

Our monthly market analysis and positioning



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IN A NUTSHELL

- Despite geopolitical and political uncertainties, the 2025 performance of equity markets was impressive. AI investments, fiscal stimulus and robust corporate profits, in particular, provided positive trends.
- We view markets with a “rational exuberance” going into 2026. Robust (profit) growth and favorable monetary policy should create a positive starting point.
- We continue to see AI as a key market driver. However, this also brings concentration risks to the forefront; diversification remains key.

1 / Market overview

1.1 Political, technical, divided but overall generous markets

In retrospect, it's striking how robust the markets were in 2025 despite numerous political turbulences. The German Dax, the Japanese Topix, and the "Magnificent 7" in the U.S. each gained more than 20%. Meanwhile, the S&P 500 continued its strong performance from 2024, gaining 18%. Thus, the old stock-market wisdom that political markets have short legs was once again refuted. "Liberation Day" in early April initially caused a sharp slump when the U.S. government called international cooperation into question by imposing drastic tariffs. However, the quick turnaround in Washington reassured the markets, which then accepted further political uncertainties surprisingly calmly. The positive mood was reinforced by major American corporations' increasingly ambitious investment plans for expanding AI infrastructure. However, disillusionment set in during the fourth quarter. Not all collaborations were celebrated, and even among the profitable "Magnificent 7," the term "financing difficulties" emerged for the first time. Some AI stocks ended the year in the red – a maturation process that led to stronger stock selection. Ten-year U.S. Treasuries were among the winners in the bond market in 2025, with a total return of 6.2% – the best result since 2020. On the other hand, the U.S. dollar lost purchasing power against all G10 currencies, causing the U.S. Dollar Index to decline by over 9% – its weakest year since 2017.

In Europe, politics also shaped the markets. The German government's move away from the debt brake was widely celebrated, supporting the Dax rally by over 23% and a rise in yields on German government bonds. In France, repeated changes in government created uncertainty, causing yields to rise above those of Italy for the first time since 1999. Meanwhile, Spain transformed from a problem child to an outperformer. The IBEX 35 Index rose by around 55% – significantly more than the Stoxx Europe 600, which rose by 21%. According to IMF calculations, Spain will likely have had a smaller budget deficit than Germany in 2025 for the first time in decades – a remarkable change that redefines Europe's periphery.

Japan's first female prime minister made headlines with an economic policy agenda focused on fiscal expansion, drawing inspiration from the principles of Abenomics introduced under former Prime Minister Shinzo Abe. This has boosted the stock market but also driven up yields. Thirty-year Japanese government bonds are trading at 3.4%, their highest level in decades, approaching the level of German long-term bonds.

Emerging markets performed impressively in 2025, with the MSCI Emerging Markets Index gaining over 34% – its best annual performance since 2017. The markets benefited from improved global risk sentiment, monetary easing in the U.S. and continued demand for raw materials and technology goods. In China, growth remained below long-term expectations; however, targeted government measures to promote technology and consumption supported the markets. Chinese equity markets stabilized over the course of the year despite structural challenges, such as the real-estate crisis and geopolitical tensions, which are likely to continue to have a dampening effect.

Sector trends also reflected political influences. Although defense stocks fell significantly after a strong start to the year, indices for reconstruction and infrastructure rose by up to 50% amid ceasefire hopes in the autumn. However, whether this optimism will come to fruition remains questionable in light of the situation in Ukraine.

The development of raw materials was mixed. Gold rose by more than 65% and silver by over 145%, driven by geopolitical risks and increased purchases by central banks diversifying their holdings after the freezing of Russian dollar reserves. Private and institutional investors followed suit amid high government debt and deficits. Oil, on the other hand, fell by around 20% despite numerous conflicts in the Middle East and tightened sanctions against Russia – not least because of OPEC's surprisingly generous production policy.

By the end of 2025, diverging monetary policies emerged: the U.S. Federal Reserve (the Fed) is likely to continue cutting interest rates, while the European Central Bank (ECB) is expected to leave them unchanged and the Bank of Japan could raise its key interest rates further. These diverging policies highlight the varying economic conditions and underscore the importance of global diversification¹ for investors.

2 / Outlook and changes

Encouraged by an optimistic outlook, we are beginning 2026 with the motto 'rational exuberance.' We anticipate a favorable environment for risk assets, characterized by moderate economic growth, favorable financing conditions and an overall neutral to loose monetary policy. We think the Fed is likely to gradually lower key interest rates over the course of the year while keeping inflation under control. We also expect stable conditions in Europe, supported by fiscal stimulus and price developments close to the ECB's target. In Asia, major economies are focusing on technology, rising incomes and reforms, while Japan is implementing fiscal measures. Although structural effects remain, trade barriers are becoming less severe. For investors, we think this means selective investment is becoming more important; major trends such as digitalization and the energy transition are shaping capital flows; and we believe gold continues to be a useful tool for diversification.

