



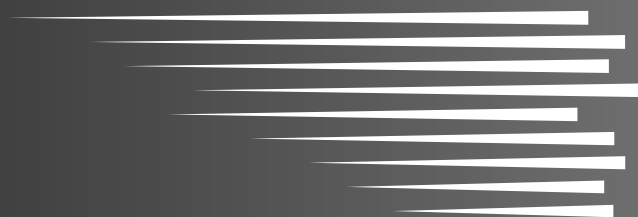
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**One-Page Summaries of 250+
2026 Investment Outlooks**

January 2026





Aberdeen Investments

Aberdeen's 2026 outlook positions global transformation, not continuity, as the defining feature for portfolio construction. Geopolitical risk, economic fragmentation and shifting correlations are reshaping traditional asset-allocation playbooks, requiring investors to prioritise diversification, resilience and adaptability. Against a backdrop of steady global growth, fiscal support and easing monetary policy, Aberdeen highlights three enduring strategic preferences: emerging market (EM) equities, selective government bonds and infrastructure.

Macro: Structural Shifts Reshaping Allocation Priorities

Aberdeen identifies six macro forces guiding 2026 positioning:

- Geopolitical risk has become a structural feature of markets, with power distributed across more global actors and policy weaponisation (tariffs, tech restrictions, critical minerals) creating more frequent shocks.
- Economic fragmentation is generating winners, including Mexico and parts of Eastern Europe, alongside opportunities in supply-chain resilience, critical minerals and future-proofed real estate.
- Traditional diversification is weakening as supply-driven shocks push equities and bonds in the same direction. Investors are increasingly turning to private markets, commodities and alternative assets.
- Central bank independence is under pressure, raising uncertainty around monetary policy paths.
- High sovereign debt levels and volatile deficits are placing upward pressure on long-term bond yields.
- US equity concentration risk and stretched valuations support more compelling long-term return prospects in China, broader Asia and parts of Europe.

Equities: EM Strength Across Carry, Capex and Cheap

Aberdeen holds a constructive stance on equities, with a clear tilt towards EM. EMs benefit from structural tailwinds across three drivers:

- Carry: Dollar weakness, improved EM fiscal discipline and broad EM rate-cut potential create prolonged FX support.
- Capex: A global investment cycle driven by decarbonisation, digitalisation and defence is boosting EM industries, from AI chips to grid upgrades and critical resources.

- Cheap: EMs continue to trade at notable valuation discounts to developed markets despite fundamentals that no longer justify the gap, offering diversification and potential re-rating opportunities. India, despite 2025 underperformance, provides a low-correlation hedge and long-term domestic growth potential.

Fixed Income: Selective Government Bonds and Constructive EM Debt

Aberdeen is positive on global government bonds, particularly at the short end, supported by Fed cuts and a potential shift to a more dovish US central bank leadership. Long duration remains challenged by high debt issuance and reduced demand from traditional buyers.

The outlook for EM debt—hard currency and local currency—is constructive. Hard-currency spreads have tightened but yields remain attractive, supported by improving sovereign fundamentals and a reopening of primary markets. Local-currency debt benefits from weaker USD dynamics, easing EM inflation and scope for rate cuts, with FX and rates both expected to support performance in 2026.

Real Assets: Infrastructure and Resilient Real Estate

Infrastructure is a high-conviction theme, underpinned by needs in AI, defence, energy, digitalisation and transport. Transport infrastructure—from rail networks to tunnels and smart toll roads—benefits from demographic shifts, decarbonisation goals and technological upgrades, offering stable, inflation-linked returns.

Real estate opportunities centre on industrial assets, affordable and community-focused housing, energy-efficient retrofits and data centres, all tied to structural demand for economic, social and digital resilience.

Sources:

[The Investment Outlook 2026 - Introduction](#)
[Macro: 6 themes that will reshape investing in a new global order](#)
[House view: equities, bonds and infrastructure lead the way](#)
[EM equities: driving innovation and diversification for the next cycle](#)
[Emerging markets debt: how Trump's return is shaping opportunities](#)
[Real estate: how resilience yields opportunities in 2026](#)
[Infrastructure: Transport as mainstay and as megatrend](#)
[Market Outlook 2026: Investing with Clarity and Conviction](#)



Adams Street

Adams Street expects 2026 to mark a meaningful improvement in liquidity across private markets, driven by a reopening of public exits, a healthier credit backdrop, and accelerating AI adoption across company workflows. For allocators, the firm highlights a constructive environment across venture, growth, buyouts, secondaries, co-investments, and private credit, though with careful attention to inflation, interest-rate risk, and pockets of geopolitical uncertainty.

A Reawakening of Exit Markets

The most important shift is the revival of the US IPO market in 2025, led by AI and technology names such as Figma, Klarna, Circle, and CoreWeave (page 4). With Q3 2025 becoming the biggest issuance quarter since 2021, Adams Street believes 2026 will see a continued thawing of exit pathways, providing competitive tension to M&A processes and strengthening liquidity. If realised, this should accelerate distributions, enabling GPs to re-enter fundraising cycles supported by LP redeployment.

Primary Investments: Venture Triage & Buyout Acceleration

In venture, the centre of gravity is shifting from AI infrastructure build-out to enterprise adoption, with 2026 becoming a sorting mechanism between experimental models and durable commercial propositions (page 5). Adams Street notes a flight to quality, with capital concentrating in top managers and “category-defining” companies, while non-AI-native firms face fund-raising headwinds.

In buyouts, easing financing conditions and narrowing valuation spreads support expectations of faster transaction activity. Corporate carveouts and sponsor-to-sponsor deals dominate, underpinned by ample private credit capacity and a re-energised syndicated loan market. Future performance, they argue, will rely more on earnings growth, innovation, operational value creation, and disciplined execution rather than multiple expansion.

Growth Equity: AI Moves to Full Deployment

Adams Street expects broad-based enterprise AI deployment in 2026, with winners being companies embedding AI deeply into workflows, delivering measurable ROI, and offering integrated platforms rather than point solutions (page 6). Platform consolidation via M&A is expected to accelerate, while AI allows leaner teams, faster product innovation, and the creation of entirely new software categories. A more predictable cost of capital should support late-stage fundraising and IPO readiness.

Secondaries: Volatility as Opportunity

Secondary volumes hit record levels in 2024–25, and Adams Street expects momentum to continue, driven by:

1. Volatility-motivated sellers (e.g., endowments reacting to policy changes),
2. Continued GP-led growth, especially continuation vehicles,
3. Superior liquidity and performance in small and lower-mid-market buyout funds, and
4. A renewed opportunity in venture secondaries as valuations stabilise and IPO markets reopen (page 7).

Co-Investments: Renaissance Ahead

Co-investments remain structurally central to buyout markets. With GPs under pressure to deliver distributions and sponsors armed with near-record dry powder, Adams Street expects 2026 to mark the start of a renaissance in deal activity (page 8). Bid-ask spreads should narrow as assets return to market. Private Credit: Core Mid-Market Strength

Finally, Adams Street sees private credit—especially the core middle market—as resilient and attractively positioned, offering:

- High all-in yields,
- Conservative structures,
- Enhanced creditor protections,
- Lower loss rates (page 9).

Despite elevated public valuations and macro uncertainties, private credit maintains strong competitive dynamics and a favourable long-term supply–demand imbalance.

Source:

[Private Markets 2026 Outlook: Improving Liquidity Amid Greater AI Adoption](#)



Aegon AM's 2026 fixed income outlook frames the year as one defined by moderate global growth, supportive policy, and stable credit fundamentals, but also by tight valuations and rising dispersion across sectors. The firm emphasises the need for active management, selective risk-taking, and disciplined credit assessment as markets remain “priced for perfection.”

Macro backdrop: US “thawing,” Europe uneven, UK soft but improving

Aegon expects the US economy to shift from “cooling” to a gradual acceleration through 2026, underpinned by monetary easing and fiscal expansion—most notably the “One Big Beautiful Bill,” which supports investment and consumer purchasing power. The Fed is expected to cut rates to around 3%, with weakness in the labour market the core driver of accommodation.

Europe enters 2026 with mild but fragile growth, supported by real wage gains and improved energy conditions but weighed down by tariffs, geopolitical uncertainty and structural challenges. The ECB has already cut rates eight times, with inflation expected to fall below target.

The UK is characterised by near-term softness, elevated inflation, and restrictive policy, but is likely to see a cyclical recovery in H2 2026 as rates fall and unemployment peaks. Longer-term outcomes hinge on productivity improvements.

Credit markets: robust fundamentals, but valuations tighten the margin for error

Across investment grade markets, corporate balance sheets remain solid, liquidity is strong and leverage is contained. However, spreads in Europe and the UK sit near 15-year highs, while US spreads—slightly wider than 2025 lows—remain “historically rich.” Technicals are supportive in both regions, with strong demand and attractive all-in yields, but Aegon sees increased volatility ahead, especially if issuance accelerates.

High yield & distressed: more dispersion, more idiosyncratic opportunity

High yield fundamentals remain stable, though some companies show softening sales and EBITDA. Aegon expects greater dispersion as weaker names face tariff pressure, slower growth and refinancing challenges. Spreads look expensive, with bias toward widening in 2026, though high carry should still support positive total returns.

Lower-quality credit (particularly Caa-rated) is flagged as a source of compelling idiosyncratic opportunities, as the 2026–27 maturity wall, elevated LMEs and sector-specific challenges create dislocations. Defaults may rise modestly but remain contained.

Bank loans, EM debt, securitized markets: selective opportunities with strong technicals

US bank loans should deliver 6.5–7% coupon-like returns, supported by CLO demand, though individual credit risk is rising amid AI disruption, tariffs and consumer softness.

Emerging market debt benefits from attractive yields, Fed easing, and structural reforms, though tight spreads and global uncertainty require disciplined country selection. Latin America stands out as a beneficiary of US tariff relief; China remains a swing factor.

US and European securitized markets offer attractive relative value, with strong structural protections and robust technicals. Areas such as data-centre ABS, RMBS and senior CLO tranches present opportunities, though spread direction will hinge on macro conditions.

Sovereign debt: attractive yields and steeper curves

With inflation easing and G7 central banks nearing the end of rate cuts, sovereign debt provides compelling carry and roll-down, though elevated issuance (notably from the US, Germany and Japan) will shape curve dynamics.

Sources:

[**2026 Fixed Income Outlook**](#)

[**Long-term Outlook: Macroeconomic Scenarios and Expected Returns 2026-2029**](#)



AGF Investments

AGF's 2026 outlook presents a constructive but narrower path for further market gains, as the current bull market enters its fourth year. The investment environment remains opportunity-rich, but with less margin for error, elevated macro uncertainty, and greater dispersion across regions and asset classes.

Macro: Growth Re-Acceleration but Higher Risk Sensitivity

AGF expects global growth to improve modestly in 2026, supported by:

- Dovish monetary policy: The U.S. Federal Reserve and Bank of Canada are likely to continue easing, though at a slower pace than in 2025.
- Large fiscal tailwinds: The U.S. One Big Beautiful Bill Act will deliver tax cuts and accelerated write-offs; Canada and parts of Europe and Asia are also adopting expansionary stances.
- Tariff adaptation: While 2025 was dominated by U.S. tariff shocks, AGF argues the negative impact fades as businesses adapt and deals take shape.

Risks remain—elevated debt loads, potential Fed politicisation, inflation pockets driven by commodities, and geopolitical flare-ups—but AGF sees low recession probability in major developed markets.

Equities: Moderated Returns, Rising Dispersion

AGF enters 2026 neutral equities, but expects dips to provide opportunities to tilt overweight.

Regional preferences:

- Emerging Markets: Upgraded due to improving valuations, easing global liquidity, and AI-driven productivity dynamics—representing a structural inflection point.
- Japan: Strong endorsement supported by the “4Rs”—reform, restructuring, reflation, reshoring. Japan's governance improvements, wage growth, and industrial policy represent a durable structural shift.
- U.S.: “Selective optimism.” Opportunities tied to AI, capex acceleration, industrials, defence, and reshoring, but valuations—especially mega-cap tech—limit broad beta upside.
- Europe: Still early in a multi-year improvement cycle driven by ECB easing, German debt-brake reform, SAFE financing, and Draghi-style competitiveness initiatives.
- Canada: Another positive year expected, with banks, industrials and commodities supported by stable rates, fiscal support, and a recovery in trade conditions.

AGF expects moderate single-digit equity gains, with fundamentals—cash flow strength, earnings revisions and capital discipline—more critical as leadership broadens beyond 2025's narrow AI-driven rally.

Fixed Income: Benign Backdrop with U.S. Opportunities

AGF is moderately underweight fixed income, but constructive on:

- U.S. duration: Belief that long-end yields are capped thanks to Treasury issuance strategy, potential buybacks, and the Fed's ability to counter disorderly moves.
- Emerging market debt: Supported by easing cycles, stabilising currencies, and improving growth dynamics.
- Corporate credit: Strong conviction. Corporates exhibit healthy balance sheets, disciplined leverage and resilient spreads—positioning credit as a portfolio stabilizer amid sovereign fiscal stress.

Specialty & Thematics

- Dividend growth benefits from attractive relative valuations and derivative-premium overlays.
- Electricity & cleantech are long-duration winners as AI-driven power demand creates a “generational opportunity.”
- Real assets gain from persistent deglobalisation, strategic competition, and structurally higher inventories—favouring metals, mining, industrials, defence infrastructure and gold.

Source:

[The Outlook 2026](#)



AllianzGI's 2026 outlook presents a world marked by fragmentation, asynchronous inflation, and diverging policy regimes – but also one where resilience persists and new sources of return are emerging. Global growth is expected to remain surprisingly steady at around 2.7%, powered by an AI-driven investment cycle and proactive policy responses across major economies. The aftershocks of US–China trade tensions continue to distort global supply chains, creating a mix of supply-side inflation pressure in the US and excess capacity elsewhere.

Macro: A world of divergence

The US economy is forecast to “bend but not break,” with growth slowing to 1.5–2% and inflation remaining above 3%, partly due to tariff spillovers. The Fed is expected to cut rates toward 3.25–3.50%, though its institutional independence may face political challenges – a notable macro tail risk for 2026.

Europe, by contrast, is entering a modest cyclical recovery backed by expanding fiscal policy, supportive monetary conditions, and low inflation. AllianzGI views Europe's stability – with no major elections and constrained political interference in central banks – as a relative strength versus the US. Asia remains mixed: trade headwinds persist, but the region benefits from the tech cycle, policy easing, and steady domestic demand. China's outlook is anchored in targeted stimulus, undervalued equity markets, and under-ownership by foreign investors.

Equities: Strategic autonomy and broadening opportunity

AllianzGI favours Europe over the US for 2026. European equities offer broader diversification, lower concentration risk, and more attractive valuations, supported by fiscal expansion and dovish central banks. The US remains structurally strong in AI but faces stretched valuations and emerging stagflationary risks. Selectivity becomes paramount.

Two major long-term opportunities stand out:

- India: Strong demographics, digital infrastructure leadership, manufacturing diversification (China+1), and attractive EPS/GDP growth expectations.
- China: Deep, cheap markets supported by policy easing, innovation strength, and contrarian long-term appeal despite volatility and geopolitical uncertainty.

Together, Europe, India, and China form AllianzGI's preferred three-pillar equity allocation framework.

Fixed Income: Carry still works, but vigilance is key

A benign backdrop of moderating inflation outside the US and falling policy rates supports duration. AllianzGI highlights opportunities in:

- Eurozone duration (Bunds preferred)
- Emerging market debt—supported by weaker USD, policy flexibility and improving fundamentals
- High-quality securitised credit and floating rate notes as diversifiers

However, credit spreads are very tight, with early signs of stress among lower-quality issuers. Active selection is “critical” as asymmetric risks rise.

Multi-Asset: Rethinking USD exposure, preparing for volatility

The firm expects further US dollar weakness, reducing its hedging reliability and warranting a more regionally diversified currency stance. AllianzGI maintains a cautious view on US equities, preferring Europe and EM. Elevated single-security volatility, masked by low index-level volatility, is identified as a key risk for 2026.

Private Markets: From alternative to foundational

Private markets are transitioning into a core building block for long-term portfolios. AllianzGI identifies five themes:

1. secondaries maturing into core allocations,
2. growing diversification into infrastructure, private credit and real assets,
3. disciplined underwriting as a differentiator,
4. accelerating private wealth participation, and
5. major capital flows into energy transition and digital infrastructure, especially in Europe.

Private credit and infrastructure are highlighted as structural long-run winners, benefiting from bank retrenchment, policy support, and durable demand for capital.

Source:

[Outlook 2026: Navigate new pathways](#)



Allspring's 2026 outlook is unified by a single message: the investment opportunity set is broadening, even as global growth moderates and policy uncertainty remains elevated. Across fixed income, equities, and emerging markets, the firm highlights a shift from narrow, beta-driven leadership to a more diversified environment where real yields, quality, and selectivity are central to portfolio construction.

Macro Landscape: Slower Growth, Sticky Inflation, Higher Real Yields

Global economies show continued resilience, but momentum is slowing as regions adjust to a new global trading regime. Allspring expects subpar but positive growth in 2026 and a policy backdrop defined by central banks navigating a fine balance between easing to support activity and preserving inflation credibility. Inflation is likely to remain sticky for the next 3–6 months, keeping rate cuts gradual and uneven across regions.

Despite this, the macro pulse remains supportive for long-term investors: real yields between 100 and 300 bps in the U.S. and other indebted developed markets offer an attractive starting point for fixed income returns. Yield curves are expected to steepen as front-end rates decline and long-end yields stay elevated due to debt overhang and inflation concerns.

Fixed Income: Real Yields as the Anchor of 2026 Returns

Allspring's fixed income stance is clear: yields will be the primary driver of returns in 2026, not capital gains. This favours exposure to short- and intermediate-maturity bonds, which benefit most from curve dynamics. High-quality IG corporates remain well supported by sound fundamentals, while emerging market debt provides attractive cyclical exposure.

U.S. municipal bonds — both taxable and tax-exempt — are highlighted as a source of compelling relative value, especially for investors seeking tax-adjusted yield advantage. The firm emphasises global diversification and security selection, arguing that disciplined construction will be crucial in a world where political and fiscal pressures may keep volatility elevated.

Equities: From Narrow Leadership to Broader Earnings Drivers

After two years dominated by mega-cap AI infrastructure winners, Allspring expects 2026 equity performance to broaden as economies enter the “AI 2.0” phase. This next wave of adoption should benefit sectors such as health care, manufacturing, and financial services, driving a new cycle of corporate investment.

U.S. small- and mid-cap companies are positioned as one of the most attractive areas of the market: valuations are compelling, rates are falling, and M&A activity is rising. With quality screens, SMIDs offer strong potential for earnings re-acceleration.

Emerging Markets: Under-Owned, Undervalued, and Entering a Policy-Led Cycle

Allspring maintains a constructive outlook on EM equities. Improved external balances, reduced systemic risk, and narrowing EM-DM risk premiums create conditions for a more broad-based rally. China remains central: after a beta-driven rebound, 2026 should shift toward policy-linked alpha under the 15th Five-Year Plan. A barbell of high-quality consumer franchises and tech/advanced-manufacturing names is preferred.

Beyond China, structural consumption growth in India and Indonesia remains a powerful anchor for long-term returns.

Allocator Conclusion

Across asset classes, Allspring's highest-conviction message is that quality, real yield, and selective growth exposure will define resilient portfolios in 2026. The opportunity set is widening — and allocators who rebalance toward undervalued EM, quality SMIDs, and high-carry fixed income may be best placed to capture the next leg of the cycle.

Sources:

[**2026 Investment Outlook: We Got the Beat**](#)

[**2026 Emerging Markets Outlook**](#)

[**2026 Outlook: Fixed Income and Equity Markets**](#)



Amova's 2026 outlook presents a world defined by resilience overlaying fragility. Growth is slowing but recession is not the base case. Liquidity remains ample, yet valuations across many assets are stretched, productivity gains are uneven, and policy uncertainty—particularly in the US—remains elevated. Against this backdrop, Amova argues that selectivity, relative value and structural change will matter more than broad beta exposure in 2026.

At the macro level, US exceptionalism is fading. While the US retains strengths in energy and innovation, tighter labour supply, heavy fiscal issuance and questions around the sustainability of AI-driven investment point to slower trend growth. Amova expects the Federal Reserve to ease only cautiously, with a terminal policy rate near 3%, implying that markets may be too optimistic about rate cuts. This underpins a more cautious stance on risk assets overall, with equity exposure reduced from overweight to neutral at the multi-asset level.

In fixed income, Amova sees opportunity not in long-duration beta, but in relative value across curves, countries and currencies. High debt issuance raises duration risk, while bond–equity correlations remain positive, weakening diversification. As a result, Amova favours mid-curve sovereign exposure (around 5–7 years) where curves are already steep, and is selective across developed markets. In credit, fundamentals remain supportive but spreads are tight, making sector selection critical: banks and domestic utilities are favoured, while technology credit is underweighted due to rising AI-related issuance and leverage risks. A standout opportunity lies in emerging market local-currency debt and high-yielding EM FX, supported by credible policy frameworks, attractive carry and a gradually weakening US dollar.

Equities are characterised by extreme concentration and style divergence. The AI infrastructure boom dominated 2025, with hyperscalers driving a narrow rally and speculative growth outperforming while quality stocks suffered their sharpest relative drawdown in decades. Amova does not call for an imminent collapse in AI, but highlights growing risks at the intersection of AI capex and private credit financing. Against this backdrop, Amova sees a compelling setup for a rotation back into high-quality equities—companies with resilient cash flows, strong balance sheets and durable competitive advantages—particularly if volatility rises.

Regionally, Asia stands out as a high-conviction opportunity. Improving global liquidity, stabilising growth in China, a consumption recovery in India and accelerating reform across markets underpin a constructive outlook. Amova highlights four key Asian equity themes for 2026: Chinese AI (pragmatic, cost-efficient innovation), Chinese healthcare (global leadership in innovative drug development), India's consumption revival, and Singapore's Equity Market Development Programme, which is unlocking value in mid- and small-cap stocks through improved liquidity and valuations. Japan also features prominently, supported by inflation normalisation, corporate governance reform and rising shareholder returns.

Finally, New Zealand represents a late-cycle recovery story. Very low interest rates are expected to revive domestic demand, housing and investment, though election uncertainty may cap momentum later in the year. For fixed income investors, Amova advises gradually reducing duration as growth returns and yields begin to rise.

In sum, Amova's 2026 outlook favours selective risk-taking, quality over speculation, EM carry over DM duration, Asia over stretched developed markets, and dynamic, relative-value strategies across asset classes. The opportunity set is broad—but only for investors willing to move beyond headline growth and focus on where structural change meets mispricing.

Sources:

[Asian fixed income outlook 2026](#)

[Asian equity outlook 2026](#)

[Global equity outlook 2026](#)

[Global fixed income outlook 2026](#)

[Global Investment Strategy outlook 2026](#)

[Global multi-asset outlook 2026](#)

[Japan equity outlook 2026](#)

[New Zealand fixed income outlook 2026](#)

[New Zealand equity outlook 2026](#)

[Singapore equity outlook 2026](#)



Amundi frames 2026 as a transition year rather than a downturn, characterised by what it calls a regime of “controlled disorder.” The global cycle continues, supported by AI-driven capital expenditure, defence and industrial policy, and monetary easing, even as structural risks remain elevated. Global growth is expected to moderate but stay resilient (around 3%), with inflation becoming a more structural feature due to reshoring, energy transition costs and geopolitics.

Macro regime: transition, not recession

Amundi argues that the world economy is adjusting to a new innovation-led regime. AI investment, defence spending and strategic autonomy policies are reshaping capital allocation and trade patterns without triggering a collapse in globalisation. Growth remains fragile but supported, while inflation risks are increasingly structural rather than cyclical. Central banks face a delicate balance: easing policy in a slowing economy while protecting credibility amid rising fiscal dominance risks—especially in the US.

Portfolio construction: diversification is paramount

In an environment of high equity concentration and stretched valuations, Amundi stresses that diversification is the primary defence. Its base case is mildly pro-risk, favouring equities and investment-grade credit, but with explicit hedges. Gold, selected currencies (notably JPY and EUR), inflation-linked instruments and selective exposure to private markets are highlighted as essential portfolio stabilisers.

Equities: broaden beyond US mega-cap tech

While AI remains central, Amundi believes the tech theme is broadening geographically and sectorally. Concentration risk in US mega-caps and the potential fading of US exceptionalism argue for a global equity approach. The firm favours combining AI exposure with financials, industrials, defence and green-transition sectors, as well as European small- and mid-caps, which offer more attractive valuations and benefit from domestic policy support. Emerging market equities also benefit from a weaker dollar and growth premia, though selectivity is emphasised.

Fixed income: policy-driven opportunities

Fixed income opportunities are shaped by the interaction between fiscal expansion and monetary policy. Amundi expects US yields to remain range-bound, favouring a tactical approach to duration and a clear preference for inflation protection via breakevens.

A key conviction is European fixed income, particularly peripheral sovereigns, UK Gilts and euro investment-grade credit, supported by easing monetary policy, improving fundamentals and attractive relative valuations. By contrast, Amundi is cautious on US high yield due to valuation, consumer exposure and financial-sector vulnerabilities.

Currencies and real assets: structural shifts

Amundi expects the US dollar to weaken further, albeit non-linearly, benefiting emerging market assets and reinforcing the case for global diversification. Gold is viewed as a structural hedge against fiscal dominance, geopolitical fragmentation and excess supply of US assets, with ongoing support into 2026.

Private markets: selective but attractive

Private markets benefit from an easier backdrop as rates fall and corporate activity revives. Amundi favours private credit and infrastructure for income, inflation resilience and exposure to long-term themes such as energy security, reshoring and AI. However, with growing assets under management, returns are expected to be increasingly idiosyncratic, making manager selection critical.

Bottom line for allocators

Amundi's 2026 outlook supports continued participation in the cycle, but with heightened emphasis on diversification, hedging and selectivity. Portfolios should balance exposure to the tech-led investment wave with protection against valuation excesses, fiscal risks and geopolitical shocks—staying invested, but not complacent.

Source:

[2026 Investment Outlook](#)



Apollo's 2026 outlook frames the year ahead as a period of short-term stagflation risk followed by medium-term re-acceleration, with AI investment acting as the central macro pillar supporting growth, asset prices and capital flows. The US economy has shown notable resilience through 2025, repeatedly exceeding growth expectations despite trade frictions, immigration constraints and the restart of federal student loan repayments. However, Apollo expects this resilience to be tested in early 2026.

A Stagflationary Near-Term Backdrop

Apollo characterises the US macro environment entering 2026 as briefly stagflationary. Growth is expected to soften over the next few quarters as tariffs continue to weigh on activity, while inflation remains sticky near 3%, keeping interest rates higher for longer. Market pricing implies a ~30% recession probability for the US in 2026, underscoring elevated macro uncertainty.

A key domestic headwind is the restart of federal student loan repayments, affecting roughly 45 million Americans. Apollo highlights that loan balances are large and widespread, delinquency rates are already rising across student loans, credit cards and auto loans, and savings buffers remain highly uneven across income groups. Combined with a reversal in wage growth dynamics—now favouring higher-income earners—this reinforces a K-shaped consumer economy, which Apollo sees as a drag on aggregate demand and a potential source of market volatility.

Offsetting Tailwinds: Fiscal Support and Capital Flows

Against these headwinds, Apollo identifies several important tailwinds. Weekly bankruptcy filings for large firms have begun to trend lower, suggesting corporate balance-sheet stress may be easing after early-2025 trade-war turbulence. Most notably, the “One Big Beautiful Bill”, effective January 2026, is expected by the CBO to boost GDP by ~0.9% in 2026, driven in part by immediate expensing of capital investment and R&D.

Apollo also highlights renewed foreign demand for US assets following April 2025 market turmoil. A weaker dollar, superior US yields and continued enthusiasm for AI-linked investments have driven renewed inflows into Treasuries, equities and credit—providing an additional macro tailwind.

AI as the Dominant Macro Force

The report is explicit that AI is now foundational to US growth. Hyperscalers are allocating roughly 60% of operating cash flow to capex, an all-time high, and AI-related investment accounts for nearly all growth in corporate capex. Outside of AI, business investment is essentially flat.

However, Apollo also flags emerging concentration risks. AI adoption rates across firms are beginning to plateau, data-centre construction growth has slowed (albeit from elevated levels), and profit margins and earnings expectations continue to diverge sharply. The Magnificent 7 have seen margins and 2026 earnings estimates revised up, while the S&P 493 has experienced downgrades—leaving the S&P 500 increasingly dependent on a narrow AI cohort and offering less diversification than in the past.

Divergence and Risks for Allocators

Apollo highlights a rare divergence between the US and Europe. While US inflation is expected to remain elevated due to tariffs, Europe faces fewer trade frictions and may see falling inflation and earlier rate cuts—an increasingly relevant consideration for global asset allocation.

Key risks to monitor include a renewed inflation surge if growth re-accelerates, a politically driven shift in Fed policy, increased fixed-income supply pressuring yields, and—most critically—any rollover in AI investment, which Apollo warns would have negative spillovers across equities, capex and consumer confidence.

Bottom line: Apollo remains constructive on the medium-term US outlook, but emphasises that 2026 portfolio construction must navigate higher-for-longer rates, concentrated equity leadership and elevated downside risk tied to the AI cycle.

Source:

[2026 Outlook: The Year Ahead in 14 Sparks](#)



Ashmore frames 2026 as a year in which emerging markets benefit from a favourable alignment of forces: easing global financial conditions, disinflation rather than monetary debasement, and resilient growth. Inflation risks are seen as skewed to the downside, while growth risks are skewed to the upside, creating “goldilocks” conditions for EM assets. A softer US dollar, driven by Federal Reserve rate cuts, is central to this view and underpins Ashmore’s constructive stance on both EM equities and EM fixed income.

AI capex and China as disinflationary anchors

The AI capex super-cycle is a key macro pillar. Ashmore sees AI investment as still in its early stages and expects it to be disinflationary in 2026, as productivity gains and labour-market disruption dominate before physical bottlenecks emerge later in the cycle. This sequencing gives central banks room to continue easing, supporting global liquidity and EM risk assets.

China reinforces this disinflationary impulse. Ashmore expects China to continue exporting deflation through rising export volumes and weak producer prices, particularly into Europe and other EM economies. While policymakers are attempting to rebalance the economy toward consumption, Ashmore views this as a gradual, multi-year process, meaning China’s deflationary influence is likely to persist through 2026.

Latin America as the clearest equity opportunity

Ashmore is most explicit in its enthusiasm for Latin American equities, which it describes as offering the clearest upside across emerging markets. Even after strong performance in 2025, valuations remain below historical averages and at a substantial discount to US equities, while dividend yields provide additional downside protection.

Brazil is highlighted for attractive earnings yields, declining inflation expectations and the potential for equity rerating as interest rates eventually fall. Mexico is viewed favourably ahead of the USMCA review, with trade continuity and political stability supporting confidence. Colombia, Chile and Peru are cited as markets where depressed valuations allowed relatively small flows to drive large returns; Ashmore believes further upside remains as risk premiums normalise. Argentina stands out as a forward-looking opportunity, with President Milei’s reform agenda and strong US backing seen as powerful catalysts for improved asset performance in 2026.

Asia: technology winners and selective rebounds

Within Asia, Ashmore differentiates sharply by country. South Korea is one of the firm’s strongest equity convictions, benefiting directly from the AI cycle through memory-chip demand, constrained supply and accelerating earnings, alongside governance reforms that support higher valuations.

Taiwan remains well positioned, with TSMC’s dominance in advanced semiconductors viewed as structurally durable.

China is approached selectively. While the macro economy remains soft, Ashmore argues that Chinese equities have decoupled from domestic growth, as index earnings are driven primarily by technology and AI investment. Liquidity support, household re-engagement with equities and the tech-heavy composition of equity indices underpin a constructive but selective stance.

India lagged in 2025, but Ashmore expects a cyclical rebound as inflation stays contained, credit conditions improve and interest rates fall. Indonesia is supported by strong domestic demand and downstream metals investment, while Malaysia benefits from data-centre and semiconductor-adjacent capex linked to the AI build-out.

Selective EMEA opportunities

In EMEA, South Africa is repeatedly highlighted across both equities and debt. Ashmore points to reform momentum, improved power stability, better fiscal discipline and higher metals prices, alongside the potential for credit upgrades. In Central and Eastern Europe, Poland stands out as a beneficiary of EU defence and infrastructure spending, strong domestic demand and prospective monetary easing.

EM debt and reform stories

In fixed income, Ashmore stresses that investor positioning still lags fundamentals despite three consecutive years of EM outperformance. While credit spreads are tight, all-in yields remain attractive, supported by improving credit quality and limited issuance. Countries such as Argentina, Nigeria, Egypt, Ivory Coast, Türkiye and Pakistan are highlighted as reform stories likely to benefit from further upgrades or improved market access. Ashmore’s highest-conviction call remains EM local currency debt, combining historically high real yields with potential currency appreciation in a softer dollar environment.

Asset allocation implication

Overall, Ashmore’s 2026 outlook supports maintaining or increasing exposure to emerging markets, with the most compelling opportunities concentrated in Latin American equities, North Asian technology exporters, selective Chinese and Indian equities, and reform-driven EM debt markets. Investors, in Ashmore’s view, remain underweight relative to improving fundamentals and a macro regime increasingly aligned with EM outperformance.

Source:

[2026 Emerging Markets Outlook](#)



Asset Management One

Asset Management One's 2026 outlook presents a world of moderating but resilient growth, where the global cycle is transitioning from policy restraint toward selective easing, while regional divergences remain pronounced. The central theme is macroeconomic normalisation rather than dislocation, with inflation easing gradually, policy rates stabilising at or near terminal levels, and growth supported by fiscal measures rather than credit excess.

United States: Slower Growth, Controlled Disinflation, Policy Stability

AMO expects the US economy to remain resilient into 2026 despite a clear slowdown from the post-pandemic rebound. Real GDP growth is forecast at 1.8%, supported by fiscal stimulus from the July 2025 tax and spending package and easier financial conditions as the Federal Reserve cuts rates modestly. Inflation dynamics continue to improve: core CPI is projected to fall into the low-2% range by the second half of 2026 as housing and core services inflation cool amid a softening labour market.

Crucially, AMO does not anticipate politically driven monetary easing despite the approaching end of Chair Powell's term. Fed independence is viewed as intact, with policy guided by the dual mandate rather than electoral pressure. A key risk flagged is the "K-shaped" nature of US consumption, where high-income households—whose spending is more sensitive to equity prices—could retrench if asset markets, particularly AI-related equities, correct sharply.

Eurozone: Fiscal Support Offsets External Headwinds

The euro area outlook is constructive but cautious. Growth of 1.2% in 2026 is underpinned by fiscal expansion, notably defence and infrastructure spending in Germany, which offsets softer external demand and lingering tariff uncertainty. Inflation continues to normalise, with core HICP expected to fall below the ECB's 2% target through 2026 as wage pressures ease.

AMO views the ECB's 2.0% policy rate as terminal, with no further cuts expected in 2026. Risks are skewed toward exports—particularly from US tariffs, euro appreciation, and competition with China—and to the execution risk around German fiscal stimulus and constrained defence spending capacity across the EU.

China: Policy Support with Lower Growth Tolerance

China's economy is forecast to slow materially, with GDP growth of 3.8% in 2026, reflecting structural headwinds rather than cyclical stress. The property downturn, weak household confidence, and overcapacity continue to weigh on domestic demand. While exports have been resilient outside the US, deflationary pressures remain evident.

The 15th Five-Year Plan signals a strategic pivot toward self-reliance in AI, semiconductors, and advanced manufacturing, supporting targeted fiscal and monetary easing. However, AMO notes the government appears willing to tolerate lower growth to pursue longer-term objectives, implying limited appetite for aggressive, broad-based stimulus.

Japan: A Structural Regime Shift Takes Hold

Japan stands out as AMO's most structurally positive story. The economy is expected to grow 0.7% in 2026, supported by rising real wages, improving domestic demand, and sustained capital investment in automation and productivity. Importantly, inflation is judged to have shifted from cost-push to demand-pull, with all four official deflation-exit indicators now positive.

The Bank of Japan is expected to continue normalisation, raising the policy rate to 1.0% by mid-2026, while proceeding cautiously with balance-sheet reduction. On markets, AMO highlights strong support for Japanese equities from corporate governance reform, record share buybacks, cross-shareholding unwinds, and improving capital efficiency, even as valuations moderate from elevated levels.

Asset-Allocation Implications

Overall, AMO's outlook favours regions with structural reform momentum and domestic demand support, particularly Japan, while highlighting selectivity in global equities as earnings growth normalises and valuation dispersion increases. Bond yields are expected to stabilise at higher levels, with risks concentrated in fiscal credibility and long-end volatility rather than recession. The dominant risk across regions remains policy execution, not macro collapse.

Source:

[Global Outlook 2026](#)



Aviva Investors' central thesis for 2026 is a transition from a period dominated by tariff-driven uncertainty and restrictive policy into one supported by monetary, fiscal and investment tailwinds. While headline global growth averages remain moderate, Aviva expects growth momentum to bottom in late 2025 and improve steadily through 2026, particularly across advanced economies. The drag from tariffs is expected to fade, while easier financial conditions, modest fiscal expansion and rising real incomes support a cyclical revival.

Monetary policy near neutral, but inflation risks resurface

A core macro assumption is that G10 central banks conclude their easing cycles by mid-2026, with policy rates settling close to neutral. Inflation is expected to converge toward target through 2026, but Aviva highlights meaningful upside risks in 2027 as spare capacity is absorbed, services inflation remains sticky and fiscal policy stays accommodative. This asymmetric inflation outlook underpins a neutral stance on duration, with a bias toward higher yields later in the year as growth strengthens and term premia rebuild.

AI capex as a growth engine — and a volatility source

AI-driven capital expenditure is identified as a defining feature of the 2026 outlook. Hyperscaler investment is expected to rise sharply, but Aviva stresses that the benefits are already broadening beyond mega-cap technology into industrials, utilities, energy, construction, real estate and insurance. This diffusion supports growth and earnings across more “traditional cyclical” sectors. However, Aviva is explicit that the AI theme also introduces heightened volatility, with uncertainties around return on capital, funding structures and increasing reliance on capital markets to finance AI-related investment.

Equities: questioning the late-cycle narrative

Aviva maintains a constructive equity outlook, arguing that markets may be closer to an early-cycle dynamic than is widely assumed. While headline equity indices have performed strongly, much of the past cycle was driven narrowly by technology. Outside of tech, Aviva notes that global equity earnings endured a multi-year downgrade cycle that only turned positive in 2025. Improving earnings breadth and capex-driven recovery in cyclicals support equity upside into 2026. Regional positioning reflects this view, with overweights to US, European and Emerging Market equities, while Japan is viewed more neutrally.

Credit: tight spreads and growing supply risks

In contrast, Aviva adopts a more cautious stance on credit. Corporate bond spreads are near historically tight levels, and the firm expects gradual widening and weak risk-adjusted excess returns. Concerns are most acute in US investment-grade credit, where issuance linked to AI infrastructure and related financing needs is expected to rise materially. Aviva also flags select risks in private credit, where rapid growth, opacity and complex structures require greater scrutiny, even if systemic risk is not yet evident.

Fixed income: higher yields as growth recovers

Across government bonds, Aviva expects yields to drift higher over the course of 2026, particularly in the US and Europe, reflecting stronger growth and persistent fiscal deficits. The UK is an exception, where weaker activity supports relatively lower yields. Yield curve dynamics are expected to remain fluid as markets begin to contemplate the possibility of future tightening cycles beyond 2026.

Diversification: dollar caution and gold as a hedge

With equity-bond correlations viewed as unreliable, Aviva places greater emphasis on diversification. The firm prefers modest US dollar underweights, particularly early in 2026, favouring the euro and higher-carry EM FX. While not part of the formal asset-allocation framework, gold is highlighted as an attractive diversifier in an environment of geopolitical risk, fiscal expansion and macro uncertainty.

Source:

[House View 2026 Outlook](#)



Barclays frames 2026 as a year defined less by clear macro direction and more by interpretation risk. Growth remains resilient but is slowing, inflation is sticky rather than solved, policy space is constrained, and markets are priced for benign outcomes. Against this backdrop, Barclays' core message for allocators is clear: quality, diversification and selectivity matter more than conviction-driven concentration.

Macro backdrop: slower growth, higher uncertainty

The US remains the anchor of global growth, supported by AI-driven investment and capital inflows, but the outlook is complicated by elevated public debt, tariff pressures and political uncertainty ahead of midterm elections. Barclays expects modest Fed easing in 2026, but stresses that inflation risks—tariffs, labour supply constraints and energy costs tied to AI infrastructure—could force policy recalibration. Europe and the UK are seen as stabilising rather than accelerating, with Germany's fiscal stimulus offering longer-term promise but limited near-term impact. China continues its structural transition away from property and exports toward consumption, green technology and AI, with growth slowing but select opportunities emerging amid deflationary pressures.

Equities: from momentum to fundamentals

Barclays argues that 2025 rewarded concentration and multiple expansion, particularly in US mega-cap AI names, but this dynamic is unlikely to persist. Valuations are stretched—especially in the US—while earnings delivery will be the dominant driver of returns in 2026. The firm highlights rising concentration risk and expects greater dispersion within and across regions. For allocators, this strengthens the case for diversifying beyond US mega caps toward regions with more attractive valuations, including Europe, the UK and selective emerging markets. Style-wise, Barclays favours quality and income, noting that companies with strong balance sheets, durable cash flows and shareholder returns are better positioned as growth slows and volatility rises.

Bonds: yields are back, but selection is critical

Fixed income is described as broadly constructive, with nominal and real yields still well above long-term averages. However, rising government debt supply—particularly in the US, France and the UK—creates volatility risks, especially at the long end. Barclays prefers developed market government bonds as portfolio diversifiers, while advocating selectivity in credit.

BBB-rated and BB-rated bonds with medium duration are highlighted as offering attractive risk-adjusted yield, alongside hybrid bonds of high-quality issuers. The message for allocators is to focus on carry and quality, while remaining agile around duration as central bank paths evolve.

Private markets: resilience in a fragmented world

Barclays sees private markets as offering relative stability amid geopolitical fragmentation and policy uncertainty. After a prolonged slowdown, conditions are improving for deal activity in 2026 as financing costs fall. Within private equity, mid-market buyouts stand out due to more attractive valuations and reduced exposure to global trade frictions.

Secondaries are highlighted as particularly

compelling, given liquidity needs across institutional portfolios. In private credit, senior secured lending to resilient, non-cyclical sectors is favoured, while real assets—especially infrastructure aligned with energy transition and digitalisation—are positioned as long-term beneficiaries.

Portfolio construction: neutral risk, higher discipline

At the multi-asset level, Barclays has moved portfolios back to a neutral equity stance, increased exposure to developed government bonds, and maintained a modest overweight to cash and short-duration assets while awaiting better entry points. Gold remains the preferred commodity exposure as a diversifier. Overall, the firm emphasises balancing conviction with diversification, avoiding binary views on themes like AI, and maintaining discipline in an environment where markets are highly sensitive to shifting narratives.

Bottom line for allocators: 2026 is a year for rebalancing rather than chasing, where returns are more likely to come from thoughtful allocation, quality bias and regional diversification than from momentum-driven bets.

Source:

[Outlook 2026: The Interpretation Game](#)



BlackRock's 2026 Global Outlook frames the year ahead as one where markets are "pushing limits," driven by mega forces—most notably artificial intelligence—that are reshaping both economic structure and market behaviour. A central theme is that AI is evolving from a capital-light to a capital-intensive growth engine, collapsing the distinction between micro decisions and macro outcomes ("micro is macro").

The pace and scale of the AI build-out are highlighted as unprecedented. External estimates cited by BlackRock suggest global corporate AI-related capex could reach roughly US\$5–8 trillion through 2030. This scale introduces a fundamental tension between near-term, front-loaded investment and longer-dated, uncertain revenue realisation—an imbalance that markets may increasingly need to price.

Debt, yields, and the limits of policy insulation

This capex surge is occurring against a backdrop of already elevated public-sector debt and rising leverage among "AI builders." BlackRock warns that this combination increases sensitivity to bond market volatility, particularly if inflation proves stickier or fiscal sustainability comes under renewed scrutiny. [bii-global-outlook-2026](#)

As a result, the outlook questions the reliability of long-duration government bonds as portfolio stabilisers. Rising term premia, heavier issuance, and more price-sensitive buyers undermine the historical role of sovereign bonds as a hedge during risk-off episodes. [bii-global-outlook-2026](#)

Asset allocation in a world with "no neutral stance" BlackRock argues that diversification is becoming structurally harder. When a narrow set of macro forces drives a limited range of outcomes, even broad index exposure becomes an implicit active bet. As such, portfolios need clearer contingency planning and greater readiness to pivot as correlations shift.

This thinking underpins their tactical underweights in long-dated sovereign bonds. They are underweight long U.S. Treasuries due to concerns over fiscal dynamics and term premium pressure, and underweight Japanese government bonds amid rate normalisation, higher issuance, and global yield spillovers.

Public markets: pro-risk, but selective

Within equities, BlackRock remains broadly constructive on risk assets, anchored in AI-driven earnings momentum. They maintain an overweight to U.S. equities, citing continued Fed easing, reduced policy uncertainty, and resilient profit growth linked to AI adoption.

Public markets: pro-risk, but selective

Within equities, BlackRock remains broadly constructive on risk assets, anchored in AI-driven earnings momentum. They maintain an overweight to U.S. equities, citing continued Fed easing, reduced policy uncertainty, and resilient profit growth linked to AI adoption.

Japan equities are also highlighted as a preferred exposure, supported by improving nominal growth, rising capex, and ongoing corporate governance reform. By contrast, Europe is held at neutral, with preference for select sectors such as financials, utilities, and healthcare.

China remains a neutral allocation. BlackRock acknowledges easing trade tensions and selective opportunities—particularly in AI, automation, and power generation—but balances these against persistent property stress and demographic headwinds. Within this neutral stance, China technology is explicitly preferred.

Fixed income: income over duration

In fixed income, BlackRock favours income-generating segments over duration exposure. They are overweight U.S. agency MBS, highlighting higher income relative to Treasuries with comparable risk and potential diversification benefits.

They also overweight emerging market hard-currency debt, supported by expectations of a weaker U.S. dollar, lower U.S. rates, improved sovereign balance sheets, and restrained issuance. Long-duration investment-grade credit is underweighted in favour of shorter-dated exposure.

Private markets move from satellite to core

The Private Markets Outlook reinforces the idea that private assets are becoming foundational rather than supplementary in institutional portfolios. Structural changes—fewer public listings, delayed IPOs, and slower M&A—have elevated liquidity management as a core allocation challenge.

Secondaries are positioned as a key release valve. In the first half of 2025, LP-led secondaries reached US\$56bn (up 40% year-on-year), while GP-led transactions totalled US\$47bn (up 68%), reflecting the growing role of continuation vehicles among large managers.

Private credit, real assets, and infrastructure

Private credit is framed as structurally advantaged, with asset-based finance (ABF) identified as a major growth area for 2026. BlackRock estimates the ABF market at roughly US\$26tn and highlights opportunities in directly originated deals offering bespoke structures and creditor protections.

In real estate, BlackRock argues that valuations—outside offices—have largely reset, with income generation expected to drive returns. Preferred segments include apartments, logistics, specialised property, and data centres, while office exposure continues to decline (accounting for just 13% of transaction volumes in 1H 2025).

Infrastructure is presented as a multi-decade opportunity, with private capital expected to help bridge a projected US\$15tn global funding gap by 2040—linking directly to AI, energy transition, and digital infrastructure build-out themes.

Sources:

[**2026 Investment Outlook: Pushing limits**](#)
[**Private Markets Outlook 2026: A New Continuum**](#)



BMO's equity outlook for 2026 is built on a base case of continued, modest economic expansion. Dan Phillips argues the U.S. economy can grow faster than consensus, potentially 2.5–3%, supported by three key forces.

First, the consumer, while showing signs of strain from slower hiring, is expected to receive a meaningful near-term boost from record tax refunds (~\$520bn, up ~40% YoY) following recent tax legislation.

Second, investment remains a tailwind, led by data centres but extending more broadly due to incentives such as 100% R&D expensing, which could support reshoring, construction and housing activity.

Third, the policy backdrop may turn more market-friendly as deregulation gains momentum in a midterm election year.

Inflation is described as stable but above target, with core PCE held in a tight ~2.5–3% range for roughly two years. BMO's key regime shift is that 2% inflation may now act as a floor rather than a ceiling, altering how investors should think about valuation and policy risk.

Monetary Policy and Rates: More Cuts Than Priced, Yields Range-Bound

On monetary policy, BMO expects the Fed to cut more than markets currently discount, projecting three cuts in 2026, and possibly four if inflation remains contained. This outlook contrasts with the Fed's own dot plot and underpins BMO's constructive stance on risk assets.

Despite expected easing, BMO does not foresee a major decline in long-term yields. Instead, competing forces — policy easing on one side, and elevated inflation, fiscal deficits and term-premium concerns on the other — are expected to keep the 10-year Treasury range-bound around 4.0–4.25%.

Equity Market Outlook: Earnings Over Multiples

BMO's equity return expectations are deliberately measured. Phillips forecasts roughly 8–9% returns for U.S. equities, driven primarily by earnings growth rather than multiple expansion. While valuation multiples are elevated, strong earnings growth (around 10% in his base case) should partially offset that pressure, resulting in modest multiple compression rather than a sharp derating.

Brent Joyce's price-target work reinforces this message. For the S&P 500, he assumes ~14% EPS growth alongside a valuation contraction from ~27x to ~24x, producing a 7,400 target — about 8% upside from mid-December levels. For Canada, the setup is slightly more favourable, with ~16% earnings growth, a smaller multiple contraction, and a 34,000 target for the TSX. Joyce highlights Canada's higher dividend yield (~2.6% vs ~1.3% for the S&P 500), while noting that a stronger Canadian dollar could dilute U.S. equity returns for domestic investors.

