Global Investment Research
Market Maps

FTSE RUSSELL
An LSEG Business

Asset Allocation Insights

USD EDITION

QUARTERLY REPORT | **DECEMBER 2025**

Rewired global economy shows resilience, with continuing tailwinds for international assets. Gold, All World ex US Equity & High Yield top in risk-adjusted returns.

Global growth and trade remain resilient with deep structural shifts underneath
US trade policy and tariff uncertainty did not stall global trade; it grew in 1H/2025 but caused a deep rewiring of trade patterns. Headline world real GDP poll for 2026 is 2.9%, with wide dispersion. India is forecast to grow 6.8%, the US at 2%, Eurozone & the UK at just 1.1%.

Wind in the sails for Developed ex US equities
Dev ex US equity outperformed the US by >12% in 2025 and tailwinds persist. The ex-US market is at an absolute & relative valuation discount to the US (94th percentile for forward PE over 10Y) vs. Dev Europe at the 70th, which also has >1.5x the US 2Y expected EPS growth.

US dual speed economy: disconnect between equity and the economy
Inflation is back over 3%, with risks to the upside. Unemployment is at 4.4% and consumer confidence is at post-Covid lows. Meanwhile AI capex fueled GDP growth is strong, adding concentration risk to economic growth, as well as the equity market, which is now > 40% Tech.

Healthy fixed income yields even as credit spreads remain tight
Credit spreads are in the 3rd-4th percentile (10 Y history) for IG & HY, limiting room for spread compression. Sovereign curves are steepening, and duration positioning remains important.

Emerging markets a structural change story now showing in financial returns
Structural reforms in EM are bearing fruit: credit rating upgrades for India & South Africa, and Vietnam being promoted to Emerging status. YTD Brazil, Mexico & South Africa had >10% FX returns and 7-10Y bonds returning 35-43%; EM equity outperformed DM by 3% YTD.

USD weakness against other DM currencies; dollar pressured by policy uncertainty
Uncertainties around US trade and fiscal policies, investors' lower confidence in dollar assets, and increasing reserve diversification needs drove US dollar weaker broadly.

Decorrelation, dispersion, and cross-asset returns – payoffs to granular exposure
Top performing assets (1Y) on a risk-adjusted basis are Gold, All-World ex US and World HY with return / risk ratios > 3. FTSE 100, EM equities & Gold had the sharpest improvement in risk-adjusted returns (1Y vs 3Y). Cross-asset correlations remain low relative to history, providing diversification benefits. Elevated Intra-equity dispersion is providing opportunities for granular risk taking and underscoring broad diversification benefits for others.

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AUTHORS

Indrani De, CFA, PRM
Head of Global Investment Research
FTSE Russell
Indrani.De@lseg.com

David McNay, CFA
Director, Global Investment Research
David.McNay@lseg.com

Zhaoyi Yang, CFA, FRM
Sr Manager, Global Investment Research
Zhaoyi.Yang@lseg.com

Chart 1: FTSE USA 12M forward capex intentions are over $1.4-trillion, with 5 companies making up nearly 35% of total estimated capex spend, reiterating the concentration in the real economy around AI capex.

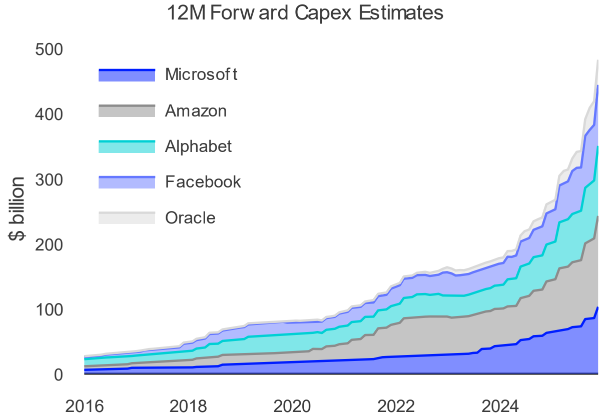
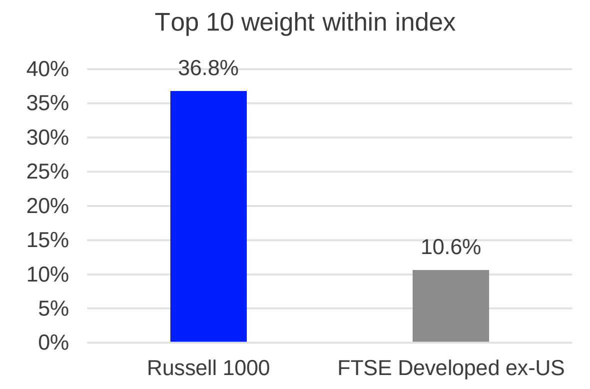


Chart 2: Current weight of the top 10 largest stocks in the Russell 1000 is at a record 36.8%, more than 3x that of the FTSE Developed ex US index. Moreover 80% of the top 10 companies are Tech related.



Source: FTSE Russell/LSEG and US Federal Reserve. All data as of November 30, 2025. Past performance is no guarantee of future results. This report should not be considered "research" for the purposes of MIFID II. Please see the end for important legal disclosures. Results in this report are for research / illustrative purposes and do not represent the official performance of the indices.

Financial Markets Overview

Macro & Rates: Despite persistent worries about US trade policy, global trade grew $500-billion in the H1/2025. The key take way on the impact of tariffs is not the headline numbers, but the rewiring of trade patterns – Chinese exports to the US have fallen $14-billion YTD being offset by more exports to Europe and ASEAN. A changing global macro led to notable sovereign credit changes: US was downgraded to Aa1, whilst countries like India, Italy and South Africa received upgrades; the FTSE Russell country classification upgraded Vietnam to Emerging (from Frontier) and Greece back to Developed. All of this points to a world where US dominance is easing and previous laggards like Emerging Markets are picking up pace in economic growth and financial market returns.

Major sovereign yield curves steepened YTD but for idiosyncratic reasons. The US curve bull-steepened on expectations of rate cuts from the Federal Reserve. Japan and Germany were the opposite, bear steepening, with the long-end rise on the expectation of fiscal expansion; in Japan PM Takaichi taking office acted as a catalyst with markets anticipating a return to Abenomics style policies.

Risk assets: November saw an acute bout of volatility, triggered by a wavering over commitment to a December rate cut by the US Fed, but 3M and YTD returns of the FTSE All World remained strong. Importantly the theme of equity leadership broadening away from a concentrated number of US tech names continued: YTD Developed ex US has outperformed the US by 12.3%. Ex-US outperformance has been broad based – markets like Korea benefiting from broadening of Tech; and the wider All-World ex US index benefiting from a rotation into Industrials, Luxury Goods and Financials.

In credit, yields remain above 10Y average, driven by elevated risk-free rates rather than spreads which remain extremely tight. World credit spreads are in the 3rd percentile (over 10Y) for IG & HY, supported by low default rates & improving credit quality (esp in HY).

On a risk-adjusted basis both Listed Real Estate and Infrastructure are laggards relative to equity or bonds, but again headlines mask important trends underneath. Data Center REITs underscore the difference between perception of the AI opportunity set, and the investable opportunities. Data Center REITs have fallen more than 18% over 12M as anticipated demand had bid up REIT prices and then hyperscalers have moved to building and operating their own data centers, rather than renting from REIT landlords. On the opposite end of the spectrum the Healthcare industry has underperformed YTD, whilst Healthcare REITs have returned 29% driven by improved profitability from changes in the One Big Beautiful Bill Act (OBBAA) adding demand for medical buildings.

Europe makes a comeback: Dynamics in both credit and equities show an upward rating of Europe relative to the US across asset classes: Euro credit spreads have tightened YTD while US spreads widened modestly; European equities have outperformed US peers in dollar terms YTD. Decomposing equity returns, Developed Europe ex UK grew earnings by 13% supported by strong EPS growth from Financials and Aerospace & Defense; ROE in Europe is 2nd to the US and 2Y EPS estimates are >1.5x that of the US.

Emerging Markets: EMs are pulling ahead based on fundamental strengths (confirmed by sovereign credit rating upgrades for India and South Africa) and structural reforms, with impact across multiple asset classes. EM equities (24.5%) have outperformed DMs (21.5%) YTD, with significant returns led by Basic Materials (industry-wise) and LATAM (geographically). EM 7-10yr bonds also posted remarkably strong returns (~35-43%) in Brazil, Mexico, and South Africa, despite China and India dragging overall EMGBI slightly lower than WGBI DM (EM 9.3% vs DM 9.8%). ZAR, BRL and MXN showed stronger returns (vs USD) than most DM.

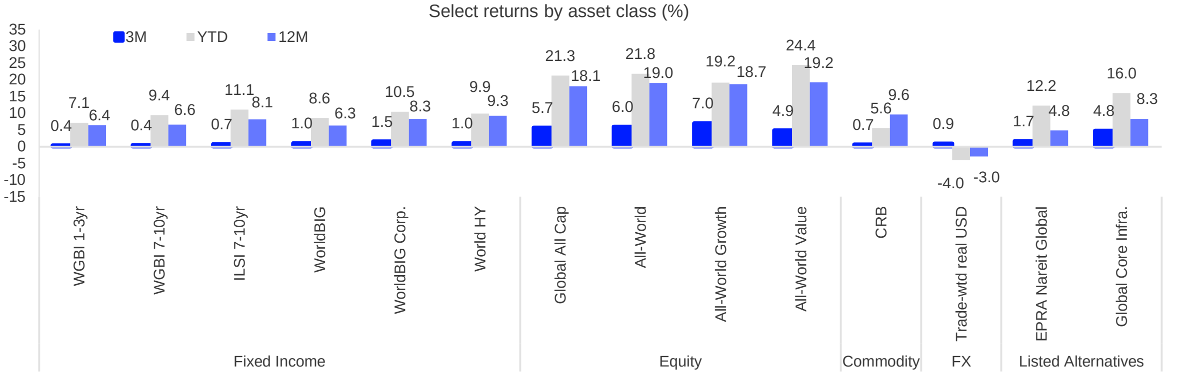
Commodities: Wide dispersion in Commodities' returns YTD. Silver (86.5% YTD) and Gold (60% YTD) led 3M and YTD rallies in precious and industrial metals, helped by increasing demand for precious metals amid elevated uncertainties and inflationary risk; while Crude oil lost 15.4% YTD, as a well-supplied market outlook persists over tepid demand.

Currency: USD weakness YTD is broad-based, across DM and many EM currencies. Investors diversified away from USD to DM alternatives such as Scandinavian currencies and Euro, with the backdrop of US domestic policy uncertainties. EM FX benefitted from risk-on sentiment and favorable yield differentials. Regional currency pair moves signaled volatility in broader currency markets.

Cross asset and Correlation: Gold remains on top in risk-adjusted returns, with a risk/return ratio >4 highlighting a mix of structural and speculative demand. As part of a cross-asset portfolio it has a 52W correlation of 0 to equity acting as a superb diversifier. Behind Gold: All-World ex US, UK equity, EM equity, and World HY all have a ratio >3, whereas US markets (FTSE USA, Russell 1000, Russell 2000) all lagged again highlighting the dispersion between US and ex-US markets.

Cross-asset correlations have risen YTD, however, markets remain relatively decorrelated compared to 10-year averages. Low cross-asset correlations provide portfolio-construction benefits for cross-asset portfolios. Analysis of return clustering of All-World sectors shows typically correlated sectors disconnecting, reiterating our theme of dispersion and underscores the opportunity for active investors with the willingness to be granular and the importance of broad diversification otherwise.

Chart 1: Equities outperformed other asset classes over 3M & YTD, posting YTD returns of 21.8%, more than double those of fixed income (World BIG at 8.6% & WBIG Corp at 10.5%). Growth caught up with Value in recent 3M, narrowing their YTD gap (Growth 19.2% vs Value 24.4%). Within Listed Alternatives, second only to equities, Global Core Infrastructure (16%) outperformed Listed Real Estate (12.2%). Commodities' return of 5.6% YTD was hurt by lower oil price.



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Macroeconomic Backdrop

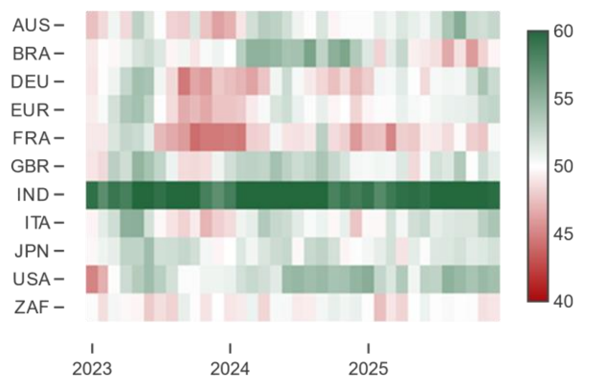
Despite uncertainty stemming from US trade policy, global growth has held up in 2025; forward looking measures (Global PMIs and Reuters Polls) paint a picture of moderate global growth and inflation.

The November Reuters Poll of economists puts real GDP for YE ‘26 at 2.9% for the world, down 0.2% since December ’24. Broadly, Developed economies have been flat or had estimates lowered, whereas Emerging economies are mostly seeing improved growth expectations. Similarly, CPI forecasts for the US and UK are up, but there have been large moderations from India and China.

Exports from China to the US have reduced materially, but the demand is being picked up by other regions – most notably ASEAN countries. It isn’t clear how much of those exports reflect a rerouting of trade and are ultimately destined for the US. This tallies with the [UN Global Trade report]which estimates the value of global trade grew by $500bn in the first half of 2025; and estimates in Q3 are that goods trade was up 1.8% and services up 3.95%.

Chart 1: Country PMIs paint a broadly positive global economy. There are pockets of weakness, but most markets are at >50 (expansionary). India shows notable strength.

PMI Composite: Monthly Heatmap



Source: FTSE Russell/S&P Global/National Sources at Nov-25

Chart 2: Forecast Real GDP for the World in 2026 has declined slightly YTD but is still 2.9%. Despite trade uncertainty, forecasts for China, India & other emerging markets have increased since the start of 2025.

Reuters Poll Real GDP Estimates for YE2026

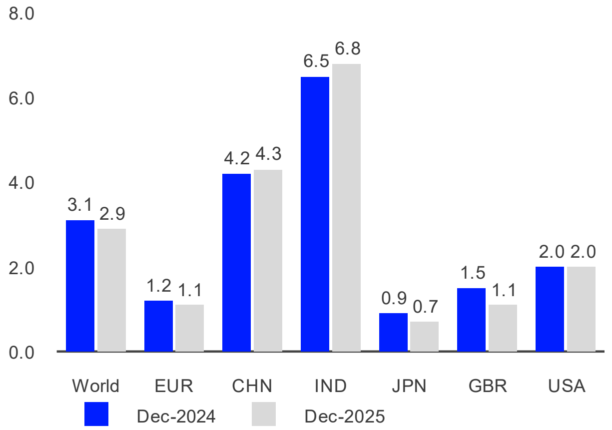


Chart 3: Inflation expectations have moderated at a global level. For the US and UK expectations are for higher inflation, but this is offset by large falls from India and China, and modest reductions in Europe.

Change in Inflation estimates for YE2026

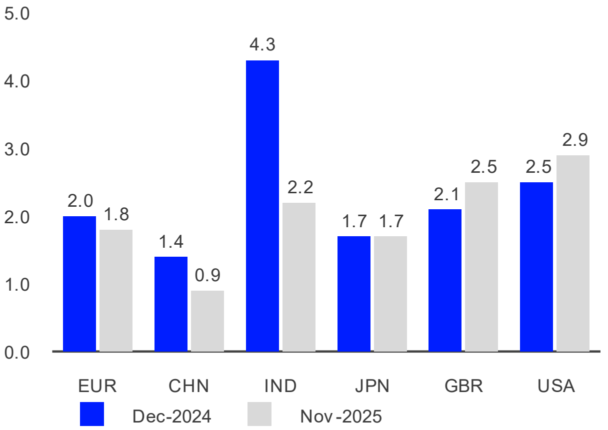


Chart 4: Chinese exports to the US are down materially, but demand has led to greater exports to other regions, to ASEAN countries and Africa; it’s not known how much ultimately ends up in the US.

