



Long-Term Capital Market Assumptions 2026



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INVESTMENT STRATEGY

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This report, the most requested research, establishes our long-term return assumptions across major asset classes and includes representative model portfolios.



2025 saw healthy returns for most risky assets, with the S&P 500 index up 18% in 2025 after 2024's 25% and 2023's 26% returns. With this strong 3-year rally in stocks, valuation is now well above historical averages, suggesting muted future stock returns. While off historically high levels, elevated corporate profit margins remain a potential headwind for future stock market returns.

However, with cash yielding over 3.5% and the 10-year Treasury trading above our long-term estimate, cash and bonds are positioned to provide meaningful returns to portfolios.

In total, the 2026 update of our long-term outlook calls for similar returns across most asset classes relative to 2025. Due to higher cash and bond yields, this outlook is above the previous decades' call for muted returns. However, expected lower economic growth rates due to aging demographics and a slow-growing labor force still pose headwinds to future returns.

ISG's projections suggest reasonable return assumptions are around 7.3% for an all-equity portfolio and 6.5% for a balanced 60% stock/40% bond portfolio.

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