



Long-Term Asset Return Study 2022

How we got here and where we're going...

#PositiveImpact



2022 has been one of the toughest years for financial markets in decades. Bonds and equities are declining in unison, and we are now in the first global bear market for government bonds in 70 years. This means that split bond/equity portfolios are seeing big losses in 2022 after decades of exceptional returns. In real terms, a German 50/50 portfolio between bunds and equities is now down more than -25% over the last 12 months, the worst return since the redenomination of German assets in 1948. This is a stunning statistic for a country institutionally minded to preserve capital and wealth, especially from inflation. Most countries are not far behind.

In a new annual report we explore the themes above, but in the main essay we focus on how we got into the perilous economic, social and political situation in which we find ourselves today. We have inflation running at the highest levels in 40 years, economies careering towards recession, increasingly frequent extreme weather events, indisputable evidence of climate change, record-high global debt, a war in Europe, various energy crises, ageing populations and some depopulation, structural levels of growth that seem to be grinding towards zero in the Developed World, and last but certainly not least, a rapidly deteriorating relationship between the world's two major superpowers.

Indeed, if you were designing the perfect world with the perfect economic and financial system, it would look quite different to what we see today. Instead, what we have is a by-product of decades and even centuries of different economic environments, various industrial revolutions, innovation cycles, monetary and fiscal frameworks, bailouts, population growth, wars, the evolution of democracies, the ebbing and flowing of globalisation and the many shocks and crises in between.

The above makes for bleak reading, but we should put this into some perspective. Prior to the last couple of hundred years, the vast majority of humans experienced a life that was "nasty, brutish and short" to quote Thomas Hobbes. Progress and improvements in living standards were glacially slow over centuries if not millennia. So in some ways our challenges today

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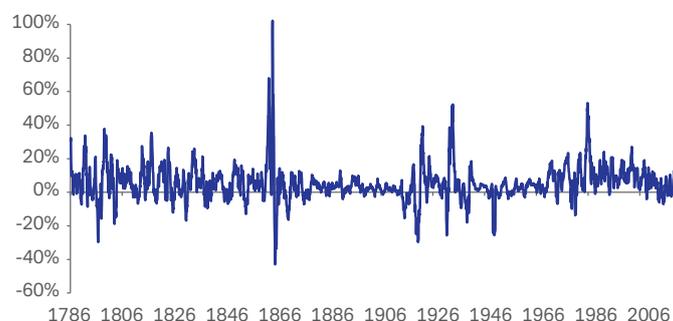
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are "first world problems" relative to over 99.99% of those faced by our ancestors. The overwhelming majority of us have been amazingly lucky to be born in today's era and are still fortunate to live in a world where we have such rapid technological progress and credible hope that we can solve some of our biggest problems.

The report isn't meant to be a complete economic history of the world but instead focuses on some key points that are relevant to how we got to where we are today. We then speculate about how the world might evolve over the next several years.

As usual, the study also includes a big back section with real and nominal returns dating back decades or centuries for numerous DM and EM assets.

Year-on-year nominal returns in global government bonds (GDP-weighted (\$)) - The first global bond bear market in 70 years...



Note: Data to 31 Aug 2022
Source: GFD, Deutsche Bank

Deutsche Bank Research clients can access the full report [here](#).