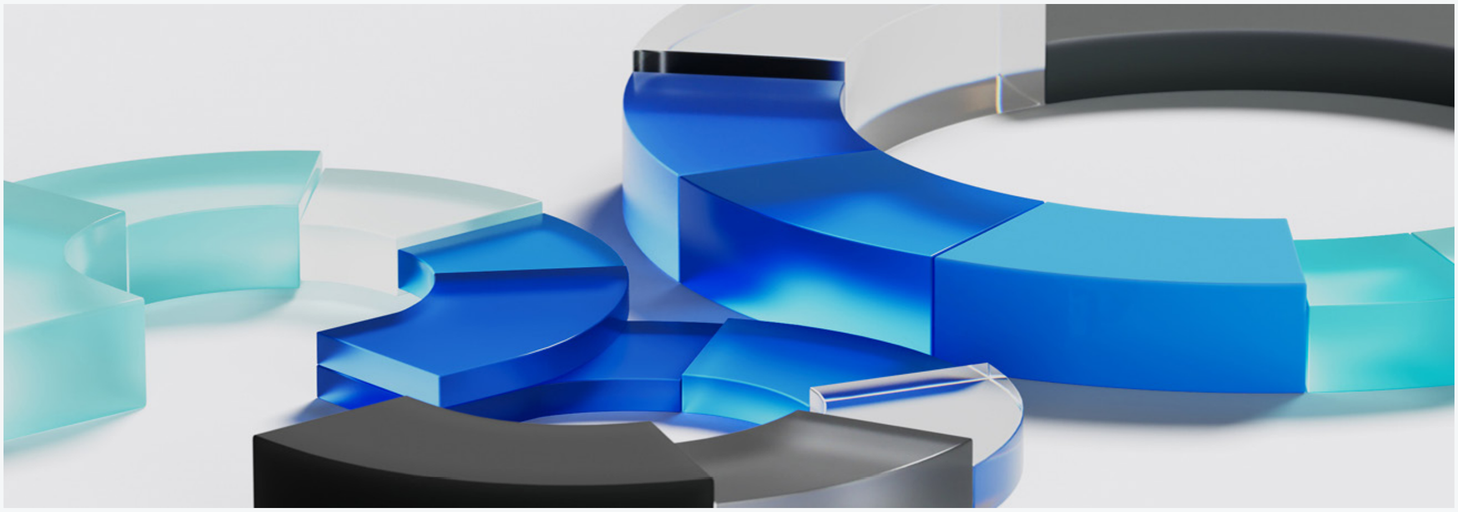
Portfolio Insights

# 2026 Long-Term Capital Market Assumptions

## Executive summary | Shifting landscapes and silver linings



### In brief

- In the 30th edition of our Long-Term Capital Market Assumptions (LTCMAs), we explore how shifting economic landscapes, marked by rising economic nationalism and fiscal activism, create both challenges and silver linings for investors.
- Labor constraints weigh on U.S. trend growth, modestly narrowing the U.S. vs. rest of world growth advantage, but do not preclude cyclical economic strength or solid asset returns. We expect investment to be front-loaded and believe technology adoption will provide a near-term boost to profits and a longer-term boost to productivity.
- Even after a year of strong equity market gains, asset returns hold up. Profitability offsets valuations for global stocks and higher term risk premia push up bond return forecasts. Our forecasted return for a simple USD global 60/40 stock-bond portfolio holds steady at 6.4%.
- We have high conviction in the profitability of U.S. corporates but acknowledge the impact of high valuations and a weakening dollar. Currency provides a tailwind to international stocks for USD-based investors and renews the focus on FX hedging for non-USD-based investors. Global stocks roughly double over our forecast horizon, given strong investment and resilient profits.
- Higher inflation volatility is a feature of our economic outlook and pushes up our forecasted returns for high quality bonds. Given higher starting yields and steeper curves, we project the best outlook for intermediate treasuries since the global financial crisis. Credit holds up, with better riskless returns offsetting tight spreads.
- As the investment cycle picks up, so, too, does the scope to harvest alpha. Private financial assets and hedge funds are well placed to benefit, while real assets offer compelling returns, given rising inflation volatility. For example, a 30% diversified alternatives allocation in a “60/40+” portfolio pushes returns to 6.9% and improves the Sharpe ratio by a quarter.
- The economic landscape is shifting palpably. But, in our view, much of what worries investors today will ultimately pale beside the silver linings we see breaking through over the long run.

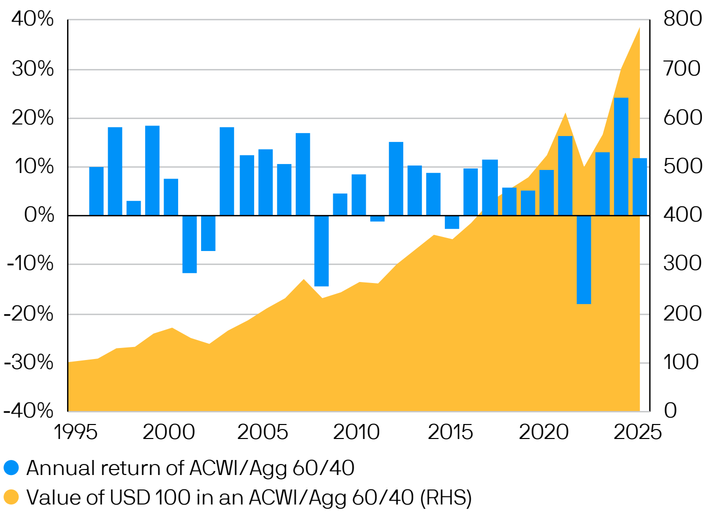


J.P.Morgan
ASSET MANAGEMENT

This year marks the 30th edition of our Long-Term Capital Market Assumptions (LTCMAs). The last 30 years brought the internet, the dot-com bubble, the birth of the euro, the ascent of China, the global financial crisis (GFC), quantitative easing (QE), the pandemic and the dawn of artificial intelligence (AI). Over this journey, global bonds annualized total returns of 4.3% each year, and global stocks 8.3%; USD 100 invested in a USD 60/40 stock-bond portfolio in September 1995 is worth USD 785 today[1] (**Exhibit 1**).

