



30-year return forecasts (2019–48)

January 2019

Executive Summary



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Schroders Economics Group produces thirty-year return forecasts, on an annual basis, for a range of asset classes. Here we outline the methodology used, which is based on a series of building blocks and estimates of risk premia, and surmise the key conclusions from our analysis.

This year, we generally revise expected fixed income returns lower as estimates of the long-term neutral rate fall. By contrast, equity forecast returns see upward revisions as valuations drop. Investors will still feel pressured to move up the risk curve in search of higher returns, with policy normalisation still having some way to run.

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Forecasts and methodology

This section contains our forecasts and methodology for cash, bonds, credit, equities, and real estate, along with a look at the historic evolution of most of those forecasts.

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This section converts our forecasts into common currencies, to facilitate comparison for investors in different regions.

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A summary of our work and findings, with some tentative conclusions on their implications.

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Additional charts and tables showing our full set of forecasts in one place, as well as some of our underlying assumptions

Long-run asset class performance: 30-year return forecasts (2019–48)

Cash

One of the key building blocks for our long-run forecast is our assumption regarding the returns on cash, which are almost entirely driven by movements in key policy rates (such as the Bank of England base rate, or the Federal Funds rate).

Real cash returns revised lower as 'new normal' takes hold

Historically we have used a multi-stage approach – in the initial stage we forecast the real return on cash to remain negative, as the de-leveraging of both private and public sector balance sheets in the developed world keeps monetary policy extremely accommodative, and negative real rates remain an attractive way of ameliorating the debt burden. However, in general we now believe the deleveraging phase is over, placing major central banks in the second stage.

The second stage of our cash forecast is a normalisation in cash rates, before we reach the third and final stage, with positive real cash rates. This terminal value of real cash returns is based on an historic average, to which we make adjustments to reflect our views going forward about the strength of trend growth. This year has seen some downgrades to expected cash returns, driven by a reassessment of the long-term neutral rate (particularly in the US) and slightly higher inflation.

Table 1: Real cash forecast returns

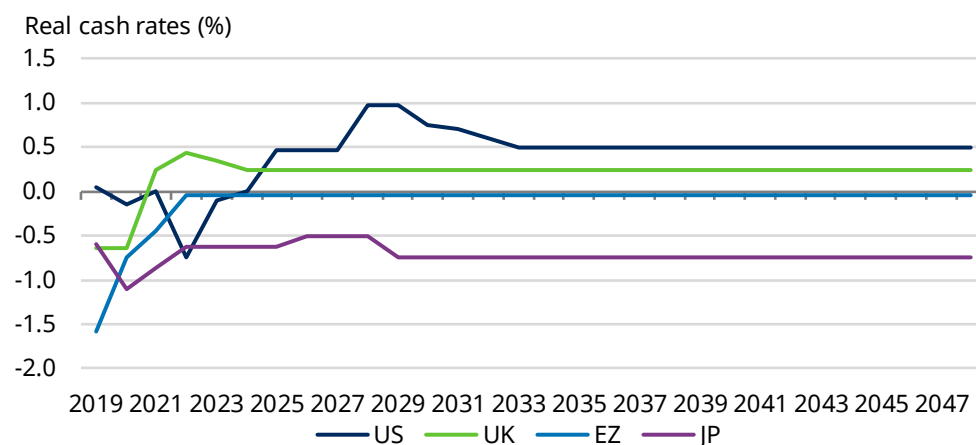
% p.a.	Currency	Nominal return	Inflation	Real return	Change vs. 2018
Cash					
USD	USD	2.5	2.1	0.4	-0.3
GBP	GBP	2.3	2.1	0.2	0
EUR	EUR	1.7	1.8	-0.1	-0.2
YEN	JPY	0.3	1.0	-0.7	-0.1
G4 cash	Local	1.9	1.8	0.1	-0.2

Source: Schroders Economics Group, January 2019.

Chart 1 helps to illustrate the expected normalisation of cash rates across the four major central banks considered here. We expect the process to be largely complete by 2024, though the US takes slightly longer to settle to its long-run r^* rate (the equilibrium interest rate).

