

PORTFOLIO INSIGHTS

# 2018 LONG-TERM CAPITAL MARKET ASSUMPTIONS: AN OVERVIEW

## 1 THE INTERPLAY OF SECULAR AND CYCLICAL FACTORS PROVIDES THE BACKDROP TO OUR 2018 LONG-TERM CAPITAL MARKET ASSUMPTIONS

Although many of the patterns and trends for this year are familiar, the maturity of the current business cycle means the interplay of cyclical and secular factors is set to influence long-term investment outcomes far more than in recent years.

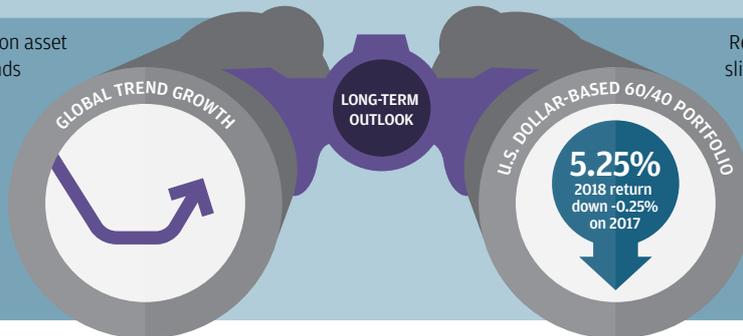


## 2 GLOBAL GROWTH ESTIMATES REMAIN BROADLY STABLE, BUT WE MAY BE NEARING THE END OF A PROLONGED SERIES OF DOWNGRADES

Our 2018 aggregate forecasts for global growth are unchanged from last year, with core inflation also generally stable.



Cyclical pressures are weighing on asset returns, but secular growth trends may finally be bottoming out.

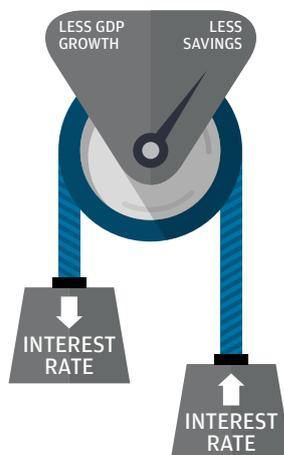


Returns for a 60/40 portfolio are slightly lower, and the stock-bond frontier rotates clockwise.

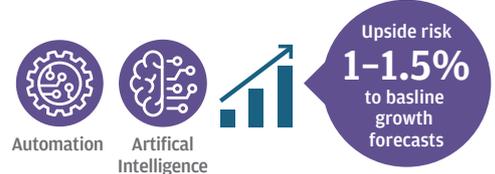
## 3 BEHIND THIS STABLE OUTLOOK, DEMOGRAPHICS AND PRODUCTIVITY ARE EXERTING A STRONG INFLUENCE ON LONG-TERM GROWTH

Since 2010, population aging and the post-crisis productivity slump have lowered our trend GDP estimates for developed economies. The effect of global aging on asset returns is more nuanced.

How global aging will impact savings, economic growth and interest rates



## 4 A TECHNOLOGY-DRIVEN BOOST TO PRODUCTIVITY OFFERS A POTENTIAL UPSIDE TO GROWTH

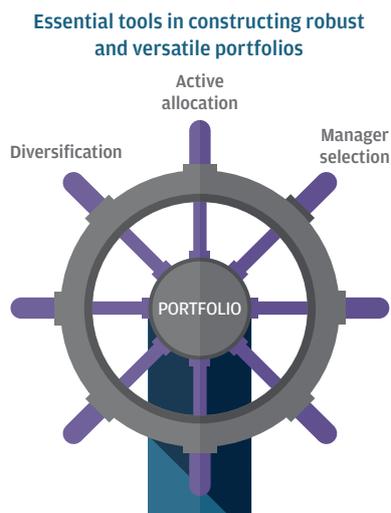


If just 10% of potential growth gain from technology accrues each year, G3 GDP could see \$6.5trillion boost by early 2030s

## PORTFOLIO INSIGHTS

## 5 HOW INVESTORS NAVIGATE NEAR-TERM CYCLICAL CHALLENGES IS KEY, EVEN FOR LONG-TERM INVESTORS

For investors of all types, interplay between secular themes including demographics, technology, China, pension funding, the path of the US Dollar and cyclical factors will be a key influence in asset returns.



## TIME FOR CAUTIOUS OPTIMISM?

Although our return estimates fall slightly this year, we are cautiously optimistic that investors can manage cyclical risks as they anticipate secular growth trends that may be finally taking a turn for the better.

### NEXT STEPS

For more information, contact your J.P. Morgan representative.

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