Sector Positioning: Downsize, Rightsize, Upsize

A central portfolio takeaway is BMO's "downsize, rightsize, upsize" framework. "Downsize" refers to areas where expectations may be stretched, notably AI and AI-adjacent sectors such as information technology and communication services, and for Canadian investors, gold equities. "Rightsize" covers the broad middle of the market — including financials, industrials and consumer discretionary — where continued earnings delivery should support further gains, albeit at a more normalised pace. "Upsize" focuses on laggards that could benefit from broader growth participation, with emphasis on healthcare (valuation support), energy, consumer staples and real estate.

Bubble Debate and Key Risks: Nuance Over Narratives

Carol Schleif pushes back against simplistic bubble comparisons, arguing today's market leadership is dominated by large, profitable, cash-generative firms, unlike the late-1990s. She also points to improving earnings breadth, with most sectors participating in recent profit growth. Key risks identified include a rise in bond yields driven by term-premium or global supply pressures, volatility that unsettles investor psychology, and policy credibility missteps — balanced against an upside risk where excessive optimism fuels asset inflation later in the cycle.

Source:

[Beyond the Portfolio Podcast: Equity Market Outlook for 2026](#)



BMO Global Asset Management enters 2026 with a constructive but disciplined outlook, anchored in resilient earnings, easing monetary policy, and improving market breadth. While risks remain, particularly around labour-market dynamics and tariff uncertainty, BMO believes the balance of probabilities still favours risk assets, with equities preferred over fixed income and global diversification favoured over domestic concentration.

Macro & Policy Backdrop

Resilience defined markets in 2025, with equities absorbing geopolitical and economic shocks and finishing the year supported by strong Q3 earnings and a late-year rally. BMO remains bullish heading into 2026, supported by expectations for continued monetary easing. The Fed and Bank of Canada are both expected to cut rates further, reflecting mixed but cooling labour data and an absence of recessionary signals.

The U.S. economy is viewed as moving through a soft patch rather than a downturn. Jobless claims remain low, business investment is resilient, and capex continues to act as a key growth anchor. While consumer spending may soften temporarily due to shutdown effects and tariff pass-throughs, BMO expects Q1 2026 to improve as tax refunds arrive, policy uncertainty fades, and fiscal support kicks in.

In Canada, the outlook is weaker. Despite an upside surprise in Q3 GDP driven by capex, domestic demand is fragile, employment growth is negative year-to-date, and recession risks are rising. Inflation is near its peak, opening the door to further disinflation and more aggressive BoC easing than markets currently price.

Internationally, BMO expects selective improvement. Europe benefits from stabilising services activity and increased defence and infrastructure spending, though manufacturing remains weak. Japan faces heightened uncertainty amid large fiscal stimulus, but any BoJ tightening is expected to be gradual. China remains structurally challenged, but incremental stimulus should support domestic risk assets, while semiconductor-linked emerging markets — notably Korea — stand out as relative bright spots.

Equity & Asset-Class Positioning

At the asset-class level, BMO continues to lean toward equities over fixed income. Market breadth, which narrowed earlier in 2025, has quietly improved, reinforcing confidence in the durability of the bull market.

Recession risk remains low given double-digit corporate margins and consensus S&P 500 earnings growth of ~13.8% for 2026.

Within equities, U.S. equities are overweight, driven by sustained earnings strength in mega-cap technology and hyperscalers. Concerns around AI spending are viewed as overdone: leading firms continue to generate strong cash flows, maintain manageable leverage, and show a credible path to profitability. A combination of looser monetary policy and supportive fiscal impulses reinforces the U.S. overweight.

Emerging markets are upgraded to overweight, reflecting easing U.S.–China tariff tensions, supportive Chinese policy, and improving fundamentals in countries such as Brazil. Canada is downgraded to slightly bearish, not due to outright weakness but because valuations appear stretched and relative opportunities are more attractive in the U.S. Europe remains underweight, as earnings have yet to validate the earlier, flow-driven rally.

Fixed Income, Duration & Style

Fixed income remains neutral, with duration held in check due to near-term uncertainty around U.S. tariff legality and policy outcomes. However, BMO is increasingly constructive on U.S. duration for later in 2026, as rate cuts, the end of quantitative tightening, and favourable Treasury supply dynamics should gently pull yields lower. Canadian duration stays neutral, constrained by currency and trade-policy risks.

From a style perspective, Growth remains favoured over Value, supported by capex intensity, improving liquidity, and a benign inflation regime. This is not a late-cycle environment where Value typically leads. Yield factors receive a modest upgrade, while Quality and Value remain neutral.

Implementation & Risks

BMO favours global diversification, limited hedging, and selective upside participation. Gold is viewed as insurance but unattractive at current levels. Key risks include sharper labour-market deterioration, tariff surprises, and policy missteps — but for now, momentum remains on investors' side as 2026 begins.

Source:

[**A merry market outlook: reasons for optimism in 2026**](#)



BNP Paribas Asset Management enters 2026 with a constructive but highly selective outlook, shaped by macroeconomic resilience, shifting policy regimes and growing dispersion across markets. The central message is that the global economy has proven more durable than expected through 2025, creating a supportive backdrop for risk assets—though investors must navigate increasing regional, sectoral and asset-class divergence.

Macro and policy backdrop

BNP Paribas Asset Management characterises the global economy as “surprisingly resilient”, with upward revisions to growth forecasts and purchasing managers’ indices pointing to a sustained recovery. Regional divergence remains pronounced. Europe is expected to regain momentum, underpinned by reduced policy uncertainty and a significant fiscal reset, particularly in Germany, via infrastructure and defence spending. The firm expects European inflation to fall below target by 2027, opening the door to additional ECB rate cuts by the end of 2026 beyond current market pricing.

The US outlook is more complex. Trade tariffs, looser fiscal policy and tighter immigration are seen as structurally inflationary, yet BNP Paribas Asset Management argues that the Federal Reserve’s reaction function is evolving. Greater emphasis on labour market outcomes relative to inflation could result in deeper rate cuts over the coming years than markets anticipate. In China, growth is expected to slow structurally, with policymakers relying on targeted stimulus and investment in advanced manufacturing and technology rather than a consumption-led recovery.

Fixed income: income with flexibility

Monetary policy is expected to be broadly supportive for fixed income in 2026, but BNP Paribas Asset Management stresses that flexibility will be essential. Lower policy rates in the US and Europe underpin a favourable environment for carry-driven returns, while sovereign bonds remain exposed to fiscal risk premia and the prospect of steeper yield curves.

Credit markets are supported by resilient corporate fundamentals and strong demand for yield, though valuations are acknowledged to be tight. High yield and emerging market debt are highlighted as attractive from a total return perspective, provided investors adopt a selective, active approach. The firm emphasises that major fixed income drawdowns typically require a growth or credit shock—neither of which forms part of its core scenario for 2026.

Equities: divergence over direction

Equity markets continue to be defined by internal divides rather than broad-based moves. BNP Paribas Asset Management expects technology-led earnings growth to persist in 2026, driven by ongoing AI-related capital expenditure. Importantly, the firm concludes that artificial intelligence is “not a bubble... yet”, citing strong balance sheets, self-funded investment and valuations well below dotcom-era extremes, while flagging risks around infrastructure overbuild and uncertain returns on capital.

Europe stands out on valuation grounds. The pursuit of strategic autonomy—particularly in defence, infrastructure, energy and critical technologies—is framed as a long-term structural opportunity, supported by rising public investment and attractive relative valuations versus US equities. In emerging markets, the strongest profit potential is concentrated in technology, especially China’s domestically oriented tech sector, which is viewed as less exposed to tariffs than export-heavy industries.

Private assets and sustainability

Private assets remain a core component of the outlook. BNP Paribas Asset Management is constructive on alternative credit, favouring strategies focused on stable income, downside protection and disciplined underwriting amid growing dispersion. In real assets, stabilising valuations and income growth underpin opportunities across logistics, high-quality offices, residential real estate and selected infrastructure, particularly in Europe.

Sustainability remains central despite political and regulatory noise. The firm expects continued investor focus on green bonds, decarbonisation strategies, and climate and nature solutions, with Europe and Asia leading capital allocation in these areas.

Allocator takeaway

For BNP Paribas Asset Management, 2026 is less about broad beta exposure and more about flexibility, selectivity and income resilience. Monetary easing, European fiscal expansion and long-term structural themes—AI, defence and sustainability—create opportunity, but only for portfolios able to navigate rising dispersion across regions, sectors and capital structures.

Source:

[Investment Outlook 2026: The Shifting Investment Landscape](#)



BNP Paribas Wealth Management frames 2026 as a year defined by multiple regime changes, with investors needing to adapt simultaneously to lower interest rates, persistent geopolitical risk, structural shifts in technology, and rising resource scarcity. The core message is constructive but cautious: participate in upside opportunities, particularly in equities and real assets, while actively managing downside risks and avoiding over-reliance on cash and long-duration nominal bonds.

Macro backdrop: liquidity supports risk, but volatility rises

BNP Paribas expects global interest rates to continue falling in 2026, led by the US Federal Reserve and followed by emerging market central banks. Slower wage growth, easing energy prices and political pressure are expected to shift policy priorities towards growth rather than inflation. However, lower policy rates mechanically compress returns from cash and sovereign bonds, while corporate bond spreads are already at cycle lows. As a result, investors face shrinking “risk-free” returns and are pushed back into a renewed hunt for yield.

At the same time, abundant liquidity from the US and China, falling long-term yields, strong corporate earnings, record share buybacks and buoyant retail sentiment support the case for further equity upside, even as valuations—particularly in the US—look stretched. BNP Paribas characterises the current phase as a “nervous bull market”: upside remains plausible, including a potential early-2026 melt-up, but volatility and drawdown risk are expected to rise as the cycle matures.

Rebalancing away from US concentration

A key strategic shift highlighted in the report is the challenge to US exceptionalism. A sharp depreciation of the US dollar in 2025, alongside geopolitical uncertainty, rising debt levels and concerns over Federal Reserve independence, is seen as an inflection point after more than a decade of US asset outperformance. BNP Paribas argues that global portfolios remain heavily concentrated in US equities and the dollar, and advocates rebalancing towards non-US assets, particularly World ex-US equities and currencies. Asia, in particular, is highlighted as a structural beneficiary of this shift.

Escaping cash: diversified income sources

With cash and high-quality bonds offering limited forward returns, BNP Paribas encourages allocators to look across a broader opportunity set for income. These include emerging market local-currency bonds, euro financial and corporate hybrid bonds, selected lower-risk private credit strategies, and quality dividend and dividend-growth equities. Income-oriented structured solutions are also positioned as tools to enhance yield, while short-dated high-yield credit may be attractive on temporary market corrections. The emphasis is on diversification across income sources rather than reliance on any single asset class.

Beyond AI hype: infrastructure and “Agentic AI”

While acknowledging the transformative nature of artificial intelligence, BNP Paribas is cautious on the first wave of AI enthusiasm centred on large language models and mega-cap technology stocks. Instead, it highlights the next stage of AI investment, focusing on the physical and infrastructural bottlenecks created by AI adoption. This includes electricity generation and transmission, nuclear power, energy storage, efficient cooling systems, water infrastructure, advanced semiconductors and critical metals. The report also highlights “Agentic AI”—systems capable of autonomous decision-making—as a key longer-term theme with cross-sector implications.

The new age of scarcity and policy-driven markets

A central structural theme is the transition into a prolonged period of resource scarcity, driven by underinvestment in supply, rising demand for strategic metals and energy, and the increasing use of resources as geopolitical leverage. BNP Paribas sees the conditions for a long-run bull market in commodities, including precious metals, industrial metals and energy. Gold and silver are also supported by de-dollarisation trends among non-US central banks.

Finally, the report argues that markets are increasingly shaped by fiscal dominance. Elevated government debt burdens reduce the attractiveness of long-duration nominal bonds and increase the appeal of real assets, infrastructure, inflation-linked bonds and strategies that benefit from inflation pass-through. Asia stands out as a high-conviction regional opportunity, supported by governance reforms, strong participation from domestic investors, and deep exposure to global technology and industrial supply chains.

Overall, BNP Paribas presents a 2026 outlook that favours selective risk-taking, diversification away from cash and US concentration, and increased exposure to real assets, Asia and next-generation technology enablers—while maintaining robust downside protection in a late-cycle environment.

Source:

[Our Investment Themes 2026](#)



BNY frames 2026 as a “multi-dimensional” investment environment in which growth, inflation, policy, and technological change pull markets in competing directions. Rather than a clean macro regime shift, the firm expects a delicate balance to persist — one that rewards diversification, selectivity, and an active assessment of relative value across regions, asset classes, and styles.

Global growth: resilient but uneven

BNY expects the global economy to maintain momentum through 2026, supported by easing financial conditions, targeted fiscal support, and stabilising labour markets. U.S. GDP growth is forecast to stabilise around 1.9% in 2026, below long-term trend but resilient given trade frictions and geopolitical uncertainty. Lower interest rates, fiscal stimulus measures, and improving housing activity are expected to support consumer spending and investment.

Outside the U.S., growth remains mixed. The eurozone is expected to grow modestly (~1.3%), aided by German fiscal stimulus and improving real incomes, though political risk — particularly in France — remains a headwind. China’s outlook is more challenged: while AI advances and export diversification supported growth in 2025, persistent deflation and a fragile property sector mean further fiscal stimulus will likely be required to meet growth targets.

Central banks: divergence returns

A key theme is policy divergence. The Federal Reserve has restarted rate cuts and ended quantitative tightening, with BNY expecting the policy rate to move toward neutral (~3%) and potentially lower into 2027. The Fed’s emphasis is shifting from inflation control toward supporting employment and growth, especially as inflation remains only modestly above target.

By contrast, other central banks face different constraints. The ECB may ease further but is limited by fiscal realities and defence-related spending. The Bank of Japan is expected to continue tightening gradually, while many emerging market central banks are cutting rates with an eye on currency stability. This divergence creates more dispersion across yield curves, duration, and credit spreads, increasing the importance of country-level and maturity selection.

Fixed income: selective opportunities in dispersion

BNY remains constructive on global fixed income fundamentals but stresses selectivity. In the U.S., front-end Treasuries are expected to benefit from rate cuts, while long-duration bonds face risks from fiscal deficits and rising term premia. Credit spreads are tight, favouring higher-quality investment grade exposure over lower-quality risk, though off-benchmark structured credit is highlighted as a potential source of “complexity premia.”

In Europe, sovereign valuations diverge meaningfully by country, with France appearing expensive relative to peers, while Spain, Germany, Italy, and Ireland offer more attractive duration characteristics. In emerging markets, expectations of U.S. dollar weakness and ongoing rate cuts support local-currency debt and selective high-yield opportunities.

U.S. dollar: turning point narrative

BNY argues that 2026 could mark a turning point for the U.S. dollar. Structural pressures — rising fiscal deficits, a narrowing rate differential, and a shift toward a more multipolar currency system — weaken the dollar’s safe-haven status. The firm expects increased currency hedging by global investors, particularly given the scale of overseas holdings in U.S. assets.

Equities and AI: fundamentals over hype

While U.S. equity valuations are elevated (S&P 500 trading around 22x earnings), BNY does not see this as purely speculative. Strong profitability, rising margins, and the growing weight of high-margin technology companies support a structurally higher multiple. Importantly, earnings growth is broadening beyond mega-cap tech, with small caps, Europe, Japan, and emerging markets becoming more relevant.

On AI, BNY shifts the focus from adoption to value capture. Productivity gains alone are insufficient; long-term winners will be firms with pricing power, scale, regulatory barriers, or network effects — and those able to unlock unmet demand as AI lowers costs and expands access.

Allocator takeaway

BNY’s 2026 outlook supports staying invested in risk assets, but within a diversified, actively managed framework. Diverging policies, currency shifts, and AI-driven disruption argue for regional balance, selective duration, quality bias in credit, and careful equity selection as markets navigate an increasingly complex global landscape.

Source:

[2026 Outlook: 6 FOR 2026](#)



BNY Wealth's 2026 outlook is built around a constructive central case: resilient U.S.-led growth, falling policy rates, and a broadening earnings cycle, with innovation—particularly artificial intelligence—acting as the primary engine of long-term opportunity. While risks remain, the firm argues that the macro backdrop is sufficiently supportive to justify a pro-risk stance, anchored by active diversification and selectivity.

Macro backdrop: resilient growth, easing policy, contained inflation

BNY expects U.S. economic leadership to persist in 2026, forecasting growth of roughly 1.7–2.3%, outpacing other developed markets. Productivity gains—driven increasingly by AI adoption—are central to this view, with generative AI potentially adding 0.5–1.0% to annual GDP growth over time. Consumption remains the key pillar, supported by strong household balance sheets, elevated asset values, and fiscal relief from the One Big Beautiful Bill Act (OBBBA), which is expected to boost after-tax income via credits and deductions.

Inflation is expected to remain range-bound rather than re-accelerating, with headline CPI projected at 2.6–3.3% in 2026. Sticky services inflation is offset by easing shelter costs, while tariffs are framed as a one-time inflationary impulse, not a sustained regime shift. Against this backdrop, the Federal Reserve is expected to continue easing toward a ~3% policy rate, supporting financial conditions even as leadership changes at the Fed introduce some uncertainty.

Fixed income: bonds reassert their strategic role

A core message of the outlook is the rehabilitation of bonds as a source of income, stability, and diversification. Higher starting yields—well above the prior decade—are seen as a durable buffer against volatility and a strong predictor of medium-term returns. BNY expects Treasury yields to drift lower across the curve, led by the front end, producing curve steepening and supporting mid-single-digit total returns across much of fixed income.

However, the firm emphasizes active management. Credit spreads in investment grade and high yield are near historical lows, implying returns will be yield-driven rather than spread-driven. Within this context, BNY highlights opportunities in high-quality intermediate-to-long municipal bonds, high yield, and emerging market debt, particularly as EM debt has historically performed well during Fed easing cycles.

Equities: broadening earnings underpin a continued bull market

BNY expects S&P 500 earnings growth of 10–15% in 2026, with a year-end index target of 7,200–7,600. Crucially, earnings growth is expected to broaden beyond mega-cap technology, supported by AI-driven productivity, easing financial conditions, and pro-growth fiscal policy. While valuations are elevated (around 22x forward earnings), BNY argues they are justified by structurally higher margins, stronger free cash flow generation, and the larger weight of highly profitable technology firms.

Regionally, the firm maintains a clear preference for U.S. equities—particularly large caps—citing superior earnings growth, deeper capital markets, and a more favorable regulatory environment than Europe or Japan. Sector opportunities are concentrated in Information Technology, Industrials, and Financials, each benefiting from AI adoption, capital expenditure cycles, and a steepening yield curve.

Private markets, AI, and real assets: the long-duration opportunity set

AI is the defining structural theme of the outlook. BNY highlights rapid adoption, early monetization, and massive capital expenditure across the AI value chain. Importantly, the firm sees some of the most compelling opportunities outside public markets, particularly in venture capital, infrastructure, energy, and real assets.

The AI build-out is driving explosive demand for data centers, semiconductors, and electricity, creating long-dated investment opportunities across power generation, grid infrastructure, renewables, and nuclear energy.

Digital assets: selective, private-market exposure preferred

BNY frames digital assets as an emerging but volatile opportunity set, supported by improving regulation, tokenization, and institutional infrastructure. Rather than advocating broad public exposure, the firm reiterates a preference for select digital-asset and blockchain exposure via private equity and venture capital, emphasizing diversification benefits alongside strict valuation discipline.

Bottom line for allocators

BNY Wealth's 2026 outlook supports a constructive, innovation-led portfolio stance, with U.S. assets at the core, bonds reinstated as strategic ballast, and private markets playing a growing role in capturing AI-driven secular growth—while remaining vigilant to policy, consumer, and fiscal risks.

Source:

2026 Outlook: Innovation Drives Opportunities



Cambridge Associates frames 2026 as a year in which hype, concentration, and elevated valuations collide with a more muted macro backdrop, making disciplined diversification and selectivity essential. Global growth is expected to run slightly below trend, with real GDP forecast at 2.9%, while recession risk remains limited. Inflation dynamics are uneven: tariffs are expected to keep US inflation temporarily elevated, constraining the Federal Reserve's scope to ease aggressively, while non-US regions may enjoy greater policy flexibility. Against this backdrop, Cambridge argues that investors should resist narrative-driven allocations and instead focus on relative value, resilience, and portfolio construction.

Diversification over concentration

A central theme is that many portfolios have become over-exposed to equities, particularly US equities, after a decade of strong returns and expanding private market allocations. Cambridge highlights elevated equity valuations, rising index concentration (with the top ten US companies accounting for over 22% of global equity exposure), and increased downside skew in expected equity returns. For allocators with high equity weights and drawdown sensitivity, 2026 is presented as an opportune moment to rebalance policy allocations, not by exiting risk wholesale but by broadening exposures to diversifying assets such as hedge funds and select alternatives.

AI: transformative, but capital-intensive

Cambridge is constructive on artificial intelligence as a long-term productivity driver but cautions that capital intensity and valuation risk dominate near-term returns. Hyperscalers are committing extraordinary levels of capital expenditure, shifting business models from asset-light to asset-heavy, historically associated with weaker shareholder outcomes. Rather than chasing core AI infrastructure equities, Cambridge encourages diversified exposure across the AI ecosystem, including asset-light adopters, power and grid infrastructure, and selectively chosen venture-backed innovators. The message for allocators is clear: AI exposure should be intentional, diversified, and manager-led—not index-driven.

Real assets and electrification as structural plays

One of the most durable themes in the outlook is the multi-year investment cycle in electricity grids and electrification. AI-driven data centers are only one contributor to rising electricity demand; electrified transport, heating, and industrial processes are equally important. Years of grid underinvestment mean capital expenditure must accelerate sharply through 2030.

Cambridge sees particularly strong opportunities in grid infrastructure, equipment manufacturers, and enabling technologies across public and private markets. While valuations in some listed industrials are elevated, the long time horizon and multiple demand drivers underpin this as a structural allocation theme.

Currency, rates, and fixed income discipline

Cambridge expects the US dollar to be in a multi-year downtrend, despite the likelihood of counter-trend rallies in 2026. Structural overvaluation, fiscal pressures, and political influence over future Fed appointments support an underweight stance, with non-US equities and unhedged non-US sovereign bonds highlighted as natural implementation tools.

In rates, the firm advocates maintaining exposure to high-quality sovereign bonds at benchmark duration, avoiding tactical duration bets. Yields are viewed as broadly fair, curves have steepened, and while bonds should continue to outperform cash, the case for aggressively extending or shortening duration is unconvincing absent a growth shock.

Equity preferences: outside the US and down the cap spectrum

Equity positioning is one of Cambridge's strongest conviction areas. The firm recommends overweighting global equities ex-US, citing stretched US valuations, high index concentration, a weakening dollar, and improving earnings growth prospects elsewhere. Within developed markets, small-cap equities are favoured, supported by historically wide valuation discounts, improving earnings momentum, and policy tailwinds, particularly in Europe and Japan. Emerging markets are viewed more constructively than in recent years, with Latin America singled out for its deep valuation discounts, attractive currencies, and relative insulation from US trade policy.

Private markets: adapting to a changing structure
Private markets are described as having troughed, but the recovery is unfolding in a structurally different environment. Distribution delays, slower fundraising, and the rapid rise of continuation vehicles are reshaping portfolio construction. Cambridge sees secondaries becoming a core portfolio building block, while also urging investors to reassess venture exposure—particularly by moderating commitments to seed-focused strategies where valuations remain elevated and exit hurdles are higher.

Alternatives as portfolio ballast

Hedge funds are positioned as critical tools for 2026, especially equity long/short strategies, which can exploit elevated dispersion and provide asymmetric downside protection. In credit, Cambridge is underweight public corporate credit due to historically tight spreads, instead favouring private asset-based finance, agency MBS, municipal bonds, and specialized private credit strategies that offer diversification and resilience.

Source:

[2026 Outlook: Finding Value Amid the Hype](#)



Across its 2026 outlook series, Candriam presents a coherent framework built around a defining shift in the global investment regime. Fragmentation — geopolitical rivalry, reshoring, strategic autonomy and fiscal expansion — is no longer a tail risk but the organising principle of markets. Traditional diversification has weakened as equity–bond correlations prove unreliable, sovereign balance sheets deteriorate and political pressure on central banks intensifies, particularly in the US. Portfolio resilience can no longer be assumed; it must be constructed deliberately.

Growth Is Intact — and Capex-Driven

Despite rising uncertainty, Candriam's outlook is fundamentally constructive. Growth remains intact, underpinned by an unusually powerful investment cycle rather than leverage or sentiment alone. The AI capex super-cycle sits at the heart of this dynamic, supported by strong corporate balance sheets, real profitability and public-sector backing. AI adoption is still in its early stages, and its influence now extends well beyond equities into credit markets, electricity demand, commodities and industrial policy.

China: Structural Opportunity, Not a Cyclical Trade

China is framed as a long-term beneficiary of fragmentation rather than a short-term rebound story. The launch of the 15th Five-Year Plan, targeted policy support and rapid advances in AI, semiconductors and power infrastructure underpin a more innovation-led growth model. Candriam expects Chinese equities to transition from a liquidity-driven rally to an earnings-based recovery in 2026, favouring industry leaders with global ambitions. In fixed income, caution and selectivity prevail: Chinese rates offer limited appeal, while the renminbi functions primarily as a funding currency.

Europe's Strategic Awakening

Europe is presented as entering a new investment cycle driven by energy security, defence, infrastructure and technological sovereignty. Explicit industrial policy and rising public–private investment are reshaping opportunity sets. Valuations remain attractive relative to the US, while earnings momentum is improving. Candriam highlights opportunities across aerospace and defence, semiconductor equipment, utilities, materials, banks and SMID caps — particularly in under-owned segments aligned with policy priorities.

Electrification: The Bottleneck — and the Opportunity

AI's explosive electricity demand is accelerating investment across renewables, grids and energy storage, especially in developed markets. Electrification emerges as both a constraint on the AI cycle and one of its most compelling second-order opportunities. Utilities are evolving from bond-like defensives into strategic growth assets, with regulated networks and grid developers best positioned. Structural supply constraints elevate the long-term case for electrification metals such as copper.

Healthcare and Biotech: Idiosyncratic Growth Returns

After a multi-year reset, healthcare — particularly biotechnology — is entering a new growth phase. Policy clarity has improved, innovation pipelines remain strong and M&A activity is accelerating as large pharmaceutical companies confront looming patent cliffs. Candriam views biotech as one of the few sectors capable of delivering double-digit, cycle-independent growth, offering valuable diversification in increasingly AI-centric equity markets.

Credit at a Crossroads: Selectivity Over Beta

Credit markets are late cycle, but not fragile. High yield appears more resilient than in prior cycles, supported by short duration, a higher-quality issuer mix and favourable technicals. Private credit remains attractive but increasingly heterogeneous. Candriam highlights European lower-mid-market and sponsorless transactions as particularly resilient, while emphasising that underwriting discipline, transparency and manager selection are critical.

Gold, Alternatives and the Re-engineering of Diversification

Gold has evolved from a tactical hedge into a structural portfolio component. Central-bank demand, fiscal uncertainty and the erosion of traditional safe havens have strengthened its role as both shock absorber and diversification engine. Candriam's optimisation work suggests gold — alongside CTAs — now plays a central role in improving risk-adjusted returns as alternatives become essential sources of diversification.

Impact Investing: Enduring, but More Disciplined

Impact investing is not retreating; it is maturing. The focus is shifting toward outcome-driven, measurable strategies, particularly in private markets where governance, additionality and long-term capital alignment are strongest. Impact private equity and debt are positioned as key vehicles for financing electrification, resource efficiency, healthcare and social infrastructure.

Portfolio Implications for 2026

Candriam's conclusion is clear: stay invested, but with greater discrimination. Returns in 2026 will depend less on market direction and more on thematic exposure, regional diversification, selectivity in credit, real assets and alternatives — and on recognising that this cycle is evolving, not ending.

Sources:

[Navigating a fragmented world](#)

[Monetary Policy: The Fed under attack](#)

[Europe's strategic autonomy: emerging reality or political mirage?](#)

[China's next act: is Beijing emerging as the big winner?](#)

[The AI Gold rush: Boom, bubble or just the beginning?](#)

[The age of electricity](#)

[Healthcare: from disruption to opportunity?](#)

[Are credit markets approaching a crossroads?](#)

[All that glitters?](#)

[Impact Investing: fading priority or enduring commitment?](#)

[The shape of things to come](#)



Capital Group's 2026 outlook is anchored around a single organising idea: markets are transitioning from a narrow, valuation-stretched, US-tech-led regime to a more balanced and resilient opportunity set across regions, sectors and asset classes. While risks remain elevated, the firm argues that diversification — across equities and bonds, US and non-US markets, growth and value — is likely to be increasingly rewarded.

Macro backdrop: resilience, policy clarity and selective reacceleration

Capital Group expects global growth to remain resilient rather than recessionary in 2026, with the potential for reacceleration in the second half of the year as trade uncertainty fades. Tariffs, while still present, have settled at much lower effective rates than initially feared, reducing policy uncertainty and unlocking delayed corporate investment decisions. The US economy is expected to slow modestly but avoid a downturn, while Europe benefits from substantial fiscal expansion — particularly Germany's €500bn infrastructure and defence programme — and Asia shows signs of stabilisation, with Japan entering a sustained reflationary phase.

Monetary policy divergence is a key theme. The Federal Reserve is expected to continue easing toward a neutral policy rate near 3%, responding to labour-market softness rather than collapsing demand. In contrast, Capital Group sees the ECB as a potential outlier, with scope to tighten policy in 2026 as fiscal stimulus lifts European growth and inflation — a view that differs from market consensus.

Equities: broadening leadership, selective risk management

Equity markets are characterised as expensive but not irrational, with elevated valuations leaving little margin for disappointment. However, leadership has broadened materially. Since mid-2025, Europe, Japan and emerging markets have outperformed the S&P 500 and the "Magnificent Seven", reinforcing Capital Group's conviction in global diversification.

AI remains a dominant structural theme, but the firm argues the market is closer to "1998 than 2000" in bubble terms. Unlike the dot-com era, today's AI leaders are highly profitable and capable of funding capital expenditure internally or through conservative balance-sheet leverage. Importantly, Capital Group broadens the AI opportunity set beyond mega-cap technology to include infrastructure, utilities, industrials, materials and downstream adopters across healthcare, financials and media.

Japan stands out as a structural equity opportunity. The shift away from deflation toward higher inflation and productivity could lift the long-standing ceiling on Japanese equity valuations, particularly for firms with pricing power and governance reform momentum.

Europe is also highlighted, with defence, industrial software and electrification beneficiaries linked to fiscal stimulus and NATO spending commitments. At the portfolio level, Capital Group stresses the role of dividend-paying equities as a way to remain invested while mitigating drawdown risk, noting their historical resilience during market corrections and innovation-led volatility.

Fixed income: ballast returns as policy eases

Fixed income plays a central role in the 2026 outlook. With starting yields around 4%–5% in high-quality bonds, Capital Group sees income and diversification benefits that have been absent for much of the past decade. Bonds are positioned as effective ballast should growth disappoint, with scope for capital appreciation if the Fed accelerates rate cuts.

Curve strategies feature prominently. Capital Group favours yield-curve steepeners as a risk-off expression, reflecting expectations of front-end support from easing policy alongside upward pressure on long-dated yields from fiscal deficits and term premia.

Credit markets are viewed constructively but require selectivity. Investment-grade fundamentals remain robust despite tight spreads, while US high yield benefits from a structural improvement in quality, with a higher share of BB-rated and senior-secured bonds enhancing resilience. Emerging market local-currency debt stands out as increasingly driven by domestic rates rather than external shocks, offering attractive real yields and diversification potential, while hard-currency EM debt demands a more selective, reform-focused approach.

Bottom line for allocators

Capital Group's 2026 message is not one of aggressive risk-taking, but of rebalancing portfolios for a more diversified, policy-driven and valuation-sensitive market environment. Equities remain supported by earnings and structural investment themes, but bonds once again offer genuine diversification. In this setting, breadth, balance and active selection are positioned as the primary sources of portfolio resilience and return in 2026.

Source:

[2026 Investment Outlook](#)



Carmignac frames 2026 as a late-cycle world that refuses to slow, characterised by persistent nominal growth, sustained inflation pressure, and intensifying fiscal dominance. The firm's central message is that the traditional macro playbook—relying on government bonds for diversification and passive exposure for beta—no longer works in an environment shaped by politics, industrial policy, and concentrated growth drivers.

Macro regime: fiscal dominance in a late-cycle world

Carmignac expects global growth to remain broadly unchanged at around 3%, supported by a narrow but powerful set of drivers: AI-related capital expenditure, national security and industrial sovereignty spending, and sustained fiscal largesse. Monetary easing is already underway, but the firm argues it is insufficient to meaningfully accelerate growth due to structural headwinds such as geopolitics, private credit tightening, repo market fragilities, and the return of bond vigilantes.

A defining feature of the outlook is fiscal dominance. Governments, facing weak and uneven growth alongside rising populist pressures, are expected to continue expanding deficits. Central banks, constrained by financial-stability considerations, are likely to accommodate this through balance-sheet support rather than enforce orthodox discipline. This dynamic underpins Carmignac's scepticism toward long-dated sovereign bonds and reinforces its preference for assets that benefit from nominal growth and inflation persistence.

Regional macro views: policy risk matters

The US is expected to reaccelerate as fiscal stimulus intensifies ahead of elections, with inflation remaining sticky around 3%. Carmignac anticipates renewed pressure on the Federal Reserve and a likely return to balance-sheet expansion to stabilise funding markets.

In Europe, growth is projected to recover modestly on the back of synchronised fiscal activism, even as productivity disappoints and disinflation slows. ECB policy is seen as constrained unless bond markets force its hand.

China is characterised as doubling down on a “techno-militarist” growth model. Fiscal expansion and deficit monetisation are expected to stabilise activity and equity valuations, supported by strong external balances.

Japan stands out as a key risk case: aggressive fiscal expansion alongside a weak yen could trigger a disorderly market reaction, forcing policy reversal and potentially unwinding global carry trades.

Investment strategy: risk assets, but not indiscriminately

Carmignac remains constructive on equities and credit in aggregate, arguing that nominal GDP growth and persistent inflation support revenues and earnings. However, elevated valuations and high cross-asset correlations demand selectivity and active management

In equities, the firm advocates a barbell strategy: pairing AI and technology leaders benefiting from structural capex with defensive healthcare and consumer staples that offer resilience in a two-tier consumer economy. Importantly, Carmignac stresses selection over index exposure, highlighting valuation dispersion across regions and within the AI supply chain.

Fixed income, FX and diversification

The outlook is notably cautious on long-dated government bonds, particularly from high-deficit issuers, where term premia are seen as insufficient compensation for inflation and supply risks. By contrast, inflation-linked bonds are viewed as attractive due to asymmetric upside if inflation surprises or real yields fall.

In credit, Carmignac favours a defensive carry approach, focusing on quality issuers and public markets where fundamentals are improving and leverage is more transparent than in private credit.

In FX, currencies backed by fiscal discipline and commodity exposure are preferred, while traditional “risk-free” hedges are questioned.

Allocator implication

Carmignac's 2026 message is clear: this is not a “Goldilocks” environment but a forward race. Portfolios should emphasise selective risk-taking, inflation awareness, and cross-asset agility, with less reliance on passive diversification and greater focus on valuation-aware, global positioning.

Source:

[Carmignac – 2026 Outlook: Kicking the can down the populist road](#)



Charles Schwab frames the 2026 outlook around instability rather than uncertainty. Unlike uncertainty—where outcomes are unknown but probabilities are still modelled—instability reflects economic relationships shifting in real time. This produces a persistent K-shaped environment, with uneven outcomes across cohorts and sectors rather than a single economic trajectory. The economy continues to function, but beneath stable headline GDP and still-low unemployment sits significant churn.

Labour dynamics illustrate this clearly. Hiring has slowed and re-hiring rates appear weak, with stress concentrated among small businesses, while larger firms continue to add jobs. Immigration has slowed sharply, constraining labour-force growth. This has so far limited unemployment increases despite weaker job creation, but also lowers potential growth—partly offset by improving productivity.

Inflation Remains the Binding Constraint

Inflation is expected to remain sticky and closer to ~3% than 2% through 2026. Services inflation remains resilient, while goods inflation has re-emerged as a pressure point. Tariffs are central to Schwab's inflation risk assessment: they stress tariffs are paid by U.S. importers, and cite analysis suggesting tariffs have lifted overall retail prices by nearly five percentage points relative to the pre-tariff trend.

Even if legal challenges alter the form of tariffs, Schwab expects a high-tariff world to persist, sustaining macro instability and pressuring margins. Companies may mitigate via restrained hiring rather than full price pass-through. Inflation also remains politically and socially salient: price increases in essential “needs” have outpaced discretionary “wants” for an extended period, keeping affordability pressures elevated. Adding to uncertainty, resource constraints at the BLS have increased CPI imputation, potentially clouding inflation signals and sustaining public anxiety.

U.S. Equities: Churn Higher, With Volatility and Rotation

Schwab remains constructive on U.S. equities but expects returns to come with greater volatility, dispersion and rotation. A key positive is that recent market gains have been earnings-driven, not reliant on multiple expansion. If earnings continue to improve, valuations could compress “for the right reason,” potentially creating scope for later multiple expansion.

Valuations remain elevated, but Schwab emphasises they are a poor short-term timing tool. Rather, high multiples increase sensitivity to shocks, lowering the bar for periodic pullbacks. Market internals are improving: after historically narrow leadership, participation has begun to broaden, supporting opportunities beyond mega-cap concentration.

AI: From Monolith to Leapfrogging Ecosystem

AI remains a dominant theme, but its complexion is changing. Schwab expects continued scrutiny of circular financing and capex sustainability, alongside leapfrogging among AI leaders. They suggest the market may increasingly reward AI adopters—firms capturing measurable productivity and efficiency gains—rather than infrastructure enablers alone.

This shift reinforces the case for diversification away from a narrow cohort of stocks. Schwab highlights favourable views on Health Care, Communication Services and Industrials, and argues that small-cap exposure should emphasise quality factors such as profitability and balance-sheet strength rather than speculative growth.

Fixed Income: Solid Returns, Quality Matters

Schwab expects another solid year for fixed income, though likely less robust than 2025 given lower starting yields and limited scope for aggressive rate cuts. Their base case is two to three Fed cuts, bringing policy toward 3.0%–3.5%, with the curve likely to steepen.

Portfolio guidance centres on a middle-ground strategy: up in quality and intermediate duration. Investment-grade corporates are preferred over high yield and bank loans due to limited compensation for credit risk. TIPS are viewed favourably as inflation protection. In municipals, elevated issuance may persist, but after-tax valuations remain attractive for taxable investors, again with an emphasis on quality.

International Equities: A Compelling Diversifier

Finally, Schwab sees international equities as well positioned. Global growth may re-accelerate as rate cuts feed through with a lag, and international markets offer more attractive valuations and higher dividend yields than U.S. equities. For allocators, this strengthens the case for geographic diversification beyond the S&P 500 in 2026.

Sources:

[**2026 Market Outlook: U.S. Economy, Equities & Fixed Income**](#)

[**Schwab's Market Perspective: 2026 Outlook**](#)

[**2026 Outlook: U.S. Stocks and Economy**](#)

[**2026 Outlook: Corporate Credit**](#)

[**2026 Outlook: Treasury Bonds and Fixed Income**](#)

[**2026 Outlook: Municipal Bonds**](#)



Citi's 2026 outlook is anchored in a cautious but constructive assessment of the global economy. After repeatedly underestimating resilience in recent years, Citi now expects global growth to remain close to trend, forecasting expansion of 2.7% in 2026 and 2.8% in 2027. This reflects continued supply-side flexibility, firm labour markets, and an ability of households and firms to absorb repeated shocks — even in the face of elevated tariffs and fiscal strain. The result is a broadly “Goldilocks” environment: growth that is resilient rather than strong, and inflation that is restrained rather than disinflationary.

Divergent Growth Paths Across Regions

While global growth remains steady in aggregate, Citi highlights meaningful regional dispersion. Growth is expected to improve modestly in economies such as South Korea, Australia, Sweden and Poland, while remaining subdued in Germany and Mexico. Softer outcomes are anticipated in India, China, Singapore, Spain and Brazil. In aggregate terms, developed market growth is expected to ease from 1.7% to 1.6%, while emerging market growth slows from 4.2% to 4.0%. A persistent theme is the outperformance of services-intensive economies over manufacturing-heavy ones, a pattern Citi believes will continue into 2026.

PMIs Signal Stability, Not Slowdown

Citi places weight on global PMI data as a real-time indicator of economic momentum. Services PMIs continue to outperform manufacturing, supporting economies such as the U.S. and Spain. Notably, PMI readings show little visible imprint from tariffs, with both services and manufacturing indicators sitting in the upper range of recent years. For Citi, this signals that the global economy enters 2026 on solid footing rather than at a late-cycle inflection point.

Inflation: Contained Globally, Divergent Locally
The global inflation backdrop remains relatively benign. Headline inflation has hovered around 2%, while core inflation remains slightly higher at approximately 2.5%, reflecting slow-moving services disinflation. Citi draws a sharp contrast between the U.S. and China: the U.S. faces persistent above-target inflation linked to tariffs and sticky services prices, limiting the pace of Fed easing, while China continues to struggle with weak inflation amid soft domestic demand. Overall, Citi sees tariffs acting as an adverse supply shock for the U.S. and a negative demand shock elsewhere.

Tariffs Reshape Trade Without Derailing Growth
Tariffs are a central feature of Citi's outlook. U.S. tariff rates have risen to roughly 15%, their highest level in over 80 years. While Citi had expected greater economic disruption, the impact has been muted so far, partly due to front-loaded spending by firms and households ahead of tariff implementation. Tariffs have, however, driven a reconfiguration of global trade, with Mexico, Vietnam and Thailand gaining U.S. market share at China's expense. Citi judges recession risk as low, but expects some tariff-related payback in 2026 as front-loaded demand fades.

Five Risks That Could Test the Outlook

Despite a resilient baseline, Citi identifies five risks to monitor in 2026: a larger-than-expected tariff drag, a sharper deterioration in the U.S. labour market, downside risks to AI investment and valuations, weaker private-sector demand in China, and elevated public-debt burdens across both developed and emerging markets. None are viewed as imminent shocks, but collectively they constrain upside confidence.

Asset-Market Implications: Constructive but Selective
Citi remains constructive on risk assets but anticipates a choppy phase of the equity bull market. Equity upside is supported by Fed cuts, earnings broadening and continued — though uneven — AI-related investment. In commodities, oil is expected to remain range-bound, gold is not seen as an attractive bullish trade at current levels, and copper and aluminium are favoured due to structural demand linked to energy transition and AI. In FX, Citi maintains an out-of-consensus bullish view on the U.S. dollar, driven by cyclical rather than structural factors.

Source:

[Prospects for 2026: “Goldilocks” Performance, but Risks Linger](#)



Colliers' 2026 Global Investor Outlook presents a cautiously constructive view on global real estate markets. After a prolonged period of valuation adjustment and subdued activity, 2025 saw resilience give way to renewed momentum, with confidence building into 2026. Transaction volumes are expected to rise steadily as pricing expectations between buyers and sellers converge, liquidity improves, and institutional capital begins to re-engage more consistently.

While sentiment has improved, investors remain disciplined. Risk management, diversification, and strategy selection are central, reflecting a more mature phase of the cycle rather than an indiscriminate rebound.

Capital Deployment: Shift Toward Control and Active Ownership

A defining theme is the migration toward more active and controlled investment strategies. Investors are increasingly favouring direct investments, separate accounts, and platform joint ventures over traditional fund structures. This shift is driven by dissatisfaction with underperformance and elongated exit timelines in some funds, alongside a desire for greater strategic influence.

Platform investments that combine real estate assets with operating businesses are gaining traction, allowing investors to scale brands, manage assets more actively, and capture operational upside. Colliers highlights this as a structural evolution in how institutional capital is being deployed rather than a temporary cyclical adjustment.

Global Allocation: Diversification Beyond the U.S.

From a geographic perspective, Colliers identifies a clear rebalancing of global capital flows. While the U.S. remains a core destination, its share of global fundraising has declined, with Europe and Asia-Pacific gaining prominence. European fundraising rose sharply year-on-year, while APAC fundraising more than doubled, signalling a growing appetite for multi-regional strategies.

This reflects a deliberate push by investors to diversify portfolios geographically, reduce concentration risk, and access growth markets where pricing, fundamentals, or demographic dynamics appear more favourable.

Macro Conditions: Supportive Policy, Persistent Uncertainty

The macro backdrop is described as broadly supportive. Colliers expects further interest rate cuts in early 2026 across major developed markets, helping ease debt costs and support capital growth. Yield spreads are viewed as attractive, and survey data shows improving sentiment toward liquidity, rental growth, and capital costs.

However, risks remain. Trade tariffs, geopolitical tensions, inflation persistence, and concerns around global equity market valuations continue to shape investor caution. These risks have not yet materially disrupted real estate markets but remain important considerations for allocation decisions.

Strategy Preferences: Core and Core-Plus in Focus

Investor preferences for 2026 skew strongly toward core and core-plus strategies, which together account for over a third of stated allocation intent. This contrasts sharply with fundraising trends, where only a small share of capital has been raised for these strategies, suggesting latent demand that may emerge through direct acquisitions rather than commingled funds.

Valuations across many sectors are now seen as stabilised, with fewer investors expecting further capital value declines. At the same time, expectations for outsized returns have moderated, pointing to a more normalised return environment.

Sector Views: Broadening Opportunity Set

Colliers highlights a widening range of sector opportunities. Office assets are returning to favour in select markets where values have bottomed and refurbishment-driven rental uplift is achievable. Industrial and logistics remain structurally supported by e-commerce, infrastructure, and reshoring, though investors are becoming more selective as vacancies rise in some regions.

Multifamily continues to benefit from demographic support and supply constraints, with student housing increasingly viewed as an institutional-grade alternative. Data centres dominate fundraising and investor attention, driven by AI and digital infrastructure demand, but power availability, energy costs, and development constraints are key limiting factors. Retail and hospitality are being reassessed as defensive, income-focused allocations where supply has largely adjusted.

Regional Emphasis: APAC and Europe Gain Share

Asia-Pacific and Europe emerge as key beneficiaries of shifting capital flows. APAC is seen as under-allocated relative to growth potential, with Japan, Australia, Singapore, and India highlighted. Europe's liquidity, transparency, and cross-border appeal are drawing capital back into major markets, while Central and Eastern Europe is gaining traction for industrial strategies with attractive risk-return profiles.

The U.S. and Canada remain core markets, supported by deep capital pools, improving liquidity, and long-term supply constraints, but allocations are increasingly pricing- and strategy-driven.

Allocator Implications: Speed, Specialisation, and Partnerships

Colliers concludes that 2026 will reward speed, selectivity, and specialist expertise. Competition for prime assets is intensifying, redevelopment and repositioning strategies are gaining appeal, and platform partnerships are becoming central to scaling exposure. For asset allocators, the focus shifts from timing the cycle to executing efficiently within it, as the window to deploy capital at attractive entry points begins to narrow.

Source:

[2026 Global Investor Outlook](https://www.marketsrecon.com)

Columbia Threadneedle Investments



Columbia Threadneedle argues that the global economy enters 2026 in “reasonable health,” but with a narrowing margin for error. Growth has proven more resilient than expected through 2025, inflation has moderated, and markets have continued to rise. However, beneath the surface, structural tensions are accumulating. High government deficits, rising debt burdens and geopolitical uncertainty mean that policy mistakes could have outsized market consequences. The central challenge for investors is navigating this increasingly fragile equilibrium.

A defining feature of the outlook is divergence. Inflation sits near 2% in the eurozone, closer to 3% in the U.S. and almost 4% in the U.K., reflecting different domestic policy choices and the uneven effects of tariffs. Columbia Threadneedle stresses that inflation today differs fundamentally from the post-pandemic surge: instead of excess demand, supply-side pressures linked to trade policy and geopolitics are now the dominant force.

Tariffs, Inflation and Policy Risk

Tariffs are framed as a new form of supply shock. While some firms initially absorbed higher costs, Columbia Threadneedle expects further pass-through in 2026, particularly in the U.S., where inflation remains sticky. Europe, by contrast, is experiencing a disinflationary impulse as Chinese exports are redirected away from the U.S. This fragmentation implies increasing divergence in monetary policy and currency outcomes.

Central banks remain formally independent, but the report highlights rising political pressure, especially in the U.S. With elevated deficits and growing debt-to-GDP ratios across developed markets, bond markets are reasserting themselves as a disciplining force. The risk of cutting rates too aggressively is rising, as a loss of inflation credibility could steepen yield curves and raise medium-term funding costs.

A Constructive but More Selective Equity Backdrop

Columbia Threadneedle maintains a constructive outlook for global equities in 2026, underpinned by resilient growth, lower interest rates and a broadening earnings recovery. U.S. earnings are expected to grow at high single-digit rates, with upside potential, supported by companies’ ability to adapt to tariffs, easing financial conditions and the ongoing AI-driven capital expenditure cycle.

Importantly, the firm argues that equity opportunities are broadening beyond U.S. mega-cap technology. Europe stands to benefit from fiscal expansion, defence and infrastructure spending, and lower rates, while Japan’s structural reforms, rising inflation and improved corporate governance continue to unlock stock-specific opportunities. Sectorally, areas such as defence, financials and select cyclicals are highlighted as beneficiaries of this broader earnings expansion.

AI: Transformative, but Not Without Risk

Artificial intelligence is described as being in an early adoption phase, with extraordinary potential but clear signs of fiscal excess. Columbia Threadneedle estimates that AI-related capital expenditure could reach \$3.5 trillion by 2030, with impacts spreading well beyond technology into industrials, utilities, materials and infrastructure. While valuations are elevated, falling rates and accelerating earnings growth reduce the likelihood of a sharp near-term correction. That said, firms will increasingly be required to demonstrate tangible returns on AI investment.

Fixed Income: Locking in Yield as Rates Fall

The fixed-income outlook is shaped by proactive Fed rate cuts rather than recession-driven easing. Markets are pricing an aggressive cutting cycle, which Columbia Threadneedle views as unlikely, creating opportunities at the front end of the curve. Duration is seen as attractive, both for income and for diversification against equity drawdowns.

