Multi-Asset Perspectives: Scarcity Sets the Terms

Growth now takes far more investment than it used to. Trade is reorganizing, energy risks are rising, and inflation lingers. In this environment, investors are willing to pay more for scale, productivity, and reliable income.

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Quick take

- **The global economy is still growing but has less room for error.** U.S. growth remains resilient for now, helped by private investment, government spending, and services, although momentum may slow later this year as government support fades.[1]
- **Inflation isn't spiking, but it isn't returning easily to its pre-pandemic level.** Tariffs, supply chain redundancy, swings in energy prices, and steady wage growth should keep the Federal Reserve patient and limit how much it can cut interest rates.[2]
- **The labor market is stable.** Hiring has cooled and fewer Americans are working or looking for work, but unemployment remains low and wage pressure is easing.[3]
- **Markets can still rise, but it's all going to be earnings driven.** Stocks are expensive, investors are earning little extra for lending to companies, and the Fed isn't cutting interest rates. Returns will lean more on actual earnings and healthy business fundamentals than on higher stock valuations.

Market indicators

Economic growth (moderating)

The U.S. economy grew at an annualized rate of 2.7% in the first quarter of 2026. Strong spending on services and steady business investment made up for early signs that consumers were pulling back.

For the second quarter, forecasters expect growth near 2.2%, which represents a modest slowdown but a still-healthy pace. Higher borrowing costs and earlier spikes in energy prices are starting to weigh on what households spend.[1]

Fundamentals (positive)

S&P 500 companies earned about 29% more in the first quarter of 2026, year over year, marking six straight quarters of double-digit growth, powered by strong technology profits and companies keeping more of each sale as profit. Nine of the eleven sectors grew; technology, industrials, and materials led, while energy and utilities lagged.

Early estimates for the second quarter point to earnings growth of about 23%. If that holds, it would be the second straight quarter above 20%.[4]

[1] U.S. Bureau of Economic Analysis, "GDP (Third Estimate), Industries, Corporate Profits, State GDP, and State Personal Income, 1st Quarter 2026," June 25, 2026.
[2] Federal Reserve Board, "Federal Reserve issues FOMC statement," June 17, 2026.
[3] U.S. Bureau of Labor Statistics, "The Employment Situation—June 2026," July 2, 2026.
[4] Refinitiv, July 10, 2026.

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Valuations (stretched)

U.S. stocks still look expensive compared with the past, especially among large companies, whose share prices are now about 20 times their expected earnings. Strong profit growth has pulled those valuations down from their early-2025 highs, although stocks still aren't cheap.

Outside the U.S., stocks are cheaper although no longer true bargains: Europe and parts of emerging markets (EM) have gotten more expensive over the past 15 months. The S&P 500, by contrast, has risen mainly because earnings grew.[5]

Sentiment (constructive, watch positioning)

Investors are still feeling good about the market. Money keeps flowing into stocks, and optimism is running above average.

But two things are worth watching: Investors are crowding into the same trades, and they're borrowing more to do it. Historically, this positioning has often come before a spike in volatility. If company earnings or the economy start to weaken, that crowding could reverse fast and push prices down.

Portfolio positioning

We are modestly biased toward stocks over bonds, with a slight preference for U.S. large cap equities and high-quality fixed income.

Equities	Weighting	
U.S. large cap	Overweight	Steady earnings, strong balance sheets, and ties to AI, productivity spending, and pricing power support returns as growth slows and costs more to fund. Size and strong cash flow matter, as investors can't count on stock prices simply getting more expensive.
U.S. mid/ small cap	Neutral	Mid-sized companies offer a cleaner way to benefit as the rally widens, and their profits rise faster when sales grow. Smaller companies remain more exposed to rising wages, variable-rate debt, refinancing risk, and tighter lending.
International developed	Neutral / Overweight	After a strong run-up in prices, these markets no longer look cheap, so returns now depend more on actual earnings. Japan still looks attractive, while Europe's improving policy support and economic backdrop help offset ongoing challenges from energy dependence, slower productivity growth, and competition from China.
Emerging markets	Overweight	EM is increasingly an Asia-led allocation tied to AI hardware, advanced manufacturing, and domestic growth. Better earnings potential and cheaper prices make some stocks worth owning, but wide differences from country to country and sector to sector call for active management.
REITs	Underweight	Higher real yields (after inflation), debt refinancing needs, and an uneven commercial real estate market remain challenges. Data centers, cell towers, and warehouses are attractive pockets, but weak office demand and too much new supply limit broad exposure.
Commodities	Underweight	Precious metals have done little to stabilize portfolios during recent stock market selloffs, while supply risks tied to geopolitics keep energy prices high and hard to predict.
Fixed income	**Weighting**	
U.S. core	Overweight	Higher yields (even after accounting for inflation) mean high-quality bonds are worth owning again. Intermediate-term U.S. Treasuries pay solid income and help smooth out returns, without relying on the aggressive Fed rate cuts or a rally in long-term bonds.
Inflation (TIPS)	Underweight	U.S. Treasuries remain our preferred portfolio ballast, with TIPS playing a more targeted role. As inflation pressures continue to moderate, we see a more favorable risk/reward tradeoff in nominal Treasuries.
Non-investment grade	Neutral	Total yields are still attractive, and corporate finances are stable, but the extra yield over less risky bonds is small, leaving little cushion against squeezed profits, refinancing risk, or a growth scare. Higher-quality bonds offer a better balance of risk and reward.
International	Underweight	Currency volatility, lower yields, and a firm U.S. dollar keep the bar high for bonds outside the U.S. Some short-term opportunities exist, but broad exposure offers less return potential, ease of trading, and stability than U.S. core bonds.

