CITY OF LONDON
Investment Management Company Limited

Global Macro Quarterly Outlook

November 2026*

Overview

When Chips Hit the Fan

- *While technology stocks have been volatile, global earnings growth remains resilient, supported by robust AI investment and strong hardware demand.*
- *Despite growing concerns about AI financing and regulation, alongside higher interest rates and geopolitical risks, we expect the economic expansion to continue into 2027.*
- *We remain constructive on equities and commodities, favouring non-US markets and sectors exposed to AI and infrastructure investment. Rising investor scepticism and improving valuations support selective exposure, while industrial metals remain a preferred commodity allocation.*
- *Higher yields have improved the diversification benefits of government bonds. We remain neutral on duration and investment-grade credit, underweight high yield, and retain our medium-term bearish USD view.*

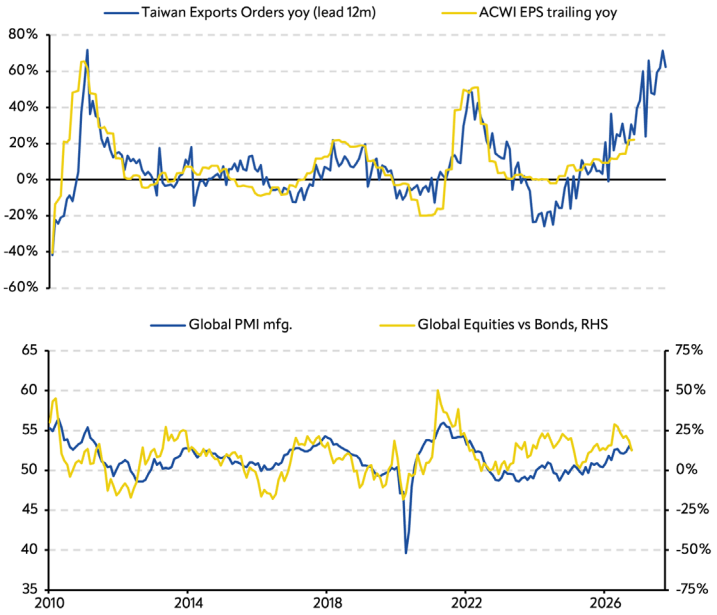
Global Outlook

Several themes are influencing markets, including AI, higher energy prices, Fed rate hikes and a wave of mega-IPOs. Following the US midterm elections, concerns over potential AI regulation have added to pressure on technology stocks. While these narratives have generated considerable noise and volatility, global economic activity remains resilient, supported by continued growth in AI-related investment. A broad range of cyclical indicators are consistent with further expansion including above-trend global PMIs and robust Asian export growth (see Chart 1).

This strength is particularly evident across the AI supply chain. Despite growing concerns about the sustainability of AI investment, underlying demand indicators continue to point to a substantial buildout in computing capacity. Hyperscalers have continued to raise their capital expenditure plans, while GPU rental rates and memory prices suggest that demand for scarce computing resources remains strong.

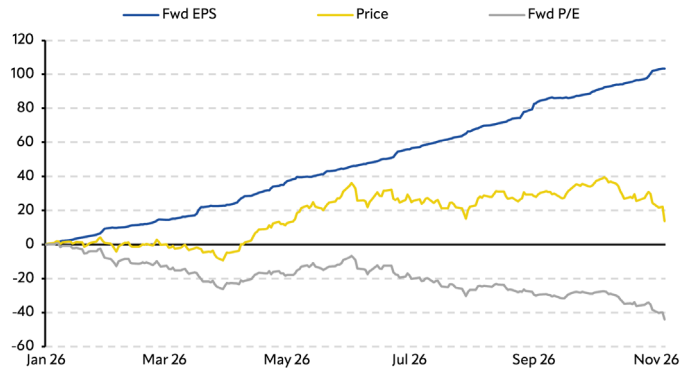
Yet markets are sending a more cautious signal. Global Information Technology equity valuation multiples have contracted even as earnings have continued to rise (see Chart 2). Rather than an earnings-led bear market, the recent correction has so far been driven primarily by a reassessment of valuations, government regulation, financing conditions and the capital required to sustain the AI investment cycle. These concerns are also reflected in sentiment indicators, including increased Google searches for "AI bubble" (see Chart 3) and the AAII bull-bear survey, which has remained in net bearish territory despite strong earnings.

Chart 1: Global Cyclical Indicators



Source: Bloomberg

Chart 2: ACWI Technology Index Multiples Have De-rated



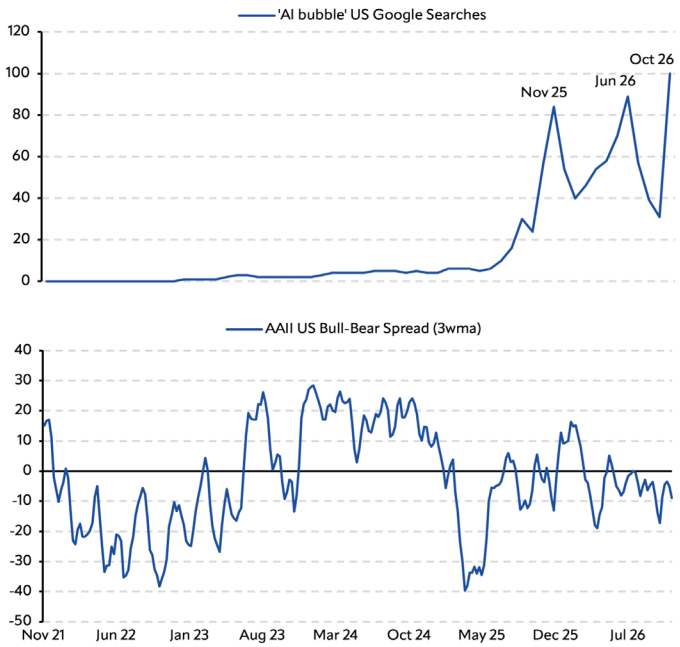
**Percent change since January 2026.*
Source: Bloomberg

Against this backdrop of resilient activity and market scepticism, our central view is little changed from August. Markets continue to climb a wall of worry, and elevated volatility may persist, but we believe the AI investment boom has further to run into 2027.

**The publication reflects asset performance up to 30 October 2026 and macro events and data releases up to 5 November 2026 unless indicated otherwise.*

Indeed, greater investor scepticism may ultimately prove healthy for a sustainable market uptrend. A more discriminating market should increasingly differentiate between companies with demonstrable demand and cash generation and those dependent on cheap financing and overly optimistic long-term assumptions.

