

## 2026: Three Scenarios

Scenario	Probability	Comment	Triggers	Assets
AI bubble burst	35	The market crash in early 2026 will trigger a self-reinforcing process of selling due to the unwinding of margin debt. Here, the following is possible (1) a normal risk-off (-20-30%) or (2) a "left tail" (-35-50%)	AI-CAPEX financing is in question  Growth in long rates / growth in credit spreads.  Systematic sales (CTA, etc.).  Weakness in the labor market.	<b>Cash is king. Gold</b> may fall initially, but will ultimately rise. • <i>Recessionary risk-off</i> → <b>TLT 109</b> . • <i>Fiscal-institutional / inflationary stress</i> → <b>gold / commodities / protection against long-end growth</b> , TLT may <b>not work</b> .
Volatile 2026	50%	Fiscal and monetary stimulus managed to keep bull markets going. But investors will be nervous, causing sporadic rotations between different asset classes, as we see at the end of 2025.	Growth is steady but not overheated; inflation continues to decline toward targets; the Fed cuts gradually.  The rally expands beyond Tech.  "Credit is not breaking down": issuance continues, but without stress.  Financial conditions are not tightening critically (buybacks / credit / liquidity remain unchanged).	Alternating growth of various assets. Active management will be required. SPY corridor 550-820 or narrower 615-755 depending on the Fed, Treasury, and other triggers.
Big Beautiful Bubble	15	Need (1) a new wave of information to restore optimism, (2) aggressive monetary easing by the Fed, and (3) earnings forecasts confirmed with high P/E ratios remaining	New wave of optimism + softer-than-expected rates/liquidity.  EPS growth confirmed + AI monetization visible → market tolerates high P/E (even without expansion)	Growth stocks. SPY is moving towards 820 (+20%)

### SPY targets for 2026:

- **Bear market (left tail)** - SPY target 400 (-40%). Base risk-off: **-20...-30%**, left tail: **-35...-50%**. 10% decline in EPS and 30% decline in P/E ratio towards 17x. HY-IG spreads are rising sharply, liquidity problems due to deleveraging (margin debt is falling).
- **Volatile 2026** - here, zones of +/-10% and +/-20% are highlighted. In this case, the range of fluctuations will most likely be 20-30%, shifted up or down depending on the Fed, the Treasury, the labor market, and other factors. For example, after -10% comes +20% and a final increase of 20%. Or vice versa, first a 20% increase and then a 10% decline. In this scenario, there are many paths for the market. Stock trading will be based on active rotation between sectors, industries, and themes.

- **Bull market (bubble)** – target 820 (+20%). This requires both 15% EPS growth and 5% P/E ratio growth, but it could be more.

**For ATTACK, the focus is on three themes:**

- AI software & Cloud (benchmarks - AIQ, IGPT, SKYY)
- Robots, industrial + military (BOTZ, ROBO)
- Energy system: generation, networks, storage, and resources (LIT, BATT, URA, ICLN, PAVE)

The market may also engage in space (under SpaceX's IPO), quantum computing, security, biotech, and other themes. Here, the question is the sustainability of each narrative. If there is no business profit behind it, such narratives quickly rise and fall.

**The main filter for AI in 2026 will be ROIC/unit economics/monetization**, not just "AI exposure." There will be huge dispersion within software: the winners will be those who actually *save labor* and retain pricing power (margin). Growth through margin is not currently rewarded by the market.

In robotics, defense/drones/autonomy are receiving political and budgetary momentum; plus space as a separate branch of robotics.

In energy, the most important thing is not the "green story," but **load physics** (data centers → networks → generation → grid upgrades). In Europe and PJM, this directly impacts connection regulations and investment programs.

**The fourth thematic "compromise" block may also play a role:**

- **Picks-and-shovels (networks / power / T&D / cooling)** are more resilient than "pure software." They often weather "narrative revisions" better than "pure software" because demand is more physical and contractual.

GLD, TLT, and short-term US government bonds remain the leaders in terms of **protection**. However, TLT will only work as a hedge if the shock is recessionary/disinflationary.

If the shock is institutional/fiscal/inflationary, long rates may not fall, but rather rise, and then TLT may not save the day. In other words, the "protective package" should be thought of as **two-mode**:

- **Risk-off/recession** → TLT/UST work.
- **Fiscal-institutional stress/supply shock** → **gold/commodities/long-end yield options** work better than long duration.

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# Summary of Outlook Reports for 2026: Goldman, KKR, Barclays, HSBC, UBS, BofA, Morgan Stanley, Stifel, JPM, Brookfield, BlackRock, T. Rowe, JPAM

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## Signals

### **S1. Base macro scenario (consensus/anchor): growth without global recession, inflation closer to 2–3%.**

- BofA forecast: **Global GDP 3.3% (2026), Global inflation 2.4% (2026)**. Basis: macro forecast/model.

### **S2. US (KKR): “moderate growth + inflation above target” as the baseline scenario.**

- KKR forecast (US, 2026): **Real GDP 2.3%, CPI 3.0%, unemployment 4.7%**. Basis: macro model/assumptions.

### **S3. Rate trajectory (soft decline, but not "zero rates"): the market and households expect further/limited easing.**

- UBS: expects **an additional 50 bps of easing by the end of 1Q 2026**; their table shows **Fed Funds ~3.33 by the end of 2026** and **UST 10Y ~3.75**. Basis: investment scenario/forecast.
- Goldman (GSAM): basic thesis about **two additional rate cuts in 2026**. Basis: scenario assessment/opinion based on current data.
- JPM: The market **is already pricing in a 0.5–0.75% decline in short-term rates** over the course of the year. Basis: observation of market pricing.

### **S4. Fiscal/money supply as a structural driver of term premiums and pressure on long-term rates.**

- Barclays: US budget deficit **~7% of GDP, net interest > \$1 trillion**, “financing gap” **~\$5.5 trillion over 5 years**. Basis: fiscal mathematics/assessment.
- Barclays: due to coupon issuance, **net privately-held UST debt ~ \$1.5 trillion in 2026**. Basis: assessment of supply/debt structure.
- BlackRock: **underweight long-term US Treasuries** (argument — growth in term premium/debt burden). Basis: regime assumption + market conditions.
- JPM: "Long rates may remain high" due to **fiscal concerns and rising term premiums**. Rationale: logical link between "deficit → supply/premium → yields."

### **S5. The S&P 500 range at the end of 2026 is wide (optimistic baseline, but with large tails).**

- Stifel: **S&P 500 6500** (2026E). Rationale: strategic forecast.
- BofA: **S&P 500 target 7100; bear/bull 5500/8500**. Rationale: "five-factor" framework (valuation/sentiment/momentum, etc.).
- KKR: **S&P 500 7600 (2026), bear 6030 / bull 8530**, with indication of scenario probabilities. Basis: EPS model + multiplier + macro assumptions.
- Morgan Stanley: **S&P 500 7800 (base)**. Basis: their earnings/valuation framework.
- UBS: **S&P 500 ~7700 (Dec 2026)**. Basis: table of expectations for assets/rates.

**S6. EPS and P/E “arithmetic” built into targets: different firms are assuming fairly high EPS and/or multiples.**

- Morgan Stanley: **EPS 356 (2026)** at **P/E ~21.9**. Basis: forecast.
- KKR: **EPS 303 (2026)**, **P/E ~25.1**. Basis: forecast.
- BofA: target of 7100 based on model; separately indicates "Fair Value" of around **5900** assuming **long-term inflation of 3%** and a **nominal rate of 5.5%** (i.e., "expensive" relative to their fair value). Basis: cost of capital model.

**S7. Signal for expansion of "market breadth" (rotation/breadth): bet on SMID/equally weighted market.**

- Morgan Stanley: **upgrade small caps to Overweight** (rolling recovery thesis). Rationale: strategic assessment of cycle/factors.
- BofA: EPS growth forecast: **small caps 19%**, **mid caps 15%**, **large caps 13%**. Reason: their earnings assessment.
- Goldman: historically, after the last five cycles of rate cuts, small caps **outperformed the S&P 500 by an average of 12%** over the course of the year. Reason: historical statistics.

**S8. AI capex as the dominant driver (and key risk) for equity/credit/real assets.**

- BofA: hyperscalers are expected to spend **\$400 billion (2025)** and **\$510 billion (2026)**; S&P 500 capex **+21% YoY in Q3 (+7% ex Mag7 & Tech)**. Reason: consensus estimates + reported/data facts.
- UBS: global spending on AI hardware will reach **\$423 billion (2025, +88%)** and **\$571 billion (2026, +25%)**; order of magnitude — **~1.5% of global GDP**. Basis: estimate/forecast.
- Goldman (GSAM): **~27% of S&P 500 capex in 2026** will be accounted for by **5 hyperscalers**. Basis: aggregation of capex data/estimates.
- Brookfield: estimate of AI infrastructure needs **~\$7 trillion**. Basis: estimate/scenario.

**S9. Errors in AI capex forecasts are systematic (upward revisions): this is a signal of the risk of "expensive/skewed" and the momentum factor.**

- Goldman: AI capex estimates have been **underestimated every quarter for the last ~2 years**. Basis: observation of forecast/actual dynamics.

**S10. Energy/networks/electricity are becoming the bottleneck of the AI cycle.**

- BlackRock: Data centers could account for **~¼ of current US electricity demand by 2030**. Basis: thematic assessment/demand model.
- UBS: Data centers could account for **~9% of electricity demand by 2035**; transmission line costs **~\$500 billion in 2026**. Basis: forecast/assessment.

**S11. Infrastructure gap — a measurable quantity (not a narrative).**

- Barclays: infrastructure investment needs of **\$65 trillion (2025–2030)** with expected **\$54 trillion** ⇒ **\$11 trillion shortfall**. Basis: capital demand/supply assessment.
- Brookfield: estimate of global infrastructure needs **~\$100 trillion by 2040**. Basis: estimate.

**S12. Structural shift from public to private markets (public↔private convergence).**

- HSBC: The number of public companies in the US has roughly halved to **>4,000**, the number of private VC-backed companies **has grown ~25 times**, private capital assets have reached **~\$22 trillion (2024)**; startups remain private for an average of **~16 years**. Basis: structural statistics.

