



Year Ahead 2026 – Escape velocity?

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2025 marked a turning point for investors—European markets outperformed the US for the first time in years; bond yields and rates declined, with Switzerland returning to zero; and gold reached new highs. As we look ahead, investors stand at a crossroads—will artificial intelligence and supportive economic conditions propel further equity gains, or will setbacks in technology, persistent inflation, and rising debt challenge market momentum?

Innovation powered markets in 2025 despite subdued economic growth. Europe outperformed US equities for the first time in years. Interest rates declined in many countries—they even returned to zero in Switzerland—and gold reached new highs. As we look ahead to 2026, investors face a key question: Will artificial intelligence (AI) and supportive economic conditions drive further equity gains, ushering in a new era of growth? Or will tech disappointments, persistent inflation, or rising debt drag markets down?

Investment spending has driven the AI trend, with capital expenditure estimates tripling over two years. To sustain this momentum, tech leaders and investors must not only believe that future demand will justify past investments, but that it may call for even more spending. We expect new growth from “agentic” AI—intelligent agents replicating knowledge work—and “physical” AI, such as robotics and autonomous vehicles. Long-term success will depend on the returns generated by these investments.

We estimate that if AI automates a third of global labor and vendors capture 10% of the resulting value—numbers we believe align with past periods of technological transformation—annual revenues could reach USD 1.5 trillion. While monetization is lagging investment for now, history shows that new technologies often start with low prices to encourage adoption, with pricing power emerging as users become more reliant. Early signs of adoption are encouraging, supporting our view that trends in capex and adoption will continue to push AI-linked stocks higher in 2026.

The broader economic backdrop should also remain supportive. In the US, consumer spending is expected to stay resilient despite a softer labor market. Inflation is likely to peak in the second quarter, enabling the Fed to deliver two rate cuts by the end of the first quarter, with growth remaining close to trend. In Europe, cautious sentiment and high savings persist, but rising real incomes and a strong labor market should support demand. Inflation is set to fall below target in 2026, allowing rates to remain steady and growth to track near trend. In addition, we expect Switzerland's growth in 2026 to remain relatively stable at 0.9%.

That said, rising debt will remain a key macroeconomic challenge for 2026. G7 government debt levels are projected to rise to 137% of GDP by 2030, with deficit reduction proving difficult so far. We expect policymakers to lean more on "financial repression"—working with central banks to keep interest rates low. Despite concerns about rising debt, we believe quality bonds remain important for portfolios, with medium-duration bonds likely to deliver mid-single-digit returns. Nonetheless, with Swiss rates at zero, income-seeking investors should look beyond traditional bonds to high-quality dividend stocks and yield-generating structured investments.

On the political side, we'll be watching developments in trade policy, leadership changes at the Fed, and the US midterm elections. The most relevant risks for investors are a potential disappointment in AI progress or adoption, persistent inflation, worsening US-China tensions, and renewed debt concerns.

So, what does this all mean for investors? We recommend maintaining sufficient exposure to equities and transformational innovation ideas, such as AI, power and resources, and longevity. Investors who are underallocated to stocks should consider increasing their equity exposure at this time, in our view. We believe it is also important to diversify income streams, keep adequate liquidity to navigate potential market swings, and include gold and alternative assets to further strengthen portfolios.

With a clear plan and a strong core portfolio, we believe investors' portfolios will be well positioned to capture opportunities and remain resilient in 2026 and beyond.

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