Mainland China Exports

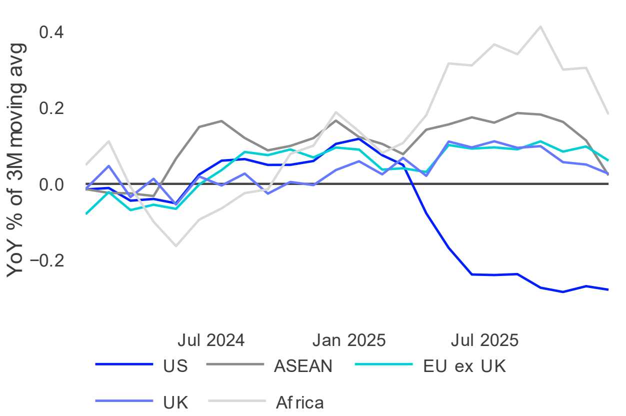
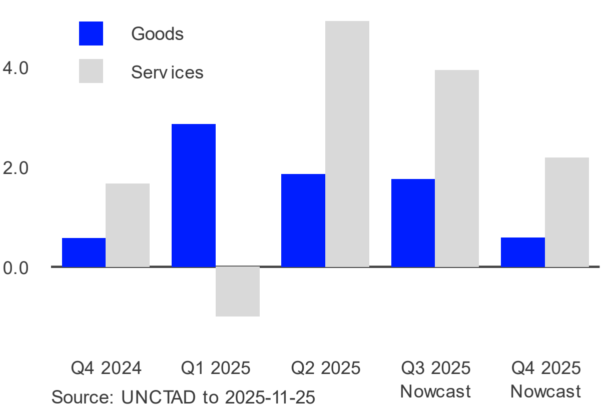


Chart 5: UN final data puts goods trade growth at 2.9% and 1.9% QoQ in 1H25, with estimated QoQ growth of 1.8% and 0.6% for 2H; these figures have declined from the UN report published Oct-25.

Global Trade Values QoQ



Source: UNCTAD to 2025-11-25

Macroeconomic Backdrop (Continued)

Direction of US monetary policy has been critical for markets (page 9), with changing Fed rhetoric leading to volatility in policy expectations.

Debate within the FOMC is justified by the underlying data. Headline CPI is running greater than 3% again, and the sticky components have been persistently above 3%, with the flexible components pulling down headline CPI. There is evidence trade policy impacts are pushing flexible inflation higher – for example via fresh food prices.

Whilst inflation has been heating up, US consumer data is softening. Unemployment has been steadily climbing; currently at 4.4% with JOLTS data reporting fewer jobs available YoY. Earnings data confirms slowing wage growth, particularly for less skilled/educated workers. Unsurprisingly, consumer confidence has declined over 3M.

The US ISM Non-manufacturing PMI had declined close to 50 but a notable break has formed between the public and private market surveys. A potential explanation is that the ISM includes the public sector which has been disconnected from US private sector businesses, due to DOGE actions and the government shut down.

Chart 1: Market has been watching the December FOMC closely. The June-26 Fed Funds contract had sharp moves in October - November as committee members have discussed the Dec meeting being “live”.

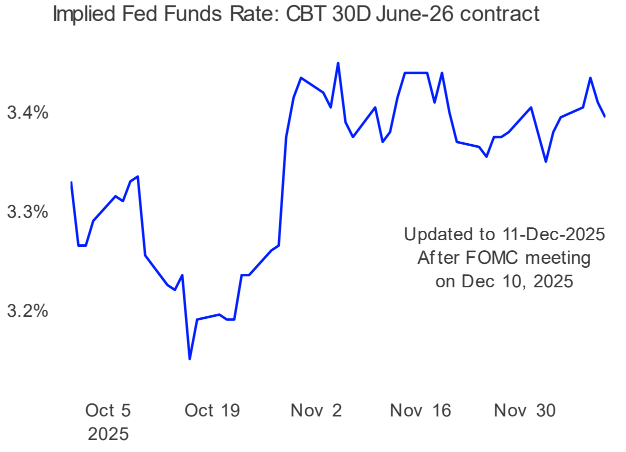


Chart 2: Headline CPI is >3%. Sticky inflation which is circa. 70% of the basket has been persistently >3% with flexible pulling the headline CPI lower; Flexible inflation has picked up in 2025 and is now 2.3% YoY.

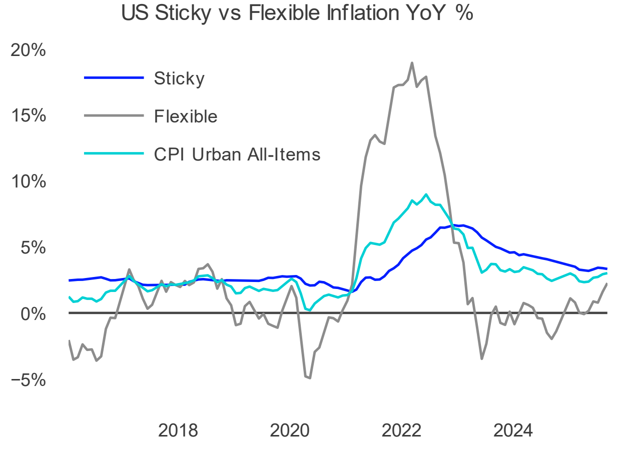


Chart 3: YoY change in total job openings has been consistently negative since 2022 indicating fewer jobs available. Meanwhile unemployment has risen to the highest level since October ’21.

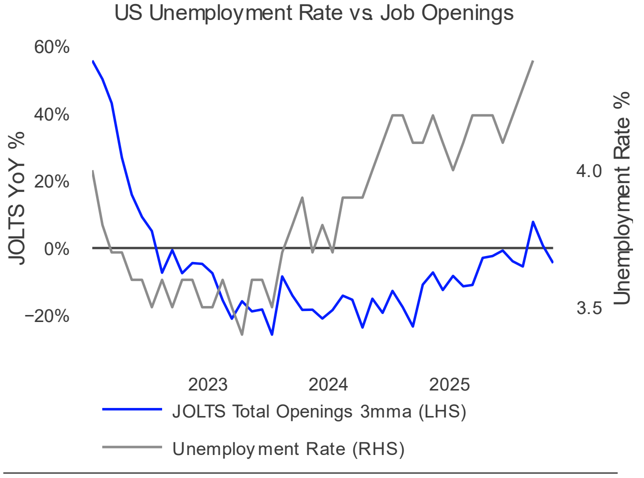


Chart 4: The ISM and the private, S&P Global, survey generally track each other but there has been a decoupling in 2025. This may reflect survey composition with the ISM including public entities.

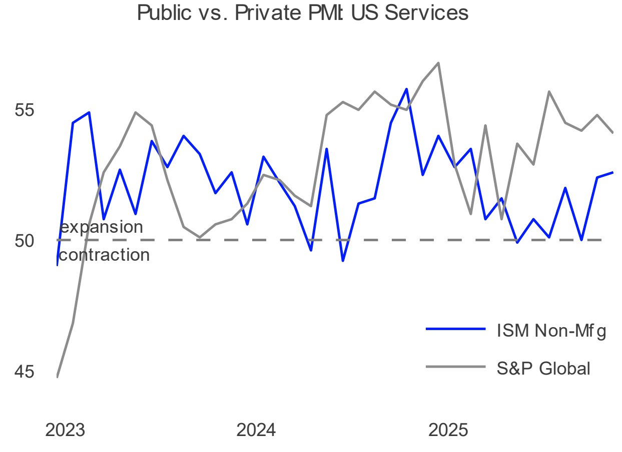
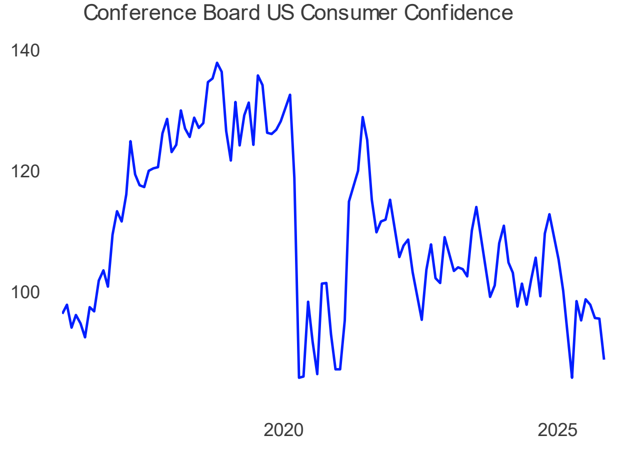


Chart 5: Outside of April ’25, just after the tariff announcements, Consumer Confidence is the lowest it has been in the post-Covid period. Retail sales for November also disappointed.



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US Dual Speed Economy; disconnects between macro, monetary policy & equities

US equity markets are disconnected from the real economy, with Tech making up >41% of the FTSE USA. The drivers of monetary policy and equity have diverged.

Due to the government shutdown, we don't have as much data as would typically be available at this time of year. Real GDP for Q2 was a healthy 3.8% annualized, and the Atlanta Fed GDPNow model for Q3 was reading an annualized 3.9%. But that growth is driven by a narrow band of industries, and a significant proportion comes from AI driven Capex. Professor Jason Furman of Harvard estimated that information processing equipment & software is only 4% of GDP but accounted for 92% of GDP growth in H1.

Meanwhile, unemployment is at 4.4% & rising, jobs available and consumer confidence are down, and inflation back above 3%. Negative drivers appear to have an outsized impact on the less wealthy: for example, real wage growth for less educated workers is trailing those with degrees.

The November Beige Book, a qualitative economic review, points to unemployment being understated noting that firms are cutting hours to avoid redundancies, and some districts cited AI as a factor in not replacing some entry-level jobs.

The report also noted high-end retail spending remained resilient as overall consumer spending declined.

The US has become increasingly bifurcated, with the top 1% of Americans now owning nearly 31% of the country's net worth; the bottom 50% owning 2.5%.

This matters because it is the wealthy who are the predominant holders of equities, with 87% owned by the top 10%, whilst monetary policy, at least in principle, is set for the average citizen. The Federal Reserve has a dual mandate of stable prices and full employment, leading to a disconnect between the levers driving monetary policy and the impact it has on equity markets.

Nvidia and Apple have a bigger weight in the FTSE USA index than Basic Materials, Telecoms, Real Estate, Energy, Utilities and Consumer Staples combined – pointing to the immense concentration in US equities. Yet their US share of total revenue is 47% and 36%, respectively. US equities have a substantial international exposure and are held mainly by the US minority doing well in income & wealth – leading to a disconnect between the US macro backdrop guiding Fed monetary policy and performance of risk assets like equities.

Chart 1: Federal Reserve data shows 67% of US net worth is held by the top 10%, with the share owned by the top 0.1% having grown from circa 10% in 2008 to 14% today. Source: FRED database

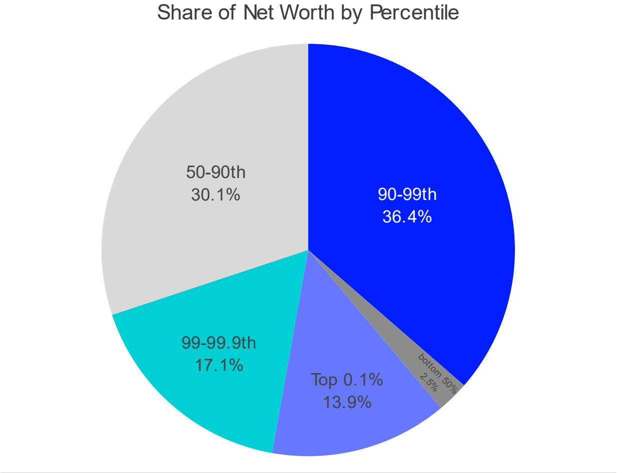


Chart 2:If Mag 7 where an ICB Industry they would make up ~35% of the FTSE USA index. Nvidia alone has a weight of 7% which is nearly equal to Basic Materials, Telecoms, Real Estate and Utilities combined.

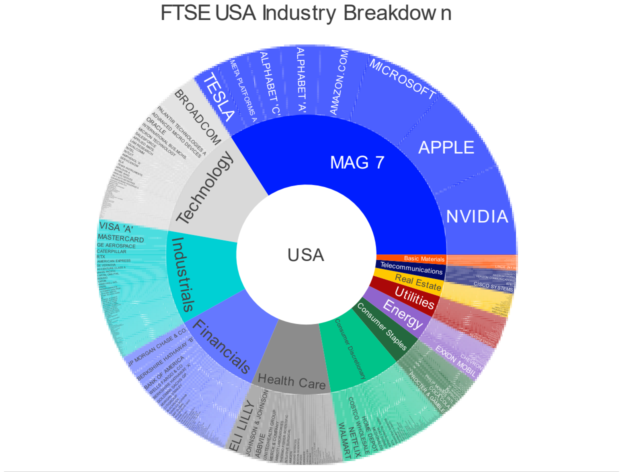


Chart 3: Federal Reserve data shows the top 1% wealthiest Americans own a 49.9% share of corporate equity and mutual funds; nearly half of that, 24%, is owned by the top 0.1%. Source: FRED database

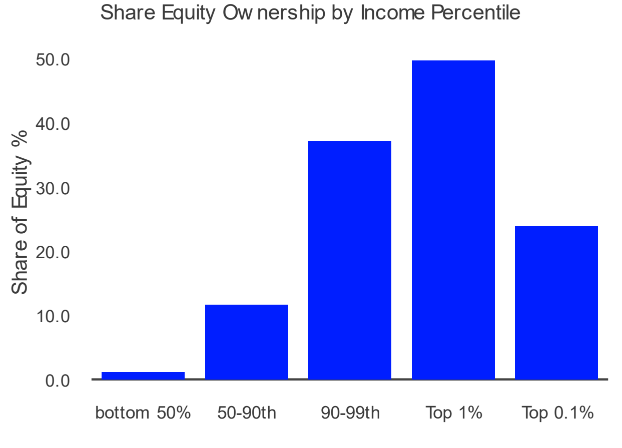
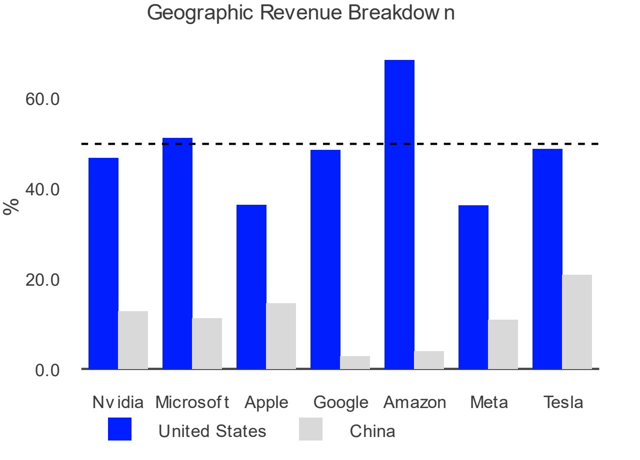


Chart 4: Breaking down Mag 7 source of revenue, only Amazon and Microsoft generate more than 50% of revenue from the US. This highlights how ex-US factors impact the US equities. Source: Factset



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Sovereign Yield Curves

Curves broadly steepened. Rising expectation of the neutral rate in the US, elevated term premium (due to uncertainty), and fiscal expansion outlook all contributed.

7-10yr benchmark yields have diverged in major sovereign bond markets YTD: US yields fell by 64bps, driven by lower short rates and rate cut expectations, more than UK decreases of 11 bps; By contrast, Japanese yields have risen steadily and decisively, due to long-end selloff by life insurers and expected fiscal expansion; German yields also climbed higher on fiscal stimulus plans (at 95th percentile over 10-year). Chinese yields rose modestly, trading almost on par with JGBs. 3M moves were in line with the YTD trend. On the monetary policy front, the upward trend of the lower end projection of Fed Funds neutral rate supports the "higher for longer" outlook.