**S13. The window of opportunity for exits in private equity/the deal market is beginning to open.**

- Barclays: growth in exit activity (deal volume) in 2025 vs. 2024: **private placements +77%, IPOs +38%, secondary buyouts +20%, trade sales +8%**. Basis: market statistics.
- Goldman: expects **+15%** growth in the number of completed **US M&A deals in 2026**. Basis: forecast/trend scenario.

**S14. Private credit: the premium exists, but the "credit cycle" is a key tail risk.**

- JPAM: middle-market private credit spreads **~500 bps**, direct lending premium to public credit **~120 bps**; dry powder private credit **>\$500 billion**. Basis: market data/assessment.
- BofA (as a risk signal): thesis on the likelihood of a "credit cycle" with problems in private lending ("more cockroaches"). Basis: qualitative risk assessment.
- JPM: private credit defaults in September — **"isolated events,"** but require monitoring. Basis: interpretation of current cases.

**S15. FX/commodities: a number of reports assume a scenario of a weak USD and strong gold/some metals.**

- BofA (RIC): **USD -5%, DXY 95, Oil \$60, Gold \$4,500 (2026)**. Basis: forecast table.
- UBS: Copper **>\$13,000/t** in 2026 with a deficit of **~87,000 t**. Basis: market balance forecast.
- KKR: USD **~19% "overvalued"** relative to adjusted PPP; mean reversion  
⇒ weaker USD. Basis: currency valuation model/mean reversion.

**S16. China (Barclays): moderate growth, low inflation — an important signal for commodities/EM-FX/global demand.**

- Forecast (2026): **GDP 4.0%, CPI 0.8%, unemployment 4.2%, current account 1.7% of GDP**. Rationale: macro forecast.

**S17. Return dispersion (expectation of wide variation) ⇒ The "average market" may conceal significant differences.**

- BofA (RIC): forecast for "return dispersion" **from -2% to +15%**. Basis: scenario assumption/assessment.

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## Why it matters to investors/traders

**1. Portfolio risk management through "mode":**

- S1–S3 set the basic framework: risk assets are supported (no default recession), but rates are not returning to zero ⇒ the premium for cash flow quality and carry remains key.

**2. Duration and curve as a separate source of risk/alpha:**

- S4 means: even with a decline in short rates, the long end may "hit" fiscal/emission ⇒ be more careful with long duration, pay more attention to **roll-down/carry**, to "barbell" strategies, to **term premium** management.

3. **What is "built into" equity pricing:**

- S5–S6 show: most targets require **high EPS** and/or stable multiples. For traders, this means that weak reports/marginal disappointments can cause **an asymmetric reaction** (especially in expensive segments).

4. **The theme of rotation/market breadth as a potential "second act" of the cycle:**

- S7 is a signal that, with a soft easing and a rolling recovery, we can expect **a shift** to SMID/equally weighted indices/cyclical baskets (and corresponding paired trades: small vs mega, equal-weight vs cap-weight).

5. **AI capex = driver of several markets at once (equity, credit, commodities, real assets):**

- S8–S10 provide a causal link: **capex** → **demand for energy/networks/equipment** → **bottlenecks** → **relative returns** (energy infrastructure, networks, generation, energy-intensive supply chains).
- S9 is particularly important for trading: systematic **upward revisions** support momentum, but at the same time increase the risk of sharp revaluations at the first signs of a capex pause.

6. **Infrastructure and energy as a "long-term theme" with a measurable funding gap:**

- S11 helps distinguish narrative from figures: there is an estimated capital gap ⇒ it is clearer why many reports draw investors to infrastructure and real-asset exposures.

7. **Private markets as a structural expansion of the investment universe:**

- S12–S13 are important for investors: liquidity/access to returns are shifting, and the exit window affects IRR, secondary valuations, and LBO/M&A lending.

8. **Private credit — there is a premium, but you need to trade/hedge the tail:**

- S14: spreads/premium and dry powder support the "base case," but the "credit cycle" thesis means control is necessary: vintage quality, covenants, concentration, refinancing walls.

9. **FX/commodities as a hedge and as a bet on the scenario:**

- S15: if the base case of "weak USD + strong gold + tight copper" materializes, this will affect **EM risk, inflation hedges**, and sector preferences (materials/miners/infrastructure).

10. **China as an input parameter for commodity and EM scenarios:**

- S16 sets a "non-overheated" demand/inflation profile ⇒ important for copper/oil/EM FX and for assessing the likelihood of a global inflationary impulse.

11. **High dispersion ⇒ more sense in relative strategies:**

- S17 — an argument in favor of **pair trades**, factor baskets, dispersion/volatility structure options, rather than just directional bets on the index.
-

## Criticism

1. **S&P 500 targets depend on "two levers" that may not converge simultaneously:** EPS growth and stable P/E (S5–S6). If one of the levers fails to materialize, the index is highly sensitive.
2. **AI capex is the main single point of failure in the 2026 narrative:**
  - BofA clearly shows the scale (\$510 billion in 2026) and growth of capex, but also notes that the market has begun to pay closer attention to spending and that capex growers may historically lag behind.
  - Stifel separately notes that **the growth rate of hyperscaler capex (y/y) is likely at its peak**, which poses a risk to scenarios that assume continued acceleration in capex.
3. **Fiscal dominance/issuance is not an "opinion," but the speed of its impact on the term premium is uncertain:** Barclays' estimates of the deficit/issuance are strong in quantitative terms, but the market reaction may be nonlinear (auctions, non-resident demand, regulation).
4. **Private credit: the contradiction between "there is a premium" and "the credit cycle is close":**
  - JPAM provides premium/spread figures, but BofA and JPM describe the risk regime differently (isolated defaults vs. probability of a "wave"). This means that the signal here is more about the need for **strict quality monitoring** than about "risk-free carry."
5. **China and commodities:** Barclays' forecast for China (growth/low CPI) is key for commodity scenarios, but it is sensitive to policy/stimulus and external demand; the market usually "translates" errors in this block into commodity prices and EM FX faster than into macro statistics.

# 2026 fork table: 5 key indicators → who believes what → market consequences

## Signals

Key indicator (fork)	What to monitor / "trigger threshold"	How views are distributed (what each house believes)	Market consequence (if..., then...)
1) Inflation regime (core PCE / "supercore") + tariff pass-through	<p><b>Core PCE y/y, supercore</b></p> <p>services ex-housing, 3m-Saar core PCE; signs of pass-through tariffs (price growth vs margin compression). "Trigger": <b>core PCE remains &gt;3% and/or supercore ≈3–3.5%.</b></p>	<p><b>Sticky inflation:</b> BofA expects <i>core PCE "stuck above 3% y/y through 3Q2C"</i> and 4Q/4Q core PCE <b>2.8%</b> (headline <b>2.6%</b>). JPM writes that inflation "hovering at 3%" and "tariff-driven inflation is becoming evident." T. Rowe Price: Inflation in the US "likely to rise and remain above the Fed's target," partly due to tariffs. Stifel: Supercore "proving sticky... 3–3½%." <b>Closer to disinflation:</b> UBS forecasts US inflation of <b>2.4% in 2026</b>. KKR warns of the risk of core inflation accelerating in 2026 and constraints on easing.</p>	<p><b>If inflation is "sticky"</b> → less room for reduction rates, is higher than the term premium/long yields, worse for long duration and high multiples; the value of <b>inflation hedges (TIPS/real assets)</b> and <b>floating-rate/short duration</b> is growing. <b>If inflation falls to ~2–2.5%</b> → higher probability of a sustained duration rally, support equity multiples and EM risk through lower rates.</p>
	<p><b>2) Depth and pace of Fed easing (front-end rates)</b></p> <p>Number of cuts/year, Fed funds trajectory, 2Y UST. "Trigger" (softer than consensus): the market prices in/realizes &gt;~75–100 bps of cuts, 2Y steadily falls to the lower end of strategists' ranges.</p>	<p><b>More cuts:</b> Goldman (GSAM) — base scenario: <b>cut in December + 2 more cuts in 2026</b> (total 3×25 bps). BofA: hold "on hold" until the end of 2025. Then <b>3 cuts starting in June</b>, terminal <b>3.0–3.25</b> by <b>3Q26</b>. UBS: Fed funds <b>3.33</b> (Jun-26 and Dec-26). <b>More cautious / risk of "fewer cuts":</b> JPM notes that the market is pricing in about <b>80 bps of cuts through 2026</b>, but gives a <b>2Y range of 3.50–3.75</b> and emphasizes uncertainty about the Fed. KKR: believes that core inflation may accelerate in 2026 → "Fed can't cut with abandon." HSBC expects that "cuts should soon end" and allows for a strengthening of the USD if the Fed stops the cycle.</p>	<p><b>If cuts are deeper/earlier</b> → usually <b>Duration</b>, rate-sensitives, and cyclical/small companies (through easing financial conditions). <b>If cuts end quickly or are postponed</b> → support for <b>cash/short-duration carry</b>, increased risk of equity multiples being revalued, and increased volatility in credit spreads.</p>
3) Long end of the curve: term premium + UST (10Y) supply	<p><b>10Y UST</b>, term premium/auctions, deficit/issue dynamics. "Upward trigger": 10Y consolidates closer to <b>4.5%+</b> or term premium rises.</p>	<p><b>Higher long end:</b> KKR raised its <b>10Y</b> forecast to <b>4.25% in 2026</b>, citing a shift in inflation/rate expectations and growth in long-term IG issuance. Barclays: forecasts US funding gap of around <b>\$5.5T</b> over 5 years and <b>Net privately-held coupon issuance ~ \$1.5T in 2026</b>. T. Rowe Price: deficits/debt issuance "forcing... issuing new debt" is "reinforcing... higher longer-maturity yields" and the recommendation is "Keep duration low." <b>Lower/range</b> <b>Long end:</b> UBS sets <b>10Y at 3.75</b> (Jun-26 and Dec-26). JPM expects <b>10Y at 4.00–4.50</b>. HSBC says that deficits are "already priced in the term premium," and that "stable coupon supply" and the end of QT (planned for December) could support long maturities.</p>	<p><b>If term premium/10Y are going up</b> → blow to long duration and equity valuation (including "long-duration growth"), demand for <b>short duration, floating rate</b>, and <b>inflation protection</b> is increasing. <b>If 10Y drops to ~3.75–4.0</b> → window for <b>duration rally</b> and expansion of equity multiples.</p>
4) Resilience AI capex vs. "narrow	<p><b>CapEx hyperscalers</b>, data center commissioning dates,</p>	<p><b>CapEx continues:</b> BofA Equity assesses the trajectory of hyperscalers</p>	<p><b>If CapEx holds/accelerates</b> →</p>

