies only a modest pace of additional tightening in the US, retaining scope for more hikes if our central scenario plays out. We have re-established long US dollar positions against low yielders such as the Swiss franc and Japanese yen, as well as against currencies that have experienced disproportionate market moves, such as the Korean won.

We retain a negative view on US credit spreads reflecting the limited compensation on offer. At the same time, we hold a tactical allocation to US government bonds, where higher real (inflation-adjusted) yields provide a more attractive valuation backdrop. Recent increases in real yields suggest investors' confidence in the cyclical outlook; however, should our constructive growth view be challenged, sovereign bonds could provide some diversification benefits within our portfolios.

Finally, a combination of elevated real yields, renewed institutional demand, and cleaner positioning among fast-money investors has prompted us to re-engage with the gold trade; despite the recent rally, we believe that this position may offer an attractive medium-term risk/reward opportunity.

Among the key risks to our constructive stance are an acceleration in inflation, a meaningful deterioration in the growth outlook, and a loss of investors' confidence in the sustainability of the artificial intelligence (AI) investment narrative.

Main Asset Classes

We remain positive on equities, supported by resilient global growth and robust corporate earnings. While AI valuations, leverage and market concentration pose risks, the favourable cyclical backdrop reinforces our view on equities.

We remain tactically positive on government bonds, with higher real yields creating more attractive valuations. We retain confidence in central banks' ability to navigate policy appropriately and see duration as a useful complement to our pro-cyclical positioning.

We hold a positive view on commodities, particularly mining and energy. We have re-established our gold position, supported by central bank purchases and improved positioning.

We retain our negative view on credit. Spreads are historically tight despite rising leverage and elevated issuance, leaving valuations increasingly stretched.

Equities

US equities continue to be supported by resilient economic growth, strong Q2 earnings, and growing evidence that AI investment is driving productivity and earnings growth.

While current conditions remain favourable for financials, energy and materials, we believe other regions offer more attractive opportunities.

Strengthening earnings and fiscal stimulus continue to support German equities, while providing some diversification away from the global AI theme.

We maintain a neutral stance, as improving domestic conditions are balanced by the ongoing currency volatility and expected rate differentials.

Strong earnings momentum and ongoing investment in the tech sector support our positive view on emerging markets, while elevated concentration risks call for greater selectivity.

We continue to favour specific technology sectors benefiting from AI investment and digital adoption, while remaining selective amid broader economic weakness.

We remain positive, supported by the AI and technology cycle and strong earnings momentum, with a preference for Taiwanese and other Asian technology stocks.

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

Government bonds

We remain positive on US Treasuries, with higher real yields improving valuations and offering diversification if growth weakens or risk assets come under pressure.

Although yields are at attractive levels, uncertainty around inflation and policy expectations means we retain a neutral view.

Similar to other regions, yields remain appealing, but inflation uncertainty and less compelling valuations support a more cautious stance.

We remain neutral as elevated inflation expectations and uncertainty over monetary policy normalisation continue to influence the outlook for yields.

While inflation risks persist, much of the near-term backdrop appears priced in, leaving valuations more balanced.

Improving fundamentals and scope for further EM central bank easing support our positive view on EM local debt.

Investment grade credit

We have downgraded our view to negative amid market stress following near-record issuance. Tech sector spreads have widened, and the US IG market remains priced for perfection.

Exposure to hyperscalers is a growing risk for the European IG market. While currently limited, concentration is expected to rise, increasing reliance on a small number of issuers.

While fundamentals remain broadly constructive, valuations have tightened and premia over US corporates have narrowed.

High yield bonds (non-investment grade)

We remain negative, as current valuations leave little room for rising refinancing pressures and any gradual weakening in corporate fundamentals.

We have upgraded our view to neutral as lower issuance over the summer and resilient demand have improved market conditions. Attractive yields and reduced downside risks should support returns.

Commodities

Ongoing tensions in the Middle East continue to drive oil prices. Despite softer demand, declining inventories and other supply pressures are underpinning prices.

Upgraded to positive, supported by strong structural demand from central banks and China, alongside persistent concerns over inflation, sovereign debt and currency stability.

Despite continued weakness in China’s property market, structural demand trends remain supportive, particularly for copper, while supply growth is expected to remain weak in 2026.

The El Niño weather pattern is underway with Pacific Ocean temperatures above average. Despite this, a successful planting season in the US means we remain neutral for now.

Currencies

Upgraded to positive, supported by resilient US growth and favourable rate differentials versus lower-yielding currencies such as the Japanese yen and Swiss franc.

We remain neutral as supportive yield levels are balanced by a mixed domestic growth outlook and broadly balanced policy expectations.

While sentiment towards certain eurozone sectors has improved, broader economic conditions remain mixed, leading us to maintain a neutral view.

Resilient exports despite global supply chain disruptions, alongside continued technology investment, underpin our positive view on the renminbi.

Downgraded to negative as the recent FX intervention is likely to provide only temporary support, while the underlying structural pressures on the Japanese yen remain in place.

We have downgraded our view to negative amid weaker growth and lower inflation. Further appreciation risks weighing on exports and increases the likelihood of Swiss National Bank intervention.

Source: Schroders, August 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---august-2026/