G7 2s/20s yield curve steepening continued in 2025, amid an ongoing rate-cut cycle and fiscal support build-up, but major drivers varied by regions: the US curve bull steepened, as short yields fell more than longs; Canada and UK curves steepened on lower yields in short-end and higher in longs; Japanese and German curves show typical bear steepening. As monetary policy easing broadly continues, the long end has decoupled from short rates, returning to conditions before the 2022 rate hikes.

Chart 1: YTD, US 7-10yr yields fell by 64 bps, more than UK moves of -11 bps. Japan yields have increased remarkably, followed by Germany, both driven by expected fiscal expansion. Chinese yields edged higher YTD.

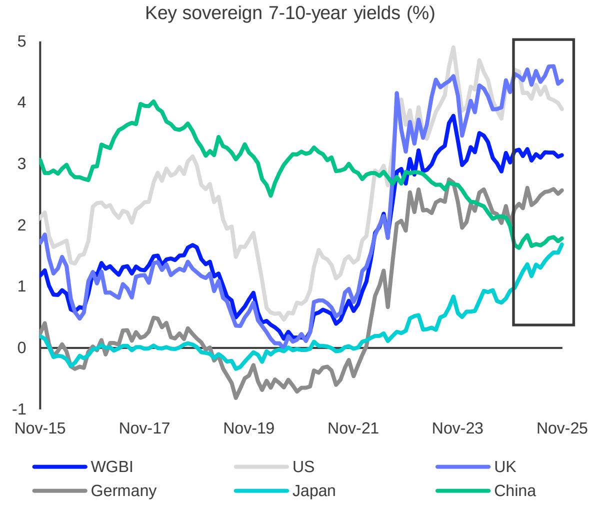


Chart 2: Over 3M, nominal 5-10yr yields decreased ~20 bps in Canada, the UK and US, driven by inflation breakevens. Japanese yields rose by 20 bps, dominated by real yield increases, followed by Germany (+5bps).

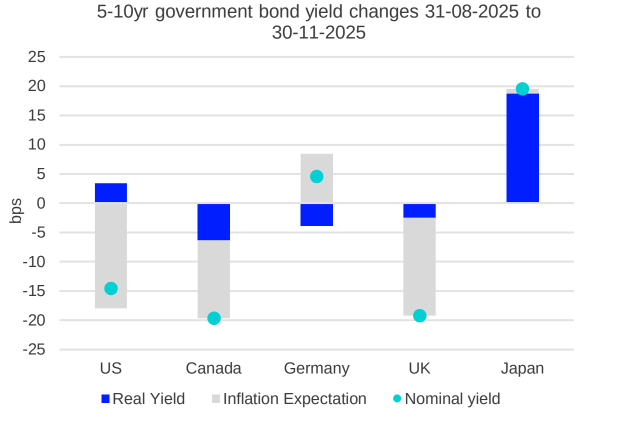


Chart 3: Projection of the median Fed Funds rate (longer run) has stabilized at 3% over 12M. So did the upper end of the range – staying at 3.9%. But the lower end projection has climbed to 2.6% from 2.4%.

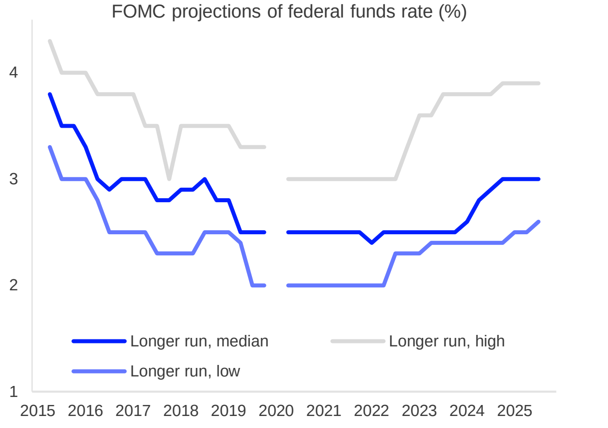


Chart 4: 20s/2s curves broadly steepened YTD, with *bull*-steepening in the US vs *bear*-steepening in Japan. Canada and Germany curves show the largest YTD moves, primarily driven by increases in longs.

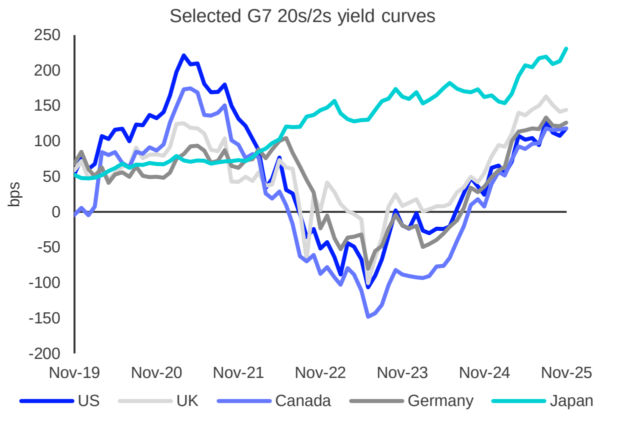
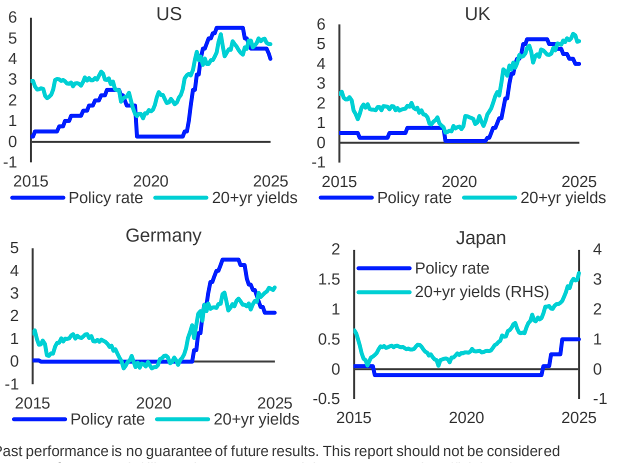


Chart 5: In contrast to lower policy rates during the recent rate-cut cycle since 2024, longer-term yields have mostly increased in major G7. Japan longer yields rose markedly more quickly than short-term rate hikes.



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Credit

Euro corporate bonds outperformed US and EM YTD, with credit spreads narrowing, boosted by stronger Euro. EM has converged with the US and Euro peers in credit spreads and YTM over duration, since late 2019.

Euro-denominated corporate bonds delivered YTD returns of 15-18%, higher than US corporate returns of about 8%, for US investors, although Euro corporates underperformed US peers in local currency terms. Euro bonds' 3M returns were muted. Emerging IG corporates gained 8.9% YTD, exceeding US IG 8%; Emerging HY (6.6%) lagged.

Yield per unit of duration has become more aligned between EM and its peers in the US and Euro, versus pre-Covid, helped by EM longer duration vs shorter duration in peers.

YTD, World corporate spreads' response to the tariff shock proved short-lived, and much weaker than during Covid and interest rate hike cycle. Global IG spreads stay on the track of tightening in recent 3 years, although the momentum faded in November. Euro IG spreads remain the tightest, while EM IG spreads have narrowed their gap with US and Euro peers vs pre-Covid. In the high yield space, US and Euro spreads have converged YTD, to 310 bps. EM HY spreads widened the most over 3M. (Charts 2, 4&5)

Chart 1: Over 3M, US corporates outperformed Euro and EM. EM IG gains of 2.1% trailed US IG (2.5%); while EM HY returns were muted. YTD, World IG (10.5%) outpaced HY (9.9%); Euro outperformed the US.

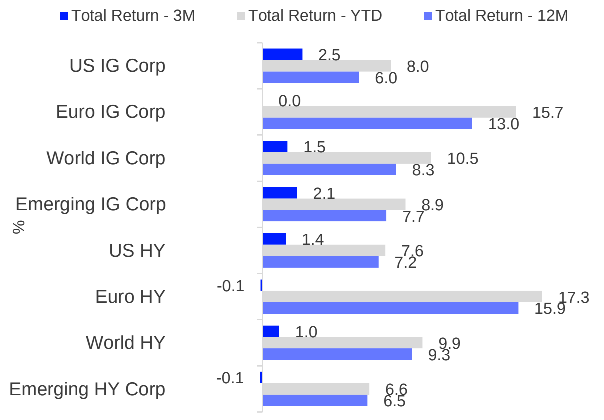


Chart 2: IG credit spreads barely moved over 3M, across the US, Euro and EM. EM HY spreads widened 62 bps, more than Euro HY widening (+17 bps). Euro spreads tightened YTD, in both IG and HY.

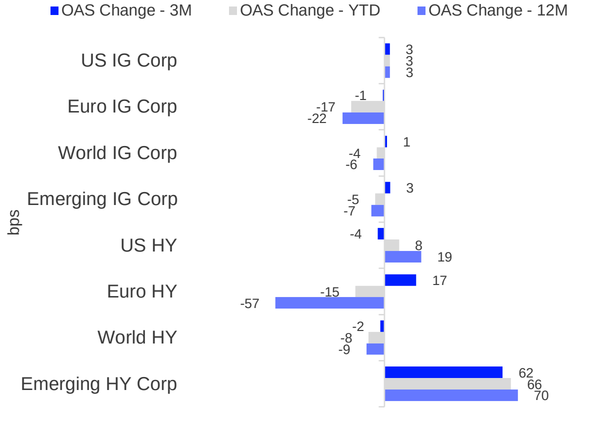


Chart 3: Yield per unit of duration has fallen from 2023 highs but remain attractive compared to pre-Covid levels. Emerging markets continue to show the highest YTM/MOD, but the gap with US and Euro narrowed.

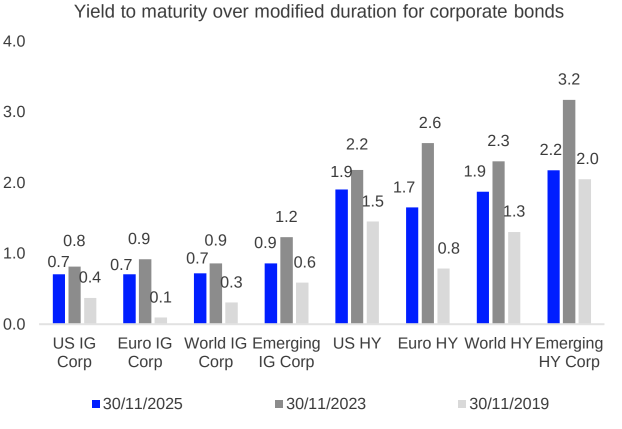


Chart 4: IG credit spreads rebounded from 10-year lows recently. EM IG spreads remain close to the US and Euro vs a wider gap pre-Covid. Euro IG spreads stayed the narrowest, aligned with the 10-year pattern.

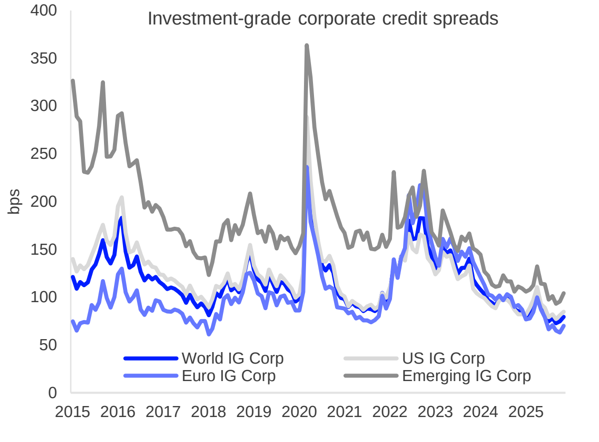
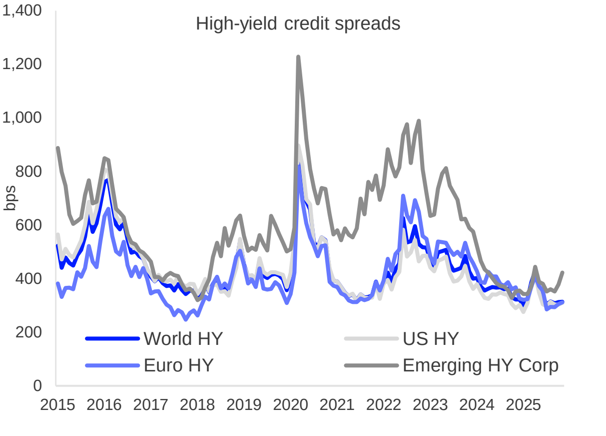


Chart 5: HY spreads in the US and Euro settled near 310 bps by end-November – below their YTD average. However, EM HY spreads widened to 422 bps, only slightly below April's tariff peak of 444bps.



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US and Euro valuation gap narrowed sharply, as Euro spreads tightened. Above-average credit yields have been sustained by high risk-free rates, not spreads.

Alongside the outperformance of US high yield vs Euro high yield YTD (in local currency terms), the credit quality of US HY saw a larger extent of improvement than its Euro peers. Valuation gap between the US and Euro-denominated corporate bonds have narrowed over 1Y: Euro bond spreads have tightened, in both IG and HY, further to the narrowing in 2024; while US spreads stabilized. Valuations are broadly high by historical standard. Despite tight spreads, corporate yields remain above the 10-year average (Charts 2 & 3), reflecting higher risk-free rates.

Various indicators show resilience in US high yield market, despite the high volatility and uncertainty in 2025. US spreads remained rangebound YTD, with improved credit quality and easing liquidity condition (Charts 1 & 4). But risks to the downside emerged, as the CMDI (a metric including multiple individual measures in both the primary and secondary markets for corp. bonds) ended higher YTD, pushed by high yield. 12M default risk (CDS implied probability) increased modestly to 2.7%. Both may show early signs of stress in the HY market.

Chart 1: The quality of the US high yield universe has improved YTD, with market share of BB rated bonds increasing to 54.5%, from 51.4%. Euro HY quality also improved, although to a less pronounced extent relative to the US, with the BB share rising to 67.7% from 66.5%.

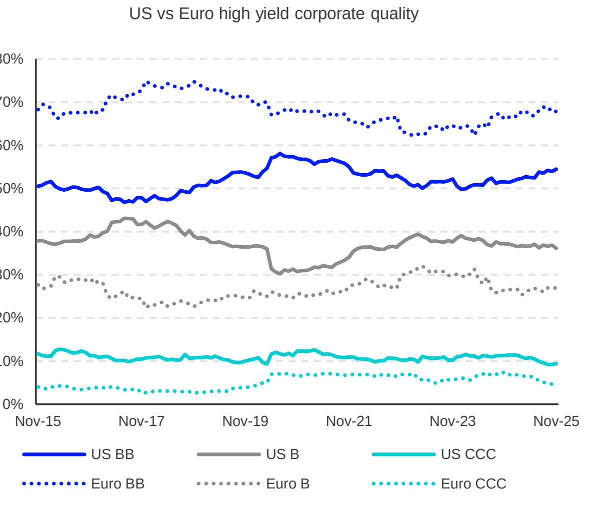


Chart 2: Valuations in Euro corporate bonds have risen substantially since Nov 2023, closing the gap with US peers. US corp valuations stay elevated, despite easing modestly YTD. Valuations are high globally.

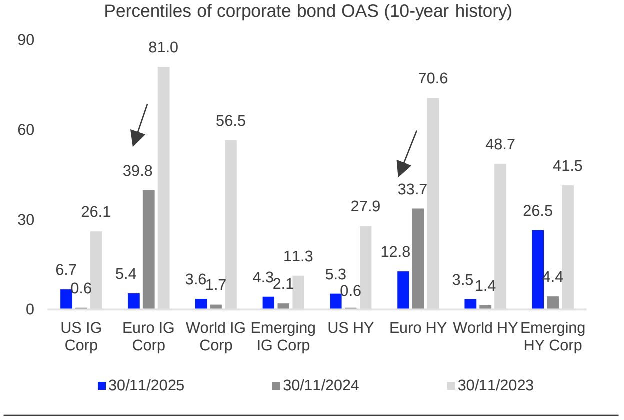


Chart 3: Corporate yields have broadly fallen across the US, Euro and Emerging markets vs 2 years ago, alongside monetary policy easing. But latest yields still rank above the 50th percentile, in contrast to tight spreads.

