



Alternative Thinking

2021 Capital Market Assumptions for Major Asset Classes

Q1 2021

This article updates our estimates of medium-term (5- to 10-year) expected returns for major asset classes. It also includes a section on the stock-bond correlation. Selected estimates are summarized in Exhibit 1. After a volatile 2020, both equity and bond expected returns ended the year lower. The expected real return of a U.S. 60/40 portfolio is just 1.4%,¹ a fraction of its long-term average of nearly 5% (since 1900).

About the Portfolio Solutions Group

The Portfolio Solutions Group (PSG) provides thought leadership to the broader investment community and custom analyses to help AQR clients achieve better portfolio outcomes.

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[1] Based on historical real yields for U.S. large-cap equities and 10-year Treasuries, using a simpler methodology that allows long-term historical comparisons; methodology and sources described in Appendix.

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