



Investors Shrug Off Gulf War Disruption

The War has Failed to Undermine Asset Allocators' Optimism

AUTHOR:

David Bowers

+44(0) 7073 0733

david.bowers@absolute-strategy.com

Charles Cara

+44(0) 7073 0738

charles.cara@absolute-strategy.com

Investors Look Beyond the Gulf Conflict

Asset allocators do not see the conflict in the Gulf as derailing their bullish investment stance. They continue to look for rising earnings, higher Equities, Stocks to beat Bonds, and Credit to beat Treasuries. But risks to that view are lurking...

But Inflation Expectations are Up Sharply

The conflict has led to higher expectations for core inflation. Investors also now see a tightening of Global Monetary Conditions going into a deteriorating growth-inflation mix and an upturn in the speculative-grade default cycle.

Panel Splits into Three: US Panellists Appear Least Worried by Inflation

Our panel splits evenly into those who believe inflation is not a problem, those who see an economy resilient to inflation pressures, and those who expect stagflation. There is a regional split: over half of US panellists sit in the first 'no inflation' group.

RELATED RESEARCH:

[2026 Q1 Survey: Asset Allocators More Constructive](#), 26th Feb 2026

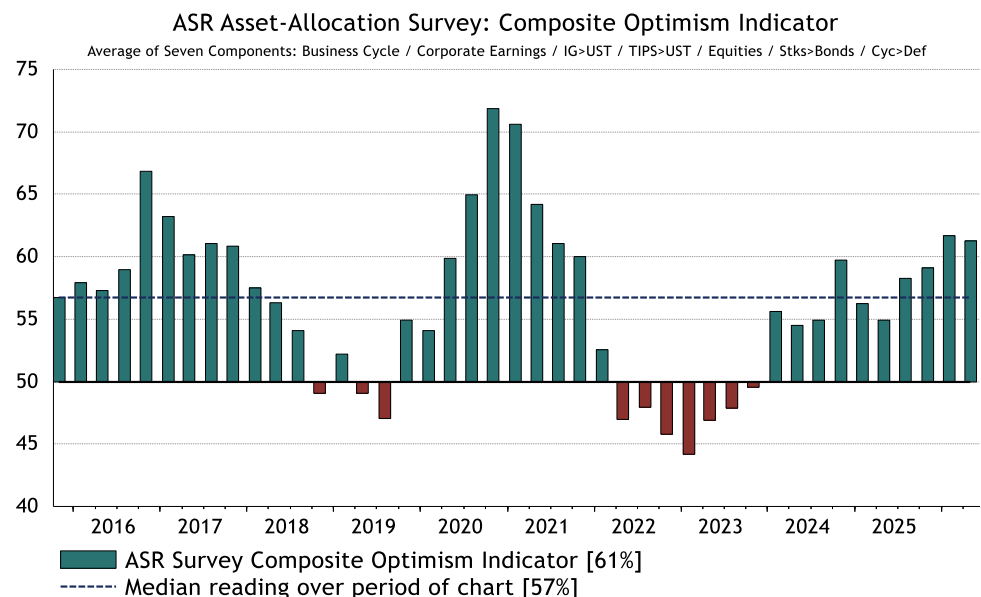
[2025 Q4 Survey: Asset Allocators Going into 2026 "Risk-On"](#), 20th Nov 2025

[2025 Q3 Survey: Earnings Spearhead Renewed Optimism](#), 4th Sept 2025

[2025 Q2 Survey: Asset Allocators Look Through the US Tariff Uncertainty](#), 29th May 2025

[Measuring the Skill of our Survey Panel](#), 15th June 2023

Key Chart: Asset Allocators Remain Constructive Despite the Gulf War



Source: ASR Ltd.

Based on 262 respondents in teams overseeing over \$10.9trn AUM (Fieldwork: 13th - 20th May 2026)

Highlights from the Latest Survey

ASR's Asset Allocation Survey provides a Global benchmark of Financial-Market Probabilities going back more than a decade

The war in the Gulf has done little to undermine asset allocators' optimism

Still looking for higher Equity markets and for Stocks to beat Bonds

Growth expectations have been trimmed but remain constructive

However, there has been a major increase in inflation expectations, with Commodity prices expected higher a year from now

The trimming of growth expectations and the rise in inflation expectations points to an adverse impact on the growth-inflation mix

Investors now expect Global Monetary Conditions to tighten over the next 12m

They remain ambivalent over whether the Fed will raise rates, but have given up hope of lower US rates

ASR's AA Survey: "Benchmarking Financial Probabilities"

- For more than 11 years we have asked CIOs and asset allocators about the outlook for financial markets over the next 12 months.
- Our survey is a Global Benchmark of Financial Probabilities: the likelihood of a financial event occurring in the next 12 months.
- The fieldwork took place between 13th and 20th May 2026.
- The panel comprised 262 responses, overseeing \$10.9trn AUM.

Key Takeaways from the Latest Survey

1. The most striking finding is that the war in the Gulf has done little to undermine asset allocators' optimism. Our Composite Optimism Index (front page chart) is practically unchanged from three months ago (i.e. just before the US attack on Iran). Investors still believe Equities will be higher a year from now (63% probability) and that Stocks will beat Bonds (69% probability). That such a disruption of the world's energy supply chain has had so little impact on investor optimism is surprising.
2. That said, the war in the Gulf has caused investors to trim their expectations for growth. Asset allocators still expect business confidence to be higher a year from now – but the probability has dropped back to 55%. They still expect world trade volume to be higher – but the probability has eased back to 60%. And while they don't expect a recession, the probability has risen to 38%. Hopes for corporate earnings have been trimmed but they haven't been dashed, with a 67% probability they will go higher.
3. However, the sharp rise in energy and fertiliser prices has had a major impact on inflation expectations. The probabilities of higher core inflation rates in US, eurozone and Japan rose sharply to 60%, 62%, and 61% respectively. Moreover, investors have upped the probability that inflation-linked TIPS will outperform conventional Treasuries to 60%, consistent with a rise in inflation expectations. Interestingly, the panel expects little respite from this Commodity shock, with a 65% probability that Commodity prices would be higher a year from now.
4. An important takeaway from the survey is that America's war in the Gulf has adversely impacted the growth-inflation mix – with a trimming of growth expectations and an increase in inflation expectations. Historically that has been associated with a rise in stagflationary risks and lower multiples.
5. That deterioration in core inflation expectations has prompted a rethink of policy rates. Australia has already begun to tighten monetary policy – with Japan and eurozone expected to follow suit in June. Investors now put a 57% probability on Global Monetary Conditions being tighter a year from now. However, our panel is ambivalent about the next move from the Fed ... and think it unlikely that the Fed under its new Chair will rush to join the tightening camp especially ahead of the mid-term elections.
6. Despite the recent upward pressure on yields, our panel is in no rush to be more bearish on bonds. True, asset allocators have given up hopes of lower rates at the front end of the Treasury curve but – somewhat surprisingly – have lowered the probability of higher 10yr yields to 55%. The net result is that the panel has



Drop in the percentage of the panel banking on a “bear steepener”

While still well disposed to US Corporate Credit...

...investors are starting to anticipate a turn in the default cycle

Bullish on Equities - helped by a less negative view on valuations

Treasuries set to underperform major asset classes - apart from Cash

Less bearish on USD

Still positive on Gold

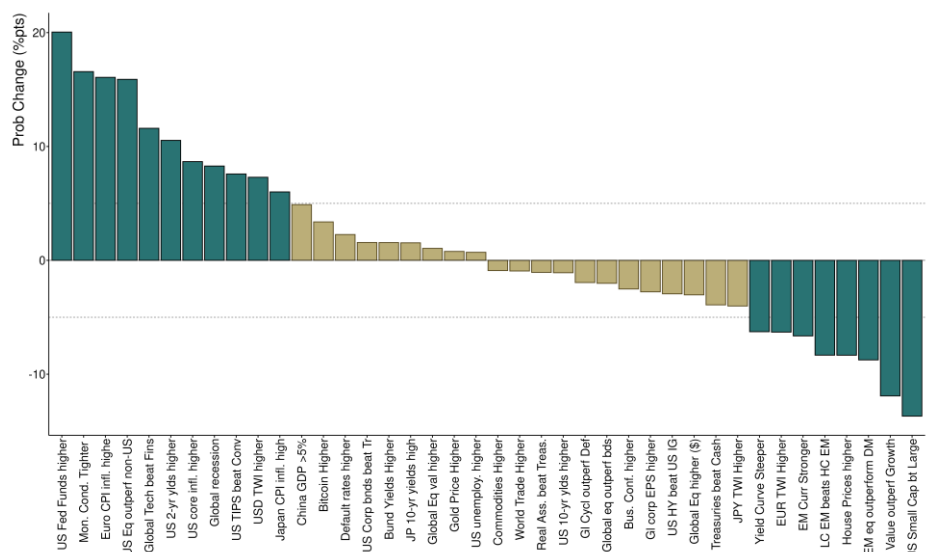
Despite the benign asset allocation headlines, do not underestimate the scale of the rethink of the core macrostrategy narrative

In this survey, nineteen questions saw their implied probabilities change by more than 5 percentage points - suggesting a material change of the macrostrategy narrative

reduced its expectations for a more positive yield curve slope. Three months ago, 40% of the panel expected a “bear steepener”; today that percentage has dropped to 34%.

7. One of the beliefs sustaining investors’ optimism is the perception that Corporate Credit fundamentals (pricing power + strong earnings) remain supportive of low spreads. The probability that US Investment Grade (IG) will outperform US Treasuries actually rose to 59%, while investors thought there was a 52% probability that US High Yield would outperform IG. But there is a sting in the tail: we asked investors about the likelihood that speculative grade default rates would be higher a year from now. The implied probability rose from 60% to 62%.
8. When it comes to asset allocation, investors remain constructive. The bull market in Equities is not over, with a 63% probability of higher levels a year from now. This optimism is fuelled not only by higher Corporate Earnings (67% probability) but also by stable multiples (51%) - with 27% of the panel expecting higher earnings *and* multiples. We are surprised how relaxed investors are about multiples given the prospects for a deterioration in the growth-inflation mix and the risk of higher defaults.
9. Asset allocators expect TIPS to outperform Treasuries (61%), IG Credit to outperform Treasuries (59%); Real Assets to beat Treasuries (69%); and Global Equities to trounce Bonds (69%).
10. Investors have become less bearish on the dollar as prospects of Fed easing fade. But they still only give it a 43% probability of appreciating. In contrast, they think there’s a 57% probability that the JPY will strengthen. Our panel remains positive on Gold (59% probability of a further appreciation) despite the asset’s poor performance during the war in the Gulf.
11. Do not underestimate the scale of the rethink of the core macro narrative. Nineteen questions saw their implied probabilities change by more than 5% points (see chart below). Investors may only just be starting to digest the implications of the policy response to higher inflation expectations.

AAS. 1: How Probabilities have Changed since the Previous Survey



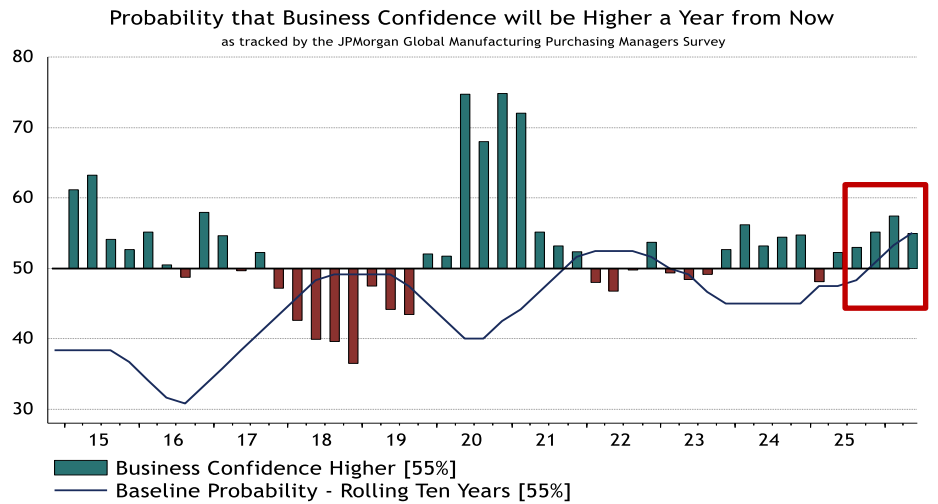
Source: ASR Ltd.