### A steady exposure to stocks and bonds has stood the test of time over the last three decades

**Exhibit 1: Growth of 60/40 over 30 years, and average returns through the period**




Source: Bloomberg, J.P. Morgan Asset Management; data as of September 30, 2025.

Such strong market performance, despite periodic shocks, commands attention as we consider how the global economy may evolve in the next decade. Economies and markets have a way of adapting to change and adversity over the long run – potentially creating new secular trends. For this reason, we title this year's edition "Shifting landscapes and silver linings."

We believe the healthier foundations to the global economy described in last year's edition,[2] such as robust corporate balance sheets and greater willingness to invest, remain in play. Still, recent political events are shifting the landscape, with a trend toward economic nationalism and increasing barriers imposed on trade and migration. All else equal, these trends potentially constrain global growth, but they are also quickly galvanizing offsetting positive forces – creating silver linings. Two of these forces were already a feature of our projections last year, but this adversity is accelerating the themes we highlighted.

First, trade uncertainty and slowing globalization mean surplus countries have no choice but to invest locally to boost their economies. Fiscal activism – a theme central to our projections last year – has been turbocharged.

Second, a less abundant labor supply as populations age and migration slows will force companies to turn to technological solutions to maintain both production levels and profit margins.[3] This will in turn accelerate the adoption of AI and other technologies.

Accounting for these silver linings over our 10- to 15-year forecast horizon, global growth holds up even as we project a modest erosion of the U.S. vs. rest of world (RoW) growth advantage. Greater reliance on fiscal policy inevitably stokes deficit fears, but this will likely manifest mainly in steeper yield curves and higher term-risk premia – in turn boosting bond returns.

Strong year-to-date equity returns mean higher starting valuations for stocks.[4] Nevertheless, with capex and fiscal spending rising, and margins resilient, our return forecasts for global equities are little changed from last year. When combined with our bond forecast, the return outlook for a simple USD 60/40 global stock-bond portfolio holds steady at 6.4%.[5] For a 60/40+ portfolio, which includes a 30% allocation to diversified alternatives, we project a return of 6.9% and an improvement in the Sharpe ratio of 25% compared with a simple 60/40. And while investors' allocation to alternatives will inevitably vary widely, the inclusion of even a small allocation can make portfolios more resilient.[6]

1 ACWI and U.S. Aggregate bonds total return index from September 1995 to September 2025, annually rebalanced.
2 The 2025 Long-Term Capital Market Assumptions explored how higher starting valuations and yields reflected an increasing optimism that the low investment, low inflation and low growth era of the 2010s is behind us.
3 Given profit-maximizing incentive for firms, as the labor supply tightens and the marginal cost of wages goes up, the return on investment in technology increases, all else equal.
4 MSCI ACWI forward P/E rose from 18.0x on September 30, 2024 to 19.3x on September 30, 2025.
5 Annualized average expected return over our 10- to 15-year time horizon.
6 See Grace Koo, Jared Gross, Gabriela Santos, et al., "Changing portfolio construction in shifting landscapes," *2026 Long-Term Capital Market Assumptions*, J.P. Morgan Asset Management.

## Economic nationalism trims growth in some regions, boosts fiscal response in others

Some assume that the shift toward more nationalistic economic policies, most evident in the U.S., might weigh heavily on global trend growth. Trade frictions tend to reduce productivity over time, as international competition spurs both knowledge transfer and innovation.

But tighter immigration control may well exert a greater drag on growth, and it is a feature that we expect to endure in many regions beyond any single administration. Many economies are suffering from decades of declining fertility rates, which are limiting population growth. Higher rates of inward migration might have both supported growth and eased the fiscal pressures that societies with aging populations bear. However, this economic solution faces political challenges, with migration increasingly proving pivotal in shaping electoral outcomes.

But two positive developments come into play. In the face of trade hostility, regions that relied on others to buy their exports are forced to generate greater domestic demand. Goods-exporting nations such as Germany and Japan have little option but to deploy policies to stimulate domestic consumption and investment, potentially redistributing demand geographically; China, too, may yet need to follow similar policies to boost domestic demand.

In addition, the market inefficiencies arising from trade friction are forcing firms to invest in new technologies in response to scarcer labor and natural resources. Accounting for offsetting forces, our global growth forecast is unchanged at 2.5%. However, in a redistribution of growth, the U.S. forecast falls by 20bps, to 1.8% (**Exhibit 2**), while expected growth rises in other regions.

We acknowledge that a rebalancing of global demand could prove disruptive. Economic nationalism that accelerates investment in productivity-enhancing technology could create or exacerbate political strains. The sections of society most supportive of protectionism and least supportive of migration are often those that also feel left behind by technological advances.

This tension between technological advancement and political regression is a source of economic volatility that may push up the cost of capital and increase the risk of capital misallocation over our forecast horizon.

In today's deeply interconnected global economy, policies that lurch quickly toward economic nationalism may precipitate episodes of acute volatility. In such cases, inflation may act as a brake, forcing governments to soften policies that push too far or too fast toward isolationism.

### Our 2026 assumptions see mostly steady growth and modestly higher inflation

**Exhibit 2: 2026 long-term capital market macroeconomic assumptions (%, annual average)**

| | Real GDP | | | Inflation | | |
|---|---|---|---|---|---|---|
| | 2026 | 2025 | Change* | 2026 | 2025 | Change |
| **Developed markets** | **1.7** | **1.7** | **0.0** | **2.3** | **2.2** | **0.1** |
| United States | 1.8 | 2.0 | -0.2 | 2.5 | 2.4 | 0.1 |
| Euro area | 1.5 | 1.4 | 0.1 | 2.0 | 2.0 | 0.0 |
| Japan | 0.9 | 0.9 | 0.0 | 1.7 | 1.5 | 0.2 |
| United Kingdom | 1.5 | 1.5 | 0.0 | 2.2 | 2.2 | 0.0 |
| Australia | 2.2 | 2.3 | -0.1 | 2.7 | 2.6 | 0.1 |
| Canada | 1.7 | 1.8 | -0.1 | 2.2 | 2.2 | 0.0 |
| Sweden | 2.1 | 2.1 | 0.0 | 2.2 | 2.2 | 0.0 |
| Switzerland | 1.6 | 1.5 | 0.1 | 1.2 | 1.3 | -0.1 |