Key indicator (fork)	What to monitor / "trigger threshold"	How views are distributed (which house believes what)	Market implication (if..., then...)
locations (energy/grids/capacity)	Energy connections/networks; electricity demand metrics. "Risk triggering": downward revision of CapEx/project freezes, delays in energy capacity.	\$400 billion (2025) → \$510 billion (2026) and direct support for  Notes "No signs of pulling back" (referring to comments from Alphabet/Meta/MSFT/AMZN). <b>Constraints could "break" the trajectory:</b> BlackRock — energy named the most "binding constraint"; estimates that AI data centers could consume <b>15–20%</b> of current US electricity demand by 2030 (in some estimates — up to 25%); if constraints become severe — capex plans could be walked back. Brookfield: infrastructure needs estimated at <b>\$7T</b> ; cost benchmarks for hyperscale DC <b>&gt;\$10m/MW</b> (shell) and compute inside <b>&gt;\$30m/MW</b> ; BNEF: forecast power demand for US data centers <b>106 GW by 2035 (36% higher than the estimate 7 months ago)</b> . <b>Macro risk tail:</b> BofA directly highlights the fork in the road — if AI investment slows down, it could come as a shock to the economy.  <b>Weaker USD:</b> BofA RIC: FX team expects <b>DXY ~G5 at the end of 2026</b> . UBS: <b>EURUSD 1.20</b> (Jun-26 and Dec-26) (this implies a weaker USD against the EUR). T. Rowe Price directly considers a "weaker U.S. dollar" to be an additional tailwind for EM and real assets. <b>Sideways/neutral:</b> HSBCExpects, <b>EM assets, commodities, non-US equities;</b> that the USD will be "volatile but trade sideways for a while," allowing for a strengthening of the USD if the Fed ends its cycle of cuts. <b>A "bearish" long-term trend, but not necessarily rapid:</b> Stifel: PPP valuation gives <b>–2%/year</b> on the DXY from ~99 to <b>~80 in the first half of the 2030s</b> . KKR: close to "flat to slightly down," with <b>2 Fed cuts</b> and moderate hikes by the ECB/BoJ; long-term US REER <b>~15% overvalued</b> (slow normalization).	<b>semis/equipment, energy, networks, industrials</b> , but also the risk of <b>inflationary tail</b> (energy/bottlenecks). <b>If CapEx is cut/postponed</b> → risk of sharp revaluation of "AI beneficiaries", widening credit spreads in vulnerable segments and "risk-off" (while duration may benefit if the market starts to price in a slowdown).  <b>If the USD weakens</b> → the probability of outperformance increases
<b>5) Dollar mode (DXY) and global capital rotation</b>	<b>DXY, EURUSD,</b>  Hedge ratios, inflows into EM/commodities. "Weakness trigger": movement towards targets ~95 and below.	<b>EM assets, commodities, non-US equities;</b>  Style rotation may intensify (including through the commodity/inflation channel). <b>If USD is sideways/stronger</b> → higher risk of pressure on EM/commodities and support for "domestic" USD assets.	

## Why are they important for investors/traders (applied logic only)

- These 5 forks provide **verifiable triggers** that can be updated monthly/quarterly: **(inflation → Fed → 2Y/10Y → equity valuation/credit → FX/rotation)**.
- Positioning can be constructed as a set of conditional rules:
  - **If** core inflation/supercore inflation remain sticky ( $\approx 3\%+$ ), **then** the base rate/long end is unlikely to produce a sustained rally → **shorter duration**, more carry/quality, inflation hedge.
  - **If** the market begins to price in deeper cuts and this is confirmed by data (2Y moves to the lower end of the range), **then** the likelihood of a broad "risk-on" phase increases (duration + rate-sensitives).
  - **If** 10Y moves towards the upper limit/term premium rises amid supply (Barclays), **then** the risk of compression of equity multiples and credit "fragility" increases.

- **If** AI capex breaks down (downward revision, capacity delays), this is a potential trigger for a rapid change in leaders and widening spreads (BofA directly calls this a shock risk).
- **If** the USD enters a period of sustained weakness, **then** sustained relative trends in EM/commodities and non-US are likely.

## Criticism (where the signal is weaker)

- Some of the key forecasts are **house views** rather than "models with verifiable coefficients" (exception: individual models/estimates such as Stifel's PPP logic).
- Many trajectories are sensitive to **politics/tariffs/fiscal policy**: the documents explicitly mention the uncertainty of pass-through tariffs and the role of future Fed leadership.
- There is "double uncertainty" in the AI branch: both **the pace of demand/monetization** and **physical constraints** (energy/networks) are uncertain, so even with high CapEx intentions, the scenario could be "derailed" by infrastructure.
- The 10Y ranges for different houses overlap (example: UBS **3.75** vs KKR **4.25** vs JPM **4.00–4.50**), which suggests that **the long-end level itself** remains one of the main sources of error in positioning.

# Consensus and divergence map for 2026 outlook reports (Goldman, BofA, Morgan Stanley, KKR, JPM, Barclays, UBS, BlackRock, Brookfield, HSBC, Stifel, T. Rowe Price)

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## Signals

### 1) Consensus (repeated by most firms; high-strength signal)

#### 1. AI capex remains the main macro driver, but is hampered by energy/network bottlenecks.

- Forecast estimates of the scale of the investment cycle: **\$5–8 trillion** (as "ambitions" for AI capex). Basis: estimate/scenario (not a fact).
- Forecast estimates of energy consumption: **Data centers could consume 15–20% of US electricity by 2030**. Basis: estimate/scenario.
- Forecast estimates for hyperscaler capex: **\$270 billion (2024) → \$400 billion (2025) → \$1 trillion (2030)**. Basis: estimate/scenario.
- Forecast estimates for the cloud "big four": **capex 2026E \$588 billion**, and AI investments are estimated at **~1.2–1.3% of US GDP**. Basis: estimate/scenario.
- Logical assertion (if-then): **if** bottlenecks (power grids/permits/critical materials) are not removed, **then** "physical constraints" become a macro factor (inflation/rates/margins/adoption rates). Basis: cause-and-effect logic within the assumptions of the reports.

#### 2. Inflation "stuck above target"; tariffs and AI bottlenecks are key pro-inflationary channels.

- Tariffs as a measurable prerequisite: **effective US tariff rate ~18%** (a level that the report marks as historically high). Basis: fact/assessment of the indicator in the report.
- BofA forecast: **rates will continue to "seep" into prices**, keeping **core PCE >3% until Q3, and above target until the end of 2027**. Basis: forecast (model).
- KKR forecast: **inflation ~3% (2026), 2.6% (2027)**; separately noted that in the US run-rate inflation is around **2.5%**, and tariff-driven goods inflation will delay normalization. Basis: forecast (model).
- Logical statement (if-then): **if** tariff pass-through turns out to be higher than expected, **then** the "room for rate cuts" shrinks and the risk of curve repricing increases. Basis: logic outlined in the macro sections.

#### 3. Fiscal risk and government debt supply are sources of long-end volatility (steepening bias).

- US: government funding gap **~\$5.5 trillion over 5 years**, and **net privately-held coupon issuance ~ \$1.5 trillion in 2026** (with likely growth later). Basis: fact/reference to announced parameters/estimates in the report.
- Logical statement (if-then): **if** inflationary/fiscal concerns intensify, **then** the long end hedges risk assets less effectively and **the curve** is more likely to **steepen**; The front end is more sensitive to central bank policy, while the long end is more sensitive to fiscal policy and inflation expectations. Rationale: logic/framework of the report.
- UBS separately formulates a regime of "**financial repression**" as a likely response to rising debt (channeling savings into government bonds/suppressing yields) and points to **an increase in**

FX **volatility** if yields are "fixed." Basis: scenario framework (not a fact).

- BofA (global framework): "fiscal dominance/financial repression" are seen as a risk mechanism (QE/YCC/regulatory enforcement of debt demand), with inflation/expectations as a constraint. Basis: logical scenario model.

#### **4. There is a "positive outlook for equities" in the base scenario, but expected returns and trajectory are moderate; active selection plays an important role.**

- Several reports repeat the thesis: high uncertainty (rates/tariffs/fiscal/concentration) → **active management/selection** is preferable. Basis: logical conclusion from dispersion/scenario.

#### **5. Private credit: increased dispersion/risk "under the carpet" and growing importance of underwriting quality.**

- Indication of a "real" stress marker: **38% of small borrowers** in private credit **violated covenants**, and stress could be "masked" by restructurings/PIK/amendment-extend. Basis: fact/observation from the report.
- Premium compression and competition: "direct lending spreads fell below ~500 bps premium to public high yield" and a manager selection is required. Basis: assessment/market snapshot in the report.

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## **2) Discrepancies (where there is a "fork"; this is what most strongly influences positioning)**

### **A) Fed/US rate trajectory: wide range of views (from "almost unable to cut" to several cuts).**

- BofA (US): rates → core PCE >3% until Q3, inflation above 2% for a long time; **terminal rate 3.0–3.25% by Q3 2026**, while after the labor market stabilizes, "they will not cut again under Powell," and further easing depends on the new FOMC composition/data. Basis: forecast (model + institutional assumptions).
- Goldman (summary): **Expecting a cut in December and two more cuts in 2026**, but the key condition is labor market dynamics with "anchor" inflation. Basis: forecast (scenario).
- KKR: **Fed funds at 3.125% in 2026** (and a note that the market is "pricing in 2-3 cuts"); "Neutral" is estimated at around 3.375. Basis: forecast (model).
- T. Rowe Price: the market may **be overestimating** the scale of easing; they note that **no cuts are expected in 1H-2026**, and "it may not be possible to lower rates at all next year" if growth does not slow down. Basis: opinion/scenario.
- Barclays: "rates have **limited** room to fall significantly," and the depth of cuts depends on how labor weakness is interpreted (demand vs. supply) and how tariffs/inflation develop. Basis: scenario fork.