Macro Assumptions

Despite the war in the Gulf, asset allocators believe there's a 55% probability that Global business confidence will be higher a year from now - and a 60% probability that world-trade volumes will be higher (not shown). They are, however, slightly less confident than in February, but essentially the war has not yet derailed hopes for stronger growth.

AAS. 2: Probability of Higher Business Confidence a Year from Now

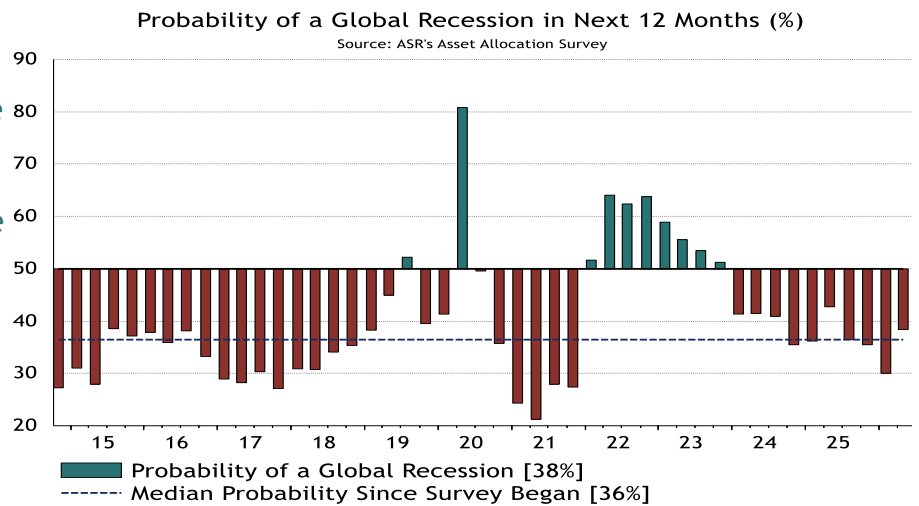


Source: ASR Ltd. / LSEG Datastream

The lower probability of stronger business confidence is matched by a slightly higher probability (38%) of a Global recession. Clearly the risks around the growth outlook have risen, but not markedly so.

37% of the panel think it likely that business confidence will be stronger AND think a recession is unlikely.

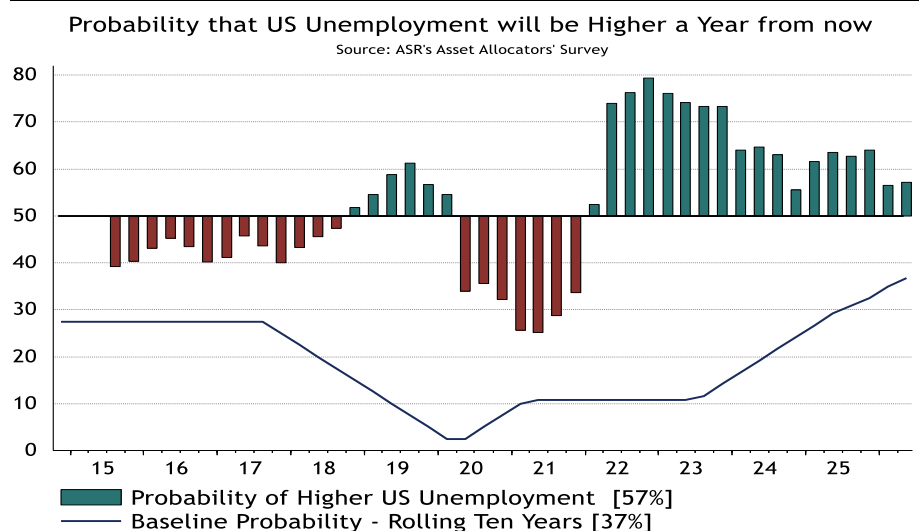
AAS. 3: Probability of a Global Recession in the Next 12 Months



Source: ASR Ltd. / LSEG Datastream

Asset allocators see some risks to the US labour market - with a 57% probability that the US unemployment rate will be higher in 12 months' time - but it is not a high conviction view - nor is it materially different from 3 months ago

AAS. 4: Probability of Higher US Unemployment Rate in 12m Time

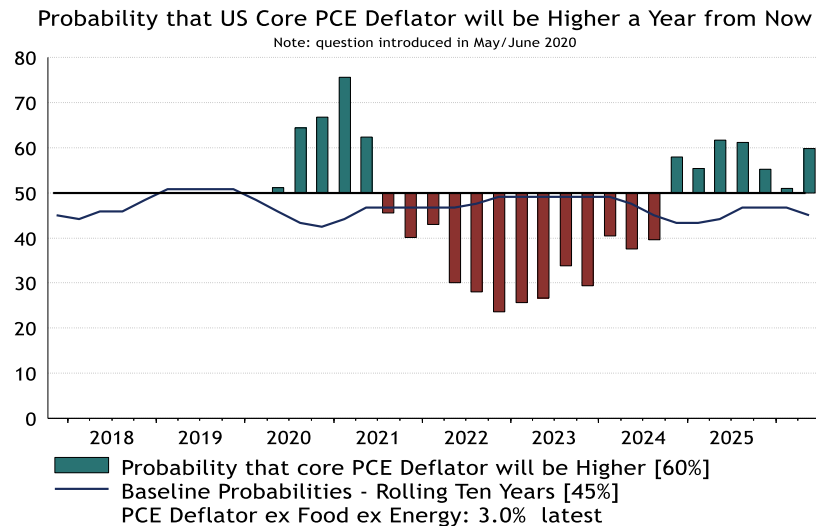


Source: ASR Ltd. / LSEG Datastream



AAS. 5: Probability that US Core PCE Deflator will be Higher

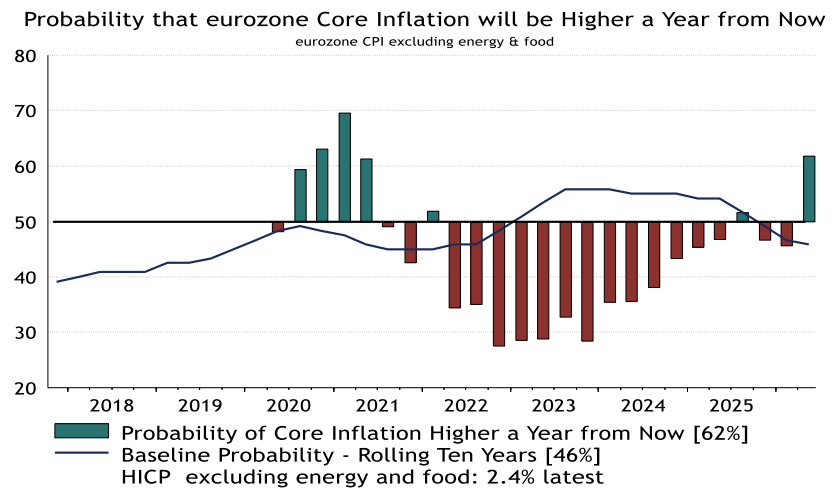
With crude oil prices up more than 50% since the start of the Gulf conflict, it is interesting that investors have turned more hawkish on core inflation ... with a 60% probability that US core PCE deflator will be HIGHER a year from now



Source: ASR Ltd. / LSEG Datastream

AAS. 6: Probability that eurozone Core CPI will be Higher

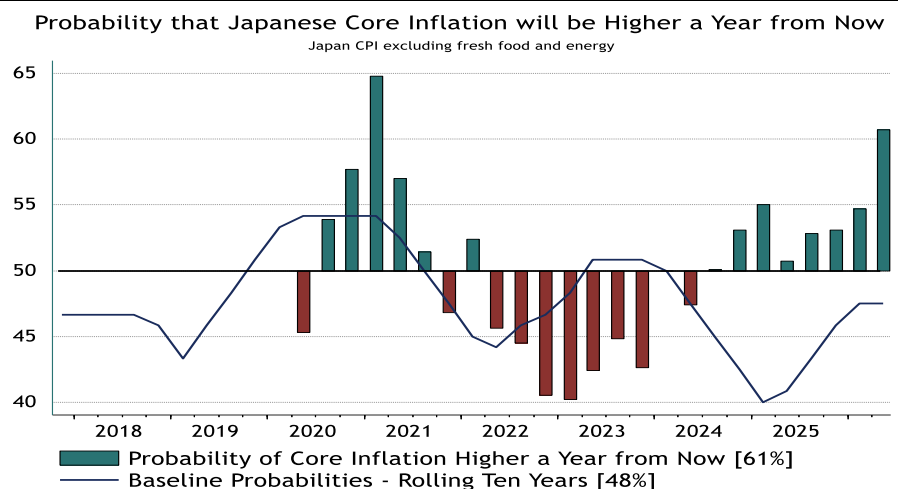
The probability of higher core inflation in the eurozone has risen to 62% - a level not seen since early 2021. No wonder there's talk that the ECB will hike rates in June ...



Source: ASR Ltd. / LSEG Datastream

AAS. 7: Probability that Japanese Core CPI will be Higher

Investors think that there is a 61% probability that Japanese core inflation (excluding fresh food and energy) will be higher a year from now



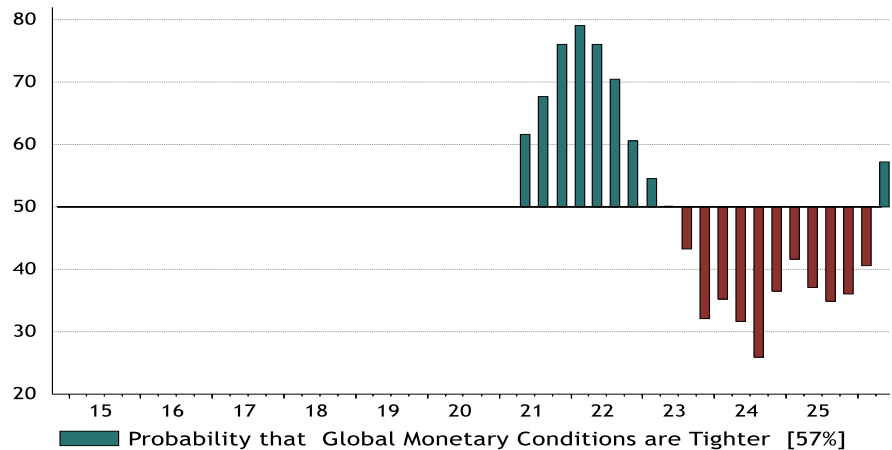
Source: ASR Ltd. / LSEG Datastream



AAS. 8: Probability that Global Monetary Conditions will be Tighter

Seeing as the probability of higher core inflation in the three major Global economies (US, eurozone and Japan) has risen from 50% to 61%, investors believe that this increases the probability of tighter Global Monetary Conditions ... from 41% to 57% (a 16% point swing on the quarter)

Probability that Global Monetary Conditions are Tighter a Year From Now
Source: ASR Asset Allocation Survey



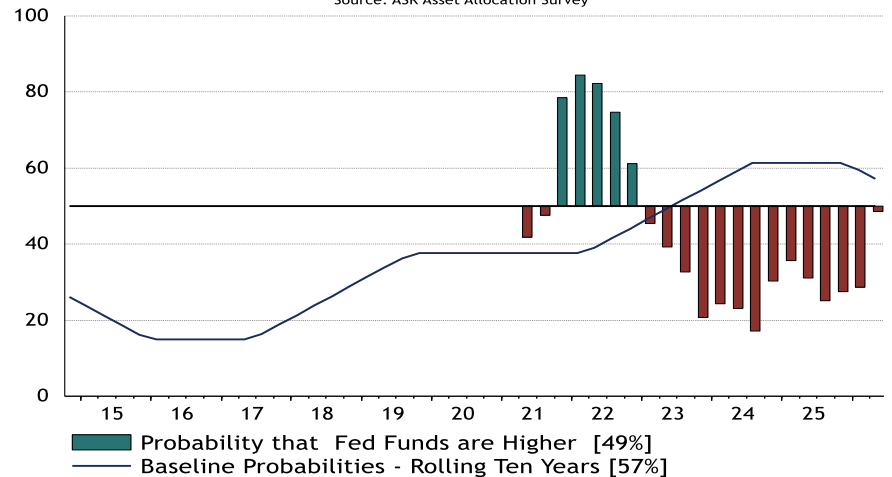
Source: ASR Ltd. / LSEG Datastream

AAS. 9: Probability that US Fed Funds Rate will be Higher

However, investors are ambivalent about how the US Federal Reserve will respond (under Kevin Warsh) to the prospect of higher core inflation