| | Real GDP | | | Inflation | | |
|---|---|---|---|---|---|---|
| | 2026 | 2025 | Change* | 2026 | 2025 | Change |
| **Emerging markets** | **3.7** | **3.6** | **0.1** | **3.0** | **3.2** | **-0.2** |
| China | 3.6 | 3.6 | 0.0 | 1.6 | 2.1 | -0.5 |
| India | 5.9 | 5.9 | 0.0 | 4.5 | 4.5 | 0.0 |
| Brazil | 2.1 | 2.1 | 0.0 | 4.7 | 4.4 | 0.3 |
| Korea | 2.1 | 2.1 | 0.0 | 1.9 | 2.0 | -0.1 |
| Taiwan | 1.8 | 1.8 | 0.0 | 1.5 | 1.5 | 0.0 |
| Mexico | 2.1 | 2.2 | -0.1 | 3.9 | 3.7 | 0.2 |
| South Africa | 2.1 | 2.1 | 0.0 | 4.9 | 5.4 | -0.5 |
| Turkey | 3.1 | 3.1 | 0.0 | 13.3 | 13.6 | -0.3 |

Source: J.P. Morgan Asset Management; estimates as of September 30, 2025. Composite GDP and inflation numbers for developed markets, emerging markets and global aggregates are calculated by assigning weights to individual economies proportional to projected nominal GDP over the forecast horizon. This year, we remove Russia from our LTCMA assumptions, and thus show EM and Global composite GDP and inflation numbers excluding Russia for both 2025 and 2026. * Change represents the change calculated from rounded 2026 and 2025 estimates. Due to these rounding conventions, there may be some minor discrepancies for users accessing the unrounded data.

## Fiscal activism and corporate investment

Fiscal activism[7] – a theme central to our forecasts since the pandemic – moves further into the forefront of the current economic landscape. The pandemic, together with a general weariness of austerity, particularly in Europe, started in the early 2020s to reverse a decade of fiscal retrenchment. 2025 brought a notable upward inflection in fiscal activism. We expect it will drive economic momentum over the next few years and leave a lasting impression on risk premia and asset returns over the next decade.

As governments increase their spending commitments, we expect corporations to follow suit. History suggests that government spending is more likely to attract private investment than crowd it out. Given the estimated USD 4.6 trillion of cash[8] on the balance sheets of large firms globally, an acceleration in fiscal spending and capex supports both our growth forecasts and projections for company profits.

In the U.S., fiscal spending remains elevated, and well-publicized efforts to slash government spending have delivered little so far.[9] New tax cuts are largely an extension of existing policy and look to be mainly funded by anticipated import duties, acting therefore as a capital transfer rather than a true boost to growth. Thus, we do not expect fiscal policy to fully offset the downgrades to U.S. growth that come from lower labor force growth due to demographic changes and immigration policies.

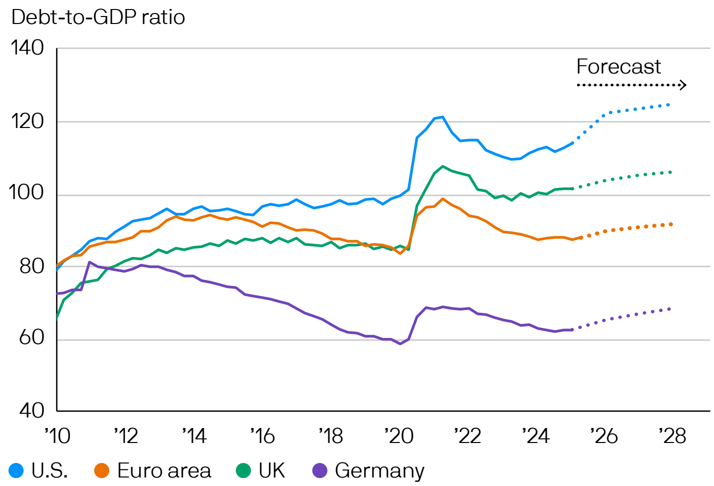
In the euro area, the speed and scale of fiscal activism have been remarkable. Last year, European fiscal activism prompted us to upgrade our European growth forecasts. But this year, European Union (EU) policymakers threw off their self-imposed fiscal shackles – particularly Germany's "debt brake" policy[10] – as governments urgently sought to generate domestic demand and fund regional defense.

A meaningful fiscal package in Germany, higher EU defense investment and a significant unspent war chest from the NextGen fund will push EU fiscal commitments sharply higher in the next few years. As a result, we once again upgrade our growth outlook for the euro area, raising our forecast to 1.5%. In a region beset by unfavorable demographics, and increasingly hesitant over immigration, this uplift in trend growth is significant. It halves the U.S.-Europe growth differential, from 60bps to 30bps (Exhibit 2).

In other regions, too, we expect that fiscal activism will feature strongly, whether through direct government investment or further incentives for corporate capex. While higher investment has the potential to support growth, it is not without its risks – particularly for already indebted regions. While debt-to-GDP projections do not account for any GDP boost that may arise from higher investment (**Exhibit 3**), fiscal activism clearly raises concerns about debt sustainability.

### Fiscal commitments push up debt-to-GDP across the globe, but some regions have more fiscal space than others

**Exhibit 3: Debt-to-GDP trajectories of major economies, given fiscal commitments**




Source: Bank for International Settlements, Eurostat, IMF, LSEG Datastream, J.P. Morgan Asset Management; data as of August 31, 2025. Debt refers to gross debt at face value. Dotted lines represent IMF forecasts.

7 We define fiscal activism as a willingness for governments to use fiscal tools such as taxes and investment spending to stimulate the economy.
8 Source: FactSet, aggregate cash in MSCI ACWI index; data as of August 2025, based on MSCI ACWI.
9 Through July, Politico estimated contract savings of around USD 1.4 billion, not including savings from personnel cuts that were made along with other "rescissions," which we estimate at USD 45 billion; the Department of Government Efficiency (DOGE) initially targeted USD 2 trillion.
10 Germany's Schuldenbremse (debt brake) was a constitutional rule limiting the federal structural budget deficit in normal times to 0.35% of GDP annually and generally prohibiting state-level borrowing. The debt brake was rescinded in 1Q 2025 by the outgoing administration.