Underweight Neutral Overweight

[5]FactSet *Earnings Insight*. July 10, 2026.

Macro backdrop

The new cost of growth

Investment is carrying growth now. That marks a significant shift from the last cycle, when investors could lean on low inflation, falling rates, abundant labor, and increasingly efficient global supply chains. Today's economy is powered by spending on AI, energy security, government support, defense, reshoring, and automation. Those are real sources of growth, but they take heavy upfront investment and are vulnerable to higher borrowing and material costs.

But this wave of investment isn't spread evenly. Data centers, power demand, and cloud spending remain bright spots, while broader factory construction has lost momentum.

That unevenness is exactly why selection matters. We want to own the parts of the investment universe where earnings, balance sheets, and productivity gains are strongest.

The U.S. remains the strongest developed market growth story. Business investment and government spending pushed first-quarter gross domestic product (GDP) growth up to 2.7% from the prior quarter.[1] That mix should keep growth steady in the near term. But as government support fades toward year-end, the economy will lean more on consumers to keep growth going—and consumers are the bigger question mark.

American consumers are still spending, but the cushion is thinner and increasingly divided. Higher-income households are keeping overall spending up, while lower-income households feel more of the squeeze from food, energy, and borrowing costs.

The job market tells a similar story. The U.S. economy added just 57,000 jobs in June, but unemployment at 4.2% still points to a labor market near full strength. Fewer people are working or looking for work—a sign that slower hiring reflects both weaker demand for workers and a smaller supply of them. That keeps wage pressure firm and limits the kind of sharp labor market break that would normally force the Federal Reserve to cut interest rates quickly.

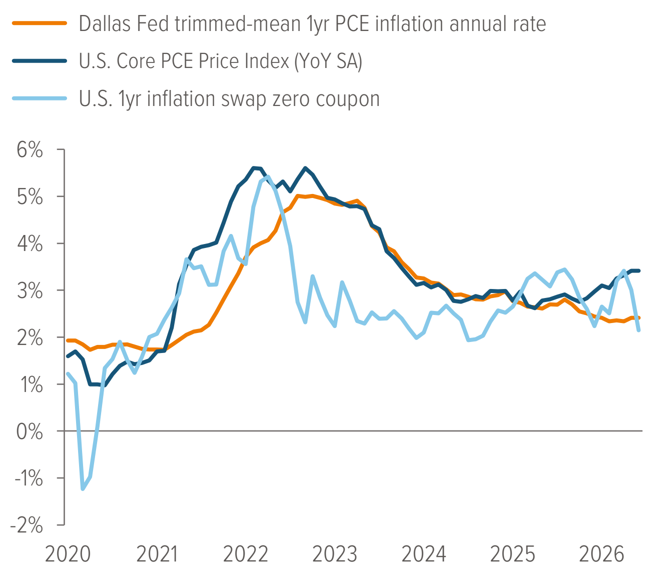
Inflation and policy: The Fed has less room to cut if inflation stays sticky

Inflation is still what's tying the Fed's hands, even if the picture is more mixed than the headline numbers suggest. The main inflation gauges (the Consumer Price Index and the Fed's preferred personal consumption expenditures measure) are still running high, but lower tariff rates and calmer market pricing suggest investors aren't betting on a lasting inflation spike.

Under new Fed Chair Kevin Warsh, the central bank has shifted its approach. Warsh has said he doesn't think the Fed should tip its hand about future rate moves, preferring to react to the data as it comes in. The Fed is also paying closer attention to inflation measures that strip out the largest price swings in both directions (Exhibit 1). Those measures keep edging toward the Fed's 2% inflation target, in line with the restrained inflation swap pricing shown in the chart.

