



Source: Bureau of Economic Analysis as at March 13, 2026.

Profit Source

Tom Delic
Portfolio Manager



What does the chart show?

The chart tracks the components of the Kalecki–Levy profit equation since 1929. This equation is a macroeconomic accounting identity that explains the sources of aggregate corporate profits in the US economy. To allow comparison over a long historical period, all figures are expressed as a percentage of gross national product. Bars above 0% represent positive contributions to aggregate profits, while bars below 0% represent drags.

The breakdown shown in the chart is an extension and rearrangement of Kalecki and Levy’s core principle: that all newly accumulated wealth in an economy (savings) must equal the new wealth that the economy creates (investment). The chart shows how these components, or profit sources, sum to the wealth accumulated by the business sector, after subtracting the wealth accumulated by other sectors, primarily government and households.

Viewed this way, corporate profits are not simply a function of firm-level efficiency or competitiveness, but the outcome of economy wide financial flows between sectors.

Why is it important?

The Kalecki–Levy profit equation provides a powerful framework for understanding the impact of fiscal and monetary policy on aggregate profits. The long term decline in corporate tax rates, for example, has mechanically supported higher corporate profits, and the equation shows exactly how this effect operates. Had the US government reduced spending to offset lower tax revenues, the two effects would have largely cancelled out, leaving aggregate profits unchanged. Instead, governments have persistently run budget deficits, funded through additional borrowing. Those deficits have flowed back into the corporate sector via transfer payments and consumer spending on goods and services. As a result, budget deficits have become a major driver of aggregate profits over the past 15 years.

A useful extension of the Kalecki–Levy framework is to focus more closely on the net investment component. While higher investment always adds to aggregate profits *ex post*, it is the quality of investment that determines whether those profits are sustainable. Net investment captures spending that genuinely expands the economy’s productive capacity, such as new plant, equipment, software, and logistics systems. When this investment aligns with underlying demand and is financed by real savings rather than credit expansion, it supports durable profit growth. By contrast, malinvestment driven by loose financial conditions or inflated demand expectations can temporarily boost profits while eroding their long term foundations. In this sense, net investment is not just an accounting item, but a forward looking signal of profit durability.

Middle East conflict triggers global oil shock, accelerating inflation pressures and weakening growth outlook across all major economies.



US

- » Escalation in the Iran conflict, including a naval blockade of Iranian oil exports, drove oil above \$100 and rattled global markets.
- » Policy decisions contributed to inflation fears and bond sell-offs, with markets reacting to supply shocks.
- » Start of Q1 earnings season (e.g. major banks) became a focal point amid geopolitical volatility.
- » Growing criticism from allies (including the UK) over US foreign policy's economic impact.



UK

- » Government pushed for closer economic alignment with the EU, especially in trade, energy, and regulation.
- » Negotiations launched to mitigate steel tariffs and EV supply-chain rules affecting UK industry.
- » IMF praised the UK's improving fiscal position and deficit reduction path.
- » Domestic political tensions rose over perceived "softening Brexit" strategy and regulatory alignment.



Europe

- » Political shifts (e.g. Hungary election result) raised expectations of unblocking EU funding flows.
- » EU preparing new trade and tariff measures, including steel protections targeting global overcapacity.
- » Continued fiscal pressures across major economies with rising debt and borrowing costs.
- » Diplomatic balancing act with China and the US amid global conflict and trade tensions.



Rest of the World/Asia

- » IMF warned of rising global debt and need for emergency financing (~\$40bn).
- » China's reliance on Iranian crude leaves it vulnerable to US blockade risks, while broader energy disruption is further straining already fragile global supply chains.
- » Geopolitically, China continued navigating tensions with US and deepening ties with others (incl. UK earlier in 2026).
- » Japanese equities outperformed globally, benefiting from shifting risk sentiment early in the week.