We remain optimistic about equities. In the U.S., we anticipate a favorable environment driven by earnings growth and investment in future technologies. While the AI boom currently is creating opportunities, it also poses risks if high expectations are not met. In our opinion, Europe also offers potential, supported by infrastructure and defense investment, while Japan should benefit from reforms and the rest of Asia from robust chip demand and growing regional trade. Overall, we see potential for double-digit returns for equities, although the high concentration in a few U.S. stocks calls for caution. Global diversification therefore remains a key element of any investment strategy in our view.

Bonds also deserve attention. The motto is "carry on:" collecting what we consider relatively attractive current yields. Falling inflation and supportive monetary policy could create a seemingly almost ideal market environment, even if rising government debt is clouding the picture somewhat. In the U.S., we expect ten-year yields to range between 3.75% and 4.25%, while medium-term maturities should benefit from the end of quantitative tightening. In Europe, we expect stable Bund yields, with ultra-long maturities offering potential for a steepening of the yield curve. We keep corporate bonds neutrally

¹ Diversification neither assures a profit nor guarantees against loss.

rated in the investment-grade (IG) segment, while we are more cautious on high-yield (HY) bonds – we think the narrow spreads hardly reflect the risks. On the currency side, we see the dollar as fairly valued at around 1.15 against the euro.

Overall, we anticipate a year of appealing investment opportunities, particularly for equities and corporate bonds. Moderate economic growth, solid earnings growth and non-restrictive monetary policy should create a favorable environment. AI remains a key driver, but it requires a differentiated approach as high valuations also carry the risk of disappointment. Investors who diversify broadly across regions and asset classes should in our opinion be able to achieve decent returns with fewer headaches throughout the year.

2.1 Fixed Income

Government Bonds

On 10 December, the U.S. Federal Reserve lowered its key interest rate by 0.25 percentage points for the third consecutive time, bringing it to 3.50–3.75%. At the same time, it ended its balance-sheet reduction. By purchasing new, very short-term Treasury bills, the Fed is aiming to ensure that sufficient reserves remain in the system, which reassures the money markets. However, this does not represent a shift towards a more 'loose' monetary policy in our view. Fed chair Powell described the decision as a 'close call' and emphasized that the Fed is proceeding with extreme caution in light of the data gap resulting from the government shutdown. We expect structural tailwinds for the market to come from expanded Treasury buybacks and the recalibration of the eSLR capital rule², which is scheduled to take effect on 1 April 2026 and should facilitate bank intermediation in government bonds. As long as the official labor-market data does not contradict the weakness of the private surveys, and the Fed carefully adjusts its operational steps, we will continue to view yield increases as investment opportunities. Large-scale steepener bets could lose momentum at times in the future.

In December, the ECB paused for the fourth consecutive time, with the deposit rate remaining at 2.00%. The monetary authorities are sticking to their meeting-by-meeting approach without fixed forward guidance, which appears to be stabilizing the short end of the curve. In this environment, the two-year Bund yield is at 2.15%, which is at the upper end of the recent range. As risk sentiment remains fragile and there are no clear triggers for rising short-term interest rates in the near term, our tactical assessment remains unchanged: long positions in two-year Bunds seem sensible but with tight loss limits and a particular focus on inflation data and ECB meetings.

Corporate Bonds

In our view, investment grade remains the carry sweet spot in the corporate bond market. Spreads are currently trading close to our forecasts, making IG bonds appear appealing for current income. At the same time, the tech sector is using the bond market to finance large-volume data center investments – as evidenced, for example, by the fact that Oracle credit default swaps (CDS) have risen from around 40 basis points (bps) at the beginning of 2025 to around 155bps in the meantime, and that CoreWeave, with a B+ rating, has placed bonds at a yield of around 12%. In the high-yield segment, spreads have narrowed too much for our liking, so we are no longer active on the long side; however, in our view, a pronounced underperformance would require significantly rising default rates. Overall, the debt situation of the U.S. corporate sector appears solid to us from a top-down perspective – which is remarkable given the strong AI-driven investments. The liabilities of non-financial companies in relation to gross domestic product (GDP) have remained stable or declined until September 2025, which is in line with the fundamentally robust fundamentals.