Chart 1: Expected evolution of real cash rates

Policy normalisation is underway



Source: Schroders Economics Group, January 2019.

Cash downgrades will weigh on bond outlook

Inflation

Our inflation forecasts follow a multi-stage approach, using our forecasts for the first two years, Oxford Economics forecasts for the following eight, and our own forecast for the latter twenty where we assume a terminal rate.

Overall, we are assuming that inflation rates remain under control with central banks generally meeting their targets over the forecast period (an exception is Japan which is expected to struggle to get inflation to 2% on a sustainable basis). This implies that central banks retain their credibility such that inflation expectations remain inline with their targets and that policymakers do not alter these targets significantly.

Sovereign bonds

Our return assumption on sovereign debt builds on the return we have for cash, adding a term premium to forecast the returns to longer maturity (10-year) bonds. As with our cash methodology, we estimate the maturity premium from historical averages (in this case twenty years) and make an adjustment to reflect our own views. Using the historical average maturity is a sensible base, as there is a maximum steepness a yield curve can reach before the carry and roll becomes too attractive for investors to ignore, thus encouraging them to buy long-dated bonds and flatten the curve again. We apply a 20 to 40% discount to the historic steepness of the yield curve for all countries. This is to reflect the view that yield curves are likely to be flatter going forward than they have been since the early 1990s, as a result of loose monetary policy and a weak growth outlook.

The UK and eurozone see slightly smaller discounts than other markets. In the UK, following Brexit, the expected reduction in migration will limit the UK's flexibility to respond to sudden changes in demand, and so should steepen the Phillips curve (the supposed inverse relationship between unemployment and inflation). This would therefore increase the chances of higher inflation, resulting in a higher term premium demanded by investors. In the eurozone, the expected tighter policy given a tighter labour market and increasing inflationary pressures in Germany is not coming through. With a greater weight assigned to the rest of the eurozone by the European Central Bank, rate hikes will take longer to occur, resulting in a steeper yield curve than previously assumed, as investors demand a higher premium for inflation risk.

Sovereign debt should outperform cash, but returns still muted

Table 2: Cash, sovereign bonds and linkers

2019–48 (% p.a.)	US	UK	Eurozone	Japan
3 stage model	0.4	0.2	-0.1	-0.7
Cash real return	0.4	0.2	-0.1	-0.7
Inflation	2.1	2.1	1.8	1.0
Nominal cash return	2.5	2.3	1.7	0.3
Bond maturity premium	1.1	0.8	0.8	0.6
Bond return	3.6	3.1	2.5	0.8
Inflation insurance premium	0.5	1.0	n/a	n/a
Inflation linked bonds	3.1	2.1	n/a	n/a

Source: Schroders Economics Group, January 2019.

For the UK and US, we also forecast the returns on inflation-linked government debt, by applying a discount to the returns on the nominal bonds. It is to be expected that inflation linked bonds offer a lower return than nominal, owing to the insurance they offer against rising prices. The reason for the greater yield discount applied to UK linkers than US TIPS (Treasury Inflation Protected Securities) is due to technical market reasons, related to the relative liquidity of the two markets¹ and the structure of the market. Note that we are assuming no difference in duration with nominal bonds.

Table 3: Sovereign bonds and linkers forecast returns

2019-48 (% p.a.)	Currency	Nominal return	Inflation	Real return	Change vs. 2018
US Treasury bond	USD	3.6	2.1	1.5	-0.3
UK Gilt	GBP	3.1	2.1	1.0	0.1
Eurozone (Germany)	EUR	2.5	1.8	0.7	-0.2
JGB	JPY	0.8	1.0	-0.2	-0.2
Australia	AUD	3.1	2.5	0.6	-0.3
Hong Kong	HKD	3.6	2.0	1.6	-0.3
Singapore	SGD	2.4	1.7	0.8	-0.4
G4 bond	<i>Local</i>	3.1	1.9	1.0	-0.2
Inflation-linked					
Barclays 7–10 year IL Gilts	GBP	2.1	2.1	0.0	0.1
Barclays 7–10 year TIPS	USD	3.1	2.1	1.0	-0.3

Source: Schroders Economics Group, January 2019.