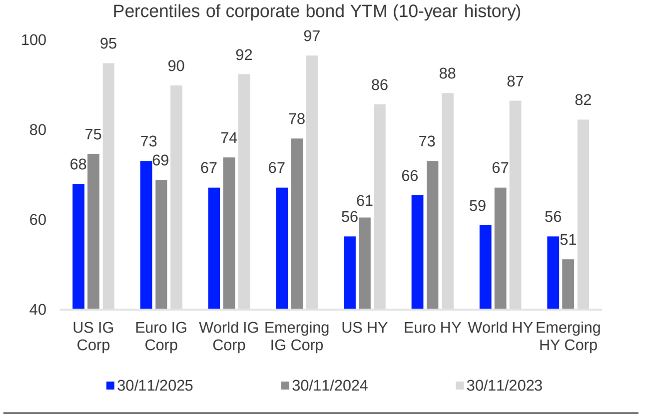


Chart 4: US liquidity conditions have improved considerably over past 2 years, now with more banks easing loan standards than tightening by Q4, alongside US high yield spreads easing to 309 bps by end-Nov.

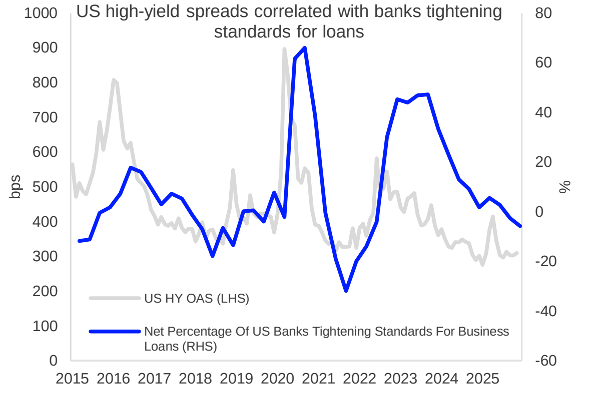
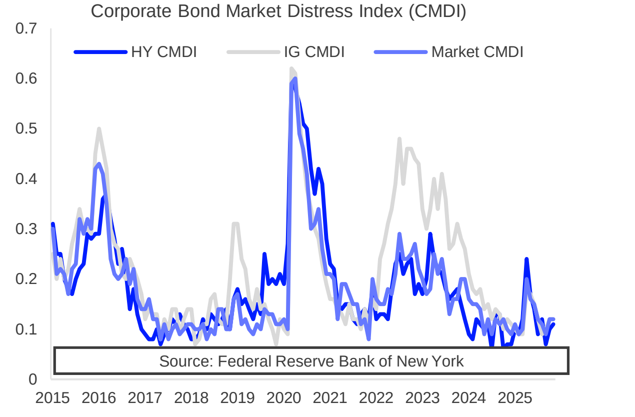


Chart 5: Market CMDI edged up to 0.12 by Nov, from 0.09 at Dec-24, mostly driven by high yield. The index settled near its historical 12th percentile, implying the US corporate bond market was well-functioning.



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Equities

Equities continued to post robust returns; the FTSE All-World returned 21.8% YTD and 6.0% over 3M, despite a sharp decline in November precipitated by concerns that the Fed may not continue cutting rates in December.

YTD the rally broadened away from US tech; with broadening consistent in terms of Dev ex US (30.3%) & EM (24.5%) leading the US (18%). However, leadership within ex-US has rotated. In early 2025, Dev Europe ex UK led; from May China rallied to become the top performer YTD, despite lagging over 3M. Over 3M, EM (6.7%) & Dev APAC ex Japan (6.4%) led.

Considering Sharpe Ratios across ICB Industries YTD the market has eschewed traditional “defensive” vs. “cyclical” divided with wide dispersion within Defensives. Healthcare was among the worst performers, whereas Utilities was the top performing industry, being driven by the AI theme and electricity requirements.

The “why” is in the lack of homogeneity within Industries, providing opportunities for investors willing to take granular positions. Basic Materials is an extreme example where 12m Sharpe ratios for the Precious Metals and Mining Sector has been 3.4 whilst Industrial Materials lagged (Sharpe of -0.4).

Chart 1: All-World rallied in Sept but fell sharply after the FOMC press conference, as the Dec rate cut was questioned. Comments implying a Dec rate cut was still live buoyed markets toward the end of the period.

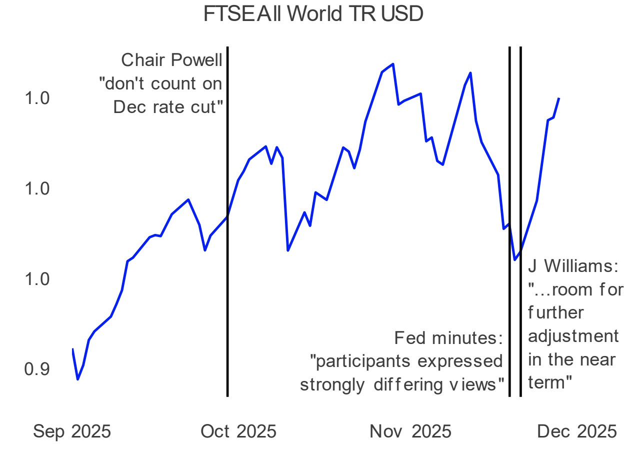


Chart 2: YTD China and Dev APAC ex Japan are the top performers. China pulling up the EM index, but EM ex-China still outperformed DM.

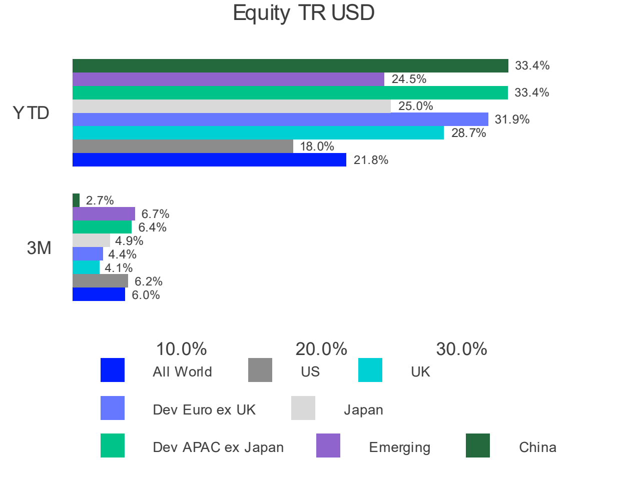


Chart 3: Developed equity has outperformed Emerging in most of the post-GFC period; 2025 has seen a reversal favouring EM.

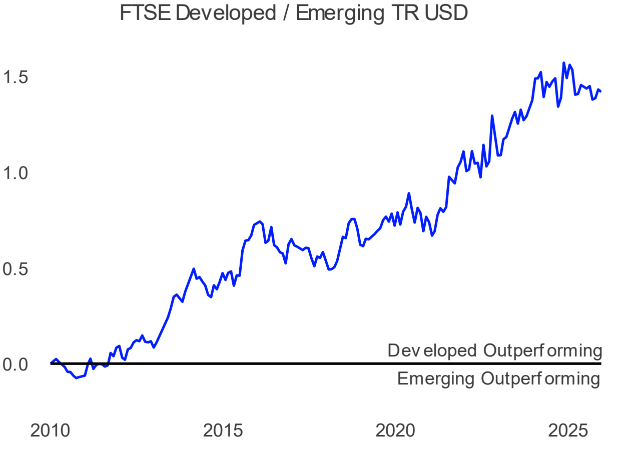


Chart 4:Utilities had the lowest volatility and highest Sharpe Ratio by Industry; Cons Disc. was the worst performing industry, risk-adjusted.

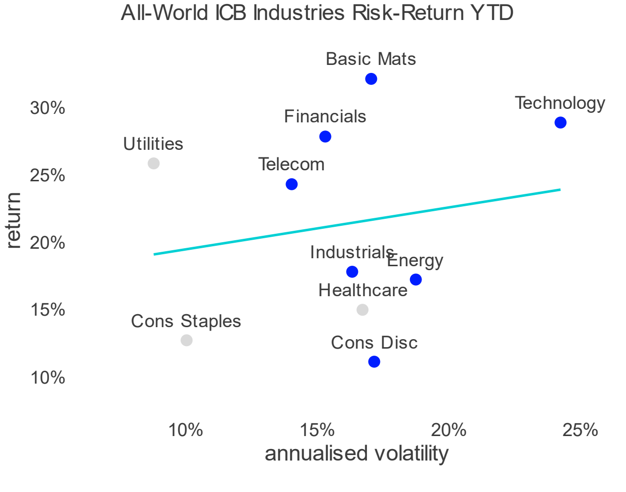
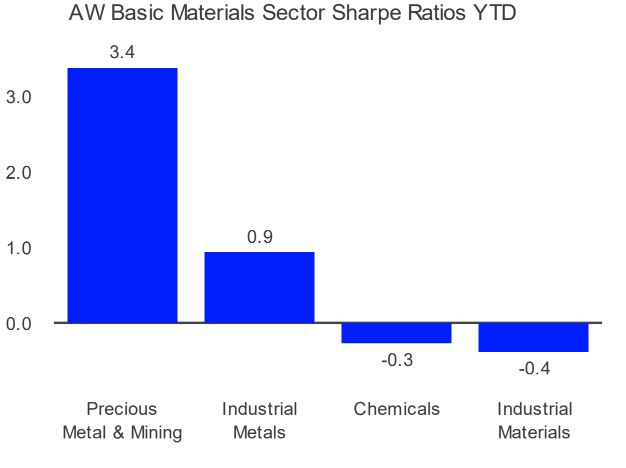


Chart 5: Basic Material was an extreme example of the intra-industry return dispersion, with a spread of Sharpe Ratios between 3.4 to -0.4.



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Equities (continued)

Decomposing 12M returns shows China and Developed Europe returns were relatively balanced, the UK and Japan were skewed to multiple expansion, the US was skewed to earnings growth.

Multiple expansion was seen across countries, but at >23x, the FTSE USA is in the 94th percentile of richness (over 10Y), potentially limiting room for further multiple expansion. The greater extent of valuation expansion in China, Europe & Japan point to a sentiment change.

EPS growth estimates continue to favor Asia (China & Developed APAC ex Japan) and Emerging Markets where absolute EPS growth estimates are much higher (3x that of US), and revisions have been better.

US valuation premium may be justified by better ROE (>20%) which is far above key peers, while Developed Europe ex UK has an ROE of 14.5% & China is around 11%.

Japan has tailwinds from double digit forecast EPS growth, the highest upward earnings revisions, improving ROE (10.7% vs 5Y avg of 9.8%), although its forward P/E multiple has rerated to the 88th percentile.

Chart 1: Decomposition of 12M return shows China's return was quite balanced, with Japan and the UK being skewed to multiple expansion.

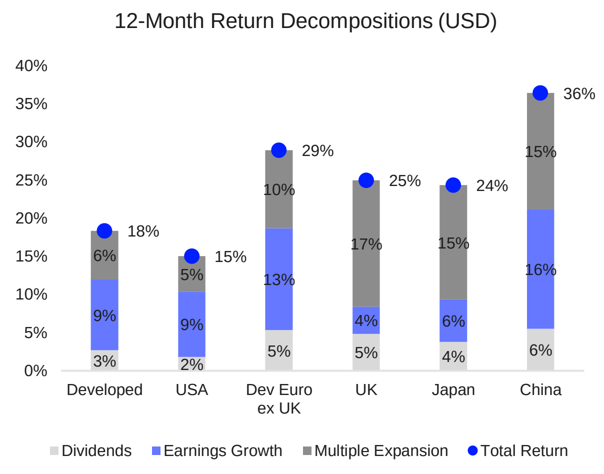


Chart 2: P/E multiples have widened across all major regions. But the US stands out with 23.0x being in the 94th percentile over 10-years.

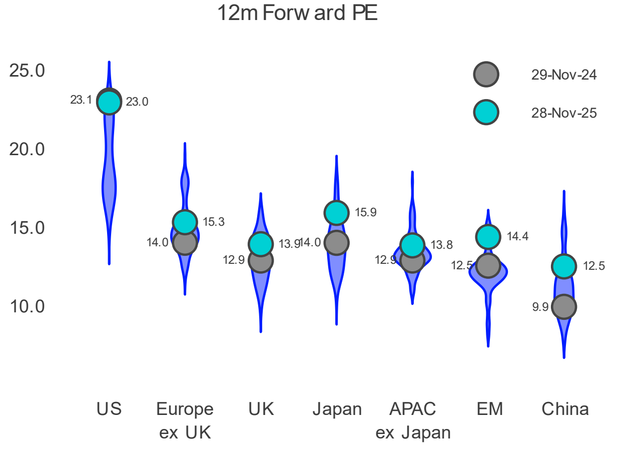


Chart 3:Despite high valuations US ROE stands significantly above key markets; Dev APAC ex Japan shows notable growth in ROE over 12M.

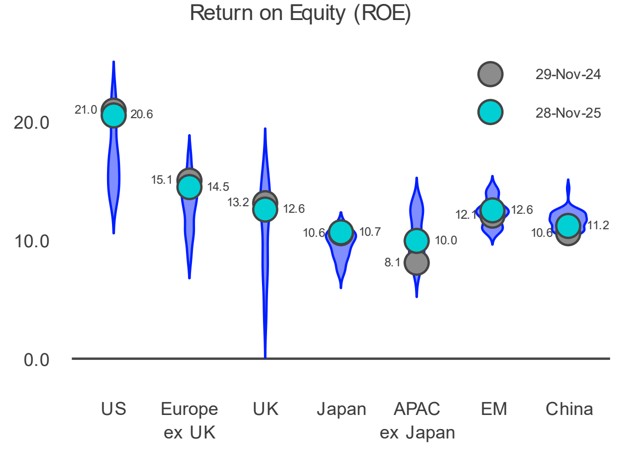


Chart 4: Revision ratios for FTSE World ex USA and the Russell 2000 have turned positive showing analyst upgrades to forward earnings.

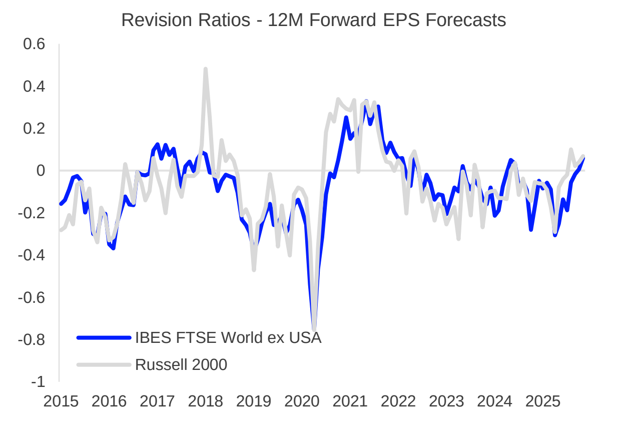
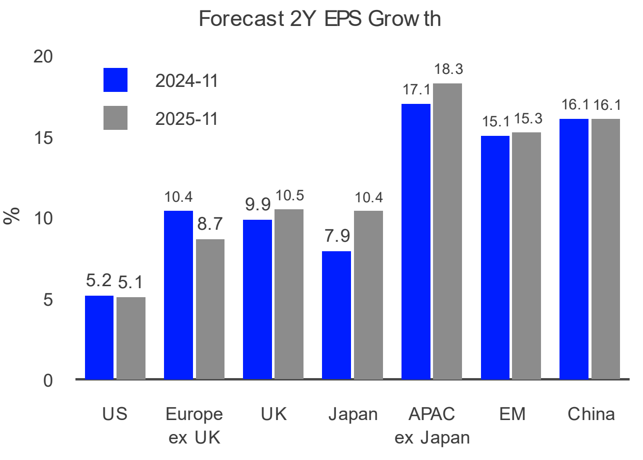


Chart 5: EPS growth estimates favour Asia and EM. Japan and Dev. Asia Pacific ex Japan have had the largest upward revisions.