Currencies

We have changed our view on EUR/GBP from neutral to -1. The British pound (GBP) was very weak during the budget deliberations. Now the budget for the next five years has been set, and the result appears politically more acceptable than previously discussed, with the deficit less severe than expected. Economically, there are more reform initiatives than in the Eurozone, but otherwise the UK faces a similar productivity problem to the single currency area. We have opened a long position in GBP against EUR with a target of 0.86.

² The Enhanced Supplementary Leverage Ratio is a regulatory capital requirement which applies to the largest U.S. banking organizations.

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2.2 Equities

Our outlook for global equities remains positive overall. We expect double-digit earnings growth for the S&P 500 over the next twelve months. This expectation is based on further interest-rate cuts by the Fed, a gradually accelerating economy with very few signs of recession and long-term U.S. yields that are expected to remain below 4.5%. The earnings profile also looks convincing to us over the medium term. In the U.S., we expect annual earnings-per-share (EPS) growth to reach well over 10%, while robust momentum seems to be emerging globally. At the same time, the short-term situation calls for caution. Fund managers' cash ratios have fallen to record lows and market optimism is very high – both classic contraindicators. Added to this are risks surrounding the AI-driven wave of investment in data centers: temporary overcapacity or overspending on capex could trigger setbacks, but these may prove tactical entry opportunities.

U.S.

In the U.S., the outlook remains positive, driven primarily by selected technology stocks, utilities and banks with longer durations. The increase in electricity demand driven by AI – particularly from the construction of data centers – is becoming a strategic issue for energy suppliers and is supporting their investment and earnings plans. In the technology segment, the mix of drivers ranges from ongoing data-center expansion to value-enhancing software models with AI functions to possible upgrade cycles for end devices; at the same time, valuation levels are high, which makes selection more challenging. U.S. banks with long maturities are benefiting from improving net interest margins and solid capital positions and are tactically attractive in our view. Overall, our outlook remains constructive, even if the high valuations of individual mega-caps and the three Fed rate cuts priced in make the risk/reward ratio somewhat more asymmetrical in the short term.

Europe

Europe is presenting itself with a cautiously optimistic tone. Banks have performed well and, in our view, remain attractive in selected large names, even if the broader sector is no longer clearly cheap. Utilities are benefiting structurally from the energy transition and continued political support, which should improve the predictability of their investment environment. In industry, production is still subdued but is showing signs of bottoming out; with the expected economic upturn, earnings power should gradually return. Against this backdrop, we think the Dax has the potential to outperform the European market as a whole – not least due to a favorable valuation and earnings profile for 2026.

Germany

Germany is coming to the fore within Europe. Political stability, the launch of fiscal stimulus measures in the areas of defense and infrastructure and a comparatively low debt ratio form what we consider a solid foundation. With the budget now approved, the first effects of the stimulus should become visible, initially in the defense sector and increasingly in the infrastructure sector in the course of 2026. Seasonal and technical tailwinds are reinforcing the picture. In terms of earnings, our expectations are for double-digit EPS growth for the Dax, whereby a barbell approach appears sensible to us: high-quality growth stocks with robust balance sheets are combined with candidates that have a credible recovery story.

Emerging Markets

Semiconductors remain a key performer in emerging markets. Asian manufacturers appear to be benefiting from sustained high demand along the AI value chain, which is supporting overall earnings momentum. At the same time, the commodities and mining sector is looking more favorable in our opinion. Gold miners continue to demonstrate solid balance sheets and robust free cash flow, while supply constraints for selected industrial metals – such as copper – stemming from political and operational challenges appear to be helping to stabilize price dynamics. Taken together, we think this underscores the potential attractiveness of a selective emerging-market positioning with a focus on Asian technology and quality stocks linked to commodities.

Japan

Japan continues to benefit from solid wage growth and buoyant tourism demand, while the Bank of Japan cautiously continues on its path toward normalization. The overall environment remains constructive, even if a possible appreciation of the yen and the burden of international tariffs could pose headwinds for export stocks. Against this backdrop, we consider a

neutral tactical view appropriate; temporary weaknesses in high-quality individual stocks could offer opportunities to expand positions with a balanced mix of export-oriented and domestic names.

2.3 Alternatives

Real Estate

In the U.S., we expect the real-estate upswing we're observing since 2024 to persist, bolstered by stable yields and robust fundamentals. A decline in new construction should primarily benefit industrial space, food-oriented retail and suburban residential real estate. High-growth regions in the south and mountain west could also see additional benefits. In Europe, the recovery is accelerating despite volatility. Supply bottlenecks and the return of debt capital are creating opportunities for investors. Residential and logistics remain our preferred sectors, with operational residential properties and multi-tenant industrial spaces expected to perform particularly well. In our view, there is particular value-add potential in the residential sector and, selectively, in office and retail.