Higher debt and deficit levels will manifest themselves mostly through higher term-risk premia and currency adjustments. Our cycle-neutral yield forecast for the 10-year U.S. Treasury (UST) moves up 20bps this year, to 4.1%, with the term premium between cash and the 10-year increasing 10bps, to 120bps. As a result, our return forecast for the 10-year UST rises 40bps, to 4.6% (**Exhibit 4A**).

We expect higher term-risk premia and stronger bond returns across developed nations. The average Sharpe ratios over our full investment horizon rise meaningfully, especially for long-maturity bonds. Still, we are mindful that realized risk-adjusted returns could vary significantly from one year to the next, given our expectations of elevated inflation volatility. Investors relying on bonds alone to hedge portfolio risks would be prudent to consider inflation hedges as well as growth hedges in their asset mix.

Ongoing inflation volatility and a shrinking U.S.-RoW growth advantage also weigh on the dollar. For some time, we have viewed USD as overvalued. While the greenback has fallen significantly in 2025, we believe it remains about 10% overvalued in trade-weighted terms (**Exhibit 4B**). To be clear, we do not think that a softer dollar signals a reversal of U.S. exceptionalism. Instead, we anticipate a gradual decline in USD as global capital moves steadily to take advantage of more geographically dispersed opportunities.

### The dollar is set to weaken further, with JPY and CNY having the greatest scope to appreciate

**Exhibit 4B: Key 2026 LTCMA currency assumptions**

| | | Terminal spot forecast (10–15 years out) | | | |
|---|---|---|---|---|---|
| | Current spot | 2026 | 2025 | Change | Change % |
| AUD* | 0.6588 | 0.70 | 0.71 | -0.01 | -0.7% |
| BRL | 5.3342 | 6.50 | 6.66 | -0.16 | -2.4% |
| CAD | 1.3934 | 1.24 | 1.18 | 0.06 | 5.1% |
| CHF* | 1.2502 | 1.36 | 1.31 | 0.05 | 3.8% |
| CNY | 7.1224 | 5.46 | 6.05 | -0.59 | -9.8% |
| EUR* | 1.1644 | 1.26 | 1.29 | -0.03 | -2.3% |
| GBP* | 1.3429 | 1.45 | 1.48 | -0.03 | -2.0% |
| JPY | 152.38 | 118.34 | 113.52 | 4.82 | 4.3% |
| MXN | 18.36 | 24.20 | 28.00 | -3.80 | -13.6% |
| SEK | 9.4150 | 8.19 | 8.41 | -0.22 | -2.6% |

Source: J.P. Morgan Asset Management; estimates as of September 30, 2024 and August 2025. * USD as base currency except where indicated (*).

The combination of trade friction and fiscal dominance has inflationary undertones. This will likely drive persistent demand for inflation-resistant assets, such as gold, real estate, infrastructure and transportation. Although gold prices surged over 45% in 2025, persistent inflation volatility and increasing demand from both investors and central banks point to further upside. We forecast annual returns of 5.5% for gold, up 100bps from last year.

### Fixed income returns pick up, given higher starting yields and an increase in term-risk premia that reflects higher inflation volatility

**Exhibit 4A: Fixed income returns table**

| | USD | | GBP | | EUR | | JPY | |
|---|---|---|---|---|---|---|---|---|
| 2026 assumptions | Cycle-neutral yield (%)/ spread (bps) | 2026 expected return | Cycle-neutral yield (%)/ spread (bps) | 2026 expected return | Cycle-neutral yield (%)/ spread (bps) | 2026 expected return | Cycle-neutral yield (%)/ spread (bps) | 2026 expected return |
| Inflation | 2.5% | | 2.2% | | 2.0% | | 1.7% | |
| Cash | 2.9% | 3.1% | 2.5% | 2.8% | 2.3% | 2.3% | 1.6% | 1.4% |
| 10-year bond | 4.1% | 4.6% | 3.5% | 4.8% | 3.4% | 4.0% | 2.3% | 2.1% |
| Long Bond Index* | 4.5% | 5.2% | 3.6% | 6.3% | 3.7% | 4.8% | 2.6% | 3.8% |
| Investment grade credit | 5.5%/150bps | 5.2% | 5.1%/175bps | 5.3% | 4.5%/145bps | 4.0% | 2.8%/75bps | 2.4% |
| High yield | 8.3%/475bps | 6.1% | | | 6.9%/395bps | 5.3% | | |
| Emerging market debt** | 7.8%/380bps | 6.3% | | | | | | |

Source: J.P. Morgan Asset Management; estimates as of September 30, 2025. * EUR: 15y+ index; JPY: JGB Bond Index; GBP: 15y+ index; USD: 20y+ index.
** EMD hard currency debt.

Real estate returns rise 10bps for core U.S. and 30bps for core Asia but dip 70bps in core Europe. Higher riskless rates constrain exit valuations, but in general the asset class benefits from attractive starting yields and better financing costs. Long-term lease agreements hedge against interest rate volatility, while the positive gearing of real estate to inflation provides a compelling means of building greater robustness into multi-asset portfolios (**Exhibit 5**). We also note that even with Sharpe ratios for high quality fixed income improving this year, assets such as real estate, infrastructure and transportation continue to offer investors very compelling risk-adjusted returns that sit well above those for public market assets.

## Our 2026 return expectations for real assets and financial alternatives reflect both shifting landscapes and silver linings

**Exhibit 5: LTCMA expected returns (leveraged,* net of fees, %), 2026 vs. 2025**

| Real assets | 2026 | 2025 |
|---|---|---|
| **Private real estate equity (USD)** | | |
| U.S. core | 8.2 | 8.1 |
| U.S. value-added | 10.1 | 10.1 |
| European core | 6.9 | 7.6 |
| European value-added | 9.0 | 9.7 |
| Asia-Pacific core | 8.4 | 8.1 |
| **REITs (USD)** | | |
| U.S. REITs | 8.8 | 8.0 |
| European REITs | 6.7 | 8.7 |
| Asia-Pacific REITs | 8.1 | 7.8 |
| Global REITs** | 8.7 | 8.0 |
| **Commercial mortgage loans (USD)** | | |
| U.S. | 6.2 | 6.4 |
| **Global infrastructure (USD)** | | |
| Core | 6.5 | 6.3 |
| **Global transport (USD)** | | |
| Core | 7.9 | 7.8 |
| **Global timberland (USD)** | | |
| Global timberland | 6.3 | 5.3 |
| **Commodities (USD)◊** | | |
| Commodities | 4.6 | 4.3 |
| Gold | 5.5 | 4.5 |