Within credit, fundamentals remain solid but valuations are tight. Investment-grade credit is important for liability matching but offers limited compensation for spread risk, while agency mortgage-backed securities are highlighted as better relative value. Select opportunities exist in consumer-backed assets, international bonds with steeper yield curves, emerging market debt pockets, and even leveraged loans as a contrarian income source.

Portfolio Implications: Discipline and Diversification

The overarching message is one of patience, diversification and selectivity. Columbia Threadneedle emphasises three-dimensional diversification — across asset classes, regions and themes — and argues that active management is essential in a world of rising dispersion. The path into 2026 is narrow, but for disciplined allocators, it still offers opportunities to generate resilient portfolio outcomes.

Source:

[**2026 Global Investment Outlooks**](#)

[**2026 Macroeconomic Outlook: Treading a finer line**](#)

[**2026 Equity Outlook: Harnessing growth with a broad view**](#)

[**2026 Fixed Income Outlook: Seizing opportunities in a rate-cutting cycle**](#)



Deutsche Wealth enters 2026 with a broadly constructive global growth outlook, despite elevated geopolitical and policy uncertainty. The CIO team expects the global economy to remain robust, supported by expansionary fiscal policy, easing monetary conditions, and sustained investment in artificial intelligence. However, volatility is seen as structural rather than cyclical, reinforcing the need for disciplined portfolio construction and active risk management rather than tactical market timing.

The US remains the primary growth engine, underpinned by fiscal stimulus linked to the “One Big Beautiful Bill Act,” strong household balance sheets, and three anticipated Fed rate cuts by end-2026. Europe is expected to receive a cyclical lift, particularly from Germany’s €500bn infrastructure and defence fund, although longer-term growth remains constrained by structural rigidities.

China’s outlook is more subdued, weighed down by the ongoing real-estate downturn, while Japan benefits from fiscal stimulus and gradual monetary normalisation under “Takaichinomics.”

AI as a structural growth driver, not a bubble

Artificial intelligence is central to Deutsche’s 2026 framework. The CIO characterises AI as a structural investment cycle rather than a speculative bubble, citing strong corporate cash flows, limited reliance on debt financing, and broad-based productivity potential. AI-related investment is expected to support earnings growth well beyond the technology sector, benefiting construction, utilities, industrials, materials, and energy infrastructure via data-centre build-out and rising power demand.

That said, the report flags second-order risks: energy bottlenecks from power-hungry AI infrastructure and heightened cyber-security threats. These risks reinforce the importance of selectivity within AI exposure, rather than indiscriminate positioning.

Equities: discipline over concentration risk

Deutsche Wealth maintains a constructive stance on global equities, supported by expectations of double-digit earnings growth across major regions. While US “Big Tech” remains a key driver, the CIO expects the opportunity set to broaden in 2026, with improved earnings contributions from non-tech sectors and from Europe, Japan, and emerging markets.

Sectorally, beneficiaries of AI investment (industrials, utilities, construction), financials, healthcare, and selected consumer sectors are highlighted. Small- and mid-cap equities are seen as increasingly attractive, given their sensitivity to easing financial conditions and stronger domestic exposure amid fiscal expansion. However, high index concentration and elevated valuations in parts of the US market argue for active sector and style allocation, rather than passive exposure.

Bonds: income returns, not capital gains

The bond outlook reflects a return to “normalised” yield curves. Deutsche expects positive real returns from government bonds in both the US and Europe, with the curve remaining upward-sloping through 2026. Duration is again compensated, improving the attractiveness of intermediate-to-long maturities for strategic portfolios.

Credit markets are approached with greater caution. Investment-grade spreads remain tight, shifting the focus toward income generation rather than spread compression, while high-yield is viewed less favourably due to rising default risk despite attractive headline yields. Quality and issuer selection are emphasised across both developed and emerging market debt.

Commodities, gold and alternatives as portfolio stabilisers

In commodities, Deutsche highlights strategic competition for critical raw materials, particularly rare earths, where China’s dominance is seen as a long-term geopolitical and investment issue. Oil prices are expected to remain structurally low due to oversupply, while gold is viewed positively, supported by central-bank demand and lower opportunity costs as rates fall.

Alternative investments play an increasingly important role in Deutsche’s strategic allocation framework. Private equity, infrastructure and private credit are all seen as attractive diversifiers, offering differentiated return drivers and resilience amid public-market concentration. Infrastructure, in particular, benefits from AI-related investment and government spending, though project-specific risks require rigorous due diligence.

Strategy takeaway: beyond the benchmark

The overarching message for 2026 is clear: stay invested, diversify broadly, and manage risk actively. Deutsche Wealth cautions against over-reliance on valuation mean-reversion models and stresses the importance of adapting portfolios dynamically as macro and policy regimes evolve. In a volatile but opportunity-rich environment, disciplined asset allocation — rather than market timing — remains the primary driver of long-term investment success.

Source:

[Perspectives 2026 - Annual Outlook: Investing in tomorrow - Opportunities and risks](#)



Across its 2026 outlooks, DPAM presents a coherent investment framework anchored in three forces reshaping portfolios: policy-driven capital allocation, durable productivity cycles, and a more pragmatic approach to risk, sustainability and valuation discipline. The common thread is not exuberance, but conviction rooted in structural change.

Europe's sovereignty drive reshapes capital flows
Europe's push for strategic autonomy has moved from rhetoric to execution. Energy security, defence, semiconductors, critical raw materials and digital infrastructure now sit at the heart of EU industrial policy. Initiatives such as REPowerEU, the European Defence Industrial Strategy, the ReArm Europe Plan and the Critical Raw Materials Act imply long-duration, policy-backed investment flows across renewables, grids, defence manufacturing, chip equipment, power electronics and recycling infrastructure. For investors, this signals a more reliable pipeline of public-private capital deployment, particularly in sectors aligned with security, resilience and domestic capacity building.

AI: early innings of a long productivity cycle

DPAM strongly rejects the notion that AI resembles a late-stage bubble. Instead, it characterises the current phase as early-cycle adoption, where monetisation naturally lags usage but economic value is already evident. Unlike the dot-com era, AI-exposed equities have broadly seen earnings growth validate price performance, while valuations—though elevated—remain near historical averages for dominant platforms.

Crucially, AI demand is constrained not by lack of use cases but by physical bottlenecks: power generation, grid capacity, advanced chips, cooling and land. These constraints reduce the risk of classic oversupply dynamics and underpin a multi-year capex supercycle, particularly in data centres, semiconductors and enabling infrastructure. DPAM also highlights a valuation disconnect within software markets, where core SaaS platforms integrating AI are priced as if they face terminal disruption rather than productivity-driven enhancement.

Fiscal dominance and liquidity remain central

At the macro level, DPAM argues that fiscal dominance is entrenched. Elevated public debt, rising interest burdens, defence spending and large fiscal packages keep liquidity provision politically unavoidable. The result is a bias toward policy responses that support financial conditions—through rate adjustments, balance-sheet tools or regulatory easing. In this environment, DPAM sees a constructive near-term backdrop for risk assets, including equities, high yield, emerging market debt and both precious and industrial metals, alongside potential US dollar weakness.

Credit: strong issuers, limited valuation cushion

Credit markets enter 2026 with spreads near historic tightness, leaving little margin for error. Yet DPAM remains constructive. Corporate balance sheets are robust, equity cushions are high, and upgrades continue to outpace downgrades. Importantly, this is not a debt-fuelled late-cycle boom: M&A and LBO activity remains subdued, and corporate cash discipline has been strong. Expected returns are modest and carry-driven, with spreads likely range-bound. In this setting, issuer selection and balance-sheet quality are paramount, particularly as AI-related capex and issuance introduce pockets of execution risk.

Emerging markets: convergence, not fragility

DPAM highlights a structural shift in emerging markets, where policy credibility, inflation anchoring, IMF backstops and deeper local markets have narrowed the gap with developed economies. Volatility in EM local-currency bonds and FX has fallen markedly, while credit quality has improved relative to highly indebted developed peers. Despite this, global portfolios remain structurally under-allocated, suggesting long-term rebalancing potential, especially in EM local-currency debt.

Sustainability: from ambition to accountability

Finally, DPAM frames ESG as undergoing a necessary reality check. The focus has shifted from broad exclusions and carbon snapshots to credible transition pathways, blended finance and measurable delivery. Sustainability is increasingly viewed through the lens of energy security, resilience and competitiveness, rather than ideology. Regulation remains essential, but DPAM warns that poorly designed exclusions risk starving critical transition sectors—such as mining—of capital. The message is clear: sustainability must create shareholder value to be durable.

CIO takeaway

DPAM's 2026 outlook argues for portfolios positioned around policy-backed structural themes, productivity-enhancing technologies, disciplined credit exposure and pragmatic sustainability integration. The emphasis is on resilience, selectivity and long-duration opportunity—not speculative excess.

Sources:

[**Outlook 2026: European sovereignty takes centre stage**](#)

[**Outlook 2026: Ten reasons we are not in an AI bubble**](#)

[**Outlook 2026: Global fiscal policy**](#)

[**Outlook 2026: Strong issuers, tight spreads**](#)

[**Outlook 2026: Blurring the line between emerging and developed markets**](#)

[**Outlook 2026: Momentum mounts for the transition**](#)

[**Outlook 2026: Sustainability's reality check**](#)



DWS enters 2026 with a distinctly constructive outlook, describing the investment environment as one of “Rational Exuberance.” Despite political turbulence and market anxieties during 2025, the firm argues that markets proved more resilient than expected, with periods of disruption again creating opportunities rather than lasting damage. This experience underpins DWS’s expectation that 2026 will be “a good investment year,” particularly for risk assets.

Macro Backdrop: Growth Improves as Policy Turns Supportive

From a macroeconomic perspective, DWS expects global growth to accelerate through 2026, supported by favourable financing conditions and a shift toward neutral or accommodative monetary policy. The firm expects three rate cuts from the US Federal Reserve, while Europe benefits from supportive German fiscal policy and inflation close to the ECB’s target. China’s focus remains on technology and rising incomes, while Japan is supported by fiscal measures. Although tariffs continue to exert structural effects, DWS expects their overall economic drag to fade. Against this backdrop, the firm stresses that selective investing will become increasingly important.

Equities: Constructive Outlook, but Valuation Discipline Required

Equities represent DWS’s most optimistic asset class view. The firm projects the S&P 500 could reach around 7,500 by end-2026, supported by earnings growth and ongoing AI investment. However, DWS draws a clear distinction between supportive macro conditions and valuation risk. While AI remains a key growth driver, the firm expects a widening dispersion between winners and losers and notes that equity valuations are “fair overall.” As a result, DWS does not favour tech-heavy US equities over other regions. Europe is seen as offering earnings growth, with Germany standing out due to infrastructure and defence spending. Japan benefits from reforms, while broader Asia is supported by strong chip demand, a weaker US dollar, and increasing intra-regional trade.

Fixed Income: “Carry-On” with Caution at the Long End

In fixed income, DWS frames the outlook around capturing carry. High running yields, easing inflation, modest growth, and supportive central banks create what the firm describes as an almost ideal environment for bonds—aside from rising government debt pressures at ultra-long maturities.

In the US, the end of quantitative tightening and planned buybacks reduce supply and support intermediate maturities, with 10-year Treasury yields expected to range between 3.75% and 4.25%. In Europe, Bund yields are expected to remain broadly stable, though curve steepening risks exist at the ultra-long end.

Credit, FX, and Diversification Considerations

DWS remains neutral on investment-grade credit, arguing that record-low spreads leave little room for further tightening. The firm is more cautious on high yield, where tight spreads no longer reflect sector-specific risks. In foreign exchange, the US dollar is viewed as fairly valued around EUR/USD 1.15, with unattractive hedging costs encouraging euro-based investors to remain domestically focused. DWS continues to emphasise diversification, highlighting gold as a useful diversifier and relative hedge, particularly given valuation risks within equities.

Bottom Line for Asset Allocators

DWS concludes that stronger earnings growth, non-restrictive monetary policy, and favourable financing conditions should support portfolios in 2026. While AI remains a powerful market driver, the firm stresses the importance of selectivity and diversification, with bonds offering positive real returns through carry and gold providing portfolio resilience.

Source:

[CIO View Quarterly | Market Outlook Q4 2025](#)



Eastspring Investments

Eastspring enters 2026 with a broadly constructive outlook, anchored by policy stimulus and monetary easing across Asia and Emerging Markets (EM), offsetting softer growth in the US and Europe. The firm expects US GDP growth to slow to around 1.6% in 2026, with tariff-related drag and cooling employment partly mitigated by Fed rate cuts totalling around 75bps between late 2025 and 2026. Europe is also expected to slow modestly, with fiscal support—particularly from Germany—and lagged ECB easing cushioning the impact of weaker exports. By contrast, Asia is positioned as the key growth stabiliser, supported by low inflation, fiscal stimulus and easing monetary policy.

A core macro assumption is a weaker US dollar in 2026, driven by Fed easing and higher US inflation. This is seen as a meaningful tailwind for Asia and EM assets, particularly currencies, equities and local-currency bonds.

Policy stimulus and AI as twin growth engines

Eastspring highlights domestic policy stimulus as a central driver of Asian growth. China is expected to maintain GDP growth close to 5% through 2030, with 2026 growth forecast around 4.8%, supported by fiscal investment in technology, transportation and biotechnology. India's growth is projected at 6.6%, underpinned by tax reform, regulatory easing, rate cuts and a potential US-India trade agreement. Japan is expected to grow more slowly but benefit from fiscal support for households and strategic industries, notably defence.

Alongside policy, the global AI infrastructure build-out is framed as a structural growth catalyst for Asia. Demand for semiconductors, advanced electronics, power generation equipment and batteries is expected to support earnings upgrades, particularly in North Asia, reinforcing regional bifurcation within EM.

Equity outlook: bifurcation demands selectivity

Eastspring is constructive on Asia and EM equities, but repeatedly stresses that returns will be highly uneven, making active stock selection essential. A weaker USD and easing financial conditions favour EM equities, especially where reforms and policy tailwinds are strongest.

China is viewed through a selective lens: AI-related technology, “going global” leaders and policy-supported cyclical sectors are favoured, while valuations in hyper-growth technology warrant caution.

In India, the outlook centres on an earnings recovery across financials, consumers, IT services and telecoms, supported by tax cuts, rate easing and improving liquidity. Japan is seen as structurally attractive but increasingly bifurcated, with opportunities emerging in small- and mid-caps as valuation dispersion widens.

Across ASEAN, Eastspring emphasises domestic demand and policy-led themes, with differentiated opportunities in Singapore, Malaysia, Indonesia, Thailand and Vietnam. Dividend yield, structural reforms and targeted fiscal measures underpin the regional equity case.

Fixed income: duration, selectivity and local markets

In fixed income, Eastspring expects monetary easing to anchor bond yields across Asia and EM. Real policy rates remain high by historical standards, providing room for rate cuts without destabilising currencies. The firm remains constructive on both USD and local-currency duration, with a preference to add duration during rate spikes.

Credit spreads are tight, but all-in yields remain attractive, supported by limited bond supply—especially from China—and rising domestic participation in markets such as India and Indonesia, which has reduced volatility. Eastspring highlights opportunities in Australian credit, Japanese government bonds on a hedged basis, and selective EM local-currency sovereign debt, which it believes could deliver double-digit returns in 2026.

Portfolio construction: resilience over correlations

A key message for allocators is that traditional equity–bond correlations are proving less reliable. Eastspring advocates systematic hedging, diversified tactical alpha streams and quantitative strategies that combine uncorrelated sources of return across time horizons. Factor diversification, defensive strategies such as low volatility, and sustainable investing are all positioned as tools to enhance portfolio resilience amid geopolitical risk, valuation concentration and trade uncertainty.

Bottom line: Eastspring's 2026 outlook is cautiously optimistic, with Asia and EM at the centre of opportunity—but success, in its view, will depend on selectivity, active management and disciplined risk control rather than broad beta exposure.

Source:

[2026 Market Outlook: Balancing optimism and risk](#)



Edmund de Rothschild

Edmond de Rothschild (EdR) enters 2026 with a deliberately cautious and balanced stance. The firm characterises the global macro backdrop as late-cycle and fragile, shaped by policy uncertainty in the US, elevated valuations across risk assets, and a growing risk that the AI investment cycle has entered bubble territory. While no immediate recession signals are visible, EdR emphasises that markets are priced for optimism, leaving little margin for error should growth disappoint or financial conditions loosen excessively.

A central macro concern is the unusual configuration of the US economy: employment has softened without a corresponding slowdown in growth. Combined with fiscal unpredictability, tariff distortions, and looming changes in Federal Reserve leadership in mid-2026, EdR sees limited visibility on the policy regime ahead. This uncertainty underpins the firm's decision not to run aggressive directional bets at the total-portfolio level.

AI: A Powerful Theme, but a Crowded Trade

The outlook devotes significant attention to the AI cycle, drawing explicit parallels with the late-1990s internet bubble. EdR highlights excessive valuations, heavy retail participation, circular financing structures among hyperscalers, and unresolved questions around monetisation. While the firm does not attempt to time a bursting of the bubble, it stresses that long-term investors should recognise the highly speculative nature of US mega-cap AI equities.

As a result, EdR states that it is largely underweight the “MAG7” and advocates diversification away from capital-intensive AI infrastructure plays. Instead, it favours companies that use data and benefit indirectly from AI (Big Data), as well as themes linked to resilience and sovereignty. China is presented as an important counterpoint: its AI model is described as more pragmatic, less capital-intensive, supported by industrial policy, and trading at far more modest valuations—making it difficult for allocators to ignore despite structural and political risks.

Europe: From Rerating to Earnings Recovery

Europe emerges as one of the more constructive regional narratives. EdR argues that 2023–25 performance was driven largely by valuation rerating following policy announcements, whereas 2026 should mark the transition to earnings-led returns. German fiscal expansion, NextGenerationEU spending, and evolving EU industrial policy are expected to gradually support growth, even if implementation lags persist.

Within equities, EdR highlights European small caps as particularly attractive: they are under-owned, undervalued relative to history, and geared to domestic recovery. Healthcare is also singled out as a quality sector emerging from political headwinds, with improving fundamentals. More broadly, EdR sees scope for mean reversion as leadership broadens beyond momentum-driven large caps.

Fixed Income: Credit Over Duration

In fixed income, EdR expresses one of its clearer convictions: 2026 should be a strong year for credit markets, driven primarily by carry. With spreads already tight, the firm does not expect further material compression, but argues that high yield, subordinated financials, hybrid corporate debt, and emerging market debt offer attractive risk-adjusted income. The preference is explicitly for credit risk over duration risk, reflecting concerns about sovereign debt dynamics and incomplete term-premium repricing.

European Defence: A Structural Diversifier

A distinctive feature of the outlook is the emphasis on European defence as a portfolio diversifier. EdR demonstrates that defence equities have structurally decoupled from traditional economic cycles since the Ukraine war, driven instead by geopolitics, rearmament, and long-term procurement programmes. Despite higher volatility, the sector's low correlation with broader equity markets makes it a strategic allocation for improving portfolio resilience.

Portfolio Construction Takeaway

Overall, EdR advocates a balanced equity–bond allocation entering 2026, with a cautious bias early in the year. The firm prioritises diversification, thematic exposures with asymmetric pay-offs, and under-valued segments over crowded consensus trades—positioning portfolios for a potential regime shift rather than extrapolating recent momentum.

Source:

[Outlook & Convictions - Asset Management](#)
[| 1st semester of 2026](#)



EFG's 2026 outlook is framed around a world transitioning from inflation shocks to growth differentiation, where geopolitics, fiscal sustainability and technological competition increasingly shape asset returns. The firm organises its house view into ten themes spanning macro leadership, interest rates, geopolitics, innovation, and market opportunities, with a clear emphasis on selectivity rather than broad beta exposure.

US Growth Leadership Remains Intact

EFG expects the US to remain the fastest-growing advanced economy in 2026, supported by a combination of structural and cyclical factors. Structurally, US economic resilience, a clear pro-growth policy framework ("3-3-3": 3% real growth, 3% budget deficit, 3mbpd increase in oil output), and continued leadership in IT investment underpin confidence. Cyclically, lower interest rates reaching trough levels in early 2026, declining energy prices, and fiscal stimulus via tax incentives and accelerated depreciation are expected to support consumption and corporate investment. While risks such as delayed tariff effects and consumer credit stress are acknowledged, EFG's base case is for US growth to surprise on the upside.

Rates at Trough, Not a New Easing Cycle

EFG argues that policy rates across advanced economies are close to neutral and unlikely to fall much further. Interest rates are expected to trough in the first half of 2026, after which further cuts are improbable absent a crisis. This has important implications for fixed income: returns will be driven more by carry and curve positioning than duration rallies. In contrast, several emerging markets still offer elevated real rates. EFG highlights Brazil in particular, where high real yields create opportunities in money and bond markets, while Mexico is seen as a beneficiary of US growth and potential rate convergence.

Bond Vigilantes and Fiscal Stress

Fiscal sustainability is a defining risk theme. EFG warns that bond markets will continue to "test" governments with weak fiscal positions. While US debt levels are high, stabilisation could be achieved if growth, productivity gains from AI, and tariff revenues materialise. In Europe, fiscal risks are more acute, especially in France and the UK, although EFG does not expect a systemic eurozone crisis or a repeat of the UK's 2022 gilt shock. Short-dated US yields are viewed as a safer refuge, while longer-duration exposure in fiscally challenged markets carries higher risk.

A Fragmenting Geopolitical Order

Geopolitics in 2026 is characterised by US-China rivalry, expanding state capitalism, sanctions, and declining trust in political leadership. EFG expects a pragmatic, transactional relationship between the US and China rather than full decoupling, alongside the strengthening of alternative alliances such as the expanded BRICS bloc. Rising defence spending in Europe, continued sanctions related to Russia, and growing political polarisation are all highlighted as persistent sources of volatility, reinforcing the importance of geographic diversification.

AI as a Defining Investment Cycle

Artificial intelligence is viewed as the defining structural theme of the decade. EFG highlights the unprecedented scale of AI infrastructure investment, the resulting surge in energy demand, and the evolving financing mix as hyperscalers increasingly turn to debt, equity, and vendor financing. Competition between the US and China is expected to intensify, while humanoid robotics is identified as a promising but still early-stage application with long-term productivity implications.

Market Opportunities: Europe, EMs, and Private Markets

EFG identifies a revival in European equities, driven by defence spending, green transition investment, innovation (notably in Switzerland), and German fiscal stimulus. Emerging markets are seen as well-positioned due to valuation discounts, resilient domestic demand, fiscal discipline, and a stable-to-weaker US dollar, with a preference for EM local currency debt and commodities. In private markets, EFG emphasises mid-cap buyouts, secondaries, and private debt as solutions to liquidity constraints, stressing manager selection as critical. Finally, IPO and M&A activity is expected to normalise in 2026, with dealmakers prioritising quality over volume across sectors such as AI, biotech, and clean energy.

Source:

Outlook 2026: Our top 10 themes for the year ahead



Across its 2026 outlooks, Federated Hermes presents a constructive but disciplined view: the global opportunity set is widening across asset classes, but returns will be less forgiving, dispersion will rise, and selection will matter more than beta.

Equities: A Re-acceleration, Not a Final Act

Federated Hermes' equity view is unapologetically optimistic. The firm sees 2026 as a year in which productivity gains, AI adoption, margin expansion and easing monetary policy combine to re-accelerate earnings growth. Nominal GDP growth above 5% in the US, structurally expanding profit margins, and a higher "fair" market multiple underpin an upgraded S&P 500 outlook and the view that equities remain the best claim on global growth.

Importantly, AI is expected to move beyond narrow mega-cap leadership. As monetisation broadens across sectors, equity leadership should widen, reducing concentration risk. Valuation concerns are acknowledged, but comparisons with the dot-com era are dismissed as overstated when adjusted for earnings growth. Outside the US, emerging markets and Asia ex-Japan stand out: reforms, valuation discounts, light investor positioning and innovation-led earnings growth underpin a constructive stance, with China viewed as more insulated from tariffs than commonly assumed.

Fixed Income: Yields Are Back, Complacency Is the Risk

In fixed income, Federated Hermes strikes a more cautious tone. While rate cuts are expected to continue, the path is uncertain and inflation risks persist. The yield curve reflects conflicting signals: slowing employment alongside resilient growth and elevated inflation. Against this backdrop, the firm warns against complacency and emphasises active duration and curve management.

Credit spreads are tight, but higher all-in yields provide a meaningful buffer. European credit is highlighted as offering higher quality and attractive relative value versus the US, while cross-currency and capital-structure trades remain fertile sources of alpha. A notable theme is the potential fading of US exceptionalism, with greater interest in emerging market bonds and currencies as investors look beyond the US.

Liquidity: Higher for Longer, With Renewed Diversification

The liquidity outlook reinforces the view that the era of near-zero rates is over.

Short-term US rates are expected to remain structurally higher, even as easing continues, supporting the ongoing appeal of money market funds. Importantly, Federated Hermes argues that the Federal Reserve will retain its independence despite political pressure—a stabilising assumption for short-duration investors.

Diverging central-bank cycles are returning after the post-pandemic synchronisation. The ECB is seen as broadly range-bound, the Bank of England as nearing an easing inflection point, and the Fed still navigating uncertainty. This dispersion restores the value of global diversification in liquidity and short-duration fixed income strategies.

Private Markets: From Stasis to Selective Revival

Private markets are entering a new phase. Deal activity is expected to recover as rates normalise and valuation gaps close, enabling long-awaited distributions from older vintages. Investor demand is shifting toward specialist strategies rather than broad generalists, while wealth channels and evergreen structures are becoming increasingly important sources of capital.

Direct lending is positioned in a "sweet spot": lower rates ease borrower stress while yields remain attractive. However, defaults are expected to rise and underwriting discipline is critical. In private equity, exit constraints and low distributions dominate the near-term outlook, making secondaries, GP-led solutions and differentiated lower-mid-market strategies particularly relevant. Infrastructure and real estate are framed through the lens of sovereignty, electrification and non-discretionary demand, with income—not capital appreciation—driving returns.

CIO Takeaway

Federated Hermes' 2026 outlook is not about chasing the last leg of a cycle, but about positioning for a more complex one. Equities offer structural upside as growth and productivity re-accelerate, but leadership will broaden. Fixed income offers income and diversification again, provided complacency is avoided. Liquidity regains strategic relevance in a higher-rate world. And private markets reward selectivity, patience and alignment with long-term structural demand. For allocators, 2026 is less about bold macro bets—and more about disciplined construction across a widening opportunity set.

Sources:

[Private Markets 2026 Outlook](#)

[Stewardship 2026 Outlook](#)

[Liquidity 2026 Outlook](#)

[Fixed Income 2026 Outlook](#)

[Equities 2026 Outlook](#)

[Where do we see opportunity in emerging markets debt in 2026?](#)



Fidelity enters 2026 with a broadly constructive view on risk assets, supported by resilient growth, accommodative fiscal and monetary policy, and stabilising cost pressures across companies. However, this near-term optimism sits alongside deepening structural instability. The firm highlights global fragmentation, restrictive US trade policy, pressure on Federal Reserve independence, elevated equity market concentration, and a strategic weakening of the US dollar as defining forces shaping portfolio construction beyond 2026.

Inflation is expected to remain structurally higher than market pricing, particularly in the US, at a time when growth is slowing. This combination challenges traditional diversification assumptions and raises the likelihood of higher equity–bond correlations, reinforcing the need for alternative sources of resilience.

Multi-asset positioning: broaden horizons and diversify dollar risk

Fidelity's multi-asset message is clear: portfolios need to broaden geographically and structurally. The firm remains risk-on equities overall, but with a strong emphasis on select emerging markets, where a weaker dollar, supportive policy, and attractive valuations combine. EM equities such as South Korea, South Africa, and China are highlighted as beneficiaries of re-rating potential and policy support.

In fixed income, EM local currency bonds are a core conviction, particularly in markets offering elevated real yields and steep curves, with Latin America – notably Brazil – singled out. The expected depreciation of the dollar is seen as a powerful tailwind for EM assets more broadly.

To manage rising geopolitical volatility and dollar uncertainty, Fidelity points to gold, absolute return strategies, and private assets as important portfolio stabilisers. Income-oriented strategies are also emphasised as a way to reduce reliance on growth-heavy US technology exposure.

Equities: AI remains dominant, but concentration risk is rising

Artificial intelligence is described as the defining equity theme of 2026. Fidelity believes the AI-led earnings surge will continue, with analysts expecting profit growth to strengthen into double digits across major regions, including IT sector growth of around 25%. Importantly, nearly half of Fidelity's analysts now expect AI to have a positive impact on company profitability in 2026, up sharply from the prior year.

However, valuations – particularly in US technology – are historically stretched, and market concentration is at levels not seen since the 1980s. Fidelity stresses that monetisation risk remains unresolved, and not all AI-related investment will deliver adequate returns. As a result, the firm advocates diversifying AI exposure across the value chain, including infrastructure, power, automation, and under-appreciated beneficiaries, rather than relying solely on hyperscalers.

Geographically, Fidelity sees opportunities outside the US, with Europe benefiting from easing inflation, fiscal support, and defence spending; Japan entering a new growth phase; and China potentially at the early stages of a broader bull market supported by policy and improving corporate behaviour.

Fixed income: yields are attractive, but inflation risk dominates

Fidelity is constructive on fixed income in total return terms, noting that today's high starting yields provide a meaningful income cushion. However, the firm cautions that US inflation is likely to overshoot market expectations, complicating the path to sustained rate cuts.

Credit is preferred to sovereign bonds, with an increasing bias to quality as dispersion rises and spreads remain tight. European investment-grade credit is viewed as more attractive than US equivalents, while selective opportunities exist in crossover credit and subordinated financials. Duration extension may become attractive if confidence in Fed easing grows, but many managers remain cautious for now.

Asia: technology leadership and reform momentum

Asia stands out as a key regional opportunity for 2026. The region has developed a robust AI ecosystem, spanning Chinese AI platforms, Korean and Taiwanese semiconductors, and downstream applications. Supportive monetary and fiscal policy, benign inflation, and diversification flows underpin the outlook.

Fidelity highlights Japanese and Korean equities as particularly attractive due to shareholder-friendly reforms, improving capital efficiency, and rising payouts. Asia local currency bonds are expected to benefit from easing policy and low correlations, while Asia high-yield bonds are seen as structurally healthier, with a more balanced issuer base and attractive carry.

Bottom line: Fidelity's 2026 outlook calls for staying invested in risk assets, but with greater diversification, a reduced reliance on US exceptionalism, careful management of inflation risk, and a broader interpretation of the AI opportunity set.

Sources:

Outlook 2026: The Age of Alpha



Fidelity frames 2026 as a year of transition rather than rupture. The firm sees continued economic expansion, resilient earnings, and sustained capital expenditure, but alongside rising policy uncertainty, structural inflation risks, and more fragile diversification dynamics. A key signal is the unusually wide gap between elevated policy uncertainty and subdued market volatility, which Fidelity expects to narrow in 2026—either benignly or through renewed volatility linked to geopolitics, trade tensions, and fiscal stress.

Monetary policy, inflation, and the return of rate volatility
The Federal Reserve faces a challenging environment as inflation is expected by Fidelity to remain above 3%, even as government debt levels rise and political pressures mount. Fidelity highlights the risk that concerns around Fed credibility and fiscal sustainability could push longer-dated yields higher, steepening the yield curve. For allocators, this points to a higher likelihood of rate volatility at the long end, rather than a smooth disinflationary path.

Equities: constructive, but increasingly selective

Fidelity remains broadly constructive on equities, underpinned by healthy corporate fundamentals and a powerful AI-driven capex cycle. However, it stresses that AI should be viewed as a long-duration infrastructure build-out, still early in monetisation. The opportunity set therefore extends beyond mega-cap platforms to “picks-and-shovels” exposures—semiconductors, advanced packaging, memory, industrials, utilities, energy, and power infrastructure. While pockets of speculative excess are emerging, Fidelity notes that AI investment is largely cash-funded, with valuations well below historic bubble extremes.

International equities regain strategic relevance

One of Fidelity’s strongest themes is the renewed case for non-U.S. equities. After a decade of U.S. dominance, international markets rebounded sharply in 2025, aided by a weaker dollar, valuation discounts, and shifting policy backdrops. Even after the rally, Fidelity estimates non-U.S. equities remain meaningfully cheaper than U.S. peers. Europe is framed as a beneficiary of fiscal expansion—particularly defence, infrastructure, and energy—while Japan stands out as a structural reform story driven by governance change, capital returns, and operational restructuring. Emerging markets feature selectively, particularly through their role in global AI supply chains.

Quality as a style anchor, not a defensive trade

Rather than viewing quality as a defensive posture, Fidelity presents it as a durable style anchor for uncertain environments. The firm argues that the traditional distinction between blue chips and growth has blurred, with today’s highest-quality companies often also the fastest growers.

Key attributes include strong brands, pricing power, recurring revenues, and low earnings forecast dispersion. Volatility is framed as an opportunity to add to preferred holdings rather than a signal to reduce exposure.

Rethinking diversification in a high-debt world

Fidelity argues that high public debt across the developed world may reduce policymakers’ ability to respond to future shocks and raise the risk of structurally higher inflation. As a result, traditional stock–bond diversification may be less reliable. The firm advocates “diversifying the diversifiers” through modest allocations to international equities, Treasury Inflation-Protected Securities (TIPS), real assets, commodities, and select alternatives—positioned as complements, not replacements, to core allocations.

Fixed income: income, ballast, and select opportunity

Finally, Fidelity sees a renewed role for fixed income in 2026. Starting yields are near fair value and materially higher than post-GFC norms, restoring bonds’ appeal as income generators, portfolio stabilisers, and volatility dampeners. Active management, maturity selection, and clarity of purpose—income, diversification, tax efficiency, or inflation protection—are central to Fidelity’s fixed-income framework.

Crypto market gaining mainstream acceptance

Fidelity Investments argues that crypto is entering a new phase of mainstream acceptance heading into 2026, underpinned by government and corporate adoption, including the US Strategic Bitcoin Reserve. While short-term volatility remains high and historical four-year cycles may persist, Fidelity sees a growing long-term case for bitcoin as a store of value rather than a speculative trade.

Allocator takeaway

For Fidelity, 2026 is less about broad market beta and more about regime awareness, selectivity, and structural positioning—with dispersion, not direction, driving outcomes.

Sources:

[**Outlook: Five forces that could shape markets in 2026**](#)

[**2026 market outlook and positioning**](#)

[**2026 Financial Preview: Opportunity in a changing market**](#)

[**2026: Navigating noise, finding signal**](#)

[**Riding the AI revolution**](#)

[**International stocks reignite**](#)

[**Quality stocks for uncertain times**](#)

[**The new diversification**](#)

[**A fresh outlook for fixed income**](#)

[**Financial innovation enters new era**](#)

[**2026 crypto market outlook**](#)



Franklin Templeton

Across its 2026 outlook materials, Franklin Templeton presents a coherent investment narrative built around three interlocking forces: a broadening of cyclical opportunities, the structural dominance of innovation, and a more interventionist macro and policy regime that raises the bar for returns. The firm's base case remains constructive for risk assets into 2026, but increasingly selective in both geography and implementation.

A broadening cyclical opportunity set in 2026

Franklin Templeton's central macro message is that 2026 should mark a broadening of return drivers beyond recent US large-cap leadership. Global monetary easing, led by Federal Reserve rate cuts beginning in late 2025, underpins this shift. As short-term rates fall, rollover risk in cash rises, encouraging reallocation toward duration, credit and equities.

This environment supports a steepening of yield curves, as short rates decline while long rates remain supported by heavy government borrowing and strong private investment demand—particularly related to artificial intelligence (AI), data centres and energy infrastructure. Steeper curves are viewed as constructive for cyclically sensitive sectors such as industrials, financials and US small-cap equities, while also improving income opportunities further out the duration and credit spectrum.

At the same time, Franklin Templeton expects the US dollar to remain weak, reinforcing the broadening theme. Dollar weakness improves the relative attractiveness of non-US assets, lowers hedging costs for foreign investors, and supports emerging market (EM) debt and equity valuations. European equities are also positioned to benefit from easier monetary and fiscal policy alongside a cyclical earnings recovery.

Emerging markets: recovery still early

ClearBridge Investments, part of Franklin Templeton, argues that EM equities have turned a corner after more than a decade of underperformance, with the recovery still at an early stage. Supportive macro conditions—most notably a weaker dollar, Fed easing and stabilising Chinese growth—have driven strong performance in 2025, but valuations are still viewed as attractive.

Three EM themes are highlighted. China is seen as offering quality and growth at discounted valuations, with exporters, industrials and technology firms benefiting from targeted policy support and improved investor confidence, despite ongoing weakness in property and consumption.

Technology is identified as a key EM opportunity, with EM tech trading at materially lower valuations than US peers while offering faster expected earnings growth and exposure to AI, electrification and infrastructure demand. India remains a long-term opportunity, despite recent equity underperformance, supported by favourable demographics, strong GDP growth and company-level opportunities in banks, consumer discretionary and IT services.

Across EM, ClearBridge stresses the importance of active, stock-driven approaches, given dispersion across countries, sectors and companies.

Innovation becomes the economy

A defining feature of Franklin Templeton's longer-term outlook is the assertion that innovation—particularly AI, automation and digital infrastructure—has become the operating system of the global economy, not just a sectoral theme. AI-driven productivity gains are beginning to materialise across technology, health care, financial services and industrials, supporting a more durable, productivity-led expansion.

The current AI investment wave is framed not as speculative excess but as a new business cycle, with hyperscaler capital expenditure already contributing meaningfully to economic growth. However, returns are expected to accrue unevenly. Franklin Templeton emphasises that value will flow to companies with proprietary data, domain expertise and disciplined capital allocation, rather than broad thematic exposure.

AI's expansion also drives an industrial renaissance—through automation, robotics and digital twins—and an energy evolution, as data centres and electrification sharply increase power demand. This underpins investment opportunities across semiconductors, grid modernisation, power management and utilities.

US economy: resilient but uneven

ClearBridge's US outlook reinforces the constructive cyclical view. Despite slower hiring in 2025, the US economy remains expansionary, with recession odds estimated at around 30%. Consumer spending is holding up, supported by fiscal measures such as the One Big Beautiful Bill, while corporate America is delivering record profit margins across all sectors, signalling broadening earnings participation.

The Federal Reserve is expected to continue easing, albeit less aggressively than markets anticipate, helping offset risks from tariffs, AI-related disruption and private credit stress.

Strategic implications for allocators

Taken together, Franklin Templeton's outlook argues for selective risk-taking in 2026: favouring emerging markets, European equities, US small caps and select private market exposures such as real estate debt, infrastructure and private equity secondaries. Over the longer term, innovation remains the dominant return driver—but an era of big government, deglobalisation and higher real interest rates implies lower aggregate returns and greater dispersion. Active management, bottom-up analysis and discipline around capital allocation are positioned as essential tools for navigating this environment.

Sources:

[Global Investment Outlook 2026](#)

[Top 10 private market trends for 2026 and beyond](#)

[Emerging markets equity outlook: Tides are turning](#)

[2026 Private Markets Outlook: Executive summary](#)

[2026: The year innovation becomes the economy](#)

[US economic outlook: Consumer still standing, corporations healthy](#)

[Diversifying for income](#)



GAM frames 2026 as a continuation of a profound regime shift away from the four-decade “buy-and-hold” bull market in equities and bonds towards a structurally more volatile environment. The firm argues that inflation persistence, geopolitical fragmentation, fiscal strain, and industrial policy mean that capital preservation alone is no longer sufficient. Instead, successful portfolios will require active risk-taking, dynamic hedging, and access to differentiated return streams, particularly through specialist and alternative strategies.

Equities: Selectivity Over Broad Beta

Across equities, GAM is constructive but highly selective. In Asia ex-Japan and China, the firm sees further upside driven primarily by domestic policy rather than external factors such as tariffs. Asia’s economic architecture is described as more self-reliant and consumption-oriented than in previous cycles, with opportunities concentrated in experience-driven consumption, technology hardware and semiconductors, fintech, and renewable energy. China is viewed as stabilising, with policy support aimed at property, equity markets, and deflation pressures, supporting a gradual recovery in consumer confidence.

Emerging market equities are presented as one of GAM’s most compelling opportunities for 2026. The firm argues that EM outperformance, which began in 2025, is structural rather than cyclical. Demographics, reform momentum, index evolution towards technology and consumers, improving credit quality, and AI-related capital expenditure all support a re-rating case. EM valuations remain historically low, and a softer US dollar alongside US rate cuts is seen as an important tailwind.

In Europe, GAM emphasises nuance and dispersion rather than a single regional thesis. AI remains important but increasingly crowded, prompting a preference for less consensual themes. Opportunities are identified in sportswear, affordable healthcare (notably generics and biosimilars), and the mining capex cycle, while country-level divergence is highlighted, with Germany, Greece, Spain and parts of Eastern Europe viewed more favourably than France.

Japan equities are assessed through the lens of fiscal easing, rising wages and inflation, and evolving corporate behaviour. GAM highlights a structural shift away from deflation, improving governance, and a growing focus on return on equity. Yen weakness is expected to persist, favouring exporters and globally competitive firms, while quality growth stocks with sustainable pricing power are preferred over pure value longer term.

Fixed Income: Income with Structure and Discipline

In fixed income, GAM strongly favours specialist credit over traditional duration exposure. Subordinated financial debt is described as the “sweet spot”, offering attractive yield pickup from high-quality issuers, although the firm stresses active capital-structure management and a defensive stance given tight valuations. European financials are consistently highlighted across both conventional and green bonds due to strong capital buffers and earnings resilience.

Emerging market debt is positioned as a strategic allocation rather than a tactical trade. GAM points to attractive real yields, cleaner balance sheets than developed markets, early monetary easing cycles, and supportive technicals after years of outflows. Local-currency debt and selective hard-currency exposure are favoured, with active management deemed essential. Securitised income, particularly seasoned US RMBS, is viewed as resilient despite signs of consumer stress elsewhere, benefiting from low loan-to-value ratios and potential for spread tightening.

Alternatives and Multi-Asset: Diversification as Alpha

Alternatives play a central role in GAM’s 2026 framework. Commodities are positioned as beneficiaries of EM demand, demographic growth and currency debasement, while event-driven strategies are explicitly designed to perform in bearish or volatile markets. Catastrophe bonds continue to offer attractive, low-correlation income, even after strong recent performance. In private markets, GAM sees selective opportunities emerging as valuations reset and liquidity cautiously returns.

From a multi-asset perspective, GAM warns that stretched US equity valuations, inflation risks and policy interference increase the importance of diversification. While remaining structurally engaged in equities, the firm emphasises portfolio resilience, active allocation and alternatives as key tools for navigating 2026.

Source:

[Outlook 2026: Beyond Capital Preservation](#)



Global X frames the 2026 investment environment around the convergence of macro conditions and structural thematic forces, creating what it describes as a durable “twin-capex” cycle. On the macro side, central-bank easing cycles, loose fiscal policy, and the re-emergence of tariffs have raised inflation expectations and uncertainty, suppressing real yields even where nominal yields remain elevated. In this regime, Global X argues that real assets—particularly commodities—offer diversification benefits versus nominal assets and may outperform in relative terms.

At the same time, a powerful thematic driver is emerging from sustained capital expenditure by hyperscalers, utilities, and governments—entities with the lowest cost of capital and strong policy backing. Importantly, Global X stresses that this capex appears non-cyclical, providing persistent demand through economic slowdowns and reinforcing the case for infrastructure-linked real assets.

Commodities: Structural Support from Capex and Inflation

Commodities sit at the centre of Global X’s 2026 outlook. The firm highlights metals as among the clearest beneficiaries of the capex wave, particularly copper and silver, where tightening supply meets structurally rising demand. Silver is projected to face its fifth consecutive annual deficit, driven by industrial demand and ETF flows, while copper is forecast to move from surplus to deficit on a refined basis in 2026.

Global X emphasises that mining supply is constrained by years of under-investment, declining ore grades, limited greenfield expansion, and longer permitting timelines. This supply weakness coincides with accelerating demand from data centres, power grids, electrification, and industrial infrastructure, tightening market balances further. The firm argues that the “path of least resistance” for key conductive metals remains higher, with 2026 likely to bring greater clarity on both near-term price dynamics and longer-term structural shortages.

Energy and Critical Minerals: Policy as a De-Risking Tool

Within energy, Global X highlights nuclear power as a strategic beneficiary of surging data-centre electricity demand and improving policy support. Government initiatives in the US and at the multilateral level—most notably regulatory acceleration and the World Bank’s decision to lift its ban on nuclear financing—are seen as materially improving the investment backdrop. Key permitting milestones expected in 2026 may act as catalysts, offering investors clearer visibility after a policy-heavy 2025.

The outlook is similarly constructive for critical minerals, where Global X points to active government intervention to de-risk upstream investment. Examples include long-term offtake agreements, price floors, co-financing arrangements, and direct federal lending. Collectively, these measures are portrayed as transforming high-beta mining projects into more infrastructure-like assets, underpinned by policy support and more stable cash-flow expectations.

Thematic Investing: Infrastructure, AI, and the Physical World

Beyond commodities, Global X devotes significant attention to thematic equity opportunities. In Europe, the firm sees a genuine shift from infrastructure rhetoric to execution, driven by large fiscal commitments, defence priorities, and regulatory streamlining that reduces time-to-build constraints. Cement, construction equipment, transport, and energy infrastructure are positioned as beneficiaries.

Globally, digital infrastructure is described as a new arms race. Hyperscaler capex—dominated by AI infrastructure—has accelerated sharply, driving demand for semiconductors, high-bandwidth memory, servers, cooling systems, and data-centre real estate. Tight supply and long build-out timelines are pushing up rental rates, improving economics for existing operators.

Global X also highlights the transition of AI from the digital to the physical realm, with robotics, autonomous systems, and simulation technologies enabling productivity gains across logistics, manufacturing, healthcare, and transport. Advances in Vision-Language-Action models and digital twins are seen as unlocking scalable deployment of embodied AI.

Portfolio Construction: The Role of Defined Outcome Strategies

Finally, Global X argues that defined outcome (buffer) strategies may play an increasingly important role in 2026 portfolios. In an environment of elevated volatility, inflation risk, and geopolitical uncertainty, these strategies offer a structured way to cap downside while retaining participation in upside up to a predefined level. The firm positions them as both tactical and strategic tools for managing beta, preserving capital, and maintaining disciplined risk-return profiles in multi-asset allocations.

Source:

Global X 2026 Outlook



Goldman Sachs Asset Management (GSAM) frames 2026 as a year defined less by broad beta and more by identifying specific catalysts across public and private markets. With equity and credit valuations elevated, policy paths diverging, and correlations shifting, GSAM argues that active, diversified and multi-dimensional portfolio construction is essential to generate returns and manage risk.

A Complex Macro Backdrop Favors Active Allocation

GSAM highlights a global environment shaped by asynchronous monetary policy, elevated fiscal deficits, a re-ordered trade regime, and rising geopolitical fragmentation. Nine of ten G10 central banks cut rates in 2025, but 2026 is expected to see more differentiated paths. The Federal Reserve's easing trajectory hinges on labour-market softening, while Japan is moving toward a structurally higher-rate regime. Europe faces a mix of fiscal expansion (notably Germany) and political constraints (France), leaving growth risks broadly balanced.

Trade dynamics remain a key uncertainty. While recent US trade deals have stabilised tariff expectations, GSAM notes that tariffs remain at historically high effective levels, posing a downside risk to growth if cost pass-through to consumers accelerates.

Public Markets: Valuations Are High, Dispersion Is Rising

GSAM stresses that headline valuations obscure significant dispersion beneath the surface. In US equities, returns have been driven primarily by earnings rather than valuation expansion, and the dominance of the "Mag 7" has pushed market concentration to extreme levels. GSAM expects greater dispersion within mega-cap technology, driven by differences in AI monetisation, free-cash-flow generation, and return on invested capital.

Small-cap equities are viewed as a selective opportunity, particularly as rates decline and dealmaking activity recovers. GSAM highlights attractive valuations but cautions that inefficiencies and idiosyncratic risks necessitate a data-driven, active approach rather than broad passive exposure. In China, GSAM sees recent equity strength as liquidity-driven, supported by retail participation and limited domestic alternatives. Valuations are attractive and global positioning remains light, but sustaining performance depends on translating liquidity into durable earnings growth. Policy and geopolitical risks remain prominent.

Fixed Income: Income Matters, but Selectivity Is Key

Despite historically tight spreads, GSAM identifies income opportunities in securitised credit, high yield, and emerging-market debt. The firm argues that active credit selection is essential as rising leverage—particularly among AI-exposed corporates—could pressure balance sheets and widen spreads over time. Sovereign bonds regain relevance as portfolio stabilisers, but shifting equity-bond correlations mean they can no longer be relied upon as the sole hedge.

Private Markets: Dealmaking as a Catalyst

GSAM sees a revival in global M&A as a critical catalyst for 2026, supported by declining interest rates, improving capital-markets activity, and a backlog of private-equity exits. Increased deal flow is expected to stimulate demand for private credit, including mezzanine financing, and draw renewed attention to small and mid-cap companies as acquisition targets.

In private equity, GSAM notes that achieving historical return targets will be more challenging, with margin expansion contributing less to value creation and revenue growth requirements rising. This reinforces the importance of manager selection and sector focus.

Portfolio Construction: Beyond the Traditional 60/40

GSAM argues that traditional portfolio frameworks are under strain due to higher correlations and equity concentration. The firm advocates loosening long-only constraints, incorporating long/short and systematic strategies, and expanding the use of tail-risk hedging. Crucially, GSAM positions tail-risk strategies not only as protection, but as tools that can enable higher core risk exposure through convex pay-offs.

Alternatives play an increasingly central role. GSAM highlights growing access to private markets and argues that thoughtful integration of private assets—alongside careful liquidity management—can enhance long-term portfolio outcomes.

Thematic Opportunities: Economic Security and Energy Transition

Economic security emerges as a dominant theme, driving capital deployment into defence, infrastructure, and energy systems. AI-driven data-centre expansion is expected to fuel a generational surge in global power demand, creating opportunities across power generation, grids, electrification, and related credit markets. GSAM also emphasises climate adaptation, pointing to rising demand for solutions linked to water, cooling, resilience, and disaster management.