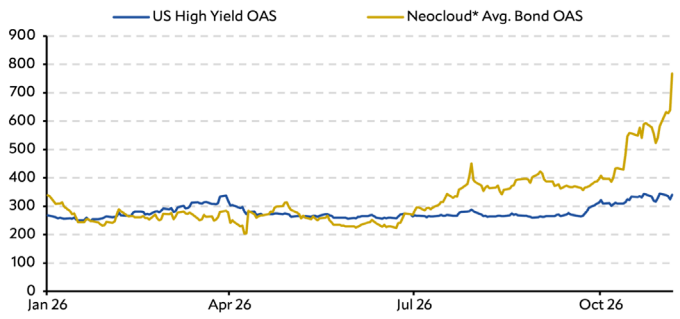
Chart 3: Google Searches for "AI Bubble" and AAII Bull Bear Survey



Source: Google Trends, Bloomberg, AAII

That distinction has become increasingly important as interest rates have risen. Financing is now one of the clearest vulnerabilities in the AI investment cycle, particularly among highly leveraged data centre operators and neocloud providers. Chart 4 highlights the widening spreads for some of these companies this year.

Chart 4: Neocloud and US HY OAS Spread (Bps)



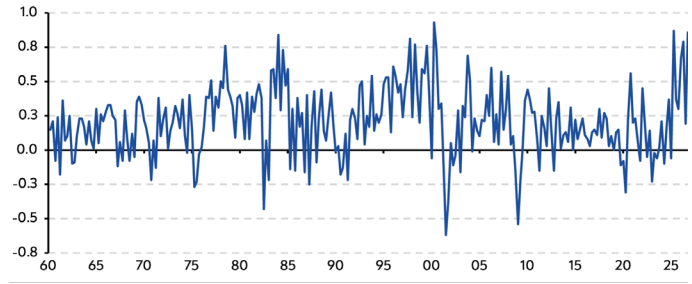
**CRWV 9.75 10/01/2031, IREN 0 07/01/2031, WULF 7.75 10/15/2030, CORZ 7.75 05/15/2031, CIFR 7.125 11/15/2030*
Source: Bloomberg

The focus of this publication is not on bottom-up assessments of individual AI companies and their balance sheets. However, financing concerns surrounding some companies have coincided with a broader de-rating in large-cap technology stocks, warranting a top-down macroeconomic perspective. Risks associated with neoclouds and hyperscalers are likely to remain a theme in 2027. Nevertheless, we see three powerful incentives supporting the broader AI investment cycle: economic growth, corporate profits and national security.

The scale of AI-related investment has become sufficiently large that a sudden retrenchment could constitute a macroeconomic shock, potentially strengthening the case for a policy response. Chart 5 highlights the growing contribution of information-processing equipment investment to recent US GDP growth. In addition, Chart 6 illustrates the close relationship between household wealth and equity market performance, with the latter increasingly influenced by AI-related companies, particularly semiconductor stocks.

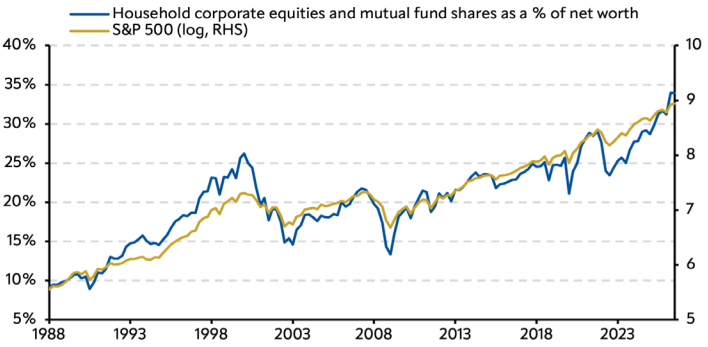
The strategic geopolitical dimension provides another potential tailwind. Competition between the US and China increasingly extends across semiconductor manufacturing, AI models, data centres, power generation and advanced computing capacity. Governments therefore have strong national security incentives to support investment in strategically important technologies.

Chart 5: Contribution of Information-Processing Equipment to US GDP Growth (% pts)



Source: Bloomberg

Chart 6: S&P 500 Index (Total Return) and US Household Wealth



Source: Bloomberg

Risks to the Outlook

We believe the most important risk remains a genuine downturn in final demand. Hardware demand, computing capacity utilisation and capital expenditure intentions remain robust. However, a cyclical slowdown will eventually occur, and these indicators warrant close monitoring. For now, the data suggest that the expansion remains intact, and we continue to see compelling opportunities in companies exposed to further growth across the AI supply chain.

For the broader market, the policy backdrop has become less supportive. US politics introduces an additional source of uncertainty following the midterm elections. Political gridlock historically has been a favourable backdrop for equities, although it reduces the likelihood of large-scale fiscal support. Opposition to AI infrastructure and data centre construction has also become a political issue, potentially leading to additional restrictions at the state level. The recent political shift in Texas is a notable setback for US data centre development. Nevertheless, the economic, corporate profit and national security incentives should help sustain investment at the federal level.

Central banks have responded to renewed inflation concerns and the risk of second-round effects from higher energy prices, while rising real yields have tightened financial conditions. Historically, higher real rates have weighed on equity valuation multiples, particularly for long-duration growth assets. We believe yields have approached levels at which the risk-reward balance becomes more attractive, although meaningful upside and downside risks remain. We discuss the implications for duration in the Fixed Income section.

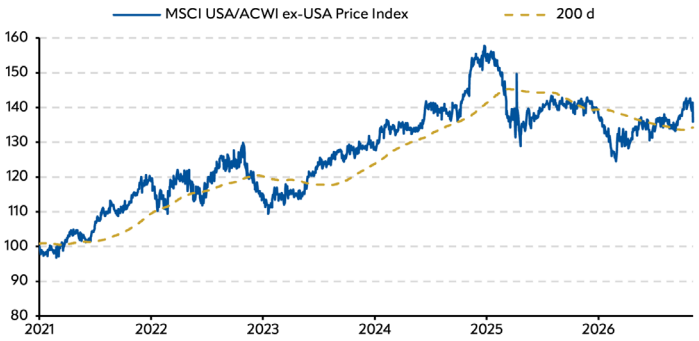
Oil prices have remained elevated for longer than we originally anticipated. Moreover, the conclusion of the midterm elections reduces the Trump administration's electoral incentive to contain energy prices. Our baseline remains an eventual agreement and a downward trend in energy prices during 2027, although conviction is low, and we have considered both higher- and lower-price scenarios.