Probability that Fed Funds are Higher a Year From Now

Source: ASR Asset Allocation Survey



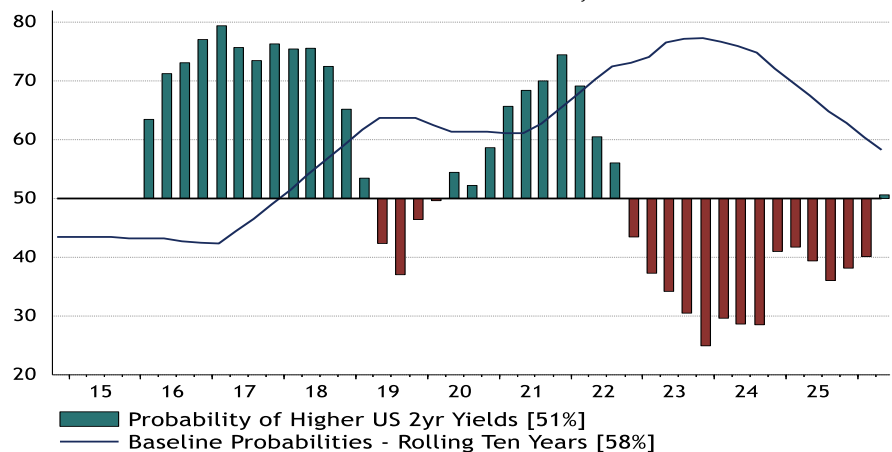
Source: ASR Ltd. / LSEG Datastream

AAS.10: Probability of Higher 2yr Treasury Yields a Year from Now

And that ambivalence is also evident in investors' expectations for the 2 year

Probability that US 2-Year Yields are Higher a Year from Now

Source: ASR Asset Allocation Survey

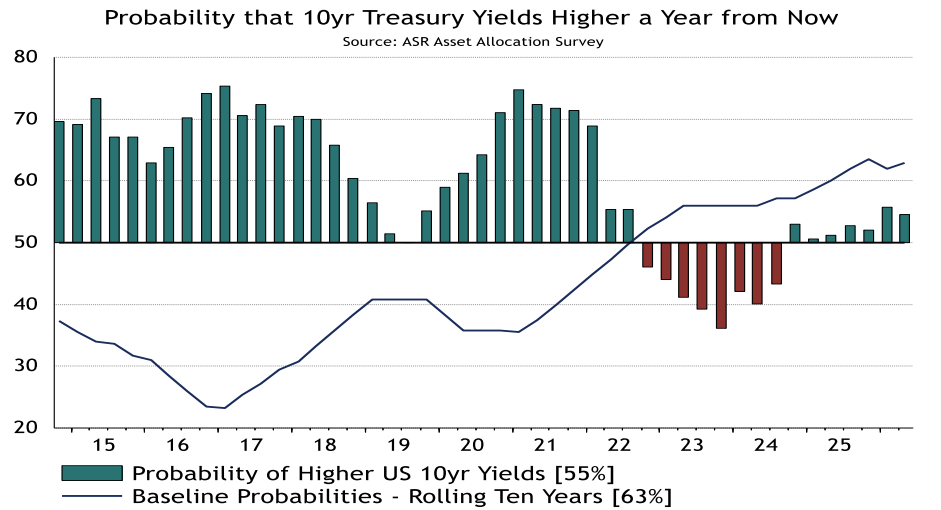


Source: ASR Ltd. / LSEG Datastream



AAS. 11: Probability of Higher 10yr UST Yields a Year from Now

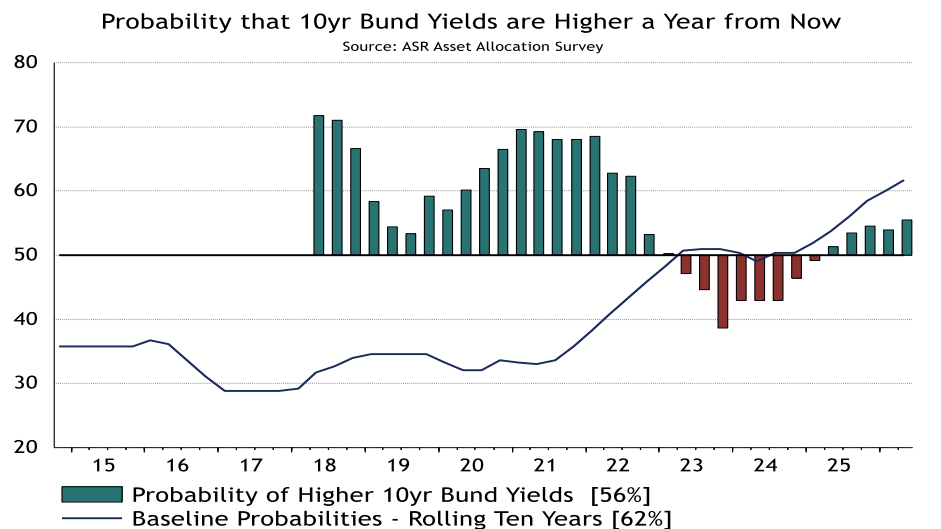
Asset allocators are still preparing for higher bond yields - with a 55% probability that 10-year Treasury yields will be higher a year from now



Source: ASR Ltd. / LSEG Datastream

AAS. 12: Probability of Higher 10yr Bund Yields a Year from Now

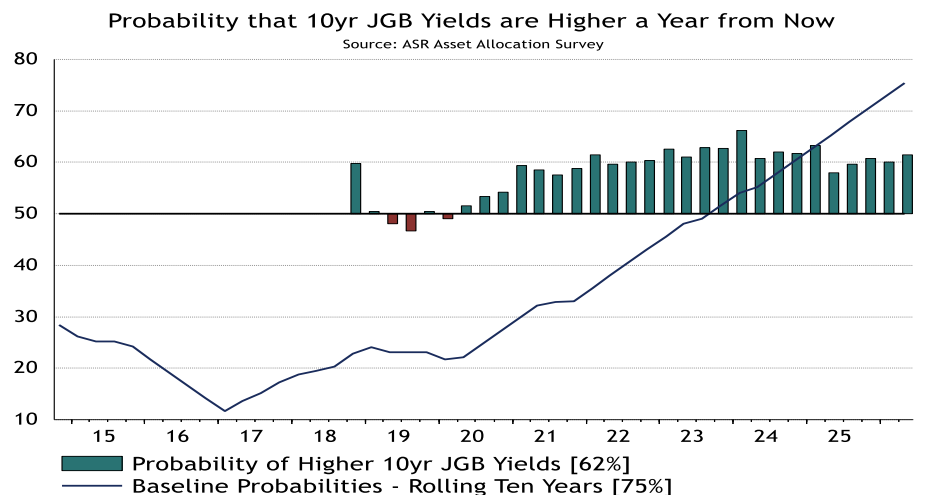
They see a similar 56% probability that Bund yields will be higher a year from now



Source: ASR Ltd. / LSEG Datastream

AAS. 13: Probability of Higher 10yr JGB Yields a Year from Now

... and a 62% probability of higher 10-year JGB yields



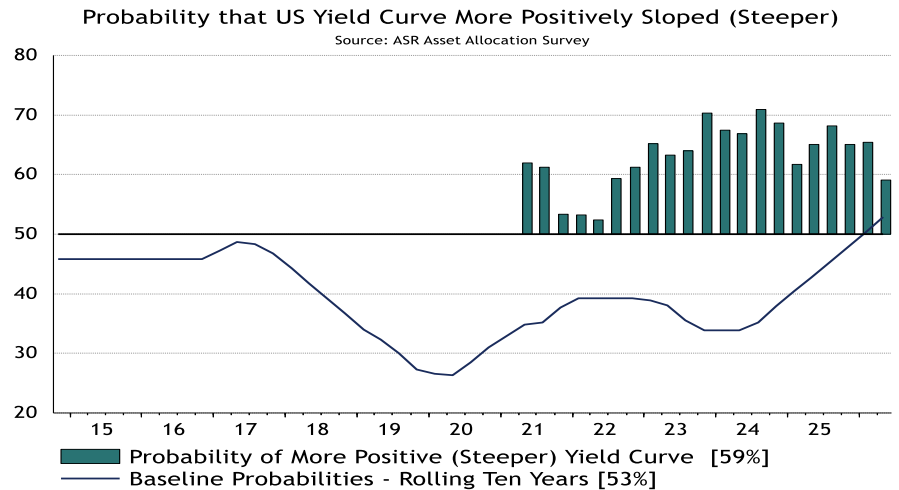
Source: ASR Ltd. / LSEG Datastream



AAS.14: Probability that US Yield Curve will be Steeper

With a 55% probability of higher 10yr yields and a 51% probability of higher 2yr yields, it is no wonder that asset allocators are less convinced of a more positive sloping US yield curve (probability 59% down from 65%)

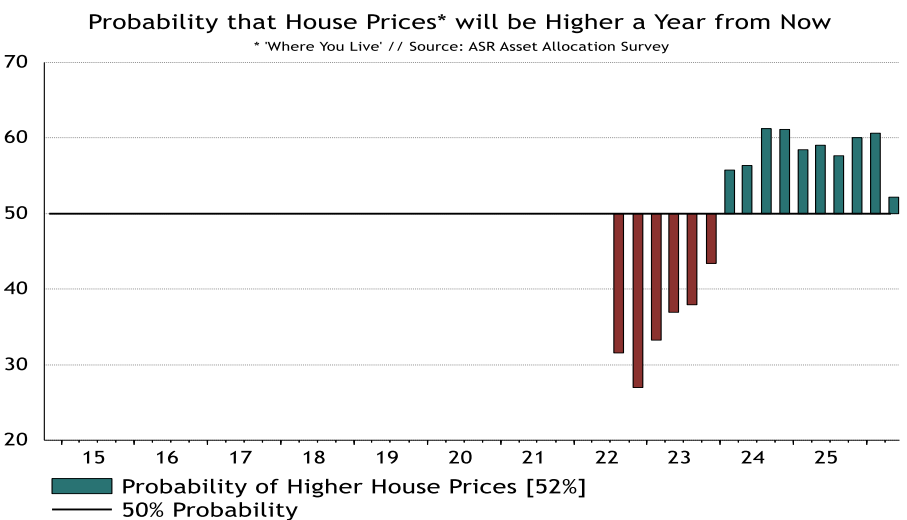
Only 34% of the panel is expecting a BEAR steepening of the US yield curve (down from 40% three months ago)



Source: ASR Ltd. / LSEG Datastream

AAS.15: Probability that Global House Prices will be Higher

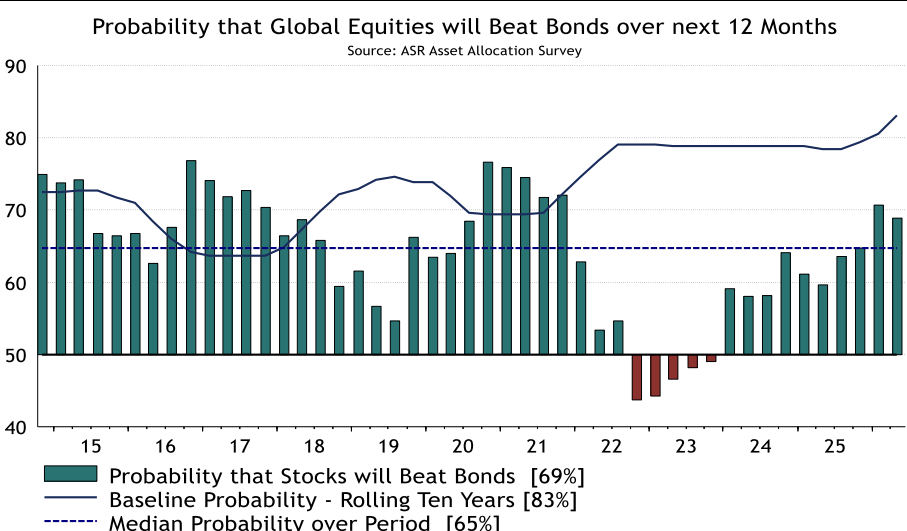
The prospect of mortgage rates staying higher for longer along with the prospect of a tightening of Global Monetary Conditions looks to have undermined confidence in local housing markets



Source: ASR Ltd.