Allocator Takeaway

GSAM's 2026 outlook is not about making binary market calls, but about actively seeking catalysts—across regions, asset classes, and strategies—within a complex and fragmented global environment. For allocators, the message is clear: selectivity, diversification, and flexible portfolio construction will be critical to navigating elevated valuations and unlocking differentiated sources of return.

Sources:

[Exploring Alternative Dimensions Across Private Markets in 2026](#)

[Investment Outlook 2026: Seeking Catalysts Amid Complexity](#)



HarbourVest frames 2026 against a macro environment that has steadied after the disruptions of 2025, including elevated trade tensions, tariff shocks, and a historic US government shutdown. Global growth has stabilised, interest rates have moved decisively lower, and public markets have rebounded strongly—creating a more constructive backdrop for private markets activity. Importantly, the firm argues that private markets demonstrated resilience through volatility, rebounding sharply in the second half of 2025 and reaffirming their role as an engine of opportunity amid uncertainty.

Private equity activity rebounds, while exits and liquidity slowly improve

Deal activity across private equity accelerated materially in the second half of 2025, with global deal values approaching post-pandemic highs and full-year investment levels estimated to be the strongest since 2021. HarbourVest highlights improving confidence among sponsors as financing conditions eased and valuation gaps narrowed. Exit activity also showed tangible improvement, supported by a reopening of IPO markets, rising sponsor-to-sponsor transactions, and increased use of continuation vehicles. While distributions remain below long-term norms, the firm sees growing momentum into 2026, with exits increasingly able to provide liquidity to LPs.

Fundraising remains the lagging variable. LP liquidity constraints continue to suppress capital raising across private equity and venture, though HarbourVest expects this to recover later in 2026 as distributions improve. Infrastructure and private credit stand out as relative bright spots, reflecting both structural demand and institutional allocation tailwinds.

Regional leadership: US momentum, Europe's middle market, APAC's structural growth

North America enters 2026 as the primary engine of global private markets growth. US private equity dealmaking accelerated sharply in 2025, supported by rate cuts, reopened leveraged loan markets, and strong private credit availability. Infrastructure tied to digital assets and energy transition is a key area of opportunity, while venture capital has re-accelerated, driven overwhelmingly by AI-related investment.

Europe is regaining momentum as lower rates and renewed megadeal activity lift transaction values. However, HarbourVest emphasises that the middle market remains the region's core strength, offering greater flexibility, clearer value-creation paths, and more resilient exit optionality. Cross-border capital flows—particularly from US sponsors—are rising, and exits improved meaningfully in 2025, including landmark IPOs.

Asia-Pacific continues to benefit from superior growth dynamics and structural tailwinds. India and Japan emerge as regional leaders, underpinned by demographic growth, corporate reform, and increasingly mature private equity ecosystems. Buyouts are gaining share relative to venture, exits are recovering, and fundraising—particularly for pan-regional and middle-market strategies—has strengthened.

Structural themes shaping portfolios in 2026

Liquidity remains the defining theme, but HarbourVest stresses a shift from short-term stress to long-term transformation. Secondaries have become a strategic allocation rather than a niche tool, with record volumes, expanding GP-led transactions, and growing adoption across private equity, credit, and infrastructure. The firm views secondaries as central to portfolio construction in 2026.

AI is presented as the most consequential investment theme across private markets. Capital is flowing across venture, growth, private equity, and infrastructure—particularly data centres, power generation, and digital infrastructure. While valuation and bubble risks are acknowledged, HarbourVest argues that the scale of required investment makes AI exposure unavoidable for long-term investors.

Portfolio implications for allocators

HarbourVest's outlook is cautiously optimistic. For professional allocators, the message is to lean into structural trends rather than cyclical timing: prioritise liquidity solutions, maintain diversified exposure across private equity, private credit, infrastructure, and secondaries, and secure meaningful participation in AI-driven opportunities. While geopolitical and policy risks remain, HarbourVest sees private markets as increasingly adaptive, innovative, and well-positioned to deliver resilience and long-term value through 2026 and beyond.

Source:

[2026 Market Outlook: Forging Ahead - Private Markets Power Up for a Busy 2026](#)



HSBC Asset Management frames 2026 as a year of “role reversal” in global markets, where leadership broadens beyond the US, diversification regains importance, and traditional portfolio assumptions are challenged by structural forces such as AI-driven investment, fiscal activism, and geopolitical fragmentation. The outlook argues that while the global economy is entering a more balanced expansion phase, the path forward is less forgiving of concentration risk and more dependent on adaptability.

A shifting macro regime: from concentration to breadth

HSBC notes that the post-pandemic period was characterised by US exceptionalism, narrow equity leadership, and heavy reliance on a small group of growth assets. By 2026, this dynamic is beginning to unwind. Global growth is moderating but broadening, with emerging markets contributing a larger share of incremental GDP growth and developed markets outside the US becoming more relevant sources of returns.

Inflation pressures have eased relative to the peaks of 2022–23, but HSBC does not view price stability as fully restored. Instead, inflation is expected to remain structurally higher and more volatile than in the pre-COVID era, driven by energy transition costs, supply-chain restructuring, defence spending and labour market tightness. This environment reduces the likelihood of a return to ultra-low rates and reinforces the importance of diversification across regions and asset classes.

Policy divergence and fiscal dominance

A key theme in the outlook is the growing divergence in fiscal and monetary policy frameworks. Governments are playing a more active role in shaping economic outcomes through industrial policy, energy security initiatives and infrastructure investment. HSBC highlights that fiscal expansion—rather than monetary stimulus—is increasingly the dominant macro lever, particularly in the US, Europe and parts of Asia.

This shift raises questions about debt sustainability and sovereign risk over the medium term. While a near-term fiscal crisis is not HSBC’s base case, the firm flags fiscal credibility as a rising macro risk and a potential source of volatility across rates and currencies. As a result, government bonds can no longer be assumed to provide consistent diversification benefits during periods of market stress.

Diversification must evolve

HSBC argues that diversification remains essential, but its sources are changing. Traditional equity–bond diversification has weakened as correlations have become less reliable in inflation-sensitive environments. The firm emphasises the need to “diversify the diversifiers”—looking beyond core government bonds toward a broader mix of assets and strategies.

Gold is highlighted as a prominent example of this evolution. HSBC describes gold’s role as shifting from a cyclical inflation hedge to a more strategic portfolio stabiliser, supported by central bank demand, geopolitical uncertainty and concerns around fiat currency debasement. The firm also highlights the potential role of alternatives, private assets and real assets in enhancing resilience, particularly where they offer inflation-linked cash flows or lower sensitivity to public market volatility.

AI as a macro and market force

Artificial intelligence is treated not as a narrow equity theme, but as a macro-relevant force reshaping capital allocation, energy demand and credit markets. HSBC highlights the significant infrastructure investment required to support AI—particularly in power generation, grids and data centres—and the knock-on effects this has across fixed income and credit markets.

The outlook stresses that AI leadership is broadening beyond early US mega-cap beneficiaries. Over time, HSBC expects value creation to diffuse across regions and sectors, favouring investors who look beyond headline technology stocks to second-order beneficiaries, including utilities, infrastructure, industrials and selected credit segments.

Regional implications: broader opportunity set

Geographically, HSBC sees a gradual broadening of opportunity beyond the US. Emerging markets are expected to benefit from stronger domestic demand, improved policy frameworks in some countries, and a more supportive global liquidity backdrop. However, the firm stresses that selectivity is crucial, given ongoing geopolitical risks and varying fiscal positions.

Within developed markets, Europe and parts of Asia are seen as increasingly relevant for diversified portfolios, particularly where valuations are less demanding and exposure to global industrial and energy-transition themes is higher.

Portfolio construction takeaway

HSBC’s central message for 2026 is not aggressively directional, but structural. The firm encourages asset allocators to move away from concentrated, single-narrative portfolios and toward more balanced, adaptive allocations. In a world of fiscal dominance, AI-driven investment cycles and shifting correlations, portfolio resilience depends on breadth—across regions, asset classes and return drivers—rather than reliance on any single engine of performance.

For professional allocators, the outlook reinforces the importance of reassessing long-held assumptions about diversification, the role of sovereign bonds, and the sources of long-term real returns in an increasingly complex global system.

Sources:

[Think Future 2026](#)

[’26 Investment Outlook - Role Reversal](#)

[2026 Investment Outlook: Role Reversal \(Video\)](#)



iCapital frames 2026 as a year defined by balance rather than momentum, with markets navigating a complex set of divergences and under-appreciated risks (“blind spots”). While the global economy enters the year from a position of relative strength, the firm expects more muted public-market returns, higher volatility, and a growing role for private assets and alternatives in portfolio construction.

Macro backdrop: resilient growth, fragile equilibrium

iCapital expects the U.S. economy to grow near trend (~2% Q4/Q4 SAAR) in 2026, supported by three pillars: continued AI-related capital expenditure, positive wealth effects from equity and housing markets, and a more supportive mix of fiscal and monetary policy. However, the outlook is finely balanced. Growth resilience coexists with slower labour market momentum, persistent inflation risks, and unresolved policy uncertainties, making the expansion vulnerable to shocks.

Three key macro divergences dominate iCapital’s framework. First, growth versus labour: hiring slowed materially in 2025, partly due to tariff effects, reduced immigration, and lower government employment. While labour markets remain fragile, iCapital sees early signs of stabilisation and expects hiring to recover modestly in 2026, keeping unemployment broadly contained.

Second, the K-shaped consumer persists. High-income households remain resilient, while lower-income consumers face affordability pressures. Fiscal measures, easing energy costs, and targeted rebates could prevent this divergence from widening further, supporting aggregate consumption. Third, a monetary policy divide looms. The Fed is expected to pause rate cuts in early 2026, with policy potentially shifting later in the year as leadership changes. The distinction between “good cuts” (insurance against weakness) and “bad cuts” (reactive easing) is central to market risk.

Blind spots shaping asset returns

iCapital highlights five blind spots that could meaningfully influence asset performance. Inflation remains the most prominent, with firming services inflation and potential tariff pass-through keeping core PCE above target longer than markets expect. Trade policy and the fiscal deficit add uncertainty, particularly if tariff revenues fall short or legal challenges require reimbursements, which could push long-end yields higher.

Within equities, AI financing and depreciation assumptions are emerging risks: rising debt issuance by hyperscalers and potential changes to hardware depreciation schedules could pressure reported earnings and cash-flow flexibility. Relatedly, market leadership risk is growing, with dispersion within the “Magnificent 7” expected to increase rather than a broad-based equity rally taking hold. Finally, monetisation of 2021–22 private-market vintages could weigh on sentiment as exits occur at lower multiples than entry valuations, despite improving liquidity conditions.

Market implications: modest returns, rising volatility

Against this backdrop, iCapital expects mid-to-high single-digit equity returns in 2026, driven primarily by earnings growth rather than multiple expansion. The firm estimates fair value for the S&P 500 around 7,200–7,400, assuming modest de-rating. Volatility is likely to be higher, consistent with historical patterns in U.S. midterm election years, reinforcing the need for diversification and selectivity.

Private markets and alternatives move centre stage

iCapital sees private assets as increasingly critical to portfolio outcomes. Greater policy clarity, improving exit activity, and easing financial conditions support allocations to venture capital, mid-market buyouts, private infrastructure, and macro hedge fund strategies. Within venture, AI remains dominant but valuation discipline favours earlier-stage exposure. In private equity, small and mid-market buyouts are preferred, with growing openness to large buyouts as credit availability improves. Infrastructure benefits from structural tailwinds linked to digitalisation, AI data centres, and energy transition. Macro hedge funds are positioned to exploit policy divergence, fiscal activism, and elevated cross-asset volatility.

Bottom line: iCapital’s 2026 outlook argues for balanced portfolios, heightened selectivity, and a continued shift toward private markets and diversifying alternatives as public-market returns moderate and risks become more asymmetric.

Source:

[**2026 Market Outlook - Balancing Divergences Amid Blind Spots**](#)



Impax Asset Management

Impax approaches 2026 with cautious optimism, arguing that falling interest rates and expansionary fiscal policy should continue to support risk assets, while warning that narrow growth drivers, stretched valuations and unsustainable fiscal trajectories create material risks beneath the surface. The firm's central investment thesis is that irreversible economic transformations—driven by technology, policy, societal change and consumer behaviour—are reshaping return opportunities, and that markets continue to misprice both the risks and opportunities arising from the transition to a more sustainable economy.

Macro backdrop: supportive, but fragile

Impax expects global growth to remain resilient into 2026, underpinned by fiscal stimulus in major economies and further monetary easing, particularly in the US. The US economy is forecast to grow at around 2%, supported by AI-related investment and potential tariff reversals, while Europe benefits from lower rates but faces tighter fiscal constraints. However, Impax highlights structural vulnerabilities, including record government deficits, rising debt-to-GDP ratios and increasing sensitivity of bond markets to fiscal credibility. The firm flags the risk that investor tolerance for sovereign borrowing—particularly in the US, UK, France and Japan—may eventually erode, with implications for both bond yields and broader asset valuations.

Sustainability as a financial driver

Impax places strong emphasis on systemic risks—climate change, nature loss, AI governance and social factors—which cannot be diversified away and increasingly shape long-term portfolio resilience. The firm expects 2026 to see heightened investor focus on climate adaptation solutions, nature-related risks and dependencies, corporate culture, and AI governance. It argues that the rising frequency and cost of extreme weather events, tightening regulation, and growing disclosure frameworks (including TNFD) will accelerate capital allocation toward companies providing resilience-enhancing solutions.

Global equities: rotation toward fundamentals

Despite global equities reaching near record highs in 2025, Impax is cautious on valuation concentration, particularly in US mega-cap technology and AI-linked stocks. The firm argues that optimism rather than earnings has driven a large share of recent gains, leaving highly-rated names vulnerable to disappointment.

For 2026, Impax anticipates rotation toward less highly-rated companies with stronger fundamentals, healthy returns on invested capital and exposure to structural growth themes tied to sustainability. Emerging market equities are viewed favourably, supported by more attractive valuations, easing trade tensions, strong domestic growth and Asian technological leadership in areas such as electrification, batteries and robotics.

High-conviction thematic opportunities

Impax identifies four key equity themes for 2026:

- Healthcare innovation, driven by ageing populations, fiscal pressure and the need for cost-effective care delivery, with robotics and biotech benefiting from renewed M&A activity.
- Implementation of AI, favouring software and industrial companies using AI to improve productivity and margins rather than those exposed to capital-intensive infrastructure build-outs.
- Water security, as data-centre growth, climate volatility and regulation drive demand for water efficiency, recycling and filtration technologies.
- Shifting consumer habits, with digital platforms and service-based business models benefiting from generational change and capital-light scalability.

Fixed income: carry and selectivity

Impax expects fixed income markets to remain resilient, but emphasises that tight spreads make credit selection critical. The firm prefers short to intermediate duration, higher-quality issuers and securitised products offering attractive relative value. It cautions against lower-quality credit and highlights the need for discipline amid rising issuance, M&A-related borrowing and emerging stress in parts of private credit.

Private markets: energy system solutions

In private markets, Impax focuses on integrated energy solutions, including decentralised generation and hybrid renewable power plants combining solar, wind and battery storage. These assets are positioned as essential to Europe's energy transition, benefiting from falling technology costs, regulatory support and the need for grid flexibility.

Bottom line: Impax's 2026 outlook centres on resilience over exuberance, advocating selective exposure to equities, credit and private assets aligned with long-term economic transformation, where sustainability insights are integral to identifying durable, risk-adjusted returns.

Source:

[2026 Outlook: Targeting resilient opportunities from economic transformation](#)



Insight Investment's 2026 outlook is anchored in the interaction between easing monetary policy, unusually divergent inflation dynamics, and a global investment cycle increasingly shaped by technology-driven capital expenditure. The central message for asset allocators is that returns are likely to be driven less by broad beta and more by relative value, carry, and structural inefficiencies—particularly within global fixed income and credit markets.

Global rates: from cash to curve

A defining macro feature heading into 2026 is the sheer scale of liquidity parked in cash and money-market funds following the global hiking cycle. Insight expects this “wall of cash” to migrate back into bond markets as central banks—especially the Federal Reserve—ease policy and yield curves steepen. This creates a supportive backdrop for duration and curve-based strategies, with rolldown once again becoming a meaningful contributor to total returns.

Importantly, Insight highlights the opportunity set available to investors with flexible, global mandates. Cross-market strategies—such as buying Japanese government bonds while hedging currency exposure back into dollars or euros—have offered superior hedged yields versus US Treasuries or German bunds, underscoring the value of global relative-value positioning rather than domestic duration alone.

Inflation divergence shapes policy risk

Insight characterises the current inflation regime as “highly unusual”. While inflation in the eurozone and Japan is expected to remain below target in 2026, the UK and US are projected to face persistently elevated price pressures. This divergence explains why the ECB has been able to ease more decisively, while the Fed and Bank of England face the unprecedented challenge of cutting rates despite inflation remaining above target. For allocators, this raises the importance of regional differentiation in rates, currencies and credit, rather than assuming synchronised developed-market policy cycles.

Multi-asset backdrop: AI capex underpins resilience

Despite trade tensions and policy uncertainty, US growth has remained resilient. Insight attributes this in part to exceptionally strong corporate profitability—particularly among US technology “hyperscalers”—which is now being channelled into a multi-year, AI-driven capital-expenditure boom. Even allowing for conservative adjustments to headline investment forecasts, Insight argues the scale of spending on data centres, cloud infrastructure and digital networks is sufficient to provide meaningful support to global growth in the near term. This investment dynamic underpins a cautiously optimistic stance on risk assets, though Insight is clear that downside risks remain if profitability or investment intentions falter.

Credit: yield, structure and active skill matter

Across credit markets, Insight consistently emphasises that absolute yield matters more than spread levels. In investment-grade credit, historically attractive yields combined with a low-growth environment have, in the past, favoured credit over equities. Structural inefficiencies in fixed income markets—exacerbated by the growth of passive strategies—create scope for active managers to add value through security selection, curve positioning and relative-value trades.

High yield credit is presented as a structurally improved asset class rather than a cyclical late-cycle risk. The migration of weaker issuers into private credit has raised average credit quality in public markets, while disciplined issuer behaviour and low default rates have supported resilience. Insight argues that high yield can act as a viable alternative to equities in a low-growth environment, particularly given its contractual cashflows and historically shallower drawdowns.

Securitised and specialist credit opportunities

One of the most distinctive themes in the outlook is secured finance and asset-based lending linked to the AI infrastructure build-out. Debt financing of data centres, fibre networks and digital assets often commands a complexity premium over traditional corporate bonds. Insight views this expanding asset-based finance universe as an attractive source of diversified income, albeit one that demands specialist credit, legal and structuring expertise.

Emerging markets and currencies

Emerging-market debt enters 2026 with supportive fundamentals across sovereign, corporate and local-currency segments, aided by attractive yields, negative net issuance and a potentially weaker US dollar. On currencies, Insight frames 2026 as a crossroads for the dollar: while still dominant, rising fiscal concerns and narrowing rate differentials could challenge its long-term outperformance, reinforcing the need for deliberate currency-risk management.

Allocator takeaway

Insight's 2026 outlook favours globally diversified, actively managed portfolios that exploit dispersion across regions, curves and credit structures. Yield, carry and complexity—not equity multiple expansion—are positioned as the primary engines of return.

Source:

[Thoughts for 2026](https://www.marketsrecon.com)



Invesco's 2026 outlook is anchored on two core ideas: resilience in the global economy and rebalancing within portfolios. After a volatile but ultimately strong 2025 for risk assets, Invesco argues that conditions are in place for the market advance to continue—albeit with broader participation and less reliance on a narrow set of expensive US growth stocks.

A resilient macro backdrop, not a new cycle

Invesco does not frame 2026 as the start of a new secular upswing, but rather as a reacceleration from a mid-cycle slowdown. Corporate and household balance sheets across major economies remain healthy, leverage is contained, and cash buffers have allowed the private sector to absorb recent policy and geopolitical shocks. This resilience is expected to be reinforced by US monetary easing and fiscal expansion outside the US, notably in Europe, Japan and China. Together, these forces should lift global growth modestly in 2026, with meaningful implications for asset allocation despite the lack of a dramatic shift in consumer behaviour.

Policy divergence drives currencies and cross-asset effects

A central plank of the outlook is divergent central-bank policy paths. Invesco expects the Federal Reserve to deliver around three to four rate cuts in 2026, while most European central banks are close to the end of their easing cycles and the Bank of Japan continues a gradual normalisation with modest rate hikes. This divergence underpins a weaker US dollar, which Invesco views as still above its long-term real equilibrium. Lower hedging costs for non-US investors and narrowing rate differentials are expected to increase FX hedging activity, adding further downward pressure on the dollar.

For asset allocators, this currency backdrop is pivotal. A softer dollar historically supports emerging market assets, commodities, and non-US equities, while also altering the relative attractiveness of US assets on a hedged basis.

Rebalancing away from concentration risk

Invesco is explicit that AI-related mega-cap US stocks have driven a disproportionate share of global equity returns, with concentration reaching multi-decade highs. While the firm does not call an end to the AI theme, it highlights rising valuation and financing risks as capital spending on AI infrastructure runs far ahead of current revenues. Going into 2026, Invesco expects AI returns to be increasingly driven by earnings rather than multiple expansion.

Against this backdrop, Invesco advocates rebalancing portfolios—reducing exposure to the most expensive segments of the US market and increasing exposure to areas that stand to benefit from improved nominal growth. Historically, value stocks, mid-caps, small-caps, and cyclical sectors show higher sensitivity to growth and inflation, suggesting they could regain leadership if activity broadens as expected.

Regional equity preferences: looking beyond the US

While US equities are still expected to perform in absolute terms, Invesco explicitly argues for a lower allocation to US stocks than in previous years due to high multiples and concentration risk. By contrast, developed markets ex-US offer more attractive valuations and greater scope for multiple expansion alongside improving earnings.

Emerging market equities are highlighted as the most attractively valued region overall, though with significant dispersion. A weaker dollar, easing financial conditions, and stronger relative growth support the case. Invesco expects Chinese equities to continue outperforming, supported by targeted policy measures, AI and high-tech manufacturing investment, and a stated policy focus on shareholder returns. India, by contrast, is viewed more cautiously in relative terms despite solid growth fundamentals.

Fixed income: selective opportunities

In government bonds, Invesco is cautious. If growth improves as expected and inflation remains stable but above target, real yields could rise, making developed market sovereign bonds less attractive. Within fixed income, EM local-currency debt stands out, supported by weaker USD dynamics, benign inflation, and improving fiscal positions across many EM countries.

In corporate credit, investment grade is marginally preferred to sovereigns, but Invesco does not expect significant spread compression. In high yield, limited yield pick-up versus equities leads Invesco to argue that risk is better taken in equities, with a modest preference for US high yield over Europe.

Alternatives: private credit and crypto

Invesco maintains a constructive stance on private credit, viewing it as well-positioned in a benign risk environment with stable inflation and easier US monetary policy. Floating-rate structures, attractive all-in yields, and improving fundamentals underpin the case across direct lending, broadly syndicated loans, and selected real-estate debt segments.

Finally, Invesco expects cryptocurrencies to perform well alongside other risk assets in 2026, supported by regulatory developments and continued institutional adoption.

Allocator takeaway: Invesco's 2026 message is not about abandoning risk, but about rotating it—away from concentrated, expensive exposures and toward regions, styles, and asset classes better aligned with a modest growth reacceleration, policy easing, and a weaker US dollar.

Sources:

[**2026 Annual Investment Outlook: Resilience and rebalancing**](#)

[**Quarterly Global Asset Allocation 2026 Outlook**](#)



Across J.P. Morgan Asset Management's 2026 materials, the central message is that the global cycle still has "fuel in the engine": fiscal and monetary impulse remains unusually strong outside a recession, supporting continued expansion in 2026—but also raising the two classic late-cycle risks: inflation surprises and asset-bubble dynamics (especially in AI/mega-cap tech).

Macro backdrop: "AI lift" alongside uneven demand

In the US, J.P. Morgan expects resilience to persist into 2026, supported by wealth effects and policy tailwinds, but with a "K-shaped" profile where spending is increasingly driven by higher-income cohorts and rate-sensitive sectors (like housing) remain soft. They also flag an early-2026 boost to growth and inflation from fiscal policy (including tax-related impacts), followed by slowing growth and cooling inflation as other policy forces bite later on.

In Europe, they lean more constructive into 2026: growth is expected to accelerate on the back of earlier rate cuts and a more meaningful fiscal impulse—most notably Germany's investment-focused spending plans (and broader European defence/infrastructure ambitions). The UK is portrayed as more constrained, with tighter fiscal/monetary room and a drag from potential tax rises, though softer activity could help inflation ease enough for the Bank of England to reduce restrictiveness.

In Asia, they highlight Japan's role as an ongoing supplier of cheap capital given continued loose policy expectations, and a more supportive turning-point narrative for China as confidence stabilises (including discussion of domestic AI momentum and improved sentiment dynamics).

Rates and fixed income: shallow easing, embrace income, stay nimble on duration

J.P. Morgan's Year-Ahead note expects a shallow Fed easing path (they cite a wide range of Fed views) with 2–3 cuts through 2026, and sees long-term rates range-bound with modest curve steepening—implying carry and security selection matter more than heroic duration calls.

They explicitly encourage leaning into income and active selection across credit, securitised assets, global bonds and municipals, while managing periodic rate volatility.

Separately, the "Fuel in the engine" outlook adds an important risk-management nuance: if an AI/tech shock turns disinflationary, high-quality, long-duration bonds are framed as a key buffer (with historical crisis-period evidence cited), while acknowledging currency considerations for non-US investors.

Equities: concentration risk is the portfolio problem, not just a sector debate

Both papers emphasise that 2026 equity opportunity exists, but the dominant allocator challenge is concentration and valuation sensitivity around AI. The UK outlook notes tech and communication services are ~37% of MSCI ACWI, and argues that simply rotating into cyclicals may not provide the protection it once did because cyclicals' valuations have also expanded meaningfully since 2022. investment-outlook-2026-uk (1) Instead, they point to defensive sectors as relatively better insulated in a tech-downturn scenario.

The Year-Ahead note similarly describes valuations, earnings, and AI as "bubbly but underpinned by solid fundamentals," and suggests prioritising quality and secular (not cyclical) themes, including a broadening AI ecosystem and "smarter regulation"/deregulation themes in financials. It also argues the "U.S. vs rest-of-world" earnings gap has narrowed, with scope for continued international strength supported by nominal growth, fiscal stimulus and shareholder-friendly policies.

Alternatives and private markets: diversification and targeted exposures

A key through-line is that "diversification isn't dead, just different": foreign markets can compete, bonds are more attractive than in the last decade, and alternatives matter more for both outcomes and risk control.

In "Fuel in the engine," J.P. Morgan addresses concerns about private markets growth by arguing it reflects a structural shift in corporate financing (more value creation occurring pre-IPO), and explicitly encourages investors not to be fearful of private markets—while still recognising their exposure to a tech-led downturn scenario.

Risks and scenario framing: inflation vs tech falter

The UK outlook frames two principal "derailments":

- Inflation resurgence (acute or creeping), where real assets like timber and core infrastructure are positioned as protection in an acute shock, while gold is highlighted as an important diversifier in a chronic inflation scenario.
- Tech stocks falter, where defensives are expected to outperform cyclicals and high-quality long-duration fixed income becomes more valuable as stock-bond correlations potentially turn negative again.

Sources:

[2026 Year-Ahead Investment Outlook](#)
[Investment Outlook 2026: Fuel in the engine](#)



J.P. Morgan Wealth Management

J.P. Morgan Wealth Management frames 2026 as a regime-shift year defined by three durable, interlinked forces: artificial intelligence, global fragmentation and structurally higher inflation. The firm argues that the era of low inflation and frictionless globalization is over, replaced by a world where productivity gains from AI collide with geopolitical stress, supply-chain reconfiguration and persistent price volatility. Against this backdrop, J.P. Morgan expects multi-asset portfolios to still deliver solid returns in 2026, supported by Fed rate cuts and resilient global growth, but stresses that portfolio construction must adapt meaningfully to this new environment.

AI: transformative, but increasingly capital-intensive

J.P. Morgan is constructive on AI as a multi-year growth driver and explicitly rejects the view that the AI boom is already at a bursting-point bubble. The paper highlights accelerating adoption, falling model costs and massive capital expenditure by hyperscalers, with AI-related investment already contributing more to U.S. GDP growth than consumer spending in 2025. Importantly, AI investment is still around 1% of GDP, below historical peaks seen in prior general-purpose technology cycles, suggesting scope for further expansion.

That said, the firm is alert to bubble dynamics. It acknowledges pockets of froth—particularly in private AI valuations—but argues that, in public markets, earnings growth has broadly justified equity performance. The key allocator risk is not overexposure, but mis-exposure: missing the AI theme entirely or owning businesses whose models will be disrupted. As a result, J.P. Morgan emphasises a four-part approach: maintaining exposure to large-cap tech leaders, targeting AI enablers across power, semiconductors and infrastructure, identifying “smart” corporate users of AI, and expanding selective private-market exposure where much of the next phase of value creation is expected to occur.

Fragmentation: resilience replaces efficiency

The outlook characterises global fragmentation as a structural break from the post-Cold War order. Trade, energy security, defence and currency dynamics are now shaped by bloc formation, tariffs and strategic competition rather than pure cost optimisation. J.P. Morgan highlights U.S.–China decoupling, the entrenchment of tariffs and the re-orientation of supply chains toward North America as central features of this regime. While the U.S. dollar is expected to remain the dominant reserve currency, the firm sees gradual diversification into gold and alternative stores of value as a rational response to geopolitical risk.

Regionally, the paper identifies differentiated opportunities. Europe is positioned for rising defence and infrastructure spending after decades of underinvestment, with Germany a focal point. South America is framed as strategically critical due to its dominance in copper, lithium, energy and agricultural commodities—inputs essential for electrification, AI infrastructure and food security—while trading at relatively low equity valuations. China is treated more selectively: structural headwinds remain, but innovation in technology, EVs and AI-efficient models creates targeted opportunities despite weak domestic demand.

Inflation: higher, more volatile, and portfolio-relevant again

Inflation is described as undergoing a structural shift rather than a cyclical spike. J.P. Morgan expects inflation to remain more volatile than in the pre-pandemic era, driven by fiscal deficits, supply-chain reshoring, capacity constraints (notably in housing, power and labour) and climate-related disruptions. While a repeat of 2022-style inflation is not the base case, the firm warns that holding excess cash in this environment poses a material long-term risk to real wealth.

Within fixed income, the outlook is broadly constructive. Higher starting yields, declining stock-bond correlation and the resumption of Fed easing restore bonds’ role as portfolio ballast. J.P. Morgan favours aggregate bonds as recession hedges, sees value in U.S. municipals for taxable investors, and identifies opportunities across global investment-grade credit, emerging-market debt and private credit, where yields remain compelling relative to default risks.

Portfolio construction implications

The unifying message for allocators is that traditional 60/40 frameworks are less reliable in a world of higher inflation volatility and geopolitical stress. J.P. Morgan argues for more intentional diversification: increased exposure to real assets (infrastructure and real estate), commodities (including gold and energy), and selected hedge fund and liquid alternative strategies to mitigate inflation risk and drawdowns. Manager selection—particularly in private markets, AI investing and alternatives—is repeatedly emphasised as critical to outcomes.

Bottom line: 2026 is framed not as a late-cycle pause, but as the early innings of a new investment regime. Allocators who align portfolios with AI-driven productivity, resilience-focused supply chains and inflation-aware diversification are, in J.P. Morgan’s view, best positioned to convert structural change into long-term advantage.

Source:

[Outlook 2026: Promises and Pressure](#)

Janus Henderson Investors - PM Outlooks Summary



Across its 2026 outlooks, Janus Henderson Investors presents a coherent, cross-asset narrative: markets are entering a late-cycle but still constructive phase, dominated by artificial intelligence-driven investment, rising geopolitical and fiscal complexity, and a structural shift toward higher dispersion across regions, sectors, and securities. The opportunity set remains attractive, but returns will increasingly depend on selectivity, income, and resilience rather than broad beta.

Equities: Productivity gains, but valuation discipline required

Equities remain supported by two powerful structural forces: AI-driven productivity gains and policy-led reform in Europe, particularly via fiscal expansion and defence spending. Janus Henderson views AI as a multi-year technology wave comparable to the industrial revolution, with the potential to lift global growth and margins materially. While hyperscaler valuations and capex levels are elevated, the firm argues that earnings compounding – not multiple expansion – will ultimately drive returns.

Crucially, leadership is expected to rotate from pure AI “enablers” toward software integrators and end-users as adoption broadens across the economy.

Europe is framed as a credible earnings recovery story rather than a valuation trade. Structural reform, capital-market deepening, and defence-related fiscal stimulus could reset Europe’s earnings trajectory higher, with stock performance increasingly driven by fundamentals rather than re-rating alone. Active management is emphasised as essential, given growing dispersion and the risk of indiscriminate exposure to AI or defence themes.

Japan and small caps: Structural change meets cyclical recovery

Japanese equities are viewed constructively for 2026, underpinned by mild inflation, margin expansion, corporate governance reform, and improving capital discipline. Janus Henderson expects double-digit earnings growth to be achievable, supported by recovering export sectors, resilient domestic demand, and financials benefiting from policy normalisation. While Bank of Japan timing and fiscal funding remain risks, policy credibility has improved, and foreign investor under-ownership remains a tailwind.

Global small caps are positioned as a leveraged play on economic normalisation.

Having de-rated materially since 2022, they stand to benefit from easing monetary policy, inventory normalisation, rising M&A, and AI-driven productivity gains. However, the firm stresses that outcomes will be uneven, reinforcing the need for diversified, selective exposure rather than broad small-cap beta.

Investment grade credit faces record supply as hyperscalers fund AI infrastructure, increasing sector concentration risk. However, issuer fundamentals are materially stronger than in past capex cycles, and heavy supply is viewed as an opportunity rather than a systemic threat. High yield remains constructive, supported by modest growth, easing refinancing pressures, and low default rates, but returns will be driven by carry and careful issuer selection, particularly given clear bifurcation between higher-quality and stressed credits.

Securitised assets and private credit are highlighted as strategic diversifiers. AAA CLOs, agency MBS, and selective ABS offer attractive yields with stronger relative value than corporate credit. Within private credit, asset-backed finance (ABF) is seen as increasingly compelling, offering shorter duration, stronger lender control, and verifiable collateral – lessons reinforced by recent high-profile failures that are accelerating institutionalisation and transparency.

Emerging markets and alternatives: Diversification regains value

Emerging markets hard-currency debt enters 2026 on a stronger footing, supported by improving credit quality, declining net supply, favourable technicals, and a contained US dollar. Janus Henderson highlights a structural shift in how markets treat EM risk, with investors differentiating volatility sources rather than reflexively selling EM. Returns are expected to be driven by high carry and selective spread compression, particularly in improving high-yield sovereigns.

Finally, diversified alternatives and absolute return strategies are positioned as increasingly essential. With equity and bond correlations elevated, AI-driven concentration risk rising, and geopolitical shocks under-priced, Janus Henderson argues that portfolio resilience now requires a genuine “Plan B”. Strategies such as equity long/short, convertible arbitrage, event-driven, and long-volatility approaches are viewed as well suited to a regime defined by dispersion, episodic volatility, and non-linear outcomes.

Bottom line: Janus Henderson’s 2026 outlook is not one of pessimism, but of precision. The opportunity set remains broad, but success will hinge on active management, income generation, diversification beyond traditional assets, and the ability to distinguish durable structural winners from late-cycle excess.

Sources:

[Investment Outlook 2026](#)

[Positioning portfolios for a transformative era](#)

[Will strong earnings growth and policy credibility drive Japanese stocks higher in 2026?](#)

[Riding the AI wave: How can tech investors harness change and volatility?](#)

[Global smaller companies: primed to outgrow the giants in 2026](#)

[Fixed Income Outlook: Building resilience in 2026](#)

[Emerging markets hard currency debt stays in the spotlight for 2026](#)

[Navigating supply surges: How AI is reshaping global investment grade credit](#)
[High yield bonds outlook: Increasing selectivity in 2026](#)

[Diversified alternatives: Why you need a ‘Plan B’ in 2026](#)

[Absolute return: Building resilience in volatile markets](#)

[Why private credit’s asset-backed finance is coming of age](#)



Julius Baer characterises the 2020s as a decisive break from the neoliberal, globalised regime that shaped markets from the 1980s through the 2010s. Two early-decade shocks—the Covid-19 pandemic and the war in Ukraine—have accelerated a structural shift towards state-sponsored capitalism, multipolar geopolitics, and persistent fiscal dominance. These forces are now firmly embedded and are reshaping the asset-class performance hierarchy for the remainder of the decade.

Multipolarity, Trade Fragmentation and Strategic Reshoring

The global order has moved from US-led unipolarity to a more fragmented, multipolar system in which national interests increasingly dominate. This does not imply full deglobalisation, but rather strategic reshoring and bilateral trade arrangements focused on geopolitically sensitive sectors such as energy, semiconductors, and critical technologies. The US tariff escalation in 2025 accelerated this trend, but the redirection of trade flows—particularly by China—demonstrates that global supply chains remain too interconnected to unwind completely. For investors, geopolitical shocks are now structurally more frequent and less predictable, reinforcing the case for global diversification anchored in secular trends, rather than tactical positioning around political events.

Fiscal Dominance and the Rise of State-Sponsored Capitalism

Fiscal policy has moved from a counter-cyclical stabiliser to a pro-cyclical growth engine. Governments are increasingly using sustained fiscal and industrial policies to address structural challenges such as inequality, ageing demographics, energy security, and strategic autonomy. The US exemplifies this shift, with persistent deficits and growing direct involvement in key industries. Europe's policy pivot—most notably Germany's abandonment of fiscal austerity and its commitment to defence and infrastructure spending—marks a potential inflection point after years of stagnation and may alter long-standing capital-flow patterns.

Interest Rate Normalisation Under Fiscal Constraints

While central banks have entered a new easing cycle, the ultra-low-rate era following the Global Financial Crisis is viewed as an anomaly rather than a baseline. Debt sustainability and fiscal dominance now constrain monetary policy, limiting how far rates can fall without threatening public finances. Policymakers face increasing pressure to prioritise refinancing conditions over strict inflation targets, reinforcing the view that Western economies will tolerate inflation closer to 3% rather than 2% this decade.

This environment weakens the long-term appeal of public balance sheets and strengthens the case for reallocating capital towards private sector assets and real stores of value.

The Innovation Super Cycle: Opportunity and Concentrated Risk

Innovation remains a defining force, but the distinguishing feature of this decade is the pace and convergence of technologies—particularly AI, energy systems, and life sciences. AI-driven capital expenditure has transformed US technology leaders into capital-intensive businesses, with electricity generation and grid capacity emerging as key bottlenecks. While AI adoption and benefits are global, downside risks from a capex unwind are heavily concentrated in the US, given the scale of investment by hyperscalers.

Regional Differentiation: Europe, India and China Regionally, divergent secular paths are emerging. Europe stands to benefit from fiscal expansion, with European value equities positioned to gain from domestic investment and rebalancing away from US-centric portfolios. India and China are identified as preferred emerging-market allocations, supported by large domestic markets, monetary sovereignty, and reform potential. In China's case, conditions are forming for a managed, secular equity bull market, as policymakers seek to reflate household balance sheets and reposition equities as a long-term store of value despite an ongoing balance-sheet recession.

Stores of Value in a Fragmented World

Finally, the outlook underscores the structural appeal of out-of-system and store-of-value assets. Gold's strong performance reflects demand for protection against fiscal dominance and the weaponisation of financial systems, particularly among non-Western investors. Swiss assets and the CHF are positioned as complementary store-of-value exposures, offering institutional stability, strong governance, and long-term wealth preservation in an increasingly fragmented global order.

Source:

[Secular Outlook: Economic and investment trends shaping the current decade](#)



As investors look ahead to 2026, Jupiter's outlook across equities, fixed income and alternatives converges on a consistent message: markets are likely to remain volatile and valuation-sensitive, rewarding portfolios that combine income, diversification, active flexibility and disciplined risk management. While macro uncertainty persists, Jupiter sees meaningful opportunities across regions, sectors and asset classes for allocators willing to look beyond headline index concentration.

Equities: income, dispersion and active flexibility

In equities, Jupiter highlights a widening dispersion between winners and laggards, creating fertile ground for active management. In the UK, the firm sees a mixed macro backdrop but expects a supportive environment should the Bank of England enter a sustained rate-cutting cycle. Lower rates would disproportionately benefit domestically exposed sectors such as life assurance, property and construction, where valuations are depressed and dividend yields often exceed 8%. Despite muted growth expectations, the UK's globally unmatched dividend culture and stable currency backdrop underpin its appeal for income-focused investors, alongside continued corporate activity from private equity attracted by compelling valuations.

European equities are viewed as attractively valued relative to global peers, particularly the US, with significantly lower concentration risk. Jupiter highlights opportunities in European banks, supported by solid earnings power and shareholder distributions, as well as in companies exposed to semiconductor investment and electrification themes. Peripheral European economies, along with parts of the Nordics and Eastern Europe, are seen as better positioned than core markets. Ongoing volatility, driven by passive flows and hedge fund activity, reinforces the case for selective, flexible stock-picking.

In Asia Pacific, Jupiter remains cautiously optimistic, citing resilient earnings and dividend growth, potential further rate cuts, and a supportive backdrop from a weakening US dollar. The region's diversified economic base contrasts with the narrow leadership seen in US markets. Technology stands out as a long-term opportunity, particularly among Taiwanese and Korean firms embedded in the AI supply chain. Beyond tech, Jupiter highlights opportunities in gold miners, defence, financials and consumer staples.

Japan remains a core income story, underpinned by a decade-long governance reform agenda. While large share buybacks have driven returns, Jupiter expects a gradual shift toward more sustainable dividend growth, supported by restructuring, higher margins and improved capital discipline—developments that could further enhance Japan's appeal for income-oriented equity investors.

Fixed income: dispersion, carry and selectivity

In fixed income, Jupiter emphasises global divergence rather than synchronisation. The US is entering 2026 with slowing growth, a cooling labour market and elevated valuations, leaving scope for further Federal Reserve easing. US duration is viewed as a potential hedge, while a structurally weaker dollar supports non-US assets and emerging markets such as Brazil and Mexico, where real yields remain attractive.

The UK stands out among developed markets, with high yields, improving inflation dynamics and credible fiscal tightening supporting gilts. Across the Eurozone, rate exposure remains valuable as a hedge, particularly given political risks in France and stronger relative momentum in peripheral economies. Australia and New Zealand offer selective opportunities, with New Zealand's steep curve providing attractive carry and rolldown.

In credit, Jupiter notes that spreads are tight, reflecting bullish sentiment and strong demand. While carry remains appealing, the firm stresses discipline and patience, particularly in high yield. Sector dispersion favours defensive areas such as healthcare, communications and consumer staples, alongside secured credit. Financials remain attractive given strong balance sheets, though valuations are increasingly challenging in senior debt. Within AT1/CoCos, Jupiter prefers large, well-capitalised banks, emphasising careful issuer and instrument selection as upside becomes more limited.

Alternatives and uncorrelated assets: resilience over optimisation

A key strategic theme for 2026 is portfolio resilience. Jupiter argues that traditional 60/40 portfolios have become less reliable as equity–bond correlations have risen. As a result, uncorrelated assets play a more important role. Equity market neutral strategies, designed to generate alpha rather than beta, are highlighted as effective diversifiers. Global macro strategies also benefit from a weaker dollar and falling yields, which increase cross-market dispersion and opportunity.

Gold and silver are positioned as monetary assets rather than traditional risk assets, with gold's sensitivity to real rates, central bank demand and fiscal concerns reinforcing its role as a store of value. Jupiter highlights gold's potential contribution to portfolio diversification, particularly in an environment of elevated debt, geopolitical uncertainty and shifting policy regimes.

Bottom line for allocators

Jupiter's 2026 outlook favours diversified, income-aware portfolios built on valuation discipline, active flexibility and genuine diversification. In a world of concentrated indices, behavioural excesses and macro divergence, the firm sees alpha opportunities across overlooked regions, mispriced sectors and uncorrelated return streams—provided investors remain selective, patient and risk-aware.

Sources:

[**Outlook 2026: A diversified and flexible approach to core equities markets**](#)

[**Outlook 2026: Building portfolio resilience with uncorrelated assets**](#)

[**Outlook 2026: UK equities for income and idiosyncratic returns**](#)

[**Outlook 2026: What are the prospects for fixed income investing in the months ahead**](#)

[**Outlook 2026: Where to find income from equities and bonds**](#)



KKR's 2026 Global Macro & Asset Allocation outlook argues that investors are entering a late-cycle but still constructive environment, where the correct response is not de-risking, but "High Grading" portfolios—upgrading quality, resilience, capital structures, and counterparties as returns compress and risks become more idiosyncratic. KKR's base case remains that the economic cycle continues and markets move higher in 2026, but with less generous beta returns and a narrower dispersion of expected outcomes than in recent years. The implication for allocators is clear: portfolio construction and manager skill matter more than ever.

A Regime Change, Not a Recession Call

KKR continues to anchor its outlook in a Regime Change framework. Traditional late-cycle warning signs—excessive household leverage, housing-led capex booms, frothy IPO issuance—remain largely absent. Instead, risks are increasingly non-traditional: higher structural inflation, geopolitical fragmentation, national security concerns intertwined with trade and technology, and tighter credit discipline. In this environment, government bonds are seen as less effective shock absorbers, while real assets, services-oriented exposures, and collateral-backed cash flows play a more central defensive role.

High Grading Is Cheap—and Timely

A central insight of the paper is that the cost of upgrading portfolio quality is unusually low. In equities, the valuation premium for high-quality global stocks has fallen to around 17%, near multi-year lows. In credit, the spread differential between BBB and AAA corporates has compressed back to 2021 levels. KKR argues this creates an attractive opportunity to rotate up in quality without sacrificing returns—particularly important as default rates are expected to normalize toward post-GFC averages, even if they remain well below crisis peaks.

Public Markets: Quality Over Beta

KKR remains constructive on public equities but expects more modest forward returns after an exceptional three-year run, especially in U.S. markets. The firm believes multiple expansion is largely behind us, and that future returns will be driven more by earnings and dividends. Within equities, scale, margin durability, and operational efficiency are critical, particularly as AI-driven capex reinforces "winner-takes-most" dynamics. While the S&P 500 is forecast to reach ~7,600 in 2026 under the base case, KKR emphasizes diversification, monetization discipline, and global exposure—especially as international equities benefit from improving earnings momentum and more attractive valuations.

Private Markets Move Back to the Forefront

A defining feature of the outlook is KKR's conviction that Private Markets should play a larger strategic role as the efficient frontier flattens. The firm argues that expected return dispersion across asset classes is tightening, increasing the importance of illiquidity premia, structuring, and operational alpha. Private Equity is positioned to outperform in an environment of lower public-market returns, particularly through corporate carve-outs and public-to-private transactions that allow investors to "make their own luck."

Private Credit is another focal point. KKR expects credit losses to rise as the cycle matures, reinforcing the need for structure, seniority, and collateral quality. Within liquid credit, the firm prefers high-quality High Yield over loans due to fixed-rate coupons and better credit quality. In private credit, Asset-Based Finance, CLO liabilities, and Capital Solutions are highlighted as offering superior risk-adjusted returns, structural protection, and differentiated upside versus traditional direct lending.

Asia, Real Assets, and Nominal Growth Linkages

Geographically, KKR wants to own more Asia, citing corporate reform in Japan, consumption upgrades in India, and under-ownership across private equity, infrastructure, and credit in the region. Real Assets—including infrastructure, energy, and real estate credit—are favored for their linkage to nominal GDP, inflation protection, and contractual cash flows in a higher-for-longer rate environment.

Portfolio Construction Is the Differentiator

Ultimately, KKR's message is not about calling the top, but about preparing portfolios for a less forgiving return environment. The firm reiterates its long-standing argument for evolving beyond traditional 60/40 allocations toward more diversified frameworks that incorporate Private Equity, Private Credit, and Real Assets. High Grading—owning less beta and more resilience, quality, and controllable outcomes—is positioned as the defining allocator discipline for 2026 and beyond.

Source:

High Grading - Outlook for 2026



LaSalle frames 2026 as the point at which global real estate transitions from an extended repricing phase to a more durable recovery in income, liquidity and total return potential. After a “false dawn” in 2025, the firm argues that valuations have broadly reset, bid-ask spreads are narrowing, and capital is beginning to re-engage—albeit selectively. The defining feature of the next phase is not rapid price appreciation, but improving cash-flow visibility, stabilising leverage conditions, and a growing opportunity set beyond traditional core acquisitions.

Global framework: supply scarcity and capital structure matter

At the global level, LaSalle’s core thesis rests on the interaction between structurally constrained supply and a gradual easing in financial conditions. High construction costs, planning friction and tighter development finance mean that very little new stock is being delivered across most sectors. This supply drought, LaSalle argues, sets the stage for firmer medium-term rental growth once occupier demand stabilises. Importantly, the firm highlights that in this cycle, debt strategies, recapitalisations, conversions and repositionings may substitute for ground-up development as the primary sources of return.

Macro risks remain front-of-mind. LaSalle repeatedly flags policy volatility—particularly trade policy, fiscal sustainability and inflation persistence—as the “phantom menace” hanging over markets. However, they stress that real estate retains relevance in a world of moderately elevated or volatile inflation, given its income orientation and partial inflation pass-through characteristics.

Europe: selective conviction in a constrained-growth region

Europe is presented as a region of sharp contrasts. Weak growth, ageing demographics, and fiscal strain coexist with pockets of strong occupier demand and improving capital access. LaSalle stresses that Europe cannot be treated monolithically; outcomes depend heavily on city, sector and asset quality. Central offices in supply-constrained cities continue to attract demand, while logistics fundamentals remain positive where modern space is scarce.

From an allocator’s perspective, LaSalle highlights the attractiveness of European real estate debt, where spreads remain compelling relative to risk, and where lenders benefit from conservative underwriting following the repricing. In equity, UK assets are positioned as offering value after a deep correction, while niche living sectors and demographic-driven demand pockets are emphasised over broad sector bets.