### **B) S&P 500 targets for the end of 2026: there is no consensus on the exact figure, but there is consensus on the range.**

- BofA (equity): **7,100** at the end of 2026. Basis: forecast (valuation/earnings model).
- Stifel: **6500–7500 corridor**. Basis: forecast range (scenario).
- KKR: **7600** (base case YE-2026). Basis: forecast (model).
- UBS (scenarios): **base 7700 / bull 8400 / bear 6600**. Basis: scenarios.
- Morgan Stanley: **base 7800 / bull 9000 / bear 5500** (and separately — the bull scenario depends on the Fed "cutting longer/deeper"). Basis: scenarios.

### C) USD/FX: key area of divergence → different conclusions on international assets and hedges.

- BofA (RIC): **DXY 95** by the end of 2026 and **USD -5%**. Basis: forecast (model).
- HSBC: USD "**volatile, but mostly sideways,**" average level around **103**. Basis: forecast (model/opinion).
- KKR: USD "undervalued in the near term"; **expect roughly stable/slightly lower** in the base case scenario. Basis: forecast (model).
- UBS (for EURUSD): **base 1.14 / bull 1.26 / bear 1.06** on Dec-2026. Basis: scenarios.

### D) Gold and commodities: a general bullish bias is common, but targets vary widely.

- BofA (RIC): **Gold 4538, Oil 60** (end of 2026). Basis: forecast (model).
- UBS: **Gold 4500** (Dec-2026), scenarios **3700–4900**. Basis: scenarios.
- HSBC: **gold up to 3500**, overweight. Basis: forecast/opinion.

### E) Market breadth and focus on small/mid caps: consensus is weaker, estimates vary.

- Morgan Stanley is clearly building a "rolling recovery" thesis and **raising US small caps to OW** (rotation in cyclicals/quality cyclicals). Basis: strategy-opinion tied to their macro scenario.
- Stifel, on the other hand, notes that there may not be a "smooth transfer of leadership" at current starting valuations (i.e., the breadth scenario is not guaranteed). Basis: opinion/historical analogy.
- Goldman notes high concentration (top 10 ≈ 40% cap), but does not interpret this as an automatic sign of a "bubble"; the risk is **earnings disappointment**. Basis: observation + logic.

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## Why it matters to investors/traders

### 1) AI capex + power grid = "micro becomes macro."

- Signal set for monitoring: hyperscalers' capex, generation/network commissioning dates, electricity/capacity prices, speed of permitting procedures, critical material shortages. (In reports, this is directly linked to inflation risk and growth constraints.)
- Market transmission: this simultaneously affects **the EPS trajectories of the AI chain, IG issuance/credit spreads, and duration through inflation expectations**.

### 2) "Fiscal + government debt supply" → curve trading is more important than just "duration long/short."

- If the "yield suppression/financial repression" scenario materializes, the risk premium shifts to FX (increased FX volatility).
- If the scenario "the market demands a premium for supply" materializes, **the long end** will be vulnerable and **steepening** is likely, while the hedging properties of bonds against risk will deteriorate.

### 3) The main fork in the road in 2026 is not "will there be growth," but "what will inflation/the Fed be like."

- The range of views on cuts means that the risk for positions is **repricing** of expectations (front end) and **term premiums** (long end).

### 4) Private credit = "returns are similar to beta, risk is in the details."

- A high proportion of covenant defaults and the use of amend-extend/PIK means that the "visible" stability of NAV/defaults may lag behind. More important for allocation: transaction structure, covenants, industries, vintage years, manager discipline.

## 5) FX scenarios diverge more than equity scenarios → hedging becomes a source of alpha/error.

- Under the BofA (95) DXY scenario and the HSBC sideways scenario, the final return on international assets in USD terms will vary dramatically.
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## Criticism

1) **"Consensus risk"**: many scenarios are based on a similar foundation ("no tariff recession," "inflation will not spiral out of control," "AI capex continues"). If one common anchor breaks (inflation/labor/energy bottlenecks), many targets will be wrong at once.

2) **Some of the AI figures are estimates of the future (not observable facts)**, so their predictive power depends on whether the following are confirmed: (a) demand for computing, (b) availability of electricity/networks, (c) unit economics of models/applications.

3) **Private credit "may look better than it is" due to rollover/restructuring mechanisms.** This is explicitly recognized as a possible masking factor, meaning that lag risks are higher than in public credit.

4) **Precise index levels (7100 vs. 7600 vs. 7800) are a weak signal** because they are derived from (EPS × multiple) and assumptions about rates/risk premiums. A stronger signal is **the range and set of conditions under which the scenario switches (labor/inflation/tariff pass-through/long end).**

# Goldman Sachs Asset Management — “Seeking Catalysts Amid Complexity: Investment Outlook 2026”

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## Signals

### 1) Monetary policy: the world is entering a "multi-speed" regime

- **Nine out of ten G10 countries cut rates in 2025** → tightening mode is over, easing becomes the baseline for some markets.
- **GSAM Fed base case: probability of two Fed rate cuts in 2026** (reason: weak labor market with "anchored" inflation).
- **ECB: baseline — pause/hold, but if inflation falls below target, easing may return.**
- **BoJ: expectations of rate hikes** amid high inflation and growth → Japan stands out as a "higher-rate regime."
- **If the Fed cuts rates and there is no recession, the USD historically tends to rally/move sideways** rather than weaken.

### 2) Tariffs and the "new trade order" — risk of growth through pass-through

- **Effective US tariff rate: ~18% (maximum for consumers since 1934)** → this is not noise: this level changes margins/price dynamics across sectors.
- **If tariff pass-through was delayed in 2025, then "more moderate" consumption is possible in 2026** (due to price increases/declining real incomes).
- **Companies have so far protected their margins** through supply chain restructuring and selective price increases, but **growth risks remain in 2026** if price transfers intensify.

### 3) Fiscal risks are a source of volatility at the long end of the curve.

- **Global government debt: \$100+ trillion** → structural factor for term premium.
- **France: 10-year yields have caught up with Italy** → a signal of a reassessment of sovereign risk within the core of Europe.
- Curve logic:
  - **Front-end** often hedges economic weakness (sensitive to central banks),
  - **Long-end** is vulnerable to fiscal/inflation expectations → risk of **steepening**.

### 4) The stock market is highly concentrated, but the key trigger is earnings disappointment.

- **Top 10 US companies ≈ 40% of S&P 500 capitalization** and **~30% of profits** (concentration is a systemic factor).
- **~\$1+ trillion market cap for 9 S&P 500 stocks** (scale of concentration).
- Report approval: Price growth in big tech is more related to fundamentals and balance sheets, and the main risk is **disappointment in profits/monetization**, rather than a "bubble per se."

### 5) AI capex as a "cycle catalyst," but credit footprint is growing

- **~27% of S&P 500 capex is provided by 5 hyperscalers** (Amazon/Google/Meta/Microsoft/Oracle).
- The consensus **has underestimated AI capex for two years in a row** → a signal that the "AI trade" may live longer than the market expects.

- In the credit block:
  - over the last 12 months, **capex + buybacks/dividends  $\approx$  95% OCF** (vs.  $\sim$ 80% in 2019) → **increasing likelihood of entering the debt market**.
  - In 2025 (by the end of October), five hyperscalers issued **approximately \$90 billion** in debt (against a backdrop of approximately **\$1.5 trillion** in total IG).
  - Conclusion: **not an "immediate" threat**, but **requires monitoring** (spreads/credit quality metrics).

## 6) Easing cycles statistically support small companies and a number of rates/sectors.

- GSAM history: after the completion of the last five rate reduction cycles, **US small caps outperformed the S&P 500 by  $\sim$ 12%** (forward-year).

## 7) M&A/IPO: Acceleration of deals expected (as a driver of "breadth")

- Forecast: **+15% growth in the number of completed M&A deals in the US in 2026**.
- In private equity: **transaction volume up 43% YoY**, but driven by large transactions → the breadth of the recovery may be uneven.

## 8) Asset valuations: "almost everything is expensive" based on historical percentiles

- The valuation percentiles chart shows that across a number of segments (SPX earnings yield, credit spreads, etc.), current levels are close to the upper historical percentiles since 2005 → a signal for "less beta, more selection/structure."

## 9) US consumption: key "fact lever" — concentration among the wealthy

- **The richest 20% of households account for  $\sim$ 40% of consumption**, while low-income households account for **<10%**.  
→ Risk should be targeted not at the "average household" but at the stability of the top quintile and price effects.

## 10) Private markets: pressure points are measurable (not philosophy)

- **Private equity:** to achieve "historical" return targets,  **$\sim$ 10–15% annual EBITDA growth** (on average higher than historical) is required, with an expected decline in nominal GDP growth of  $\sim$ 70 bps over a 5-year horizon compared to the past decade → a signal that "returns as before" will require better managers/sectors.
- **Private credit:**
  - about **15%** of borrowers **do not cover interest with EBITDA** (ICR < 1.0x).
  - **A 1.25% rate cut** brings ICR to 1.0x **only for those who are already  $\geq$  0.88x** → rate cuts do not save the "deeply troubled".
  - Recovery rates in private credit are historically  **$\sim$ 65%** → in the event of defaults, "losses" on average may be in the mid-single digits for the troubled cohort (as estimated in the report).
- **Real estate:**
  - **>\$850 billion** to be refinanced by the end of 2026 → risk of price discovery through forced refinancing.
  - Offices: **\$57 billion distressed** in the US; meanwhile, prime office transactions in the CBD **+54% YTD** (from a low base) → signal of high dispersion between "quality vs junk".