Infrastructure

Supported by inflation pass-through capabilities and lower yields on the horizon, which reduce capital costs, we remain constructive on infrastructure.

Gold

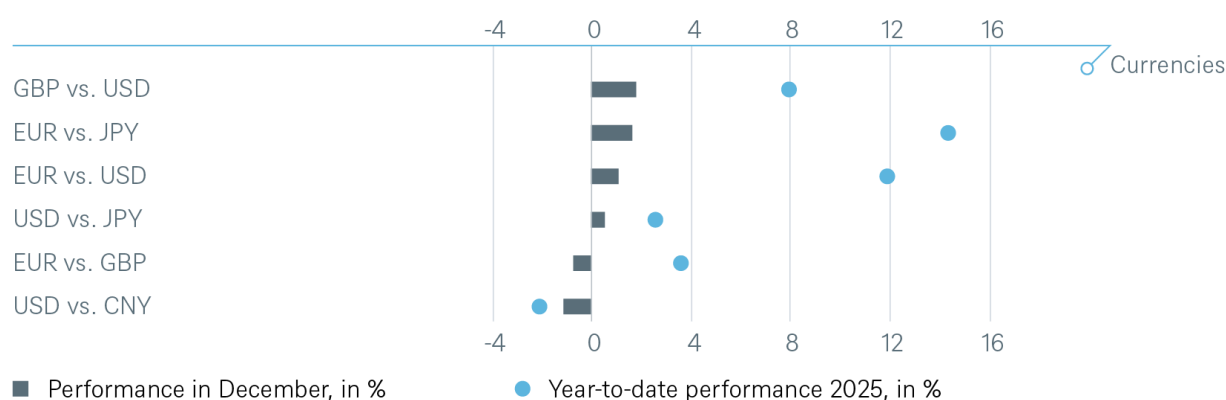
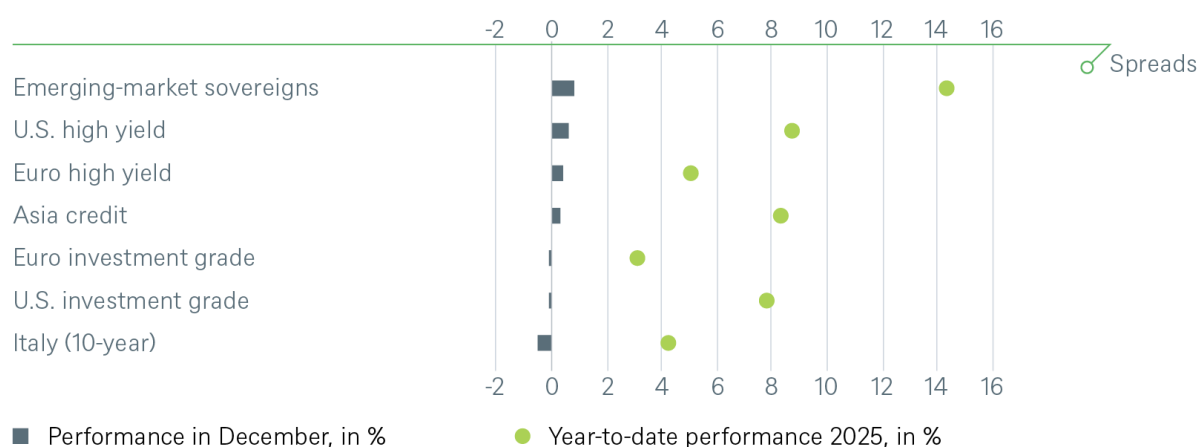
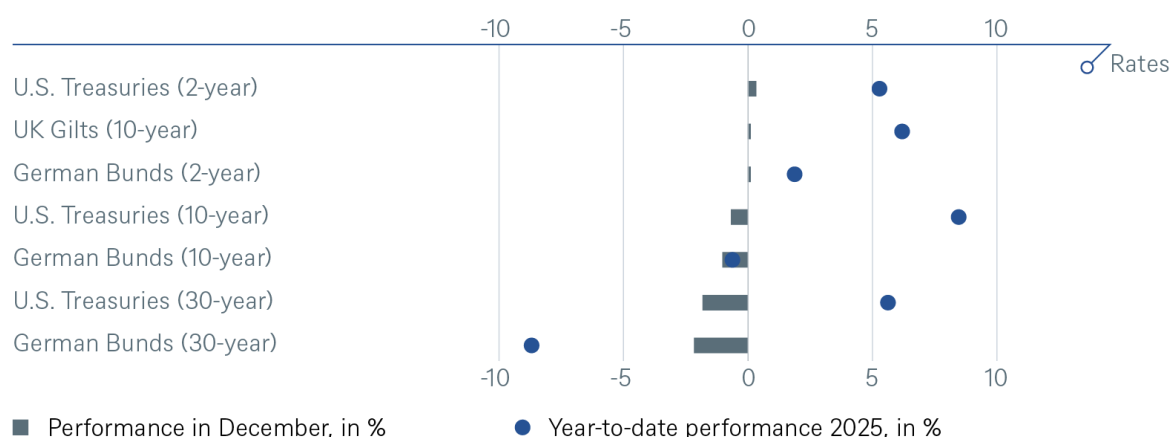
Gold and silver have continued their rally: Gold reached a record high of just under USD 4,450/troy ounce in the days leading up to Christmas, while silver traded above USD 70, gaining over 140% since the beginning of the year. Inflows into exchange-traded funds (ETFs) continued after the Fed cut interest rates on December 10. This development was supported by loose monetary policy, a weaker dollar and central-bank purchases – both for reserves and liquidity – sometimes referred to as “QE light.” Our outlook: Precious metals remain in demand, driven by interest-rate-cut speculation, security-oriented demand and structural scarcity of physical silver.

