



In Focus: Multi-asset

6 FOR 2026 OUTLOOK

Investment views from our partners at BNY Investments Newton

For Professional Clients only.

Paul Flood, Head of Mixed Assets Investment at BNY Investments Newton, examines six prospective investment catalysts for 2026 and underscores the significance of diversification across asset classes, regions, and sectors.

OUR TOP CATALYSTS FOR CHANGE

01 Global Economic Landscape: Stability amid Shifting Trade Dynamics

After a turbulent first half of 2025 marked by significant policy uncertainty, the investment landscape remains dynamic: trade terms have shifted, and the full implications for inflation, price elasticity, and corporate margins are still unfolding. Notably, the sometimes-fraught trading relationship between China and the US continues to pose a risk of market disruption. Nevertheless, growth remains resilient, and there is reason for cautious optimism against a backdrop of supportive monetary and fiscal policies, and robust consumer spending.

02 Equity Markets: Beyond the 'Magnificent Seven'

The extraordinary concentration of value in a handful of US technology companies is a defining feature of today's equity markets. Known as the 'magnificent seven', combined they account for 22% of the MSCI AC World global equity index.¹ While strong profitability and continuing demand can continue to support the growth of these tech giants, we believe there will be opportunities for investors to broaden their equity exposure and explore potentially undervalued opportunities with strong growth prospects, while mitigating the potential risks of extreme market concentration.

03 Capturing the Breadth of AI-Driven Opportunities

Significant investments in artificial intelligence (AI) are buoying market sentiment and driving sectoral disruption. Market performance has so far centred on the builders and enablers of the innovation, but as adoption expands, the technology's impact on productivity and competitive dynamics will become more visible. It will, therefore, be important for investors to look beyond the headline names to find those companies that can truly capture value from AI. Opportunities also abound among industrials, data centre operators, and infrastructure providers that support the AI ecosystem.

04 Geographic Diversification with a Focus on Emerging Markets

US equities dominate global portfolios, representing 65% of global equity market capitalisation² despite the US accounting for just 4% of the world's population and about 26% of global GDP.³ By contrast, India and China — each with approximately 17% of the global population⁴ — are underrepresented in equity indices relative to their contributions to the global population and global GDP. Furthermore, emerging-market equities have been trading at a high discount to their developed-market counterparts for some time. Against a backdrop of US policy uncertainty and a weaker US dollar, we believe that selective emerging-market investments could present compelling growth prospects and provide the opportunity to diversify more meaningfully outside the US within portfolios.

05 Fixed Income: Navigating Policy Shifts and Fiscal Risks

Monetary policy remains a critical driver of market dynamics. While an easing cycle is anticipated in the US, volatility is likely to persist due to uncertain inflationary trends, economic growth prospects, and fiscal challenges. Credit spreads are currently at the lower end of their historical range. In our view, this makes corporate bonds less attractive relative to government bonds. While bonds are not guaranteed as a hedge, government bonds are likely to offer better diversification benefits in the potential event of a growth slowdown. Recently we have favoured UK gilts due to appealing yields amid easing UK inflation and anticipated interest-rate cuts.

06 Building Resilient Portfolios: The Role of Real Assets

We favour real assets, particularly investment trusts that specialise in renewables, infrastructure, and energy storage, as well as commodities. Despite recent headwinds from rising bond yields and regulatory changes, we maintain exposure to alternatives as a key hedge and diversifier in our multi-asset portfolios. Their inflation-linked revenues, stable income, and real underlying assets can provide resilience in 'higher-for-longer' inflation and potential recession scenarios. Many of these assets have recently been trading at significant discounts to their net asset value, supporting our view that carefully selected alternatives provide valuable diversification benefits versus bonds and equities.

Endnotes

1. MSCI AC World Index, as of 31 October 2025, msci.com
2. MSCI ACWI Index, as of 31 October 2025, msci.com
3. International Monetary Fund Datamapper (imf.org), accessed 26 November 2025
4. Worldometer (worldometers.info), using data based on United Nations Population Division estimates, accessed 26 November 2025

This article is part of our 2026 Outlook series where our financial experts answer 6 key questions facing investors.
[Read our main Outlook here.](#)

About BNY Investments Newton

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