We believe a key constraint on the administration's ability to sustain the unpopular conflict is the prospect of securing additional defence funding from a Democrat-controlled Congress beginning in January 2027. For Iran, leverage may have weakened following the US midterms as its economy remains under considerable pressure: inflation has reached approximately 90% year-on-year, the rial continues to depreciate sharply, and oil exports have fallen close to zero. A ceasefire in the Russia-Ukraine conflict represents another potential catalyst for easing global supply constraints in refined petroleum products.

Equities

We remain constructive on global equities and continue to favour non-US markets despite recent US outperformance (see Chart 7). We believe some of the recent weakness in non-US equities reflects a flight to the perceived safety of US mega-cap stocks and the dollar amid higher energy prices and rising yields. These factors may persist over the coming months, but we continue to expect USD depreciation to resume in 2027 (see FX section). Beyond currency considerations, the medium-term case for geographic diversification is strengthening.

Chart 7: US Equities Relative to the Rest of the World (2021=100)



Source: Bloomberg

US equities remain expensive relative to most international markets (see Chart 8), while policy and structural reforms are becoming increasingly important outside the US. Europe is increasingly focused on achieving greater economic scale. Efforts to complete the single market in services, deepen capital market integration and facilitate cross-border consolidation could help redirect the region's substantial savings towards domestic investment. Canada is pursuing a similarly tangible reform agenda. Investment tax changes have reduced the marginal effective tax rate on new investment, while faster project approvals and efforts to remove interprovincial trade barriers should further support capital spending and productivity. Japan continues to make progress on corporate governance alongside its transition away from deflation. These developments are gradual but improve the long-term prospects for non-US markets.

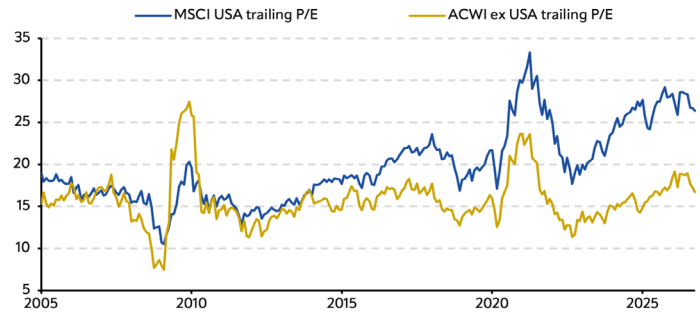
The AI productivity story may also prove less geographically concentrated than the investment cycle. US companies are currently funding a disproportionate share of AI capital expenditure, but the potential productivity benefits need not accrue exclusively to US companies. International businesses and consumers also have access to frontier and open-source AI models. Meanwhile, the physical supply chain supporting the buildout already extends across emerging markets, Japan and the Netherlands. The outperformance of EM HATTS relative to the Magnificent Seven over the past five years provides one illustration of this shift (see Chart 9).

A potential commodity investment cycle further strengthens the case for non-US equities. Following years of underinvestment in parts of the mining and energy sectors, stronger demand for power, copper and other physical infrastructure could increasingly favour commodity-producing markets, including Canada, Australia and several emerging economies. We therefore maintain our preference for non-US equity exposure.

At the sector level, we favour those most directly exposed to the AI capital expenditure cycle: Information Technology, Industrials and selected Materials industries, particularly metals and mining. The recent correction has improved valuations, while underlying demand for AI hardware and infrastructure remains robust. Health Care remains an attractive diversifier. It offers less direct exposure to the AI investment cycle while potentially benefiting over the longer term from AI-driven productivity improvements in areas such as drug discovery and diagnostics.

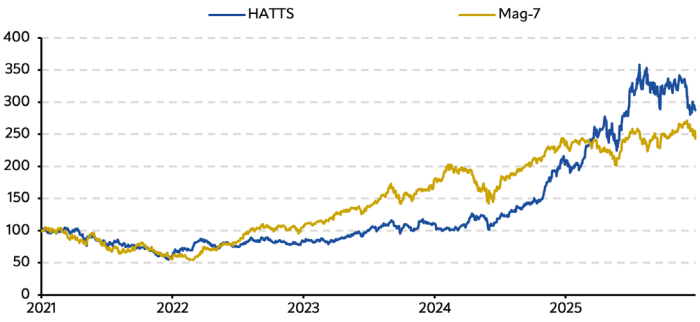
We remain more cautious on consumer-oriented sectors and rate-sensitive areas such as Real Estate, where higher financing costs and weaker household purchasing power continue to present headwinds. We are removing our underweight in Communication Services following substantial underperformance relative to the benchmark (see Chart 10), which has created scope for mean reversion over the next six to twelve months.

Chart 8: US Equity Valuations Relative to the Rest of the World



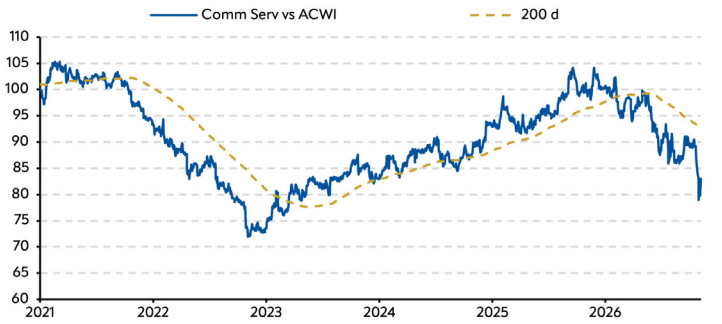
Source: Bloomberg

Chart 9: HATTS versus the Magnificent Seven



Total return index, equally-weighted in USD.
HATTS = Hynix, Alibaba, TSMC, Tencent, and Samsung
Mag-7: Amazon, Alphabet, Microsoft, Meta, Tesla, Apple, and Nvidia
Source: Bloomberg

Chart 10: ACWI Communication Services Total Return Relative to ACWI (2021=100)

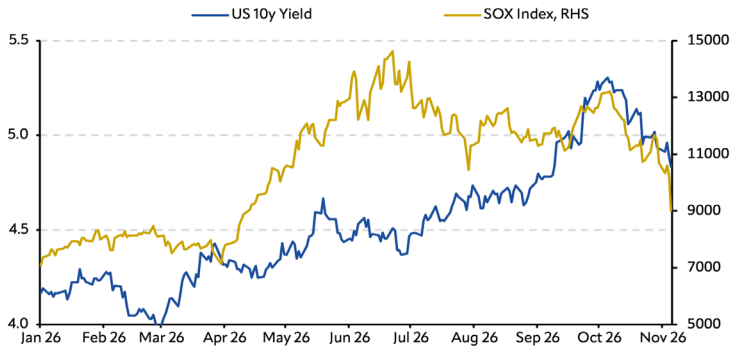


Source: Bloomberg

Fixed Income

The rise in yields this year has materially improved the prospective return profile of government bonds. We continue to see greater upside in cyclical equities and commodities while global activity remains resilient. However, government bonds once again offer meaningful carry and, importantly, diversification against a reversal in the AI investment and growth outlook. Recent market behaviour illustrates this shift. During the latest October sell-off in AI-related equities, the US 10-year Treasury yield fell approximately 40 basis points from its peak, providing the portfolio diversification that had been less reliable when inflation was the dominant macroeconomic shock earlier in the year (see Chart 11).

