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A look back in history to navigate uncertain markets

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The 2026 edition of the UBS Global Investment Returns Yearbook examines whether waves of technological innovation have historically led to bubbles and when geopolitical risks have materially influenced returns. We summarize several key findings to provide investors with historical context for navigating the current investment landscape.

Volatility has dominated global financial markets since the start of this year, with geopolitical developments, concerns over AI competition, and inflation worries weighing on investor sentiment. The MSCI All Country World Index has risen 1.5% year to date, giving up more than half of the gains made in the first two months of 2026.

But if history is any guide, investors may take comfort knowing that the long-term performance of stocks is significantly positive, especially considering the impact of inflation. According to the Global Investment Returns Yearbook 2026, which analyzes the long-term performance of assets from 1900 to 2025, an initial investment of USD 1 in US equities grew to USD 3,296 in real terms by the end of 2025.

Published—for the 27th year—in collaboration with Professor Paul Marsh and Dr. Mike Staunton of London Business School, together with Professor Elroy Dimson of Cambridge University, the Yearbook provides a comprehensive record of real returns across equities, bonds, bills, currencies, and gold. It helps investors put current market developments in a historical context.

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Indeed, while the themes dominating recent headlines may feel new, the Yearbook shows that many of today's dynamics have precedents.

Economic risk has proven more significant than geopolitical risk. The US-Iran conflict has rattled global markets in recent days, adding to a series of geopolitical events over the past several years that have become a central concern for investors. Geopolitical risk clearly matters when there are extreme events that have a significant economic impact on major nations. For example, World War I, World War II, and the 1973-74 Yom Kippur War and the subsequent oil embargo led to three of the six worst episodes of global equity market declines since 1900.

But much of the time, investors would be correct to “look through” geopolitical uncertainty. Using a simple regression of future world equity returns against a geopolitical threat index, the Yearbook finds no relationship, whether for a month or a year ahead. The Yearbook adds that it is economic risk that has historically been more important to markets, as three out of the four largest peacetime bear markets were triggered by economic factors. This finding is consistent with our analysis that S&P 500 returns following geopolitical events since 1940 are usually positive and in line with long-term historical averages.

Exposure to technology remains key in stock investment. Before concerns over AI disruptions and the sustainability of AI spending took center stage in market narratives this year, worries about the overvaluation of AI-related stocks gripped investors in late 2025. Such fears over technology bubbles, of course, are not new in history. Railroads, for example, despite being a declining industry over the period of the Yearbook's study, actually outperformed both the US stock market and newer technology competitors such as road and air.

Additionally, data show that an investor in technology over the last 29 years has enjoyed an annualized return of 14.1%, versus 10% for the broader US market. Holders of the tech sector would still be beating the US market even if they were unlucky enough to have initiated their investment in March 2000, right before the dotcom bubble burst. The Yearbook notes that investors should shun neither new nor old industries, as they may at times underestimate the value of new technologies and misjudge the survival prospects of moribund industries.

Gold's value as a hedge has increased over the years. The impact of inflation over long time periods is significant—USD 1 in 1900 had the same purchasing power as USD 38 today. Based on the correlation of real returns to inflation, the Yearbook finds gold and commodities stand out with positive correlation, despite a weak statistical relationship. Gold has also proven somewhat effective as an equity market hedge—gold rose in eight of 11 key US equity market drawdowns since 1975 and fell less than the S&P 500 in the other three. Gold prices also rose in three of the four US recessions over the period. In our view, while gold may not always outperform, the yellow metal can reduce the volatility of a portfolio and provide crucial insulation during periods of market stress.

While past performance does not guarantee future returns, history can certainly serve as a guide for navigating the future. In line with our view that investors' best defense against uncertain times is diversification, findings of the Yearbook show that investors in the vast majority of markets were better off investing globally rather than domestically. Additionally, a 60:40 equity-bond portfolio has never declined more than 50% peak to trough since 1900, even though stocks and bonds have separately lost more than 70% in real terms on several occasions.

For more, visit the [Global Investment Returns Yearbook 2026 website](#).

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