## 11) Electricity/infrastructure: "speed to power" is becoming a constraint

- Forecast: **growth in electricity demand from data centers +175% by 2030 vs. 2023**.
- US: data centers **currently account for 3% of electricity consumption** → **8% by 2030** (report estimate).

- Labor shortage: **750,000+ new workers** needed by 2030 in the US/European power sector → competitive advantage for those who solve "labor + automation."
- Infrastructure: digital assets are more expensive (EV/EBITDA **11.7x** vs. **10.2x** for infrastructure), large-cap **13.1x** vs. middle-market **11.2x** → relative "value" in the middle market.

## 12) Portfolio instruments: growth in the "packaging" of active risk in ETFs and option income

- Active ETFs: global AUM of active ETFs grew **~46% CAGR since 2020**.
- Derivative-income ETFs: inflows of **\$47 billion** in the first three quarters of 2025 (in the US) → demand for "predictable payments" through option structures.
- Alternatives for HNW: millennials have alternatives for **~20% of assets**, boomers **~6%** → structural shift in preferences.

## Why they are important for investors/traders

- **For investors (allocation/portfolio):**
  - Signals of **central bank divergence + steepening risk** → don't think "duration yes/no," but rather **where on the curve and in which countries** to hold risk.
  - **High valuation percentiles** → less hope for multiple expansion, more — on **earnings quality, selection, FX/risk hedging**.
  - **Energy system/networks/infrastructure** as a bottleneck for AI → this is the "real economy" of AI, not just chips/software.
  - Private markets: **EBITDA growth requirement** and **ICR cohort** figures provide a simple filter: where "return" is realistic and where it becomes an accounting fantasy.
- **For traders (timing/themes/risks):**
  - **Easing cycles** + historical support for small caps → tactical "risk-on breadth" mode is possible with confirmation of the rate/labor market.
  - **AI capex is underestimated by consensus** → the trend may continue, but the "pain point" — **monetization/profit/debt** (monitor guidance, FCF, buybacks vs. capex).
  - **Risk of tariff pass-through** → window for bets on sectors with low pricing power/high demand sensitivity if inflation "suddenly" returns via commodities.
  - **Real estate refi wall** and "flight to quality" → trading ideas will more often be within the sector (prime vs. non-prime) rather than "long/short all RE."

## Criticism

- This is **not a set of trading signals**, but a framework: many conclusions are formulated as "*we believe/we expect*" and depend on scenarios (labor market, tariff pass-through, policy). — there is predictive power, but **not in the form of entry/exit points**.
- Part of the "event timeline" (timeline with gold at \$4,000, OpenAI deals, etc.) consists of **illustrations** that are not verified within the report as causal drivers of returns; for investors, this is more of a backdrop than a signal.
- Possible **conflict of interest** in the submission: the document promotes the value of active management/active ETFs/alternatives — this is normal for material from a management company, but it means that **the emphasis is shifted** towards products/approaches where GSAM is "strong."
- A technical detail, but telling: the list of sources includes the date "As of October 16, 2026" for a document first used in November 2025 — looks like a

**a typo**, a reminder that figures should be double-checked if you use them publicly.

# KKR — "High Grading: Outlook for 2026" (Global Macro Trends, Dec 2025)

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## Signals

### 1) Late cycle mode without a call for de-risking — but with a shift to quality (high grading)

- KKR's logic: the economy as a whole is **avored for 2026**, but the market is **later in the credit cycle**, so the right move is **not to go into cash**, but to **upgrade the portfolio in terms of asset/counterparty/structure quality**.
- Key practical thesis: **the "cost" of transitioning to quality is low right now** — the "quality" premium on stocks is around **17%** (close to ~8-year lows), and the **BBB–AAA** spread on corporate credit is around **60 bps**, which is about half the 25-year average (i.e., it is "cheap to upgrade to quality").

### 2) Productivity (AI) is the main fundamental driver, but the "price tag of expectations" has become high.

- Signal of effectiveness: since the launch of ChatGPT (2022), **real revenue per employee in the S&P 500 has grown by ~5.5%** after ~20 years of stagnation; the **S&P 600 (small caps)** shows **the opposite trend**.
- At the same time, the market has already "priced in" optimism: **implied 10-year forward CAGR EPS for the S&P 500 ≈ 16%** vs **~8%** for most of the past decade and **~11%** long-term median (below the 2000 bubble, but still high).

### 3) AI capex is becoming a macro factor in GDP, but the risk of "infrastructure overheating" and debt footprint is growing.

- Contribution to macro: in 1H25, the contribution of **AI-related capex** to real US GDP growth was comparable to that of consumption (according to their chart).
- For hyperscalers, capex eats up **60-70% of OCF**, with a forecast of up to **~78%** (4Q26e). This increases market sensitivity to **leverage** and FCF sustainability.
- The bubble zone is specific: KKR directly highlights the risk of **speculative data center projects with uncompetitive costs**, where unit economics (ROIC after power + capex + maintenance) are decisive, rather than TAM stories.

### 4) Credit: loss normalization is inevitable (especially for the "2021 vintage"), but not a baseline recession scenario

- KKR base: **no recession expected**; however, they warn that credit conditions **will normalize** and the "2021 vintage surplus" will become apparent.
- HY default rate: currently around **1.2%**, expected to **rise to ~2.5% on average over 5 years** (below GFC/dot-com peaks).
- In their 5-year HY model, expected returns are declining due to the assumed increase in defaults and decline in recovery (in the text: **recovery ~42% vs ~57%** recently).

### 5) Long duration risk: long UST is no longer a safe haven by default

- KKR is openly panicking about **long duration Treasuries**: they expect **steepening** due to US fiscal risks, a **slightly positive correlation between stocks and bonds**, and a reduced role for the long end as a shock absorber.
- Rate/yield forecast (base): **UST 10Y ~4.25% (2026) and ~4.0% (2027)**; Fed funds at base **~3.125% (2026)** with "below neutral" logic, then a possible hike in 2027.

## 6) Geographic rotation: "more outside the US," especially Asia (reforms + consumption)

- Their thesis: **international earnings are accelerating**, valuations are lower than in the US; "we want more Asia."
- Specifics:
  - **Korea**: ~70% of the market is still trading **below book value**, while 2025 saw strong growth; reforms/activism are expected to continue.
  - **Japan**: ~40% of the market **below book value**, ~17% of corporate assets in cash + growth in activism; this is a structural story of "capital reform."
  - Within Asia, the share of **intra-Asia trade**: **46% (1990) → 60% (2024) → 68% (2030e)**.

## 7) Tariffs: base case scenario "peak passed", but range is wide

- Base for 2026: **effective tariff rate ~15%** (lower than recent estimates), "realized" around **13%** (substitution + policy slippage); low case **9%**, high case **23%**.

## 8) S&P 500: upside in 2026, but 5-year expectations are more modest; multiplier should not expand

- KKR forecast for SPX: **~7,600 at the end of 2026** (approximately +9%), **~8,130 in 2027** (+6–7%); EPS **\$303 (2026)** and **\$334 (2027)**; P/E assumes a **range of 22–23x**, without expansion.
- At the same time, KKR clearly shows the statistics: high 3-year trailing returns usually lead to **lower 5-year forward returns** (with the exception of the 1990s).

## 9) Picks & Pans (as a map of tactical ideas)

- Picks: **Asia corporate reform**, **Biotech** (YTD licensing values +50% vs. 2024; **24 partnerships ~\$28bn** in Jan–Aug 2025), **HVAC/data center cooling**, **Private IG origination**, **China tourism**, **LNG**.
- Pans: **Oil upside in 2026** (base ~\$60/bbl), **Long Duration UST**, **over-levered roll-ups (software & healthcare)**, **Consumer Staples**, **speculative data centers**.

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## Why they are important for investors/traders

- **For investors (allocation/portfolio)**
  - If it is possible to "move to quality cheaply" (low quality premium, tight BBB–AAA), then it is rational **to raise the quality** of the portfolio rather than chase beta upside.
  - Assuming a **positive stock-bond correlation** and "poor" duration, the role of UST is reassessed: less focus on long-end rates as a hedge, more on structure (real assets/collateral cash flow/private market).
  - Geography: if earnings ex-US have "woken up" and reforms in Japan/Korea are structural, there is a basis for **diversification towards Asia/Europe**.
- **For traders (positioning/risks)**
  - Their main "risk triggers" are clearly identified: **AI capex boom-and-bust**, **non-linear growth in layoffs**, **surge in inflation** → repricing of rates, credit

**2021 vintage losses.** This is a list of things to monitor because this is what changes the regime.

- Tactical map: KKR is simultaneously "in the game" on stocks (SPX targets), but recommends **gradually monetizing** and reducing beta bets, strengthening **alpha through structure/selection**.
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## Criticism

1. **Lots of "opinion," few verifiable trading rules.** This is a macro framework and the manager's product perspective, not a signal list with entries/exits.
2. **Key numerical conclusions depend on their scenarios for tariffs/inflation/the Fed.** When policies change (tariffs/fiscal), many "signals" are quickly recalibrated.
3. **Built-in bias in favor of private markets.** They show the advantage of "40/30/30" vs. "60/40," but this partly depends on assumptions about private market indices, valuation lags, and the availability of the best managers (which is not a "market given").
4. **Strong statements about the correlation regime** (stocks/bonds) are a useful signal as a hypothesis, but require external validation and monitoring, because this is precisely what breaks down/recovers in different inflation regimes.

# Barclays Private Bank — “Outlook 2026: The Interpretation Game” (Nov 2025)

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## Signals

### 1) US: baseline macro profile for 2026 + “fragile” growth structure

Verifiable figures from Barclays’ forecast for the US (table): **GDP 2.0%**, **CPI 3.0%**, **unemployment 4.2%**, **public debt 125.7% of GDP**, **private consumption 1.6%** (slowdown) — while 2025F consumption is 2.4%.  
Logical statements (if A, then B):

- If **tariff pass-through** intensifies + pressure on labor supply (migration) → higher risk of **wage-price** dynamics → Fed may become **more hawkish** → pressure on debt/consumption/stocks.
- If the focus of capital shifts from "commitments" in AI to "project implementation," the contribution to GDP may remain, but **support for stocks** may weaken → **the wealth effect** from the tail of support turns into a headwind.