| Financial alternatives | 2026 | 2025 |
|---|---|---|
| **Private equity (USD)†** | | |
| **Cap-weighted composite** | 10.2 | 9.9 |
| Private equity - small cap | 10.1 | 10.1 |
| Private equity - mid cap | 9.9 | 9.8 |
| Private equity - large/mega cap | 10.2 | 9.8 |
| **Private debt (USD)** | | |
| Direct lending | 7.7 | 8.2 |
| **Venture capital (USD)** | | |
| Venture capital | 8.5 | 8.8 |
| **Hedge funds (USD)** | | |
| Equity long bias | 5.5 | 5.0 |
| Event-driven | 5.2 | 4.9 |
| Relative value | 5.7 | 5.0 |
| Macro | 4.1 | 3.8 |
| Diversified†† | 5.3 | 4.9 |
| Conservative‡ | 4.0 | 3.4 |

Source: J.P. Morgan Asset Management; estimates as of September 30, 2024 and September 30, 2025.

* All return assumptions incorporate leverage, except for commodities, where it does not apply.

** The global composite is built assuming the following weights: roughly 70% U.S., 10% Europe and 20% Asia-Pacific.

◊ The 2026 commodity projections do not account for execution/management fees consistent with a passive benchmark.

† The private equity composite is AUM-weighted: 65% large cap and mega cap, 25% mid cap and 10% small cap. Capitalization size categories refer to the size of the asset pool, which has a direct correlation to the size of companies acquired, except in the case of mega cap.

†† The Diversified assumption represents the projected return for multi-strategy hedge funds.

‡ The Conservative assumption represents the projected return for multi-strategy hedge funds that seek to achieve consistent returns and low overall portfolio volatility by primarily investing in lower volatility strategies such as equity market neutral and fixed income arbitrage. The 2026 Conservative assumption uses a 0.70 beta to Diversified.

On balance, we see the increase in fiscal activism as a positive force. Nevertheless, aside from the potential inflationary impact, we are mindful of two further risks: capital misallocation and constrained national budgets.

Pressure on public finances – alongside the incentive to develop national champions in fields like technology – will likely nudge governments to enact policies that encourage the private sector to do the investing for them, either through the tax code or through co-investment. Involving the corporate sector not only addresses questions of whether governments can be trusted to direct investment wisely, but it also brings in another source of capital.

Governments are particularly focused on how they can support companies that are leading technological advancement. Despite lack of consensus in Washington, there is momentum toward some form of industrial policy – for example, subsidies for key industries such as semiconductors recently enhanced in tax legislation. In both the U.S. and China, policymakers have zeroed in on "winning the AI race." In Europe, governments continue to concentrate on the potential for energy-saving technologies.

Although the pace at which corporate capex is accelerating has not yet matched the jump in fiscal commitments, we see signs that it is picking up. Research and development capitalization and domestic manufacturing incentives[11] in the U.S., and over €600 billion in investment commitments from the German corporate sector,[12] are, in our view, just the start of a powerful corporate capex wave.

## The race for technology supremacy moves from adoption to deployment

Government incentives for capex are neither a new economic tactic nor the only reason for firms to boost investment today. There are many examples of capex incentives, from Canada's Accelerated Capital Cost Allowance for Clean Tech[13] in 2018, to India's Production Linked Incentive Scheme[14] in 2020, to the UK's Super-Deduction for Plant and Machinery[15] in 2021. Programs like these boosted capex and supported the investment component of GDP.

Aside from schemes that governments dream up to incentivize capex, technology adoption remains by far the strongest force driving corporate investment today. The fear of losing out to competitors focuses CEOs' minds like little else. Former IBM CEO Ginni Rometty captured the sentiment: "Artificial Intelligence will not replace humans, but those who use AI will replace those who don't." Put differently: If your firm is not at the cutting edge of deploying AI, somebody else's is.

In our view, we are still early in the AI adoption cycle. Companies are making investments, and the U.S. tech giants are today's chief beneficiaries. The U.S. looks likely to remain the global leader in technology origination. While China has a burgeoning tech sector, we believe that geopolitical rivalries and security concerns will reinforce the competitive moat for U.S. tech firms throughout our 10- to 15-year forecast horizon.

But as we move from tech adoption (where innovations gain traction) to widespread tech deployment (where innovations are widely used in business) the pattern will evolve. Earnings from firms that provide the technologies will ultimately normalize, while cost savings and new revenue streams in other sectors that leverage the technology will begin to accrue. If history is a guide – based on the experience of the adoption of the mainframe in the 1970s – the process will play out over the next decade. But the timeline could compress if the pace of AI innovation continues to accelerate.[16]

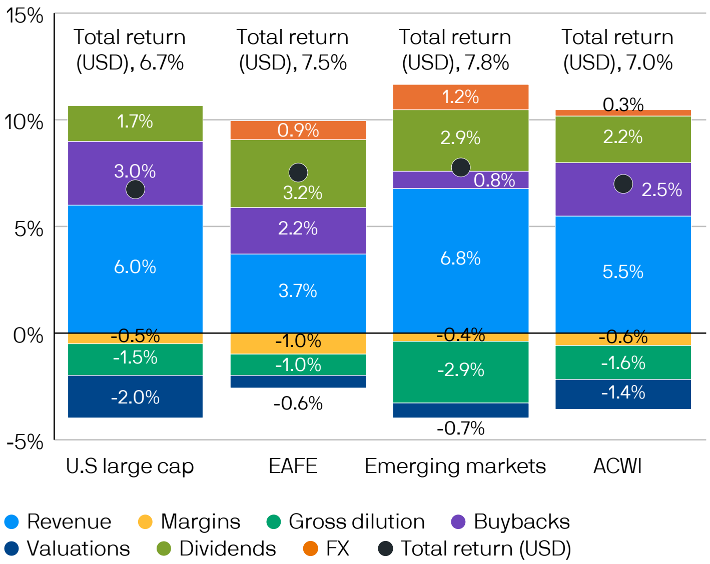
In equity markets, we expect the AI theme to manifest in profit margin resilience.[17] In the early part of our forecast horizon, we think tech leaders will maintain their current supersized margins. But these will likely normalize later in our forecast horizon as deployment of AI enables new winners in other sectors to emerge. So, despite a rally in stocks this year and a lower U.S. growth forecast, our optimism over investment spending and technology adoption leaves our U.S. equity forecast unchanged at 6.7%. And as the move from tech adoption to tech deployment broadens to other sectors, concerns over index concentration are expected to dissipate.