Exhibit 1: Underlying inflation continues to move toward the Fed's 2% target

Dallas Fed trimmed-mean PCE, core PCE, and 1yr inflation swap expectations



As of 06/30/26. Source: Bloomberg. Core PCE measures consumer inflation excluding food and energy. Dallas Fed trimmed-mean PCE is an inflation measure that removes unusually large price moves to better capture the underlying trend. 1yr inflation swap measures the market-implied expectation for inflation over the next year.

Still, we expect inflation to return to the Fed's 2% target over the next 18 months. However, the path is likely to be uneven as tariffs, supply chain realignment, higher defense spending, and the costs of expanding U.S. manufacturing keep price pressures elevated. This is not a replay of 1970s-style stagflation: The U.S. is less vulnerable to oil shocks, and economic growth and corporate profits remain healthy. Even so, inflation may stay volatile enough to keep the Fed cautious.

The Fed is holding its key rate at 3.50%–3.75%, and we expect it to stay patient until it sees clearer signs of either weaker economic growth or fresh inflation pressure. In this environment, bonds look more attractive than cash, and we favor companies that can raise their prices over those that simply need lower rates to do well.

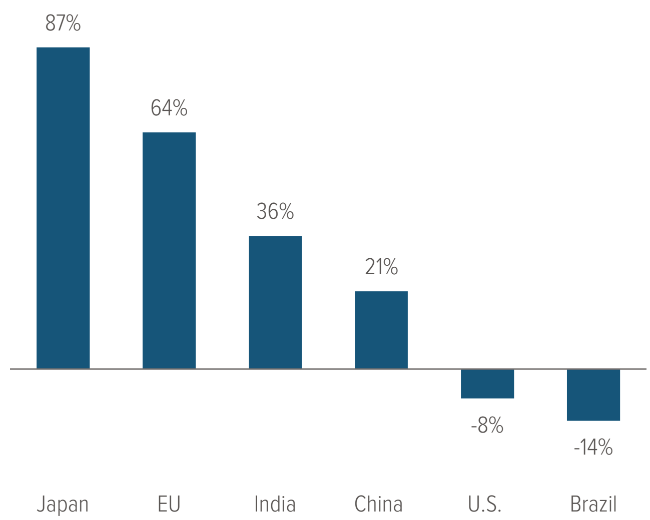
Global trade and geopolitics: Trade moves closer to home

Global trade continues to shift from "cheapest is best" to "safest is best," as countries develop supply chains closer to home. This isn't the end of global trade, but it's less efficient than the former approach. Tariffs and backed-up supply chains push prices up slightly. Spending on automation, extra inventory, shipping, and regional production adds to business investment. And all of it rewards size, favoring large companies that can raise prices and can afford the technology to adapt.

This effect is uneven across regions. The U.S. benefits from its own energy production, deep financial markets, and its innovation leadership, while Europe and Japan lean more on imported energy and face tougher trade competition. EM Asia benefits from demand for hardware and advanced manufacturing but remains exposed to volatility in the U.S. dollar and oil prices (Exhibit 2).

Exhibit 2: Energy dependence splits the world—and the U.S. lands on the right side

Energy import dependence (%)



As of 03/31/26. Source: IEA, Goldman Sachs Asset Management.

Geopolitical conflict still drives volatility, particularly for countries that depend on oil shipped through the Strait of Hormuz. But recent events—the 2025 tariffs and Russia's invasion of Ukraine in 2022—show that the fear priced into markets can fade quickly once worst-case outcomes become less likely.

The overall effect still drags on global growth, but less so for the U.S., thanks to its energy supply, innovation, deep markets, robust profits, and strong domestic demand. We aren't backing away from stocks because of trade friction or geopolitical risk. We just favor the regions and companies best insulated from those risks—those with pricing power, home-driven demand, and less exposure to fragile supply chains.

Equities: Selective, not defensive

U.S. equities

U.S. stocks are more expensive than those in most other regions, but in a higher-cost world, quality is worth the price. The companies most likely to protect their profit margins are those with scale, pricing power, financial flexibility, and the means to keep investing when costs rise.