AAS.16: Probability that WD Equities will Outperform WD Bonds

Despite the fallout from the war in the Gulf, asset allocators remain convinced that Stocks will outperform Bonds over the next 12 months, with an implied probability of 69% (which is well above the median probability of 65% since the survey began).

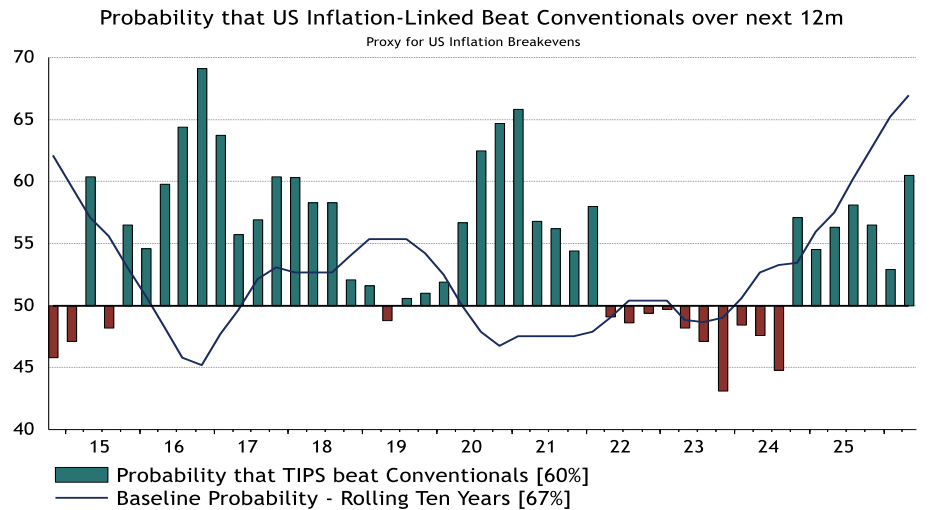


Source: ASR Ltd. / LSEG Datastream



AAS.17: Probability that US TIPS Will Beat Conventionals

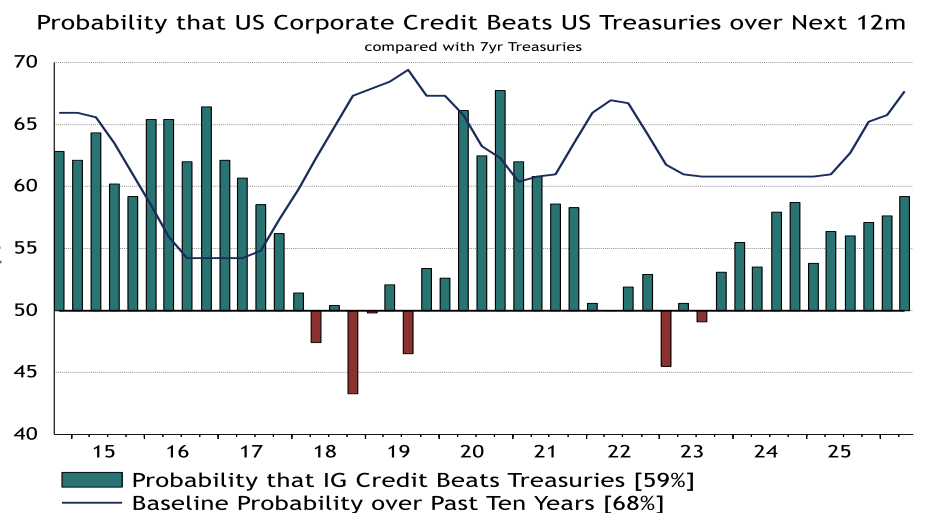
One unmistakable sign of greater concern about inflation is the sharp increase in the probability that TIPS will outperform conventional Treasury Bonds. At 60%, it is the highest reading since 2021Q1



Source: ASR Ltd. / LSEG Datastream

AAS.18: Probability that US IG Credit will Beat Treasuries

An improving business cycle and resilient corporate earnings continue to support asset allocators' preference for listed US Corporate Credit over US Treasuries

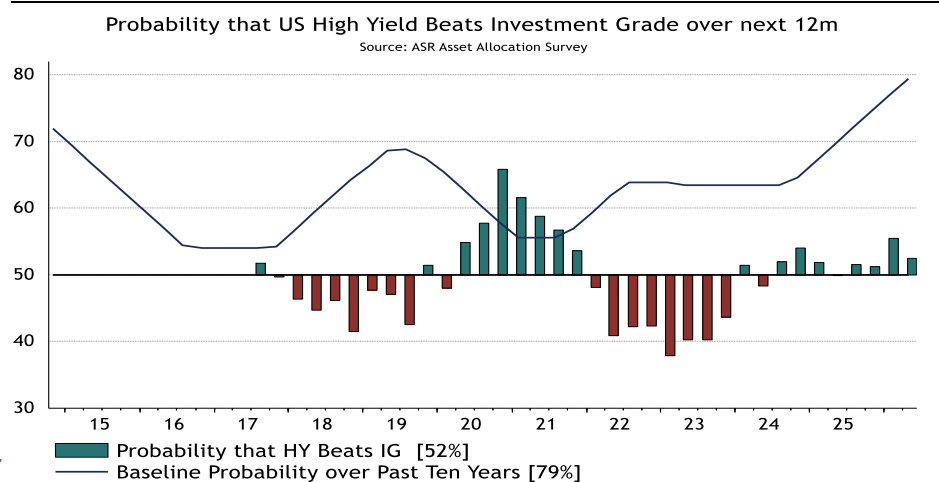


Source: ASR Ltd. / LSEG Datastream

AAS.19: Probability that US HY Credit will Beat US IG Credit

Asset allocators remain ambivalent as to whether High Yield Credit can outperform Investment Grade Corporate Bonds

This may reflect a rising probability that speculative grade default rates will be higher a year from now. The implied probability of higher defaults has risen to 62% (up from 60% three months ago)

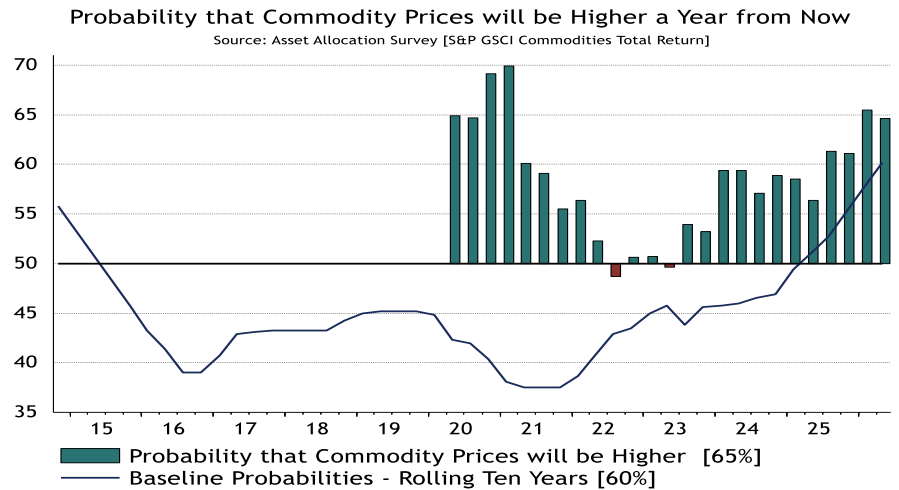


Source: ASR Ltd. / LSEG Datastream



AAS.20: Probability that Commodity Prices will be Higher ...

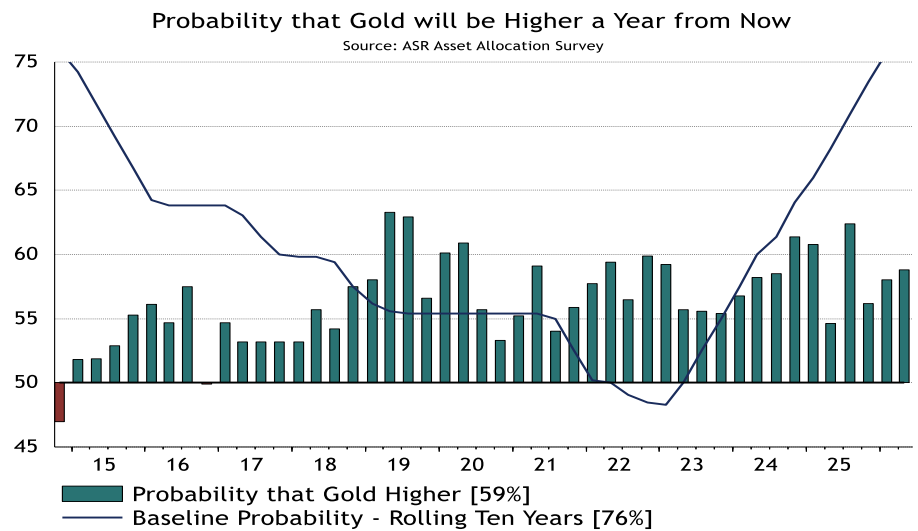
Despite the sharp rise in Commodity Price indices on the back of the Gulf war, asset allocators ascribe a 65% probability to prices being higher a year from now. They don't see any sustained decline in prices in the event of some resolution to the conflict.



Source: ASR Ltd. / LSEG Datastream

AAS.21: Probability that Gold will be Higher a Year from Now

Gold has not performed well since the start of the Gulf war (off 13%), but asset allocators still believe that the price can recover. They think there's a 59% probability that Gold will be higher a year from now

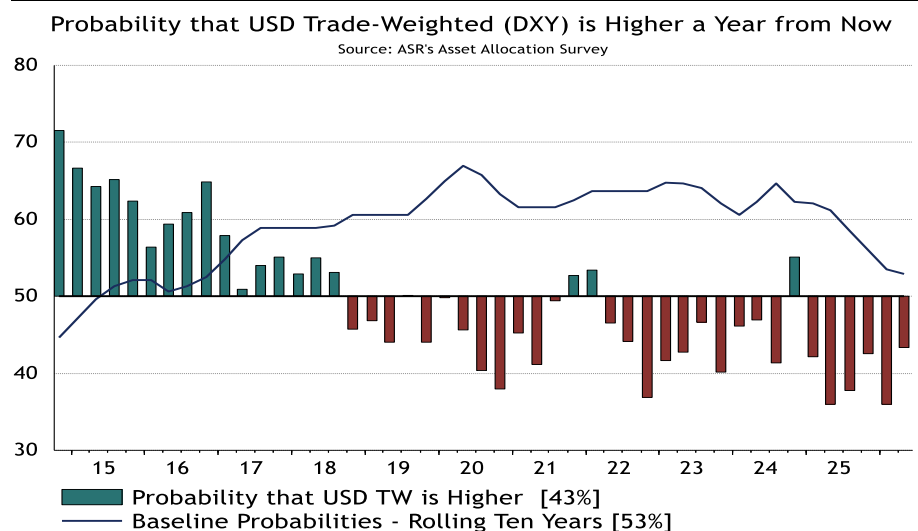


Source: ASR Ltd. / LSEG Datastream

AAS.22: Probability that US Dollar will be Higher a Year from Now

Asset allocators are less bearish of DXY than they were 3 months' ago. They now put the probability of a USD appreciation over the coming year at 43%.