11 Within the recent One Big Beautiful Bill Act in the U.S., we estimate that tax incentives for R&D and domestic manufacturing amount to approximately USD 700 billion.
12 In July 2025, 61 German firms committed to invest €631 billion in an initiative called "Made for Germany."
13 Canada introduced temporary enhanced write-offs for clean energy equipment in 2018, allowing assets to be fully expensed in the first year.
14 India launched the USD 26 billion production-linked incentive scheme in 2020 initially to boost mobile phone and API production, before it was expanded to key strategic sectors, including pharmaceuticals, autos and renewables.
15 Running from 2021 to 2023 allowed firms investing in new and unused plants and machinery to claim a 130% first-year allowance in lieu of the usual writing down allowance.
16 See Michael Albrecht and Stephanie Aliaga, "The transformative power of generative AI," J.P. Morgan Asset Management, September 2023.
17 See Tim Lintern, Sean Daly, Michael Feser, et al., "Resilient profits, higher yields," *2026 Long-Term Capital Market Assumptions*, J.P. Morgan Asset Management.

Our global equity forecasts dip slightly this year, with our MSCI ACWI forecast declining 10bps to 7.0% in USD terms. The appreciation of USD and multiple expansion this year push developed market forecasts down. Still, the return forecasts continue to be supported by balance sheet resilience and attractive dividends. In local currency terms emerging market (EM) forecasts dip modestly after a strong performance in 2025. But a better outlook for some EM currencies, notably CNY, boosts EM returns in USD by 60bps, to 7.8% (**Exhibit 6**).

**A better revenue and margin outlook balances richer multiples, giving support to our equity forecasts despite the rally in 2025**

**Exhibit 6: Contributions to equity return forecasts for key indices**




Source: Bloomberg, FactSet, J.P. Morgan Asset Management forecasts; data as of September 30, 2025.

For investors, the message is clear: U.S. equities continue to offer the clearest exposure to technology adoption and hence remain the core of equity portfolios. But the return pickup available in other regions – together with the likely transition from technology adoption to technology deployment in the next decade – supports international diversification.

This transition will have implications for private asset markets. Private equity (PE) and private credit have technology sector exposures of 36% and 25%, respectively. As primary market activity increases in the latter part of the current business cycle, we expect the PE industry to start to recycle USD 2.7 trillion of dry powder into new investments.

The investment opportunities available in tech deployment support alpha trends for private capital. However, investors confront an offsetting force – the opening of private markets to new sources of capital through secondaries and other vehicles. As more capital moves into private markets, it likely depresses the median manager's alpha over time, making the alpha capture from top-quartile managers an ever more important component of PE returns.

The seismic changes wrought by tech deployment on business practices will also create winners and losers across publicly traded stocks and credits. Competition for capital, together with disruption across many sectors, makes a fertile ground for active alpha. Hedge funds stand to be significant beneficiaries of these trends, and we raise our median manager return forecasts by between 30bps and 70bps across the various hedge fund strategies this year.

## Portfolio resilience in a shifting landscape

Technology deployment remains our greatest source of optimism over the next 10 to 15 years. Equally, though, it can be a destabilizing force in a more febrile policy environment. Investment in technology supports growth in the near term through the investment channel and in the long term through productivity enhancement. At the same time, increased productivity risks leaving parts of society behind as the rewards accrue more to capital than to labor. Nevertheless, as labor force growth slows across the world or even turns negative, a focus on productivity is essential to maintain growth.

Disenfranchised pockets of society and the echo chambers now available via social media will remain breeding grounds for discontent answered, opportunistically, by populists. This polarization creates economic uncertainty and stokes economic nationalism. We see these forces completing a certain circularity among protectionism, fiscal activism and technological advance. This is driving convergence in GDP growth rates between the U.S. and other developed markets, but equally increases inflation volatility.

We expect the next 10 to 15 years to mark a period of significant change among sectors, across geographies and within companies. Historically, such conditions have tended to favor those able to allocate capital globally and actively, and across a wide opportunity set of assets.

Key risks to an optimistic view include erosion of institutional credibility and misallocation of capital (**Exhibit 9**, page 16). Institutional credibility is the cornerstone for reserve assets, and although we expect developed market central banks to remain powerful economic forces, we acknowledge that their independence may have passed its high-water mark. With investment rising, there is risk of misallocation – if investment stokes demand instead of building supply, it risks fueling higher inflation rather than better trend growth. To manage these risks, portfolio construction in the next decade will need to account for inflation and rate shocks, as well as economic (growth) shocks.

While we are acutely aware of the economic downside of protectionism and isolationism, we see some silver linings. The sheer scale of investment from governments and companies alike is a powerful offset to an aging workforce and increased trade frictions. Our return forecasts embed a continuation of a degree of U.S. exceptionalism. Leadership in technology and deep R&D capability across industries support U.S. equities despite high valuations. However, shifting trade policy weighs further on an already declining dollar. For U.S. investors, this may renew impetus for international diversification, while non-USD based investors may need to revisit FX hedging decisions.

Risk-adjusted returns for equities pick up for U.S. and emerging markets but dip for developed markets ex-U.S. Persistently elevated inflation has translated to steeper curves and higher term-risk premia. As a result, ex ante Sharpe ratios for high quality bonds are up meaningfully. Nevertheless, this rise merely brings bond Sharpe ratios closer to their long-run average as the low yield world of the 2010s fades further into the rearview mirror (**Exhibits 7A** and **7B**).