### 2) AI Rally 2025 = Growth in concentration, not breadth

Facts/figures:

- Global stocks in 2025: ~+20%, with leaders: **Tech +31%**, **Comm Services +29%**.
- **Magnificent 7**: contributed >20% of global stock growth and >40% of S&P 500 returns in 2025 YTD (in the text: “4% out of 20%” and “7% out of 17%”).
- At the same time, ~half of the S&P 500 and Stoxx 600 components are ≥20% below their previous peaks, despite the indices reaching all-time highs.  
Signal: high concentration increases the index's sensitivity to the "de-ranking" of leaders → index volatility becomes "stock-specific news driven."

### 3) Ratings: the multiplier has been dragging down performance for the last three years — now earnings delivery is needed

Facts/figures (explicit):

- Over the last 3 years, global equities have grown by ~20% annualised, with **P/E multiples +14% annualised** and **earnings +5%**.
- Current valuations: **MSCI ACWI ~20x forward** (+32% to 20-year average), **S&P 500 ~23x forward** (+40% to long-term average). Europe/UK/EM — more moderate premiums to their averages and deep discounts to the US.  
Logic: if growth was previously driven by multiple expansion and valuations are already rich, future returns will depend more on **earnings/FCF**, and the risk of **multiple compression** becomes paramount.

### 4) Sector rotation: cyclicals have "overtaken" fundamentals and credit

Fact signal from charts/thesis:

- Overshoot noted: cyclicals' outperformance against defensives exceeded what yields/macro would suggest; also, the gap between cyclicals and defensives exceeded levels that historically corresponded to total returns in HY and IG (equity vs credit gap).

equity vs credit).

Conclusion-signal: with growth slowing and yields falling, the likelihood of **a rotation into defensives** (healthcare, staples, utilities) increases.

## 5) Bonds: yields are attractive, but 2026 = "debt supply" + long-end risk

2025 facts on segment yields (as proof that "carry matters"):

- USD deposits ~**3.7% YTD**, US Treasuries medium-term ~**6.5%**, US BBB medium duration ~**8%**, short-dated HY (2.5y) ~**7%**, USD EM IG ~**10%**. Key signal for 2026:
- **Debt supply** and fiscal issues are increasing volatility, especially for **long-term** sovereign bonds.
- France: **30Y FR–DE spread >100 bps** (2012 crisis levels), **France's debt/GDP >110%**, Moody's — **negative outlook**; risk of "contagion issues" to Italy/Germany.
- US: funding gap ~**\$5.5 trillion** over 5 years; net privately-held coupon debt issuance ~**\$1.5 trillion** in 2026 (roughly unchanged), but likely higher going forward.
- Central banks are becoming more reactive: **the Fed intends to halt QT and reinvest** UST maturities; the BoE is slowing down QT; the ECB has TPI (not tested). The logic: if supply stress at the long end is growing, then the best risk/return may be in **quality + medium duration**, rather than in "long duration for the sake of hedging."

## 6) Credit: spreads are narrow → "quality/selection" is needed, plus the risk of HY refinancing

Facts/signals:

- It is noted that HY issuers will have **to refinance** a significant portion of the debt issued five years ago at ultra-low rates **at higher** rates → "tight spreads likely to get tested."
- Report preference: **BBB medium duration, BB attractive vs leverage**, plus **hybrid bonds** from high-quality issuers with **early call at par**.

## 7) Europe: "first step" possible via Germany, but the market is mispricing rates

Facts:

- Eurozone forecast (table): **GDP 1.1%**, **CPI 1.7%**, **debt/GDP 89.9%**.
- **Germany: €500 billion** infrastructure plan until 2037; expected to spend ~**1/5** of this amount (if the budget is approved).
- Visible misprice: markets expect **the ECB to stay put in 2026**, but Barclays considers this **too optimistic**; the probability of a **cut** is higher, although a **hike** scenario is also possible. Signal: if the market has underpriced the option of an ECB rate change, then **repricing** could trigger movement in the region's rates/FX/assets.

## 8) China: structural transition + deflationary backdrop + rare earth leverage

Facts/figures:

- China forecast (table): **GDP 4.0%**, **CPI 0.8%** in 2026 after **0.0%** in 2025F; unemployment ~**5.1%**.
- Private consumption as a share of China's GDP ~**40% (2024)** with a high savings rate ~**35%** — structural constraint.

- Rare earths: China produces about **70%** of global REE (report estimate) → "strategic leverage"; an alternative chain will take **years to develop**, meaning leverage can be used again in 2026. Signal: "cheap entries" are possible, but volatility will remain high due to trade tensions and deflationary forces.

## 9) Crypto: US regulatory reversal = structural driver, but BTC — risk-on under stress

Facts:

- 2025 in the US: repeal of SAB-121 (SAB 122 appears in the text as a document), removal of some barriers for banks on custody; then **the GENIUS Act** (framework for stablecoin issuers), and "Project Crypto" SEC+CFTC.
- BTC correlations by mode (divided by VIX median):
  - low-vol: with equities **0.26**, with bonds/commodities/gold ~around zero;
  - high-vol: with equities **0.47**, with commodities **0.22**, with gold **0.22**, with bonds **0.08**; with large-cap crypto basket **0.90** (vs 0.79).
- BTC volatility during halving eras is decreasing: **111% → 80% → 62% → 47%**; returns are also decreasing (approximately **400% → 165% → 98% → 77% annualised** by period). Signal: BTC can diversify "normally," but in stress mode, it behaves like **risk-on**, i.e., **it does not guarantee protection when it is most needed**.

## 10) Multi-asset: a clear shift towards DM government bonds + quality stocks + gold as a core commodity

Facts (their portfolio theses):

- After the May decline in equities — **moderate overweight to cash/short duration** "while waiting for opportunities."
- In bonds: **more towards developed government bonds**, more selective in IG/HY; in HY/EM, spreads may widen in an adverse scenario.
- In commodities: despite record gold prices in 2025, **gold is the preferred direct commodity exposure** as a diversifier from the USD.

## Why they are important for investors/traders

- **For investors**
  - The thesis "3 years multiplier, then profit" changes the priority: **profit quality/FCF sustainability is more important than stories**.
  - Concentration in indices → diversification by region/style is no longer a matter of "politeness" but a defense against tail risk (downgrading of leaders).
  - In fixed income, the signal is simple: **there is carry**, but long duration is vulnerable due to supply/fiscal → **quality + medium duration** and a willingness to "extend" only in stress windows are more practical.
  - Crypto: regulatory tailwinds may continue, but BTC's role in the portfolio is **not as insurance**, but as a **high-risk driver** that correlates with risk assets in stress.
- **For traders**
  - "Interpretation game": the market will be driven by data/narrative (rates/tariffs/politics). This means that the edge is more often in **tactical swings** (especially Europe/rates) than in "passively holding high bets."
  - Signal for rotation from cyclicals to defensives (overshoot) plus narrow spreads in credit. → increases the value of relative-value ideas and hedges.

- In HY/credit: refinancing risk and tight spreads → pain point when macro/past rates deteriorate.
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## Criticism

1. **Some of the "signals" are scenarios rather than measurable rules.** They often use phrases such as "may/probably," so their predictive power only becomes apparent if you determine in advance *what facts will confirm the scenario* (e.g., an increase in jobless claims, acceleration of CPI through rates, widening spreads).
2. **Many recommendations are of the "be selective/diversify" variety.** This is true, but without specific thresholds (what P/E/what spreads/what triggers), it is more of a framework than a trading system.
3. **Technical/editorial rough edges.** The crypto section mentions "SAB 121" and "SAB 122" as documents; for public citation, such details need to be double-checked against the original source, otherwise credibility is compromised.
4. **As a Private Bank document, it is naturally inclined toward "portfolio management" rather than controversial accurate forecasts.** This is useful as a map of risks and distributions, but less so as a source of specific trade setups.

# HSBC Private Bank — “Resilience in a Transforming World: Investment Outlook Q1 2026” (issued Nov. 20, 2025)

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## Signals

### 1) The market underestimates the strength of the capex cycle in the US (AI + reshoring + incentives)

- HSBC's thesis: **the market underestimates the future capex cycle**: construction of data centers + relocation/localization of production + incentives/depreciation → **support for growth and profits**.
- Two bottlenecks are explicitly mentioned:
  - **electricity** (growth in demand → beneficiaries: utilities and power infrastructure),
  - **the labor market** (decline in net immigration + retraining).

### 2) The risk in 2026 is not the "end of the cycle," but rather a premature halt to the Fed's rate cuts.

- HSBC believes that the Fed may **delay/end the rate cut cycle earlier** than the market expects (argument: inflation is "sticky," the economy is more stable).
- Consequence: **downside for UST yields is limited**, so HSBC has reduced duration to "medium."

### 3) US business margins are still holding up thanks to pass-through tariffs + demand

- The text explicitly states that companies **are passing on tariff costs to customers**, which protects margins; a possible reversal of tariffs (if they are deemed illegal) is an additional plus for corporations.
- At the same time, the risk trigger for volatility is that the market will constantly reevaluate **Fed policy vs. inflation vs. labor supply**.

### 4) Concentration risk is acknowledged, but they do not want to "cut the US" — they prefer FX overlay.

- HSBC: Partial **hedging of USD exposure** seems more reasonable than a large underweight in the US.
- Positioning: **US equities overweight, but reduced** after the rally.

### 5) "Correlations have increased": diversifiers have started to move together → diversifiers need to be diversified

- In the text: **equities, bonds, and gold often moved in the same direction**, which complicates classic diversification.
- HSBC's practical conclusion: avoid concentration **in a single stock/sector/style**, add smaller markets (the flow effect can quickly "raise" their valuations).

### 6) Asia and EM: upgrade to overweight amid improving fundamentals and ratings

- HSBC highlights the contrast: EM has many **rating upgrades**, while DM faces **downgrade** risks due to debt and weak growth.

