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Money Wise UK[®] – Investment Insights

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The End of the Low Inflation Era?

What Sarasin's 2026 Research Means for Investors, Advisers and Retirement Planning

Based on our review of the 2026 editions of Sarasin & Partners' The Almanac and Compendium of Investment. This summary reflects Money Wise UK's interpretation of the material and should not be viewed as investment advice.

Introduction

Every few years an investment paper comes along that makes you stop and think.

Not because it predicts the next market move.

But because it challenges the assumptions we have all become comfortable with.

Sarasin's 2026 *Almanac* does exactly that.

Its core argument is simple:

The world that shaped portfolios between 2009 and 2020 may no longer exist.

The era of:

- Ultra-low interest rates
- Falling inflation
- Globalisation
- Cheap capital
- Bond/equity diversification working almost automatically

...may now be behind us.

Instead, Sarasin argues we have entered a new market regime:

Global Fragmentation

A world shaped by:

- Higher inflation
- Higher government debt
- Geopolitical rivalry
- Demographic pressures
- Supply chain disruption
- Strategic competition around technology, energy and resources

This has profound implications for:

- Financial planners
- Retirement advisers
- Investment committees
- Trustees
- End investors

1. The Big Idea: Markets Move in Regimes

One of Sarasin’s most powerful messages is that markets do not move randomly.

They move in regimes—long periods where economic conditions, politics, inflation, and interest rates create recognisable patterns.

Sarasin identifies six major post-war regimes:

| Period | Regime | Characteristics |
|---------|----------------------|---|
| 1945–70 | Multilateralism | Growth, stability, reconstruction |
| 1971–81 | Post Bretton Woods | Inflation, oil shocks, stagflation |
| 1982–99 | Great Moderation | Falling inflation, policy discipline |
| 2000–07 | Globalisation | Cheap goods, China, disinflation |
| 2008–20 | Secular Stagnation | QE, zero rates, weak demand |
| 2021+ | Global Fragmentation | Inflation, geopolitical risk, fiscal stress |

This matters because too many investors assume the last 15 years were “normal.”

Sarasin argues they were not.

They may have been the exception.

2. The Retirement Planning Challenge

For retirement planners, this may be one of the biggest takeaways.

Many retirement plans, withdrawal models and cashflow forecasts have been built on assumptions such as:

- Inflation around 2%
- Falling interest rates
- Bonds acting as natural diversifiers
- Stable global growth

Sarasin challenges all four assumptions.

They forecast that in the US:

- Inflation may average around 2.5%
- Neutral interest rates may settle near 3.9%
- 10-year government bond yields may average 4.75%

That is a very different environment from the post-GFC era.

For advisers, this raises real questions:

Are your withdrawal assumptions still fit for purpose?

Are clients psychologically prepared for more volatile income planning?

Are traditional “60/40” conversations enough?

3. Why Inflation May Stay Higher

Sarasin identifies five structural drivers:

Demographics

Working-age populations are shrinking across developed economies.

Fewer workers + ageing populations = wage pressure + service inflation.

Debt

Governments face:

- Rising healthcare costs
- Defence spending
- Climate investment
- Higher borrowing costs

Debt may become inflationary.

Deglobalisation

Supply chains are becoming:

- Less efficient
- More expensive
- More regional

Cheap imports may no longer suppress inflation.

Climate

Climate disruption creates:

- Food shocks
- Energy volatility
- Infrastructure spending

AI and Technology

This is the wildcard.

AI could improve productivity and partially offset inflation—but likely over years, not months.

Sarasin expects AI to improve productivity but not instantly solve inflationary pressures.

4. Bonds Are Back... But Not the Same

One of the most important investment implications:

Bonds may once again offer income... but not necessarily stability.

Sarasin argues:

Higher inflation + higher debt + reduced foreign demand for government debt = structurally higher bond yields.

That may create:

Opportunities

- Better starting income yields
- More attractive valuation entry points

Risks

- Greater duration risk
- Higher bond volatility
- Less reliable diversification in inflation shocks

For retirement portfolios, bond selection may become more important than simply “owning bonds.”

5. A New Investment Theme: Security

One of the most interesting developments is Sarasin's introduction of a new equity theme:

Security

This is not simply defence stocks.

It is broader:

Cybersecurity

As digital threats rise, cyber spending becomes structural rather than optional.

Defence

Governments are committing to multi-year spending programmes.

Resource Security

Includes:

- Energy infrastructure
- Critical metals
- Water systems
- Grid upgrades

Protected Markets

Industries with:

- Pricing power
- Domestic resilience
- Essential services

This reflects a world where resilience may become more valuable than pure efficiency.

6. The Dollar Question

Sarasin also raises a fascinating macro theme:

Is the US Dollar beginning a long-term transition?

They do not predict collapse.

But they do suggest:

- Foreign demand for US Treasuries may weaken
- Gold may regain importance as a reserve asset
- Currency diversification may increase

Their conclusion:

Not rupture.

But gradual transition.

For global investors, currency risk may become more relevant than it has been in the last decade.

7. What This Means for Financial Advisers

For advice firms, this research has practical implications.

Investment Governance

Portfolio committees may need to revisit:

- Strategic asset allocation
- Inflation assumptions
- Bond duration exposure
- Currency policy

Consumer Duty

Clients need clear communication around:

- Why portfolios may behave differently
- Why income sustainability matters more than headline returns
- Why volatility may feel different

Retirement Advice

This is perhaps the biggest takeaway:

Retirement is not just about returns.

It is about:

- Behaviour
- Inflation
- Flexibility
- Withdrawal sustainability
- Communication

And those themes become even more important in a fragmented world.

Money Wise UK® View

Sarasin's research is not telling us to panic.

It is telling us to think.

For over a decade, investors benefited from:

- Falling rates
- Falling inflation
- Cheap money
- Globalisation

That backdrop may no longer be the base case.

The future may require:

More active thinking
Better diversification
Stronger governance
More behavioural coaching
Better retirement frameworks

And perhaps most importantly:

Investors who understand that markets change...
...and portfolios must evolve with them.

Source material:

Sarasin & Partners, *The Almanac 2026* and *Compendium of Investment 2026*.