The changes to our cash forecasts feed through into our bond expectations, driving returns lower in the US, eurozone and Japan. The cash forecast for the US is a key input for that in non-core markets, and so also helps explain the move in bond yields for Australia, Singapore and Hong Kong.

¹UK linkers make up a bigger share of the total Gilt market (roughly 20%) than TIPS do of the Treasury market (less than 10%). Thus, *relative to their main market*, TIPS are less liquid than UK linkers, and thus have a price discount (e.g. lower prices, thus higher yield and smaller differential between nominal and TIPS yield).

Credit and EMD bonds

Our credit returns are forecast using the risk premium or excess return of credit (both investment grade and high yield) over sovereign bonds for the respective market. The two key drivers of credit's excess return are the changes in spreads and the expected loss through defaults, both of which are closely linked to the economic cycle. For this reason, we combine regression analysis of spread changes and default losses with our long run US growth forecast to predict the excess return of US high yield and investment grade credit over Treasuries. Using regression analysis again, we exploit a historical relationship and use the excess returns of US credit to estimate the excess returns of UK and European credit over UK Gilts and German Bunds respectively.

One change this year, for investment grade credit, has been to introduce a factor which attempts to account for losses from downgrades. To demonstrate why this is necessary, consider that over the last twenty years, the Barclays US IG index has had an average spread of 150 basis points (bps) per year, but has delivered an average excess return of just 80 bps per year. The difference is driven by downgrades within the index. To forecast this for the next thirty years, we believe that the best approach is to apply a historic ratio of downgrade losses to spreads to the current forecast spread. This provides a downward adjustment to the spread to allow for the downgrade losses. As might be expected, this results in downward revisions to our forecast returns for IG credit this year.

Table 4: Adjusting forecast spreads in IG credit for downgrade losses

	Downgrade loss	Median Spread	Downgrade loss/med spread	Current forecast spread	Loss adjusted spread
US IG	-0.39%	140	-0.28	158	114
EU IG	-0.36%	96	-0.37	80	50
UK IG	-0.54%	133	-0.41	133	79

Source: Schroders Multi Asset, January 2019.

Finally, we also estimate the relationship between US high yield (HY) and emerging market debt (EMD) spreads and use this to drive the EMD spread projection, whilst also assuming a historic ratio holds for EMD defaults and US HY defaults.

Table 5: Credit – Investment grade (IG) and high yield (HY)

2018–47 (% p.a)	US IG	US HY	UK IG	Euro IG	Euro HY	\$EMD
Spread	1.1	5.5	0.8	0.5	5.8	3.7
Default loss	0.0	3.4	0.0	0.0	3.4	1.8
Return over 10-year govt.	1.1	2.2	0.7	0.5	2.5	2.0
10-year govt. return	3.6	3.6	3.1	2.5	2.5	3.6
Nominal return	4.7	5.8	3.9	3.0	5.0	5.6

Source: Schroders Economics Group, January 2019.

Spreads to government bonds are largely unchanged from last year. However, changes in the methodology for IG credit to incorporate downgrade losses reduces the forecast returns for IG credit across all markets. We also see small changes in total returns arise from the change in the forecast for the underlying risk free asset, and upward revisions to US GDP mean reduced losses from default.

More positive growth outlook helps offset lower cash rates

Table 6: Credit and EMD bond forecast returns

% p.a.	Currency	Nominal return	Inflation	Real return	Change vs. 2018
Credit					
US IG	USD	4.7	2.1	2.6	-0.6
US HY	USD	5.8	2.1	3.7	0.1
UK IG	GBP	3.9	2.1	1.7	-0.3
Euro IG	EUR	3.0	1.8	1.1	-0.5
Euro HY	EUR	5.0	1.8	3.1	0.2
EMD	USD	5.6	3.1	2.4	-0.4
Asian Credit (JACI Index)	USD	4.7	2.1	2.6	-0.1