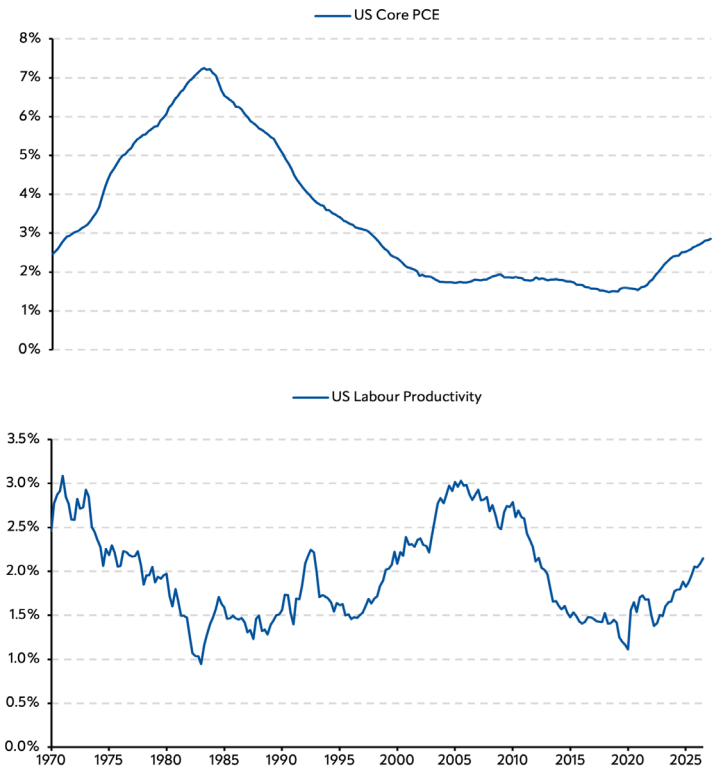
Chart 11: US 10-Year Treasury Yield and SOX Index



Source: Bloomberg

Inflation and fiscal risks are unlikely to disappear in the foreseeable future. Nevertheless, the distribution of risks for government bonds is becoming more balanced as yields approach cyclical highs. Existing disinflationary trends could still surprise on the downside, while over a longer horizon, AI-related productivity improvements could reduce inflationary pressures. This would contrast with the immediate investment boom, which remains potentially inflationary through increased demand for power, materials and specialised hardware (see Chart 12).

Chart 12: Historical Productivity Growth and Inflation (10y annualised % change)

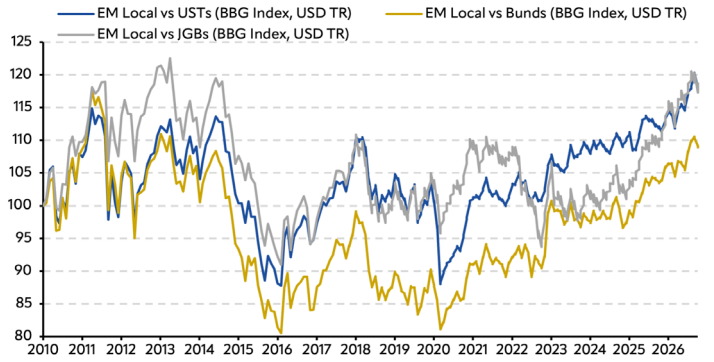


Source: Bloomberg and Alpine Macro

One market where we remain cautious is France. Fiscal concerns are well understood and could reverse rapidly following a credible policy response, limiting the attractiveness of initiating a large structural underweight at current valuations. However, an obvious near-term catalyst for improvement remains difficult to identify ahead of the April 2027 French presidential election. Political constraints are likely to complicate fiscal consolidation, while ECB support through the Transmission Protection Instrument (TPI) would probably require broader evidence of unwarranted market fragmentation.

We remain positive on emerging-market local-currency debt despite its recent underperformance. Attractive real yields and the potential resumption of USD weakness remain supportive over a six- to twelve-month horizon. We prefer to fund this exposure through an underweight in Japanese government bonds, where ongoing Bank of Japan policy normalisation continues to present upside risks to yields (see Chart 13).

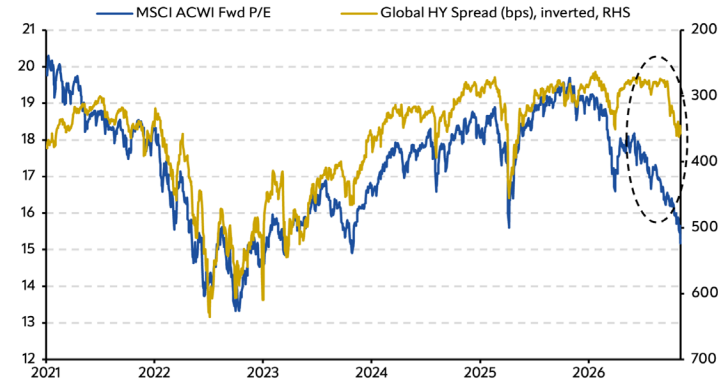
Chart 13: EM local bond index relative performance



Source: Bloomberg

In credit, global high-yield and investment-grade spreads have widened recently amid higher market volatility and weakness in AI-related equities. We expect spreads to compress again if economic activity remains resilient. However, we continue to see better relative value in equities than in high-yield bonds (see Chart 14). We remain neutral on global investment-grade credit, although the market is likely to become increasingly sensitive to developments in AI as US hyperscalers expand bond issuance to finance capital expenditure.