In addition, market gains are broadening beyond a handful of big companies. The equal-weight S&P 500 Index has modestly outpaced its capitalization-weighted counterpart year to date, and smaller and more economically sensitive companies have joined the rally.[6] This broadening is a good sign, but it isn't a reason to avoid big U.S. companies altogether. **The takeaway is to be more selective, favoring companies with steady earnings and the strength to keep investing when others can't.**

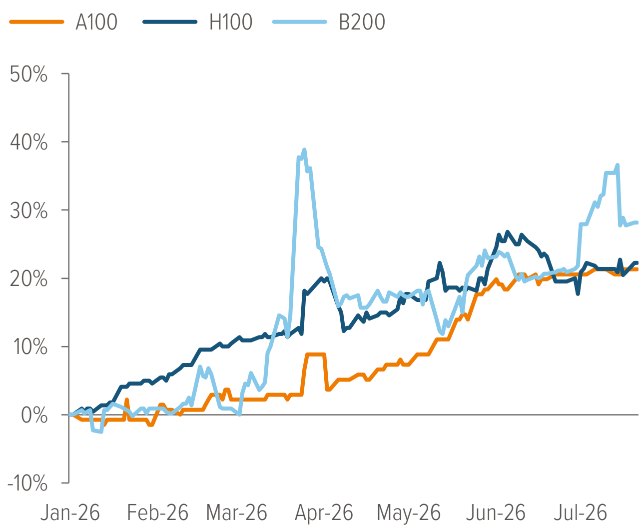
[6]Market performance data referenced from S&P 500 equal-weight and cap-weighted index comparisons as of July 2026.

AI: Proof over promise

AI remains a long-term growth story, but investors are becoming more selective. **We think the AI expansion appears closer to the middle of the cycle than the end.** Hyperscaler spending, a growing order backlog, and key component pricing all suggest that supply remains tight (Exhibit 3).

Exhibit 3: AI chip prices are holding firm, a sign demand still outruns supply

Graphics processing unit (GPU) rental price increase from 01/01/26



As of 07/21/26. Source: Silicon Data, Bloomberg. Chart shows neocloud rental prices for NVIDIA A100 (Ampere), H100 (Hopper), and B200 (Blackwell) AI accelerators. GPUs are used for AI training, inference, and high-performance computing. Prices reflect market-based GPU rental rates across cloud providers.

However, stock prices already discount a meaningful amount of future success, so the focus is shifting from whether to own AI to whether these companies can deliver. We're watching several things: whether they can turn AI into real revenue, use capacity efficiently, earn solid returns on the money they're spending, and decrease that spending without slowing their sales. Within semiconductors and software, the opportunity remains attractive, but the easy phase is over. The winners will be companies that turn AI adoption into lasting revenue, productivity, and profits, not just the ones riding the theme.

If the rally keeps broadening beyond the tech giants, we'd favor mid-cap companies over small ones. Small caps have bounced back on last year's earnings and could rally if interest rates fall, but their longer-term case is weaker if rates remain high. Smaller companies carry more debt tied to floating rates, face more risk when that debt comes due, and run on thinner profits, which leaves them more exposed to rising wages and sudden drops in demand. We think mid caps strike a better balance: more established businesses, steadier profit margins, and more room to absorb higher costs, while still offering more potential upside and economic sensitivity than the largest companies.

Developed international equities

Developed international equities still offer diversification, but the case now depends less on catching up to U.S. equity prices and more on delivering earnings. They're still cheaper than U.S. stocks, but last year's gains leaned on stocks getting more expensive and on a weaker U.S. dollar. With much of that support already reflected in prices, future returns must come more from true profit growth than from cheaper valuations alone.

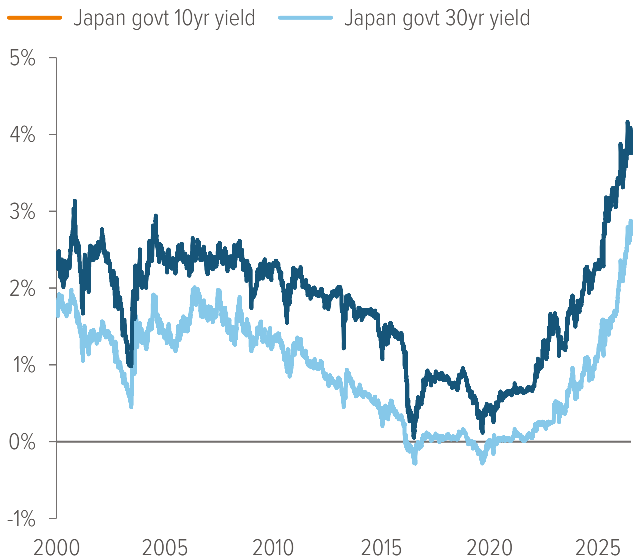
The opportunities are uneven across regions. Government spending, defense, infrastructure investment, and stronger bank profits have improved the outlook in parts of Europe, while lower energy prices ease input cost and inflation pressure. At the same time, the region leans more on imported energy than the U.S. does and faces growing competition from China in high-value manufacturing categories like machinery and transport equipment on world markets. Together, those strengths and weaknesses favor exposure to defense, infrastructure, high-quality industrials, utilities, and financials, while tempering broad enthusiasm for exporters most exposed to China's lower costs.