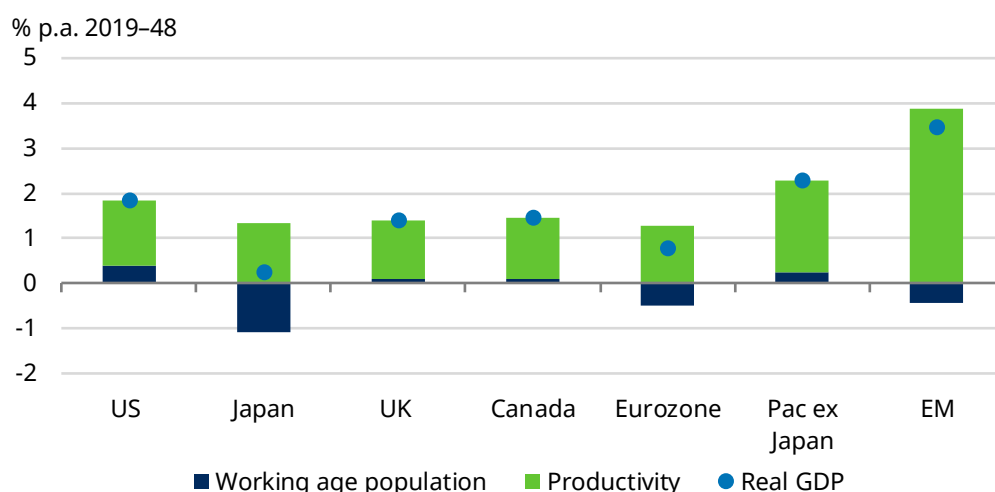
Source: Schroders Economics Group, January 2019.

For Asian credit we adopt a similar approach to that taken for European credit, and build a regression of Asian HY vs. US HY, and Asian IG vs. US IG. We then use these two results to build a composite forecast for the JACI index, which is a 70:30 split between investment grade and high yield credit. Real returns on Asian credit are expected to be lower than their US counterparts, partly due to higher expected inflation.

Equities

Our equity return assumptions use a Gordon's growth model approach, in which returns are generated through the initial dividend yield and the growth rate of dividends (via earnings growth). Earnings are assumed to grow in line with productivity, forecasts for which are made on a GDP per 'working capita' growth (i.e. growth in GDP/working age population, rather than GDP/total population). Chart 2 illustrates the importance of focusing on productivity rather than GDP growth. Especially for aging economies like Japan, headline GDP can give a misleading picture of the economy's ability to generate earnings by more efficiently combining inputs, even though those inputs (labour in this case) may be shrinking.

Chart 2: A decomposition of GDP growth projections



Source: US Census Bureau, Thomson Datastream, Schroders Economics Group. 23 January 2019.

While this forecast for productivity is the basis for our earnings and dividend growth assumptions, we make adjustments for areas where earnings and trend productivity have not tended to grow in line. This is the case in the emerging markets, where

A better outlook for equities on higher income element

productivity gains have historically not translated fully into earnings growth, hence we scale earnings growth downwards, and Europe where earnings growth has tended to exceed productivity growth (hence an upward scaling).

Equity return forecasts have received universal upgrades this year, with the exception of Japan. The key driver for this downgrade is cheaper valuations generating more generous dividend yields, though in the US we have also seen an upward revision to productivity forecasts and hence expected earnings performance. Revisions in most markets were modest and UK small cap is predicted to be the best performer over 30 years of the major markets we forecast, with a 7% real return per annum. Second and third place go to emerging markets equities and Pacific ex Japan. The regional GDP and productivity growth continues to give both an edge over the more mature market rivals. However, as a word of caution, volatility tends to be higher in emerging markets and small cap indices, so we would most definitely advise against using these numbers to make short term investment decisions.