This may reflect a rethink on the chances of further Fed easing, and a perception that the US growth is better placed to withstand the fallout from the Gulf



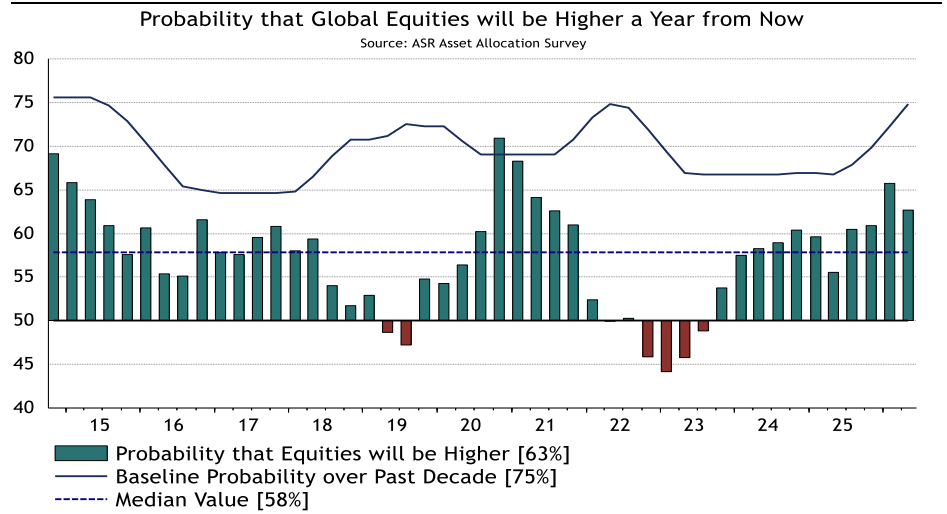
Source: ASR Ltd. / LSEG Datastream



Equity Markets

AAS.23: Probability that Global Equities will be Higher in 12m Time

Asset allocators do not believe that the bull market in Equities is over. They think that there is a 63% probability that Stocks will be higher - a reading that's still above the median of the survey's history



Source: ASR Ltd. / LSEG Datastream

AAS.24: Probability that Global Corporate Earnings will be Higher

Underpinning this optimism is a deep-seated belief that Global corporate earnings will continue to grow ... and a 67% probability that earnings will be higher a year from now

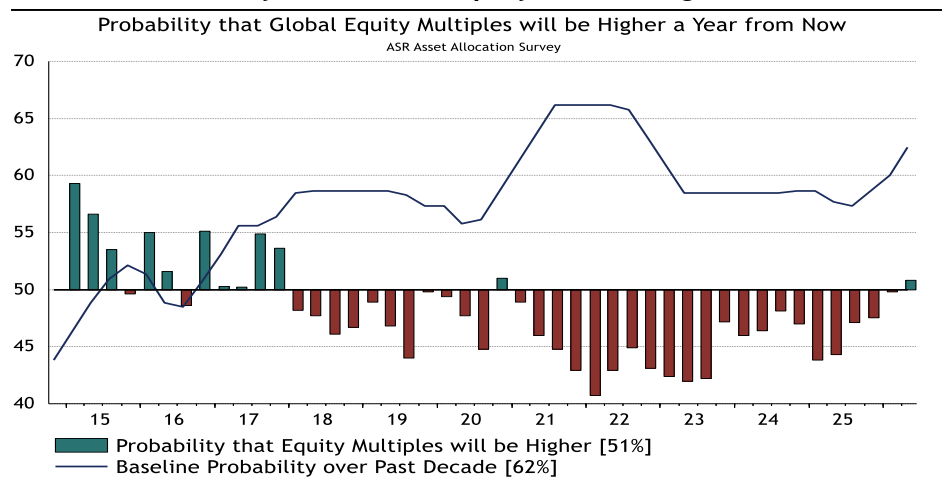


Source: ASR Ltd. / LSEG Datastream

AAS.25: Probability that Global Equity PEs are Higher in 12m Time

For the first time in more than five years, investors think that the chances of higher PE multiples are greater than 50%.

This is a surprise - partly because the survey implies a deterioration in the growth-inflation mix (usually bad for multiples) - and partly because of expectations of higher default rates (also usually bad for multiples)



Source: ASR Ltd. / LSEG Datastream



Charles Cara
 +44(0) 7073 0738
charles.cara@absolute-strategy.com

5 out of 6 questions have seen implied probabilities move by more than 5%pts

...indicating a radical re-appraisal of views by the panel

The panel has stuck with the view that Cyclical will beat Defensives

But has cut its view that US Small beats Large...

...with the implied probability falling 13%pts to 49%

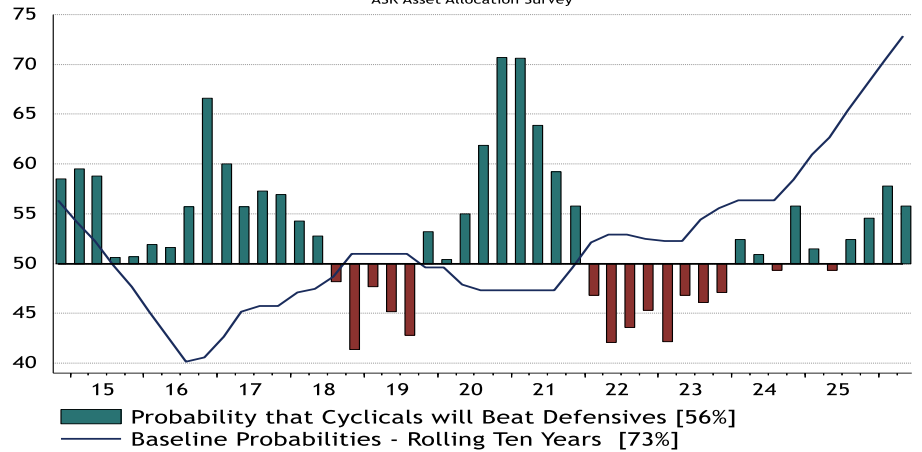
Intra-Equity Expectations

Some of the strongest shifts in opinions are within the equity market. Five out of Six intra-equity questions saw shifts in the implied probabilities of more than 5%pts.

While our panel has remained positive on Cyclical vs Defensives (56% vs 58% last survey), there has been a major re-assessment of US vs non-US (+16.1%pt change in implied probability to 53.9%), US Small vs Large (-13.5%pt change in implied probability to 49.4%), and Value vs Growth (-11.8%pt change in implied probability to 48.5%). While the panel remained positive on Emerging Markets relative to Developed Equities, this probably reflects how EM is benefitting from AI capex. In fact, we believe most of these shifts are due to the panel becoming more positive on Global Tech vs Financials (+11.8%pt change in implied probability to 58.5%). Maybe, with no sign of AI Hyperscalers cutting back on their capex plans, our panel feels this trend has longer to run.

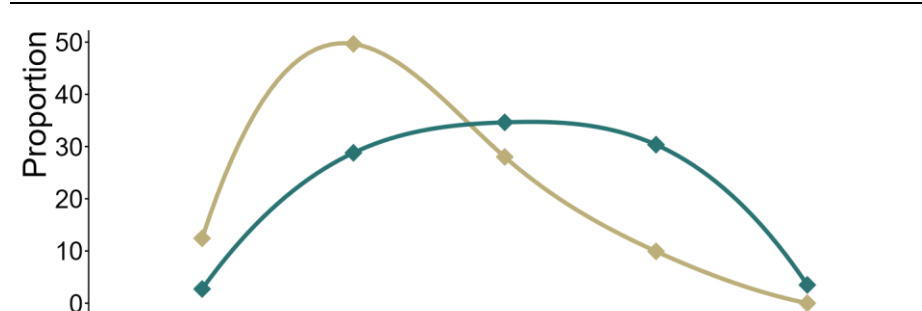
AAS.26: Probability that Cyclical will outperform Defensives

Probability that Global Cyclical will Beat Defensives over Coming Year
 ASR Asset Allocation Survey

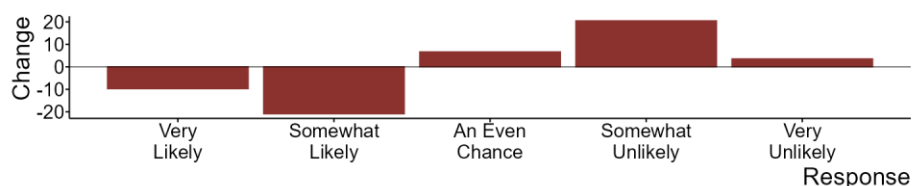


Source: ASR Ltd. / LSEG Datastream

AAS.27: Distribution of responses to US Small Cap beat Large



Survey ◆ 2026 Q1 ◆ 2026 Q2

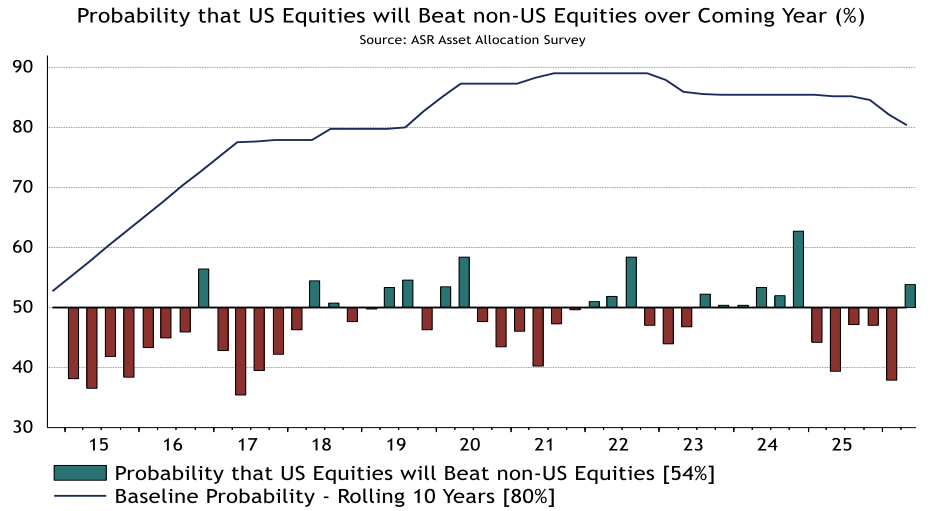


Source: ASR Ltd. / LSEG Datastream



For the first time since 2024, and the election of President Trump, the panel expects US Equities to outperform non-US

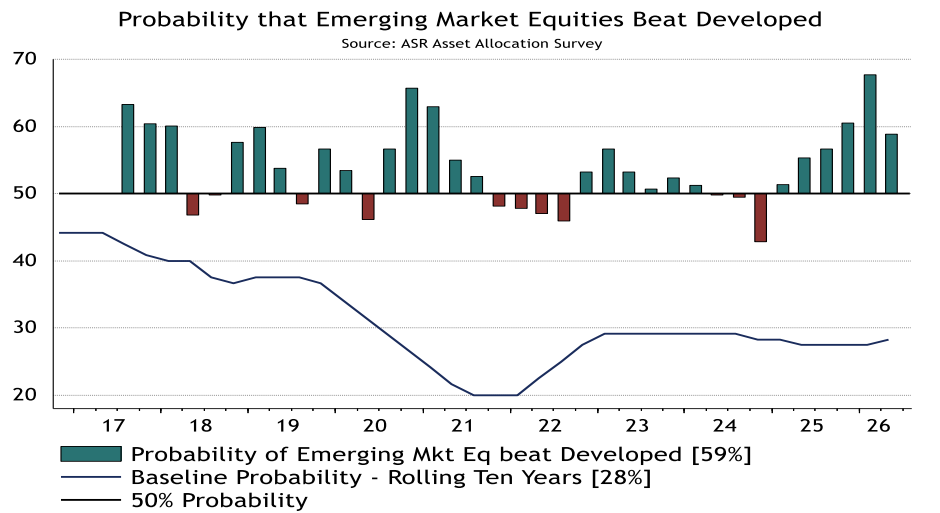
AAS.28: Probability that US Equities outperform Non-US



Source: ASR Ltd. / LSEG Datastream

Investors have not completely stepped back from expecting EM equities to beat DM...