U.K. stocks are inexpensive and income oriented, but weak productivity, tight government budgets, and a more defensive index composition limit the country's long-term growth appeal.

Japan remains the clearest source of medium-term opportunity within developed international markets, benefiting from an economy that's finally growing again, corporate governance reform, and higher shareholder returns. Recent pressure on large Japanese institutions to keep more capital invested at home may also support local markets, potentially leading to lower long-term Japanese bond yields following rapid increases in the last three years (Exhibit 4).

Exhibit 4: Government pressure to keep capital at home may create an opportunity in Japanese government bonds

Japan government 10yr and 30yr bond yields (%)

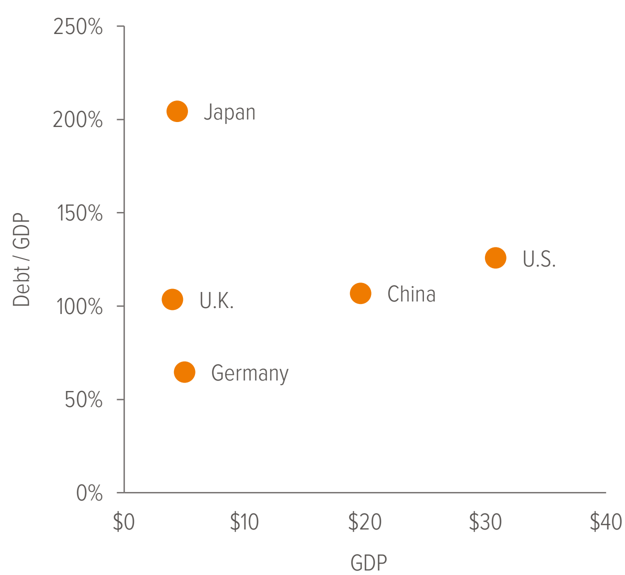


As of 06/30/26. Source: Bloomberg.

Still, Japan faces real challenges, including shaky government finances (Exhibit 5), a steep yield curve, yen volatility, heavy reliance on imported energy, and a more complex policy backdrop. The attendant currency and duration risks must be managed carefully.

Exhibit 5: Government debt remains a key vulnerability for Japan

Gross government debt (% of GDP) and nominal GDP (in USD trillions)



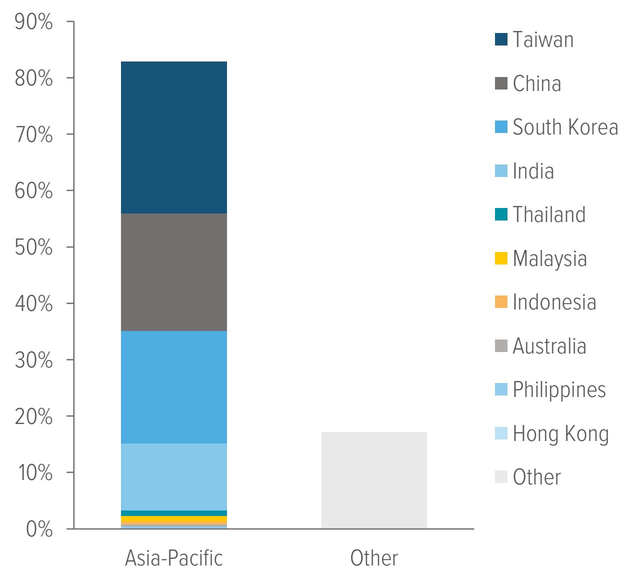
As of 04/30/26. Source: World Economic Outlook (April 2026)–General government gross debt.

Emerging market equities

EM equities are in a different phase now than in past cycles. They were once mainly a bet on rising commodity prices, cheaper stocks getting more expensive, or a weaker U.S. dollar. Now, they're increasingly an Asia-led allocation tied to the global investment cycle, with the Asia-Pacific region making up about 85% of the MSCI Emerging Markets Index (Exhibit 6).

Exhibit 6: For many investors, "emerging markets" now means Asia

MSCI Emerging Markets Index weight by region



As of 07/20/26. Source: Bloomberg.

EM equities are still cheaper than those in developed markets, and their long-term growth potential is attractive. But investors are asking for more compensation to take the risk, as money moves in and out more sharply and uncertainty grows around China, oil, the dollar, and AI-related spending.

Our positive view of EM equities rests on faster growth, improving earnings potential, and North Asia's central role in the hardware supply chain, where Korea and Taiwan are tied to semiconductors, memory, advanced packaging, electronic components, and data center infrastructure. That hardware focus creates a stronger earnings opportunity, but also a more concentrated one: Several of the largest emerging markets now ride the same wave of tech spending, which makes the entire index more volatile and more dependent on a small group of companies than in the past. And the concentration cuts both ways. Hardware leaders can post powerful earnings leverage when demand, pricing, and usage all climb in tandem, but crowded bets can also amplify the selloffs when investors start to doubt the durability of the cycle.