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Emerging Markets

Basic Materials, Consumer Discretionary and Technology drive EM equities' outperformance over DM peers, YTD. LATAM and South Africa outperformed APAC peers and DM in both equities and bonds, YTD.

Benign inflation and high real interest rates in EM provide central banks with further room to ease, supporting a pro-growth stance. Resilience in Financials, a key pillar of EM markets, may signal resilience in domestic demand.

YTD, Basic Materials have posted remarkable returns of 50% in LCY terms, led by South Africa (186%), China (90%) and Mexico (81%). Gold mining has helped South Africa and China, with nonferrous metals benefitting China and Mexico. China also drew support from Aluminum, Copper, and stricter controls on rare earth exports. China's new five-year plan revealed in October confirms the importance of shifting to tech self-reliance and increasing corporate profitability.

Valuation matters*, evidenced by EM equities with lower starting valuations (particularly LATAM) outperforming DM equities YTD (Chart 4). Despite stellar returns, valuations in LATAM and South Africa remain lower than the overall EM.

Bonds in LATAM also outperformed APAC peers and DM, led by Brazil. South Africa's credit rating upgrade by the S&P, to BB from BB-, is expected to boost investors' confidence in its sovereign bonds, which gained 35% YTD.

Chart 1: YTD, EM equities have outperformed DM, helped by EM's sizable exposures to Technology and Financials. EM's wide outperformance in Basic Materials also boosted returns, amplified by an overweight vs DM.

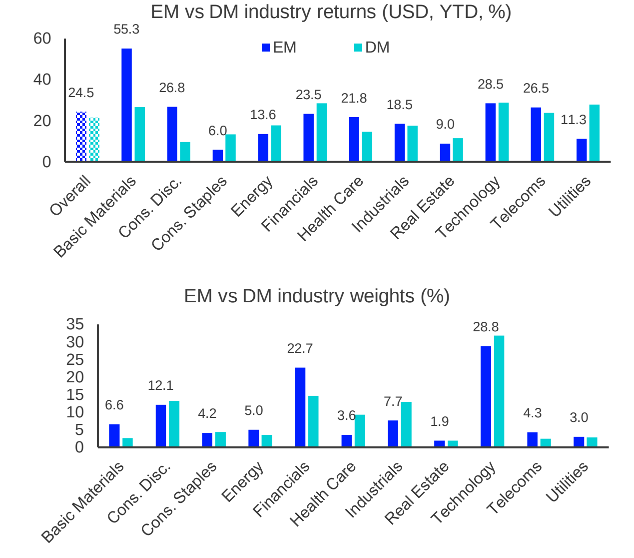


Chart 2**: YTD, Basic Materials has been the top-performing industry, followed by Telecommucations; while Consumer Staples, Utilities and Real Estate lagged. Technology helped Brazil and Taiwan.

YTD industry returns (TR, LOCAL,%)

	EM	China	Taiw an	India	Brazil	South Africa	Saudi Arabia	Mexico
Basic Materials	50.2	89.8	47.9	17.9	17.3	186.4	1.4	80.8
Cons. Disc.	27.2	40.0	−14.6	10.6	28.3	−21.6	−19.0	13.2
Cons. Staples	4.1	10.7	− 2.9	2.8	16.6	0.5	−22.0	7.6
Energy	12.4	24.0	54.7	20.3	− 3.3	22.6	− 7.4	-
Financials	21.7	32.0	10.0	19.6	55.3	18.1	− 0.2	31.9
Health Care	22.2	65.9	−16.0	1.6	45.5	−41.1	−13.8	-
Industrials	18.0	23.2	42.6	7.8	12.4	− 9.8	−14.7	37.5
Real Estate	8.0	12.6	−27.2	− 8.3	57.0	26.9	−15.7	32.2
Technology	26.1	30.3	30.7	−12.8	61.8	28.2	−27.4	-
Telecoms	25.1	27.4	15.1	30.3	71.3	61.0	17.9	40.9
Utilities	8.0	14.8	-	− 1.0	55.5	-	−46.4	-
Regional total	22.9	33.7	27.4	9.4	28.5	47.8	− 6.7	31.3

Chart 3**: Tech is the largest industry in EM, helped by China and Taiwan; Financials in India, Brazil & Saudi Arabia; Basic Materials in South Africa; and Cons. Staples in Mexico. Financials also have a large share in South Africa.

Industry exposures (%)

	EM	China	Taiw an	India	Brazil	South Africa	Saudi Arabia	Mexico
Basic Materials	6.6	4.4	1.4	5.9	14.8	37.4	15.3	15.6
Cons. Disc.	12.1	24.9	1.4	11.5	3.4	3.5	2.3	10.1
Cons. Staples	4.2	3.6	0.8	5.8	5.7	6.2	3.1	20.0
Energy	5.0	3.3	0.1	10.0	16.0	0.6	13.6	-
Financials	22.7	17.5	9.2	28.1	30.3	30.4	40.9	18.8
Health Care	3.6	5.3	0.5	6.2	2.6	0.5	3.5	-
Industrials	7.7	6.3	5.9	12.5	7.8	1.1	2.7	20.0
Real Estate	1.9	1.7	0.1	1.4	0.8	2.2	3.2	5.8
Technology	28.8	26.7	78.6	10.4	1.0	13.1	1.9	-
Telecoms	4.3	4.2	2.1	4.5	2.2	4.9	8.8	9.7
Utilities	3.0	2.1	-	3.7	15.4	-	4.6	-

Chart 4: EM equities' lower valuations at end-2024 were followed by their 2025 outperformance vs DM, led by LATAM and South Africa. Indian equities with higher P/E have underperformed EM peers & DM.

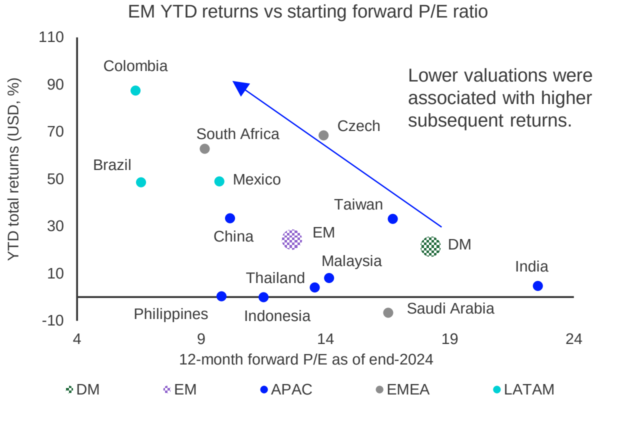
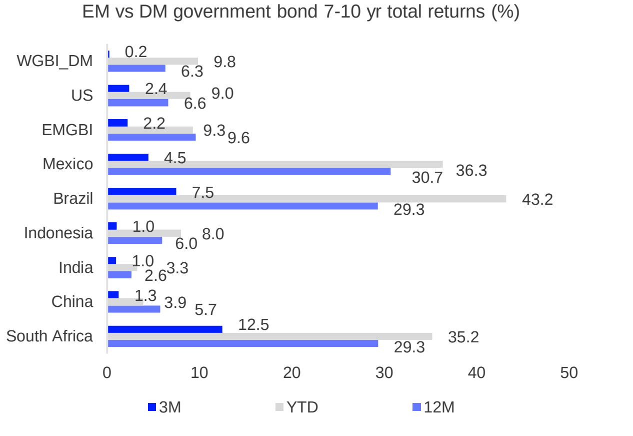


Chart 5: EM government bonds (2.2%) outperformed DM (0.2%) over 3M, with YTD returns of 9.3% (vs 9.8% for DM). YTD, Brazil, Mexico and South Africa posted significant returns of 35-43%, while India and China lagged.



Source: FTSE Russell/LSEG. All data as of November 30, 2025. *Valuation matters: US high yield and US equities | LSEG.**Charts 2&3, markets are ordered by market capitalization (left=largest). Past performance is no guarantee of future results. This report should not be considered "research" for the purposes of MIFID II. Please see the end for important legal disclosures. Results in this report are for research / illustrative purposes and do not represent the official performance of the indices.

Commodities

Commodity returns show dispersion YTD (precious & industrial metals rallied, oil fell). FX performance of commodity exporters indicate expectations for strength in (pockets of) commodities.

Silver delivered significant returns of 39% over 3M, and 87% YTD, outperforming gold and other commodities (Chart 1), driven by surging industrial and investment demand versus supply constraints. Copper and Aluminum also performed well over 3M, posting returns of 8-14%.

In addition to demand-supply imbalance, lower interest rates, elevated global uncertainty and inflation risk helped strengthen the appeal of silver & gold as precious metals. Gold demand as an investment has picked up quickly since 2023, exceeding that from jewelry (Chart 4). Central bank buying stayed firm.

Oil underperformed over 3M (-7.2%), and YTD (-15.4%), as the outlook of oversupply remains intact. Oil forward curve shifted downward over 3M (Chart 2), particularly for short-dated tenors, as the oil market is expected to stay well-supplied on robust production (OPEC+ unwinding cuts and Non-OPEC+ adding output) and lacklustre demand. Latest market observations show that the oil forward curve displays a modest backwardation for contracts due until mid-2027, where oil futures prices trade at a discount relative to the spot price.

Chart 1: Silver (39%) and gold (22%) outperformed broader commodities over 3M, leading YTD returns strongly. Copper and Aluminium also posted firm returns over 3M. Oil lagged, back to a downward trend since July.

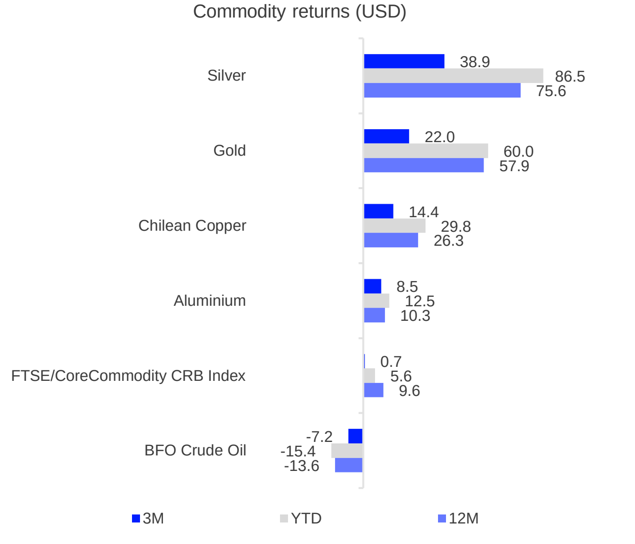


Chart 2: WTI forward curve fell sharply in the front end in Nov vs. Aug, alongside the decrease in spot price. Oil price is projected to peak in 2031 & expected to remain in the $60-63/barrel range by 2037.

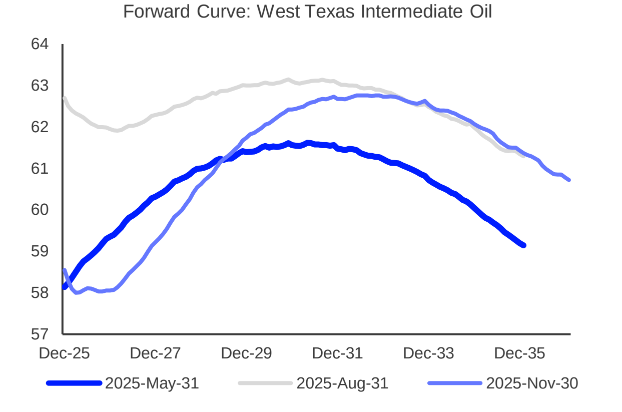


Chart 3: Silver has caught up quickly with gold since May, leading YTD returns. Aluminium and copper also improved in recent months, due to higher supply risk amid resilient demand. Oil underperformed peers.

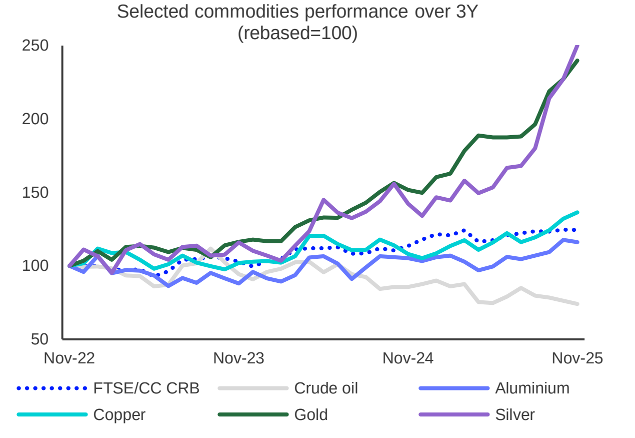


Chart 4: Investment demand for gold has surpassed that from jewellery by 25Q3, largely driven by ETFs, approaching 2020 high. Central bank demand for gold shows some resilience by Q3, despite gold price rallies.

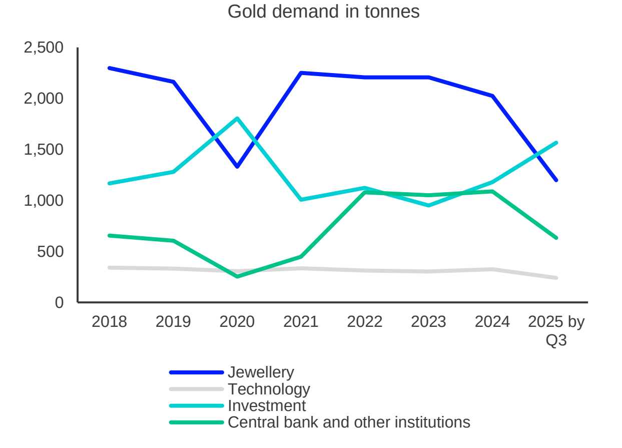
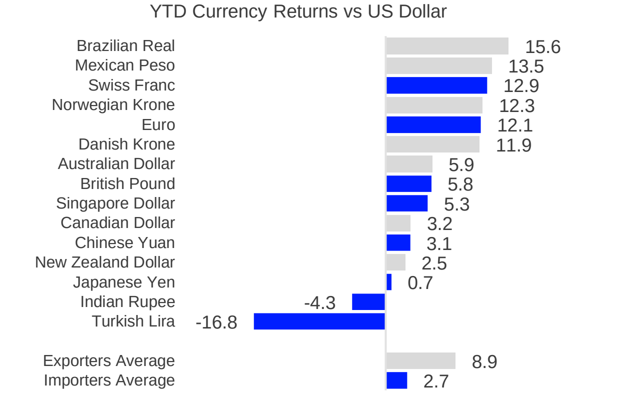


Chart 5: YTD, currencies of commodity exporters (relative to the US dollar) have significantly outperformed vs importers (8.9% vs 2.7%), in line with the solid returns of 5.6% in Commodities. The trend holds in recent 3M.



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Listed Alternatives

On a risk-adjusted basis, Global Listed Infrastructure and Real Estate have underperformed Equity and Bonds 12M

Within infrastructure, EM materially outperformed Developed over 12M, primarily because Developed had a ~10% drawdown in Dec '24 in anticipation of policy changes by the new US administration; YTD returns have been comparable.

Listed Real Estate underperformed equity and bonds on a risk-adjusted basis. There has been rotation and significant volatility at the sector level. Healthcare REITs have performed well, up 29.1% over 12M. Elevated construction costs reduced new deliveries, improving demand for current stock. Policy tailwinds from the One Big Beautiful Bill and Centres of Medicare & Medicaid Services (CMS) are supportive; where CMS rules will lead to a shift to more outpatient surgical procedures, increasing demand for appropriate property.

Conversely Data Centres returned -18.6% over 12M on fears over rich valuations, after significant appreciation in 2023-24, and concerns about hyper-scalers building and operating their own data centres rather than renting capacity from REITs.

Listed infrastructure's correlations to equities & bonds are below LT averages, pointing to diversification benefits.

Chart 1: On a risk-adjusted basis both Global Core Infrastructure and EPRA Nareit Global have underperformed bonds and equity.