Oil

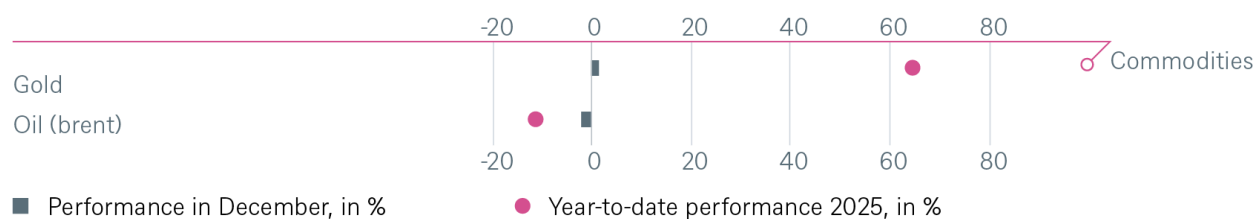
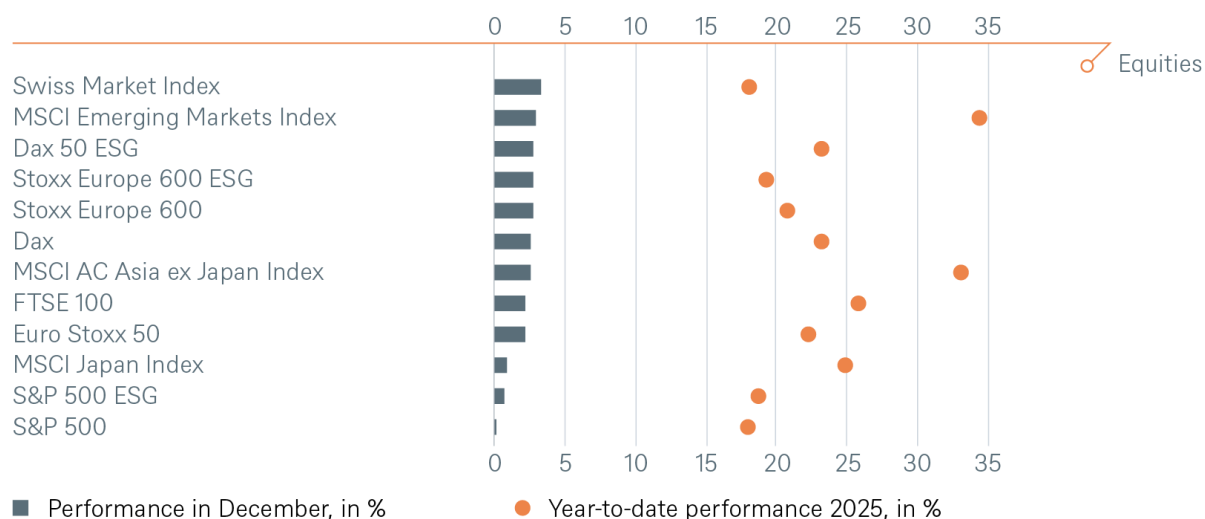
Oil remains weak. Seasonal refinery maintenance and low demand are increasing the oversupply. According to the International Energy Agency (IEA) and U.S. Energy Information Administration (EIA), inventories rose to multi-year highs in November, and the futures curve slipped into contango. U.S. actions against Venezuela are making headlines, but fundamentals dominate – WTI is hovering in the high \$50 range. In our view, without any real supply disruptions, oil will remain sideways to soft.