Chart 14: ACWI Forward P/E and Global High-Yield Spreads



Source: Bloomberg

Commodities

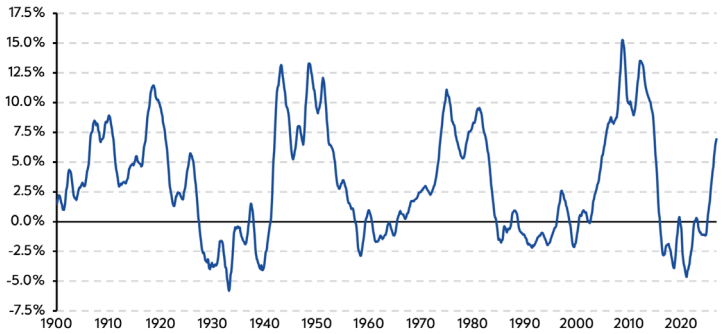
We believe the case for a broad commodity upcycle remains intact (see Chart 15). Last year, fiscal sustainability and currency debasement concerns supported precious metals. This year, energy has been the main driver of commodity strength amid geopolitical supply disruptions. Over the longer term, we expect industrial commodities to benefit from physical scarcity, chronic underinvestment and growing demand associated with electrification, data centres and AI infrastructure.

Over a tactical horizon, Chart 16 suggests that the cyclical backdrop favours industrial metals over precious metals, with global growth remaining above trend. Within energy, we maintain a neutral allocation. Prices have remained elevated for longer than

anticipated, reflecting disruptions around the Strait of Hormuz alongside pressure on Russian refining capacity. Equally, prices could fall sharply following any resolution of the US-Iran or Russia-Ukraine conflicts. For agricultural commodities, weather-related disruptions and volatility in energy markets suggest an uncertain outlook for prices.

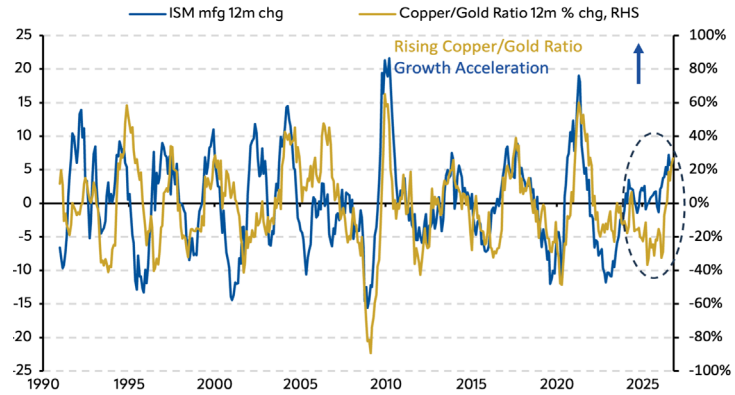
Beyond the immediate conflicts, energy producers in more geopolitically secure jurisdictions, including Canada and Brazil, could command a premium. Meanwhile, national security priorities may encourage further investment in nuclear power generation and clean-energy infrastructure, supporting demand for uranium and battery materials.

Chart 15: Long-term Commodity Price Trend



Source: AQR 1900-1969, GSCI Price Index 1970-present. 12ma of 10y annualised change

Chart 16: Copper/Gold Ratio and ISM Manufacturing Index



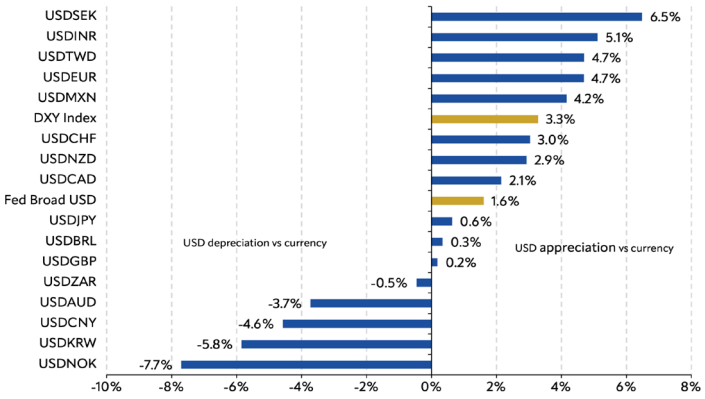
Source: Bloomberg

FX and the US Dollar

The US dollar has been stronger than anticipated this year, contrary to our structural view of broad-based depreciation. The US terms of trade have improved as oil prices have risen, while market expectations for US monetary policy have shifted from rate cuts to rate hikes. As a result, the DXY Index is up +3% year-to-date.

Although the weaker-dollar trend has clearly stalled, we are not abandoning our structural view. Chart 17 highlights that year-to-date performance has been mixed across major currency pairs rather than reflecting broad-based USD strength. The euro, which accounts for approximately 58% of the DXY Index, has been particularly weak as French sovereign spreads have widened. If oil prices moderate and expectations for further Fed rate hikes are priced out, we expect USD depreciation to resume.

Chart 17: USD Performance against Major Currencies (Year-to-Date)



Source: Bloomberg

Market Strategy:

We maintain a pro-cyclical bias, favouring equities and commodities over credit, while recognising that higher real yields have increased the attractiveness of government bonds as a portfolio diversifier. Within equities, we continue to favour non-US markets and exposure to the AI and physical investment cycle through Information Technology, Industrials and Materials. We remain constructive on emerging-market local-currency debt, funded through an underweight in Japanese government bonds.

This quarter, we made one allocation adjustment, upgrading Communication Services to neutral, funded by trimming our existing overweights.

*Justin Kariya***
November 6, 2026
*** The document includes contributions from Yasemin Engin.*