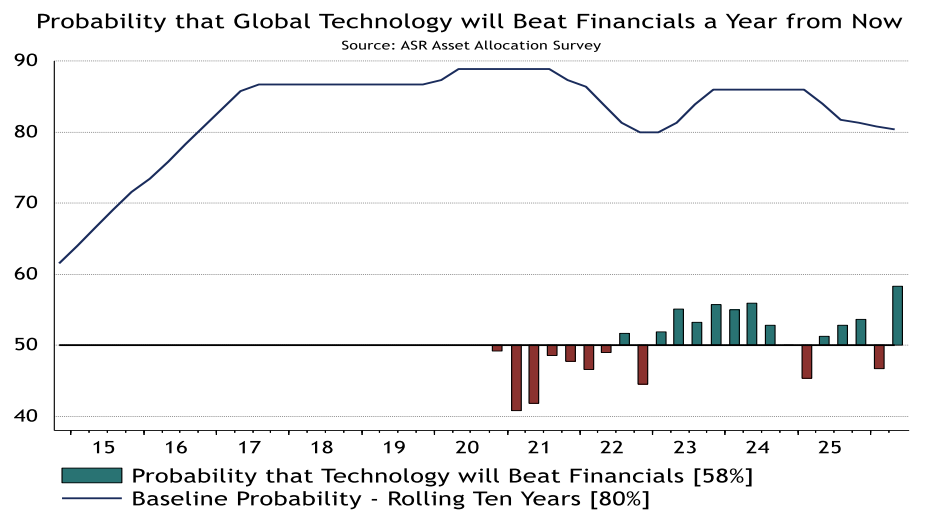
AAS.29: Probability that EM will beat DM



Source: ASR Ltd. / LSEG Datastream

...although this might also be a reflection that EM markets are benefiting from AI capex spending

AAS.30 Probability that Tech will beat Financials



Ultimately most of these changes probably reflect the shift in the panel's view back towards Global Tech beating Financials

Source: ASR Ltd.



The most likely split of the panel is into three groups:

- 35% Little inflation
- 32% Inflation resilience
- 32% Inflationary bears

Our Bayesian grouping algorithm is unsupervised, since we do not pre-define the number of groups or each group's views. Instead, we interpret the average response of each group (AAS.32), to understand their views and to give the group an appropriate descriptive name

Panel divides into thirds based on inflation and resilience

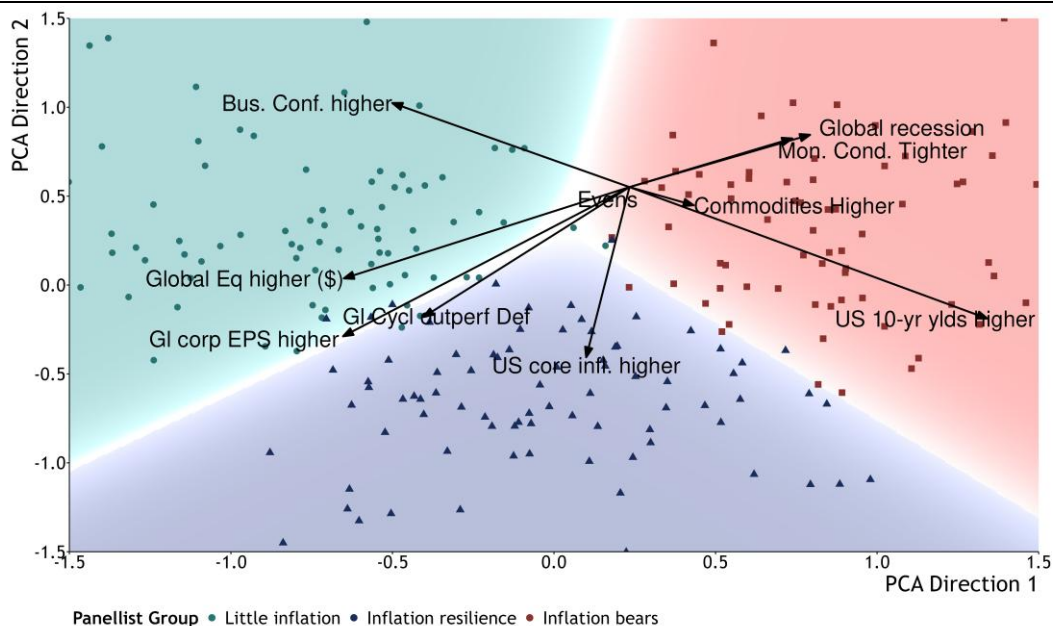
Our Bayesian cluster analysis has revealed an almost even split into 3 groups, with views on inflation and the resilience of the economy forming the key dividing lines between the groups. This is a bullish survey and so two of the three groups are positive on risk assets and activity. But also two of the groups expect inflation rates to rise.

The marginally largest group sees **Little Inflation** on the horizon, possibly because they expect the Strait of Hormuz to reopen soon and any inflation pressures to rapidly ease. This group sees little chance of monetary conditions tightening: indeed they expect the Fed to cut rates over the next 12 months, dragging yields lower. With everything fine, this group is very happy to buy Equities over Bonds, Cyclicals over Defensives and Tech over Financials, since they believe earnings will be higher. There is a regional skew in the panel: almost three fifths of the US panellists fall into this group.

The rest of the world has stronger inflation concerns, and our second group might be more concerned about energy prices, but they also expect **Inflation resilience** from the economy, and for business confidence to be a bit higher in 12 months' time. As inflation is expected to rise they don't expect any Fed rate cuts, and so expect yields to rise. With earnings expected to grow, this group prefers Equities over Bonds, Cyclicals over Defensives and Tech over Financials. This is the only group strongly expecting commodity prices, gold and EM Currencies to rise over the next 12 months.

Our final group of **Inflationary Bears** sees inflation becoming embedded and so fears slower growth and a rise in unemployment. With interest rates and bond yields higher, they expect valuations to weight on the level global equities, but even so they still expect global equities to beat global bonds. The group is also concerned about credit risk and that High Yield credit will lag Investment Grade. They are the only group to expect bitcoin to fall. Despite its view on inflation, this group is not strongly positive on commodity prices.

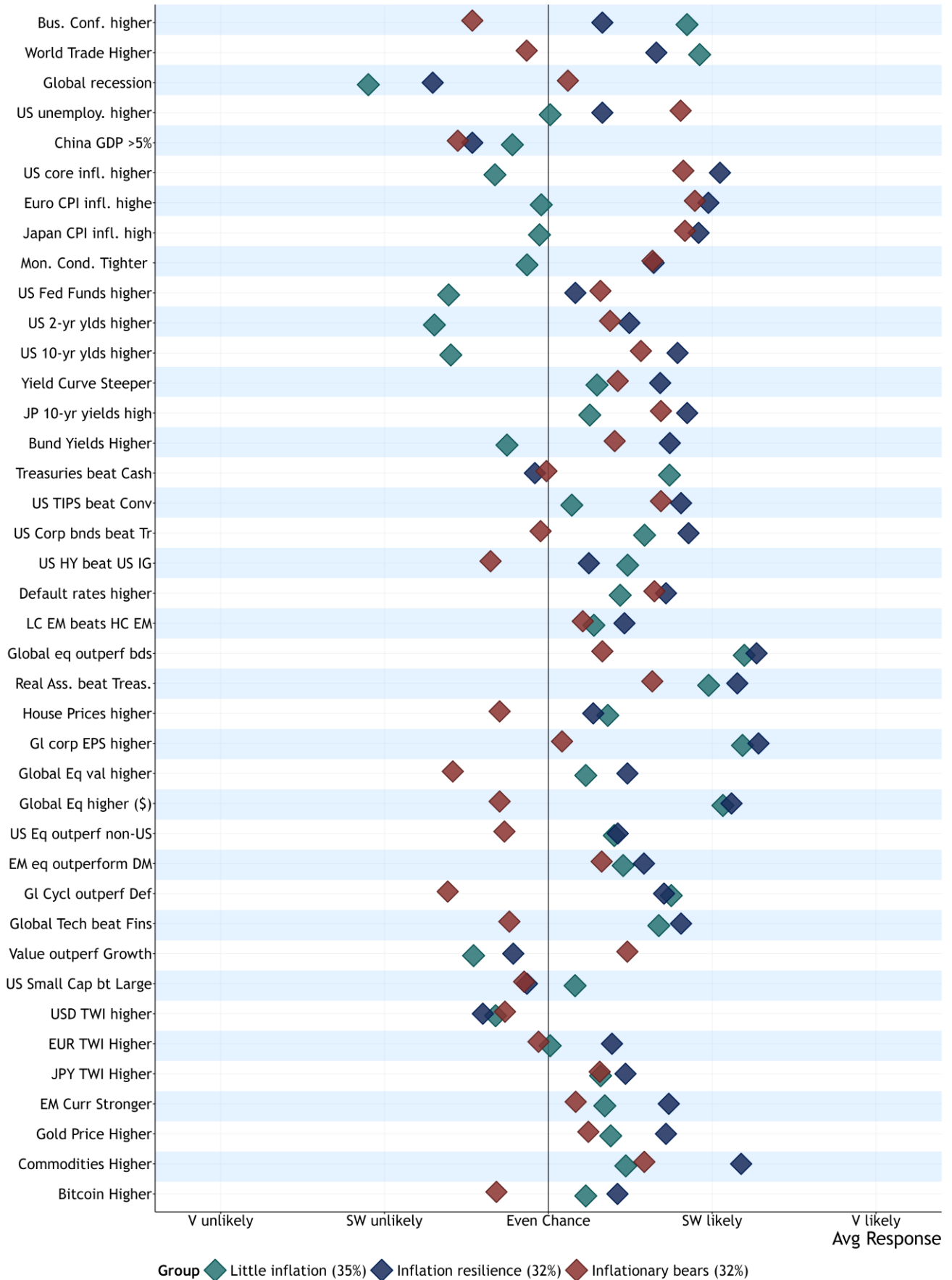
AAS.31: Division between groups - using PCA which reduces 40 questions into two dimensions



Source: ASR Ltd.



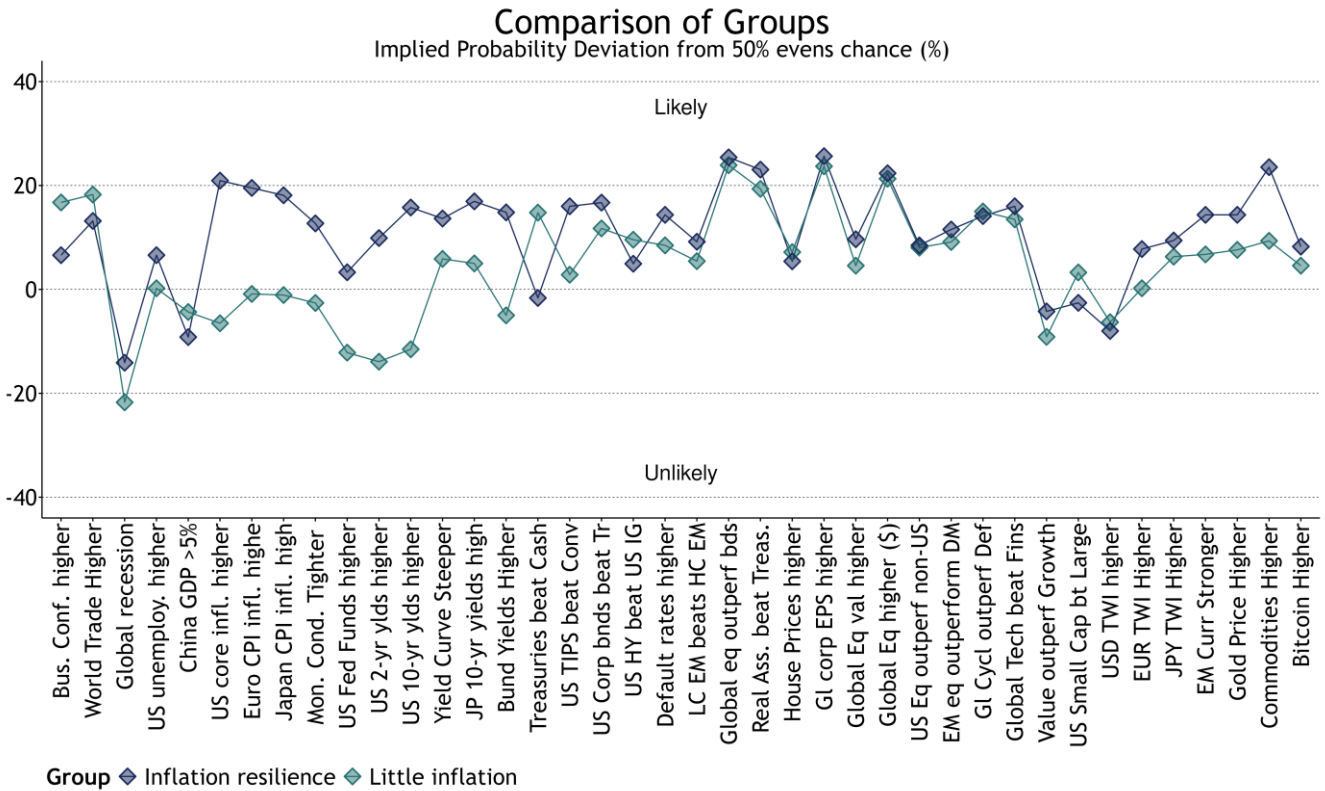
AAS.32: Average Response of the Three Groups Identified by our Machine-Learning Analysis



Source: ASR Ltd.