Table 7: Equity forecast returns

% p.a.	Currency	Yield	Capital gain	Nominal return	Inflation	Real return	Change vs. 2018
Equity markets							
US	USD	2.1	3.5	5.7	2.1	3.6	0.4
US small cap	USD	1.8	5.2	7.1	2.1	4.9	0.4
UK	GBP	4.3	3.4	7.9	2.1	5.7	0.6
UK small cap	GBP	3.8	5.3	9.3	2.1	7.0	0.6
Europe ex.UK	EUR	3.3	3.1	6.6	1.7	4.8	0.6
Eurozone	EUR	3.4	3.3	6.8	1.8	4.9	0.6
Japan	JPY	2.4	2.3	4.8	1.0	3.7	0.4
Canada	CAD	3.3	3.4	6.8	2.0	4.7	
Switzerland	CHF	3.3	2.8	6.1	1.4	4.6	0.3
Singapore	SGD	3.7	2.8	6.7	1.7	5.0	0.6
Pacific ex.Japan	USD	4.0	4.7	8.9	2.6	6.1	0.7
Emerging markets	Local	3.1	6.2	9.6	3.1	6.3	0.3

Source: Schroders Economics Group, January 2019.

EM should outperform most of DM, but small cap UK equities look attractive

In Asia, China is an exception to the upgrade story across equities, thanks to a combination of a fall in the dividend yield (despite weakening valuations in 2018) and downward revisions to productivity. Asian equities generally are forecast to outperform most developed market (DM) equity markets on a 30 year horizon as a consequence of differences in productivity growth.

China an outlier as dividend yields fall

Table 8: Equity forecast returns – Asia

% p.a.	Currency	Yield	Capital gain	Nominal return	Inflation	Real return	Change vs. 2018
Equity markets							
Asia ex. Japan	USD	3.0	5.7	8.9	2.4	6.3	3.0
Taiwan	TWD	4.8	3.8	8.8	1.2	7.5	4.8
Korea	KRW	2.4	4.9	7.5	2.0	5.4	2.4
China	CNY	2.5	6.7	9.4	2.8	6.5	2.5
India	INR	1.5	9.2	10.8	4.2	6.3	1.5
Hong Kong	HKD	2.9	5.1	8.1	2.0	6.0	2.9
Singapore	SGD	3.7	2.9	6.7	1.7	5.0	3.7

Source: Schroders Economics Group, January 2019.

Real estate

Our long term real estate return forecasts are provided by the Schroders Real Estate team. The forecast consists of several components (table 9) but in similar fashion to other assets include an income and a capital growth component. Expected yields, much like dividend yields in equity markets, are under pressure thanks to higher valuations. This has resulted in a fall in expected returns overall compared to our 2018 forecast.

Table 9: Real estate forecasts

Component (% p.a.)	UK	European
Future income return	4.6	4.4
Potential income growth already in portfolio	0.25	0.25
Rental growth	2	2
Depreciation	-2	-0.75
Refurbishment capital expenditure	-0.7	-1.25
Adjustment for depreciation and modernisation	1.7	1.25
Stamp Duty and Trading Fees	-0.75	-0.75
Nominal total return	5.1	5.2

Source: Schroders Real Estate, January 2019.

Accounting for currency moves

To ease comparison, we also attempt to incorporate the impact of currency on asset returns. To do this, we utilise uncovered interest parity theory. Here, an interest rate differential implies an offsetting exchange rate movement, such that holding dollars, sterling or euros yields the same return. So if sterling cash yields a lower interest rate versus the dollar, it must be that sterling is expected to appreciate versus the dollar by an amount which makes up the difference. To keep our forecasts internally consistent, we use our cash rate forecasts as our interest rates for this purpose (equivalent to assuming a one-year hedge is put on and rolled each year for 30 years). Applying this to a selection of the assets we forecast returns shown in the table below.

Investors seeking the highest dollar returns would be drawn to UK small caps in equity, US and European high yield in credit, European property, and US Treasuries in the bond universe.

Adjusting for currencies reinforces findings for dollar investors

Table 10: Nominal common currency returns 2019–2048 (% p.a.)