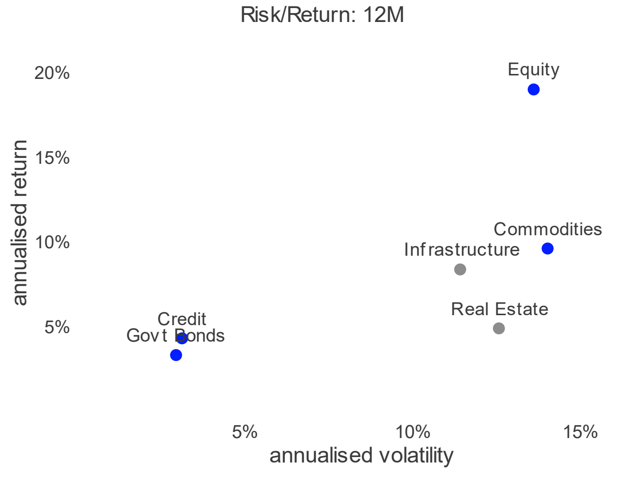


Chart 2: Emerging infrastructure outperformed over 12M primarily by avoiding the pullback in Developed during Dec 24 to mid-Jan 25.

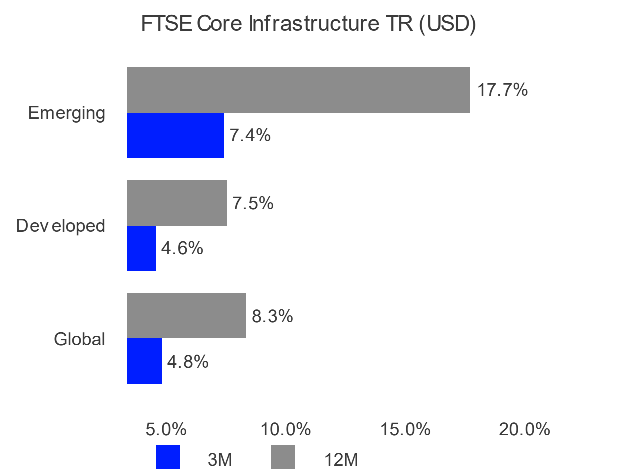


Chart 3: 3M trends continue YTD themes. With Data Centers REITs continuing to underperform and Healthcare REITs outperforming.

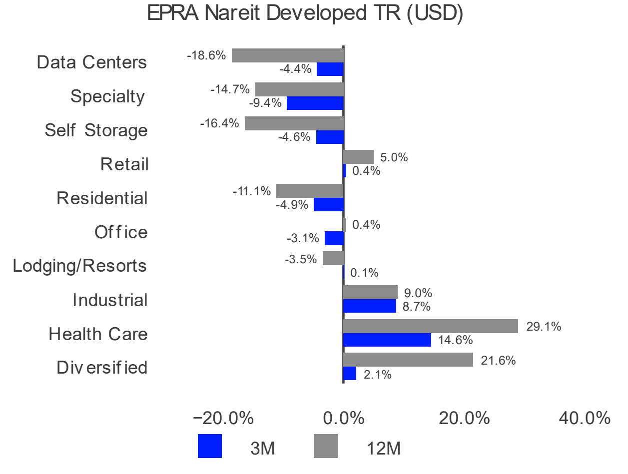


Chart 4: Infrastructure correlations to equity and bonds are below 10Y means, although bonds correlations are declining and equities are rising.

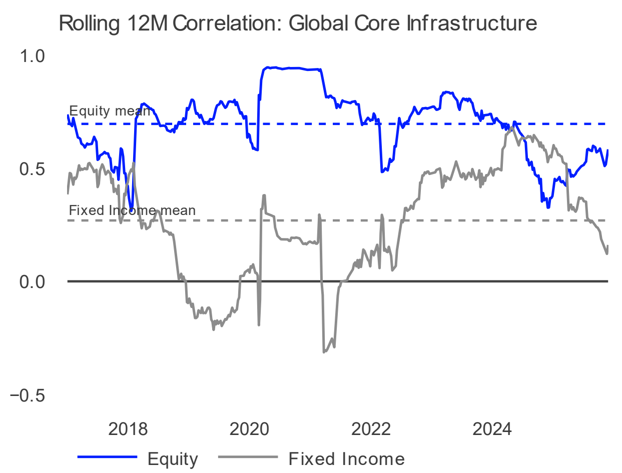
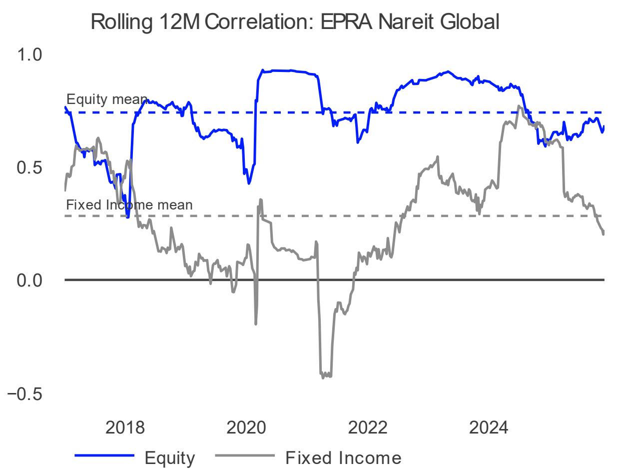


Chart 5: Both equity and bond correlation to REITs are just below 10Y means, although bond correlations have fallen materially through 2025.



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Currencies

Broad US dollar weakness dominated FX markets, as investors look elsewhere for higher yields and better fundamentals. Heightened economic policy uncertainty led to diversification away from US dollar assets.

The US dollar softness in 2025 (Charts 1 & 2) may imply a structural shift away from US dollar assets, as geopolitical tensions, trade policy risk, and uncertainty around monetary and fiscal policies have dampened the dollar's safe-haven status. Scandinavian currencies gained 12-17% YTD, helped by improvement in fundamentals and relatively high yields. Swiss Franc (12.9%) benefitted from its role of safe-haven, but the yen settled near 12M lows as carry-trade flows outweighed safe-haven demand. Euro rose 12%, lifted by fiscal outlook and portfolio reallocation to euro assets. BRL & MXN lead EM gains due to risk-on sentiment.

While US dollar weakness has been a key theme this year, regional currency pairs show notable moves, highlighting the broader volatility in FX markets. Fears of unfavorable result for the UK budget 2025 drove Euro to a more than two-year high relative to GBP, alongside monetary policy divergence sending AUD to the highest in a decade relative to NZD.

Chart 1: The majority of non-USD currencies, both DM and EM, appreciated against the US dollar, YTD. While DM currencies broadly gained, EM ones diverged as the BRL and MXN took the lead vs lira and EM Asia lagged.

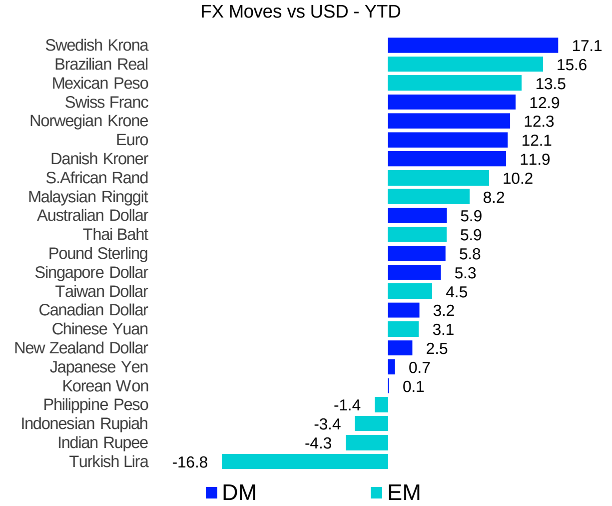


Chart 2: As a result of EM divergence, USD weakness is shown to a larger extent in DXY (vs DM only) vs trade-weighted USD (adding exposures to EM). USD softness has been a key feature YTD despite rallies in Jul & Oct.

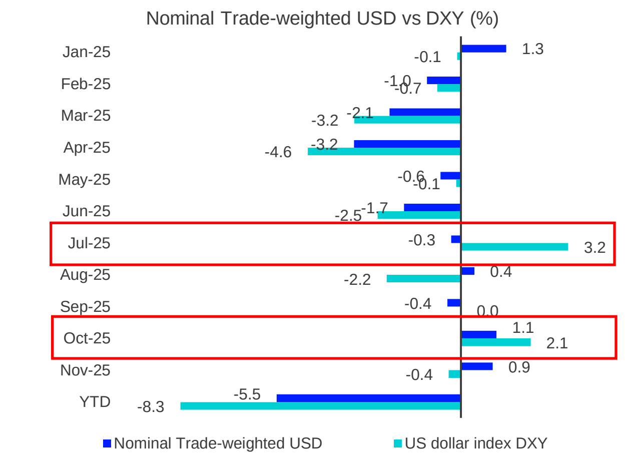


Chart 3: Fiscal stimulus, investors' renewed confidence in euro-area growth, and diversification away from dollar-heavy positions helped to push Euro higher versus the US dollar, in addition to interest rate diffs.

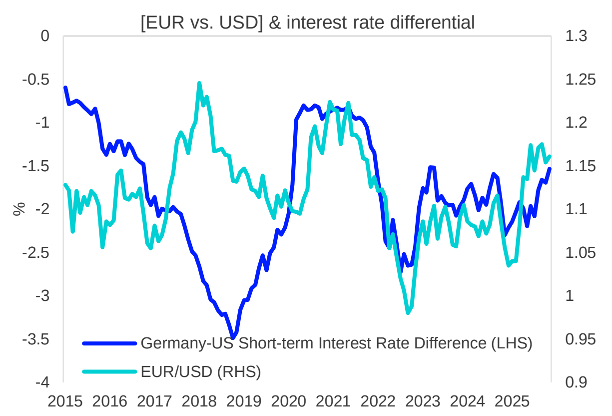


Chart 4: EUR/GBP had reached the highest level since April 2023 in Oct, as pound bears turned to Euro (instead of USD) while awaiting the autumn budget. The pound's fall stalled in Nov as markets digested new plans.

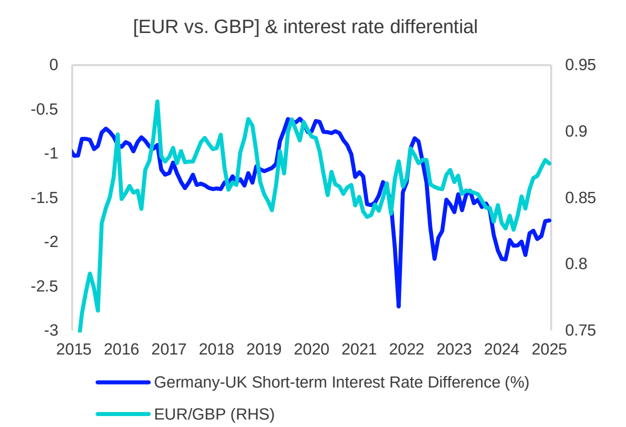
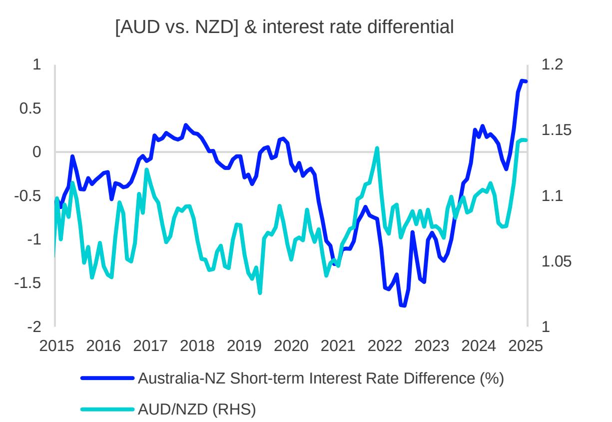


Chart 5: Interest rate differential has been a major driver of AUD/NZD, which hit a decade high, powered by a split in monetary policy – the cautious RBA (-75bps YTD) vs aggressively dovish RBNZ (-200bps).



Source: FTSE Russell/LSEG. All data as of November 30, 2025. Past performance is no guarantee of future results. This report should not be considered "research" for the purposes of MIFID II. Please see the end for important legal disclosures. Results in this report are for research / illustrative purposes and do not represent the official performance of the indices.

Digital assets

Stablecoins (SCs) have grown rapidly as blockchain based money, with liquidity and cross-border transferability*; backed by underlying reserve assets.

They have generally served as stable stores of value, though those SCs collateralized against other crypto currencies have proved less stable than those pegged to fiat currencies. Recent US and European moves to co-ordinate the regulatory framework for SCs are of note, but since they are issued by private companies, and not central banks, there is no guarantee that 1:1 pegs will endure.

Within the digital asset space, both Bitcoin and Ethereum have under-performed US equities in 2025, with both assets now showing negative returns for the year, though the correlation of returns with equities remains positive. This is the first time that these digital assets have underperformed during a US equity market upswing, though the relative weakness should be seen in the context of the outperformance in 2023-24.

* See Stablecoins | LSEG, November 2025.

Chart 1: Stable Coin market capitalization has grown rapidly since 2020. Some SC, like MakerDAO's DAI coin are collateralized against other crypto currencies and have been more volatile.

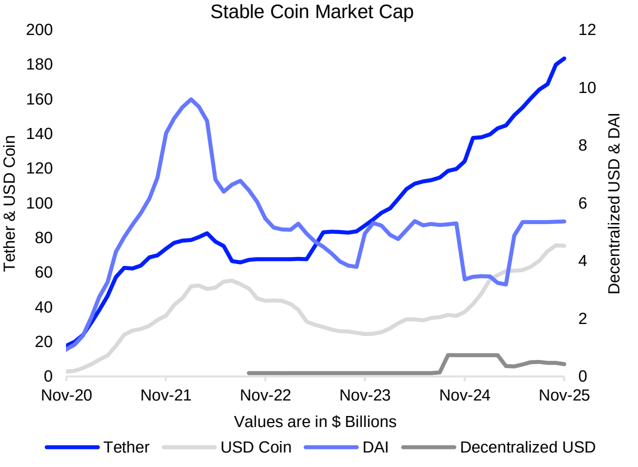


Chart 2: Stablecoins have no elasticity as money, meaning their supply cannot expand or contract through lending. Therefore, it is unsurprising that SC usage is strongly correlated with M2.

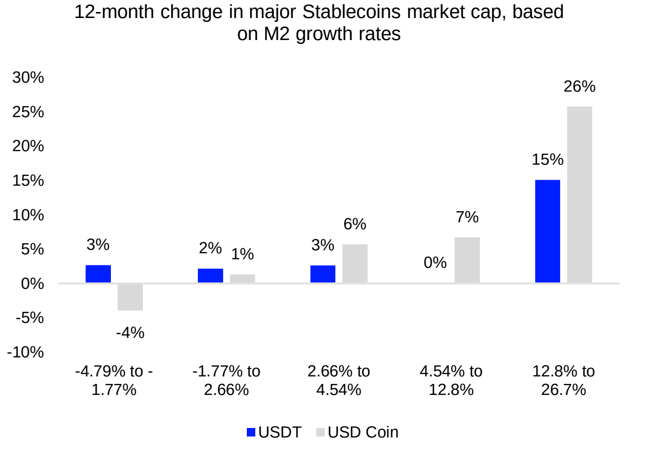


Chart 3: Volatility data shows SCs backed by fiat currencies, like USD and Tether, have the lowest volatility. However, Tether's ability to maintain the stability of its peg was recently downgraded.

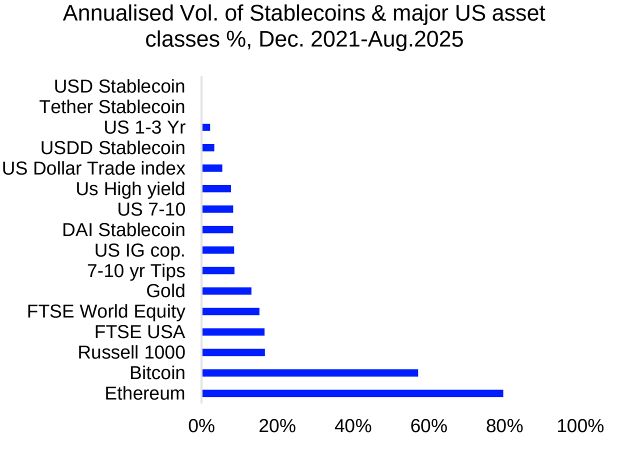


Chart 4: 2025 has been a year of high volatility for Bitcoin and Ethereum. Significantly, recent price weakness is the first time these digital assets have fallen during an equity market upswing.

