



EXECUTIVE SUMMARY

# 6 FOR 2026

Essential Questions  
for Investors

As 2026 approaches, investors are navigating a market that feels both familiar and fundamentally different. Growth is uneven but still has room to run. Technology is transforming productivity, yet its impact on profits is still being tested. Meanwhile, rates across the globe are moving in different directions. In our outlook, we explore six questions that will shape how investors navigate this new environment.

## 01 Can the global economy maintain its delicate balance through 2026?

We see forces balancing toward growth re-acceleration, with support from fiscal and monetary policies. U.S. growth is expected to lead in 2026, as the Federal Reserve (Fed) eases and fiscal actions gain traction. Europe should expand modestly. China's recovery is likely to stay uneven amid property-sector strain and deflation pressures. Overall, the economy looks primed for a steady advance against a firmer economic backdrop, which also continues to shift. We remain optimistic and will closely watch the evolving signals.

## 02 What's next for central banks?

With U.S. inflation projected to be just modestly above target, the Fed will likely emphasize supporting employment and growth, though upcoming board changes could affect the size and speed of rate cuts. The Fed will likely keep cutting rates next year until the economy and financial markets stop it, bringing the lower bound of the range to 2.5% by 2027.

The European Central Bank may ease slightly, while the Bank of England and Bank of Japan are likely to implement firmer policy rates, with the latter negotiating a complicated government transition that leaves it open to domestic political pressure.

## 03 How are diverging rate paths shaping fixed income in the U.S., Europe and emerging markets (EM)?

After years of synchronized easing, monetary paths now vary. This dispersion is creating new opportunities in fixed income but also demands a more selective approach. In the U.S., the Fed's renewed rate cuts and fiscal expansion could support front-end Treasuries and high-quality credit, though long-end risks remain. In Europe, uneven growth and fiscal strain favor selective positioning, while EM benefit from rate cuts and local currency strength.

## 04 Is 2026 a turning point for the U.S. dollar?

As the world continues to shift toward a multi-polar balance of power, we think multiple reserve currencies will be used for trade finance, payments and store of value. As fiscal vulnerabilities across developed economies weigh on major currencies, the U.S. dollar's safe haven status is on softer footing. We think investors will increasingly hedge their U.S.-dollar exposure. Demand for U.S. assets will also matter. Overseas investors are generally underweight the U.S., and given our view for U.S.-led growth in 2026, it is likely they may increase their exposure to U.S. assets while actively managing the currency exposure.

## 05 Are U.S. equity valuations too rich?

We see today's valuations as part of a higher-multiple environment supported by stronger profitability and a larger index weight to tech. Economic and earnings growth remain resilient, with global earnings revisions trending higher and profitability broadening beyond big tech. Rising productivity and ongoing AI adoption should further reinforce record-level margins and long-term earnings growth. In our view, higher valuations reflect stronger fundamentals.

## 06 Who are the long-term winners of AI?

AI lowers the cost of accessing and transforming information, reducing the scarcity that underpins information-based competitive advantages. As a result, sectors whose advantages stem from physical assets, regulatory barriers or network effects may find their advantages preserved, and AI-related productivity gains in these sectors could more likely accrue to shareholders.

At the same time, AI's impact extends beyond productivity to demand – as prices fall, more consumers can access previously out-of-reach goods and services. This dynamic may unlock new markets and drive broader profitability.

## Allocating for a Multi-Dimensional World

Investors are facing the unexpected in 2026, so broad diversification is a leading theme. Overall, robust balance sheets, supportive macro conditions, and accommodative monetary policies provide ample support for the global economy to continue to grow and for risk assets to perform. In our view, opportunities come from both leaning into U.S. market strength while identifying emerging opportunities across sectors, regions, and asset classes.

Evolving fiscal dynamics, divergent monetary policy and currency headwinds remain risks. The risks are real, but so are the opportunities. We believe markets are positioned for growth in a supportive, but increasingly multi-dimensional, environment.

# KEY TAKEAWAYS

## 01

We expect the U.S. economy and markets to continue setting the tempo for the rest of the world. Rate cuts and lower corporate tax rates should support an extension of economic growth.

## 02

Globally, shifting monetary policies across regions present opportunities for selective duration and country allocation, including opportunities to diversify rate exposure and generate quality income outside the U.S.

## 03

Global fixed income fundamentals remain strong. Stable U.S. credit spreads create potential opportunities for shorter-duration Treasuries and investment grade credit. In Europe, country-level dynamics continue to drive relative valuations.

## 04

EM assets appear ready for a notable role in 2026, particularly with many EM central banks poised to ease, China likely to stimulate growth, and U.S. dollar pressure continuing.

## 05

U.S. earnings momentum is expanding beyond mega-cap names. Europe benefits from fiscal spending and policy easing, while Japan's transition is driving progress on inflation and consumption.

## 06

Companies beyond tech that can capture AI-supported competitive advantages seem well positioned. The intersection of “fiscal-plus-AI” could become a structural accelerator, supporting growth in infrastructure, energy and metals.



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