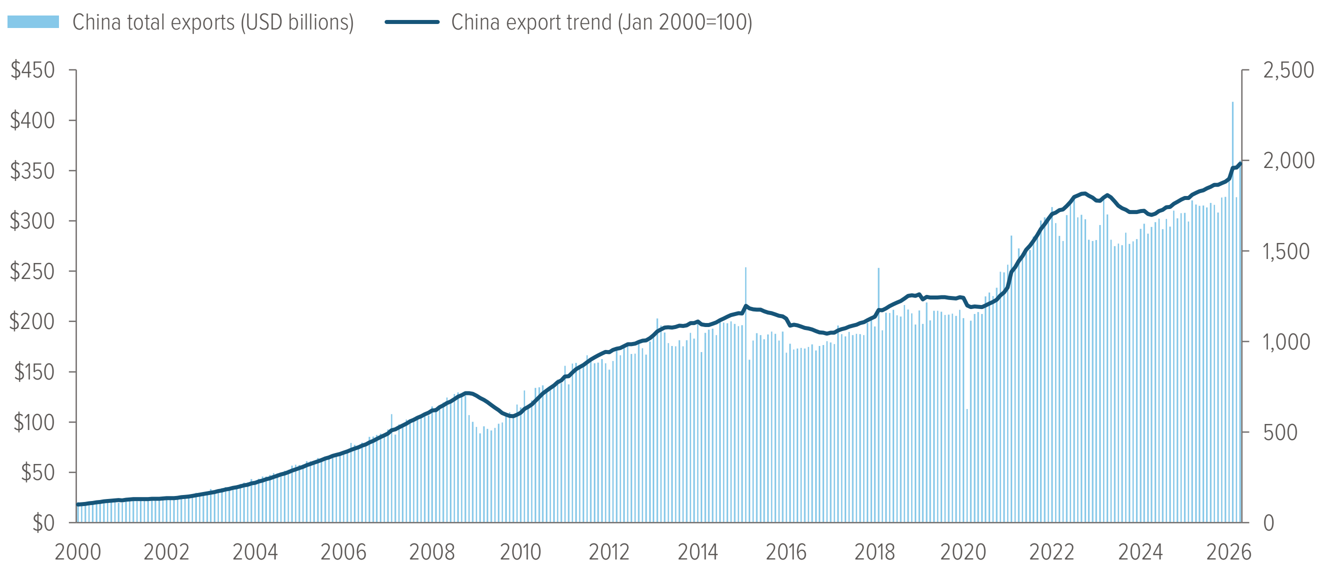
That's why we don't treat EM equities as a single trade. The opportunity remains compelling, but it requires more risk control than a traditional EM allocation built around commodities, currencies, or broad domestic recovery.

China requires a more nuanced allocation view. We wouldn't own China as a broad recovery bet: Domestic demand is still weak, real estate stress continues to weigh on confidence, and government policy support has been measured rather than forceful. Together, these prevent us from making China the main driver of our EM overweight.

At the same time, China is too important to exclude. It's still a major force in advanced manufacturing, batteries, electric vehicles, solar, grid equipment, robotics, automation, AI infrastructure, and tech supply chains. The stronger case is owning China for its exports, its push to make at home what it once imported, its productivity gains, and its globally competitive manufacturing capacity, rather than betting on a broad rebound in its home economy (Exhibit 7).

Stronger government stimulus could spark a broader recovery in Chinese stocks. Until that happens, returns are likely to remain uneven and concentrated where earnings hold up: strong exports, advancing technology, and supply chain leadership.

Exhibit 7: Exports have become a key source of China's economic resilience



As of 04/01/26. Source: Federal Reserve Bank of St. Louis, CEIC Data: China Total Exports, latest available data, accessed July 2026. The trend line shows a 12-month moving average of China exports, indexed to January 2000 = 100. A value of 200 indicates exports were twice the January 2000 level; a value of 2,000 indicates exports were 20 times the January 2000 level.