**Risk-adjusted returns for high quality bonds improve, given higher starting yields and steeper curves, but Sharpe ratios for real assets continue to lead the pack**

**Exhibit 7A: Sharpe ratios**

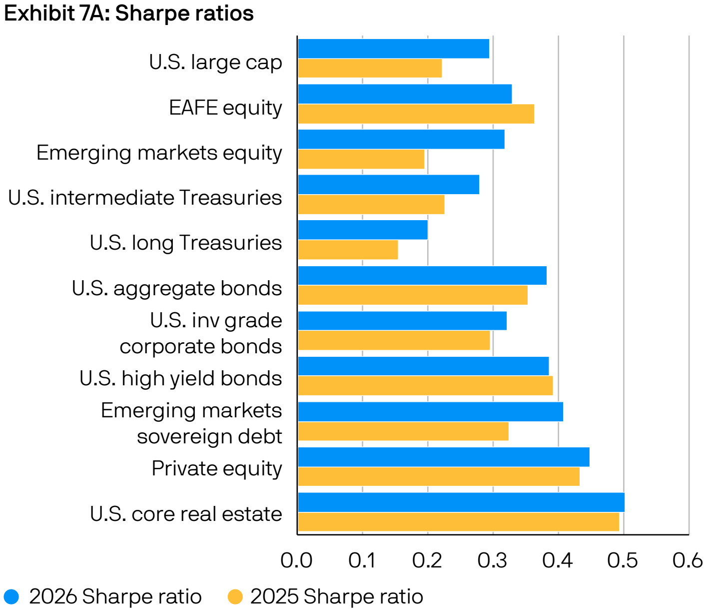
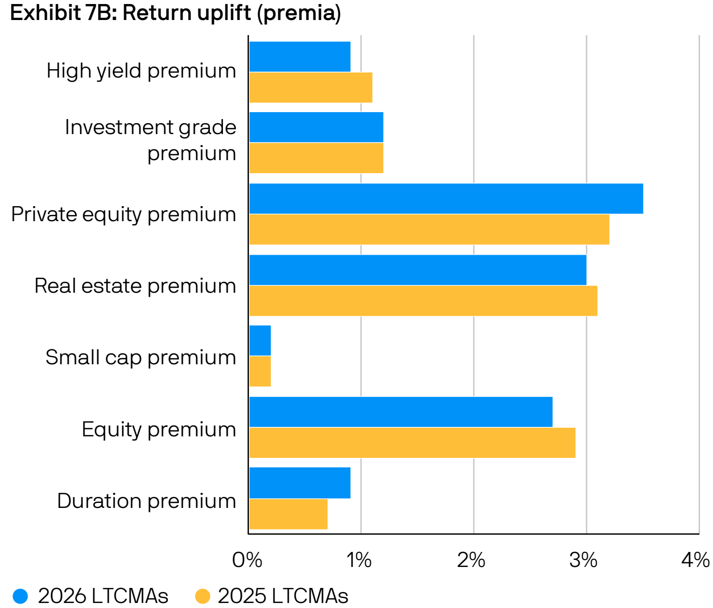



**Exhibit 7B: Return uplift (premia)**




Source: J.P. Morgan Asset Management; data as of September 30, 2025.

When mapped as an efficient stock-bond frontier, we see the curve flatter than last year, given better bond returns and broadly stable equity returns offsetting one another to leave the 60/40 portfolio forecast unchanged. The flattening of the curve is consistent with a maturing economic cycle and may prompt asset allocators to increase strategic fixed income allocations at the margin. Allocators will be encouraged to see a variety of diversifying asset classes with return forecasts north of the efficient frontier (**Exhibits 8A** and **8B**).

Strategic asset allocation continues to evolve. The traditional 60/40 stock-bond portfolio is perhaps better thought of as "60/40+" where some share of the liquid asset holding is reallocated to private market assets. In practice, the precise allocation to private assets varies depending on investor profile, overall assets and liquidity needs, but in general the inclusion of private assets improves portfolio robustness.

For investors of all risk tolerances, this presents a wide range of options for designing portfolios that are resilient to the shifting landscape and, at the same time, able to capture the silver linings that lie ahead in the coming decade.

**The USD stock-bond frontier flattens modestly, reflecting a gradually maturing cycle, but returns for a 60/40 stock-bond portfolio hold steady. Adding an alternatives allocation in a 60/40+ portfolio can meaningfully boost risk-adjusted returns.**

**Exhibit 8A: USD stock-bond frontiers and 60/40 portfolios based on 2026 vs. 2025 LTCMAs for risk and return (%)**

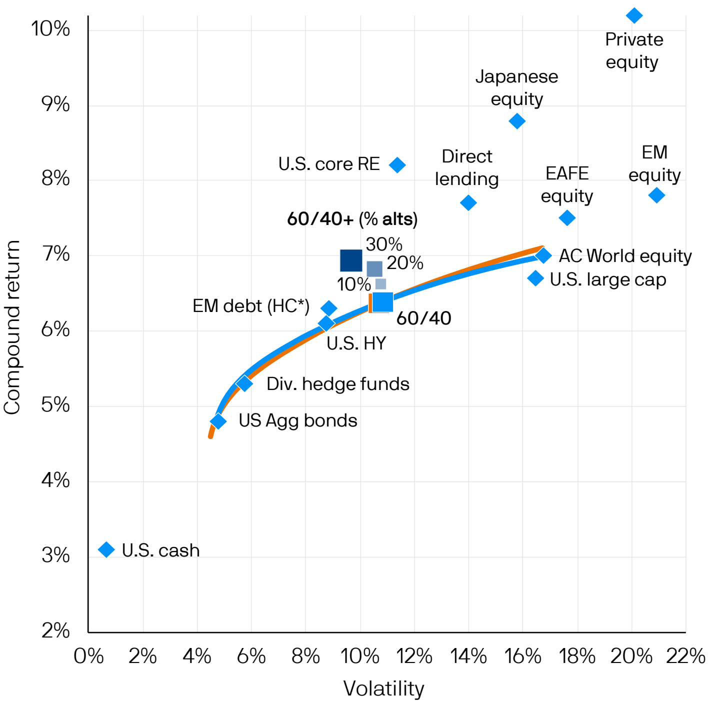
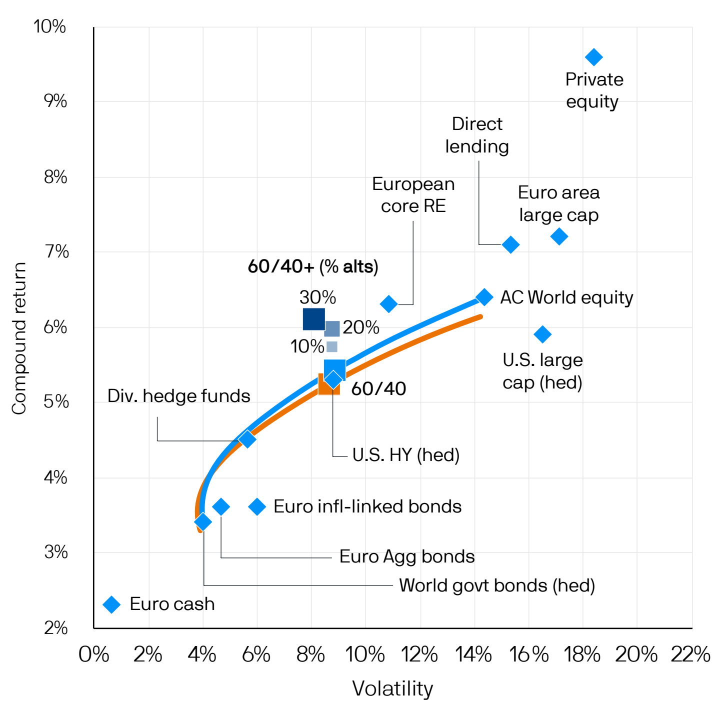