UIP basis	USD	GBP	EUR
Cash	2.5	2.3	1.7
Government bonds (10y)			
US Treasury bond	3.6	3.5	2.8
UK gilt	3.3	3.1	2.5
JGB	3.0	2.9	2.2
Eurozone (Germany)	3.3	3.2	2.5
Inflation-linked			
Barclays 7–10 year IL gilts	2.3	2.1	1.5
Barclays 7–10 year TIPS	3.1	3.0	2.3
Credit			
US Investment Grade	4.7	4.6	3.9
US High Yield	5.8	5.7	5.0
UK Investment Grade	4.0	3.9	3.2
Euro Investment Grade	3.8	3.6	3.0
Euro High Yield	5.8	5.6	5.0
Real estate			
UK Commercial	5.2	5.1	4.4
EUR Commercial	5.9	5.8	5.2
Equity markets			
US	5.7	5.6	4.9
US small cap	7.1	6.9	6.3
Japan	6.9	6.8	6.1
UK	8.0	7.9	7.3
UK small cap	9.4	9.3	8.7
Europe ex.UK	7.4	7.3	6.6
Eurozone	7.6	7.5	6.8
Pacific ex. Japan	8.9	8.8	8.1

Source: Schroders Economics Group, January 2019.

Summary

Equities still on top, though credit has caught up in the US

Despite moving a step closer to normalisation, our forecasts suggest that the long run real returns on cash remain poor, with negative returns still on offer in Japan. The US and some Asian markets do offer a positive return, but even risk averse investors might shy away from a maximum return of 0.6% per annum.

We would expect longer dated sovereign debt to outperform cash over thirty years, but returns in real terms are still likely to be disappointing, and Japan still fails to deliver a positive return. The current valuations of bonds considered 'safe assets' are unattractive and suggest low returns.

Our forecasts would still suggest credit, property and equities will outperform sovereign bonds, as might be hoped. Equities remain the asset class offering the greatest potential for returns. On a regional basis, we believe most equities will deliver an attractive return (both real and nominal) though in the US high yield credit is forecast to (just) outperform the equity market, which has the lowest forecast returns of the equity markets we cover. UK small cap equities, followed by emerging markets and Pacific ex Japan, offer the highest returns.

Emerging market equities, however, are more prone to periods of crisis than their developed peers, and we would expect the more generous potential return to compensate greater volatility and sharper drawdowns. Meanwhile, the deflationary environment explains the relative underperformance of both the Japanese cash and JGB markets.

Appendix

Asia cash forecast methodology

For our Asia cash forecasts, we base our projections on the US real cash rate, adjusted for working population growth versus the US. We assume that as the proportion of working population shrinks, household income per capita decreases. Households are then assumed to save more to smooth out future expenditure, in line with the permanent income hypothesis, exerting downward pressure on the real savings rate (table 11).

Table 11: Real cash forecast returns for Asia

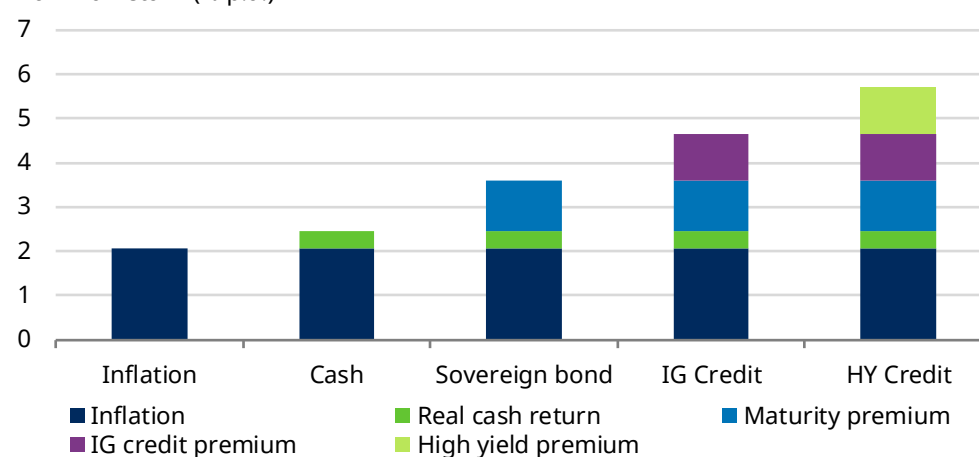
% p.a.	Currency	Yield	Capital gain	Nominal return	Inflation
Cash					
Taiwan	TWD	1.0	1.2	-0.2	-0.3
Korea	KRW	1.7	2.0	-0.3	-0.3
China	CNY	2.9	2.8	0.1	-0.3
India	INR	4.7	4.2	0.6	-0.3
Hong Kong	HKD	2.5	2.1	0.4	-0.3
Singapore	SGD	1.7	1.7	0.0	-0.4
Australia	AUD	2.9	2.5	0.4	-0.3

Source: Schroders Economics Group, January 2019.