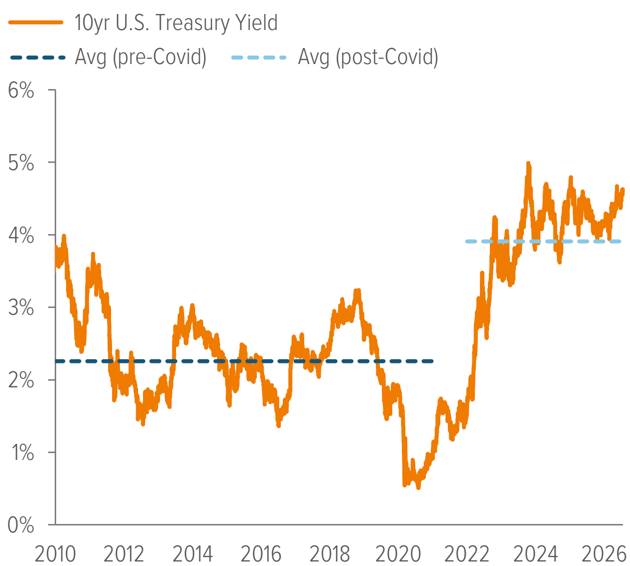
Fixed income: Quality pays again

U.S. core bonds

We still see value in high-quality U.S. bonds, because yields now offer a far better starting point than they did last cycle (Exhibit 8). Yields are higher now, even after accounting for inflation, so investors finally get paid to hold less risky fixed income. These investments provide an income cushion and potential price appreciation if growth slows or riskier assets fall.

Exhibit 8: Higher yields improve the case for high-quality bonds

10yr U.S. Treasury yield (%) compared with average pre- and post-Covid levels



As of 07/21/26. Source: Bloomberg.

Our preference is not simply for "more bonds." We want the parts of the Treasury and higher-quality bond markets that pay well, trade easily, and provide the strongest diversification.

The intermediate-term segment of the yield curve fits that bill best. Short-term bonds pay decent income but are sensitive to every shift in what the Fed might do next. Long-term bonds carry the most risk from government deficits and heavy new borrowing, which increases the extra yield investors demand to tie up their money for so long. Intermediate-term bonds are sensitive enough to interest rates that they'd gain value if growth disappoints and rates fall—without needing the Fed to cut aggressively or long-term bonds to stage a big rally.

For that reason, we prefer regular (nominal) U.S. Treasuries over inflation-protected ones (TIPS) as the core portfolio stabilizer. The market expects inflation to run only a little above the Fed's 2% target over time, which means TIPS' inflation protection isn't worth giving up the steadier cushion that regular Treasuries provide in a growth scare.[8]

Inflation is still a risk, but we see commodities and precious metals as better hedges, with TIPS in a small, targeted role rather than replacing regular Treasuries.

Emerging market bonds

EM bonds require caution. While EM equities offer potential growth (given exposure to AI supply chains, domestic demand, and corporate innovation), EM debt is more directly exposed to a strong dollar, oil volatility, reliance on outside funding, and doubts about the credibility of government policy.

A much weaker dollar could help EM local-currency bonds, but near-term dollar strength and geopolitical uncertainty favor a selective approach. As a result, we are keeping most of our fixed income risk in U.S. core bonds, where yield, liquidity, and stability are stronger.

[8]Federal Reserve Bank of St. Louis, 5yr and 10yr Breakeven Inflation Rate series, July 2026.

Currency: Thinner rewards abroad

The U.S. dollar is likely to remain strong in the near term, supported by faster U.S. growth, an unhurried Fed, and its safe-haven appeal when markets get nervous.

Over a medium-term horizon, however, the dollar faces more pressure from government deficits, eventual rate cuts, other countries holding fewer dollars in reserve, and more trade settled in regional currencies.

We don't expect the dollar to collapse, but we do expect a gradual erosion of its long-running edge. That backdrop keeps the bar high for fixed income allocations outside the U.S. Developed market foreign bonds may offer tactical opportunities—where a central bank is closer to cutting rates, or where short- and medium-term bonds pay attractive inflation-adjusted yields. But for a dollar-based investor, the broader case is weaker given currency volatility, lower yields in many markets, and more direct exposure to inflation from imported energy.

Commodities: A cost, not a position

After a strong, energy-led run this year, we see little reason to add broad commodity exposure. Energy and food are the two main areas where volatility in commodity prices affects the wider economy. Energy prices remain elevated due to geopolitics and policy. Fuel markets are still tight, and a multi-year effort to refill U.S. emergency oil reserves should support demand and keep prices higher than consumer supply and demand alone would set them.[9]

Meanwhile, a developing El Niño weather pattern raises the risk of localized droughts and floods that could push food prices higher, particularly in emerging markets where food is a big part of the cost of living.[10] Historically, weather shocks hit specific crops and food prices in EM more than they lift prices worldwide for long.

As a result, our multi-asset portfolios treat both energy and agriculture primarily as macro risks to monitor, through their impact on inflation, policy, and inflation-adjusted incomes, rather than as reasons to add broad commodity exposure.

Precious metals are a mixed picture. Central bank buying, strained government budgets, and geopolitical uncertainty support them, while higher real yields and a stronger dollar have added more volatility and reduced day-to-day diversification benefits. Gold and other precious metals can still hedge against extreme risks in inflation, policy, and geopolitics, in small, targeted allocations.