3 / Past performance of major financial assets

Total return of major financial assets year-to-date and past month



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Past performance is not indicative of future returns.

Sources: Bloomberg Finance L.P., DWS Investment GmbH as of 12/31/25

4 / Tactical and strategic signals

The following exhibit depicts our short-term and long-term positioning.

4.1 Fixed income

Rates	1 to 3 months	through Dec 2026
U.S. Treasuries (2-year)	●	●
U.S. Treasuries (10-year)	●	●
U.S. Treasuries (30-year)	●	●
German Bunds (2-year)	●	●
German Bunds (10-year)	●	●
German Bunds (30-year)	●	●
UK Gilts (10-year)	●	●
Japanese government bonds (2-year)	●	●
Japanese government bonds (10-year)	●	●

Securitized / specialties	1 to 3 months	through Dec 2026
Covered bonds ¹	●	●
U.S. municipal bonds	●	●
U.S. mortgage-backed securities	●	●

Spreads	1 to 3 months	through Dec 2026
Italy (10-year) ¹	●	●
U.S. investment grade	●	●
U.S. high yield	●	●
Euro investment grade ¹	●	●
Euro high yield ¹	●	●
Asia credit	●	●
Emerging-market sovereigns	●	●

Currencies	1 to 3 months	through Dec 2026
EUR vs. USD	●	●
USD vs. JPY	●	●
EUR vs. JPY	●	●
EUR vs. GBP	●	●
GBP vs. USD	●	●
USD vs. CNY	●	●

4.2 Equities

Regions	1 to 3 months ²	through Dec 2026
United States ³	●	●
Europe ⁴	●	●
Eurozone ⁵	●	●
Germany ⁶	●	●
Switzerland ⁷	●	●
United Kingdom (UK) ⁸	●	●
Emerging markets ⁹	●	●
Asia ex Japan ¹⁰	●	●
Japan ¹¹	●	●

Style	1 to 3 months
U.S. small caps ²²	●
European small caps ²³	●

Sectors	1 to 3 months ²
Consumer staples ¹²	●
Healthcare ¹³	●
Communication services ¹⁴	●
Utilities ¹⁵	●
Consumer discretionary ¹⁶	●
Energy ¹⁷	●
Financials ¹⁸	●
Industrials ¹⁹	●
Information technology ²⁰	●
Materials ²¹	●

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4.3 Alternatives

Alternatives	1 to 3 months	through Dec 2026
Commodities ²⁴	●	●
Oil (brent)	●	●
Gold	●	●
Carbon		●
Infrastructure (listed)	●	●
Infrastructure (non-listed)		●
Real estate (listed)	●	●
Real estate (non-listed) APAC ²⁵		●
Real estate (non-listed) Europe ²⁵		●
Real estate (non-listed) United States ²⁵		●

¹ Spread over German Bunds. ² Relative to the MSCI AC World Index (only for the tactical signals), ³ S&P 500, ⁴ Stoxx Europe 600, ⁵ Euro Stoxx 50, ⁶ Dax, ⁷ Swiss Market Index, ⁸ FTSE 100, ⁹ MSCI Emerging Markets Index, ¹⁰ MSCI AC Asia ex Japan Index, ¹¹ MSCI Japan Index, ¹² MSCI AC World Consumer Staples Index, ¹³ MSCI AC World Health Care Index, ¹⁴ MSCI AC World Communication Services Index, ¹⁵ MSCI AC World Utilities Index, ¹⁶ MSCI AC World Consumer Discretionary Index, ¹⁷ MSCI AC World Energy Index, ¹⁸ MSCI AC World Financials Index, ¹⁹ MSCI AC World Industrials Index, ²⁰ MSCI AC World Information Technology Index, ²¹ MSCI AC World Materials Index, ²² Russell 2000 Index relative to the S&P 500, ²³ Stoxx Europe Small 200 relative to the Stoxx Europe 600, ²⁴ Relative to the Bloomberg Commodity Index, ²⁵ Long-term investments.

Tactical view (1 to 3 months)

The focus of our tactical view for fixed income is on trends in bond prices.