Americas: income resilience and capital re-engagement
In the Americas, LaSalle highlights a clearer path to recovery, underpinned by more resilient economic growth and deeper capital markets. The US in particular is framed as moving beyond peak pessimism, with transaction activity gradually returning as pricing clarity improves. Income durability remains central, with sectors supported by long-term demand drivers and limited new supply favoured over cyclical or obsolete assets.

The outlook also underscores the role of capital structure solutions in the US market, where refinancing pressure, maturity walls and higher-for-longer rates are creating opportunities for both lenders and equity investors willing to engage in recapitalisations. While risks remain around interest-rate volatility and political uncertainty, LaSalle views the Americas as comparatively well positioned to attract global capital as confidence rebuilds.

Asia Pacific: divergence and structural tailwinds
Asia Pacific is characterised by divergence rather than synchronised recovery. LaSalle notes that the region contains both structurally strong markets with favourable demographics and productivity trends, and others facing cyclical or policy-driven headwinds. Across the region, supply discipline and urbanisation remain key supports, particularly where new development has slowed materially.

The outlook highlights opportunities linked to domestic consumption, logistics tied to regional supply chains, and select living sectors. At the same time, LaSalle cautions that capital flows and returns will remain uneven, reinforcing the need for market-specific underwriting and local execution capability.

Allocator takeaway

Across regions, LaSalle’s 2026 message is one of measured re-engagement rather than exuberance. The opportunity set is widening, but returns will be driven less by beta and more by income durability, supply scarcity, capital structure expertise and asset-level intervention. For diversified real-asset portfolios, LaSalle positions real estate as moving from defence back toward selective offence—provided allocators are willing to be granular, patient and disciplined in how capital is deployed.

Sources:

[ISA Outlook 2026](#)

[Global Outlook 2026](#)

[Europe Outlook 2026](#)

[Americas Outlook 2026](#)

[Asia Pacific Outlook 2026](#)



Lazard frames 2026 as a year in which “gravity reasserts itself” after an unusually policy-distorted and AI-fuelled 2025. The central thesis is that US exceptionalism is fading, global growth leadership is rotating, and asset allocators should increasingly prioritise diversification away from US-centric equity and dollar exposure. While not a call for wholesale risk reduction, Lazard characterises 2026 as a risk-management year, with valuation discipline, regional diversification, and balance-sheet resilience taking precedence over momentum-driven positioning.

United States: Inflation Frictions, Policy Risk, and Narrow Growth

Lazard expects US growth to decelerate materially in 2026 as tariffs, tighter immigration enforcement, and waning AI-driven capex momentum weigh on activity. Core inflation is projected to rise above 3.5% in H1 2026, largely due to tariff pass-through, even as the labour market softens. This creates acute tension for the Federal Reserve, which Lazard believes will ultimately prioritise employment over tariff-induced inflation.

A key risk highlighted is Federal Reserve independence, particularly with leadership changes looming in 2026. While Treasury markets have not yet priced in a credibility premium, Lazard notes that gold and the US dollar are already responding, signalling early-stage hedging behaviour. US equity risk is compounded by stretched valuations, extreme earnings concentration in AI-linked mega-caps, and rising scepticism around the durability and profitability of debt-funded AI infrastructure investment.

AI: Structural Transformation, Cyclical Valuation Risk

Lazard is unequivocal that AI will be transformational for productivity over time, but argues that the current investment cycle bears uncomfortable parallels with the late-1990s TMT boom. Data centres may have multi-decade lives, but the hardware inside them may become obsolete within a few years, raising the risk of capital misallocation and delayed cash-flow realisation. For allocators, the implication is greater dispersion among winners and losers, making security selection critical and broad US equity exposure more vulnerable to drawdowns if AI earnings disappoint.

China: Structural Manufacturing Strength, Persistent Domestic Weakness

China’s outlook is framed as one of technological and industrial resilience offset by deep domestic fragilities. Lazard expects headline GDP growth closer to 4% or below, despite official targets near 5%, with the ongoing housing downturn continuing to depress consumer confidence. Home prices are estimated to be down 15–40% in real terms depending on city tier, and the government shows little appetite for large-scale fiscal stimulus.

That said, China’s dominance in electric vehicles, batteries, solar, and advanced robotics is seen as structurally durable, underpinned by industrial policy and cost advantages. Lazard argues that China has emerged from 2025 with a stronger hand in global trade negotiations, particularly via control of critical minerals, although protectionist barriers abroad remain a key constraint.

Eurozone: Cyclical Upside from Rates and Fiscal Expansion

In contrast to the US and China, Lazard sees the Eurozone as a relative bright spot in 2026. Inflation is expected to fall below the ECB’s 2% target, giving scope for one or two additional rate cuts, even as markets price a pause. The transmission of easier monetary policy is more powerful than in the US due to Europe’s high share of floating-rate debt. A major upside risk is defence and infrastructure spending, particularly in Germany, where fiscal rules have been relaxed materially. Lazard believes multiplier effects could surprise to the upside if spending is sustained, although political instability and limited fiscal space in France, Italy, and Spain temper conviction.

Japan: Normalisation with Policy Tension

Japan enters 2026 in a new regime: deflation has ended, wages are rising, and fiscal policy has turned more expansionary. However, Lazard highlights a growing tension between fiscal stimulus and BoJ tightening, with markets pricing policy rates near 1% by end-2026—an outcome Lazard views as plausible but uncertain given decelerating inflation. Corporate governance reform and pressure to improve returns on capital remain a structural positive for equities.

Investment Implications: Diversification over Dominance

Lazard’s clearest message for allocators is that 2025 may have marked the beginning of the end of US market dominance. Non-US equities offer lower valuations, broader earnings drivers, and potential FX upside in a weaker-dollar environment. Emerging markets—particularly EM equities and local-currency debt—stand out for valuation support and more orthodox macro frameworks.

Within defensives, infrastructure and income-producing real assets are favoured for inflation protection, while gold is positioned as tail-risk insurance amid policy uncertainty and declining dollar dominance. Overall, Lazard advocates reallocating capital toward non-US opportunities as a prudent, long-term portfolio rebalancing rather than a tactical market call.

Source:

[Global Outlook 2026](https://www.marketsrecon.com)



L&G frames 2026 as a year defined by an unusually wide distribution of outcomes, shaped by the interaction of rapid AI-driven capital investment, elevated public debt, and persistent geopolitical and political uncertainty. While acknowledging legitimate concerns around valuation, concentration and fiscal sustainability, the firm argues that excessive caution risks “reckless prudence” — under-allocating to return-generating assets at precisely the wrong time.

Macro backdrop: the US as the swing factor

L&G expects global growth to be broadly around trend in 2026, with inflation continuing to move toward target and policy rates gravitating toward neutral levels. However, outcomes hinge heavily on the US. Near-term softness is expected as tariffs feed into prices and real incomes, but this is seen as a one-off price level effect rather than a persistent inflation shock. Growth is expected to recover through 2026, supported by AI investment, wealth effects from large-cap technology, and fiscal rebates.

Downside risks are centred on the US labour market. If layoffs accelerate, consumer confidence and spending could weaken materially, potentially outpacing the Federal Reserve’s willingness or ability to ease. Upside risks stem from stronger-than-expected AI-driven productivity gains, which could lift growth and corporate profitability — though not without disruption.

AI: transformative, but uneven

AI is the dominant structural theme in the outlook. L&G argues its economic impact could exceed historical technological parallels, given its universal applicability and ability to replicate human tasks. Unlike prior productivity booms, labour market effects may emerge earlier, particularly in white-collar roles, even as GDP remains resilient — an unusual and potentially destabilising combination.

Importantly, L&G distinguishes between valuation concerns and economic effectiveness. The firm does not view current AI valuations as a classic bubble, noting that hyperscaler earnings growth has broadly justified price performance. However, it does warn of a potential “sentiment bubble”, where investment spending races ahead of realistic demand. In this context, the firm emphasises diversification across the AI value chain — from infrastructure to applications — rather than concentrated exposure to a handful of dominant names.

Debt, fiscal risk and the role of bonds

Public debt dynamics are a central pillar of the outlook. Government debt across developed markets sits near post-war highs, and rising term premia signal renewed investor sensitivity to fiscal sustainability. Despite this, L&G maintains that US Treasuries retain a critical role. With yields well above post-GFC averages, short-dated Treasuries are viewed as effective hedges in risk-off or recessionary scenarios. The US is described as the “cleanest dirty shirt” relative to other developed markets facing similar fiscal pressures.

AI materially complicates the debt picture. The firm expects the AI revolution to be heavily debt-funded, with hundreds of billions of dollars of additional issuance annually across public and private markets. This may put upward pressure on both spreads and risk-free rates, reinforcing the need for selectivity within fixed income rather than blanket exposure.

Portfolio construction: resilience over retreat

Rather than retreating to cash, L&G advocates building resilient portfolios capable of absorbing uncertainty. At the total-portfolio level, this includes greater use of commodities, private assets, alternative risk premia and explicit downside hedging. Within asset classes, the firm stresses geographic and sector diversification, especially away from US mega-cap concentration, and highlights decorrelated niches within private credit — particularly higher-quality segments insulated from economic cycles.

Private markets feature prominently, both as beneficiaries of AI-driven infrastructure spending and as sources of diversification and illiquidity premia. However, L&G repeatedly stresses underwriting discipline, diversification and risk management, particularly as capital floods into the space.

Emerging markets and innovation

L&G adopts a constructive stance on emerging markets, supported by falling inflation, ongoing rate cuts, improving credit trends and relatively contained external vulnerabilities. The firm sees upside risk to EM growth in 2026, alongside selective opportunities in emerging market debt and private financing structures, including innovative sustainability-linked instruments.

Bottom line for allocators

L&G’s core message is not one of unqualified optimism, but of deliberate engagement with risk. AI represents a powerful, economy-shaping force that will drive both opportunity and volatility. In that environment, L&G believes resilient, diversified and thoughtfully constructed portfolios — rather than defensive paralysis — offer the best chance of meeting long-term objectives in 2026 and beyond.

Source:

[2026 global outlook: Risk and reward amid an AI revolution](#)



Lombard Odier Investment Managers (LOIM) frame 2026 as a year of normalisation following the volatility of 2025. Their central thesis is that global growth and inflation revert toward potential, producing a more stable macro regime in which returns across asset classes converge around mid-single digits. In this environment, portfolio success depends less on directional beta and more on diversification, carry, convexity and selective exposure to structural growth themes.

Macro backdrop: back to potential

LOIM's base case assumes easing macro volatility as inflation falls back toward target and growth stabilises. Developed markets are expected to grow around 1.5% with inflation near 2%, while emerging markets continue to outpace at roughly 3.5%. Central banks remain broadly dovish, with the Federal Reserve and Bank of England expected to deliver two rate cuts each in 2026. This policy backdrop supports a recovery in manufacturing activity and underpins the case for fixed income carry.

At the same time, LOIM stress that this is not a return to the low-volatility, liquidity-fuelled regime of the 2010s. Structural forces – AI-driven capital expenditure, fiscal dominance, geopolitical fragmentation and energy transition investment – continue to shape outcomes and introduce regime-specific risks.

Cross-asset return expectations

In what LOIM describe as a “back-to-potential” environment, expected returns across most major asset classes converge toward ~5%. Fixed income benefits from carry and rolldown, equities deliver modest but positive earnings-driven gains, and commodities retain value as inflation hedges. This convergence reinforces the case for diversified, multi-asset portfolios over concentrated equity exposure.

Within fixed income, LOIM favour investment grade, high yield and emerging market debt, emphasising carry as the primary return driver. Corporate spreads are expected to remain tight, making security selection and fundamentals critical. Convertibles stand out as a preferred allocation due to their restored convexity, attractive valuations and growing issuance from high-quality issuers.

Equity returns are expected to broaden beyond US mega-cap technology. While US equities retain leadership, LOIM see scope for Europe and emerging markets to deliver comparable returns as valuations are more reasonable and liquidity conditions improve, particularly in Asia.

Sustainable equities: mispricing and market broadening
LOIM argue that recent concentration in AI-related mega-caps has obscured the long-term investment case for sustainability. They position the energy transition as a systemic economic shift comparable to past industrial revolutions, spanning entire value chains rather than a narrow sector allocation.

A key distinction is drawn between low-carbon exposure and real-world decarbonisation. LOIM's systematic analysis shows that companies – particularly in high-emissions sectors – with credible science-based decarbonisation targets have generated persistent excess returns relative to peers. They argue that valuation compression in sustainability-linked equities creates attractive entry points as market leadership broadens in 2026.

Emerging markets are highlighted as the next phase of the transition, with China cited as a leader in electrification and capacity deployment, reinforcing the strategic relevance of EM sustainability exposure.

Alternatives: dispersion, liquidity and resilience

LOIM see alternative strategies as well-positioned for the emerging geo-economic regime. Hedge funds benefit from rising dispersion, fiscal dominance and the growing fragility of passive market structures, where liquidity mismatches could amplify volatility during shocks. Active, idiosyncratic strategies are favoured over flow-driven exposures.

In private markets, LOIM identify three high-conviction areas: private equity secondaries, energy-transition-aligned infrastructure and sustainability-driven investments in Europe and Asia. Secondaries are emphasised for their ability to provide liquidity, mitigate J-curve effects and capture discounts in a capital-constrained environment. Infrastructure benefits from energy security, reshoring and digital connectivity, while sustainability is framed as an embedded driver of long-term value creation rather than a thematic overlay.

Asian markets and liquidity dynamics

Asia is presented as a standout regional opportunity. LOIM argue that a structural liquidity boom – driven by rate cuts, repatriation of capital, rising household savings in China and robust trade surpluses – will support returns across Asian equities, bonds and selective real assets. Lower yields, strong fundamentals and secular growth themes underpin their constructive stance, with India highlighted for cyclical recovery alongside long-term growth potential.

Portfolio construction implications

For multi-asset investors, LOIM advocate balanced portfolios combining duration, carry, selective equity exposure and commodities, supplemented by convex strategies to manage tail risks. Static 60/40 portfolios are viewed as less effective, while flexibility, risk management overlays and opportunistic allocation are positioned as critical tools for navigating 2026. Bottom line: LOIM's 2026 outlook is not about chasing outsized returns, but about building resilient, diversified portfolios designed to compound steadily in a more stable – yet structurally complex – macro regime.

Source:

2026 investment outlook: striking a new balance



Lombard Odier frames 2026 as a year of “unspectacular but resilient” global growth, characterised by elevated policy uncertainty, persistent geopolitical risks, and a gradual shift toward more supportive monetary conditions. After two years of strong asset performance, the firm argues that markets face a higher bar, requiring discipline, diversification, and selectivity rather than broad beta exposure.

Macro Backdrop: Soft Growth, Policy Frictions, and Diverging Regions

The global economy is expected to avoid recession in 2026, despite rising US tariffs, political pressure on institutions, and fragile geopolitics. Fiscal policy remains expansionary across major economies, while monetary policy is expected to provide support through lower US and UK rates and stable eurozone and Swiss policy settings. Lombard Odier expects below-potential US growth, with tariffs increasingly weighing on consumption and corporate profitability, particularly among small and mid-sized firms. Inflation is forecast to remain above target in the US for much of the year, before easing as growth softens and policy becomes more accommodative.

In contrast, Europe’s outlook is more stable, supported by prior rate cuts and fiscal stimulus—especially German defence spending—allowing eurozone growth of just over 1%. Southern Europe is expected to outperform, aided by continued EU fund disbursements. China’s growth is projected to slow to just above 4%, constrained by weak domestic demand, but stabilised by targeted policy support and a temporary easing in US-China trade tensions.

Emerging markets ex-China benefit from easier global financial conditions, stronger balance sheets, and ongoing global capital spending, supporting a constructive growth differential versus developed markets.

Strategic Asset Allocation: Emerging Markets and Gold in Focus

Against this macro backdrop, Lombard Odier highlights emerging markets and gold as core strategic opportunities for 2026. A softer US dollar—driven by Fed easing and narrowing rate differentials—is expected to support capital flows into emerging market equities and bonds. Emerging market equities are forecast to deliver 15% earnings growth, led by South Korea and India, while valuations remain at a discount to developed markets. Emerging market debt stands out within fixed income, offering attractive income and improving fundamentals, particularly in local currency bonds where elevated real yields coincide with prospective dollar weakness.

By contrast, developed market sovereign bonds face structural constraints. While disinflation continues, high debt levels and fiscal risks limit the scope for capital gains, especially in the US. UK Gilts are a relative exception, as Lombard Odier expects the Bank of England to cut rates more aggressively than markets anticipate, improving return prospects.

Equities: Rotation, Not Retreat

Lombard Odier remains constructive on equities but expects lower and more volatile returns than in the previous two years. Market concentration in US AI-linked stocks is identified as a key risk, with valuations elevated and little margin for error. The firm expects a broadening of equity performance, favouring regions and sectors with reasonable valuations and resilient earnings. Europe and Switzerland are highlighted as beneficiaries of this rotation, supported by earnings recovery potential and dividend income. Sector preferences include healthcare, utilities, and materials—areas linked to AI-driven productivity gains, electrification, and infrastructure spending.

Alternatives, Real Assets, and Portfolio Resilience

Gold plays a central role in Lombard Odier’s diversification framework. The firm views gold as offering superior hedging properties relative to sovereign bonds across a range of geopolitical, inflationary, and fiscal risk scenarios, with a 12-month price target of USD 4,600 per ounce. Commodities tied to the energy transition and AI infrastructure—such as copper and rare earths—are also supported by strong structural demand.

Private assets remain a high-conviction allocation, particularly mid-market private equity, selective private credit, and inflation-resilient real assets. Improved liquidity conditions and rising deal activity underpin a cautiously optimistic outlook, though Lombard Odier stresses that manager selection and pacing are critical given wide dispersion in outcomes.

CIO Bottom Line

Lombard Odier’s 2026 outlook argues for measured risk-taking, anchored in diversification across regions, asset classes, and real assets. With policy uncertainty high and traditional defensive assets offering limited protection, the firm positions emerging markets, gold, and private assets as key building blocks for resilient portfolios in an environment of modest growth and elevated uncertainty

Source:

[Outlook 2026: Private Clients](#)



Lord Abbett's 2026 outlook is built around a constructive macro regime defined by easing financial conditions, resilient global growth, broadening earnings momentum, and optimism around artificial intelligence (AI) as a general-purpose technology. The firm characterises the environment as one where multiple tailwinds are aligned, while emphasising the need for selectivity, active management, and risk discipline.

Macro backdrop: easing policy, resilient growth

The starting point for Lord Abbett's outlook is a clear easing in global financial conditions. Central banks have lowered interest rates across most major economies, and—critically—have shown flexibility in tolerating inflation modestly above target in the short term. This policy stance has supported equity markets, tightened credit spreads, and improved the availability of capital. Inflation has continued to decelerate in most regions, while medium-term inflation expectations remain well anchored around central bank targets.

Global growth has been sustained not only by the U.S. economy but also by resilience in major overseas markets. China's ability to avoid political and financial crises, despite its transition away from a housing-led growth model, is highlighted as a key stabilising force for global demand. Europe has benefited from fiscal stimulus linked to defence and security spending, while Japan continues to pursue pro-growth policies under its new government. Together, these dynamics underpin a more balanced global growth profile than in prior years.

Equity markets: earnings-led strength, not a bubble

Despite strong equity performance, Lord Abbett argues that the current bull market remains average by historical standards rather than speculative or bubble-like. Equity gains have been driven primarily by earnings growth rather than excessive valuation expansion. Earnings growth has broadened beyond mega-cap technology, supporting healthier market breadth.

AI is positioned as a central structural theme. Hyperscalers' capital expenditure has significantly exceeded earlier expectations, and unlike past infrastructure cycles, AI-related investments are already generating revenue growth. The benefits are spreading beyond large technology firms into semiconductors, industrials, infrastructure, cybersecurity, and select mid- and small-cap companies. This diffusion of AI-driven productivity gains is viewed as a durable earnings tailwind.

Regionally, Lord Abbett highlights attractive opportunities outside the United States. Earnings growth in developed ex-U.S. and emerging markets has accelerated, narrowing the gap with U.S. equities. While Japan and Korea are cited as notable opportunity sets, the firm emphasises bottom-up exposure to globally competitive companies rather than top-down country allocation.

Fixed income: supportive backdrop despite tight spreads

In fixed income, Lord Abbett views the combination of easing monetary policy, resilient growth, and strong corporate fundamentals as supportive for credit-sensitive assets. Although credit spreads remain tight across investment grade, high yield, and securitised markets, they are seen as justified by balance-sheet strength, solid earnings, and ongoing demand for yield.

The firm acknowledges risks associated with heavy AI-related issuance and the potential for oversupply in infrastructure investment over time. However, at this stage of the cycle, large, highly rated issuers accessing capital markets at attractive concessions are viewed as offering selective opportunities. Active, multi-sector approaches are emphasised as critical in navigating dispersion across credit markets.

Private credit: constructive, but more differentiated

Lord Abbett maintains a positive medium-term view on private credit heading into 2026, supported by a revival in M&A activity, high levels of private equity dry powder, and a looming maturity wall across leveraged finance markets. Normalising interest rates and extended private equity holding periods are expected to drive deal flow and refinancing activity, creating a favourable environment for lenders.

At the same time, the firm flags increasing dispersion within private credit. Payment-in-kind (PIK) structures are identified as a credit negative, and the potential for higher default rates implies that manager selection and underwriting discipline will be increasingly important. Private credit portfolios are expected to differentiate more meaningfully as the cycle matures.

Key risks to monitor

Lord Abbett highlights several unresolved risks: rising U.S. public-sector debt, the inflationary impact of tariffs, ongoing geopolitical tensions—particularly the war in Ukraine—and the possibility that AI investment enthusiasm could overshoot fundamentals. These risks reinforce the firm's emphasis on flexibility, diversification, and active management.

Allocator takeaway

Overall, Lord Abbett's 2026 outlook is distinctly constructive. Lower rates, earnings growth, and AI-driven investment are seen as reinforcing tailwinds across asset classes. However, the firm stresses that this is not a "set-and-forget" environment. For asset allocators, the message is to remain risk-aware, emphasise selectivity within equities, credit, and private markets, and rely on active management to navigate dispersion as the cycle evolves.

Source:

[2026 Investment Outlook: Riding The Tailwinds](#)



M&G's 2026 outlook is framed by a clear tension: most asset classes delivered strong returns in 2025 despite repeated shocks, yet investors now face elevated valuations, tighter risk premia and growing complacency. The firm argues that markets are entering a more demanding phase, where selectivity, valuation discipline and active management will matter far more than broad beta exposure.

Macro and market regime

M&G highlights that optimism has survived a year marked by tariff shocks, geopolitical conflict, a US credit rating downgrade and persistent inflation concerns. However, investor unease is rising. Equity valuations are elevated—particularly in the US—and credit spreads are near multi-decade tights. While this does not automatically imply a bubble, it does suggest lower forward returns and less margin for error. Central banks are set to regain prominence in 2026: markets are pricing significant US rate cuts, yet inflation is expected to remain closer to 3% than 2%, creating the risk that easing expectations are disappointed. Debt sustainability and fiscal pressures, especially in the US and parts of Europe, further complicate the outlook.

Valuations and cross-asset signals

M&G's proprietary valuation framework suggests that, after strong gains in previously "unloved" markets during 2025, most global assets now look broadly neutrally valued, with pockets of stretch. Cash has become less compelling as policy easing lowers real rates, while yield curves have steepened—most notably in Japan and parts of Europe—making longer-duration government bonds more attractive relative to cash. Credit spreads remain tight, limiting compensation for risk, and several equity markets (notably the US, India and Australia) appear less attractive versus history. The firm stresses that valuation signals are more informative over the long term, reinforcing the case for patience and diversification rather than momentum-driven positioning.

Equities and the AI debate

M&G devotes significant attention to artificial intelligence. The firm is explicit: AI itself is not a bubble. The risk lies in the valuations of a narrow group of highly visible "AI enablers". Unlike the dot-com era, today's leading AI-related companies are profitable and delivering strong earnings growth. However, expectations embedded in prices are demanding, and there is scope for disappointment if AI investment proves more cyclical, encounters bottlenecks, or delivers slower-than-expected returns on capital. As a result, M&G argues for moving away from passive exposure to headline AI winners and towards an active approach focused on identifying companies quietly using AI to enhance productivity and margins, where valuations still allow upside.

Fixed income: income is back

M&G is constructive on fixed income in 2026. After a decade of financial repression, government bond yields now offer attractive real income without taking on additional credit risk. With credit spreads uniformly tight across investment grade and high yield, the firm sees better relative value in sovereign duration, supported by weakening growth and labour markets in developed economies. Steeper yield curves have also re-introduced opportunities for active curve positioning. Central bank independence—particularly at the Federal Reserve—emerges as a key risk factor, but overall M&G views duration as offering an asymmetric risk-return profile.

Emerging market debt is highlighted as an increasingly attractive diversifier. Lower debt burdens, improving policy credibility, strong growth and reduced dependence on the US dollar underpin the case, with M&G emphasising bottom-up, country-specific selection rather than broad regional exposure. Asian local-currency bonds, in particular, stand out due to market depth, supportive monetary conditions and improving credit fundamentals.

Private markets and real assets

Private markets are described as being in an uneven but ongoing recovery. M&G sees enduring structural drivers supporting private credit, with a notable preference for Europe over the US due to historically higher risk-adjusted returns and stronger credit quality. Selectivity and manager skill are critical, especially amid concerns about systemic risk.

In real estate, the outlook stresses reinvention over cyclical rebound. Recovery is uneven across sectors and regions, with capital gravitating toward resilient, ESG-compliant assets. Prime offices, logistics in core locations, and living sectors such as multifamily and student housing are favoured, while secondary assets face obsolescence risk unless repositioned. Structural themes—demographics, sustainability, supply-chain realignment and technology—are expected to dominate outcomes.

Bottom line for allocators

M&G's central message for 2026 is clear: markets are transitioning from a liquidity- and momentum-driven phase to one where valuation, fundamentals and active decision-making drive outcomes. Broad exposure is unlikely to be rewarded; disciplined selectivity across equities, duration-focused fixed income, emerging market debt, and resilient private assets is key to navigating a more fragile but opportunity-rich environment.

Source:

[Investment Perspectives 2026 Outlook: Searching for value amid the euphoria](#)



Macquarie Asset Management (MAM) enters 2026 with a broadly constructive macro outlook, forecasting global GDP growth of around 3.5%. Growth is expected to be supported by resilient developed-market consumers, gradually easing monetary policy, and sustained investment linked to artificial intelligence (AI). While the near-term environment appears supportive for asset prices, Macquarie emphasises that significant macro cross-currents are building beneath the surface.

A central risk is the sharp rise in US tariffs, which represent one of the largest trade shocks in modern history. Drawing on evidence from the Trump 1.0 period, Macquarie highlights that the economic impact of tariffs tends to emerge with a 9–18 month lag, suggesting the most material drag on growth could arrive in early 2026 rather than immediately. The key macro question for the year ahead is whether AI-related investment and modest monetary easing can offset this delayed goods-sector slowdown.

Artificial intelligence: Near-term uncertainty, long-term upside

Macquarie views AI as a powerful structural tailwind, already contributing meaningfully to economic growth through capital expenditure. Technology investment linked to AI has become a significant driver of US GDP growth since late 2023. However, the firm acknowledges the risk of a temporary “hype deflation” phase, as expectations may run ahead of realised productivity gains—an experience seen in previous technology cycles.

Despite this risk, Macquarie believes any slowdown in AI investment is likely to be short-lived. The pace of AI task progression and adoption is faster than in past technological revolutions, increasing the probability that productivity gains begin to emerge sooner. Over time, AI has the potential to lift productivity growth materially, raising the possibility of a more favourable growth-inflation trade-off than markets currently assume.

Deglobalisation and fiscal constraints reshape the landscape

Beyond cyclical dynamics, Macquarie argues that the global economy has entered a durable phase of deglobalisation, with trade and cross-border investment no longer acting as powerful growth multipliers. This shift is expected to embed a more inflation-prone environment in developed markets, reversing decades of external disinflationary pressure.

At the same time, fiscal positions across the G7 are increasingly stretched. Ageing populations, rising defence spending, and higher interest costs are expected to constrain governments’ ability to provide countercyclical support. While Macquarie does not forecast a systemic fiscal crisis, it warns that bond markets may periodically react negatively to debt sustainability concerns, reinforcing the case for diversification and selective risk-taking.

Infrastructure: Core alpha engine for 2026

Infrastructure stands out as one of Macquarie’s highest-conviction opportunities. Valuations have normalised from their 2022 peaks and now sit close to long-term averages, offering an attractive entry point relative to listed equities. Earnings growth is expected to remain robust, supported by secular drivers such as digitalisation, electrification, demographics, and the energy transition.

Macquarie projects around 10% net returns in 2026 for private infrastructure, with long-term returns driven primarily by earnings growth rather than multiple expansion. Digital infrastructure, regulated utilities, renewable power, and selected transport assets are highlighted as key beneficiaries of rising power demand, AI-related investment, and long-dated contractual cash flows.

Real estate: Recovery phase with sectoral dispersion

After several challenging years, Macquarie views global real estate as a compelling value opportunity. Higher yields, stabilising valuations, and improving credit availability have reset entry points, while subdued development activity is creating favourable demand-supply dynamics.

The firm emphasises living, logistics, and data centres as the most attractive segments, supported by affordability pressures, demographic trends, reshoring, and AI-driven demand. Income growth, rather than leverage or valuation uplift, is expected to be the primary driver of returns over the medium term, favouring investors with long-term horizons and development capabilities.

Credit: Selective opportunities amid tight spreads

In liquid credit, Macquarie notes that spreads remain historically tight, limiting upside, but all-in yields are still attractive relative to recent history. The firm expresses a bias toward adding duration opportunistically, particularly in the US, where tariff-related growth risks could support further curve steepening.

In private credit, Macquarie remains structurally positive. Direct lending activity is expected to pick up as private equity deal volumes recover, while asset-backed finance is highlighted as a growing opportunity set. Infrastructure debt, in particular, is viewed as attractive due to its defensive characteristics, stable cash flows, and historically lower default rates.

Allocator takeaway

Macquarie’s 2026 outlook reinforces a clear message for professional allocators: in an environment shaped by delayed trade shocks, constrained fiscal policy, and uneven macro signals, alpha is more likely to be generated through private markets, real assets, and structurally advantaged sectors than through broad public-market beta alone.

Source:

[Outlook 2026: Unlocking alpha in disruptive times](#)



Man Group's 2026 outlook is framed around a central idea: the world is no longer moving in sync. Fiscal, monetary and political divergence across regions is fragmenting growth outcomes, market leadership and capital flows. For investors, this argues against broad beta exposure and in favour of selective, unconstrained and diversified approaches across asset classes.

Macro backdrop: a fragmented global cycle

Man Group's base case for 2026 is a mild US recession driven by tariffs, restrictive immigration policy, weakening consumer momentum and rising unemployment. While modest Federal Reserve easing is expected, it is unlikely to fully offset these headwinds. In contrast, the eurozone and Japan are expected to accelerate, supported by meaningful fiscal stimulus, including defence and infrastructure spending. China is projected to deliver stable to slightly lower growth, as fiscal support and industrial policy offset ongoing property-sector weakness. The UK is expected to see flat to slightly dampened growth, supported by accommodative monetary policy but constrained by fiscal pressures.

Emerging markets, particularly Asia, stand to benefit from a weaker US dollar and favourable regional dynamics. This divergence is reinforced by monetary-policy fragmentation, rising concerns over fiscal sustainability in developed markets, and a growing role for the state via industrial policy and targeted intervention. Artificial intelligence remains a key driver of growth and risk, with Man highlighting the potential for both productivity gains and disruption, including rising inequality, labour displacement and vulnerability if AI capex slows.

Cross-asset implications: selective risk, not broad exposure

Against this backdrop, Man Group consistently favours selectivity over index-level exposure.

Equities: In the base case, Man favours developed markets ex-US, particularly the eurozone and Japan, where fiscal stimulus, improving fundamentals and more attractive valuations provide support. UK equities are also seen as potentially attractive given low valuations, high dividends and buybacks, and scope for positive earnings surprises. Chinese technology stocks offer selective upside due to lower valuations and policy support. From a style perspective, Quality is favoured, reflecting concerns over balance-sheet leverage tied to AI investment and softer global growth.

In the downside scenario, Man prefers defensive large-cap equities, such as consumer staples and regulated utilities. In the upside scenario, leadership broadens to emerging-market Asia equities, Chinese and US tech, European cyclicals, and global small- and mid-caps, alongside cyclical sectors including industrials, materials, energy services, semiconductors and selective financials.

Fixed income: Man's preference is again selective. In the base case, European investment grade and European high yield are favoured, supported by a more constructive growth outlook than the US. Curve dynamics point towards shorter-duration positioning. In a downside scenario, inflation-protected securities and high-quality sovereign debt are preferred. In a risk-on environment, global high yield and emerging-market bonds, particularly hard-currency debt, become more attractive, with conditional interest in EM local currency debt if real rates rise and disinflation is credible.

Currencies: Divergence drives currency views. In the base case, the euro and Japanese yen are expected to strengthen versus the US dollar. In risk-off conditions, Man favours traditional safe havens such as the Swiss franc, yen and euro, while expressing caution on the dollar. In a risk-on scenario, commodity-linked currencies such as the Canadian and Australian dollars are preferred.

Credit: divergence within divergence

Man Group's credit outlook stresses the importance of distinguishing between credit segments, particularly amid heightened scrutiny of private credit. While public credit markets have largely "round-tripped" in 2025, Man sees emerging pressure points from a weakening US consumer, elevated valuations and stresses in US regional banks.

Opportunities are concentrated in senior European financials, select global high yield (particularly in Europe), and idiosyncratic opportunities rather than index exposure. In private markets, Man highlights core middle-market direct lending, significant risk transfers (SRTs), and opportunistic credit as preferred strategies, reflecting better underwriting discipline, structural protections and the ability to capitalise on volatility. Long-short and unconstrained credit strategies are also favoured as a way to embed downside protection.

Alternatives and real assets

Man consistently emphasises diversification. Equity market neutral, multi-strategy, trend-following and volatility-managed strategies are highlighted across scenarios. Precious metals with industrial uses, industrial commodities, energy, and catastrophe bonds are also viewed as attractive diversifiers, depending on the macro regime.

Bottom line for allocators

Man Group's 2026 message is clear: this is not a year for passive, one-size-fits-all positioning. Divergence across regions, asset classes and credit segments demands selectivity, flexibility and diversification, with unconstrained and alternative strategies playing a central role in navigating an increasingly fragmented global investment landscape.

Sources:

[Man Global Outlook 2026: Divergent Paths](#)
[2026 Credit Outlook: Divergence Meets Opportunity](#)
[Macroeconomics and Markets: The Investment Implications](#)



Manulife Investment Management's 2026 outlook suite frames a world where the macro picture is clearer, growth improves as the year progresses, and portfolio construction is less about "winning" short-term momentum races and more about staying invested with disciplined risk control. Across public and private markets, their central idea is that 2026 offers opportunity—but it will likely reward investors who balance structural themes (AI, fiscal expansion, and real assets) with valuation and late-cycle risks.

Macro: uneven region-by-region, but improving into 2026

Manulife expects the U.S. to start 2026 slowly and finish stronger, as fiscal support (including corporate capex incentives and household rebates) and the lagged effects of easing work through the economy. They highlight two key swing factors: the Fed's leadership transition as Chair Powell's term ends in Q2 2026, and the durability of the AI investment buildout—a major pillar of U.S. growth expectations. The base case implies rangebound USD and yields for much of the year, with risk assets improving as uncertainty fades.

Outside the U.S., the outlook is more fragmented. Canada is framed as moving from tariff/election uncertainty to adaptation: exports to the U.S. have bottomed, diversification is gradual, and domestic policy support (housing, infrastructure, commodities) may bear more fruit later in 2026. Europe is positioned as having a potential "moment," with cyclical rebound extending and upside tied to reforms and German-led fiscal stimulus—tempered by risks around France and export softness.

The UK is the laggard in their macro map, with persistent stagflation dynamics and a policy mix that keeps gilts sensitive to fiscal credibility. Japan is characterised by moderate recovery and supportive fiscal policy alongside gradual BoJ normalisation, with upside for equities but upward pressure on JGB yields. China is expected to rely on continued accommodative policy to offset weak domestic demand and property stress, while EMs could benefit from a global recovery and a weaker dollar—though the upside increasingly depends on earnings delivery.

Public markets: "drafting" over chasing momentum

Manulife's market message is a caution against extrapolating 2025's momentum-led playbook into 2026. They argue that 2025's risk appetite was fuelled by pre-emptive rate cuts, rising earnings expectations, USD weakness, and fiscal stimulus narratives—alongside a broad "short-termism" that rewarded lower-quality and speculative areas. Heading into 2026, they highlight classic late-cycle vulnerabilities: equities (notably in the U.S. and Canada) appearing "priced for perfection," high-yield spreads near historically tight levels, investor optimism around a no-landing outcome, and the need for companies to prove they can monetise heavy AI capex. Their portfolio prescription is to stay invested, but tilt toward quality at a reasonable price, diversify across sectors and geographies, and avoid simply chasing the same leadership that drove the prior year.

Explicit positioning: equities over fixed income; quality credit; real assets and infrastructure

Manulife's formal asset allocation stance is modestly overweight equities versus fixed income, while remaining underweight fixed income overall due to inflation and term-premia concerns at the long end. Within equities, they are overweight U.S. equities (AI momentum and resilient earnings) and have moved overweight developed markets ex-North America and Europe ex-UK on improving outlook and relative valuations, while keeping EM equities neutral and UK and Japan neutral.

They are underweight U.S. small/mid caps and underweight REITs on rate/refinancing risk. asset-allocation-outlook

They are also overweight commodities, favouring base metals such as copper while being less constructive on oil given supply expectations. asset-allocation-outlook
In fixed income, they are broadly neutral across investment-grade and high-yield, emphasising selectivity (including a preference for mortgages within U.S. IG) and a curve preference for the short end and belly over long duration.

They keep EM debt overweight as a preferred spread product, even after tightening. asset-allocation-outlook
Private markets: secular tailwinds meet expanding access
Manulife's private markets outlook argues that private assets sit at the crossroads of five reinforcing secular forces: digitization, decarbonization, deglobalization, demographics, and democratization.

Digitization and AI drive demand for data centres and fibre; decarbonization pushes underwriting and capital toward real assets and climate resilience; deglobalization supports logistics/industrial assets and inflation-sensitive strategies; demographics underpin housing, healthcare, and income demand; and democratization expands access through new structures and retirement channels.

In the allocation views, they are overweight global infrastructure and positive on private credit (bank retrenchment and compelling all-in yields), but underweight private equity due to valuations, longer holding periods, and constrained exits.

Bottom line for allocators: Manulife's combined message is pro-risk but selective: participate in 2026's improving growth backdrop, lean into AI-linked resilience and Europe's improving setup, prioritise quality and income in both equities and credit, and use infrastructure and private credit as long-duration secular exposures—while keeping a close eye on valuation, AI monetisation, policy transitions, and the moments when better entry points emerge.

Sources:

[2026 Private Markets Outlook](#)

[Asset Allocation Outlook: October 2025](#)

[2026 Global Macroeconomic Outlook: clearer picture, better growth](#)

[2026 Market Outlook: winning isn't all it's cracked up to be](#)



Merrill's 2026 outlook is anchored in a conviction that the current bull market can extend into a new phase of structurally supported growth, even as volatility rises and dispersion across assets, sectors and income cohorts increases. The central framing is that the global economy is “powering up” — both literally, through electricity-intensive infrastructure, and economically, through AI-driven capital investment, productivity gains and resilient demand.

Macro backdrop: resilient growth with rising complexity

The Chief Investment Office argues that the U.S. economy enters 2026 with strong underlying fundamentals: a solid profit cycle, easing financial conditions, and a labour market that is cooling without breaking. Corporate earnings have continued to surprise on the upside, supported by healthy balance sheets and self-funded capital expenditure, particularly in AI infrastructure and data centres. Fed policy is expected to turn more accommodative through 2026, with rate cuts occurring alongside accelerating growth, a dynamic Merrill views as historically supportive for risk assets.

At the same time, Merrill stresses that this is not a low-volatility environment. Mid-term elections, geopolitical tensions, tariff uncertainty and a leadership transition at the Federal Reserve all raise the probability of episodic market dislocations, reinforcing the need for diversification rather than directional concentration.

The “power” theme: infrastructure, energy and geopolitics converge

Across all materials, “power” emerges as the defining structural theme. AI, reshoring, defence, electrification and digital infrastructure are dramatically increasing electricity demand, exposing a significant bottleneck in U.S. generation, transmission and grid resilience. Merrill highlights that while the U.S. leads in advanced AI chips, it lags materially in power infrastructure relative to China.

This creates a multi-year investment backdrop spanning utilities, industrials, grid modernisation, power management, energy storage, natural gas, renewables, nuclear and critical materials. The CIO explicitly links this to global defence spending and the intensifying U.S.–China technology rivalry, framing infrastructure investment as both an economic and geopolitical necessity.

Transition Investing and the scale of capital deployment BofA Global Research's “Transition Investing” framework underpins Merrill's long-term opportunity set. The ABCs — adaptation and resiliency; built infrastructure; clean energy; digital and human capital; enabling finance — describe what Merrill views as a historically large mobilisation of capital, potentially measured in tens of trillions of dollars over the coming decades.

Crucially for allocators, Merrill emphasises that private capital will only participate at scale if returns are attractive. This underpins a constructive view on private markets, particularly venture and growth equity, where the firm believes many future market leaders are still being incubated outside public markets.

Consumers: resilient, but increasingly bifurcated

Consumer strength remains a key pillar of the outlook, but Merrill draws a clear distinction between higher-income households driving aggregate spending and mounting stress among lower-income cohorts. Bank of America Institute data show spending, wages and income still growing year-over-year, yet affordability pressures are rising as essential costs outpace real income gains.

This “affordability” theme is treated as a potential wildcard for 2026. Merrill highlights four transmission channels to markets: weaker discretionary spending, rising credit stress, a prolonged housing slowdown, and greater policy activism ahead of elections. While not a recessionary call, affordability is framed as a source of earnings volatility, sector rotation and political risk, reinforcing the case for balance and selectivity.

Regional and asset class views

Within equities, Merrill maintains a slight overweight, with a preference for U.S. equities driven by superior earnings momentum, alongside selective international exposure. Emerging markets are acknowledged as strong 2025 performers, supported by AI supply chains and commodities, but Merrill remains neutral tactically, citing China's structural headwinds and reduced sensitivity to Fed easing.

In fixed income, the CIO encourages moving beyond cash into longer-dated assets, noting that yields are higher and more stable than in the past decade. Municipals are highlighted for high-tax investors, while overall positioning remains cautious rather than aggressive.

Gold is framed as a strategic diversifier, supported by central bank demand, geopolitical risk and fiscal dynamics, rather than as a pure inflation hedge.

Portfolio takeaway

Merrill's core message for 2026 is not exuberance, but participation with discipline. The firm sees the potential start of a historic investment cycle driven by AI, infrastructure, energy transformation and productivity — but within a world marked by affordability pressures, geopolitical rivalry and policy uncertainty. For asset allocators, the emphasis is on staying invested, broadening exposures, and aligning portfolios with long-duration structural themes while preparing for higher volatility along the way.

Sources:

[**Outlook 2026: Could the market power into higher gear this year?**](#)

[**Market Decode: Outlook 2026 preview**](#)

[**Outlook 2026: Will consumer spending stay strong?**](#)

[**Outlook 2026: Geopolitics, policy and your portfolio**](#)

[**Powering up: What could drive the next era of growth?**](#)

[**Capital Market Outlook**](#)



MFS enters 2026 with a cautiously constructive outlook, arguing that despite elevated geopolitical risks and policy uncertainty, the macro and market environment remains broadly supportive of risk assets. The firm's central message is clear: US exceptionalism is fading, global policy divergence is rising, and diversification across geographies, asset classes and sources of return is once again essential.

A year of global policy stimulus — with caveats

MFS expects 2026 to be characterised by a rare synchronisation of fiscal support across major economies. In the US, accommodative monetary policy and front-loaded fiscal stimulus — including tax refunds and pro-growth measures — should support consumer resilience, particularly in the first half of the year. Elsewhere, Europe is shifting the growth baton from the ECB to fiscal policy, with Germany's abandonment of fiscal orthodoxy unlocking defence and infrastructure spending. China is expected to deploy both monetary and fiscal tools to combat deflationary pressures, while Japan's new government is pursuing a multi-year, growth-oriented spending agenda despite modest monetary tightening. That said, MFS highlights growing medium-term risks. Western economies face rising debt burdens and political resistance to austerity, increasing the likelihood of volatile policymaking. Tariffs remain a key uncertainty, particularly in the US, where legal challenges could shape the ultimate economic impact. Country selectivity, rather than blanket exposure to stimulus, is therefore critical.

Geopolitics and AI reshape the opportunity set

Geopolitical fragmentation continues to reshape global supply chains, with US-China decoupling accelerating investment in strategic industries such as semiconductors, energy, pharmaceuticals and defence. At the same time, the global race for AI supremacy is emerging as a defining structural force. MFS argues that while AI valuations have risen, they remain far below dot-com extremes and are broadly supported by fundamentals. The firm sees AI as genuinely transformative across sectors, with the potential to enhance productivity, reshape cost structures and boost long-term profitability.

However, MFS urges vigilance. Enterprise AI adoption is progressing more slowly than consumer applications due to governance, security and data challenges. The AI capex cycle is also becoming more debt-financed, raising questions around balance sheets and financing structures. As a result, selectivity is paramount: MFS favours companies with strong balance sheets, proprietary data, scalable platforms and durable customer relationships.

The case for global equities over US concentration
A key pillar of the MFS outlook is the argument that global ex-US equities are increasingly attractive. After more than a decade of US dominance, 2025 marked a turning point, with international equities outperforming amid US market volatility and a weaker dollar. Valuation disparities remain extreme, with non-US equities trading at a deep discount to the US, creating scope for multiple expansion as earnings growth in Europe and Japan improves.

In Europe, defence spending, infrastructure investment and structural reforms are expected to support earnings recovery, while banks and industrials stand out as beneficiaries. In Japan, rising wages, persistent labour shortages and shareholder-friendly reforms are driving a structural shift toward firmer inflation, stronger capital discipline and higher buybacks. Emerging markets also feature prominently, supported by innovation in AI, manufacturing and renewables, as well as a softer dollar — though MFS stresses the importance of security-level selectivity given geopolitical and policy risks.

Fixed income: think global, stay selective

MFS sees macro divergence as a powerful argument for global fixed income diversification. With the Fed cutting rates, the ECB nearing the end of its easing cycle and Japan only beginning to normalise policy, a purely domestic approach to duration is increasingly inadequate. The firm is neutral on duration overall, noting sticky inflation in the US and limited valuation appeal in Europe.

Within credit, MFS draws parallels with the mid-1990s, when rate cuts supported improving corporate fundamentals and sustained tight spreads. As refinancing conditions improve, metrics such as interest coverage and cash balances are expected to strengthen, supporting continued exposure to public credit markets. Global credit and emerging market debt are viewed favourably for diversification and yield, while caution is warranted in parts of private credit, where signs of stress are emerging.

Portfolio implications

For 2026, MFS advocates rebalancing away from US concentration, embracing global equities, global credit and selective EM exposure. The firm emphasises quality, resilience and diversification — not as defensive positioning, but as the most effective way to navigate a world defined by policy uncertainty, geopolitical fragmentation and technological disruption.

Sources:

2026 Key Themes

Global Market Pulse



Morgan Stanley Investment Management's 2026 outlook is built around a decisive shift in the global macro regime. After a soft and uneven 2025, MSIM expects 2026 to mark the right-hand side of a "U-shaped" recovery, driven by synchronised fiscal and monetary support, improving productivity and easing policy constraints. The firm argues that markets have already moved beyond a narrow, policy-fragile "K-shaped" environment toward one where growth broadens across regions and sectors, albeit unevenly.

Macro regime: policy alignment and productivity revival

A defining feature of MSIM's outlook is the belief that global policy has turned pro-cyclical. In the U.S., fiscal stimulus has been front-loaded, with capex incentives, tax measures and deregulation expected to feed through more visibly into growth during 2026–27. Monetary policy is also shifting: despite inflation remaining above target, the Federal Reserve is viewed as increasingly comfortable cutting rates as labour-market risks tilt toward higher unemployment and wage pressures stabilise.

Beyond the U.S., MSIM highlights a notable change in Europe. Tariff pressure and geopolitical realignment have accelerated reindustrialisation and fiscal expansion, particularly in Germany. With inflation largely tamed, the ECB is expected to maintain accommodative policy, supporting a cyclical rebound in capital-intensive sectors. This international policy pivot underpins MSIM's expectation of broader global growth, even as leadership remains selective.

Equities: neutral overall, but conviction in U.S. leadership

While MSIM maintains a neutral stance on global equities at the aggregate level, the underlying message is increasingly constructive. The firm views 2026 as a continuation of the later stages of the current bull market rather than a turning point. Historically, the fourth year of bull cycles has delivered positive returns, and MSIM argues that supportive monetary conditions and fiscal tailwinds increase the likelihood of another strong year for equities.

Regionally, conviction is highest in the United States, where MSIM sees structural support from productivity gains tied to AI adoption, fiscal stimulus and deregulation. The preference is for large-cap equities, complemented by selective exposure to mid-caps and beneficiaries of U.S. industrial policy, including regional banks and defence-linked AI adopters. Europe is approached more selectively: while the region remains neutral overall, MSIM favours Eurozone banks and German fiscal-policy beneficiaries, reflecting the shifting composition of European earnings growth. Japan and Emerging Markets are held at neutral, with improving policy backdrops offset by more mixed domestic demand and regional divergences.

From a style perspective, MSIM favours quality, large-cap and cyclical exposures, particularly in the U.S. and Europe, where policy-driven growth is expected to support earnings momentum.

Fixed income: underweight duration, selective credit risk

In fixed income, MSIM remains underweight duration, particularly in U.S. Treasuries. The firm views 4% as a structural floor for 10-year yields, arguing that residual growth momentum and fiscal expansion skew risks toward higher yields and curve steepening. Duration is positioned more as a risk to manage than a return engine in 2026.