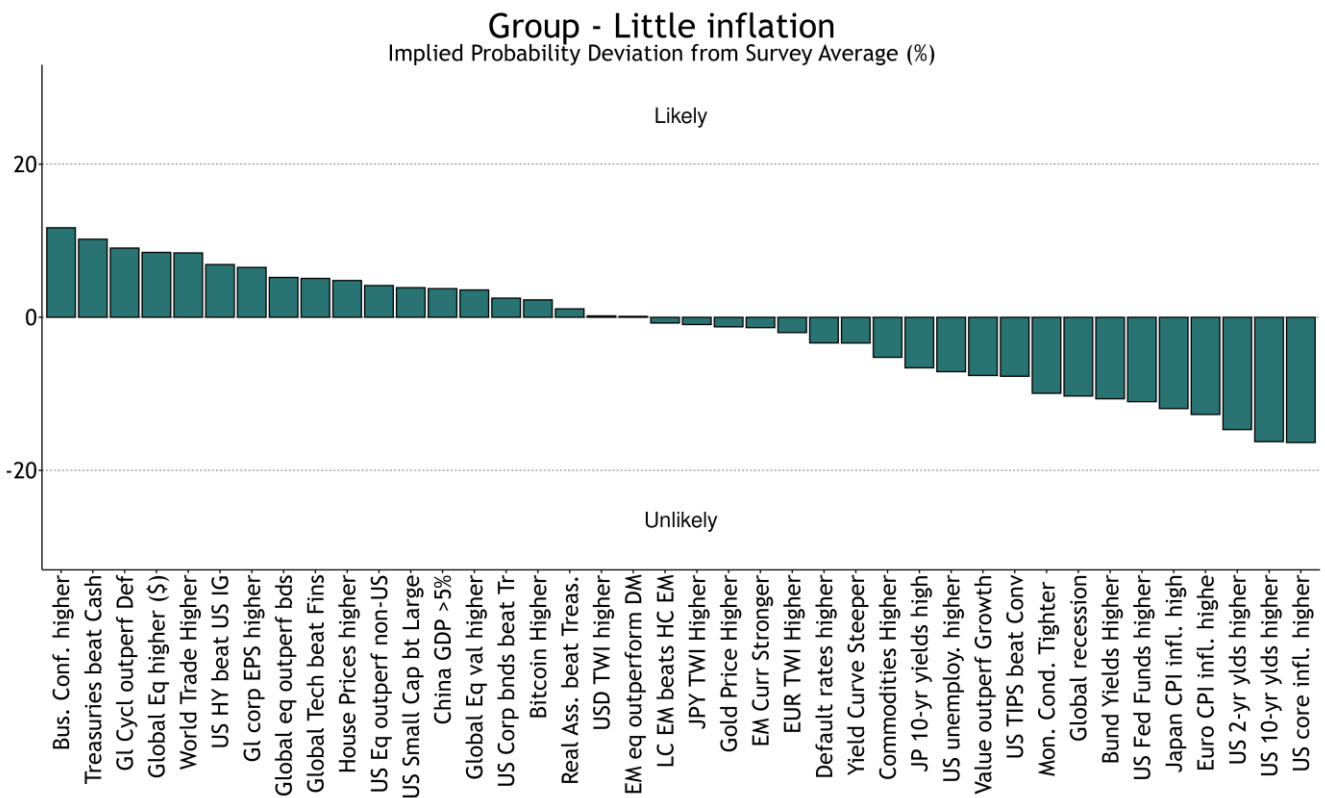


AAS.33: Comparison of ‘Little inflation’ (35%) with ‘Inflation Resilience’ (32%)



Source: ASR Ltd.

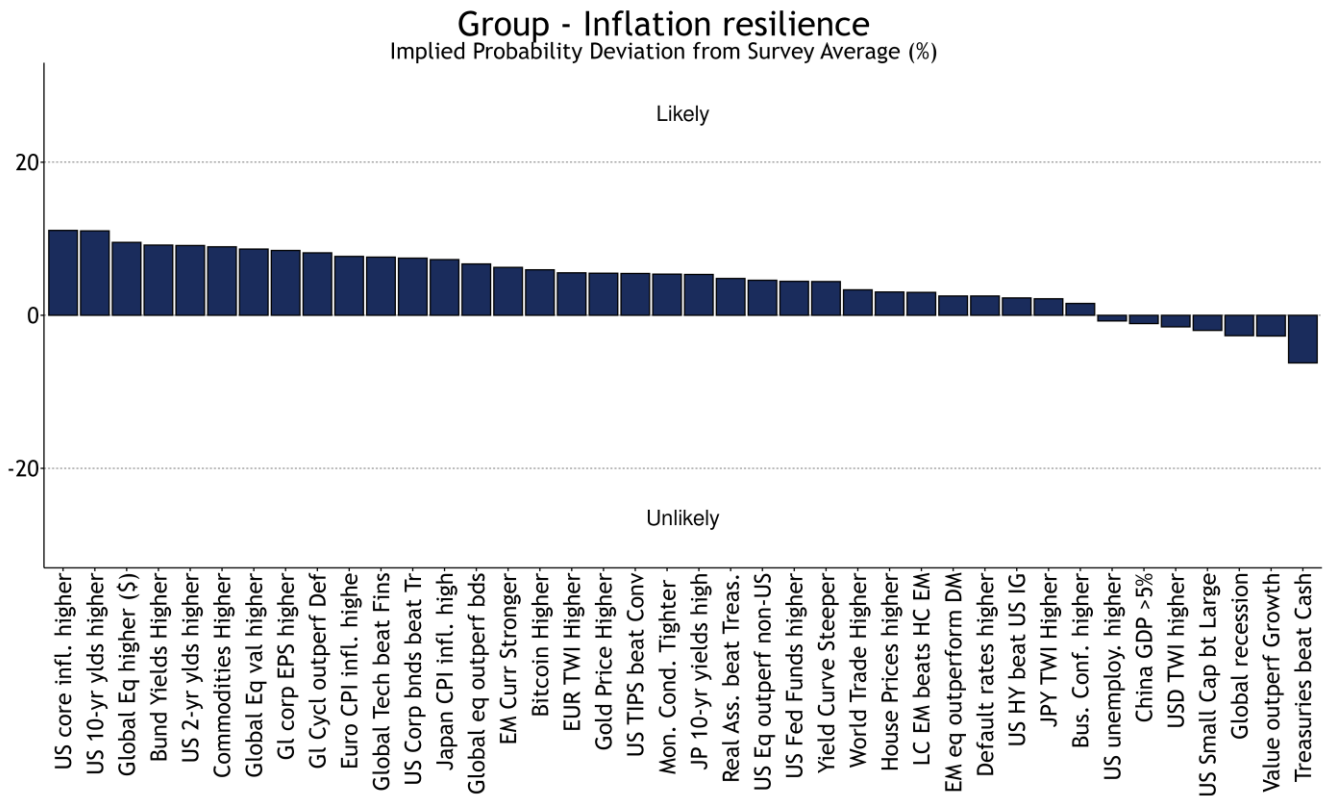
AAS.34: Comparison of ‘Little Inflation’ (35%) with Survey



Source: ASR Ltd.

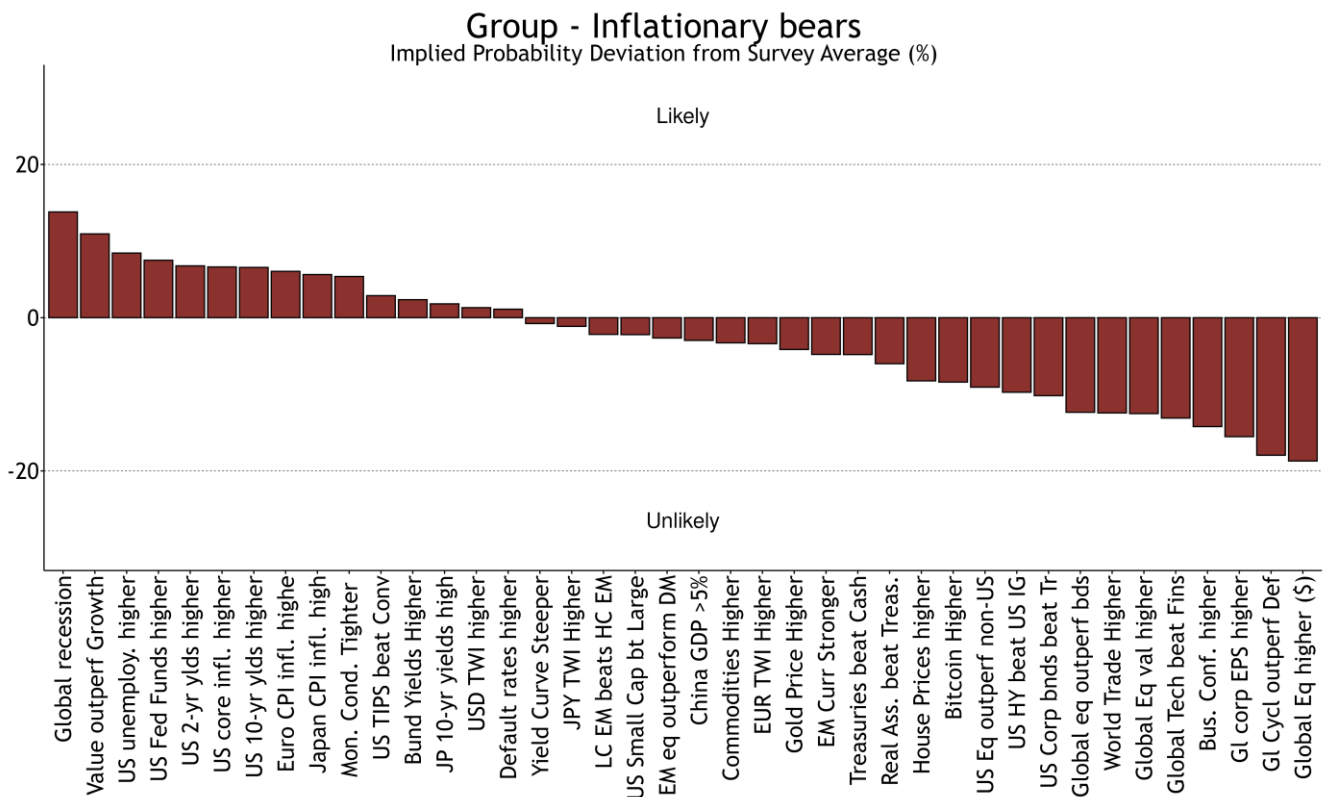


AAS.35: Comparison of 'Inflation Resilience' (32%) with Survey



Source: ASR Ltd.