Asset Allocation

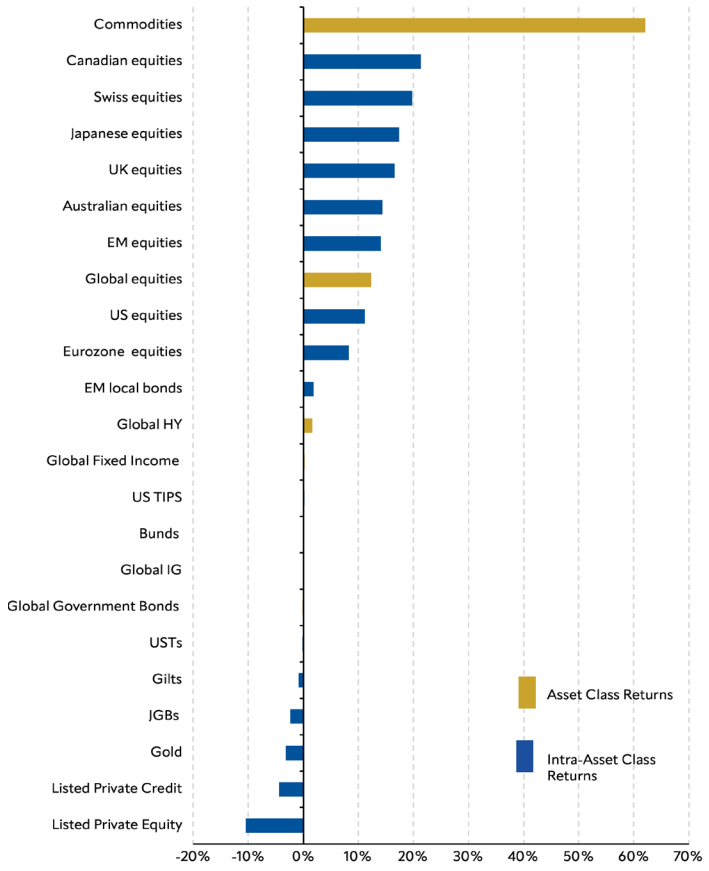
Asset Class	Chg	-2	-1	0	+1	+2
Equities	–					
Rates	–					
Credit	–					
Commodities	–					
Alternatives	–					
Global Equities (Region)*						
US	–					
Euro Area†	–					
UK	–					
Japan	–					
EM	–					
Canada	–					
Australia	–					
Switzerland	–					
Global Equities (Sectors)*						
Communication Services	↑					
Consumer Discretionary	–					
Consumer Staples	–					
Energy	–					
Financials	–					
Health Care	–					
Industrials	–					
Information Technology	–					
Materials	–					
Real Estate	–					
Utilities	–					
Global Fixed Income**						
Government	–					
Investment Grade	–					
High Yield	–					
Commodities & Alternatives***						
Commodities	–					
Gold	–					
Listed Private Markets	–					
Currencies******						
USD	–					

Note: Up/down arrows indicate a positive or negative change in our asset allocation compared to the previous quarter. A dash indicates no change.
**Relative to MSCI ACWI (FX unhedged). †OW Netherlands and UW other EZ countries. Note changes reflect adjustments from our Developed Markets Quarterly views.*
***Relative to Bloomberg Global Aggregate (FX hedged)*
****Relative to S&P GSCI Total Return Indices (Commodities), S&P List PE TR Index (Private Equity), and Cliffwater BDC Index (Private Credit).*
*****Relative to Bloomberg Dollar Index BBDXY.*

Source: CLIM

Cross-Asset Performance, 1-year Net TR USD, %

End-October 25-End-October 26 performance, %

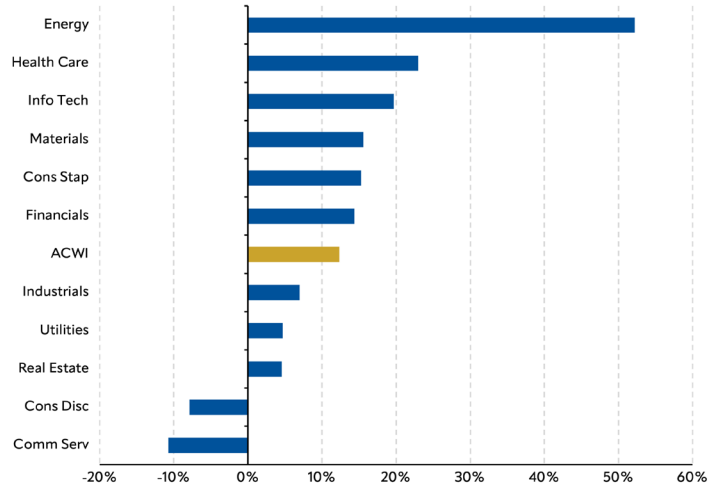


Bond indices are FX hedged into USD

Source: Bloomberg

ACWI Sectors, 1-year Net TR USD, %

End-October 25-End-October 26 performance, %



Source: Bloomberg

Equities

Global Country Indicators

	3Y history	Latest	
Global P/E		15.5	Oct
Global ex-US P/E		12.0	Oct
DM P/E		17.4	Oct
EM P/E		8.4	Oct
US P/E		18.5	Oct
Euro Area P/E		14.1	Oct
UK P/E		12.3	Oct
Japan P/E		15.1	Oct
Canada P/E		16.0	Oct
Australia P/E		18.2	Oct
Switzerland P/E		18.8	Oct

Source: Bloomberg, MSCI. Forward P/E measure.

Global Sector Indicators

	3Y history	Latest	
Comm. Serv. P/E		15.3	Oct
Cons. Disc. P/E		18.9	Oct
Cons. Stap. P/E		20.4	Oct
Energy P/E		12.0	Oct
Financials P/E		12.6	Oct
Health Care P/E		19.2	Oct
Industrials P/E		19.2	Oct
Info. Tech. P/E		14.9	Oct
Materials P/E		14.0	Oct
Real Estate P/E		22.9	Oct
Utilities P/E		15.9	Oct

Source: Bloomberg, MSCI. ACWI Sectors. Forward P/E measure.

Asset	View	Chg	Commentary
US equities	-1	-	Earnings growth is positive, and the market's larger technology weighting is supportive as AI-related demand continues to expand. However, US hyperscalers' capex spending introduces some risk and reduces the scope for share buybacks. The USD, which has had a mixed year, could resume its downward trend if expectations for rate hikes are reined in.
Eurozone equities	0	-	Eurozone economic activity has held up amid higher oil prices but is showing signs of easing, while elevated inflation suggests further ECB rate hikes. Next year's French presidential election introduces political risks, as reflected in the French bond market. We maintain a small overweight in the Netherlands relative to the rest of the bloc.
UK equities	-1	-	In a cyclical upturn, the UK's lower-beta nature makes it less attractive relative to other major equity markets. While the MSCI UK Index's energy exposure has supported earnings this year, softer growth projections for next year suggest its cheaper valuations are warranted. Small & mid-caps offer better long-term value.
Japan equities	+1	-	Fiscal stimulus, corporate reforms and a resilient domestic economy support the earnings outlook. A stronger yen is a risk to exporters, although its correlation with Japanese equities has weakened in recent years. Japan also provides exposure to the AI theme, supporting our overweight position.
EM equities	+2	-	Strong earnings growth from AI-related technology will remain a tailwind for EM equities, supporting exposure to semiconductor manufacturers. If the US dollar resumes its downward trend, we expect market strength to broaden to commodity-exposed markets, including those in Latin America.
Australia	0	-	We think that the Materials sector could benefit from robust commodity demand over the longer term, but soft earnings growth and stretched valuations mean that other markets are currently more compelling.
Canada	+1	-	The MSCI Canada Index's sizeable weight to the Energy and Materials sectors means that Canadian equities are well placed to benefit from commodity demand. Moreover, Canada's oil and uranium resources could support its role as a more secure source of energy following the conflict in the Gulf.
Switzerland	0	-	We expect Health Care to outperform, but Switzerland's ample Consumer Staples exposure and soft earnings outlook suggest that Swiss equities could lag the benchmark.