Credit markets are approached with caution. Corporate spreads are described as expensive, with limited compensation for risk at the investment-grade level. Instead, MSIM expresses a relative preference for higher-yielding and securitised credit, including non-agency MBS/RMBS, bank loans and selective emerging-market hard-currency debt, where spreads and structural protections offer more attractive risk-reward profiles.

Alternatives and private markets: selective optimism

MSIM's outlook for alternatives is nuanced. Private markets are viewed as neutral to modestly positive, with improving M&A activity and more attractive relative valuations supporting private equity, particularly buyouts. However, the firm remains cautious on core middle-market private credit, favouring senior, sponsor-backed and capital-preservation-oriented strategies over yield chasing.

Real assets are a brighter spot. Real estate is viewed positively, especially in living and industrial segments where supply discipline and motivated sellers are creating attractive entry points. Infrastructure, particularly data-centre-linked assets and grid upgrades, benefits from structural investment tailwinds. Commodities are neutral overall, with geopolitical upside balanced by spare capacity, though precious metals retain structural appeal.

Portfolio takeaway for allocators

Overall, MSIM's 2026 outlook is not about aggressive beta expansion, but about positioning for a maturing but still constructive cycle. The message for asset allocators is clear: remain selective, favour regions and sectors aligned with fiscal and productivity tailwinds, limit duration risk, and seek income and diversification through targeted credit and real assets rather than broad risk exposure.

Sources:

[2026 Outlook: The BEAT](#)

[2026 Investment Outlook: U.S. Stocks Shine in Spotlight of Favorable Conditions](#)

[2026 Outlooks](#)

[2026 Economic Outlook: Moderate Growth With a Range of Possibilities](#)

[Year-End Economic and Investment Outlook](#)



Morningstar frames its 2026 Outlook explicitly as preparation rather than prediction, arguing that forecast-chasing can produce classic “buy high, sell low” behaviour—illustrated by 2025 Wall Street target changes around the April tariff shock and subsequent rebound.

A core message: stay disciplined as politics drives noise, tech drives signal

Morningstar expects 2026 to feature headline-driven volatility (tariffs, central-bank leadership changes, geopolitics), but stresses that investors often overreact to political narratives. It argues even a “worst-case” tariff scenario would likely shave only a few percentage points off long-run US GDP—far less than the equity drawdown investors priced in during April 2025—implying opportunity when markets overshoot fundamentals. Their playbook is behavioural as much as financial: avoid selling in drawdowns, rebalance to targets, and look for assets where prices have overcorrected relative to underlying earnings power.

Dollar weakness re-opens the case for non-US diversification (and selective hedging)

Morningstar notes the US dollar fell sharply in 2025 (DXY down nearly 10% through September), driven by fiscal concerns, policy uncertainty, and renewed hedging of US exposures—yet it still views the dollar as overvalued versus most peers and more likely in a prolonged cyclical weak phase than a structural collapse. For US-based investors, this supports adding non-US exposure both for valuation and potential FX tailwinds. For non-US investors, it emphasises that hedging decisions should be driven by interest-rate differentials: hedging is far more expensive in low-rate regions (e.g., Japan/Switzerland) and closer to neutral cost in markets like the UK.

AI is a capex supercycle—already embedded in broad indexes

Morningstar characterises AI as a global infrastructure boom, led by hyperscalers spending “hundreds of billions” in annual capex—on a scale exceeding the entire US listed energy sector’s capex. It flags execution constraints (power grids, cooling/water usage, community resistance) and monetisation risk (limited willingness to pay; only a small share of chatbot users are paid subscribers). Crucially for allocators, it argues most portfolios are already heavily exposed through index concentration: the major AI-linked names have grown to a very large share of US market exposure. The practical implication is not “avoid AI,” but rebalance concentration: diversify toward US value and small caps (lower AI exposure and, in Morningstar’s view, trading below fair value) and/or selected foreign markets.

Concentration risk remains the US equity market’s hidden fragility

Building on the AI point, Morningstar highlights that the top 10 US stocks are now roughly one-third of the market, increasing vulnerability to shocks in a small set of business models. It argues opportunities look better in laggards with cheaper valuations—US small caps, selective international developed markets (UK and parts of Europe), and emerging markets (with Brazil, China, and Mexico called out as attractive areas).

Income: yield is back, but spreads are tight—focus on resilience

Morningstar sees the “sweet spot” for core fixed income in intermediate maturities (5–10 years), combining yield, roll-down, and potential capital gains if policy rates fall. It is more cautious on corporate credit because spreads are near historical lows; it prefers agency MBS on risk/reward, and favours local-currency EM debt selectively for higher all-in yields and potential FX upside. For equity income, it highlights UK and Brazil as relatively attractive dividend markets, and prefers REITs over infrastructure where AI-related enthusiasm has lifted utility/infrastructure valuations.

Two regionals and one structural trend: UK, South Africa, and private markets

Morningstar argues UK assets are mispriced versus sentiment: UK equities’ global revenue base, high dividend yields, and a large valuation discount to the US stand out; UK gilts also offer comparatively high G7 yields and (in Morningstar’s view) a term premium that could normalise as easing begins.

In South Africa, it highlights strong recent returns and argues valuation selectivity matters—preferring diversified miners and well-capitalised banks over fully priced precious-metal miners.

Finally, it expects private markets to “go mainstream” via semiliquid structures and retirement-plan adoption, but warns allocators—to weigh higher fees, liquidity limits, and transparency—especially in private equity wrappers—while noting private credit is often the most practical entry point for yield and diversification.

Source:

[2026 Global Outlook Report](#)



Muzinich enters 2026 with a notably constructive but disciplined outlook, anchored in a stabilising global macro backdrop, resilient fundamentals across credit markets and a clear preference for carry-driven returns over directional beta. After several years dominated by inflation shocks, aggressive tightening and geopolitical stress, the firm's central case for 2026 is one of recalibration rather than disruption: global growth running near trend, easing financial conditions, and central banks converging toward neutral policy settings.

A calmer macro regime, with policy flexibility intact

Across its outlooks, Muzinich highlights a broad de-escalation in macro risks. Tariff uncertainty has faded, geopolitical tensions appear less acute, and US-China relations show tentative signs of stabilisation. Inflation is cooling across most regions, aided by softer energy prices and lagged disinflationary effects from prior tightening. This allows central banks to retain flexibility, with the balance of risks skewed toward further easing rather than renewed tightening.

In the US, the labour market is softening at the margin, opening the door to additional Federal Reserve cuts that could see short-term rates fall toward the 3–3.25% range by mid-2026. Europe presents a different mix: a positive fiscal impulse from Germany supports growth, but weaker consumption and employment dynamics argue for caution. Overall, Muzinich expects fewer policy shocks and a more predictable macro environment—conditions that historically favour credit over equities or duration-heavy exposures.

Credit fundamentals remain the anchor

Muzinich's conviction rests squarely on credit fundamentals. Corporate balance sheets across developed and emerging markets are described as robust, with solid earnings, high margins and contained leverage. Importantly, there is little evidence of broad-based deterioration in credit quality. Default rates remain low by historical standards, and while idiosyncratic stress will persist, the firm does not see a systemic default cycle emerging in 2026.

Spreads are undeniably tight, but Muzinich argues that compressed risk premia are justified by fundamentals rather than excess optimism. As a result, 2026 is framed as a year where total returns are driven primarily by income—carry and roll-down—rather than capital appreciation. Dispersion, particularly within high yield, is expected to rise, creating scope for active security and sector selection.

Emerging markets: from fragility to resilience

Muzinich's EM outlook is among its clearest expressions of conviction. The firm argues that emerging markets enter 2026 with an “all-weather” foundation: stable growth, easing inflation, improving current accounts and broadly sound sovereign and corporate balance sheets. External debt ratios remain contained, rating momentum has been positive, and default risks are viewed as idiosyncratic rather than systemic.

Flows and technicals reinforce the case. Renewed inflows into EM credit, shrinking net supply and yields that sit above long-term averages underpin attractive total-return potential. Valuations screen favourably relative to developed-market credit, particularly when assessed through leverage-adjusted risk premia. Muzinich explicitly recommends maintaining—and in many cases increasing—EM exposure in 2026, cautioning benchmarked investors against remaining underweight.

Positioning for 2026: disciplined, income-focused portfolios

Across public markets, Muzinich advocates a selective approach to risk. In rates, duration is treated tactically rather than as a core return driver. In the US, a barbell strategy combining short duration with selective 7–10-year exposure is favoured, while European portfolios emphasise intermediate maturities to capture roll-down. Long-end duration is approached with caution given supply risks and limited scope for further yield compression.

Within credit, the preference is clear: remain overweight higher-yielding segments, particularly high yield and BBB-rated investment grade, while avoiding the lowest-quality risk. Capital structure discipline is emphasised, with rotation toward senior risk where subordinated spreads no longer compensate adequately. Sector positioning reflects a desire for tariff resilience and balance-sheet strength, with financials, autos, and real estate favoured, and structurally challenged areas such as chemicals treated cautiously.

Bottom line

Muzinich's 2026 outlook is neither exuberant nor defensive. It is a case for measured optimism: a world of lower volatility, steady growth and fewer macro shocks, where disciplined credit portfolios—focused on carry, quality and selectivity—are well placed to deliver attractive risk-adjusted returns.

Sources:

[Muzinich Weekly Market Comment: 2026](#)

[All-weather resilience - 2026 emerging markets outlook](#)

[Roll down and Carry on - Credit investing in 2026](#)



Natixis Investment Managers

Natixis Investment Managers' 2026 outlook frames the coming year as a late-cycle environment defined by heightened uncertainty rather than outright crisis. After several years of resilient asset returns despite geopolitical shocks, tariffs, and policy volatility, institutional investors increasingly believe markets are vulnerable to a correction. Yet this caution coexists with continued optimism on returns, underpinned by earnings growth, accommodative monetary policy, and diversification into alternatives.

Across Natixis' research, a consistent theme emerges: 2026 is not expected to deliver a sharp downturn, but neither a broad-based acceleration. Instead, institutions are preparing for a more fragmented, uneven macro regime that rewards active management and disciplined portfolio construction.

Macro: “Ho-hum” growth, not a recession

Natixis characterises the US growth outlook as “ho-hum”—close to trend rather than expansionary. Growth is increasingly narrow, with AI-related capital expenditure and consumer spending acting as the primary pillars, while state and local government spending and housing contribute little. Outside the technology sector, business investment momentum remains muted, despite fiscal incentives such as bonus depreciation and R&D expensing.

Fiscal policy, including retroactive tax cuts under the OBBB, is expected to provide only a modest and short-lived boost. Natixis argues that tax savings are skewed toward higher-income households with a greater propensity to save, limiting the impact on consumption. Confidence among lower-income consumers—who drive marginal spending—remains fragile, particularly given rising unemployment risks.

In Europe, the outlook is more constructive. Fiscal stimulus in Germany, combined with the lagged effects of ECB easing, supports growth above 1%, partially offsetting fiscal consolidation elsewhere. China remains a structural concern, with weak domestic demand, property-sector stress, and deflationary pressures, although institutions are split on whether growth can re-accelerate.

Monetary policy: easing bias intact

Monetary policy is expected to remain supportive but uneven across regions. Natixis anticipates a more accommodative Federal Reserve, with labour market cooling increasingly outweighing inflation risks. Inflation has consistently undershot expectations, tariff pass-through appears limited, and shelter disinflation remains a key tailwind. This strengthens the case for further rate cuts toward a neutral policy rate around 3%.

The ECB is expected to hold rates near 2%, continuing quantitative tightening, while retaining optionality should inflation prove stickier. Overall, institutions see rate volatility moderating, with few expecting a smooth glidepath but most anticipating one to two cuts in 2026.

Equities: supported, but increasingly selective
Despite correction risks, 68% of institutions remain bullish on equities. The AI theme continues to underpin optimism, though concerns about valuation, concentration, and bubble risk are widespread. Natixis highlights that AI investment is increasingly financed through operating cash flow rather than leverage, differentiating today's environment from past bubbles.

Crucially, markets are becoming more discriminating. Correlations within the “Magnificent Seven” are declining, signalling greater differentiation between winners and losers. This reinforces Natixis' conviction that active equity management is increasingly important in 2026. Regionally, institutions are gradually reducing US equity exposure while favouring Europe and Asia-Pacific, supported by valuation, fiscal dynamics, and earnings recovery. European equities are expected to benefit from a return to earnings growth in 2026, albeit below consensus expectations.

Fixed income and credit: carry over conviction

Fixed income remains attractive, with 55% bullish on bonds. Natixis sees a supportive environment for carry as volatility compresses and yields remain elevated. In Europe, German government bonds benefit from ECB policy anchoring, while peripheral spreads continue to narrow with limited upside. Emerging market debt stands out, supported by yield, improving fundamentals, and favourable growth differentials.

Credit markets are described as buoyant, with stable leverage, contained defaults, and attractive yields. Natixis expresses a preference for bank debt over non-financial issuers and downplays concerns around systemic private credit risk, viewing recent stress as idiosyncratic rather than structural.

Alternatives, ESG, and portfolio construction

Alternatives continue to take centre stage. A majority of institutions believe a 60:20:20 portfolio will outperform traditional 60:40 allocations, with private equity, private credit, infrastructure, and real estate leading allocations. ESG remains embedded in investment processes, with a focus on integration, risk management, and measurable outcomes rather than exclusion.

Sources:

[**2026 Institutional Outlook: Markets dance to uncertainty**](#)

[**Ostrum's 2026 outlook: transition or disruption?**](#)



Neuberger Berman enters 2026 with a broadly constructive but selective outlook, framed around the view that markets are transitioning into a more volatile, policy-driven and AI-shaped regime. While growth remains resilient and risk assets are supported by fiscal and monetary tailwinds, dispersion—across regions, sectors, companies and managers—is set to rise materially. In this environment, Neuberger argues that staying invested, diversified and selective is critical to capturing long-term returns.

Policy crosscurrents dominate the macro backdrop

Productivity gains—driven in large part by accelerating AI adoption—are supporting growth even as labour markets soften. This unusual mix complicates central bank decision-making, raising uncertainty around the pace and extent of rate cuts. Neuberger expects the global fiscal bias toward spending to persist, with deficits widening and policy becoming an increasingly important source of volatility. Regionally, the macro setup is viewed as most supportive in the U.S. and parts of Asia, particularly Japan, while Europe faces a more challenging combination of weaker growth, policy constraints and political risk.

AI sits at the centre of the 2026 investment landscape

Neuberger views AI as a genuine multi-year productivity and capex megatrend, driving investment across data centres, power, energy and grid infrastructure, with second-order effects spreading well beyond mega-cap technology. While the U.S. and China remain leaders, policy divergence creates opportunities to access AI exposure globally, including through adjacent and enabling industries. At the same time, AI is a source of market fragility: concentrated leadership, heavy capital spending and pockets of valuation excess raise the risk of volatility. The implication is not to avoid AI, but to approach it selectively, focusing on companies and sectors demonstrating durable returns on AI investment rather than blanket exposure.

Fixed income conditions are improving at the long end of the curve. Neuberger believes that long-term yields increasingly reflect known fiscal and debt sustainability risks, suggesting that “the worst may be over” for long rates. As central banks adopt a more dovish bias, improving carry in longer maturities could offer attractive return potential, particularly during periods of mispricing. In credit, spreads appear broadly justified by fundamentals, but the firm warns that a maturing credit cycle and AI-driven disruption will heighten idiosyncratic risk. Security selection and quality bias are therefore essential.

Equities remain attractive, but the risk profile has shifted

Neuberger remains constructive on global equities heading into 2026, supported by expectations of economic reacceleration as monetary and fiscal stimulus feeds through. However, the firm stresses that AI is a double-edged sword. While productivity gains are broadening earnings growth beyond mega-cap tech into sectors such as financials, healthcare and industrials, signs of froth and rising market sensitivity—particularly within technology—require discipline. Neuberger advocates thematic but diversified equity exposure, with an emphasis on bottom-up fundamentals and valuation awareness.

Private markets are entering an inflection point where selection matters more than ever

Slower exits, longer holding periods and tougher fundraising conditions have created a backlog of assets seeking liquidity. Neuberger views this as a multi-year opportunity set for secondaries, GP-led continuation funds, capital solutions and co-investments, particularly with top-tier sponsors. Private equity continues to offer attractive long-term return and diversification potential, but dispersion is expected to widen further, reinforcing the importance of manager quality and operational capability. In private debt, direct lenders are well positioned to benefit from structural disintermediation, though competition is intensifying and selectivity remains key.

The overarching message is one of disciplined conviction

Neuberger emphasises that market volatility—driven by policy flux, AI enthusiasm and geopolitical noise—should not deter long-term investors. History consistently rewards staying invested through drawdowns, while diversification across regions, styles and asset classes helps turn rotation into opportunity rather than risk. For 2026, the greater danger may be under-participation rather than over-exposure, provided portfolios are thoughtfully constructed and actively managed.

Sources:

[**Solving for 2026: Five Themes for Navigating Markets**](#)

[**Q4 2025 Private Markets Outlook: In an Inflection Year, Selection Matters More**](#)
[**Equity Market Outlook Q4 2025**](#)

[**Equities: Stay Invested, Stay Diversified**](#)



New York Life Investments

New York Life Investments frames 2026 as a year defined by tension rather than fragility. The global economy is late-cycle, valuations are elevated, and geopolitical risks are rising—but policy remains sufficiently supportive to extend the expansion. The firm's base case is for a constructive, moderately risk-on environment, tempered by inflation risks and long-term debt sustainability concerns.

Macro backdrop: supportive, but increasingly constrained

The U.S. remains the anchor of global growth in New York Life's outlook. Modest Federal Reserve easing, a pro-growth fiscal stance ahead of the U.S. midterms, and deregulation—particularly in financials—are expected to keep financial conditions loose through 2026. The Fed is expected to deliver 50–75bps of additional cuts, less than market pricing, as sticky inflation and loose financial conditions limit the scope for aggressive easing. Quantitative tightening has ended, shifting liquidity from a headwind to a modest tailwind.

Corporate profitability is central to the outlook. New York Life argues that resilient margins and strong balance sheets should prevent a sharp rise in layoffs, sustaining consumption even in a “low-hire, low-fire” labor market. The key macro risk is not recession but economic overheating, which could force the Fed to pause or reverse cuts if inflation reaccelerates.

AI, capex, and market concentration

Artificial intelligence remains the dominant structural driver of markets. The firm expects the virtuous cycle between earnings, cash flow, and capital expenditure to persist, keeping U.S. equities supported despite high valuations. However, market leadership is narrow, and concentration risk is acknowledged. As a result, New York Life emphasises diversification within equities—towards value, quality small caps, and ex-U.S. developed markets—rather than outright de-risking.

Rates, debt, and the long end

A defining theme for 2026 is upward pressure on long-dated sovereign yields. While policy rates are capped by growth concerns, fiscal expansion, rising debt issuance, and political pressures on central bank independence are expected to keep term premia elevated. Yield curves are therefore biased toward further steepening. This leads New York Life to caution against adding duration indiscriminately, favouring short duration exposure and more selective ways of earning carry.

Regional and currency perspective

The firm expects U.S. assets to remain dominant—and even overweight—in global portfolios, though diversification is becoming more important. Europe benefits from past easing and German fiscal expansion but lacks a fresh monetary tailwind. Japan is in transition, balancing fiscal support with gradual Bank of Japan normalization. China's stimulus is viewed as stabilising rather than re-accelerative, reinforcing a cautious medium-term stance.

On currencies, New York Life expects a range-bound and volatile U.S. dollar, pulled between strong U.S. growth and rising concerns over policy credibility and debt. Currency hedging is therefore positioned as an increasingly important portfolio tool.

Asset allocation implications

Against this backdrop, New York Life advocates remaining fully invested but using new capital to diversify. In equities, this means maintaining market-weight U.S. large caps while upgrading small caps to neutral, emphasising quality and AI-linked beneficiaries. In fixed income, the preference is for short-duration credit, securitised assets, and municipal bonds over long Treasuries, with a clear underweight to floating-rate bank loans as the credit cycle matures.

Alternatives play a larger role in portfolio construction. Commodities and gold are highlighted as effective hedges against sticky inflation and geopolitical shocks, while infrastructure is presented as a high-conviction structural theme across both equity and fixed income. In private markets, New York Life remains constructive, particularly on middle and lower-middle-market private credit and equity, where resilience, pricing discipline, and structural demand are strongest.

Bottom line: New York Life's 2026 outlook is not a call to de-risk, but to rebalance—staying invested in a policy-supported environment while diversifying away from concentration, duration risk, and complacency around inflation and debt.

Source:

[**2026 Outlook: Charting the Year Ahead**](#)



Newfleet Asset Management

Newfleet's 2026 outlook frames fixed income as entering a more balanced but still opportunity-rich phase, characterised by moderating growth, easing inflation pressures, and a gradual shift from restrictive to neutral monetary policy. Against this backdrop, the firm emphasises income durability, structural resilience, and security-level selectivity over broad beta exposure, with credit dispersion expected to remain elevated across sectors.

Macro backdrop: late-cycle, but not recessionary

Newfleet expects global growth to slow into 2026, particularly in the US, as the lagged effects of tight monetary policy continue to weigh on activity. However, the firm does not base its outlook on a deep recession scenario. Inflation is viewed as decelerating but "sticky" in certain services components, keeping central banks cautious. Rate cuts are expected to be gradual and data-dependent rather than aggressive, limiting the scope for a sharp duration rally but improving the overall risk-reward for carry-oriented strategies.

This environment supports a measured re-engagement with credit, but with an emphasis on sectors offering downside protection, structural seniority, and contractual cash flows rather than equity-like risk.

Core fixed income: income matters more than duration

Within core fixed income, Newfleet highlights that yields remain historically attractive, allowing investors to earn competitive total returns without relying heavily on capital appreciation. Duration is viewed primarily as a portfolio stabiliser rather than a high-conviction return driver. As a result, the firm favours diversified, multi-sector fixed income approaches that balance modest interest-rate exposure with spread income.

Investment-grade corporates are seen as fundamentally sound, supported by strong balance sheets and manageable refinancing profiles, though spreads are not viewed as particularly cheap. This reinforces Newfleet's preference for selectivity and issuer-level research rather than broad index exposure.

Securitised credit: structural resilience and defensive income

Securitised sectors remain a central pillar of Newfleet's outlook. Agency and non-agency RMBS, ABS, and select CMBS are viewed as offering attractive risk-adjusted income, supported by structural credit enhancement, seasoned collateral, and conservative underwriting. The firm highlights that many securitised assets continue to benefit from strong household balance sheets and low default experience, even as growth slows.

Municipal bonds are also positioned as a defensive income source, with improving state and local government finances providing a buffer against macro volatility. Newfleet emphasises that careful credit selection remains essential, particularly given uneven revenue dynamics across municipalities.

High yield and EM debt: selective and quality-biased

In high yield, Newfleet acknowledges tighter spreads but argues that carry remains compelling, particularly in higher-quality segments. Defaults are expected to rise modestly but remain contained, reflecting limited near-term refinancing needs for many issuers. The firm favours a quality-tilted, bottom-up approach, avoiding highly leveraged or structurally challenged business models.

Emerging market debt is approached with caution but not avoidance. Local fundamentals and policy credibility matter more than broad regional themes, with Newfleet stressing the importance of currency discipline, external balances, and issuer-specific risk management.

Bank loans: income stability with rising idiosyncratic risk

Newfleet's dedicated bank loan outlook positions the asset class as a core income generator in 2026, benefiting from floating-rate coupons and declining policy uncertainty. While base rates may ease, all-in yields are expected to remain attractive relative to other credit sectors.

However, the firm is explicit that idiosyncratic credit risk has increased, particularly due to liability management exercises (LMEs), uneven recoveries, and capital structure complexity. This reinforces Newfleet's conviction that active management, covenant analysis, and downside-focused underwriting are essential. Seniority and documentation quality are prioritised over headline yield.

Allocator takeaway

Across both outlooks, Newfleet's 2026 message is consistent: fixed income is once again a source of durable income and portfolio resilience, but success will depend on structural protection, security selection, and disciplined risk management. Rather than chasing beta or timing rate moves, the firm advocates diversified, actively managed credit exposure focused on income stability and downside mitigation in a late-cycle environment.

Sources:

[**Newfleet Fixed Income Market Outlook - 2026**](#)

[**Newfleet Bank Loan Market Outlook - 2026**](#)



Northern Trust Asset Management enters 2026 with a cautiously constructive macro outlook shaped by economic resilience, moderating inflation and easing monetary policy. Despite persistent risks—including trade uncertainty, geopolitical tensions and elevated government debt—global growth has continued to defy repeated recession fears. Supportive fiscal policies and lower interest rates are expected to sustain momentum into 2026, allowing major economies to avoid contraction, albeit with growth remaining below potential in several regions.

Inflation is expected to remain contained but sticky, running around 3% and leaving markets exposed to upside surprises. Tariffs, deglobalisation pressures and geopolitical supply disruptions remain key tail risks, while AI-driven productivity gains offer only a partial offset. Against this backdrop, NTAM emphasises that macro calm disguises a more fragile and complex investment environment.

Equities Favoured, but Beta Is No Longer Enough

NTAM expresses a clear preference for equities over bonds, viewing corporate earnings growth as a more compelling return driver than yield alone. Central banks appear increasingly focused on managing a soft landing rather than strictly suppressing inflation, providing a supportive runway for profits. However, the firm stresses that reliance on broad, passive equity exposure is becoming less effective.

Equity leadership remains narrow, concentrated in U.S. mega-cap and AI-linked names, while valuations have become stretched. NTAM argues this environment favours selectivity over momentum, with a renewed emphasis on quality, value and low-volatility characteristics. Companies with strong profitability, prudent capital allocation and reasonable valuations are expected to offer greater resilience amid episodic volatility. Defensive equity exposures are also highlighted as effective portfolio stabilisers.

Within sectors, NTAM is cautious on U.S. healthcare due to regulatory uncertainty, rising insurance costs and the disruptive shift toward value-based care models. In contrast, real assets—particularly infrastructure—benefit from long-term investment tied to AI-related data centres and the energy transition, offering both growth exposure and inflation protection.

Rethinking Fixed Income and Inflation Protection

In fixed income, NTAM highlights a structural change in diversification dynamics. Sole reliance on U.S. Treasuries as a portfolio hedge is described as outdated, given persistent fiscal deficits and expected downward pressure on the U.S. dollar. Global government bonds are positioned as offering superior diversification benefits and potential currency tailwinds.

Inflation tail risks are viewed as underappreciated in markets. Treasury Inflation-Protected Securities (TIPS) are identified as attractively priced, with breakeven inflation rates below current and expected inflation levels, creating a potential opportunity for long-term inflation protection. Credit Markets: Constructive, but Increasingly Dispersed The outlook for credit markets remains broadly constructive. Default rates are expected to stay below historical averages, supported by stable fundamentals and disciplined corporate behaviour. Fixed-rate credit is expected to benefit as policy rates decline, while duration exposure may become a more meaningful performance driver.

However, NTAM warns of rising dispersion, particularly among highly leveraged, small-cap issuers with thin margins. This reinforces the importance of active management and security selection. AI-related infrastructure investment is also emerging as a growing source of credit demand, positioning credit markets as a key financing channel for innovation-driven sectors. Alternatives and the Central Role of Liquidity Management

Alternatives are now central to NTAM's portfolio

construction framework. Traditional stock-bond diversification has weakened, while private equity performance has lagged public markets since 2022. As a result, investors are reassessing liquidity assumptions and the role of private assets.

Private credit stands out as a high-conviction area, supported by elevated yields, strong borrower fundamentals and a persistent illiquidity premium. Structural innovation—through evergreen vehicles, secondaries and niche strategies such as asset-based finance and infrastructure debt—is expanding the opportunity set. Across alternatives, widening dispersion in manager skill makes disciplined selection and liquidity management essential.

Allocator Takeaway: Nuance Over Narratives

Northern Trust frames 2026 as a year in which alpha generation will come from navigating complexity rather than relying on broad market direction. Macro resilience may persist, but micro-level turbulence is set to intensify. Active management, thoughtful diversification and a focus on fundamentals are positioned as essential tools for investors seeking resilient portfolios in a fragmented global market.

Source:

[2026 Global Investment Outlook: Resiliency with complexity](#)



Nuveen's 2026 outlook is framed around a simple but powerful idea: in a market dominated by well-telegraphed themes, attractive opportunities exist both "above the radar"—where strong performance has already been visible—and "below the radar", in less crowded or misunderstood areas that offer diversification, income and potential rerating upside. The Global Investment Committee argues that while the macro backdrop remains unsettled, investors who are willing to look beyond headline risks can still find compelling places to deploy capital in 2026.

Macro backdrop: resilient growth, stubborn inflation, limited duration appeal

Nuveen expects global economic growth to remain stronger than consensus expectations. The U.S., euro area and UK are forecast to grow faster than expected, with sequential improvements anticipated in Japan and emerging markets. China is the key outlier, where growth is expected to decelerate further, but in a "gentle, non-disruptive" manner. Consumer spending remains resilient despite a softening labor market, supported by healthy income growth, lower energy prices and increasingly supportive fiscal and monetary policy.

Fiscal policy is a central theme. Nuveen highlights historically wide U.S. budget deficits—exceeding 6% of GDP—alongside similar dynamics in Japan and Germany. While this fiscal expansion should support growth, it also risks keeping inflation above central bank targets. Against this backdrop, Nuveen sees limited scope for strong performance from long-duration assets. Rising global term premia, combined with only modest expected rate cuts from major central banks—and possible rate hikes from the ECB and Bank of Japan by end-2026—argue against extending duration aggressively.

Above the radar: U.S. dominance and private credit endurance

Despite concerns about valuations and AI-related exuberance, Nuveen does not believe the U.S. equity rally is finished. The firm expects U.S. large-cap equities to continue benefiting from sustained AI-related capital expenditure, favorable tax and regulatory policy, and relatively stronger economic growth than non-U.S. peers.

While monetization timelines for some AI investments remain uncertain, investors are still rewarding AI-driven capex, and Nuveen sees no clear catalyst for global equity leadership to shift away from the U.S. Private credit is another established theme that Nuveen believes still has room to run. While the firm acknowledges pockets of weaker underwriting and deal structure in riskier segments, it continues to see strong opportunities—particularly in middle-market direct lending. Selectivity, partner choice and covenant quality are emphasized as critical, as "rising tides will no longer lift all boats."

Below the radar: alternative credit, turnarounds and second-derivative trades

Nuveen encourages investors to look beyond traditional benchmarks, arguing that many portfolios remain under-allocated to private markets and alternative credit. The firm highlights senior loans, CLOs, public and private securitized assets, private investment-grade credit and asset-backed finance as attractive sources of yield, income and diversification. These segments benefit from relatively high yields and, in many cases, less sensitivity to duration risk.

Municipal bonds are singled out as a potential turnaround story. Despite strong balance sheets, solid credit quality and low default rates, municipals lagged in 2025. Nuveen believes improving technicals, easing supply and rising demand could place municipals "at the forefront of a new bull market." Steeper municipal yield curves relative to Treasuries are viewed as attractive compensation for duration risk, across both high-grade and high-yield segments.

Real estate is another area where Nuveen sees a nascent recovery. After years of falling values, 2025 marked a rebound driven primarily by rising income returns. While capital appreciation has yet to fully materialize, the firm expects it to follow. Opportunities are concentrated in medical office, senior housing, grocery-anchored retail and data centers, while traditional office remains under pressure.

Finally, Nuveen emphasizes "second-derivative" opportunities linked to the AI boom and the energy transition. Beyond megacap tech and data centers, the firm points to utilities, energy transmission, battery storage, infrastructure-linked municipal bonds, real estate and asset-backed securities as beneficiaries of surging power demand and digital infrastructure build-outs. These themes cut across public and private markets and reinforce Nuveen's preference for diversified, multi-asset portfolios in 2026.

Source:

[2026 annual outlook: Above and below the radar – understanding today's markets](#)



Ofi Invest's outlook heading into 2026 is shaped by a paradox: markets have shown remarkable resilience despite an unusually dense concentration of macro, political and structural risks. Trade tensions between the US and China, fiscal instability in France, uncertainty around the durability of AI investment returns, and geopolitical fragmentation have so far failed to derail asset prices. Ofi Invest's interpretation is that markets are increasingly anchored to fundamentals—growth, earnings and policy—rather than headline risk, but that this calm should not be mistaken for the absence of risk.

Macroeconomic backdrop: resilient growth, narrowing policy paths

The firm's central scenario assumes moderating but resilient global growth. In the US, activity is slowing but remains close to potential, supported by fiscal measures, investment incentives and a still-robust corporate sector. Inflation is expected to continue easing gradually in 2026, allowing the Federal Reserve to remain in an easing bias, though rate-cut expectations have been scaled back. Ofi Invest does not expect the Fed Funds rate to fall below 3%, reflecting persistent inflation risks and labour-market resilience.

In Europe, growth has held up better than feared in 2025, driven by peripheral economies, while Germany's planned infrastructure and defence stimulus is seen as a critical upside factor for 2026. Inflation is expected to fall below 2%, potentially opening the door for a more accommodative ECB stance, though the base case is one of policy stability rather than aggressive easing. Political risk—particularly in France—remains a structural vulnerability but has not yet translated into systemic market stress.

Rates and credit: carry with discipline

Within liquid assets, Ofi Invest sees sovereign bonds as attractive primarily for diversification and protection, rather than outright return. US government bonds are explicitly favoured, reflecting expected Fed easing and their defensive characteristics in stressed scenarios. In contrast, euro zone duration is approached more cautiously, with a neutral stance until higher yields provide a more attractive entry point.

Credit markets are described as resilient but expensive. Investment grade and high yield spreads are at historically low levels, leaving little margin for error. Ofi Invest adopts a defensive stance, emphasising buy-and-hold strategies and selectivity, particularly given signs of stress among lower-rated high-yield issuers. The message is consistent across both documents: carry remains attractive, but incremental risk-taking is not yet rewarded.

Equities: neutral overall, selective regionally

Equities sit at the centre of the “gravity-defying” narrative. Strong earnings—especially from US technology and AI-linked companies—have justified high index levels so far, but valuations now embed optimistic assumptions about 2026 profit growth.

Ofi Invest therefore maintains a neutral stance on US and European equities, arguing that much of the upside for 2025 has already been realised and that multiples leave markets vulnerable to disappointment.

Regional allocation is where conviction emerges. Japan is viewed positively, supported by pro-growth political leadership, structural reforms, yen weakness and improving corporate governance. Emerging markets—particularly China and Asia ex-China—are also favoured, reflecting more attractive valuations, improving earnings momentum and supportive policy dynamics. Chinese equities are seen as still trading at a discount despite strong recent performance, with further upside potential as earnings recover and global investors rebuild exposure.

Private assets: infrastructure, debt and active value creation

Beyond listed markets, Ofi Invest's Panorama highlights the role of private markets as stabilisers in an uncertain world. Private infrastructure debt, especially junior tranches, is singled out for its attractive risk-return-maturity profile, recurring cash flows and favourable regulatory treatment. More broadly, private debt benefits from pricing inertia relative to public credit and continues to offer attractive opportunities in unitranche, securitisation and real-estate debt.

In private equity and real assets, the emphasis is on liquidity management, secondary opportunities and active value creation. Infrastructure stands out as a long-term allocation pillar, underpinned by energy transition, digitalisation and transport needs. Real estate is characterised as a recovering but bifurcated market, with logistics, residential and well-located, ESG-aligned assets favoured over obsolete office stock.

ESG as risk management, not ideology

Finally, ESG is framed not as a values overlay but as a core risk-management tool. Climate, social and governance risks are increasingly seen as financial risks, particularly for insurers and long-horizon investors. Ofi Invest positions ESG integration as essential to portfolio resilience and long-term capital preservation.

Bottom line: Ofi Invest enters 2026 with a balanced but selective stance—neutral on broad risk assets, constructive on diversification and carry, and more positive where valuations, policy support and structural trends align. Discipline, selectivity and a refusal to chase late-cycle risk define its allocation philosophy for the year ahead.

Sources:

PANORAMA: Listed and non-listed assets - December 2025

PERSPECTIVES - Market and allocation - November 2025



Pacific Asset Management

Pacific Asset Management enters 2026 with a cautiously constructive macro view anchored in a soft-landing scenario. Global growth is moderating but remains supportive of risk assets, particularly in the US where real GDP growth has slowed to around 2% from the exceptional pace of 2024. Labour markets are cooling gradually, with slower job creation and a modest rise in unemployment, but without evidence of widespread layoffs. Inflation remains above target—especially in services—but is continuing to normalise.

Central banks are responding by shifting emphasis from inflation control toward labour-market risks. The Federal Reserve's move to cut rates reflects what Pacific characterises as a “risk-management” approach, aiming to ease policy before a more pronounced slowdown takes hold. Historically, the firm notes, rate-cutting cycles that occur outside recessionary conditions have tended to be supportive for asset prices, although they can also contribute to valuation excesses.

Risk Assets: Supportive Fundamentals, Rising Valuation Sensitivity

Against this backdrop, Pacific remains constructive on risk assets, particularly equities, supported by resilient corporate earnings and accommodative monetary policy. However, the firm is increasingly alert to valuation risk and sentiment-driven volatility. Recent market behaviour underscores this tension: despite strong fundamentals, markets have shown sensitivity to shifts in expectations around interest rates, inflation, and perceived bubble dynamics—especially within technology and AI-related stocks.

Pacific stresses that market leadership is broadening. In late 2025, UK, European, and Japanese equities outperformed US equities, reinforcing the case for international diversification and reducing reliance on a narrow set of mega-cap growth stocks.

AI Investment Cycle: Transformational but Uneven

AI remains the dominant structural theme in Pacific's outlook. Hyperscalers are committing unprecedented levels of capital—around \$300bn annually—to data-centre infrastructure, driving a powerful capex cycle that is already contributing to economic growth. While AI is improving productivity and reshaping corporate investment patterns, Pacific highlights key risks, including uncertainty around returns on invested capital and the emergence of increasingly complex financing structures.

The firm explicitly acknowledges the growing risk that the combination of rate cuts and transformational narratives could inflate an equity-market bubble. As a result, Pacific's positioning seeks exposure to AI-related growth while avoiding the most crowded and expensive parts of global equity markets.

Preferred Access Points: Valuation-Aware AI Exposure

Pacific identifies three areas as particularly attractive ways to access AI-linked growth at more compelling valuations. Clean energy infrastructure is highlighted as a critical enabler of AI, as data centres dramatically increase power demand. The economics of solar, wind, and battery storage—combined with faster deployment—position clean energy as a preferred solution for powering AI infrastructure.

Chinese technology is also emphasised, with Pacific pointing to improving earnings discipline, exposure to AI, cloud computing, semiconductors, and electric vehicles, and valuations that remain significantly lower than US peers despite geopolitical concerns. Finally, listed investment trusts are presented as an efficient vehicle for accessing long-term growth themes, including private AI leaders, at substantial discounts to net asset value, while benefiting from active capital management such as share buybacks.

Portfolio Construction: Diversification as Both Defence and Opportunity

Recent market volatility reinforces Pacific's emphasis on diversification across regions, sectors, and risk profiles. November's rotation away from technology toward defensive sectors such as healthcare and consumer staples illustrates the importance of sector balance. Regionally, resilient performance in the UK, Europe, and Japan—alongside a strong rally in UK government bonds following the Autumn Budget—highlights the benefits of diversified exposure beyond US assets.

Overall, Pacific's outlook for 2026 is defined by balance rather than outright conviction. The firm aims to participate in transformational growth themes while maintaining valuation discipline and robust diversification, seeking resilience and selective upside in an increasingly sentiment-sensitive market environment.

Sources:

[Multi-Asset – Investment Outlook – 2025: November Insights](#)

[Multi-Asset: Market Update December 2025](#)



PGIM enters 2026 with a constructive but selective outlook for global real estate and private CRE credit, arguing that the recovery is real but uneven. Rather than a sharp rebound in transaction volumes, the firm expects a prolonged early-cycle environment in which uncertainty has delayed capital deployment rather than reversed the cycle. This creates a multi-year opportunity set defined by dispersion, asset selection, and strategy choice rather than broad beta exposure.

Across regions, improving occupier fundamentals, stabilising capital values, and limited new supply form the foundation of PGIM's thesis. Development pipelines remain historically low due to elevated construction costs, tighter financing conditions, and regulatory constraints, supporting medium-term rental growth even as demand normalises toward long-run averages.

Structural Demand Drives Sector Positioning

PGIM's sector preferences are anchored in structural demand rather than cyclical momentum. Living assets—encompassing multifamily, student accommodation, and senior housing—feature prominently across the US, Europe, and Asia Pacific, supported by housing shortages, demographic tailwinds, and persistent affordability constraints.

Logistics remains attractive but increasingly selective. PGIM emphasises urban infill and low-vacancy markets where supply discipline and e-commerce penetration continue to support rental growth, while cautioning that returns will vary more by location than by headline sector exposure. Data centres emerge as one of the highest-conviction global themes, with demand consistently outstripping supply due to power constraints, land scarcity, and accelerating digital and AI-related workloads.

Office exposure is more nuanced. PGIM highlights improving prospects for high-quality, well-located CBD assets benefiting from flight-to-quality dynamics, while lower-quality and oversupplied offices remain structurally challenged. Retail is framed as a cyclical recovery opportunity, with stabilising in-store spending and improving affordability supporting selective repositioning and income growth strategies.

Regional Dispersion Shapes Opportunity Sets

Geography plays a central role in PGIM's outlook. In the United States, the real estate recovery is early-cycle but durable, with limited capital availability reducing competition and improving entry discipline. Europe is positioned for improving returns as interest rates stabilise and modest yield compression emerges from depressed valuation levels, supported by resilient rental growth and constrained supply.

Asia Pacific exhibits the greatest dispersion, with outcomes driven more by city-specific dynamics than by sector averages. Japan faces headwinds from rising bond yields, while other developed APAC markets benefit from low development pipelines and improving leverage economics. Mexico stands out as a structurally attractive industrial market, driven by nearshoring, USMCA advantages, deepening North American supply chains, and rapidly expanding e-commerce logistics demand in major population centres and border markets.

Private CRE Credit as a Core Allocation

Private CRE credit is a central pillar of PGIM's 2026 outlook. The firm expects income yields to remain elevated even as policy rates decline, supported by stabilising funding costs, wider-than-historical spreads, and the re-emergence of positive leverage—particularly in Europe and Asia Pacific. Refinancing activity, rather than transaction volume, is the dominant driver of origination, as front-loaded maturities create a steady pipeline of lending opportunities.

A revival in securitisation markets and a broader lender mix are improving market depth and liquidity, reinforcing private credit's expanding role in the capital stack as banks remain constrained by regulation and balance-sheet priorities.

Credit Opportunities Across the Risk Spectrum

Within private CRE credit, PGIM identifies opportunities across senior, transitional, and high-yield strategies. Senior debt continues to offer a persistent yield premium over corporate credit due to illiquidity and structural protections. Transitional lending benefits from years of capex underinvestment, as owners seek financing for repositioning, ESG upgrades, and income growth.

High-yield, bridge, and development lending remain supported by bank retrenchment, creating durable funding gaps. Tactical opportunities include gap financing, bridge-to-agency lending in US multifamily, and selective dislocation plays such as rising non-performing loans in Germany.

CIO Takeaway: Income, Selectivity, and Structure Matter Most

PGIM's 2026 outlook argues for patience and precision rather than broad market timing. Returns are expected to be driven less by cap-rate compression and more by income durability, asset quality, and capital-structure positioning. For allocators, the opportunity lies in combining selective real estate equity exposure in structurally supported sectors with scaled private CRE credit strategies that offer resilient income, downside protection, and improving leverage dynamics as the cycle evolves.

Sources:

[**2026 REAL ESTATE OUTLOOK: UNITED STATES**](#)

[**2026 REAL ESTATE OUTLOOK: EUROPE**](#)

[**2026 REAL ESTATE OUTLOOK: ASIA PACIFIC**](#)

[**2026 REAL ESTATE OUTLOOK: MEXICO**](#)

[**2026 REAL ESTATE OUTLOOK: PRIVATE CRE CREDIT**](#)



Pictet's 2026 outlook is anchored in a benign global macro backdrop, underpinned by a pro-growth policy mix across the world's major economies. Trade uncertainty has receded, fiscal and monetary policy are broadly supportive, and global growth is expected to remain close to trend. Together, these conditions favour risk assets—but low risk premia, uneven regional dynamics, and valuation dispersion demand a selective and disciplined allocation approach.

Macro regime: beyond peak uncertainty

Pictet expects global GDP growth of around 2.6% in 2026, consistent with long-term trend and supportive of equities without reigniting inflation. Crucially, the firm believes the world is now past peak trade uncertainty. Trade agreements struck by the US with key partners during 2025 have stabilised the external environment following President Trump's April "Liberation Day" tariff shock. While tariffs are expected to remain a structural feature, the fog around trade policy has lifted, reducing a major headwind to corporate planning and investment.

Growth momentum is expected to rotate geographically. In the US, activity should accelerate early in the year, supported by fiscal stimulus ahead of mid-term elections and a rebound from the government shutdown. However, Pictet expects US growth to undershoot potential over the full year, with GDP slowing to around 1.5%, while inflation remains sticky in the first half due to tariffs, labour constraints, and fiscal expansion.

In contrast, Europe and Japan are entering a more expansionary phase. Germany's embrace of fiscal stimulus—focused on infrastructure and defence—marks a structural shift after years of restraint and is expected to offset consolidation elsewhere in the euro area. Japan is also pivoting towards fiscal expansion under new political leadership, prioritising growth over deficit reduction. In China, reduced trade uncertainty and renewed policy support should help growth re-accelerate later in the year, particularly as policymakers move away from destructive price competition toward margin discipline.

Policy support: easing continues, but more politically complex

Monetary policy remains broadly supportive. While the pace of easing is expected to slow versus 2025, Pictet anticipates further rate cuts in 2026, including in the US. A key watchpoint is the Federal Reserve's independence: under a new Chair from mid-2026, the Fed is expected to lean more towards supporting growth, even at the risk of temporary inflation overshoots. This backdrop supports risk assets but also raises the risk of policy-driven volatility, especially in rates and currencies.

Fiscal policy is also expansionary. In the US, stimulus is likely to broaden ahead of the mid-terms, including potential transfers aimed at lower-income households to address the country's K-shaped recovery. In Europe and Japan, fiscal expansion is more investment-led, with spillovers into industrial activity, defence, infrastructure, and innovation.

Equities: positive returns, but leadership shifts

Against this backdrop, Pictet expects global equities to deliver positive returns of around 5% in 2026, though with significant dispersion. Valuations are elevated—particularly in the US—and global risk premia are historically low, implying more modest medium-term returns and a higher bar for asset selection.

Emerging market equities are Pictet's strongest conviction. The case rests not only on a weaker dollar and lower real rates, but also on improving domestic fundamentals: deeper local investor bases, stronger institutions, better infrastructure, and the spread of AI beyond developed markets. Emerging Asia stands out, given its central role in the AI supply chain and the potential for Chinese firms to close profitability gaps as "anti-involution" policies curb destructive competition.

In Europe, Pictet favours domestically oriented mid-caps, supported by deeply discounted valuations—around a 25% discount to the US after sector adjustments—and upside from fiscal expansion, particularly in Germany. Even partial delivery on spending plans could trigger meaningful re-rating.

In the US, earnings growth remains supportive, particularly in AI-linked sectors, but valuations are stretched. Pictet remains constructive on the AI investment cycle while flagging concentration risks among megacaps beyond the "Magnificent Seven."

Fixed income, currencies and diversifiers

Pictet is cautious on developed market sovereign bonds, expecting yields to drift higher as inflation remains above target and fiscal deficits pressure term premia. By contrast, emerging market debt—particularly local-currency bonds—offers attractive real yields, improving fundamentals, and scope for currency appreciation as EM central banks cut rates.

In currencies, the US dollar is expected to weaken by around 5%, benefiting the euro and yen, while sterling is viewed more cautiously. Gold remains a strategic overweight, capped at around 5%, offering protection against inflation surprises, geopolitical risk, and policy uncertainty, albeit with more muted returns after a strong 2025.

CIO takeaway

Pictet's outlook supports a measured risk-on stance for 2026, grounded in a benign macro and policy environment but tempered by low risk premia and valuation discipline. The clearest opportunities lie in emerging markets across equities, debt, and currencies, selective European equities, and gold as portfolio ballast—while developed market bonds and richly valued US assets warrant caution and active management.

Sources:

[The investment landscape in 2026](#)

[A benign backdrop](#)



PIMCO frames 2026 as a year where headline optimism masks growing dispersion, valuation extremes, and late-cycle risks across asset classes. After strong, broad-based gains in 2025, investors face an environment where traditional passive positioning may be less effective. Instead, PIMCO argues that active allocation, valuation discipline, and diversification across income, real assets, and flexible credit strategies will be critical in constructing resilient portfolios.

Equities: Concentration risk creates opportunity beneath the surface

PIMCO views equity markets entering 2026 as expensive in aggregate, particularly in the U.S., where valuations remain near historical highs following a technology-led rally. Returns have become increasingly concentrated in a narrow group of mega-cap technology and AI-linked names. Importantly, PIMCO highlights that the tech sector has shifted from a historically capital-light model to a far more capital-intensive one, with AI investment increasingly funded through debt issuance rather than free cash flow. Circular capital spending among hyperscalers and chipmakers further amplifies sector-specific risk.

Despite these concerns, PIMCO does not present a blanket bearish equity stance. Beneath the surface, value-oriented equities remain attractively priced relative to history, suggesting scope for mean reversion if earnings growth broadens. A macro backdrop of trend-like U.S. growth combined with continued Fed rate cuts would, in PIMCO's view, be a supportive environment for value and quality stocks. The firm also highlights opportunities outside the U.S., particularly in emerging markets where stronger monetary policy credibility now allows central banks greater flexibility to ease policy. Within EM equities, PIMCO points to Korea, Taiwan, and China as markets offering exposure to technology and domestic growth at more compelling valuations.