**Exhibit 8B: EUR stock-bond frontiers and 60/40 portfolios based on 2026 vs. 2025 LTCMAs for risk and return (%)**




2025 stock-bond frontier | 60/40 portfolio (2025) | 2026 stock-bond frontier | 60/40 portfolio (2026) | 60/40+ % Alts

Source: J.P. Morgan Asset Management; data as of September 30, 2025. * HC = Hard currency.

Note: 60/40 refers to 60% ACWI/40% U.S. aggregate bonds (for USD) 40% world government bonds (hedged) for EUR. In the chart 60/40+ in USD refers to a portfolio with 40% ACWI, 30% US Agg, 7.5% private equity, 7.5% real estate, 7.5% real assets, 4.5% private credit, and 3% hedge funds. Allocations to alternatives will vary meaningfully, given investor goals and risk tolerances. Different options are discussed in Grace Koo, Jared Gross, Gabriela Santos, et al., "Changing portfolio construction in shifting landscapes," *2026 Long-Term Capital Market Assumptions*, J.P. Morgan Asset Management.

## Over our 10- to 15-year horizon, we look through some of the cyclical risks and instead home in on risks that might alter trend growth or inflation, or leave a lasting imprint on long-term asset returns

**Exhibit 9: Key structural risks affecting our long-term forecasts and asset return assumptions**

| Risk | Upside or downside? | Description | Macro or asset class implications |
|---|---|---|---|
| Deficit concerns prompt a return to fiscal austerity | Downside | Governments pull back from investment spending and cut current spending to manage deficits | Global trend growth is lower; term risk premia decline as yield curves bull flatten; cyclicals and value styles lag |
| Regional conflicts extend or spill over, pulling in NATO or China | Downside | Russia-Ukraine invasion, Middle East war or other conflicts deepen or broaden and suck in superpowers | Short-run supply shock stokes higher inflation, longer-run drag on trend growth if conflicts persist; risk of stagflation; generally risk-off but supports commodities |
| Renewed U.S.-China tension in trade, rivalry in tech and finance | Downside | Trade restrictions extend from chips to cloud/finance, supply chain duplication. More punitive anti-trade measures | Introduces inefficiencies into the supply chain; increases risk of capital misallocation; inflationary at the margin and a headwind to tech |
| U.S. debt stress/technical default | Downside | Political brinkmanship leads to an impasse over government budgets that spills over into missed debt payments | Term premium spikes initially, but likely weakness in equities and other risk assets potentially sees bonds recover; USD softer vs. other safe havens |
| Rapid replacement of USD as global reserve currency | Downside | Central banks shift marginal reserves away from USD toward other currencies or nontraditional assets like crypto | USD down, U.S. bonds sell off and rate vol up sharply as investors reprice deficit risk. Meaningful growth drag if government spending slashed |
| Acceleration of adoption of renewables | Upside | Likely concentrated in Europe: Faster deployment of grids, storage, EVs, etc. leads to full energy independence | Capex boom initially, energy costs fall as renewables hit scale economies; longer-term, supports energy-intensive industries and real assets |
| Power scarcity from AI/data center wave | Near-term down; long-term up | AI load growth outpaces investment cycle in power grid, prompting (in time) more rapid energy capex and greater renewables investment | Headline CPI higher in short run; power-intensive industries see margins hit near term; further out, productivity upside as energy constraints ease |
| Major cyberattack on financial markets or critical infrastructure | Downside | Markets frozen for long period; payments, clearing or data integrity disrupted; loss of critical data a specific key risk | Growth negative if banking system disabled; market weakness as threats repriced. Regulatory backlash could hit profits in financial sector |
| Further pandemic with higher communicability/mortality rates | Downside | Rerun of Covid-19 pandemic but with deadlier strain | Large downside to growth; if labor pool compromised, could drive substantial reduction in trend growth |
| Productivity renaissance from accelerated capex | Upside | Public and private investment cycle successfully builds capacity in reshoring, digital capabilities, climate investment, etc. | Boost to total factor productivity that more than offsets aging workforce; holds inflation back and boosts profits. Limits debt-to-GDP expansion |
| Migration controls tightened further in key regions | Downside | Old age dependency ratios rise sharply as migration is fully curtailed in response to more populist political environment | Labor supply shrinks; trend growth down; consumption falls, but health care and social costs rise; longer-term, productivity may rise to offset worker shortages |
| Breakthroughs in health/longevity | Upside | Cardiometabolic, oncology, GLP-1 follow-ons, gene therapies rapidly adopted, increasing working lifespan | Reduced health-related exits from labor pool; lower spending on managing lifestyle-related illnesses |
| Step change in frontier tech (fusion/quantum/space) | Upside (tail risk) | Commercial breakthroughs that fundamentally change cost curves for energy, computing, transportation or other key areas | Capex supercycle and potential step change in productivity; risks to social cohesion a consideration for policymakers, but broadly positive for growth |

Source: J.P. Morgan Asset Management; data as of October 2025.

# Acknowledgments

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