Note: Up/down arrows indicate a positive or negative change in our asset allocation compared to the previous quarter. A dash indicates no change.

Note changes reflect adjustments from our Developed Markets Quarterly views.

Source: CLIM

Equities (Continued)

Global ACWI Sector	View	Chg	Commentary
Communication Services	0	↑	The sector has underperformed the benchmark as earnings have disappointed. While earnings projections are weak, we close our underweight position and upgrade our allocation to neutral.
Consumer Discretionary	-1	-	A broader economic recovery may favour Consumer Discretionary stocks. However, consumer sentiment remains subdued, the US household saving rate is low, and earnings growth projections are soft. As such, we prefer opportunities in other pro-cyclical sectors such as Industrials.
Consumer Staples	-2	-	Stronger earnings growth outside defensive sectors means that we maintain our underweight to Consumer Staples, where earnings projections are softer.
Energy	0	-	The conflict in the Gulf has helped drive oil prices higher, benefiting trailing earnings. With no resolution in sight, the sector could find support from elevated oil prices. However, beyond the conflict, a return to an oversupplied oil market and the energy transition will likely be a headwind.
Financials	0	-	Forward earnings projections remain positive but continue to lag sectors with greater exposure to AI investment. An upgrade could be warranted if higher net interest margins from tighter monetary policy and deregulation translate into higher earnings growth. However, we favour other sectors at this juncture.
Health Care	+1	-	The sector is a potential beneficiary of AI-driven innovation, particularly across biotech and pharma, which could support a re-rating over time. Therefore, while the sector has traditionally been counter-cyclical, we maintain an overweight despite the improving global growth environment backdrop. Moreover, Health Care provides an attractive diversifier to more crowded AI hardware trades.
Industrials	+1	-	Above-trend global growth has historically favoured pro-cyclical sectors such as Industrials. We expect the AI capex buildout and related infrastructure investment to support the sector. Recent underperformance has left valuations looking more attractive, while earnings growth projections remain robust.
Information Technology	+1	-	Indicators continue to point to healthy demand for AI hardware. While hyperscaler capex continues to drive this trend, demand sources are likely to broaden as AI adoption grows. Valuations continue to de-rate on the back of earnings growth. We favour hardware versus software.
Materials	+1	-	Mining and metals provide an attractive opportunity to gain structural exposure to AI and electrification, both of which will require substantial investment. Sector earnings growth is strong, while valuations have de-rated.
Real Estate	-1	-	A higher interest rate environment is not supportive of sector earnings, while valuations remain elevated. With no clear near-term catalysts, we maintain our underweight position.
Utilities	0	-	Historically, the sector has been counter-cyclical and would typically underperform during periods of accelerating earnings growth. However, utilities should benefit from rising electricity demand associated with AI data centre expansion.

Note: Up/down arrows indicate a positive or negative change in our asset allocation compared to the previous quarter. A dash indicates no change. Sector allocations are a new addition to this publication.

Source: CLIM

Fixed Income and FX

Global Rates Indicators

	3Y history	Latest	
Global Govt Yield		3.9	Oct
UST 10Y Yield		4.9	Oct
TIPS 10Y Real		2.8	Oct
Bund 10Y Yield		3.3	Oct
Gilts 10Y Yield		5.3	Oct
JGB 10Y Yield		2.8	Oct
EM Local Yield		3.9	Oct

Source: Bloomberg. Local yield in %.

Global Credit Indicators

	3Y history	Latest	
Global IG OAS		1.0	Oct
US IG OAS		0.9	Oct
US HY OAS		3.4	Oct
Euro IG OAS		1.0	Oct
Euro HY OAS		3.7	Oct
EM Sov $ OAS		2.1	Oct
EM Corp $ OAS		2.4	Oct

Source: Bloomberg Indices. Option-adjusted spreads in %.

Asset	View	Chg	Commentary
Global Rates	0	-	Valuations for DM government bonds have improved following the rise in yields, making government rates more compelling, particularly if Fed rate hikes are priced out. However, we continue to see evidence of resilient global growth and stable inflation expectations, supporting equities over bonds. Global government bonds typically underperform equities during cyclical upturns. Moreover, the prospect of elevated energy prices, and therefore tighter monetary policy, is a headwind for fixed income. As such, we remain neutral on government rates. Within rates, we continue to favour EM local debt in anticipation of renewed USD weakness. We remain underweight JGBs, as we expect the Bank of Japan to continue raising rates.
Global IG Credit	0	-	Investment-grade credit spreads have widened, but remain tight relative to history, consistent with the stronger economic backdrop. Over the longer term, US technology companies are increasingly turning to credit markets to fund capex. This additional issuance could place upward pressure on investment-grade spreads.
Global HY Credit	-2	-	Spread widening has meant that valuations are more attractive, however, we still think that high-yield spreads offer limited protection against the risk of rising defaults. If default rates were to return to historical norms, this would likely be a drag on returns. We think that global equities and commodities offer better relative value.
US dollar	-1	-	The secular dollar bull market that began in 2011 is likely over. Valuations remain elevated, real rate differentials have narrowed, and structural diversification away from US dollar assets is increasing at the margin. However, ongoing safe-haven demand and the fact that there are limited alternatives to the dollar should continue to provide support to the US dollar. We therefore expect a gradual rather than disorderly depreciation over the next 12 months. Uncertainty around the Fed's monetary policy path presents two-sided risks.

Note: Up/down arrows indicate a positive or negative change in our asset allocation compared to the previous quarter. A dash indicates no change.