Bottom line: Earned, not given

The investment backdrop is still positive, but the terms have changed.

Growth no longer runs on cheap money and easy global trade. It's powered by AI, government spending, energy security, rebuilding U.S. industry, defense, and sturdier supply chains. Those forces can stretch the expansion out, but they also make growth more expensive to fund, more sensitive to inflation, and more uneven.

The standard for what's worth owning has risen. In this environment, we want quality, scale, steady cash flow, productivity gains, and reliable income—not broad, undifferentiated exposure to the entire market. Stimulus carried the economy this far. From here, it will run on what companies can actually deliver.

[9] Reuters, "Strategic oil reserve buying set to support crude demand through 2028," July 9, 2026.
[10] World Resources Institute, "2026 Super El Niño Impacts, Explained," July 7, 2026; EU Joint Research Centre, "Potentially historic El Niño to come, analysis shows humanitarian toll," June 15, 2026.

Index definitions

The **S&P 500® Index** tracks the performance of approximately 500 of the largest publicly traded U.S. companies' stocks. It is widely used as a benchmark for the overall U.S. stock market.

The **S&P 500® Equal Weight Index** contains the same companies as the S&P 500 Index but assigns each company the same weight, rather than weighting companies by market capitalization.

The **MSCI Emerging Markets Index** measures stock market performance across emerging market countries, including regions such as Asia, Latin America, Eastern Europe, the Middle East, and Africa.

Term definitions

Artificial intelligence (AI) refers to computer systems designed to perform tasks that typically require human intelligence, such as recognizing patterns, generating content, learning from data, and making predictions.

Core PCE (personal consumption expenditures) inflation is a measure of inflation that tracks changes in prices consumers pay for goods and services, excluding food and energy, which tend to be more volatile. It is the Federal Reserve's preferred inflation gauge.

Duration is a measure of a bond's sensitivity to changes in interest rates. Longer-duration bonds typically experience larger price fluctuations when rates change.

Earnings growth refers to the change in total profits reported by companies within a market index over a specified period, typically compared year over year.

Earnings estimates are forward-looking projections made by analysts regarding future earnings of companies.

Earnings multiple measures how much investors are willing to pay for a dollar of a company's earnings. When earnings multiples rise, stock prices can increase even if profits do not. When earnings multiples fall, stock prices can decline despite stable earnings.

Gross domestic product (GDP) is a measure of the total value of goods and services produced within a country over a specific period. When adjusted for inflation, it reflects "real" economic growth.

High-yield bonds are bonds issued by borrowers with below investment grade credit ratings. They offer higher yields to compensate investors for taking on greater credit risk.

Hyperscaler refers to a large cloud computing provider that operates massive data center networks and computing infrastructure on a global scale. Examples include Amazon Web Services (AWS), Microsoft Azure, and Google Cloud. Their spending on servers, networking equipment, data centers, and AI infrastructure is often an important driver of technology demand.

An **inflation swap** is a financial contract whose value is linked to future inflation outcomes. Inflation swap rates are often used as a market-based measure of inflation expectations.

Investment grade bonds are bonds issued by borrowers with strong credit profiles and a relatively low likelihood of failing to make interest or principal payments. Because they are considered less risky, they generally offer lower yields than high-yield bonds.

Local-currency bonds are bonds issued in an issuer's home currency rather than in U.S. dollars. Investors are exposed to both interest rate risk and currency fluctuations.

Nominal bonds are fixed income securities that pay a predetermined interest rate—called the coupon—on a set face value, with the principal returned in full at maturity.

Price-to-earnings (P/E) ratio measures how much investors are willing to pay for a dollar of a company's profits. For example, if a company earns $5 per share and the stock trades at $100, the P/E ratio is 20. That means the market is paying $20 for every $1 the company earns. High P/E stocks tend to be ones where investors are betting on future growth; they're paying a premium today for earnings they expect tomorrow. Low P/E stocks can signal a bargain, but they can also signal that investors don't see much growth ahead.

Profit margin measures how much of a company's revenue remains as profit after expenses are paid. Higher profit margins generally indicate a business has greater pricing power, cost control, or operating efficiency.

Real yield is the return earned on a bond after accounting for inflation.

Treasury Inflation-Protected Securities (TIPS) are U.S. government bonds designed to help protect investors from inflation. The principal value adjusts with changes in inflation as measured by the Consumer Price Index.

The **U.S. dollar** (USD) is the official currency of the United States. Its strength or weakness influences global trade, commodity prices, and returns on international investments.

Variable-rate debt is a loan or a bond whose interest rate isn't fixed but rather adjusts periodically based on a benchmark rate, such as the federal funds rate.

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