Fixed income: Cash loses its appeal as rates fall

A central pillar of PIMCO's 2026 outlook is the argument that "cash is not a strategy." While cash delivered attractive returns during the post-pandemic hiking cycle, the Fed's transition into a rate-cutting phase materially changes the opportunity set. As cash yields reset lower, investors face reinvestment risk and rising opportunity costs relative to bonds.

With yield curves steepening, PIMCO believes high-quality bonds offer the ability to lock in attractive income while positioning for potential capital appreciation as rates decline. Importantly, with inflation closer to central bank targets, bonds are again expected to provide diversification benefits through their traditional negative correlation to equities. PIMCO also emphasises global diversification within fixed income, highlighting attractive real and nominal yields across both developed and emerging markets, including the U.K., Australia, Peru, and South Africa. The firm expresses a preference for 2- to 5-year maturities, balancing income, duration risk, and flexibility.

Real assets: Gold and commodities as structural diversifiers

Gold features prominently in PIMCO's real-asset framework. The metal's rally to record highs reflects not only inflation protection but also geopolitical hedging and a structural shift in global reserve management, with central banks now holding more gold than U.S. Treasuries. PIMCO sees potential for further upside but cautions that gold's valuation appears elevated relative to real yields, implying the need for careful sizing and expectations of volatility.

Beyond gold, PIMCO highlights the role of broad commodities as diversifiers and inflation hedges. Since 2020, commodity indices have delivered equity-like returns with lower volatility, and even modest allocations can improve portfolio efficiency when inflation runs slightly above target. Commodities also provide an indirect way to express exposure to AI-driven infrastructure demand through inputs such as copper, lithium, energy, and rare earths. Crypto assets are discussed more cautiously: while bitcoin is increasingly viewed as a digital analogue to gold, PIMCO stresses its volatility, regulatory uncertainty, and lack of reliability as a true store of value.

Credit: Late-cycle risks demand selectivity and flexibility. Credit markets, in PIMCO's assessment, present a mixed and increasingly fragile opportunity set. Tight spreads, particularly in lower-rated and fast-growing private credit segments, have coincided with rising signs of stress, including bankruptcies, fraud, increased use of payment-in-kind financing, and a rising "shadow default rate." Discounts to NAV across publicly traded BDCs reinforce market caution.

Rather than avoiding credit wholesale, PIMCO argues for active, flexible strategies that span public and private markets. Opportunities exist where competition is limited, in lower-risk consumer credit, selective real estate lending, and high-quality project finance—such as data-center loans secured by long-term leases to investment-grade tenants. The emphasis is on being compensated for liquidity, transparency, and credit risk rather than passively "buying the market."

Portfolio construction takeaway

Across asset classes, PIMCO's message is consistent: 2026 rewards active decision-making over static allocation. High-quality fixed income, selective value-oriented equities, diversified real assets, and disciplined, flexible credit exposure form the building blocks of a resilient portfolio in an environment marked by optimism, uncertainty, and growing dispersion.

Source:

[Charting the Year Ahead: Investment Ideas for 2026](#)



Polen Capital frames 2025 as a year defined by disruption rather than deterioration. Early optimism tied to expectations of a market-friendly U.S. policy agenda gave way to sharp risk-off sentiment following “Liberation Day” in April, when tariff announcements, rising inflation expectations, and a record-long U.S. government shutdown unsettled markets. Growth forecasts were revised lower and the Federal Reserve paused its easing cycle. However, as tariff expectations softened and policy uncertainty ebbed, volatility subsided. By year-end, the Fed had resumed rate cuts, reinforcing risk appetite across credit markets.

Leveraged Credit Delivers for a Third Consecutive Year

Despite volatility, leveraged credit proved resilient. U.S. and European high yield bonds, along with leveraged loans, generated positive returns for the third year in a row, with performance driven primarily by income rather than spread compression. Supply-demand technicals were a key support: refinancing and repricing activity dominated issuance, extending maturities and limiting net new supply. This created a strong technical bid that helped markets recover quickly from policy-induced shocks earlier in the year.

Quality Differentiation Dominates Market Outcomes

A central theme of 2025 was clear quality outperformance. Higher-rated credits outperformed lower-rated peers across U.S. and European high yield and leveraged loans. In the U.S., BB-rated high yield bonds benefited from falling Treasury yields, while CCC-rated credits lagged as tariff uncertainty and growth concerns drove spread widening. The same pattern held in Europe, where CCC-rated bonds were the weakest segment. Polen highlights this decompression as evidence that dispersion, not beta, was the primary driver of returns.

Defaults Stay Contained in Public Markets

Default rates across public leveraged credit markets remained low. In the U.S., both high yield bonds and leveraged loans benefited from solid corporate balance sheets and abundant private capital, while European defaults rose modestly but remained manageable. Polen does not forecast a material increase in defaults in 2026, assuming no economic contraction, noting that there is limited market-wide distress and no single sector facing imminent systemic pressure.

Private Credit: Structural Growth Meets Late-Cycle Risks

Polen adopts a more cautious tone on private credit. While acknowledging its role in diversified portfolios, the firm argues the asset class is facing mounting challenges. Rapid asset growth, compressed spreads, weaker creditor protections, and rising default rates point to late-cycle behaviour. The private credit maturity wall is more front-loaded than in public markets, increasing vulnerability to slower growth. Polen also flags the asset class’s growing exposure to large, bespoke financings—particularly AI-related deals—as a shift that raises questions around liquidity, opacity, and the durability of the illiquidity premium.

A Supportive but Uncertain Macro Backdrop for 2026
Looking ahead, Polen views the macro environment as broadly supportive. Fiscal and monetary policy remain accommodative in both the U.S. and Europe. Inflation has stabilised, enabling faster rate cuts in Europe, while the Fed is expected to err toward easing as it moves toward a more neutral stance. However, consumer health remains a key risk. Several years of elevated inflation and softening labour data have reinforced a “K-shaped” economy, with spending strength concentrated among higher-income cohorts.

Tight Spreads Mask Growing Opportunity Beneath the Surface

Index-level spreads in leveraged credit are tight by historical standards, tempering expectations for broad market returns in 2026. However, Polen stresses that headline valuations obscure meaningful dispersion. BB-rated credits offer portfolio stability and liquidity but limited incremental yield. By contrast, selected lower-rated credits—particularly short-dated, non-distressed CCCs trading materially wide of market averages—offer opportunities to enhance income for skilled managers. Similar relative-value opportunities exist in leveraged loans, especially among B-rated issuers trading wide due to stress or complexity.

Sector and Thematic Cross-Currents

Sector dynamics will play an important role in 2026. In Europe, increased defence and infrastructure spending is expected to support certain issuers, while oversupply in commodity chemicals contrasts with early signs of stabilisation in specialty chemicals. Artificial intelligence remains a key theme, driving both opportunity and disruption. AI-related issuance and capital expenditure may pressure spreads in parts of the leveraged credit market, while uncertainty around long-term disruption creates pricing dislocations that active managers can exploit.

CIO Takeaway: Discipline and Selectivity Over Beta

Polen’s message to asset allocators is one of measured optimism. After several strong years, aggregate returns in leveraged credit are likely to be more muted in 2026. However, volatility, policy uncertainty, and structural change should create fertile ground for active, bottom-up credit selection. Agility, discipline, and a focus on quality-adjusted income are positioned as the key ingredients for navigating leveraged credit markets in the year ahead.

Source:

[Leveraged Credit 2025 Review & 2026 Outlook](#)



Principal Asset Management

Principal Asset Management frames 2026 as a year of paradox: macro resilience and innovation-driven growth coexist with late-cycle fragilities, valuation pressure, and rising concentration risks. Across asset classes, the firm argues that discipline, selectivity, and active management will be essential as markets transition from liquidity-driven gains toward fundamentals, execution, and cash-flow delivery.

Macro: Growth Endures, But Late-Cycle Risks Are Clear

Principal's macro outlook remains constructive but cautious. The global economy proved more resilient than expected in 2025 despite policy upheaval, trade tensions, and geopolitical stress. Entering 2026, growth is still underpinned by strong corporate balance sheets, household wealth, and—critically—AI-driven capital expenditure, which accounted for nearly half of U.S. GDP growth in the first half of 2025

2026 Perspectives

Fiscal policy adds complexity. The “One Big Beautiful Bill” is expected to deliver a short-lived but potent fiscal impulse, boosting household cash flows and corporate free cash generation, with knock-on effects for investment even after the stimulus fades. At the same time, the U.S. economy shows late-cycle fault lines: a K-shaped consumption profile, slowing hiring (though not layoffs), and lingering inflation pressures.

For monetary policy, Principal expects only a modest Fed easing cycle. Inflation remains above target, tariffs may continue to pass through to prices, and structural forces—rather than cyclical weakness—are increasingly shaping inflation dynamics. Globally, China is repositioning supply chains toward intra-Asia while doubling down on technology leadership, while Europe benefits from easing financial conditions and fiscal support but lacks strong growth catalysts. Overall, macro conditions allow markets to “climb the wall of worry,” but volatility is likely to persist.

Equities: From Narrative to Execution

Equity markets enter 2026 after a powerful rally, supported by liquidity and AI enthusiasm. Principal argues that the equity regime is shifting: returns will depend less on momentum and more on earnings visibility, valuation discipline, and cash-flow generation

2026 Perspectives

AI remains central, but the narrative is evolving from “story” to measurable productivity and profitability. Valuations in parts of the AI ecosystem have run ahead of fundamentals, increasing the risk of sharp corrections. As a result, Principal stresses a scalpel-like approach—allocating selectively to companies that can translate AI investment into durable earnings.

Regionally, Japan stands out positively due to governance reform and structural improvement, while the UK faces stagnation and policy inconsistency. Emerging markets—particularly parts of Asia—offer opportunity, but require careful navigation of geopolitical and policy risks.

Sectorally, financials benefit from higher-for-longer rates, healthcare (especially biotech) offers recovery potential amid rising M&A, and materials and energy—led by copper—are supported by both cyclical and secular forces.

Fixed Income: Income Is Back, Flexibility Matters

Principal's fixed income outlook is cautiously constructive. With inflation expected to remain above 2% but trending lower, the Fed is likely to guide rates toward a neutral level around 3%, creating opportunities for both income and total return

2026 Perspectives

The firm expects the yield curve to steepen as easing progresses and remains moderately long duration, emphasizing flexibility. Fixed income is viewed as a space where active management can add value, particularly given dispersion across sectors.

Emerging market debt is highlighted as attractive on a selective basis, supported by declining global rates. Municipal bonds stand out due to underperformance in 2025, rising state tax rates, and compelling tax-adjusted yields. High yield remains attractive as a carry trade, supported by improved credit quality, though Principal notes growing caution around supply dynamics. Investment grade credit is resilient but challenged by tight spreads and rising issuance.

Multi-Asset: Cautiously Risk-On, Tactically Agile

From a multi-asset perspective, Principal characterizes 2026 as “cautiously risk-on.” Despite historically tight risk premia and elevated valuations, the firm is overweight equities, credit, and other anti-fragile assets, supported by earnings momentum and an unusually supportive combination of fiscal and monetary policy outside a recessionary backdrop.

However, tactical agility is critical. Buying opportunities are expected to arise as markets overreact to high-frequency data, Fed expectations, and uncertainty around AI profitability. Liquidity and readiness are core portfolio attributes.

Private Markets: Conditions Align for Real Assets and Private Credit

Private markets remain a high-conviction allocation. Declining leverage costs support private equity exits, private credit stability, and a gradual recovery in real estate valuations. Data centers, residential real estate, and infrastructure linked to AI-driven energy demand are key structural themes. In private credit, Principal favors the lower middle market, where spreads, covenants, and structures remain more attractive than in crowded upper-middle-market segments

Source:

[2026 Perspectives: Discipline in an age of disruption](#)



Quintet's 2026 outlook is framed around cautious optimism: the feared 2025 recession did not materialise, policy support has stepped in decisively, and global growth is expected to remain positive—albeit moderate—through 2026. The central message is not one of unbridled risk-taking, but of navigating a more fragmented, multi-polar world through disciplined diversification, selective risk exposure, and an emphasis on structural themes rather than cyclical forecasts.

Macro backdrop: policy support over recession risk

Quintet argues that the macro environment entering 2026 is firmer than many expected. Trade tensions between the US and China have not disappeared, but negotiations have produced a more predictable rhythm of tariff changes, reducing uncertainty. Monetary policy has turned supportive: the Federal Reserve has begun cutting rates, easing financial conditions and supporting asset prices via a “wealth effect.” Fiscal policy is also playing a larger role, particularly in the US (tax cuts and deregulation ahead of midterms), Germany (defence and infrastructure stimulus), Japan (domestic stimulus packages), and China (state-backed demand support).

Growth is therefore expected to remain positive but unspectacular. Inflation has largely normalised in the eurozone, while the US and UK face stickier inflation that should ease as labour markets soften. Quintet expects further rate cuts from the Fed and the Bank of England in 2026, though less aggressively than the ECB, and with the Fed settling at a lower terminal rate than the BoE. A key constraint, however, is valuation: much of the good news is already priced into US equities, corporate credit looks expensive, gold has rallied strongly, and government bonds are no longer a reliable hedge in all environments.

A multi-polar world and the end of simple hedges

A core structural theme is the shift from a US-centric global order to a more fragmented, multi-polar system. Regional supply chains, technological competition, demographic ageing, and rising public debt are driving greater divergence across countries and asset classes. Quintet argues that traditional correlations are weakening, increasing the value of active management and selective positioning.

This shift also challenges conventional “safe havens.”

Developed-market government bonds still offer protection in recessions, but may fail during inflationary or fiscal shocks. The US dollar remains central to the global system, but its long-term dominance is questioned due to rising US debt and concerns over fiscal discipline. Quintet expects a structurally weaker dollar relative to the euro, sterling, and other reserve currencies. Gold, after a strong rally, has been trimmed from a tactical overweight to neutral, though it remains a strategic diversifier—particularly if emerging-market central banks continue reducing dollar dependence.

AI as a durable, not speculative, growth engine

Artificial intelligence is presented as a genuine general-purpose technology, comparable to electrification or the internet. While Quintet acknowledges pockets of froth—particularly among early-stage AI start-ups—it strongly rejects comparisons with the dot-com bubble. The dominant AI “hyperscalers” are highly profitable, funding capital expenditure from cash flow rather than leverage, and embedding AI into existing platforms with strong network effects.

The firm stresses that AI adoption is already translating into contractual revenues and productivity gains, not speculative promise. Exposure, however, should be diversified and selective, favouring quality businesses with durable competitive advantages. Quintet also highlights AI's spillover effects across sectors, including cybersecurity, defence, healthcare, robotics, infrastructure, and energy systems.

Europe's strategic renaissance

Europe is framed as an underappreciated beneficiary of the multi-polar shift. Quintet identifies five long-term forces shaping Europe's future: technological innovation, energy transition, geopolitical fragmentation, demographic change, and regulation. Investment opportunities are seen at the intersection of these forces, particularly in energy infrastructure, defence, cybersecurity, healthcare, and the circular economy. Europe's push for energy self-sufficiency, defence readiness, and industrial resilience is viewed as a multi-year structural tailwind rather than a short-term cyclical boost.

Private markets: integration, not isolation

Private markets play a central role in Quintet's portfolio framework. With a shrinking pool of listed companies and more value creation occurring in private hands, Quintet argues that private assets should be integrated into overall portfolio construction rather than treated as a standalone return enhancer. Higher interest rates create challenges for leveraged private equity, but also opportunities in private debt, infrastructure, secondaries, and real assets—particularly where public funding gaps are widening.

Quintet favours diversified, evergreen, multi-private-market structures that allow dynamic reallocation across private equity, credit, infrastructure, and real assets. Manager selection, governance, valuation discipline, and operational oversight are emphasised as critical differentiators in an environment of wider dispersion.

Bottom line: Quintet enters 2026 moderately risk-positive but valuation-aware, structurally bullish on AI and private markets, constructive on Europe's strategic themes, and cautious about traditional hedges. The focus is firmly on diversification, quality, and long-term structural drivers rather than short-term market timing.

Source:

**[2026 Counterpoint Investment Outlook:
Clearer Skies](#)**



RBC Global Asset Management enters 2026 with a constructive, though more measured, outlook for risk assets. The firm expects moderate global growth, easing (but sticky) inflation, and continued monetary easing, creating a supportive backdrop for portfolios. However, elevated valuations—particularly in U.S. equities—mean that future returns are likely to be more earnings-driven and less forgiving of disappointment.

Macro backdrop: growth improves as tailwinds strengthen

RBC expects global growth to accelerate modestly in 2026, potentially surprising consensus to the upside. The drag from U.S. tariffs and weaker immigration in 2025 is expected to fade, while several positive forces gain traction. These include interest-rate cuts across developed markets, ongoing fiscal stimulus, low oil prices, a positive wealth effect from equity markets, and continued investment in artificial intelligence, with the early stages of an AI-driven productivity boost beginning to emerge.

The U.S. economy remains a relative growth leader among developed markets, though RBC does not expect it to “lap the field” as it has in recent years. Elsewhere, China is expected to outperform consensus expectations, driven by an innovation-focused growth agenda, while Canada’s growth may accelerate in 2026, despite underlying fragilities masked by recent data. Inflation and policy: easing continues, but tolerance is higher

Inflation is expected to improve gradually but remain

above target, particularly in the U.S. and parts of the developed world. RBC’s inflation forecasts sit slightly above consensus, reflecting persistent fiscal deficits, tariff-related distortions, and a higher tolerance for inflation among policymakers. That said, cooling labour markets, easing shelter costs and low energy prices should allow year-over-year inflation to peak in early 2026 before moderating.

This environment supports further rate cuts from the U.S. Federal Reserve, which RBC expects to continue easing as policy shifts from restrictive toward neutral. Other central banks, including the Bank of England, are also seen as having room to cut. Longer-term bond yields, however, are expected to remain more stable as markets demand a term premium in a world of high public debt and persistent inflation risks.

Asset mix: equities still favoured, but upside is capped

RBC continues to expect equities to outperform bonds in 2026, but with diminishing scope for outsized gains following the strong rally in 2025. Valuations have risen across most regions, with the U.S. market—particularly large-cap growth—standing out as the most expensive. As a result, RBC has trimmed its equity overweight modestly, reallocating some capital to cash.

For a balanced global investor, RBC’s recommended asset mix is 61% equities, 37% bonds and 2% cash, very close to strategic neutral. Sovereign bonds are expected to deliver cash-like returns, but retain an important role as portfolio ballast should growth disappoint.

Regional equity views: valuation discipline drives positioning

Within equities, RBC remains underweight U.S. equities due to stretched valuations, despite acknowledging that momentum in megacap technology could persist in the near term. Conversely, international equities are maintained at a slight overweight, supported by more attractive valuations relative to the U.S.

Europe and emerging markets continue to trade at meaningful discounts to fair value, while Canada and Japan now screen as closer to full valuation. RBC emphasises that earnings growth will be increasingly critical to sustaining further equity gains, particularly in the U.S., where current valuation levels leave little margin for error.

Fixed income and currencies: stability, carry and diversification

In fixed income, RBC expects short-term rates to fall as central banks ease, while longer-dated yields remain range-bound. Credit risk premia remain elevated, reflecting concerns around fiscal sustainability and inflation persistence. Government bonds are viewed primarily as defensive assets, rather than sources of strong real returns. In currencies, RBC anticipates renewed U.S. dollar weakness over time, which would support emerging-market currencies, particularly as global liquidity conditions improve and rate differentials narrow.

Bottom line for allocators

RBC’s 2026 outlook supports a cautiously pro-risk stance, but one anchored in valuation discipline and diversification. Equities remain preferred to bonds, yet return expectations are lower and more dependent on earnings delivery. For asset allocators, 2026 looks less like a momentum-driven rally and more like a year where selectivity, balance and downside resilience matter most.

Source:

[The Global Investment Outlook](#)



RBC Wealth Management enters 2026 with a cautiously constructive stance, emphasising resilience rather than exuberance. After three consecutive years of strong equity returns, the firm argues that a fourth year of gains remains plausible, but only under more demanding conditions. The central message is one of “more, but less”: portfolios should expect positive returns, but at a slower, more fragile pace, requiring discipline around positioning, valuation, and risk management.

Macro regime: a quarter-century transition underway

RBC places the 2026 outlook within a longer-term structural framework. The global economy is described as being at a “quarter-century crossroads,” marked by persistent forces rather than short-cycle dynamics. Artificial intelligence is expected to remain a dominant economic and investment theme for years, potentially lifting productivity enough to offset worsening demographics. At the same time, the global order is shifting from a rules-based, U.S.-led system toward a more multipolar, power-based world, with higher geopolitical risk and structurally higher defence spending.

Bond markets are seen as permanently changed. After a decade of fiscal complacency, rising debt burdens mean sovereign yields are likely to remain higher and more volatile than in the 2010s. RBC expects yield curves to stay relatively steep, reflecting investor sensitivity to fiscal excess and supply dynamics.

Equities: positive, but with a higher bar

RBC believes developed-market equities can post positive total returns in 2026, but stresses that conditions need to align. Recession avoidance in major economies—especially the U.S.—is critical, as is continued earnings growth and the durability of the AI investment cycle. U.S. GDP growth around or above 2% is framed as a key threshold separating mediocre from attractive equity outcomes.

Valuations are a clear constraint. The S&P 500’s elevated multiple is acknowledged, particularly among mega-cap AI leaders, but RBC does not view valuation alone as an imminent trigger for market weakness unless growth or earnings momentum falters. Outside the U.S., equity markets are also trading above long-term averages, meaning upside depends on a favourable macro-policy mix rather than multiple expansion.

Regionally, RBC highlights differentiated opportunities. UK equities stand out as undervalued relative to global peers, supported by attractive dividends and potential monetary easing. Europe is characterised by a tug-of-war between tariff-related external pressure and domestically driven reflation, with fiscal stimulus—especially in Germany—tilting the balance toward modest growth.

In Asia-Pacific, China and Japan are viewed as the two largest markets with further upside potential, supported by improved trade relations, domestic policy support, and structural reform momentum in Japan.

Fixed income: income remains attractive, capital gains less so

Fixed income yields remain historically appealing, but RBC expects more muted total returns in 2026 compared with the strong bond rally of 2025. With central banks nearing the end of easing cycles, scope for further price appreciation is limited, and modest upward pressure on yields is possible. As a result, income—not duration-driven capital gains—is expected to dominate returns.

Credit spreads are broadly described as tight across regions, leaving little margin for error. RBC repeatedly stresses the importance of quality and selectivity, favouring government bonds over corporate credit in some markets, and cautioning that rising issuance—particularly linked to AI-related capital spending—could weigh on corporate bond performance.

Commodities and currencies: structural tailwinds persist

In commodities, gold is a standout, supported by geopolitical uncertainty, central-bank buying, and declining confidence in the U.S. dollar. Energy markets are expected to remain volatile, with oil prices stabilising as OPEC+ restrains supply, while natural gas benefits from medium-term demand tied to AI-driven power consumption. Industrial metals such as copper are supported by supply constraints and electrification trends.

On currencies, RBC expects structural U.S. dollar weakness to persist into 2026 as rate differentials narrow and global investors diversify away from USD assets. The euro, yen, and pound are all seen as beneficiaries under this framework, albeit with region-specific risks.

Portfolio construction: stay invested, but nimble

For asset allocators, RBC’s core guidance is clear: remain invested at strategic equity weights, but do not over-extend. The outlook rewards diversification, quality bias, and flexibility, with an explicit recommendation to prepare for more defensive positioning should growth or earnings expectations disappoint. In a late-cycle, policy-sensitive environment, discipline—not bravado—is positioned as the defining edge for 2026.

Source:

[Global Insight 2026 Outlook: The future is here... and gathering speed](#)



Robeco's 2026 outlook is built around a distinctive central thesis: the global economy is entering a rare, late-cycle synchronized upswing, driven by easing trade uncertainty, lagged effects of global monetary easing, and early signs of AI-driven productivity gains. Robeco likens this moment to a "Neapolitan chord" — an unusual but temporary harmony that supports risk assets, even as structural risks remain elevated.

Macro regime: Late-cycle, but not landing

Robeco rejects the idea of a classic soft or hard landing. Instead, it argues that the global economy is transitioning from a K-shaped equilibrium — resilient activity but weakening labour markets — toward a brief phase of broader synchronization across regions. In the US, consumption growth is expected to slow modestly but remain robust, supported by fiscal measures, wealth effects from strong equity markets, and easing tariff uncertainty. US real GDP growth is forecast around 2.1% in 2026, with unemployment broadly stable near 4.5%.

Crucially, Robeco highlights emerging productivity gains from AI as a partial supply-side offset to structural headwinds such as constrained migration and residual trade frictions. This allows growth to persist without an immediate inflation breakout — though inflation risks are clearly skewed to the upside later in the cycle.

Europe and China: Catch-up dynamics matter

Unlike US-centric outlooks, Robeco sees Europe and China as increasingly important contributors to the global cycle in 2026. The eurozone benefits from lagged ECB easing, fiscal stimulus — particularly defence and infrastructure spending — and the gradual release of excess household savings. Eurozone growth is projected at 1.6%, with Germany showing meaningful acceleration. China remains a swing factor. While still battling deflationary pressures, Robeco expects the second half of 2026 to bring improving domestic consumption as the housing deleveraging cycle matures and fiscal stimulus gains traction. This creates scope for a more constructive view on China relative to subdued market expectations.

Inflation and central banks: The slow burn risk

Robeco's base case assumes inflation remains above target but below the critical 4% threshold, which historically has been supportive for real equity returns. US CPI is expected to fluctuate around 3%, with eurozone inflation nearly 100bps lower. Importantly, inflation risks are seen as delayed rather than absent — a "slow burn" driven by services inflation, constrained labour supply, and pro-cyclical fiscal policy.

On policy, Robeco expects further easing but less than markets currently price. The Fed is forecast to cut around 75bps by late 2026, but end rates above the 3% consensus. The ECB may deliver one additional cut, while the Bank of Japan is seen as underappreciated on the hawkish side, with risks skewed toward further hikes given persistent domestic inflation pressures.

Equities: Melt-up potential, valuation discipline required

Robeco remains constructive on equities, arguing that resumed easing cycles without recession have historically delivered strong returns. The outlook explicitly raises the possibility of a late-cycle equity melt-up, even acknowledging stretched US valuations. Importantly, sentiment indicators suggest markets are not yet in "irrational exuberance" territory.

However, Robeco stresses that earnings delivery, not valuation expansion, must do the heavy lifting in 2026. A synchronized global upswing supports earnings breadth beyond US mega-cap tech, with particular optimism around Europe, emerging markets, and China if the dollar weakens and global trade uncertainty continues to fade.

AI is described as a "buzzing, not bursting" bubble: capex is high but largely cash-funded, margins remain intact, and overcapacity risks are not yet evident.

Fixed income, credit, and real assets

In rates, Robeco sees downside risk to long-duration US Treasuries, with 10-year yields expected to end 2026 above current levels, even as real yields compress. This supports a preference for shorter duration exposure.

Credit views are more cautious. Investment-grade spreads are tight, while high yield is seen as unattractive on a risk-adjusted basis — unlikely to outperform equities and vulnerable if either the bear or bull tail scenario materialises. By contrast, EM debt benefits from easing global liquidity, a weaker dollar, and attractive carry.

In commodities, Robeco expects industrial metals to outperform as the global manufacturing cycle improves, while gold retains structural support as a hedge against inflation surprises and central bank credibility risks.

Bottom line for allocators

Robeco's message is clear: stay invested, but stay nimble. The synchronized shift creates a constructive backdrop for risk assets in 2026, particularly equities outside the US, but the window is likely finite. Inflation surprises, policy missteps, or an AI-driven earnings disappointment remain key tail risks. As Robeco puts it, the music is still playing — but the finale is getting closer.

Source:

[2026 Investment Outlook: The synchronized shift](#)

[2026 SI Outlook: Holding the note](#)



Royal London Asset Management (RLAM) enters 2026 with a striking diagnosis: most of the risks investors feared at the start of 2025 materialised, yet markets largely ignored them. Geopolitical conflict persisted, government debt climbed, trade policy remained unpredictable, and volatility repeatedly surfaced. Despite this, equities pushed to all-time highs, credit spreads compressed further, and risk premia declined rather than widened. RLAM argues that this disconnect leaves investors facing a more valuation-sensitive market environment rather than one dominated by fear of volatility.

Valuation, Concentration and the AI Dominance

Across equity markets, RLAM highlights extreme concentration around artificial intelligence. All of the top ten stocks in the MSCI All Country World Index are AI-linked, making the direction of global equities increasingly dependent on the fate of a narrow group of companies. While AI adoption has been rapid and its economic potential substantial, RLAM is explicit that monetisation remains uncertain and that winners and losers are beginning to emerge. Productivity gains may prove deflationary over time, but near-term pressures from energy consumption, infrastructure investment, and labour shortages complicate the outlook.

The firm does not dismiss AI's transformative potential but warns that today's environment resembles past technology booms where innovation and excess co-existed. With US equity valuations at levels last seen around 1999–2000, RLAM believes diversification away from the most obvious growth hotspots is increasingly prudent.

Resilience Replaces Efficiency as a Strategic Premium

A core theme running through RLAM's outlook is the structural shift from efficiency to resilience. After years of lean supply chains and just-in-time systems, repeated shocks have forced companies to prioritise redundancy, optionality, and security. This transition carries short-term costs but is viewed as a durable source of long-term value.

RLAM sees industrial policy reinforcing this trend, particularly in strategic technologies tied to national security, energy supply, and digital infrastructure. Investment is flowing into semiconductors, power grids, nuclear capacity, cybersecurity, and data resilience. For equity investors, this environment favours stock selection and balance-sheet strength over passive exposure, with management quality and pricing power becoming more decisive drivers of returns.

Regional Equity Insights: UK Value and Global Selectivity

RLAM pushes back against persistent pessimism toward UK equities. The firm notes that UK valuations remain around half those of the US on a cyclically adjusted basis, dividends are robust, and buybacks are widespread. Despite gloomy narratives, UK equities have delivered strong medium-term returns, and their lower exposure to expensive growth sectors may offer resilience in a technology-led correction.

Globally, RLAM expects equity returns to remain positive but more uneven, with dispersion rising between companies that can adapt to AI-driven disruption and those that cannot. Active management and diversification are presented as essential tools rather than optional enhancements.

Fixed Income: Value Re-Emerges in Government Bonds

A major shift in RLAM's outlook is the renewed attractiveness of government bonds. Following the 2022 reset, real yields are now positive, making sovereign debt investable again both for income and as portfolio protection. RLAM highlights government bonds' role in deflationary shocks and sees index-linked bonds as an efficient hedge against unexpected inflation at historically attractive pricing.

In credit, the firm acknowledges that spreads are tight but argues that fundamentals remain sound. Investment-grade sterling credit continues to offer attractive all-in yields, though discipline and selectivity are critical. In high yield, RLAM favours shorter-duration exposure, focusing on bonds nearing maturity to reduce volatility, default risk, and drawdowns while maintaining income.

Real Assets, Commodities and Property

RLAM emphasises diversification benefits from UK real assets and commodities. Commodities, including gold, are positioned as hedges against inflation and geopolitical risk, particularly given AI's resource intensity. UK commercial property is described as being on a different cycle, offering stable income and recovery potential following the post-2022 correction, with overseas investor interest remaining structurally supportive.

Bottom Line for Asset Allocators

RLAM's Outlook 2026 does not forecast crisis, but it does argue that markets are priced for continued success. With valuations elevated, concentration high, and fiscal and geopolitical risks unresolved, the firm's central message is clear: diversification, active management, and exposure to under-appreciated sources of resilience are essential for navigating the next phase of the cycle.

Source:

[Outlook 2026](#)



Russell Investments frames 2026 as a decisive transition from the policy-shock resilience of 2025 toward a phase of reacceleration, broader leadership, and greater dispersion. The turbulence of 2025—marked by historic tariff hikes, immigration restrictions, deregulation, and fiscal stimulus—tested markets but ultimately reinforced their adaptability. Global equities rebounded sharply from April lows, earnings expectations recovered, and fundamentals ended the year stronger than Russell had anticipated. That resilience now sets the stage for what the firm describes as “the great inflection point.”

From resilience to reacceleration

Russell argues that the macro balance is shifting decisively. In the U.S., the drag from tariffs and policy uncertainty appears to have peaked, while loose financial conditions, fiscal stimulus, and deregulation are becoming tailwinds. As a result, Russell sees scope for above-trend U.S. real GDP growth of 2.25–2.5% in 2026. The slowdown in job growth is viewed as largely policy-driven—stemming from immigration restrictions and reduced government hiring—rather than cyclical weakness. This underpins confidence that earnings growth can remain robust without triggering a widespread layoff cycle.

Against this backdrop, the Federal Reserve’s recent rate cuts are framed as insurance rather than the start of an aggressive easing cycle. With growth re-accelerating, Russell expects the Fed to slow or pause further easing into early 2026, while U.S. Treasuries trading near fair value (~4.1% on the 10-year) justify a strategic, rather than tactical, allocation to duration.

AI as the central structural force

The most important structural inflection point is the next phase of AI adoption. Russell sees generative AI moving beyond hyperscalers and semiconductor leaders into broad corporate use, reshaping productivity, profitability, and dispersion across sectors. While early AI investment followed a familiar “J-curve” of upfront costs and experimentation, surveys now indicate positive returns on AI investment, suggesting benefits are spreading from builders to users.

This shift has two major implications for allocators. First, AI-driven productivity gains could lift economy-wide growth and margins through 2026 and beyond. Second, it supports wider performance dispersion, as firms’ ability to integrate AI effectively becomes a key differentiator. Russell also flags longer-term risks: faster-than-expected labor disruption, pressure on legacy business models, and the sheer scale of AI capex—potentially exceeding \$1 trillion by 2030—which could eventually strain funding markets.

Broadening equity leadership

Russell believes markets are entering a new phase of equity leadership broadening. While valuations remain elevated and U.S. mega-caps still matter, sentiment indicators do not signal euphoria. As a result, Russell expects equities to outperform bonds over the next 12 months, encouraging investors to stay invested near strategic risk targets.

Improving earnings breadth, a potentially weaker U.S. dollar, and AI diffusion underpin a global diversification bias, with emerging markets highlighted as a preferred overweight within global equity strategies. Europe and Japan benefit from fiscal momentum and reform, while Asia’s technology sector is driving earnings upgrades. Greater dispersion strengthens the case for active management, security selection, and style balance, rather than concentrated momentum exposure.

Fixed income: structure over spread

In fixed income, Russell emphasizes selectivity over yield chasing. Public credit spreads are historically tight, making valuations in U.S. corporate bonds unattractive. Treasuries, by contrast, sit near fair value and retain their role as portfolio ballast. Russell favors securitized credit—including non-agency MBS and CLOs—for structural protection and lower rate sensitivity, while private credit continues to offer a meaningful yield advantage, particularly in senior secured and asset-based lending.

Divergent global policy paths create relative-value opportunities, with UK gilts seen as attractive following fiscal-driven volatility, while U.S. duration remains neutral but strategically important.

Real assets and private markets

Long-term geopolitical risk, supply-chain resilience, and rising government debt reinforce the role of real assets and private markets in portfolio construction. Russell highlights infrastructure, real estate, and private assets linked to AI, energy transition, and defense spending as durable sources of diversification and cash flow. Listed real assets provide liquidity and valuation discipline, while private markets offer structural yield and exposure to long-dated investment themes.

Allocator takeaway

Russell’s central message for 2026 is clear: this is not a late-cycle retreat, but a transition to broader growth drivers. The firm positions portfolios for resilience and reacceleration—staying invested in equities, leaning into dispersion through active management, maintaining strategic duration, and expanding exposure to private markets and real assets. For professional allocators, the opportunity lies in diversifying leadership, balancing public and private return drivers, and aligning portfolios with the structural forces reshaping the next phase of global growth.

Source:

[2026 Global Market Outlook: The Great Inflection Point](#)



Santander Asset Management's 2026 outlook is built around a constructive but disciplined macro framework: a global soft landing, contained inflation, and a policy mix that shifts from restrictive to broadly neutral, allowing the economic cycle to extend rather than reset. The firm's central scenario assigns a 60% probability to this outcome, with tariffs viewed as a drag that proves milder and more temporary than initially feared, rather than a catalyst for recession.

Macro backdrop: resilience over rupture

Santander argues that the global economy has demonstrated unusual resilience through successive shocks — pandemic, inflation, and tariffs — without the financial imbalances that typically end cycles. Household and corporate balance sheets remain healthy, credit conditions are supportive, and fiscal policy has shifted decisively toward investment-led stimulus (defence, infrastructure, digitalisation and AI), particularly in the US and Europe. Inflation continues to decelerate, albeit more slowly in the US, allowing central banks to move toward policy normalisation rather than renewed tightening. In this environment, volatility is expected to remain contained, favouring risk assets and carry-oriented strategies.

Equities: broadening participation, not peak cycle

Equities remain Santander's core allocation for 2026. Crucially, the firm does not see valuation headwinds as sufficient to cap markets, arguing that periods of expanding growth and earnings are historically associated with higher multiples. What has changed — and underpins their conviction — is breadth. Earnings growth is no longer confined to US mega-cap technology but is widening across regions, sectors and company sizes.

The US remains Santander's top equity market, supported by sustained earnings growth, pro-investment policy, and an AI-driven capital expenditure cycle that is broadening into cyclical and capex-intensive sectors. Small and mid-caps are highlighted as offering valuation headroom relative to large caps. In Europe, near double-digit earnings growth expectations, fiscal stimulus (notably Germany), and more attractive valuations underpin a positive view, with a preference for quality and selective cyclicality. Japan stands out for its return to nominal growth, improving corporate governance, rising buybacks, and structural reforms. Emerging markets are treated selectively: Latin America benefits from cycle leverage and valuation support, while China offers tactical opportunities amid policy easing, and India remains the region's structural growth engine.

Fixed income: carry over capital gains

In fixed income, Santander's message is pragmatic. With policy rates moving toward neutral, the return profile is dominated by carry rather than duration. The firm identifies opportunities where rate cuts are under-priced, notably UK and Brazilian sovereign bonds, where yields remain high and easing cycles are expected. In contrast, much of the developed world already reflects the anticipated policy path. Credit is positioned as a stable return anchor, particularly Eurozone investment-grade, where yields remain well above long-term averages and corporate balance sheets are robust. Spreads are tight, but Santander sees scope for carry-driven returns rather than further material compression. Inflation-linked bonds are favoured as a diversification tool rather than a base-case inflation hedge.

Gold and commodities: diversification over beta

Gold is framed as both a strategic diversifier and a structural trend, supported by sustained central-bank buying and renewed investor demand. In a world where central banks prioritise growth alongside inflation control, gold retains its role as a hedge against geopolitical risk and policy uncertainty. By contrast, industrial commodities and oil are treated more cautiously, with supply dynamics expected to cap upside.

Private markets: from alternative to essential

A defining feature of Santander's 2026 outlook is the integration of public and private markets through its proprietary Capital Market Assumptions. Private assets are no longer ancillary; they are positioned as core portfolio components. Within alternatives, European private debt stands out as the most compelling opportunity, benefiting from structural under-penetration, bank-dominated financing systems, and attractive relative spreads versus the US. Private credit is explicitly framed as evolving from an opportunistic yield strategy into a mainstream income substitute within fixed income allocations.

Bottom line for allocators

Santander's outlook is not exuberant, but it is decisively constructive. The message for 2026 is to stay invested, lean into broader equity participation, prioritise carry in fixed income, maintain gold as a portfolio stabiliser, and increasingly embed private markets — particularly European private debt — into strategic allocations. In a world of structural change rather than cyclical rupture, diversification and disciplined asset allocation remain the primary sources of long-term returns.

Sources:

[Market outlook 2026: Climbing towards new highs \(Video\)](#)

[Market Outlook 2026 | Climbing towards new highs](#)



Santander Private Banking enters 2026 with a moderately constructive macro outlook, framed around what it describes as a new AI-driven investment supercycle. The central thesis is that global growth is not accelerating, but stabilising into a more durable expansion, supported by productivity gains, easing monetary policy, and sustained fiscal investment in infrastructure, energy and technology. This combination underpins a “soft landing” scenario that extends the cycle — albeit with much less margin for error than earlier phases.

A softer, more balanced global cycle

Global growth is expected to run at around 3% in 2026, with advanced economies consolidating soft landings and emerging markets maintaining moderate expansion. Inflation continues to converge toward central-bank targets as labour markets cool and services inflation eases. Importantly, Santander stresses that growth is now being driven less by post-pandemic rebound dynamics and more by capital deepening and productivity, particularly through AI adoption and infrastructure renewal.

Monetary policy is moving toward neutral rather than accommodative settings. Most major central banks are easing gradually, reducing refinancing risks and supporting credit creation, but without returning to ultra-low rates. Fiscal policy remains supportive but selective: the US, Germany and China act as key demand anchors through energy-transition spending, data-centre investment, defence and infrastructure programmes. This alignment of fiscal and monetary policy is a core pillar of Santander’s constructive outlook.

The AI supercycle: opportunity with discipline

Santander views artificial intelligence as the defining structural force of the cycle, but adopts a notably measured tone. AI investment is described as powerful but uneven, with productivity gains emerging gradually rather than explosively. The key challenge for investors is capital discipline: avoiding the overinvestment, leverage and misallocation that characterised previous technology booms.

The opportunity set extends well beyond mega-cap technology. Santander highlights physical infrastructure, power grids, electrification, automation, industrial technology and data infrastructure as the real backbone of the AI cycle. The focus shifts from momentum to results — from excitement about innovation to evidence of sustainable earnings, efficiency gains and cash-flow generation.

Equity markets: fundamentals strong, valuations demanding
Equity markets enter 2026 with solid fundamentals. Earnings revisions remain positive and corporate balance sheets are generally strong. However, valuations across regions and sectors are described as demanding, reflecting high confidence in a benign macro outcome. This leaves limited room for disappointment and reinforces the need for selectivity.

Santander does not argue for broad equity de-risking, but stresses a preference for companies with tangible value creation, pricing power and credible pathways to AI-enabled productivity. Equity exposure is framed as justified, but increasingly dependent on stock selection rather than beta.

Credit markets: carry with asymmetry

Credit markets are portrayed as being in a late-cycle equilibrium. Fundamentals remain healthy and default rates low, but spreads are tight and risk premia compressed. Santander emphasises that absolute yields remain attractive, yet compensation for risk is asymmetric.

Within this environment, the firm favours investment-grade credit for its balance of carry and resilience, alongside selective opportunities in structured credit and well-collateralised securitisations. Emerging-market debt stands out as relatively attractive, supported by improving fundamentals and the tailwind of a gradually softer US dollar. High yield remains investable but requires careful issuer selection and diversification.

Private markets and real assets: structural pillars

Santander positions private markets as a structural, not cyclical, allocation. Private equity is entering a more balanced phase as valuations stabilise and deal activity normalises, while venture capital remains central to AI innovation funding. Private credit and infrastructure are highlighted as core beneficiaries of the new investment cycle, offering attractive real yields and direct exposure to long-duration transformation themes.

Portfolio implications: constructive, selective, diversified

The overarching message for asset allocators is one of constructive vigilance. The macro backdrop supports risk assets, but valuations, leverage and geopolitical uncertainty demand discipline. Santander’s framework emphasises innovation, infrastructure, income and global diversification — favouring quality exposure over momentum, resilient income over yield chasing, and diversified sources of return across public and private markets.

In short, 2026 is framed not as a breakout year, but as a year of execution: converting AI investment and policy support into durable growth while navigating a cycle where mistakes are more costly and selectivity is paramount.

Source:

[Market Outlook 2026 - Constructive but vigilant: investing through the AI supercycle](#)



Schroders enters 2026 with a broadly constructive view on growth and earnings, but with a clear warning: markets are becoming more fragile beneath the surface. Elevated valuations, rising concentration risks and growing structural vulnerabilities mean that returns will increasingly depend on active decision-making, selectivity and diversification, rather than passive exposure or broad beta.

Equities: Supported, but valuation risk demands precision

Schroders remains positive on global equities, underpinned by low recession risk, resilient earnings momentum and continued fiscal and monetary support—particularly in the US. However, valuation concerns are front and centre. Equity markets are trading above long-term norms, with leadership increasingly concentrated in a small group of mega-cap technology firms driving AI-related investment.

Rather than stepping away from equities, Schroders argues for active stock selection and regional diversification. The firm believes that index concentration creates unrecognised idiosyncratic risk for passive investors, while active portfolios can deliberately target companies where AI investment is translating into revenues and cash flows. Outside the US, valuations are more reasonable and market leadership broader, supporting a tilt toward international value stocks and selective opportunities in Europe and Asia.

Emerging market equities are viewed constructively but with greater nuance. Valuations remain attractive and earnings momentum supportive, particularly if the US dollar continues to weaken. Within EM, Schroders favours technology-linked markets such as Taiwan and Korea, remains constructive on China at the stock level, and highlights Brazil as a high-conviction opportunity due to attractive valuations, high real rates and potential political change.

Fixed income: Dispersion creates opportunity—but not for passive investors

Global fixed income conditions are characterised by desynchronised economic and policy cycles, creating wide dispersion across regions and curves. Schroders sees this as a fertile environment for active management, while warning that passive bond exposure risks over-allocating to markets where value is deteriorating.

Government bonds are approached selectively. US Treasuries and Bunds are viewed unfavourably due to rich pricing and supply pressures, while UK gilts are seen as more attractive given weakening growth and further easing potential. Schroders maintains an underweight to duration overall, while highlighting the importance of inflation protection should policy stimulus prove excessive.

Credit markets require discipline. Spreads are historically tight, offering limited compensation for risk, leading Schroders to remain neutral on credit overall. Preference is given to European over US credit, while agency MBS, covered bonds and securitised assets offer more compelling risk-adjusted income. Emerging market debt stands out as a higher-conviction area, supported by strong fundamentals, high real yields, improving policy flexibility and a potentially favourable currency cycle—particularly in local currency markets.

Private markets: Decoupling creates resilient opportunity

Private markets are a central pillar of Schroders' 2026 outlook. Following several years of falling deal activity and fundraising, valuations have reset meaningfully, creating a cyclical decoupling from public markets. This has improved entry pricing and yield potential across private equity, private credit and real assets.

In private equity, the focus is on small- and mid-market buyouts, continuation vehicles and operational value-add strategies, where competition is lower and reliance on leverage reduced. In private credit, Schroders favours inefficient, asset-backed and shorter-tenor segments, including real estate debt, infrastructure debt, asset-based finance and insurance-linked securities, all of which offer diversification and defensive income.

Real estate: Recovery underway, alpha is asset-specific

Schroders believes global real estate has reached an inflection point, with pricing corrections largely complete and a recovery beginning. Constrained supply, elevated construction costs and stabilising values are supporting income and future returns. Rather than broad sector bets, performance is expected to be driven by asset quality, sustainability and micro-location.

Conviction areas include industrial and logistics, living sectors, hospitality, real estate debt and recapitalisations, with Europe and parts of Asia particularly attractive. The firm expects a strong sequence of vintages as capital returns to the asset class.

Portfolio construction: Balance conviction with resilience. Across asset classes, Schroders' message is consistent: cyclical risks remain contained, but structural risks are building. For 2026, the firm balances a positive stance on equities with diversifiers such as gold, commodities and private assets, maintains discipline on duration and credit risk, and favours active allocation over passive exposure. The waters may be choppy—but Schroders sees multiple paths to resilient returns for investors willing to navigate them carefully.

Sources:

[**Outlook 2026: Take an active approach to valuation risk and seek opportunities to diversify**](#)

[**Outlook 2026: Global bond market conditions will demand an active management approach**](#)

[**Outlook 2026: Robust earnings and ongoing investment in new technologies may continue to support global equities**](#)
[**Outlook 2026: Decoupling driving resilient opportunities**](#)

[**Our multi-asset investment views – December 2025**](#)

[**Real Estate Investment Outlook: the recovery is underway**](#)



Silvercrest's 2026 outlook strikes a carefully balanced tone: constructive on long-term capital appreciation, particularly in U.S. equities, but increasingly focused on valuation discipline, risk management, and portfolio resilience as markets transition from a narrow, AI-driven rally toward a more complex and volatile phase of the cycle. The firm repeatedly emphasises that the opportunity set remains attractive—but only for investors willing to be selective, diversified, and process-driven.

Macro backdrop: solid growth, messy signals

Silvercrest characterises the U.S. economy as being on “solid ground,” but with unusually noisy and conflicting data. Tariff friction, policy uncertainty, government shutdown effects, and opaque survey data are obscuring the true pace of activity. Against this, tax incentives, business-friendly regulation, and rising productivity—particularly linked to AI adoption—continue to support expansion.

Their central growth anchor is trend U.S. GDP of roughly 2.0–2.5%, derived from population growth and productivity. Immigration-driven population growth has slowed, but this is partially offset by an expected uplift in productivity. The labour market is cooling but not breaking: hiring has slowed without a surge in layoffs, and unemployment remains modest. Importantly, Silvercrest interprets recent “right-sizing” and slower hiring as efficiency-driven—linked to AI leverage—rather than recessionary behaviour.

Consumer activity remains stable but uneven. Higher-income households continue to spend, supported by asset prices, while lower-income cohorts show more strain. Overall spending growth is expected to remain modest unless wage or payroll growth accelerates. Rates and policy: slow normalisation, not a sharp pivot. On interest rates, Silvercrest expects gradual easing rather than aggressive cuts. Inflation—measured via Core PCE—remains above the Fed's target, constraining policy flexibility. As a result, U.S. 10-year Treasury yields are expected to hover around current levels near 4% in the near term, before drifting lower over a multi-year horizon as policy normalises toward a roughly 3% Fed Funds rate.

Concerns around U.S. sovereign debt are acknowledged, but not viewed as an imminent destabilising force. Debt-to-GDP is high but stable, and Silvercrest argues that political gridlock following the 2026 midterms may actually limit fiscal excess. The implication for allocators is a relatively stable rates environment, albeit one that does not offer strong duration tailwinds in the short term.

Equities: earnings power intact, valuations constrain upside

Silvercrest remains structurally positive on U.S. equities over a three-year horizon, arguing that earnings growth—supported by historically high and expanding profit margins—should drive high single-digit returns. AI and automation are seen as powerful margin enhancers that will spread beyond early adopters.