Source: CLIM

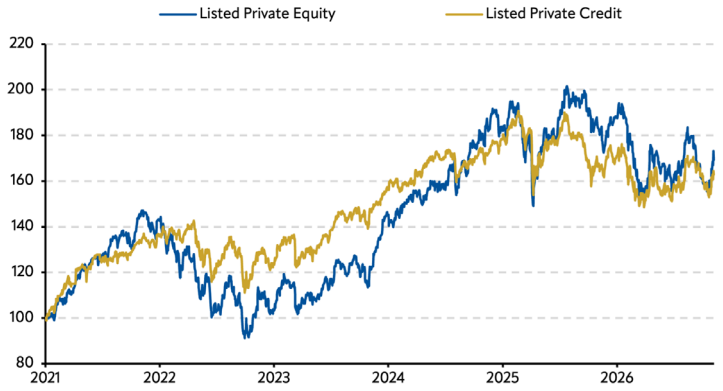
Commodities and Alternatives

Global Commodity Indicators:

	3Y history	Latest	
Commodities*		16.5	Oct
Brent Oil		30.5	Oct
Copper		2.6	Oct
Aluminum		-3.6	Oct
Gold		-4.2	Oct

*Source: Bloomberg. 3M% return is shown in "Latest". *S&P GSCI Total Return Index.*

Chart: Private Market Performance (Index, 31/12/2020=100)



Source: Bloomberg.

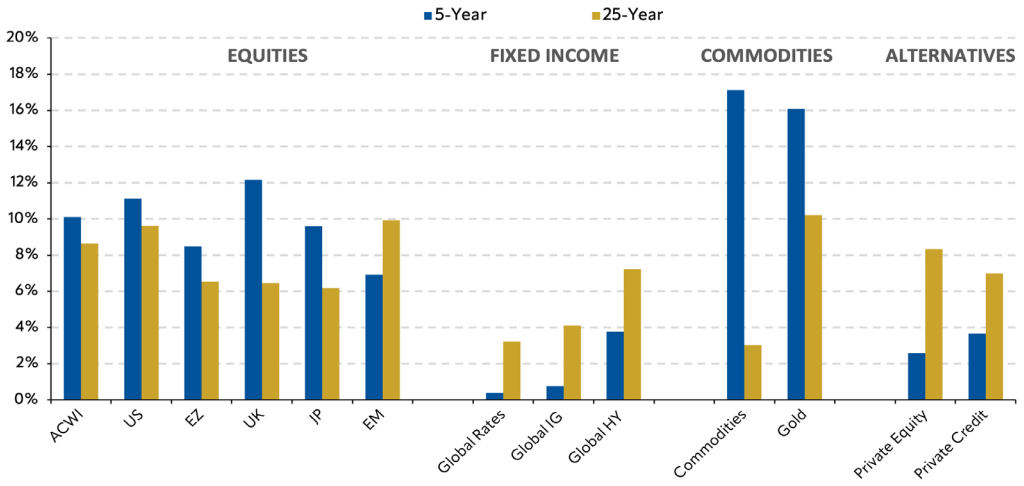
Asset	View	Chg	Commentary
Commodities	+1	-	Energy prices continue to take direction from developments in the Gulf, with renewed bouts of escalation and concerns over a prolonged conflict supporting prices. While flows through the Strait of Hormuz have begun to recover, logistical constraints remain significant and inventories are still under pressure, particularly for diesel. Oil prices are therefore likely to retain a degree of geopolitical risk premium, which could unwind quickly if the conflict resolves. Given the highly uncertain outlook and rapidly evolving geopolitical environment, we remain neutral on oil. A softer US dollar and resilient economic activity provide a constructive backdrop for industrial metals. A near-term headwind for copper is the uncertainty surrounding the US decision on refined copper tariffs, which has driven flows into the US at the expense of other markets, resulting in a price premium. If this risk were to fade, copper prices could lose some support. Meanwhile, aluminium inventories remain tight, although a recovery in Gulf production could loosen the balance. However, beyond the near term, structural demand from electrification, AI-related data centre and power infrastructure investment, and rising defence spending should continue to support industrial metals prices. Accordingly, we maintain our overweight allocation to commodities.
Gold	+1	-	Higher real rates and US dollar strength have weighed on gold's performance recently, bringing prices down from previously elevated levels. However, the structural case for gold remains intact, with persistent geopolitical uncertainty and central bank demand providing support for prices. Over time, growing concerns about fiscal sustainability in developed markets could also bolster gold's safe-haven appeal.
Private Markets	0	-	Our top-down macro model suggests listed private equity should outperform in an environment of rising economic growth and positive equity beta. However, year-to-date performance has been weak, likely reflecting ongoing concerns over underlying asset valuations and the impact of persistently higher interest rates. Should these concerns begin to fade, listed private market assets offer compelling value.

Note: Up/down arrows indicate a positive or negative change in our asset allocation compared to the previous quarter. A dash indicates no change.

Source: CLIM

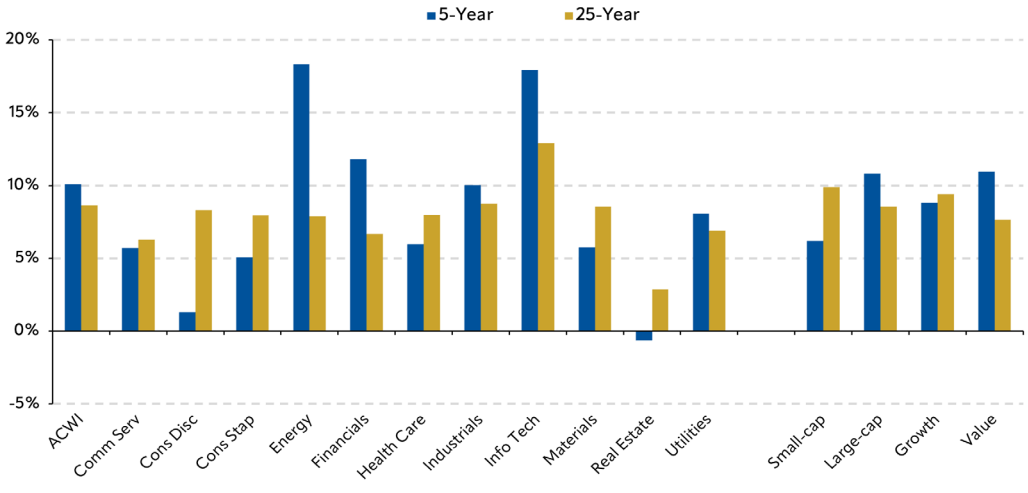
Global Market Historical Returns

Cross-Asset Historical Returns (Total Returns, annualized, USD):



Source: Bloomberg. Note: The 25-year return bars for private equity and private credit show annualised returns from November 2003 and September 2004, respectively, due to the shorter available time series.

Equity Sector and Style Historical Returns (Total Returns, annualized, USD):



Source: Bloomberg

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