- They **have upgraded EM bonds and EM equities to overweight**, with a separate focus on Asia: Mainland China / Singapore / Hong Kong / South Korea / Japan (equities overweight).
- China: focus on **innovation + tech self-sufficiency**, “anti-involution” (as an attempt to raise margins), + support for shareholder value (dividends/buybacks) → their “barbell” in China: **tech + high dividend quality**.

## 7) US stocks: double-digit earnings forecast; risk — delays in infrastructure projects

- Expectations: **S&P 500 earnings growth 13% in 2026**; separately **Mag7 16%**, “Forgotten 493” 12%.
- The risk they mention: possible **delays** in data centers/power grids/reshoring vs. inflated market expectations → then, in their estimation, a “dip” is more likely to be **in the single digits** rather than a trend reversal.

## 8) Fixed income: focus on quality and carry, HY in the red

- Shift in credit preferences: **IG and EM overweight, HY underweight** (spreads are tight, vulnerable to volatility).
- Specifically for the bond portfolio:
  - Reduced the duration of UST and USD Corp IG to **5–7 years** (from 7–10).
  - **Global Corporate IG overweight**.
  - **EM Local Currency Debt upgraded to mild overweight** (arguments: high carry and falling correlation with risk assets).
- Fact metrics on flows: inflows into EM LCD **\$50.1bn** by the end of October.

## 9) Credit risk 2026: Expect headlines (governance/fraud), but not a systemic crisis

- HSBC expects periods of **credit spread volatility**, when lenders will “dig” into books for **irregularities / governance gaps / over-collateralisation**.
- However, they **do not expect** systemic issues, based on low defaults and a healthy economy.

## 10) FX and gold: USD — neutral, betting on diversification; gold — overweight

- USD: “no clear catalysts for a sustained rebound at present”; basically expect **USD to be volatile/sideways**, stance **neutral**.
- For FX diversification in the G10, **EUR and AUD** are highlighted; among EM currencies, **SGD/KRW/ZAR** are viewed more positively (the directions are listed explicitly in the text).
- Gold: **overweight** as a diversifier; the argument is steady demand from central banks and investors, plus a weaker USD scenario.
- Long-term structural fact: the share of **gold in reserves has grown since 2022**, while the share of USD in reserves has declined (chart).

## 11) Alternatives: hedge funds as “insurance” in case of weak bond diversification

- Logic: sticky inflation weakens the role of bonds as a hedge → hedge funds become a “key component” of the structure (equity market neutral, trend-followers, macro).
- In event-driven: upgrade to **mild overweight** amid growth in activist campaigns and improvement in the M&A environment.

## 12) Real estate: the overall market is stabilizing, but bifurcation is at its peak

- Fact: According to MSCI global capital values, after falling in 2022–2024, they began **to grow moderately for three consecutive quarters until Q2 2025**, liquidity is returning, but offices are "difficult," except for the prime segment.
  - Specifics by sector:
    - **Retail: non-discretionary/grocery-anchored** and prime locations **are** performing best.
    - Logistics: Rental growth in 2026 is expected to be **modest** due to new supply.
    - Office: Prime offices in key submarkets may perform well, but overall the sector is challenging.
- 

## Why this is important for investors/traders

- **For investors**
    - The main "regime" signal: **do not bet on deep declines in yields**, but build a portfolio based on **quality income** (IG + part of EM) and diversification (Asia/EM, FX overlay, alternatives).
    - Concentration risk is addressed not by exiting the US, but **by expanding sources of return**: utilities/infrastructure, financials/industrials, Asia equity + Asia credit + gold + hedge funds.
  - **For traders**
    - The report directly names the "volatility triggers": **Fed re-assessment**, sticky inflation, debt fears, ROI of AI investments, elections/populism, geopolitics. This is a list of things that will regularly change the narrative and prompt tactical moves.
    - In rates/credit: the basic setup is **quality + medium duration**, but be prepared for sharp headline shocks in HY and spread volatility.
- 

## Criticism

1. **Many framework theses without thresholds.** "Mild risk-on," "medium duration," "overweight/underweight" — useful for allocation, but this is not a trading system: there are no levels/triggers for when to change mode.
2. **Local "stories" (e.g., government shutdown) may be one-off events.** In the text, shutdown is used as a factor of uncertainty/support for bonds, but the transferability of this conclusion to other periods is limited.
3. **Private bank bias.** The emphasis on alternatives, private markets, and "multi-asset approaches" is natural for a PB audience; for private investors without access/commission advantages, some of the recommendations may be less applicable.
4. **The signal that "the market is underestimating capex" requires external verification.** This is a strong narrative in the report, but without its own market/consensus calculations; traders/investors should check it against hyperscalers' capex guidelines, utility capex, interconnection queue data, etc. (this is not formalized in the report).

# J.P. Morgan Asset Management — "Alternative Investments Outlook 2026: A new era of public-private convergence" (8th Annual Edition)

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## Signals

### 1) Private markets have become a “structure” rather than a cycle (the scale is already systemic).

- The size of private markets is estimated **at nearly \$20 trillion** (sharp growth over the decade).
- Private credit has grown **tenfold: \$250 billion (2007) → \$2.5 trillion**.  
**Signal:** this is no longer a "niche" segment — the liquidity/valuations/risks of private markets are beginning to influence public markets through financing, M&A, exit windows, and credit channels.

### 2) Concentration in public stocks = measurable risk; private = attempt to buy the theme cheaper

- “Magnificent 7” ≈ **35% S&P 500**, forward P/E ~**23x** (end of year).
- Report conclusion: hyperscalers and AI capex **are shifting value from public to private**: data centers, networks, and energy systems are increasingly being financed by private equity/infrastructure/private credit.  
**Signal:** if public AI trade is overloaded with concentration and valuation, it makes more sense to look for part of the exposure in private (especially small/mid), but this is an exchange of liquidity for potentially lower multiples.

### 3) Private credit: there is a premium to public credit, but quality and standards are deteriorating "at the edge."

- In the baseline scenario of “no recession in 2026”, private credit retains its premium: **senior-secured US direct lending ≈ +200 bps to leveraged loans and ≈ +300 bps to US high yield**.
- Early signs of stress: **LMEs, PIK structures**, and issuer-specific defaults (mention of September 2025, auto sector).  
**Signal:** illiquidity premium is real, but the "hidden price" is the risk of covenant/documentation dilution + manager selection becomes the main factor.

### 4) PE: alpha has historically been there, and the 2026 window looks like a restart of deals/exits

- Data: **the global buyout index has outperformed public equity by ~500 bps per year over 10 years**.
- 2026 may improve exits/distributions with lower rates and milder headwinds.
- Sign of normalization in the LBO credit market: in 2023, **78%** of DL deals were **SOFR+600**, while in 2025 YTD, **50%** are already **below SOFR+500** (spread compression).  
**Signal:** the "liquidity window" may widen, but future returns will depend more on **operational value creation** than on financial engineering, because spreads/terms are becoming borrower-friendly again.

### 5) Secondaries — structural growth in PE liquidity (and these are already large numbers)

- Secondary market: **\$160 billion in 2024, > \$200 billion expected in 2025**.

- **\$216 billion** in capital is listed as "under secondaries," **overhang ~1.8x** current activity.  
**Signal:** secondaries are becoming a "liquidity mechanism" for the private ecosystem; potential alpha — buying quality assets at a discount to NAV.

## 6) CRE: “capital structure inversion” unfolding → transactions may pick up

- Key regime shift: normalization expected in 2026, when **equity yields will again be higher than debt yields**, which historically supports transactions.
- Market expectations forecast: Fed **~3.25%**, ECB **~1.75%** by mid-2026 (as a benchmark for debt costs).
- In the US, construction in certain markets/segments is at **60%–80%** of peak levels (limiting new supply).  
**Signal:** if the cost of debt falls below cap rates, "dead" deals become possible again; at the same time, **high-quality** assets will benefit, while "low quality" will remain a problem due to capex and weak rent upside.

## 7) Real estate: energy capacity becomes a factor in profitability (not ESG, but physics).

- In industrial: assets with **>4,000 amps** yielded **~8%** average returns per year versus **<3%** for properties with **<2,000 amps**.  
**Signal:** “power capacity” is becoming a clear selection factor (especially for advanced manufacturing and data centers).

## 8) Housing: unfinished construction and affordability → support for rentals (SFR / attainable multifamily / PBSA)

- US: housing shortage of **~4.7 million homes**; age of first-time buyers **40** (vs. 30 before the GFC); single-family prices **+55% since 2019**; starts **~75%** of recent peaks.
- Europe: PBSA shortage **>500k units** (Germany+France+Spain).  
**Signal:** structural demand for "attainable housing" and rental models is more sustainable than betting on rising housing prices.

## 9) Infrastructure: “3E” mode = capex > depreciation for the first time in the 21st century

- Report approval: core infrastructure is entering a phase where **capex will be significantly higher than depreciation** "for the first time this century."
- Growth in energy demand: OECD **2–4% per year** from 2025 to the 2040s; US: new load growth regime of **1.7–3.2% CAGR** vs. historical **0.4%** after 2000.
- Europe imported up to **~40%** of primary energy (in some years **>50%**); the shock of war caused **60–70% price spikes** → energy security = investment driver.  
**Signal:** beneficiaries in the coming years — **utilities with generation+transmission+distribution**, especially those with access to capital and contracts with hyperscalers.

## 10) Transportation as "moving infrastructure" with low correlations + replacement cycle

- Required replacement capex: **up to \$3.5 trillion** over 10 years.
- 10-year correlations: transport has a **negative correlation** to global equities (around **–0.1**) and global infrastructure (around **–0.1**), and **–0.2** to global bonds/equities in the correlation matrix (quarterly data).
- Geopolitics can "paradoxically" increase demand for ton-miles: for example, the crisis in the Red Sea increased routes by **15–20 days**, which effectively reduced fleet supply and supported rates.

**Signal:** transport assets (through leasing structures) are candidates for income + diversification, but the key risk is the credit quality of counterparties and operations.