As a result, many of the forecasts come in below the US number, as nearly all the economies covered have a slower working age population growth forecast than the US, particularly in Korea and Taiwan. The big exception is India, where the population is set on a more rapid growth trajectory, pushing up the cash rate versus the US.

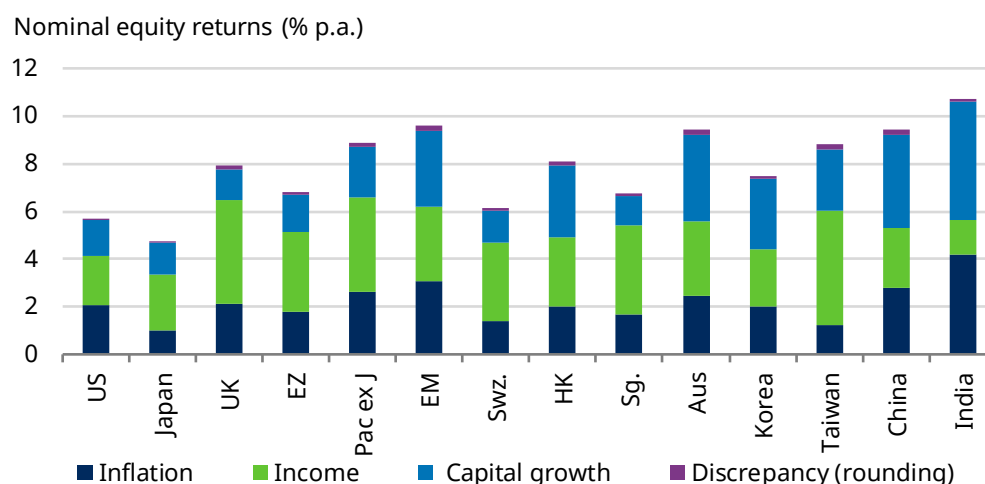
Chart 3: US nominal asset returns – build up approach

Nominal return (% p.a.)



Source: Schroders Economics Group, January 2019.

Chart 4: Nominal equity returns breakdown



Source: Schroders Economics Group, January 2019.

Table 12: Long-run return assumptions (2019–48)

	Currency	Yield	Capital gain	Nominal return	Inflation	Real return
Cash						
\$ cash	USD	2.5	N/A	2.5	2.1	0.4
£ cash	GBP	2.3	N/A	2.3	2.1	0.2
€ cash	EUR	1.7	N/A	1.7	1.8	-0.1
¥ cash	JPY	0.3	N/A	0.3	1.0	-0.7
Canada	CAD	2.3	N/A	2.3	2.0	0.3
Australia	AUD	2.9	N/A	2.9	2.5	0.4
Hong Kong	HKD	2.5	N/A	2.5	2.0	0.4
Singapore	SGD	1.7	N/A	1.7	1.7	0.0
G4 cash	Local	1.9	N/A	1.9	1.8	0.1
Government bonds (10y)						
US Treasury bond	USD	3.6	N/A	3.6	2.1	1.5
UK Gilt	GBP	3.1	N/A	3.1	2.1	1.0
Eurozone (Germany)	EUR	2.5	N/A	2.5	1.8	0.7
JGB	JPY	0.8	N/A	0.8	1.0	-0.2
Canada	CAD	3.2	N/A	3.2	2.0	1.1
Australia	AUD	3.1	N/A	3.1	2.5	0.6
Hong Kong	HKD	3.6	N/A	3.6	2.0	1.6
Singapore	SGD	2.4	N/A	2.4	1.7	0.8
G4 bond	Local	2.9	N/A	2.9	1.8	1.0
Inflation-linked						
Barclays 7–10 year IL gilts	GBP	2.1	N/A	2.1	2.1	0.0
Barclays 7–10 year TIPS	USD	3.1	N/A	3.1	2.1	1.0
Credit						
US Investment Grade	USD	5.1	N/A	4.7	2.1	2.6