Asset Class / Region	Currency	Cumulative returns			
		Week ending 17 April	Month to date	YTD 2026	12 months
Developed Markets Equities					
United States	USD	4.5%	9.2%	4.4%	36.1%
United Kingdom	GBP	0.5%	4.6%	8.9%	33.3%
Continental Europe	EUR	2.3%	8.3%	5.8%	25.1%
Japan	JPY	0.6%	7.5%	11.4%	52.1%
Asia Pacific (ex Japan)	USD	2.9%	14.0%	13.3%	49.4%
Australia	AUD	-0.2%	5.5%	3.8%	18.2%
Global	USD	4.0%	9.3%	5.4%	35.6%
Emerging Markets Equities					
Emerging Europe	USD	5.3%	18.4%	19.9%	58.5%
Emerging Asia	USD	3.5%	15.6%	13.8%	53.7%
Emerging Latin America	USD	0.4%	8.3%	24.1%	71.3%
BRICs	USD	2.0%	9.0%	-1.2%	16.0%
China	USD	2.6%	7.1%	-2.4%	20.7%
MENA countries	USD	2.2%	5.2%	5.9%	8.1%
South Africa	USD	3.6%	14.0%	10.1%	71.1%
India	USD	1.7%	11.3%	-9.3%	-4.7%
Global emerging markets	USD	3.2%	14.4%	14.2%	52.7%
Bonds					
US Treasuries	USD	0.5%	0.6%	0.7%	4.5%
US Treasuries (inflation protected)	USD	0.4%	1.0%	1.3%	5.3%
US Corporate (investment grade)	USD	0.7%	1.4%	0.9%	7.7%
US High Yield	USD	0.7%	2.0%	1.5%	10.3%
UK Gilts	GBP	0.4%	1.2%	-0.7%	3.1%
UK Corporate (investment grade)	GBP	0.7%	1.8%	-0.2%	6.4%
Euro Government Bonds	EUR	0.7%	0.9%	0.3%	0.5%
Euro Corporate (investment grade)	EUR	0.7%	1.5%	0.5%	2.6%
Euro High Yield	EUR	0.6%	2.1%	0.3%	5.5%
Global Government Bonds	USD	0.9%	2.1%	0.7%	2.2%
Global Bonds	USD	0.9%	2.0%	1.0%	4.8%
Global Convertible Bonds	USD	3.5%	9.3%	11.6%	36.9%
Emerging Market Bonds	USD	1.1%	3.3%	1.4%	13.5%
Property					
US Property Securities	USD	3.8%	8.9%	13.9%	20.3%
Australian Property Securities	AUD	2.8%	8.3%	-10.2%	1.3%
Global Property Securities	USD	3.3%	9.3%	9.5%	21.2%
Currencies					
Euro	USD	0.7%	2.2%	0.5%	3.9%
UK Pound Sterling	USD	0.7%	2.6%	0.8%	2.2%
Japanese Yen	USD	0.8%	0.6%	-0.8%	-9.9%
Australian Dollar	USD	1.7%	4.4%	7.7%	12.6%
South African Rand	USD	1.5%	4.9%	2.2%	16.1%
Swiss Franc	USD	1.3%	2.8%	1.8%	5.3%
Chinese Yuan	USD	0.2%	1.2%	2.5%	7.1%
Commodities & Alternatives					
Commodities	USD	-0.3%	-2.3%	27.4%	36.1%
Agricultural Commodities	USD	1.5%	-0.6%	7.0%	-0.1%
Oil	USD	-5.1%	-23.6%	48.5%	33.0%
Gold	USD	2.2%	4.9%	12.6%	46.8%

**For more information, please contact:
Distribution Services**

E: distributionservices@momentum.co.uk

T: +44 (0)207 618 1829

Important notes - This document is only intended for use by the original recipient, either a Momentum Global Investment Management Limited (MGIM) client or prospective client, and does not constitute investment advice or an offer or solicitation to buy or sell. This document is not intended for use or distribution by any person in any jurisdiction in which it is not authorised or permitted, or to anyone who would be an unlawful recipient. The original recipient is solely responsible for any actions in further distributing this document, and in doing so should be satisfied that there is no breach of local legislation or regulation. This document should not be reproduced or distributed except via original recipients acting as professional intermediaries. This document is not for distribution in the United States.

Prospective investors should take appropriate advice regarding applicable legal, taxation and exchange control regulations in countries of their citizenship, residence or domicile which may be relevant to the acquisition, holding, transfer, redemption or disposal of any investments herein solicited.

Any opinions expressed herein are those at the date this document is issued. Data, models and other statistics are sourced from our own records, unless otherwise stated. We believe that the information contained is from reliable sources, but we do not guarantee the relevance, accuracy or completeness thereof. Unless otherwise provided under UK law, MGIM does not accept liability for irrelevant, inaccurate or incomplete information contained, or for the correctness of opinions expressed.

The value of investments in discretionary accounts, and the income derived, may fluctuate and it is possible that an investor may incur losses, including a loss of the principal invested. Past performance is not generally indicative of future performance. Investors whose reference currency differs from that in which the underlying assets are invested may be subject to exchange rate movements that alter the value of their investments.

Under our multi-management arrangements, we selectively appoint underlying sub-investment managers and funds to actively manage underlying asset holdings in the pursuit of achieving mandated performance objectives. Annual investment management fees are payable both to the multi-manager and the manager of the underlying assets at rates contained in the offering documents of the relevant portfolios (and may involve performance fees where expressly indicated therein).

MGIM (Company Registration No. 3733094) has its registered office at 3 More London Riverside, London, SE1 2AQ. MGIM is authorised and regulated by the Financial Conduct Authority in the United Kingdom (registration no.232357), and is exempt from the requirements of section 7(1) of the Financial Advisory and Intermediary Services Act 37 of 2002 (FAIS) in South Africa, in terms of the FSCA FAIS Notice 9 of 2025 (published 9 January 2025). For complaints relating to MGIM's financial services, please contact distributionservices@momentum.co.uk. ©MGIM 2026.