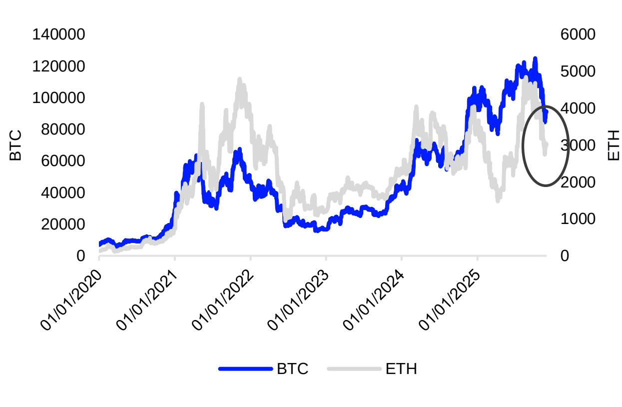
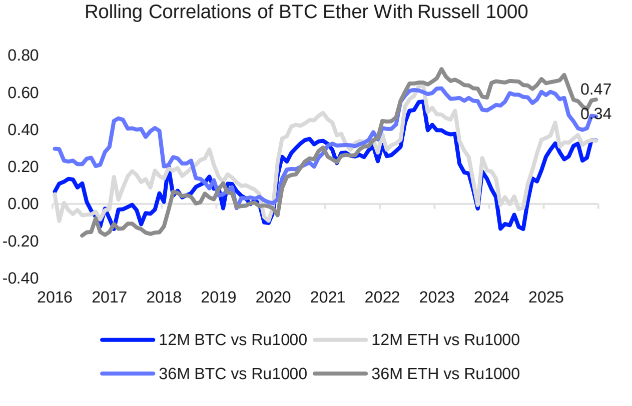


Chart 5: 36M correlations of Bitcoin and Ethereum with US equities shows modest decline in 2025. 12M correlations remain well above pre-Covid levels and have not fallen far in 2025.



Cross-Asset: Equities and Fixed Income

Equity valuation seems stretched relative to underlying macroeconomics and vs bonds. Developed Europe ex UK & Japan have the highest equity risk premium. Lower stock-bond correlation brings back the appeal of a 60-40 portfolio.

Macroeconomic data and cross-asset dynamics suggest an over-stretched equity market by historical standards. Stock valuation relative to bonds achieved a new 10Y high, against the tumbling copper-gold ratio, whilst also remaining higher than the ISM PMI would suggest, since 2022. US equity market capitalization relative to the real economy has become more stretched, exceeding peaks seen during post-Covid rallies.

Increased valuation in equities (see also page 10) and elevated risk-free rates have kept equity risk premium (ERP) extremely compressed globally. Japan's ERP, the second highest after Dev Europe ex UK, faces downward pressure from expected interest rate hikes in 2026. Cautious easing by central banks outside Japan capped the ERP rebound (Chart 4). US ERP, which is the lowest among peers and stayed negative, edged higher in 2025, but remains well below credit spreads (Chart 5), perhaps another sign of equities' over-valuation versus bonds.

Pro-growth monetary policies have brought down stock-bond correlation sharply (Chart 3), to 0.16 from 0.86 (June 2024). Portfolio diversification from equities to bonds may follow.

Chart 1: The divergence between copper-gold ratio and stock-bond valuation deepened further YTD, as the former reached its 10Y low while the latter extended to its10Y high. The AI theme has driven the risk rally vs gold gained on risk-off investment demand alongside central bank reserve diversification.

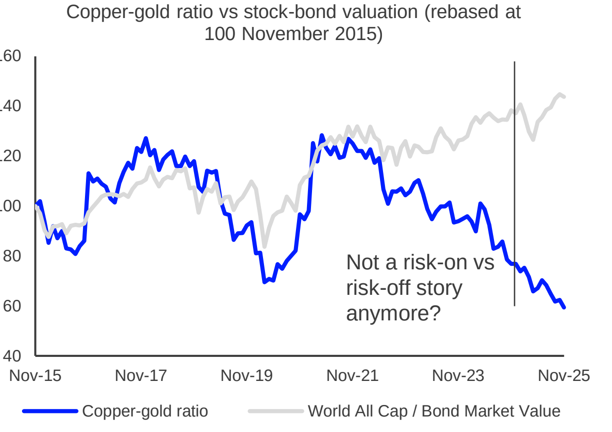


Chart 2: The Buffett indicator (stock market cap to GDP ratio) suggests an overvaluation in the US equity market where it is at 212% (usually defines a ratio below 75% as undervaluation while above 115% overvaluation).

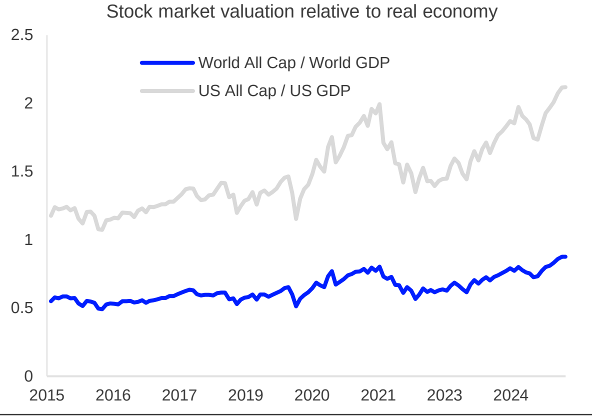


Chart 3: 12M stock-bond correlation is down to 0.16, below 10Y average of 0.36, as inflationary regimes faded. It may have more room to fall if the monetary easing continues, as it did during the Covid easing.

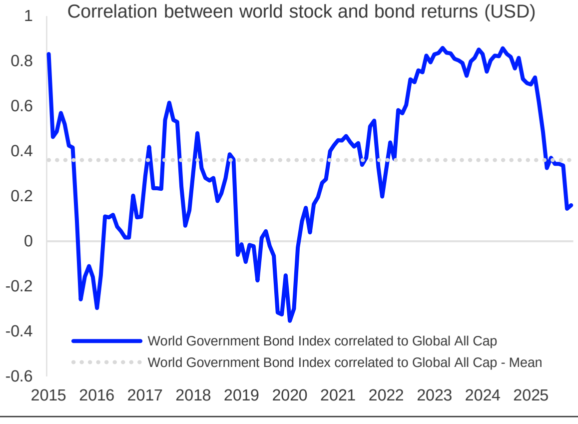


Chart 4: ERP have broadly fallen from cycle highs in Feb 2022 (prior to rate hikes) to near decade lows, despite modest increases YTD in Dev AP ex JP, the US, and EM. Dev Europe ex UK & Japan have the highest ERP.

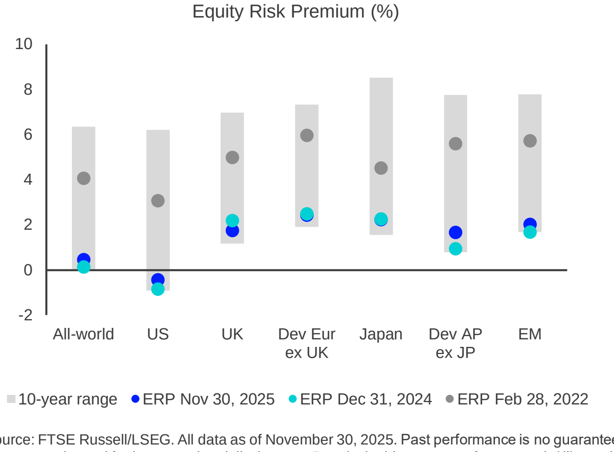
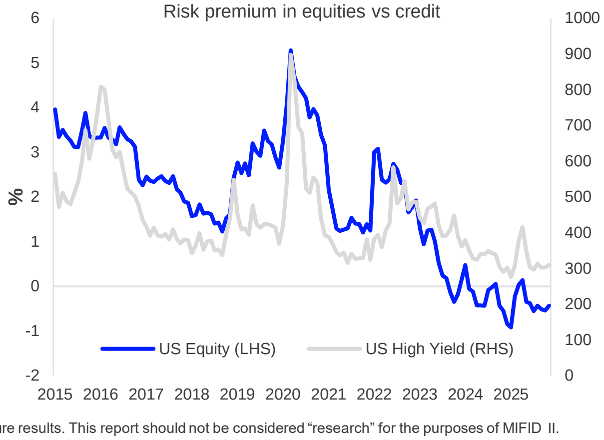


Chart 5: The US equity & HY risk premium stabilized in late 2025, helped by lower risk-free rate. But the ERP remains lower than credit spreads (unlike pre-2022), implying relatively high valuations in equities vs HY.



Cross Asset: Return and Risk (continued)

Gold and FTSE 100 rank among top 3 performers in both absolute and risk-adjusted returns. Emerging equities closed the gap with DMs quickly and now rank 3rd in return/risk ratio over 1Y, only after gold and FTSE 100. World HY outperformed IG corp and government bonds. Crude oil and US equities saw the sharpest declines in return/risk ratio.

Over 1Y, gold has far outperformed equities and other major asset classes in terms of both absolute and risk-adjusted performance (Chart 1). Gold demand for investment has picked up quickly amid global uncertainties; central bank buying kept up the momentum despite price rallies. After a 3-year streak of positive returns, gold delivered an annualized return of 33.7% over 3Y, higher than all other assets (followed by Russell 1000 20.3%). Crude oil is the only one showing negative 1Y returns.

Measured by absolute returns, gold has gained 59.4% in the recent 12M, more than double those of equities (led by Developed Europe ex UK of 28.9% and FTSE 100 of 26.5%). Equities generally outperformed other key asset classes of FTSE/CoreCommodity CRB (9.6%), fixed income (5.7-9.3%), Global Core Infrastructure (8.3%), and EPRA Nareit Global (4.8%). Emerging equities (25%) advanced across the board, benefitting from sectors of Technology and Basic Materials and currency gains. US equities (Russell 1000 up by 14%) lagged peers, despite some catch up since May, with small cap (Russell 2000 up by 4%) much further behind. Within fixed income, World High Yield (9.3%) remains the best-in-class performer, led by Euro HY, due to its higher correlation with equities amid the risk rally. US equity leadership over peers (US annualized return of 20.3% vs 17.9% or below elsewhere, over a 3-year time period) has narrowed, compared to December 2024.

Risk-adjusted returns painted a similar picture to absolute returns, with gold (4.4) and FTSE 100 (3.8) outperforming vs Oil and Listed Alternatives underperforming. Emerging equities (3.5) rank among the highest within equities over 1Y, only behind FTSE 100; this compares to the risk-adjusted return of 1.2 over 3Y (Chart 2), which was among the lowest in equity world.

Chart 1: Over 1Y, gold has gained 59%, more than doubling returns of 28.9% by Dev Europe ex UK, the highest among equities. Russell 1000 (14.1%) lagged other major equities, which gained 24-29%. EM equities (25%) outperformed All-World (19%). Equities broadly outperformed Global Core Infrastructure (8.3%), fixed income assets (5-9.3%), and EPRA Nareit (4.8%). In terms of return/risk ratio, gold (4.4), FTSE 100 (3.8), EM equities (3.5), and World HY (3.1) are among the top performers, while oil (-0.7), Russell 2000 (0.2), EPRA Nareit (0.5), and Infrastructure (1.0) underperformed.

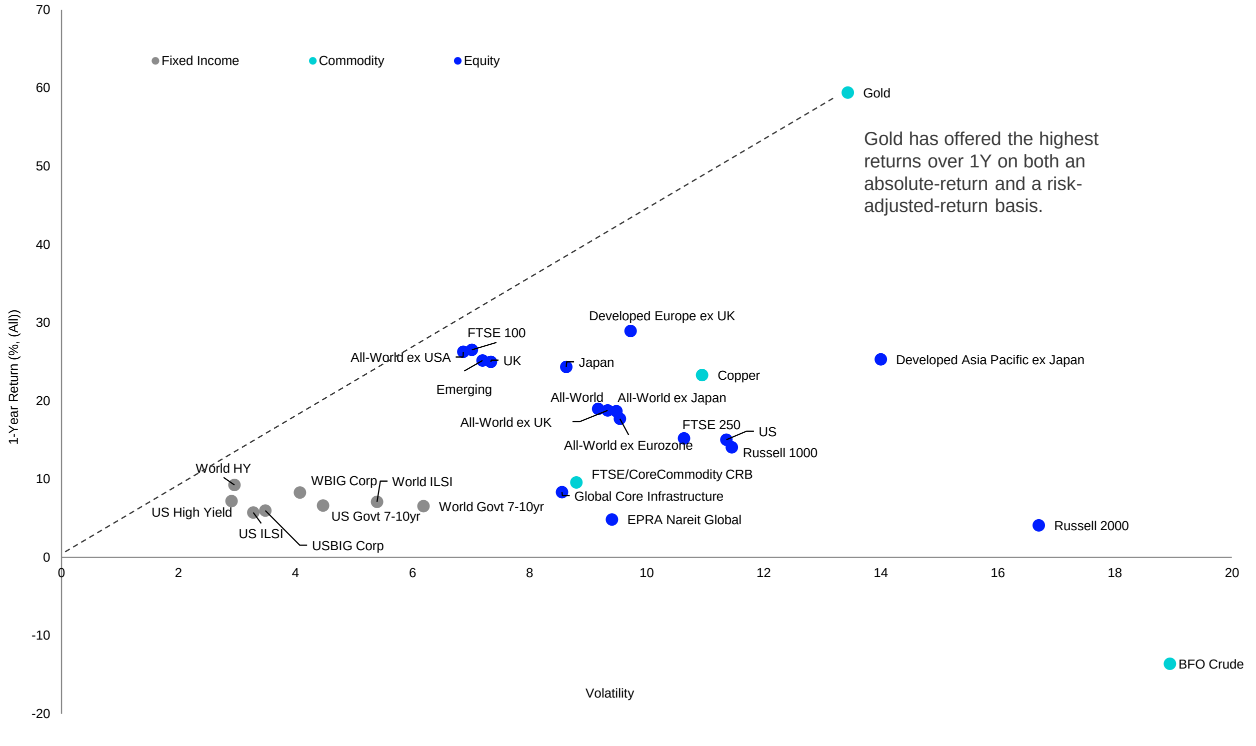
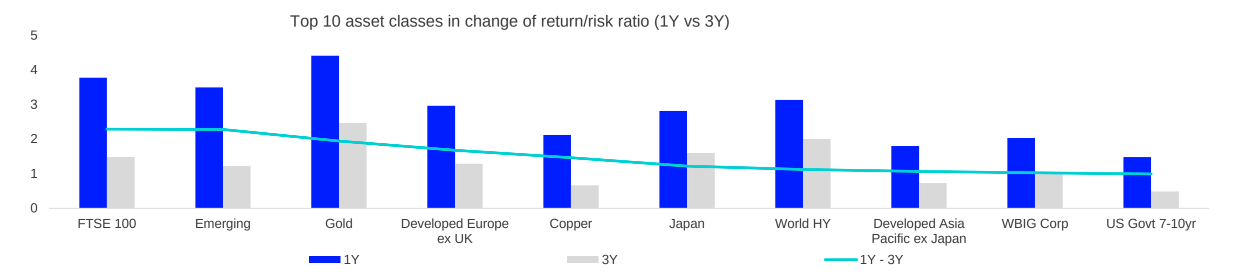


Chart 2: FTSE 100, Emerging market equities, and Gold have seen the greatest improvement in return/risk ratio over 1-year relative to 3-year.



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Cross Asset: Correlations

Between 2022 and 2024 there was a marked decline in cross-asset correlations from historically elevated levels, implying significant benefits to diversification. In 2025, YTD cross-asset correlations have risen, but remain relatively decorrelated vs. 10Y averages. A similar trend exists within equity where correlations have risen YTD but are below historical averages. This points to the benefits of diversification within equity as well as across asset classes.