	Currency	Yield	Capital gain	Nominal return	Inflation	Real return
US High yield	USD	5.8	N/A	5.8	2.1	3.7
UK Investment Grade	GBP	4.4	N/A	3.9	2.1	1.7
Euro Investment Grade	EUR	3.3	N/A	3.0	1.8	1.1
Euro High Yield	EUR	5.0	N/A	5.0	1.8	3.1
\$EMD	USD	5.6	N/A	5.6	3.1	2.4
Property						
UK Commercial	GBP	4.6	0.5	5.1	2.1	2.9
EUR Commercial	EUR	4.4	0.8	5.2	1.8	3.3
Equity markets						
US	USD	2.1	3.5	5.7	2.1	3.6
US small cap	USD	1.8	5.2	7.1	2.1	4.9
UK	GBP	4.3	3.4	7.9	2.1	5.7
UK small cap	GBP	3.8	5.3	9.3	2.1	7.0
Europe ex.UK	EUR	3.3	3.1	6.6	1.7	4.8
Eurozone	EUR	3.4	3.3	6.8	1.8	4.9
Japan	JPY	2.4	2.3	4.8	1.0	3.7
Canada	CAD	3.3	3.4	6.8	2.0	4.7
Switzerland	CHF	3.3	2.8	6.1	1.4	4.6
Singapore	SGD	3.7	2.8	6.7	1.7	5.0
Pacific ex.Japan	USD	4.0	4.7	8.9	2.6	6.1
Emerging markets	Local	3.1	6.2	9.6	3.1	6.3
MSCI World	Local	2.5	3.4	6.0	1.9	4.0
Global (AC) Equity	Local	2.5	3.7	6.4	2.1	4.2
Global (AC) Equity Risk Premium			<i>v. G4 bonds</i>	3.4		3.2
			<i>v. G4 cash</i>	4.4		4.1

Source: Thomson Datastream, Schroders Economics Group. January 2019.

Note: UK Index-linked returns use RPI inflation for the nominal return.

Table 13: Long-run return assumptions for Asia (2019–48)

Asian Assets	Currency	Yield	Capital gain	Nominal return	Inflation	Real return
Equity markets						
Asia ex.Japan	USD	3.0	5.6	8.9	2.4	6.3
Taiwan	TWD	4.8	3.7	8.8	1.2	7.5
Korea	KRW	2.4	4.8	7.5	2.0	5.4
China	CNY	2.5	6.5	9.4	2.8	6.5
India	INR	1.5	9.0	10.8	4.2	6.3
Hong Kong	HKD	2.9	5.0	8.1	2.0	6.0
Singapore	SGD	3.7	2.8	6.7	1.7	5.0

Asian Assets	Currency	Yield	Capital gain	Nominal return	Inflation	Real return
Australia	AUD	3.1	6.2	9.4	2.5	6.8
Cash						
TWD	TWD	1.0	N/A	1.0	1.2	-0.2
KRW	KRW	1.7	N/A	1.7	2.0	-0.3
CNY	CNY	2.9	N/A	2.9	2.8	0.1
INR	INR	4.7	N/A	4.7	4.2	0.6
HKD	HKD	2.5	N/A	2.5	2.1	0.4
SGD	SGD	1.7	N/A	1.7	1.7	0.0
AUD	AUD	2.9	N/A	2.9	2.5	0.4
Government bonds (10y)						
Hong Kong	HKD	3.6	N/A	3.6	2.1	1.5
Singapore	SGD	2.4	N/A	2.4	1.7	0.8
Australia	AUD	3.1	N/A	3.1	2.5	0.6
Asian Govt	USD	4.5	N/A	4.5	2.9	1.5
Credit						
Asian Credit (JACI Index)	USD	5.2	N/A	5.2	2.4	2.7
Asian Local Currency Bonds	USD	4.8	N/A	4.8	2.9	1.9

Source: Thomson Datastream, Schroders Economics Group, January 2019.

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