However, near-term positioning is more cautious. Valuations across most metrics sit near historic extremes, rivalled only by episodes such as the late-1990s tech bubble. With market leadership narrow and much good news already priced in, Silvercrest recommends a tactically risk-neutral posture. Disappointment risk is elevated even in the absence of outright bad news, particularly given the historically weak pre-midterm phase of the U.S. presidential cycle.

Themes reshaping portfolio construction

Three themes dominate the outlook:

- The AI arms race: AI is framed as a once-in-a-generation productivity shock, but not necessarily a winner-takes-all trade. Silvercrest cautions that builders of AI infrastructure may face diminishing returns as competition intensifies, while long-term gains accrue more broadly to users across the economy.
- Small caps: This is one of Silvercrest's highest-conviction views. Small-cap equities trade at attractive relative valuations, offer diversification versus mega-cap concentration, stand to benefit disproportionately from rate declines, and are increasingly adopting AI to improve margins and earnings.
- Hidden risks at the summit: Elevated valuations and the dominance of AI and private markets create hidden correlations that traditional risk models may understate. Silvercrest stresses that qualitative judgment, liquidity awareness, and disciplined risk controls are essential.

Asset allocation implications

At the portfolio level, Silvercrest advocates staying close to strategic targets rather than pushing risk. Within equities, they favour balance—between growth and value, cyclical and defensive—and maintain an outsized allocation to smaller companies. Credit exposure should be approached with extreme selectivity, favouring higher quality and liquidity over broad beta, particularly given opacity in private credit markets. Geographic diversification remains important, though the U.S. retains an edge on demographics and growth.

Bottom line: Silvercrest's outlook is best described as constructively cautious. The long-term case for equities and productivity-driven earnings growth remains intact, but the path through 2026 is likely to be volatile, valuation-constrained, and unforgiving of complacency—placing a premium on selectivity, diversification, and disciplined portfolio construction.

Source:

[Economic & Market Outlook—2026 & Beyond](#)



Across its 2026 outlook discussions, Sprott presents a clear thesis: the global macro regime has shifted in ways that materially strengthen the strategic case for real assets—particularly precious metals and uranium—within diversified portfolios. What emerges is not a cyclical trade, but a structural reassessment of how investors hedge currency risk, energy security, and long-duration policy uncertainty.

Gold: From Tactical Hedge to Strategic Reserve Asset

Sprott argues that gold is undergoing a re-rating as a monetary asset rather than a mere inflation hedge. After posting gains of over 50% in 2025—one of the strongest calendar-year performances since 1970—gold has attracted a sharp re-acceleration in institutional and retail flows, particularly into physical vehicles. Sprott views this as a belated alignment between price performance and investor positioning rather than speculative excess.

The firm highlights central bank demand as the most powerful structural driver. Over recent years, central banks have absorbed roughly 25–30% of global gold production, reallocating reserves away from U.S. Treasuries and other fiat currencies. This shift is framed as a multi-year, non-transitory process tied to de-dollarisation, geopolitical fragmentation, and reserve diversification. Importantly, Sprott emphasises that these buyers are largely price-insensitive, creating a durable bid beneath the market.

At the portfolio level, Sprott points to a broader erosion in the defensive role of sovereign bonds. High debt burdens, fiscal dominance, and persistent inflation pressures have undermined the real return profile of Treasuries. Against this backdrop, gold is increasingly positioned as a substitute for part of the traditional fixed-income allocation. Sprott notes that some institutional asset-allocation models now contemplate materially higher gold weights—levels not seen for decades—reflecting a reassessment of ballast assets in portfolios.

Silver: Scarcity Meets Structural Demand

Silver is presented as a higher-beta expression of the precious-metals thesis, supported by both monetary and industrial dynamics. After finally breaking through long-standing resistance levels in 2025, silver prices nearly doubled, prompting renewed investor interest. Sprott attributes this move to a combination of chronic supply deficits and rising industrial demand, particularly from solar-panel manufacturing, where silver is consumed and not recycled.

Relative valuation also plays a role. The gold-to-silver ratio reached extreme levels earlier in the cycle, reinforcing silver's appeal as a catch-up asset. Sprott highlights tightening physical availability—evidenced by low inventories in key markets—as a factor that could continue to amplify price moves if investment demand accelerates further. As with gold, the firm believes positioning remains light, suggesting the rally is still in its early stages.

Uranium: Policy Alignment Unlocks a Supply-Constrained Market

Sprott's uranium outlook centres on a long-anticipated policy inflection finally materialising. The inclusion of uranium on the U.S. Critical Minerals List, growing government support for nuclear energy, and renewed funding commitments for reactor construction mark a decisive shift in the policy backdrop. This is particularly significant given rising electricity demand driven by AI data centres and electrification trends.

Despite a relatively range-bound uranium spot price in 2025, Sprott stresses that underlying fundamentals have tightened materially. Utility contracting fell well below replacement levels amid policy uncertainty, effectively deferring demand into future years. With that uncertainty now easing, Sprott expects utilities to re-enter the market, placing upward pressure on longer-term contract prices—the key determinant of producer economics.

Crucially, supply growth remains constrained. Producers have maintained capital discipline and are reluctant to commit new production without higher, sustained prices. At the same time, governments are increasingly exploring interventionist measures, including strategic uranium reserves, price floors, and potential equity participation in domestic supply chains. Sprott views this as a powerful catalyst for uranium and uranium-related equities, which it sees as leading indicators of improving fundamentals.

Asset-Allocator Takeaway

Sprott's 2026 outlooks collectively argue for a reassessment of real assets as strategic rather than peripheral allocations. Gold is positioned as an alternative reserve asset in a world of fiscal dominance; silver as a scarcity-driven complement with industrial leverage; and uranium as a policy-supported solution to long-term energy security challenges. Across all three, Sprott's central message is consistent: positioning remains light, structural tailwinds are strengthening, and the early stages of a longer-duration reallocation may now be underway.

Sources:

[Gold & Silver Outlook 2026](#)

[Uranium Outlook 2026](#)



Standard Chartered enters 2026 with a firmly constructive but selective stance, centred on a soft-landing macro scenario, ongoing global policy support, and a clear preference for equities over credit. The core narrative is “glass-half-full”: growth is slowing but resilient, inflation is easing, and central banks—led by the Federal Reserve—retain scope to support activity through further rate cuts. Against this backdrop, Standard Chartered sees the balance of risks still favouring risk assets, albeit with higher volatility and more tactical positioning.

Macro regime: soft landing remains the base case

The firm assigns a 60% probability to a US soft landing, up from earlier in the year, while reducing the probability of a hard landing to 20%. Fed rate cuts are central to this view. Standard Chartered expects the Fed funds rate to fall to 3.0% by end-2026, helping offset the drag from tariffs, slowing labour markets and tighter fiscal conditions. Inflation expectations continue to soften, giving policymakers room to ease without reigniting price pressures.

Outside the US, the outlook remains differentiated. The ECB is seen nearing the end of its easing cycle, with one final cut to 1.75%, after which German fiscal stimulus and EU defence spending should support growth. In China, the Fourth Plenum reinforces a policy pivot toward innovation, advanced manufacturing and domestic consumption, with further targeted easing expected as export tailwinds fade.

Asset allocation: equities and gold over bonds

At the multi-asset level, Standard Chartered maintains an Overweight to global equities and gold, while reducing exposure to global bonds, particularly credit. Elevated valuations across both equities and corporate bonds lead the firm to favour assets with greater upside optionality—namely equities—over tighter credit spreads.

Within fixed income, government bonds remain a core allocation, but Developed Market investment-grade and high-yield corporate bonds are underweight, reflecting historically tight risk premia and heavy supply driven by capex and M&A financing. In contrast, Emerging Market local-currency government bonds are Overweight, supported by attractive real yields, benign local inflation, dovish EM central banks and an expected weaker USD.

Regional equity preferences: US and Asia ex-Japan

Regionally, Standard Chartered’s equity conviction is clearest in US and Asia ex-Japan equities, both held Overweight. US equities are supported by strong earnings momentum—particularly linked to AI investment—robust Q3 earnings delivery and Fed easing. Asia ex-Japan benefits from a weak-USD backdrop, policy support in China and superior forward earnings growth expectations across the region.

China equities are favoured selectively, with emphasis on technology, services consumption and high-dividend state-owned enterprises, which offer domestic exposure and less vulnerability to trade tensions. Japan equities remain a core holding, with rising dividends and buybacks offset by currency and earnings risks. Europe ex-UK is upgraded to core, reflecting attractive valuations and fading political risk, while UK equities remain underweight due to weak growth exposure and fiscal vulnerabilities.

Gold: strategic overweight reinforced

Gold is one of Standard Chartered’s highest-conviction calls. Despite a sharp rally earlier in 2025, the recent pullback is viewed as a buying opportunity, not a trend reversal. Structural drivers—central-bank demand, geopolitical uncertainty, fiscal deterioration and concerns around Fed independence—remain firmly in place. Cyclical support from falling real yields and seasonal Asian demand further underpin the case. The bank raises its 12-month gold price target to USD 4,500/oz and maintains a strategic Overweight, with gold positioned as both a hedge and a long-term diversifier.

FX and portfolio construction implications

In FX, Standard Chartered expects a short-term USD rebound, but views this as temporary. Over a 6–12 month horizon, the USD is expected to weaken as US rates fall faster than those of other major economies. This underpins the preference for Asia ex-Japan equities and EM local-currency bonds, while reinforcing diversification into gold. Bottom line for allocators

Standard Chartered’s 2026 outlook is best characterised as constructive but disciplined. The firm is positioned for continued upside in equities and gold, cautious on credit, and opportunistic in EM fixed income. For portfolio builders, the message is clear: stay invested, favour regions and assets with policy and earnings tailwinds, and use gold and duration selectively to manage rising macro and political risks rather than retreating into cash.

Sources:

[Global Market Outlook](#)



State Street Investment Management

State Street enters 2026 with a stance best described as cautiously constructive. The firm expects global growth to continue despite elevated policy, trade, and geopolitical uncertainty, arguing that easing inflation, selective monetary accommodation, and renewed fiscal impulse create a broadly supportive backdrop for risk assets. However, the outlook repeatedly stresses the importance of selectivity, diversification, and resilience, reflecting concerns around valuation, concentration, and delayed policy transmission effects.

Macro: Growth continues, but with lagged policy effects

State Street's base case assumes neither recession nor renewed inflation shock in 2026. Tariff announcements and trade tensions in 2025 are judged to have had a limited macro impact, with global trade continuing to expand. The macro narrative is shaped by what the firm calls "the year of delayed policy impact": fiscal initiatives such as the US One Big Beautiful Bill Act and Germany's €500bn defense-infrastructure programme are expected to support growth, but with effects only gradually feeding through to real activity.

Central bank policy is increasingly divergent. The Federal Reserve is expected to deliver up to three rate cuts in 2026, the ECB to remain broadly on hold, and the Bank of Japan to continue cautiously hiking. This divergence underpins relative opportunities across sovereign bond markets and reinforces the importance of currency management for global investors. While volatility has retreated from 2025 highs, persistent geopolitical risks—particularly around US-China relations and global conflict flashpoints—are seen as ongoing tail risks rather than resolved issues.

Equities: Constructive, but valuation-aware

State Street remains constructive on global equities in 2026, with artificial intelligence framed as the dominant structural driver of earnings, capital expenditure, and sector leadership. AI investment is expected to continue offsetting policy and geopolitical headwinds, though the firm emphasises that valuation risks are no longer confined to US markets alone.

The US remains the epicentre of the AI theme, supported by rapid growth in hyperscaler capex and spillovers into broader productivity and earnings. Beyond mega-cap technology, State Street highlights improving conditions for US small caps as easing monetary policy, stabilising manufacturing activity, and fiscal incentives support domestically oriented firms. That said, US equity leadership is accompanied by clear caveats: stretched valuations, high market concentration, and the risk that AI-related free cash flow and return expectations fail to materialise.

Outside the US, Europe is characterised as a relative catch-up story. Fiscal stimulus focused on defence, infrastructure, and utilities is lifting earnings expectations, but structural challenges—including lower AI investment intensity and regulatory frictions—limit upside relative to the US.

Japan stands out more positively, with reflationary momentum, governance reform, fiscal expansion, and a pro-AI policy agenda underpinning stronger earnings growth expectations for 2026. Emerging markets benefit from looser global liquidity, a weaker US dollar, and AI-related productivity tailwinds, though China requires a more selective approach given policy dependence, earnings uncertainty, and questions around AI monetisation.

Fixed income: Preference for sovereigns over credit

In fixed income, State Street expresses a clear preference for government bonds over corporate credit. Tight spreads, limited scope for further compression, and latent fiscal risks constrain the return outlook for investment-grade and high-yield credit, even as carry remains attractive.

Sovereign bonds are favoured, though with an emphasis on selectivity around duration and curve positioning. In the US, the firm prefers the 5–10 year segment of the Treasury curve, viewing returns from current yield levels as modest but supported by a softening labour market and prospective Fed easing. UK gilts are viewed more favourably than eurozone government bonds, reflecting weaker growth and greater scope for rate cuts. In Japan, an approaching end to rate hikes could create opportunities in JGBs, particularly in the belly of the curve.

Emerging market debt is a notable bright spot. State Street retains a positive outlook, with a slight preference for local-currency bonds supported by declining inflation, easing policy rates, and improving country fundamentals, while emphasising FX risk management.

Alternatives and gold: Building portfolio resilience

Alternatives play a central role in State Street's 2026 framework. With equity valuations elevated and stock-bond correlations less reliable, the firm sees private credit, infrastructure, real assets, gold, and select hedge fund strategies as essential tools for income generation, diversification, and access to long-term growth themes. Private credit benefits from constrained bank lending, while infrastructure—particularly digital infrastructure tied to AI—offers both stable cash flows and secular growth.

Gold is treated as a strategic allocation rather than a tactical trade. Supported by central bank demand, ETF inflows, fiscal stress, and declining real rates, gold is positioned as a hedge against macro uncertainty and currency debasement, with scope for broader portfolio adoption in 2026.

Overall, State Street's 2026 outlook advocates staying invested, but with sharper focus: favouring quality risk, sovereign duration over credit risk, diversified equity exposure beyond US mega-caps, and a more deliberate role for alternatives in portfolio construction.

Source:

[Global Market Outlook 2026: Forward with focus](#)



SuMi TRUST Asset Management's outlook for the first half of 2026 presents a constructive but valuation-aware view on Japan, grounded in resilient corporate earnings, improving wage dynamics, and a policy backdrop that is increasingly growth-oriented. While global risks—particularly U.S. tariffs and overseas slowdown—remain material, the firm argues that Japan's domestic fundamentals are now strong enough to sustain expansion into 2026.

Economic backdrop: earnings as the anchor

The central pillar of SuMi TRUST AM's outlook is the durability of corporate profits. Despite concerns that U.S. tariff policy could weigh on global growth, the firm notes that the negative impact on Japanese earnings has so far been more limited than expected. A weaker yen continues to support export-oriented sectors, while inbound tourism and firm domestic demand are bolstering non-manufacturing revenues.

Crucially for allocators, SuMi TRUST links strong earnings directly to second-round effects: higher wages and sustained capital expenditure. The firm expects meaningful wage hikes in the 2026 spring negotiations, arguing that easing food inflation and government measures—such as reductions in gasoline taxes—should allow real wages to turn positive, supporting a gradual recovery in consumption. On the investment side, labour shortages are accelerating demand for automation and productivity-enhancing technologies, while spending on AI and decarbonisation remains structurally robust.

Monetary and fiscal policy: upward pressure on yields, but contained

Monetary policy is framed as a key uncertainty rather than a headwind. Persistently high inflation, rising wages, and greater clarity on U.S.–Japan trade negotiations have created conditions in which additional Bank of Japan rate hikes are conceivable. However, SuMi TRUST highlights expectations that the central bank will proceed cautiously, particularly under the new Takaichi administration, which is perceived as supportive of accommodative policy.

Against this backdrop, the firm expects 10-year JGB yields to trade in a 1.25%–2.00% range in H1 2026. Expansionary fiscal policy—specifically the postponement of fiscal balance targets—is likely to exert upward pressure on long-term yields, although potential reforms to bond issuance practices could help stabilise the super-long end of the curve.

Equities: supportive fundamentals, tempered by valuation discipline

Japanese equities are viewed positively, albeit with near-term caution. Following a more than 20% rise in TOPIX during 2025, SuMi TRUST acknowledges growing valuation concerns, particularly in AI-related stocks where sentiment has run ahead of fundamentals. Nevertheless, earnings momentum remains broad-based. Exporters continue to benefit from yen weakness, while domestic sectors such as construction, railways, and services are seeing margin improvement as labour shortages strengthen pricing power.

Structural factors reinforce the equity case. Tokyo Stock Exchange reforms are driving improvements in capital efficiency, and ongoing share buybacks are improving equity supply-demand dynamics. The firm also highlights the government's renewed emphasis on growth through public-private investment and the continued push to establish Japan as an "asset management nation." SuMi TRUST forecasts nearly 10% profit growth for Nikkei 225 constituents in FY2026 and projects a Nikkei trading range of 47,000–55,000 in H1 2026.

FX and risks

On currencies, SuMi TRUST expects USD/JPY to trade in a ¥135–¥155 range by end-June 2026, balancing potential yen support from BoJ tightening against structural pressures from fiscal policy and trade deficits.

Key risks include a sharper-than-expected global slowdown, renewed tariff shocks, and the possibility that higher long-term rates undermine corporate investment and wage momentum. The firm cautions that after the strong rally in late 2025, Japanese equities may experience short-term corrections, reinforcing the importance of a disciplined, medium-term allocation framework.

Source:

[Letter from SuMi TRUST AM – Japan Outlook in First Half of 2026](#)



T. Rowe Price

T. Rowe Price frames 2026 as a year defined by two-speed growth, where artificial intelligence (AI)-linked segments of the economy continue to boom while more traditional areas, particularly manufacturing, lag. The central message for asset allocators is that structural opportunity remains compelling, but valuations, inflation risk, and policy uncertainty require greater selectivity across asset classes.

Macro backdrop: fiscal expansion meets inflation persistence

The firm expects the US economy to outperform expectations in 2026, recovering from the growth scare of late 2025. AI-related capital expenditure and expansionary fiscal policy—reinforced by the One Big Beautiful Bill Act—are seen as powerful tailwinds. However, T. Rowe Price is clear that these same forces are inflationary, particularly when combined with tariffs, immigration restrictions, and elevated government debt levels. As a result, the Federal Reserve may find it difficult to cut rates meaningfully, despite market expectations.

Outside the US, growth diverges. Europe is expected to lag, as tariff front-loading in 2025 has pulled forward demand, leaving eurozone manufacturing vulnerable in 2026. Germany's fiscal expansion may push yields higher, forcing the ECB toward a more dovish stance. Japan stands out as an exception among developed markets, having finally escaped deflation, with rising wages and fiscal stimulus creating upside inflation risks and the potential for more aggressive Bank of Japan tightening. Emerging markets, particularly in Asia, are viewed as more stable than in past cycles, with inflation and debt largely under control, though tariffs remain a medium-term uncertainty.

AI: from hype to monetisation discipline

AI is positioned as the single most important structural driver in the outlook. T. Rowe Price argues that AI is transitioning from promise to profitability, becoming the largest productivity driver since electricity. The focus is shifting from speculative narratives to execution, infrastructure, and monetisation.

The paper highlights the scale of investment flowing into data centres, semiconductors, power grids, and cloud infrastructure. However, a critical new dynamic is the growing reliance on debt financing to fund AI capex. This introduces both opportunity—particularly for private credit—and risk, as lenders demand clearer paths to cash flow generation. While T. Rowe Price remains constructive on AI overall, it cautions that rising leverage raises the stakes, increasing sensitivity to interest rates and earnings disappointments.

Equities: leadership broadens beyond mega-cap tech

A core equity theme is market broadening. While AI leaders remain central, leadership is shifting toward what T. Rowe Price calls “physical AI”—the infrastructure and enablers behind AI adoption, including semiconductors, power, automation, industrials, and energy. Dispersion within AI is increasing, favouring firms with durable earnings and balance-sheet strength.

Regionally, the firm sees non-US equities as increasingly attractive, supported by fiscal expansion, easier monetary policy, and valuation gaps relative to the US. Japan and Europe are highlighted for their exposure to automation, semiconductors, and reindustrialisation. China is framed as a tactical opportunity, with selective exposure to AI-enabled platforms, but structural and geopolitical risks remain significant. Small-cap equities are expected to benefit disproportionately if equity performance broadens beyond US mega-caps.

Fixed income: income over duration

In fixed income, T. Rowe Price is cautious on long-duration government bonds. Expansionary fiscal policy is expected to push long-maturity yields higher, particularly in the US and parts of Europe. Inflation risk leads the firm to favour equities over bonds at the asset-allocation level.

Within credit, the outlook is more constructive. Despite tight spreads, high yield bonds and bank loans are seen as offering attractive income relative to equities, provided credit selection remains disciplined. The firm marginally prefers bank loans over high yield bonds due to higher current income. Inflation-linked bonds in the US, Europe, and Japan are identified as attractive, as markets are seen to underprice inflation risk. Select emerging market local-currency bonds also stand out.

Private markets: reopening of deal flow

Private markets are expected to re-accelerate in 2026. Stabilising rates, improved IPO conditions, and a more transaction-friendly regulatory environment are supporting a recovery in private equity exits. Private credit demand is accelerating, driven by M&A activity and the financing needs of AI infrastructure, reinforcing the role of private markets as a structural allocation rather than a cyclical trade.

Allocator implication

Overall, T. Rowe Price's 2026 outlook argues for equity-led portfolios with a clear tilt toward non-US markets, small caps, and AI infrastructure, paired with selective credit exposure and inflation protection. The opportunity set is broadening, but the margin for error is narrowing—making valuation discipline, diversification, and active selection essential.

Source:

[2026 Global Market Outlook: Minds, machines, and market shifts](#)



Triodos Investment Management frames the 2026 global outlook as one of surface resilience masking deep structural fragility. Economic growth has held up better than expected through 2025, supported by AI-driven investment, robust consumption among higher-income households and increased defence and infrastructure spending. Yet Triodos argues that this apparent stability rests on increasingly shaky foundations: widening inequality, ecological overshoot, geopolitical fragmentation and rising fiscal risks. For investors, 2026 is less about chasing cyclical upside and more about navigating an imbalanced global system where long-term returns depend on genuine economic and social stability.

Advanced economies: resilience with rising fault lines

In advanced economies, Triodos expects global growth to slow modestly to around 3% in 2026 as the lagged effects of US tariffs, elevated debt levels and tighter financial conditions begin to bite. The US economy remains supported by consumption and investment, but growth is set to decelerate as higher import costs feed through to inflation and erode real income gains. Elsewhere, the eurozone, UK and Japan benefit from easing inflation and positive real wage growth, though fiscal trajectories diverge meaningfully. Germany's renewed defence and infrastructure spending contrasts with more constrained fiscal positions in France, Italy and the UK.

Consumption remains the main growth engine, but Triodos highlights its increasingly uneven distribution. Rising asset prices have disproportionately boosted spending among the wealthiest households, particularly in the US, while lower-income groups face mounting pressure. This imbalance supports near-term growth but heightens political and social risks, reinforcing the firm's caution about the sustainability of the current expansion.

Investment trends are similarly uneven. AI-related capital expenditure—largely funded by the balance sheets of major US technology firms—continues to dominate, remaining resilient to higher interest rates. Defence and infrastructure spending provide additional support, particularly in Europe. However, outside these areas, business investment remains fragile amid policy uncertainty and trade fragmentation, while housing investment continues to be constrained by elevated borrowing costs. Importantly, Triodos does not expect AI-driven productivity gains to materialise meaningfully in 2026, arguing that the current phase resembles earlier technology cycles where capital deepening precedes broad-based productivity improvements.

Financial markets may remain buoyant, supported by ongoing AI investment and prospective central bank rate cuts, particularly in the US. Nevertheless, Triodos stresses that elevated valuations, rising term premia and growing environmental and social externalities leave markets vulnerable to sudden disruptions.

Emerging markets: pivotal players with uneven outcomes

In contrast, emerging markets enter 2026 from a position of relative strength. Triodos expects EM growth to remain around 4%, supported by improving macroeconomic policy frameworks, lower debt burdens than advanced economies and a more favourable external environment as global interest rates decline and the US dollar remains relatively weak. These conditions have lowered risk premia and supported renewed capital inflows.

Structural shifts in global trade further enhance the strategic importance of emerging markets. As advanced economies compete for critical minerals and seek to diversify supply chains, many EM countries have become pivotal partners rather than peripheral participants. Intra-EM trade, particularly within Asia, has expanded, helping offset weaker demand from the US. China and India play central roles: both are benefiting from services-led growth and expanding their positions in clean energy and technology supply chains, even as they face domestic challenges such as weak property markets (China) and complex geopolitical negotiations (India).

That said, Triodos emphasises sharp divergence within the EM universe. Middle-income economies with credible monetary and fiscal policies are well positioned to attract long-term capital, while lower-income countries face mounting pressures from reduced foreign aid, weaker remittance growth and higher commodity prices. Social tensions, youth unemployment and inequality pose meaningful risks where growth has not translated into inclusion.

Inflation across emerging markets is expected to continue moderating in 2026, aided by currency strength and prudent central bank policies, though regional disparities persist—particularly in parts of emerging Europe and Sub-Saharan Africa.

Investment implications: stability as the true scarcity

Across both advanced and emerging economies, Triodos' central message is clear: the global economy is becoming more fragmented, more unequal and more environmentally stressed, even as headline growth and markets appear resilient. For asset allocators, this reinforces the importance of looking beyond short-term performance and recognising that durable returns increasingly depend on social cohesion, ecological sustainability and credible policy frameworks. In Triodos' view, directing capital toward sustainable transformation is not a constraint on returns—but a prerequisite for achieving them in an increasingly unstable world.

Sources:

[Advanced Economies Outlook 2026](#)

[Emerging Markets Outlook 2026](#)

[Investment Outlook 2026: Anchoring our world: investing to sustain what matters](#)



UBS enters 2026 with a constructive risk outlook, arguing that a powerful combination of artificial intelligence (AI), fiscal spending, and easing monetary policy could allow global growth and markets to break free from traditional late-cycle constraints. While acknowledging elevated debt, geopolitical uncertainty, and valuation risks, UBS believes the balance of forces favors higher asset prices—particularly equities—supported by structural innovation and improving macro momentum.

Macro backdrop: resilient growth, improving momentum

UBS expects global growth to remain resilient and to accelerate through 2026. In the US, real GDP growth is forecast at around 2%, with a soft start to the year followed by strengthening momentum as tariff effects fade, business confidence improves, and fiscal support gains traction. Inflation is expected to peak just above 3% in mid-2026, allowing the Federal Reserve to deliver two additional rate cuts and move policy toward neutral.

In Europe, UBS forecasts growth of just over 1%, improving through the year as German fiscal stimulus, infrastructure investment, and rising real incomes support domestic demand. Asia ex-Japan is expected to grow at just under 5%, with China targeting 4.5–5.0% growth under its new Five Year Plan, prioritizing technology innovation and industrial upgrades.

Equities: add to risk, broaden exposure

UBS expects global equities to rise by around 15% by end-2026 and explicitly encourages investors underallocated to stocks to add exposure. The US remains the core engine of global equity returns, with S&P 500 earnings per share forecast to reach USD 305 in 2026 and the index projected to rise to 7,700. AI-linked technology continues to drive earnings growth, but UBS also highlights opportunities in US health care, utilities, and banks, broadening market leadership.

Outside the US, UBS upgrades European equities to Attractive, citing accelerating earnings growth, supportive ECB policy, healthier banks, and improved fiscal outlooks—particularly in Germany. Japan is viewed positively due to improving returns on equity, supportive policy, and ongoing corporate governance reforms. China's tech sector is identified as a high-conviction global opportunity, supported by innovation, liquidity, earnings growth, and still-discounted valuations. UBS also expects positive returns across Asia ex-Japan and emerging markets, helped by Fed easing and a softer US dollar.

Structural growth: AI, power, resources, and longevity

AI sits at the heart of UBS's "escape velocity" thesis. UBS projects cumulative global AI capex of USD 4.7 trillion between 2026 and 2030, with USD 571bn spent in 2026 alone. While acknowledging monetization risks, UBS believes accelerating adoption across enterprise, agentic AI, and physical AI will sustain earnings growth. The firm recommends allocating up to 30% of equity portfolios to transformational innovation themes spanning AI, power and grid infrastructure, and longevity.

Rising electricity demand from AI data centers underpins UBS's positive stance on utilities, energy infrastructure, and industrial metals. Copper and aluminum are highlighted as beneficiaries of supply constraints and electrification trends. Longevity is identified as a multi-trillion-dollar opportunity, with strong growth expected in obesity drugs, oncology, and medical devices.

Commodities: diversification and structural support

UBS expects commodities to play a more prominent role in portfolios in 2026, supported by supply-demand imbalances, geopolitical risks, and the energy transition. Industrial metals, agriculture, and precious metals are favored, with gold retaining an important role as a hedge against inflation, debt concerns, and geopolitical stress. Income and fixed income: diversify sources. With government debt rising and credit spreads tight, UBS advocates a diversified approach to income. Quality government and investment-grade bonds are expected to deliver mid-single-digit returns as rates fall, while diversified fixed income strategies and selective private credit can enhance yield if carefully managed. Equity income strategies and structured investments are highlighted as alternatives in low-yield environments.

Currencies, risks, and portfolio construction

UBS expects the US dollar to weaken in 2026 due to rate cuts and twin deficits, favoring the euro, Australian dollar, and other higher-yielding currencies. Key risks include AI disappointment, inflation persistence, renewed US-China tensions, and debt sustainability concerns. As a result, UBS emphasizes disciplined diversification across equities, fixed income, alternatives, and gold, combined with selective hedging and liquidity management.

Bottom line: UBS's 2026 outlook is decisively pro-risk but not complacent—encouraging investors to add to equities, lean into structural growth themes, diversify income sources, and prepare portfolios to benefit if AI-driven productivity delivers the long-awaited "escape velocity."

Source:

[UBS Year Ahead 2026: Escape velocity](#)



VanEck's 2026 outlook is framed around a cautiously constructive macro environment, but one that demands selectivity, diversification and resilience. With global easing cycles nearing their end, fiscal pressures rising and volatility likely to persist, VanEck argues that portfolios must be built to generate durable income, preserve capital and hedge long-term structural risks, rather than rely on broad market beta.

At the top-down level, VanEck identifies three defining mega-themes for 2026: a maturing technological revolution as AI shifts from build-out to adoption; a stealth bull market in real assets driven by electrification, AI infrastructure and reshoring; and accelerating monetary debasement as governments manage growing debt burdens. These forces underpin a world where volatility is not an anomaly, but a feature—creating both risk and opportunity.

Income Investing as a Core Portfolio Anchor

Income investing sits at the centre of VanEck's 2026 framework. With the Fed expected to cut rates only modestly and long-end yields remaining vulnerable to fiscal pressures, VanEck favours income sources that avoid excessive duration risk while still offering attractive carry.

Emerging market debt stands out as a high-conviction area, supported by stronger sovereign balance sheets, earlier and more aggressive post-pandemic tightening, and superior real yields relative to developed markets. Local-currency EM debt is viewed as particularly compelling, offering diversification benefits and potential upside should EM currencies continue to strengthen.

CLOs, Credit Quality and Capital Preservation

Collateralized loan obligations (CLOs) are another cornerstone of VanEck's income playbook. Their floating-rate structure, senior-secured collateral and long track record of low defaults make them attractive in an environment of rate uncertainty and tight credit spreads. Within CLOs, VanEck emphasises quality and relative value, particularly in investment-grade and mezzanine tranches, while retaining flexibility to add risk during episodic spread widening.

Across fixed income more broadly, VanEck stresses capital preservation and relative value rather than momentum. With starting yields lower and spreads tight, the scope for capital appreciation is limited, reinforcing the importance of disciplined risk management and diversification.

Private Credit Exposure Without Illiquidity

VanEck also highlights business development companies (BDCs) as a way to access private-credit-like yields without sacrificing liquidity. As private credit continues to expand, BDCs offer exposure to middle-market lending with floating-rate income and public-market accessibility. While not without risk, they are positioned as a useful complement for income-focused portfolios seeking diversification beyond traditional bonds.

Equity Income and Municipal Bonds as Diversifiers

Beyond traditional fixed income, VanEck emphasises the role of equity income and diversified yield sources. Mortgage REITs and preferred securities are positioned as tactical tools to enhance portfolio income and diversify rate sensitivity.

Municipal bonds remain a core allocation, benefiting from tax-exempt income, continued issuance and a supportive technical backdrop. VanEck expects value in the intermediate part of the curve, while urging caution and selectivity within high-yield municipal sectors exposed to longer-term demographic and policy pressures.

Real Assets: Gold and Natural Resources

On the real-asset side, VanEck is notably bullish. Gold is described as one of the strongest major assets entering 2026, underpinned by sustained central-bank buying, rising Western investment demand and its role as a hedge against geopolitical risk, stretched equity valuations and monetary debasement. Gold equities, in particular, are highlighted as offering leveraged exposure at still-depressed valuations despite improving fundamentals and strong free-cash-flow generation.

Natural resources form another pillar of VanEck's long-term thesis. A structural power crunch—driven by AI data centres, electrification, grid expansion and reshoring—is colliding with years of underinvestment in energy and materials. Opportunities are highlighted across natural gas, select oil and integrated energy companies, copper and other critical metals, as well as emerging power technologies such as nuclear, geothermal and long-duration storage.

Emerging Markets and Digital Assets

In emerging market equities, VanEck expects 2026 to be a more fundamentals-driven year, with returns shaped increasingly by earnings, policy support and structural growth themes rather than liquidity alone. China is seen as early in a repair cycle, India as a durable long-term compounder, and select opportunities emerging across Asia, Latin America, the Gulf and frontier markets.

Finally, VanEck maintains a measured but constructive stance on digital assets. Bitcoin is viewed as a potential hedge and portfolio diversifier when sized prudently, while the most attractive opportunities are seen in Bitcoin mining consolidation and selective exposure to digital payments and stablecoin-enabled infrastructure rather than broad token speculation.

Source:

[Income Investing Playbook 2026: Find Yield in a Volatile Rate Environment](#)
[Plan for 2026: Predictions from Our Portfolio Managers](#)



Vanguard's 2026 outlook is framed around a central tension: AI has the potential to materially lift medium-term economic growth, but current market pricing—particularly in U.S. growth equities—already reflects extremely optimistic assumptions. The result is a nuanced outlook that is constructive on growth and productivity, yet increasingly cautious on equity risk-reward, while strongly supportive of high-quality fixed income.

AI as a macro force: real, powerful, but uneven

Vanguard views artificial intelligence as a genuine general-purpose technology (GPT), comparable to railroads, electrification, or the internet. The current AI investment cycle is still in its early stages—estimated at only 30–40% of the scale of historical capital buildouts—and is expected to run for several more years. Since late 2022, AI investment has already contributed meaningfully to U.S. GDP, and Vanguard sees a 60% probability that AI ultimately lifts U.S. trend growth toward 3% in the medium run.

However, Vanguard stresses that 2026 is a transition year, not the payoff phase. Productivity gains are emerging but remain uneven across industries, with adoption strongest in information, professional services, and finance, and much weaker in more physical sectors. Official productivity data may lag reality, but alternative indicators—such as capital deepening and resilient margins—suggest upside potential.

Growth outlook: U.S. resilience, global divergence

For 2026 specifically, Vanguard forecasts U.S. real GDP growth of around 2.25%, supported by continued AI-related capital expenditure and modest fiscal support. Growth could accelerate later if AI diffusion broadens. Inflation, however, is expected to remain sticky above 2%, limiting the Federal Reserve's ability to ease aggressively. Vanguard's estimate of the neutral policy rate sits at around 3.5%, implying fewer and shallower rate cuts than markets may expect.

Regionally, divergence is a defining theme. China is expected to grow faster than consensus in 2026 (around 4.5%), driven by rapid AI adoption and heavy state-backed investment, though structural constraints and deflation risks persist. The euro area is expected to lag, with growth near 1.2%, as weak AI investment is only partially offset by fiscal easing and defence spending. The UK benefits from disinflation dynamics that allow further rate cuts, while Japan continues a slow but steady normalization cycle with resilient domestic demand.

Capital markets: exuberance meets valuation reality

Vanguard acknowledges that U.S. equities could deliver strong near-term returns in 2026, particularly if AI investment and wealth effects continue to support earnings. However, the firm's longer-term capital-market projections are notably cautious. Vanguard estimates 10-year annualized returns for U.S. equities of just 4–5%, driven largely by elevated valuations—especially in large-cap technology—and rising risks around capital intensity, competition, and creative destruction.

A key insight is that muted equity returns are not inconsistent with an AI-driven economic boom. Heavy capital spending, margin pressure, and new entrants historically dilute profitability during technology transitions. Vanguard highlights the risk that today's AI “scalpers” may overinvest, eroding shareholder returns even if the broader economy benefits.

Asset allocation implications: bonds back, value over growth

Against this backdrop, Vanguard's highest-conviction asset-class views over the next 5–10 years are clear:

1. High-quality U.S. fixed income offers the most attractive risk-adjusted returns, supported by higher starting yields and a neutral rate regime. Bonds also provide critical diversification if AI optimism disappoints.
2. U.S. value equities are preferred to growth, offering more reasonable valuations and greater exposure to second-order AI productivity gains as adoption spreads across the economy.
3. Non-U.S. developed equities provide diversification and relatively better valuation support than U.S. growth stocks.

Within credit, Vanguard emphasises quality, warning that tight spreads offer limited compensation given the scale and uncertainty of the AI investment cycle.

Portfolio construction message

Overall, Vanguard advocates staying invested but reallocating thoughtfully. The firm's preferred portfolio leans away from U.S. growth concentration and toward a combination of high-quality bonds, U.S. value, and developed ex-U.S. equities. This positioning is designed to participate in AI-driven growth while remaining resilient if expectations prove overly optimistic.

For asset allocators, Vanguard's message is not to fade AI—but to separate economic upside from equity market pricing, and to anchor portfolios in assets with more durable, valuation-supported return profiles.



Wellington Management enters 2026 with a clear rejection of a stable “Goldilocks” regime. Across its macro, asset allocation, equity, fixed income, alternatives, and private markets outlooks, the firm consistently frames the coming year as one defined by inflationary growth risk, higher volatility, geopolitical fragmentation, and widening dispersion across assets, regions, and strategies. While Wellington remains constructive on risk assets in aggregate, conviction is notably more selective, with an explicit emphasis on active management, relative value, and flexibility.

Macro regime: Inflationary growth most likely

Wellington’s global macro team argues that markets remain mispriced for benign, non-inflationary growth, despite mounting evidence that negative real rates, easing lending standards, and fiscal expansion are colliding with sticky inflation and supply-side shocks. Protectionism, tariffs, national-security-driven industrial policy, and China’s capacity rationalisation all point toward structurally higher inflation. While recession remains a lower-probability risk and stagflation a tail risk, Wellington views inflationary growth as the most probable 2026 scenario, implying stronger nominal growth, higher term premia, and greater policy uncertainty.

Equities: Constructive, but leadership broadens

Wellington maintains a moderate overweight to global equities, supported by earnings resilience, fiscal stimulus, and the durability of the AI investment cycle. However, the firm emphasises that returns are likely to broaden beyond US mega-cap technology, with improving earnings breadth across market caps and regions. Japan stands out as Wellington’s highest-conviction equity market, underpinned by reflation, fiscal support, governance reform, and shareholder returns. The US remains favoured, but with valuation discipline front of mind. Europe ex-UK and the UK are viewed more cautiously due to weaker earnings momentum and structural constraints, while emerging markets are held at neutral given uneven country-level fundamentals, particularly in China and India.

Fixed income: Duration back as a diversifier

After a prolonged period of scepticism toward bonds, Wellington has upgraded duration to overweight, viewing higher yields and reduced tail risks as attractive in a multi-asset context. That said, fixed income conviction is highly regional and curve-specific. UK government bonds are a key relative-value opportunity, with markets seen as overly pessimistic on fiscal sustainability. By contrast, eurozone duration is underweight due to fiscal risks and limited scope for further easing, while Japanese yields are vulnerable as inflation and nominal growth strengthen. Across rates, Wellington expects higher term premia, steeper curves, and greater country divergence, reinforcing the case for active positioning.

Credit: Positive carry, limited upside

Wellington expects positive total returns from credit in 2026, but stresses that the easy beta gains are behind us. Spreads are historically tight, volatility is low, and issuance—particularly linked to AI capex—is rising. As a result, the firm has moved to neutral across investment-grade, high yield, and EM debt, favouring selective exposure over broad risk-taking. Late-cycle corporate behaviour, balance-sheet deterioration, and underwriting discipline are key risks. Alpha, in Wellington’s view, will come from security selection, sector rotation, and flexibility, not spread compression.

Commodities and inflation hedging

Wellington remains underweight commodities, driven by a bearish view on oil as supply outpaces demand. Gold is held at neutral, with tactical caution at elevated valuations but recognition of its longer-term role as a hedge against geopolitical risk, fiscal deterioration, and currency instability.

Alternatives: Hedge funds regain relevance

In an environment of higher inflation, richer valuations, and rising volatility, Wellington makes a strong case for hedge funds as portfolio stabilisers. Multi-strategy hedge funds are positioned as partial substitutes for fixed income, while equity long/short strategies may help mitigate equity downside in more volatile markets. The firm argues that higher dispersion and macro cyclicality improve the opportunity set for active alternative strategies.

Private markets: Selective re-engagement

Across venture capital and private credit, Wellington sees renewed opportunity—but not uniform recovery. IPOs, M&A, and secondaries are reopening liquidity pathways, while private credit continues to expand beyond traditional direct lending. However, selectivity, underwriting discipline, and public-private integration are essential as competition increases and credit quality risks emerge.

Bottom line

Wellington’s 2026 outlook is constructive but conditional. Risk assets can perform, but dispersion, inflation risk, and geopolitics demand precision. The firm’s highest conviction lies not in directional beta, but in active allocation, regional differentiation, and strategy selection across public and private markets.

Sources:

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[2026 Asset Allocation Outlook: Can markets](#)

[keep climbing the wall of worry?](#)

[Asset Allocation Outlook - December 2025](#)



Wells Fargo Investment Institute's 2026 outlook is built around the idea that investors should look beyond short-term political and macro headlines to focus on a set of reinforcing structural trends shaping growth, inflation, and asset returns. The firm argues that policy tailwinds, technological investment—particularly in artificial intelligence—and easing monetary conditions are aligning in an unusually complementary way, creating a constructive backdrop for risk assets through 2026.

Macro backdrop: U.S.-led expansion with improving disinflation

Wells Fargo expects the U.S. economy to reaccelerate modestly in 2026, with GDP growth of 2.4% supported by lower interest rates, deregulation, and the spillover effects of investment tax cuts. While tariffs and immigration constraints may temporarily lift inflation and weigh on growth early in the year, these effects are viewed as weaker than the positive impulse from capital spending, infrastructure investment, and AI-related buildouts. As these forces broaden beyond technology into industrial, utility, and service sectors, Wells Fargo expects productivity gains to help contain inflation later in the year.

Globally, the U.S. is expected to remain the primary engine of growth. Structural advantages—such as a dynamic technology sector, favorable demographics, and less reliance on exports—leave the U.S. better positioned than Europe or Japan. China's focus on AI investment is seen as coming at the expense of its consumer and manufacturing sectors, while a stable to modestly stronger U.S. dollar is expected to act as a headwind for commodities and some emerging markets.

Equities: Favor U.S. quality and cyclical

Wells Fargo maintains a constructive equity outlook, driven primarily by earnings growth rather than valuation expansion. U.S. Large Cap and Mid Cap equities are rated favorable, while U.S. Small Caps are viewed unfavorably due to weaker balance sheets, higher sensitivity to tariffs, and a large share of companies with negative earnings. The firm emphasizes a quality bias, favoring companies with durable margins and access to capital as growth broadens.

Within sectors, Wells Fargo prefers cyclical areas tied to capital formation and economic acceleration—namely Financials, Industrials, and Utilities. Financials are supported by yield-curve steepening, deregulation, and rising M&A activity. Industrials benefit from AI infrastructure buildout, reshoring trends, and tax incentives, while Utilities are reframed as a growth sector due to electrification and data-center demand. Defensive sectors such as Consumer Staples and Health Care, along with Consumer Discretionary, are viewed unfavorably.

International equities are held at neutral. Developed ex-U.S. markets offer valuation support but face weaker earnings growth and currency headwinds, while emerging markets are viewed as increasingly technology-oriented but constrained by geopolitical and regulatory risks, particularly in China.

Fixed income: Yield and quality over duration bets

In fixed income, Wells Fargo emphasizes yield stability and credit quality over aggressive duration positioning. The firm expects the Federal Reserve to continue easing toward a neutral policy rate, supporting a steeper yield curve. Intermediate-term investment-grade credit (3–7 years), securitized assets (RMBS and ABS), and municipal bonds are favored. Cash and ultra-short-duration exposures are viewed as less attractive as short-term yields decline.

Credit fundamentals are seen as broadly supportive, but Wells Fargo stresses selectivity. Investment-grade corporates in financials and telecom are preferred, while consumer discretionary and technology-related issuers tied to aggressive AI spending are viewed less favorably from a credit perspective. High yield remains viable, but with an emphasis on quality as lower-rated issuers show weakening coverage ratios.

Real assets and alternatives: Targeted opportunities

Wells Fargo holds a neutral view on broad commodities due to energy oversupply but remains favorable on precious and industrial metals. Gold is supported by central-bank demand, geopolitical uncertainty, and Fed rate cuts, while industrial metals benefit from supply constraints and infrastructure demand. In real estate, select REIT subsectors—data centers, industrial, self-storage, and telecommunications—are favored.

Alternative investments play a key role in reducing portfolio sensitivity to market noise. Wells Fargo favors hedge fund strategies such as merger arbitrage, discretionary macro, and long/short credit, alongside private market strategies including private infrastructure, private equity secondaries, small- and mid-market buyouts, growth equity, and distressed private credit.

Source:

[2026 Outlook: Trendlines over headlines](https://www.wellsfargo.com/institute/2026-outlook-trendlines-over-headlines)



William Blair enters 2026 with a cautiously constructive outlook, arguing that the macro environment is stabilising after an exceptionally uncertain 2025. The first year of President Trump's second term was characterised by "shock-and-awe" policy announcements across trade, regulation, immigration, and foreign affairs, which materially dampened corporate confidence. Looking ahead, William Blair expects uncertainty to ease as the most disruptive measures have already been introduced and attention shifts toward consolidation, exemptions, and implementation. Historically, second-term administrations struggle to push through additional domestic reforms, which should further reduce policy volatility and unlock deferred hiring and investment decisions.

The Consumer Remains a Source of Stability

Contrary to narratives of a collapsing K-shaped consumer, William Blair sees US households entering 2026 in relatively good shape. Real wage growth remains positive, balance sheets are not overstretched, and income growth continues to outpace debt accumulation. Fiscal support from the One Big Beautiful Bill Act (OBBA) is expected to provide a meaningful boost to disposable incomes through tax relief on tips, overtime, auto loan interest, and expanded childcare credits. The firm estimates a weighted-average benefit of up to \$700 per household, with the potential—though politically uncertain—addition of "tariff dividend" checks. Together, these factors underpin expectations for consumer spending growth broadly in line with, or slightly above, 2025 levels.

A Structurally Tight Labour Market and Productivity Upside

William Blair characterises the labour market as structurally tight rather than cyclically fragile. Demographic pressures, lower immigration, and reshoring are constraining labour supply, reducing firms' willingness to lay off workers. This tightness is contributing to an emerging productivity upswing, increasingly supported by AI investment. Importantly, the firm finds little evidence that AI is currently displacing labour at scale; adoption rates remain relatively low and are largely augmentative. The greater macro risk lies not in unemployment but in persistent wage pressures that could reinforce inflation stickiness.

Capital Expenditure Broadens Beyond AI Headlines

Corporate capital expenditure is a central pillar of William Blair's constructive growth outlook. While AI-related data centre investment has been highly visible, the firm stresses that the capex boom is broader, extending into power generation, manufacturing, electronics, and grid infrastructure. AI infrastructure spending is fast depreciating and upgrade-intensive, suggesting the buildout is not yet peaking. Tax incentives embedded in the OBBA and the strategic imperative to reshore supply chains further reinforce this investment cycle, supporting productivity and medium-term growth.

Inflation and the Limits of Monetary Policy

Inflation remains the key vulnerability for 2026. Progress has stalled, with CPI stuck near 3%, driven by solid demand, sticky shelter costs, and goods prices that are no longer structurally deflationary. William Blair argues that the inflation regime has shifted, making pricing more sensitive to supply-side shocks and structural constraints. While AI may ultimately prove disinflationary, the current phase is investment-heavy and potentially inflationary. As a result, the firm believes the Federal Reserve has less room to ease than markets expect, even if political changes encourage a more dovish stance at the short end.

Long Rates and the Risk of Fiscal Dominance

With monetary policy increasingly constrained, William Blair highlights growing risks at the long end of the yield curve. They point to signs of fiscal dominance, where central banks retain control over short rates while long-term yields rise to reflect debt sustainability concerns. In this environment, yield-curve steepening becomes a plausible central risk rather than a tail outcome.

Equity Implications: Earnings Over Multiples

For equities, William Blair expects 2026 returns to be driven primarily by earnings growth rather than valuation expansion. Market multiples are already elevated, leaving returns dependent on nominal earnings, dividends, and buybacks. Crucially, earnings growth is expected to broaden beyond mega-cap technology as policy uncertainty fades and investment diffuses through the real economy. Against this backdrop, the firm continues to favour small- and mid-cap stocks—particularly higher-quality names—where valuations remain attractive and earnings are emerging from a multi-year downturn.

Allocator Takeaway

William Blair's 2026 outlook is neither complacent nor defensive. Growth is expected to persist, supported by resilient consumers, robust investment, and broadening earnings, but inflation and long-rate risks remain binding constraints. For allocators, the message is clear: the glass is half full—but portfolio construction must adapt to a regime of tighter policy limits, greater dispersion, and higher structural volatility.

Source:

Economic Outlook 2026: Glass Half Full: Positives >Negatives



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