AAS.36: Comparison of 'Inflationary Bears' (32%) with Survey



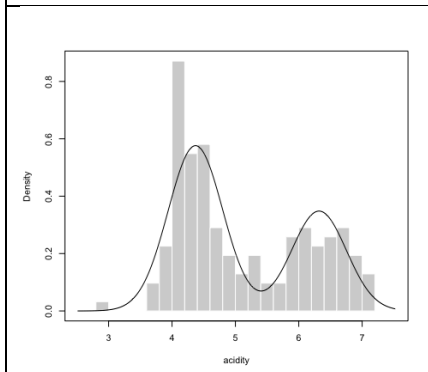
Source: ASR Ltd.



Methodology - How we find our groups of similar investors

The basis of this group analysis is that there are only a limited number of generic categories of investor and an investor's answers are the combination of their generic categories' answer and some individual variation (i.e. 'noise').

AAS.37: Fitting two normal distributions to a dataset



Source: W. Härdle, Fraley & Raftery

We try to classify investors into one of these generic categories. Our approach is 'unsupervised': ahead of the analysis we do not know either the number of generic categories, or even their views! However, this is not an insurmountable problem. We can use a Bayesian approach: that is, we create a model of the generic categories and see whether we can get it to fit the data. The parameters of the model (the number of clusters and their means and variances) are then adjusted until the 'most likely' model is found. So, in the example in AAS. 35, the data are the bars, which are modelled by superimposing two normal distributions (each distribution represents a generic type). Increasing the number of distributions might lead to a better fit. However, this runs the risk of over-fitting, and so each extra group increases a penalty factor when calculating the *goodness of fit*.

Transferring this idea to our survey, the bars would be the responses to a question, and so the two distributions in the chart are equivalent to two basic investor categories. Of course, our survey has 40 questions with discrete responses, which makes the maths more complex in practice, but we are still able to solve using the algorithms provided by the [mclust](#) package in R.



Demographics of Panel and Summary Results

This table highlights some of the Survey “extremes”

Only one question this month is divisive, High Yield Credit vs Investment Grade

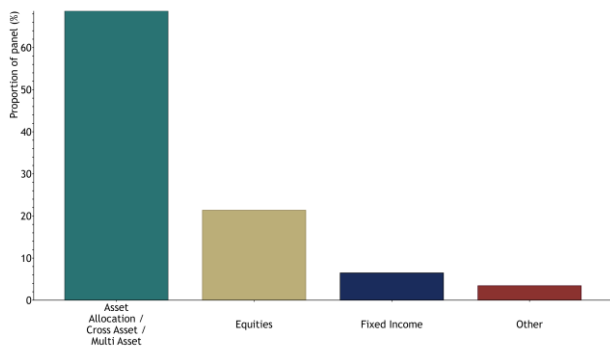
Here the panellists are strongly split and few put an even chance on HY beating IG

AAS. 38: Most Certain, Most Uncertain & Most Divisive Questions

	Very Likely	Likely	Even Chance	Unlikely	Very Unlikely	Implied Prob.
Most Likely (highest implied probability)						
Global eq outperf bonds	25	52	16	7	0	68.9
Real Assets beat Treasuries	23	55	15	7	0	68.5
Gl corp earnings higher	24	51	13	12	0	67.2
Most Unlikely (lowest implied probability)						
Global recession within 12 montf	2	15	20	52	12	38.5
China Real GDP Growth >5%	1	21	27	41	11	41.8
USD TWI higher	1	23	24	45	7	43.4
Most Uncertain (Highest proportion of Even Chances)						
Bitcoin Higher	7	27	44	16	6	52.3
Global equity val higher	4	26	43	25	2	51.0
EUR TWI Higher	1	34	41	23	1	52.2
Most Divisive (Most bimodal distribution)						
US HY beat US IG	6	36	26	29	3	52.7

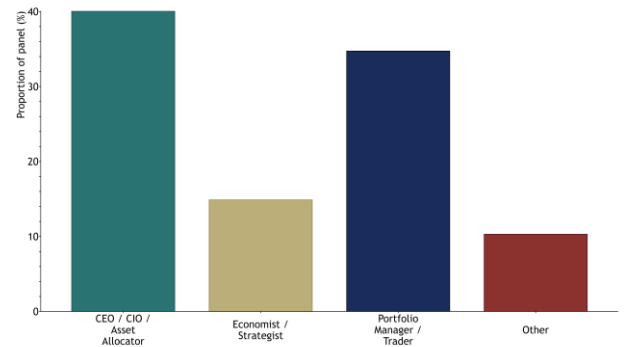
Source: ASR Ltd

AAS. 39: Asset Class Expertise



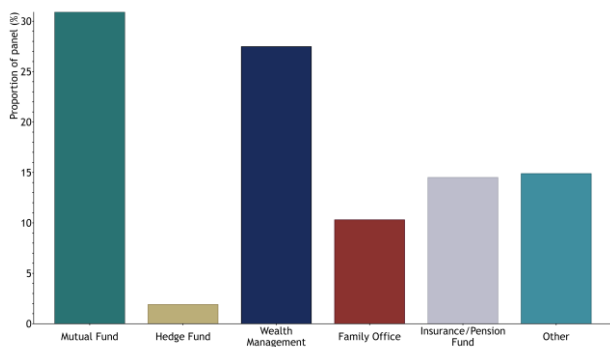
Source: ASR Ltd

AAS. 40: Role



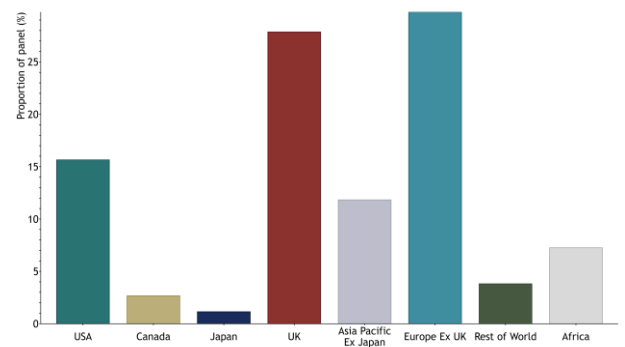
Source: ASR Ltd

AAS. 41: Type of Investor Firm



Source: ASR Ltd

AAS. 42: Location



Source: ASR Ltd

Our 262 panellists work in teams that manage over \$10.9 trillion of assets. The fieldwork for the survey was conducted through an on-line survey between 13th and 20th May 2026.



AAS.43: Summary of Responses - 2026 Q2

(%)	Proportion of Panel					Implied Probability
	Very Likely	Likely	Even Chance	Unlikely	Very Unlikely	
Business Confidence higher	9	35	29	25	2	55
Volume of World Trade Higher	12	43	28	16	1	60
Global recession within 12 months	2	15	20	52	12	39
US unemployment higher	7	44	31	17	2	57
China Real GDP Growth >5%	1	21	27	41	11	42
US core inflation higher	16	41	23	19	2	60
Euro CPI inflation higher	16	46	22	16	1	62
Japan CPI inflation higher	13	43	32	12	1	61
Monetary Conditions Tighter	7	45	28	18	2	57
US Fed Funds rate higher	3	27	38	26	7	49
US 2-yr yields higher	3	32	36	24	5	51
US 10-yr yields higher	7	38	30	22	4	55
Yield Curve Steeper	9	46	27	18	0	59
JP 10-yr yields higher	6	55	30	8	0	62
Bund Yields Higher	3	44	34	17	2	56
Treasuries beat Cash	8	36	28	25	2	55
US TIPS beat Conv	7	50	32	11	0	61
US Corp bnds beat Treas	5	53	27	14	1	59
US HY beat US IG	6	36	26	29	3	53
Speculative Grade default rates higher	10	52	28	9	1	62
Loc Cur EM bonds beat Hard Cur	6	42	33	18	2	56
Global eq outperf bonds	25	52	16	7	0	69
Real Assets beat Treasuries	23	55	15	7	0	69
House Prices higher	9	29	31	26	5	52
Gl corp earnings higher	24	51	13	12	0	67
Global equity val higher	4	26	43	25	2	51
Global equities higher (\$)	18	44	24	12	2	63
US eq outperform non-US	8	36	30	23	4	54
EM eq outperform DM	7	47	31	14	1	59
Global cycl outperf def	9	40	27	20	4	56
Global Tech beat Fins	12	38	32	17	2	59
Value outperf Growth	4	23	37	33	3	49
US Small Cap beat Large	3	29	35	30	4	49
USD TWI higher	1	23	24	45	7	43
EUR TWI Higher	1	34	41	23	1	52
JPY TWI Higher	8	41	34	16	2	57
EM Curr Stronger	6	46	34	14	1	58
Gold Price Higher	13	37	35	13	2	59
Commodities Higher	23	46	16	14	2	65
Bitcoin Higher	7	27	44	16	6	52

Source: ASR Ltd.



Methodology – What we Mean by ‘Implied Probabilities’

- ASR’s Multi-Asset Survey is a Survey of Probabilities.
- Every quarter we contact over 200 asset allocators and multi-asset strategists from around the world.
- We ask them “how likely” they think certain financial and economic events are to occur in the next 12 months. All thirty questions are framed with a binary outcome (will ‘X’ happen, or will it not happen?) with a fixed time horizon. Each question offers five options: (1) very likely (2) somewhat likely, (3) even chance, (4) somewhat unlikely, (5) very unlikely.
- We then ascribe notional probabilities to each of the five options. For example, if someone responds “very likely”, we apply a 90% probability to their response, “somewhat likely” is given a 70% probability. If they reply “very unlikely”, we apply a 10% probability. If someone says “even chance”, then we apply a 50% probability.
- By applying different probabilities to the responses, we can calculate an overall probability. This is more sophisticated than other surveys, which just calculate a “net balance” (e.g. % respondents that are ‘optimists’ minus % respondents that are ‘pessimists’). Our approach captures differences in convictions.
- Small changes in the implied probabilities matter: a 5%-point change over a quarter can indicate an important shift. A 10%-point change can reflect a profound change in expectations.
- These “implied probabilities” are powerful as they can be used in multiple ways. First, we can compare them with the probabilities that are implied in the market. Secondly, we can compare them with our own views and see where we are most different from the consensus. And thirdly, we can compare them with the historic baseline probability (how often has this event occurred over the past decade).
- For example, an implied probability of 50% may sound like a neutral call, but if the event has only occurred 20% of the time over the past decade, then this 50% probability is in fact a much more aggressive call that it may first appear. It is ‘big’ relative to the history of the past ten years.

For full Research Library click here

Now available on **Bloomberg, LSEG & Factset**

This research report is issued by Absolute Strategy Research Ltd, which is authorised and regulated by the Financial Conduct Authority (“FCA”). Absolute Strategy Research Services Inc. is registered as an investment adviser with the US SEC, and is responsible for all communications and dealings with, and only with, US persons. The report is intended only for investors who are Eligible Counterparties or Professional Clients, as defined by MIFID and the FCA, and may not be distributed to Retail Clients. Absolute Strategy Research Ltd does not solicit any action based upon this report, which is not to be construed as an invitation to buy or sell any security. This report is not intended to provide personal investment advice and it does not take into account the investment objectives, financial situation and the particular needs of any particular person who may read this report.

This research report provides general information only. The information contained was obtained from sources that we believe to be reliable but we do not guarantee that it is accurate or complete, and it should not be relied upon as such. Opinions expressed are our current opinions as of the original publication date appearing on this material only and the information, including the opinions contained herein, are subject to change without notice.

This research report may not be redistributed, retransmitted or disclosed in whole or in part, without the express written permission of Absolute Strategy Research Ltd.

© Absolute Strategy Research Ltd 2026. All rights reserved.

Absolute Strategy Research Ltd. 36-38 Cornhill, London, EC3V 3NG. Phone: +44 (0) 20 7073 0730. www.absolute-strategy.com.

Absolute Strategy Research Ltd is registered in England and Wales. Company number 5727405. Registered Office: Salisbury House, Station Road, Cambridge CB1 2LA.