The bottom-left of chart 1 shows 10Y correlations, whilst the top-right of the matrix shows current 12M correlations. On visual inspection the bottom half is lighter amongst the bond and commodity block (correlation near 0), with darker greens (correlation near 1.0) amongst the equity block, when compared to the top half. Considering key equity markets: the US and Developed ex US correlation declined to 0.68 from a long-term average of 0.73 and the US and EM declined to 0.44 from 0.5. Whilst each pair may seem like a small decline in correlations, the effect across all pairs highlights a meaningful diversification benefit at the portfolio level. Cross-asset, Global Government Bonds exhibit negative correlation against major equity indices reflecting how the protective role of bonds in portfolios has reemerged as yields have risen. Gold has had a zero correlation to equity, effectively moving independently, and -0.43 correlation to government bonds.

Chart 2 extends a theme from earlier, using a return clustering algorithm to group All-World sectors by YTD movement. Typically sectors within an industry cluster together the way Food Producers and Beverages are closely connected. Currently several sectors have moved apart, for example Pharmaceuticals (light blue) is separated from Medical Equipment (yellow); being Healthcare sectors, they would typically move together. Reiterating that the dispersion has widened the opportunity for those able to take granular positions and the decorrelation necessitates broad diversification for those who can't.

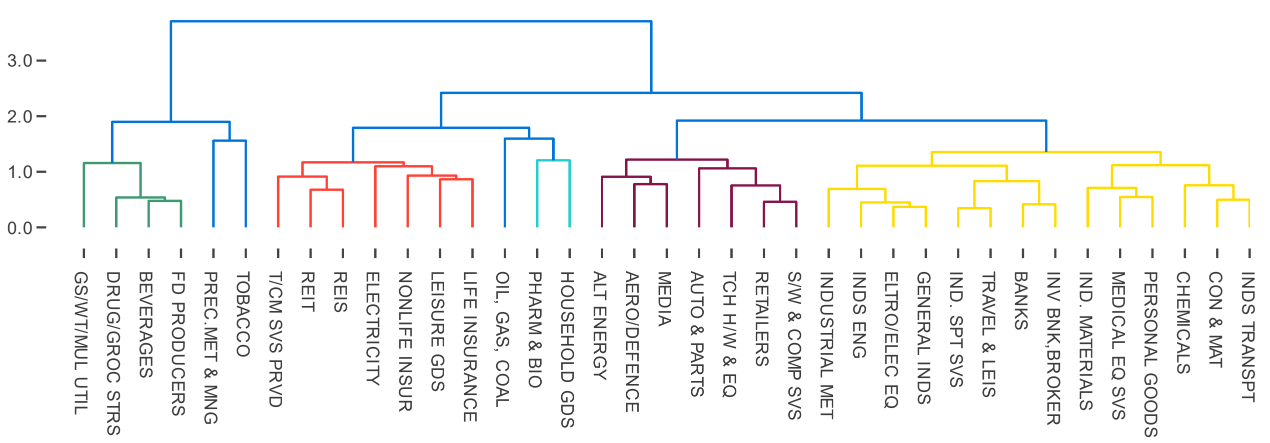
Chart 1: Correlation matrix showing both the 10-year and the 12-month correlations. The portion of the matrix below the diagonal is 10-year correlations with the top half of the matrix showing 12-month correlations; weekly total-return data. Visually we see inter- and intra- asset correlations are below long-term trends. Among key pairs: US and Emerging is at 0.44; FTSE All-World and WGBI Hedged USD exhibits negative correlation at -0.20.

10-year vs. 12-month Correlation

	All World	US	Dev ex US	Dev Euro ex UK	UK	Dev APAC ex Japan	Japan	Emerging	WGBI Hgd	ILSI Hgd	World BIG Hgd	CRB	CRB Gold	CRB Copper	CRB Crude Oil	Global Core Infrastructure	EPRA Nareit Global
All World	1.00	0.97	0.84	0.79	0.74	0.72	0.64	0.62	-0.20	-0.05	-0.12	0.30	0.00	0.44	0.04	0.59	0.69
US	0.96	1.00	0.68	0.65	0.60	0.57	0.49	0.44	-0.21	-0.10	-0.15	0.27	-0.04	0.35	0.07	0.52	0.61
Dev ex US	0.88	0.73	1.00	0.96	0.91	0.84	0.84	0.73	-0.17	0.02	-0.08	0.29	0.14	0.54	-0.02	0.62	0.71
Dev Euro ex UK	0.83	0.69	0.95	1.00	0.85	0.75	0.70	0.67	-0.25	-0.08	-0.16	0.28	0.17	0.57	-0.08	0.58	0.65
UK	0.78	0.64	0.90	0.88	1.00	0.72	0.72	0.62	-0.02	0.19	0.08	0.32	0.09	0.50	0.11	0.69	0.77
Dev APAC ex Japan	0.78	0.63	0.87	0.73	0.72	1.00	0.67	0.82	-0.07	0.14	0.01	0.36	0.04	0.46	0.07	0.42	0.57
Japan	0.68	0.54	0.80	0.61	0.59	0.74	1.00	0.63	-0.12	0.02	-0.03	0.14	0.11	0.32	-0.04	0.49	0.56
Emerging	0.67	0.50	0.74	0.63	0.63	0.81	0.64	1.00	-0.04	0.13	0.05	0.20	-0.07	0.34	-0.09	0.40	0.47
WGBI Hgd	0.20	0.19	0.21	0.15	0.15	0.23	0.24	0.12	1.00	0.90	0.99	-0.43	-0.23	-0.38	-0.18	0.16	0.22
ILSI Hgd	0.23	0.24	0.19	0.11	0.19	0.23	0.18	0.12	0.63	1.00	0.93	-0.14	-0.17	-0.18	0.06	0.24	0.34
World BIG Hgd	0.29	0.27	0.29	0.23	0.24	0.31	0.30	0.19	0.98	0.63	1.00	-0.38	-0.24	-0.32	-0.14	0.23	0.30
CRB	0.26	0.23	0.24	0.13	0.25	0.34	0.20	0.30	-0.19	0.14	-0.15	1.00	0.34	0.49	0.81	0.13	0.21
CRB Gold	0.20	0.14	0.28	0.23	0.22	0.30	0.23	0.25	0.19	0.18	0.19	0.33	1.00	0.29	0.16	0.14	0.06
CRB Copper	0.41	0.31	0.48	0.44	0.44	0.49	0.34	0.46	-0.03	0.12	0.03	0.52	0.39	1.00	0.11	0.22	0.29
CRB Crude Oil	0.16	0.16	0.11	0.00	0.15	0.19	0.10	0.16	-0.20	0.15	-0.17	0.88	0.21	0.30	1.00	0.05	0.09
Global Core Infrastructure	0.66	0.62	0.65	0.56	0.61	0.60	0.50	0.42	0.42	0.50	0.48	0.22	0.33	0.28	0.14	1.00	0.78
EPRA Nareit Global	0.78	0.72	0.77	0.72	0.70	0.69	0.58	0.52	0.42	0.44	0.49	0.16	0.27	0.32	0.07	0.80	1.00

Chart 2: Hierarchal clustering of ICB sectors highlights the breakdown in intra-Industry structure, which are typically closely clustered. Within Financials, Banks and Investment Banks & Brokers remain clustered together, as do Life & Non-Life Insurers but the connection between Banks and Insurance has broken down. This highlights the trend of selective opportunities within Industry groups.

All-World ICB Sectors Clustering YTD



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Appendix 1: List of indices used in report

Name	Mnemonic/Code	Name	Mnemonic/Code
Russell 1000 Index	R1000	World Government Bond Index 1-3yr	WGBI_1-3
Russell 2000 Index	R2000	World Government Bond Index 7-10yr	WGBI_7-10
FTSE Global All Cap Index	GEISLMS	US Treasury 7-10yr	US_TSY7-10
FTSE All-World Growth Index	AWORLDSG	UK 7-10yr	GB_TSY7-10
FTSE All-World Value Index	AWORLDSV	Germany 7-10yr	DE_TSY7-10
Russell 1000 Growth Index	R1000G	Japan 7-10yr	JP_TSY7-10
Russell 1000 Value Index	R1000V	China 7-10yr	CN_TSY_7-10
FTSE USA Index	WIUSA	US Treasury 1-3yr	US_TSY1-3
FTSE UK Index	WIGBR	US Treasury 20+yr	US_TSY20+
FTSE Developed Europe Index	AWDEURS	UK 1-3yr	GB_TSY1-3
FTSE Developed Europe ex UK Index	AWDEXUKS	UK 20+yr	GB_TSY20+
FTSE Japan Index	WIJPN	Canada 1-3yr	CA_TSY1-3
FTSE Developed Asia Pacific ex Japan Index	AWDPACXJ	Canada 20+yr	CA_TSY20+
FTSE China Index	WICHN	Germany 1-3yr	DE_TSY1-3
FTSE Emerging Index	AWALLE	Germany 20+yr	DE_TSY20+
FTSE All-World Index	AWORLDS	Japan 1-3yr	JP_TSY1-3
FTSE Global Core Infrastructure Index	FGCII	Japan 20+yr	JP_TSY20+
FTSE EPRA Nareit Global Index	ENHG	World Inflation-Linked Securities Index 7-10yr	ILSI_7-10
FTSE Europe ex UK Index	AWEXUKS	US Treasury 5-10yr	US_TSY5-10
FTSE Asia Pacific ex Japan Index	AWPACXJA	US Inflation-Linked Securities Index 5-10yr	ILSI_US_5-10
FTSE USA All Cap Index	LMSUSA	Canada 5-10yr	CA_TSY5-10
FTSE Developed Index	AWD	Canadian Inflation-Linked Securities Index 5-10yr	ILSI_CA_5-10
FTSE All-World ex US Index	AWXUSAS	Germany 5-10yr	DE_TSY5-10
FTSE Global Large Cap Index	GEISLC	German Inflation-Linked Securities Index 5-10yr	ILSI_DE_5-10
FTSE Global Small Cap Index	GEISSC	UK 5-10yr	GB_TSY5-10
FTSE Developed Large Cap Index	LCD	UK Inflation-Linked Securities Index 5-10yr	ILSI_GB_5-10
FTSE Developed Small Cap Index	SCD	Japan 5-10yr	JP_TSY5-10
FTSE Developed Growth Index	DGWLD	Japanese Inflation-Linked Securities Index 5-10yr	ILSI_JP_5-10
FTSE Developed Value Index	DVWLD	FTSE World Broad Investment-Grade Bond Index (WorldBIG®)	WBIG
FTSE/CoreCommodity CRB® Index	RJEFCRT	World Broad Investment-Grade Bond Index Corporate	WBIG_CORP
Russell 2000 Implied Volatility Index	RVX	US Broad Investment-Grade Bond Index Corporate	BIG_CORP
FTSE India Index	WIIND	Euro Broad Investment-Grade Bond Index Corporate	EBIG_CORP
FTSE Indonesia Index	WIIDN	Emerging Markets US Dollar Broad Bond Index Corporate – Investment-Grade	EMBBI_CORP_IG
FTSE Malaysia Index	WIMAL	US High-Yield Market Index	HY_MKT_US
FTSE Philippines Index	WIPHL	Pan-European High-Yield Bond Index - EUR	EUROPE_HYM_EUR
FTSE Taiwan Index	WITWN	Emerging Markets US Dollar Broad Bond Index Corporate – High-Yield	EMBBI_CORP_HY
FTSE Thailand Index	WITHA	FTSE World High-Yield Bond Index	WHYM
FTSE Czech Republic Index	WICZH	US High-Yield Market Index BB	HY_2B
FTSE Saudi Arabia Index	WISAU	US High-Yield Market Index BB	HY_1B
FTSE South Africa Index	WIZAF	US High-Yield Market Index CCC	HY_3C
FTSE Brazil Index	WIBRA	Pan-European High-Yield Bond Index – EUR BB	EUROPE_HYM_EUR_2B
FTSE Colombia Index	WICOL	Pan-European High-Yield Bond Index – EUR B	EUROPE_HYM_EUR_1B
FTSE Mexico Index	WIMEX	Pan-European High-Yield Bond Index – EUR CCC	EUROPE_HYM_EUR_3C
FTSE All World Basic Materials	F1AWBM$	WGBI Developed Markets 7-10yr	WGBI_DM_7-10
FTSE All World Consumer Discretionary	F1AWCS$		
FTSE All World Consumer Staples	F1AWCG$	EMGBI 7-10yr	EMGBI_7-10
FTSE All World Energy	F1AWO1$	Brazilian GBI 7-10yr	BR_TSY_7-10
FTSE All World Financials	F1AWFN$	Mexican GBI 7-10yr	MX_TSY_7-10
FTSE All World Healthcare	F1AWH1$	Indian GBI 7-10yr	IN_TSY_7-10
FTSE All World Industrials	F1AWID$	Indonesian GBI 7-10yr	ID_TSY_7-10
FTSE All World Technology	F1AWG1$	South African GBI 7-10yr	ZA_TSY_7-10
FTSE All World Telecommunications	F1AWT1$		
FTSE All World Utilities	F1AWU1$		
FTSE All World Precious Metals & Mining	F3AWMM$		
FTSE All World Industrial Materials	F3AWPF$		
FTSE All World Chemicals	F3AWC3$		
FTSE All World Industrial Metals	F3AWIU$		

Appendix 2: Methodology Reference Guide

Report calculations

- Unless noted otherwise, all performance calculations are in US dollar.
- All credit spreads are with reference to the US 7-10 year Treasury bond index.
- Option-adjusted spread percentiles are calculated by comparing current index-level spreads (as of 30 Nov) to a fixed, historic 10-year window of month-end index-level OAS.
- Risk premium in equity is calculated as the earnings yield (E/P) of the All-World Developed index minus the yield of US Treasury 7-10 years. Risk premiums in high yield are their credit spreads relative to yield of US Treasury 7-10 years.
- Equity volatility is measured as rolling 24-month annualized volatility using monthly observations.
- Correlation matrix among asset classes is calculated using weekly returns over the time frame of analysis mentioned in the chart heading.
- Dendrogram for cluster analysis similarly uses weekly total returns in USD over the time frame of analysis.
- Earnings yield is calculated as the inverse of PE ratios for the indices in these four asset classes - equity, fixed income, listed real estate, listed infrastructure.
- Currency exporters and importers classification is based on the commodity exposure in the macroeconomy of the country.
- Trade-weighted policy rate differentials are calculated using the Nominal Trade-weighted USD index weights from the Federal Reserve at (https://www.federalreserve.gov/releases/h10/weights/). Historical policy rates are downloaded from LSEG. Yearly trade weights are multiplied with monthly levels of policy rates to calculate an aggregate trade weighted policy rate.
- All data is as of November 30, 2025, with the exception of the most recent FOMC projections that was released December 10, 2025 and the June-26 Fed Funds Futures rate which was updated to the close of Dec 11, 2025.

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ABOUT FTSE RUSSELL

FTSE Russell is a leading global provider of index and benchmark solutions, spanning diverse asset classes and investment objectives. As a trusted investment partner we help investors make better-informed investment decisions, manage risk, and seize opportunities.

Market participants look to us for our expertise in developing and managing global index solutions across asset classes. Asset owners, asset managers, ETF providers and investment banks choose FTSE Russell solutions to benchmark their investment performance and create investment funds, ETFs, structured products, and index-based derivatives. Our clients use our solutions for asset allocation, investment strategy analysis and risk management, and value us for our robust governance process and operational integrity.

For over 40 years we have been at the forefront of driving change for the investor, always innovating to shape the next generation of benchmarks and investment solutions that open up new opportunities for the global investment community.

CONTACT US

To learn more, visit lseg.com/en/ftse-russell; email info@ftserussell.com; or call your regional Client Service team office:

EMEA +44 (0) 20 7866 1810
North America +1 877 503 6437

Asia-Pacific
Hong Kong +852 2164 3333
Tokyo +81 3 6441 1430
Sydney +61 (0) 2 7228 5659