- Positive view
- Neutral view
- Negative view

Strategic view through December 2026

- The focus of our strategic view for sovereign bonds is on bond prices.
- For corporates, securitized/specialties and emerging-market bonds in U.S. dollars, the signals depict the option-adjusted spread over U.S. Treasuries. For bonds denominated in euros, the illustration depicts the spread in comparison with German Bunds. Both spread and sovereign-bond-yield trends influence the bond value. For investors seeking to profit only from spread trends, a hedge against changing interest rates may be a consideration.
- The colors illustrate the return opportunities for long-only investors.
 - ● Positive return potential for long-only investors
 - ● Limited return opportunity as well as downside risk
 - ● Negative return potential for long-only investors

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Glossary

The **Bank of Japan (BoJ)** is the central bank of Japan.

In finance, a **barbell strategy** means avoiding assets with an average risk-reward profile. A common example of this would be to invest in long- and short-duration bonds but not in intermediate-duration bonds.

One **basis point** equals 1/100 of a percentage point.

The **Bloomberg Commodity Index (BCOM)** traces 23 commodities and reflects commodity futures price movements.

Bunds is a commonly used term for bonds issued by the German federal government with a maturity of 10 years.

The **carry (of an asset)** is the cost or benefit from holding the asset.

Contango describes the shape of a futures or forward curve where the contract price is higher than the expected spot price.

Credit default swaps (CDS) is a financial derivative that allows an investor to swap or offset their credit risk with that of another investor.

The **Dax** is a blue-chip stock-market index consisting of the 40 major German companies trading on the Frankfurt Stock Exchange.

The **deposit rate** is the rate banks receive when they make overnight deposits with the ECB.

Diversification refers to the dispersal of investments across asset types, geographies and so on with the aim of reducing risk or boosting risk-adjusted returns.

Earnings per share (EPS) is calculated as a company's net income minus dividends of preferred stock, all divided by the total number of shares outstanding.

Emerging markets (EM) are economies not yet fully developed in terms of, amongst others, market efficiency and liquidity.

The **euro (EUR)** is the common currency of states participating in the Economic and Monetary Union and is the second most held reserve currency in the world after the dollar.

The **European Central Bank (ECB)** is the central bank for the Eurozone.

The **Euro Stoxx 50** is an index that tracks the performance of blue-chip stocks in the Eurozone.

The **Eurozone** is formed of 19 European Union member states that have adopted the euro as their common currency and sole legal tender.

An **exchange-traded fund (ETF)** is a security that tracks an index or asset like an index fund, but trades like a stock on an exchange.

Fiscal policy describes government spending policies that influence macroeconomic conditions. Through fiscal policy, the government attempts to improve unemployment rates, control inflation, stabilize business cycles and influence interest rates in an effort to control the economy.

Forward guidance is an indication by a central bank to the likely course of future monetary policy.

The **FTSE 100** is an index that tracks the performance of the 100 major companies trading on the London Stock Exchange.

A **futures contract** is a standardized, contractual agreement to trade a financial instrument or commodity at a pre-determined price in the future.

The **gross domestic product (GDP)** is the monetary value of all the finished goods and services produced within a country's borders in a specific time period.

Growth stocks are stocks from companies that are expected to grow significantly above market average for a certain period of time.

The **Group of 10 (G10)** refers to a group of eleven leading industrialized economies in the world. The member countries are: Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, United Kingdom and United States. They meet to consult and co-operate on economic, monetary and financial matters.

High-yield bonds are issued by below-investment-grade-rated issuers and usually offer a relatively high yield.

The **IBEX 35 Index** is a market-capitalization-weighted index comprising the 35 most liquid Spanish stocks traded in the Madrid Stock Exchange General Index.

Inflation is the rate at which the general level of prices for goods and services is rising and, subsequently, purchasing power is falling.

The **International Energy Agency (IEA)** is an autonomous intergovernmental organization which works to ensure reliable, affordable and clean energy for its 30 member countries and beyond.

The **International Monetary Fund (IMF)**, created in 1945 and headquartered in Washington, D.C., is an organization of 188 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.

Investment grade (IG) refers to a credit rating from a rating agency that indicates that a bond has a relatively low risk of default.

The **Japanese yen (JPY)** is the official currency of Japan.

Magnificent 7 is a name for the group of the 7 largest stocks in the S&P 500.

Monetary easing includes measures such as lowering interest rates, implemented by Central Banks with the aim of facilitating GDP growth or inflation.

The [MSCI AC World Communication Services Index](#) captures large- and mid-cap securities across 23 developed- and 26 emerging-markets classified in the Communications Services sector.

The [MSCI AC World Consumer Discretionary Index](#) captures large- and mid-cap securities across 23 developed- and 26 emerging-markets classified in the Consumer Discretionary sector.

The [MSCI AC World Consumer Staples Index](#) captures large- and mid-cap securities across 23 developed- and 26 emerging-markets classified in the Consumer Staples sector.

The [MSCI AC World Energy Index](#) captures large- and mid-cap securities across 23 developed-markets classified in the Energy sector.

The [MSCI AC World Financials Index](#) captures large- and mid-cap securities across 23 developed- and 26 emerging-markets classified in the Financials sector.

The [MSCI AC World Health Care Index](#) captures large- and mid-cap securities across 23 developed- and 26 emerging-markets classified in the Health Care sector.

The [MSCI AC World Index](#) captures large- and mid-cap companies across 23 developed- and 24 emerging-market countries.

The [MSCI AC World Industrials Index](#) captures large- and mid-cap securities across 23 developed- and 26 emerging-markets classified in the Industrials sector.

The [MSCI AC World Information Technology Index](#) captures large- and mid-cap securities across 23 developed- and 26 emerging-markets classified in the Information Technology sector.

The [MSCI AC World Materials Index](#) captures large- and mid-cap securities across 23 developed- and 26 emerging-markets classified in the Materials sector.

The [MSCI AC World Real Estate Index](#) captures large- and mid-cap securities across 23 developed- and 26 emerging-markets classified in the Real Estate sector.

The [MSCI AC World Utilities Index](#) captures large- and mid-cap securities across 23 developed- and 26 emerging-markets classified in the Utilities sector.

The [MSCI AC Asia ex Japan Index](#) captures large- and mid-cap representation across 2 of 3 developed-market countries (excluding Japan) and 8 emerging-market countries in Asia.

The [MSCI Emerging Markets Index](#) captures large- and mid-cap representation across 23 emerging-market countries.

The [MSCI Japan Index](#) is designed to measure the performance of the large- and mid-cap segments of the Japanese market.

The [net interest margin](#) of a financial institution is the difference between the average interest rate paid and the average interest rate received by the institution.

The [Organization of the Petroleum Exporting Countries \(OPEC\)](#) is an international organization with the mandate to "coordinate and unify the petroleum policies" of its meanwhile 12 members.

The [pound sterling \(GBP\)](#), or simply the pound, is the official currency of the United Kingdom and its territories.

[Quantitative Tightening \(QT\)](#), as opposed to Quantitative Easing, describes the process of a Central Bank reducing its monetary stimulus by shrinking its balance sheet.

A [recession](#) is, technically, when an economy contracts for two successive quarters but is often used in a looser way to indicate declining output.

The [Russell 2000 Index](#) is an index that captures the 2,000 smallest stocks of the Russell-3000 index, which again comprises 3,000 small- and mid-cap U.S. listed stocks.

The [S&P 500](#) is an index that includes 500 leading U.S. companies capturing approximately 80% coverage of available U.S. market capitalization.

The [spread](#) is the difference between the quoted rates of return on two different investments, usually of different credit quality.

The [Stoxx Europe 600](#) is an index representing the performance of 600 listed companies across 18 European countries.

The [Stoxx Europe Small 200](#) is an index representing the performance of 200 small capitalization companies across 17 European countries.

The [Swiss Market Index \(SMI\)](#) is Switzerland's most important equity index, consisting of the 20 largest and most liquid large- and mid-cap stocks.

The [Topix \(Tokyo Stock Price Index\)](#) captures all companies (almost 2000) of the First Section of the Tokyo Stock Exchange.

[Treasuries](#) are fixed-interest U.S. government debt securities with different maturities: Treasury bills (1 year maximum), Treasury notes (2 to 10 years), Treasury bonds (20 to 30 years) and Treasury Inflation Protected Securities (TIPS) (5, 10 and 30 years).

The [U.S. Dollar Index \(DXY\)](#) is a geometric weighted average of the dollar against six major currencies (EUR, JPY, GBP, CAD, SEK, CHF) with fixed weights based on their importance in U.S. trade in 1973 (when the index was created).

The [U.S. Energy Information Administration \(EIA\)](#) is a principal agency of the U.S. Federal Statistical System responsible for collecting, analyzing, and disseminating energy information.

The [U.S. Federal Reserve](#), often referred to as "[the Fed](#)," is the central bank of the United States.

[West Texas Intermediate \(WTI\)](#) is a grade of crude oil used as a benchmark in oil pricing.

A [yield curve](#) shows the annualized yields of fixed-income securities across different contract periods as a curve. When it is inverted, bonds with longer maturities have lower yields than those with shorter maturities.

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