## 11) Timberland: tariffs and trade barriers directly affect prices; + optionality through carbon credits

- US: after the decree (14 Oct 2025), tariffs on wood products; combined duties/tariffs on Canadian lumber ~**45%**, with Canada accounting for **>90%** of imports and **25–30%** of US consumption.
- China: weakness in residential construction; weak activity expected until 2026–2027.
- Carbon market: increased focus on **removal credits** vs. avoidance, widening price divide.  
**Signal:** timberland is sensitive to trade policy (and may benefit from tariffs), while carbon optionality is becoming a separate driver of value, but depends on the quality of protocols and policy.

## 12) Hedge funds: the environment for alpha has become "better than 2011–2019," but the main risk is

### — leverage + crowding

- The "alpha winter" of 2011–2019 was due to low rates, low volatility, and high correlations; now rates are higher and dispersion is higher (single-stock volatility is above average).
- Risk: **rapid deleveraging and crowding**; greater use of leverage increases the risk of unwind.
- Top ideas: relative value (stat arb, equity market neutral), macro (central bank divergence), event-driven/activism (Japan), biotech in L/S.  
**Signal:** hedge funds are useful as a "diversifier of diversifiers," but require rigorous due diligence (process is more important than legends).

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## Why they are important for investors/traders

- **For investors**
  - The report provides measurable reasons why "alternatives" are not marketing, but a **change in market architecture**: concentration of public equity, growth of private lending, transfer of value creation to private, secondaries as new liquidity.
  - **Simple selection factors** are emerging in real assets: power capacity in industrial, quality CBD in offices, housing shortage → SFR/attainable, maturity wall in CRE debt.
  - In credit, the key signal is that **the premium still exists**, but the "price" of risk is shifting to documentation/covenants/manager quality.
- **For traders**
  - These are not "setups," but a map of where capital flows are likely: infrastructure/energy networks/utilities, quality real estate, secondaries liquidity, growth of activism in Japan, biotech M&A/patent cliff.
  - From "if A→B" for tactics:
    - if spreads remain tight + covenants deteriorate → the likelihood of "sudden" stress episodes in individual issuers/sectors (and L/S ideas in credit) increases;
    - if the rate/cost of debt falls below cap rates → CRE transactions/volumes revive;
    - if geopolitics lengthens routes → support for freight rates/leasing income.

# Criticism

1. **This is a document from the seller of "alternatives."** There are useful figures, but the default framework is "private markets are essential," so a cold filter is needed: liquidity, fees, vintage risk, access to top managers.
2. **Many forecasts without thresholds for fulfillment.** For example, "recession is unlikely," "we expect recovery" — without a specific trigger for regime change. For this to be a signal, you need to set the conditions yourself (credit spreads, jobless claims, cap-rate/debt-cost spread, etc.).
3. **Some of the statements are "narrative" (AI/public-private convergence).** They can only be verified through external metrics (IPO/M&A volumes, hyperscalers' capex dynamics, cost of capital, default rate/LMEs/PIK). In the report itself, this is not turned into a monitoring system.

# UBS CIO — "Year Ahead 2026: Escape velocity?" (publishing date 20 Nov 2025)

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## Signals

### 1) UBS base: stock growth will continue, but AI capex and monetization remain the "fuel"

Verifiable facts/figures:

- UBS directly links "escape velocity" to **AI innovations, fiscal spending, and monetary policy easing**.
- **IT + Communication Services = 36% MSCI AC World; the top 9 US tech companies** accounted for **72% of the Russell 3000's growth over 12 months** → the concentration of the source of returns is extremely high.
- The contribution of "information processing equipment & software" to US real GDP growth increased from **0.2 p.p. (4Q19) → 0.8 p.p. (2Q25)** → AI infrastructure is already a noticeable macro factor.
- US households: wealth in stocks + **USD 24 trillion over 5 years** → the wealth effect has become an important factor supporting demand/confidence.

Logic (if A → then B):

- If **capex continues** and **monetization accelerates**, AI-linked stocks have grounds for further growth; if monetization fails to catch up with capex, there is a risk of a bust/revaluation.

### 2) UBS provides a specific "global capex plan": the scale is already measurable

Verifiable figures:

- UBS forecast: **cumulative global AI capex 2026–2030 = \$4.7 trillion**, of which **\$2.4 trillion is already "planned"** (based on >40 announcements in 2025).
- For 2026: **\$571 billion** in AI capex expected (vs. **\$423 billion in 2025**).
- Forecast for 2030: capex **\$1.3 trillion/year, 25% CAGR (2025–2030)**.
- For hyperscalers, capex as a share of OCF grew from **~40% (2023) → ~70% (2025)** → this is a direct indicator of "FCF strain."

### 3) Adoption threshold: UBS identifies a "transitional level" for AI adoption by businesses

Verifiable fact:

- According to the US Census Bureau: **~10% of businesses already use AI**, and this figure is expected to grow to **14% in the next 6 months**; UBS claims that adoption usually **accelerates after this threshold is crossed**.

This is a **real signal** (not an opinion): the "threshold effect" can be monitored as a leading indicator of demand for AI infrastructure and application software.

### 4) Assessing the "price tag" of AI: the problem is not TAM, but monetization

Verifiable figures/logic:

- UBS estimates the potential revenue from AI "from end-users" as **\$1.5 trillion/year**, based on a chain of assumptions: labor ~50% of the global economy, AI automates one-third of tasks, vendors take 10% of the value created.
- At the same time, it is clearly stated that **monetization lags behind capex**.  
**Signal for the market:** key risk for 2026 — "return on investment" (ROIC/FCF) check along the AI chain.

## 5) Power & resources — the bottleneck of the AI boom: growth in electricity demand + network capex

Verifiable figures:

- Data centers could account for **up to 9% of US electricity consumption by 2035** (vs ~4% "today" in the text).
- EIA expects **wholesale electricity prices to rise +23% in 2025 vs. 2024** (fact from the report).
- Forecast: **global grid investment ~ \$500 billion in 2026**.  
**Signal:** AI beneficiaries are shifting from "chips" to **energy/networks/infrastructure**.

## 6) Commodities: tactical bet + specifics on copper

Verifiable figures:

- UBS expects **copper > \$13,000/t in 2026**, with a market deficit of **87k t in 2026 vs. 53k t in 2025**.
- Oil: prices expected to rise **from mid-2026** due to stalling supply growth outside OPEC+ and modest demand recovery.
- Commodities as a class: recommended as a **tactical** allocation of up to **~5%** in a favorable phase (not a "permanent core").

## 7) Equities: UBS provides clear targets and drivers by region/sector

Verifiable figures:

- UBS target: **global equities +~15% by the end of 2026**.
- For the US: **S&P 500 target 7,700, EPS \$305 in 2026 (+10% y/y)**; Mag7 ≈ **half** of earnings growth (their estimate).
- For Europe: earnings growth forecast of **7% (2026)** and **18% (2027)**; Eurozone **15.2x fwd P/E** (≈10% premium to long-run avg) and **22% discount to global peers**.
- For banks: sector ROE **11.5% in 2025** and "further growth expected."
- Table of targets (page with "We expect upside..."): S&P 500 7,700; Euro Stoxx 50 6,200; Topix 3,600; MSCI China 102; MSCI EM 1,560; MSCI AC World 1,350.

## 8) "High valuations rarely kill rallies on their own" — but they do compress future returns.

Verifiable facts:

- MSCI ACWI is trading at **>19x fwd, ~+30% above the 20-year average**; S&P 500 **~23x fwd** (near the top of its historical range).
- UBS: high valuations often mean **more modest long-term** returns; S&P 500 may not repeat **the 9.7% annual returns** of the last 20 years.
- But near-term: UBS expects EPS growth of **11% in 2025** and **10% in 2026** → this is a "crutch" for continued growth in the absence of AI disappointment.

## 9) Debt and "financial repression" — a regime signal for FX and correlations

Verifiable figures/logic:

- IMF estimate: **G7 debt ~126% of GDP in 2025** (vs. 85% 20 years ago) and **~137% by 2030** (projection).
- UBS describes a likely regime of **financial repression** (regulation/central bank purchases/rules for banks, pensions, and insurance companies) → a "tax on cash savers" through the suppression of real yields.
- Consequence: if yields are "fixed" by interventions, **FX becomes the main shock absorber** → expect **more currency volatility**.

## 10) Fixed income/income: "quality + average duration," HY — cautious, private credit — selective

Verifiable facts:

- UBS expects **quality bonds (4–7 years)** to deliver **mid-single-digit returns** (yield + price) and outperform cash in adverse scenarios.
- HY spreads "historically tight" (chart) → caution in high yield.
- On private credit: risks are "mainly" in **the lower middle market**, preference is for **senior, sponsor-backed loans** of larger and less cyclical companies; avoid "excess exposure" at the bottom.

## 11) UBS FX view for 2026: structural bias against USD + specific pairs/ideas

Verifiable facts:

- UBS expects USD weakness due to **twin deficits + falling rates**, prefers **EUR, AUD, NOK** against USD.
- Forecast table for assets/FX: **EURUSD 1.20, AUDUSD 0.70, USDJPY 146, USDCNY 6.90, USDCHF 0.79** to Dec-2026.

## 12) Political risks: specific "event trigger" on US tariffs

Verifiable fact:

- UBS writes: **The US Supreme Court is expected to rule on the use of IEEPA for tariffs**, potentially affecting **~70% of tariff revenue**; if it is overturned, new "more targeted" tariffs and retaliatory measures by partners are possible.  
This is a "signal calendar": high probability of volatility around the decision/retaliatory steps.

## 13) UBS scenarios (with numbers): this is a "if the regime changes" map

Verifiable targets (Dec-2026) for 3 scenarios:

- S&P 500: **8,400 (bull) / 7,700 (base) / 4,500 (bear)**.
- Fed upper bound: **4.00 / 3.50 / 1.50**; US 10Y: **4.75 / 3.75 / 2.50**.
- Gold: **\$3,700 / \$4,300 / \$4,900**.

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## Why they matter to investors/traders

- **For investors**

- The document provides a "skeleton" for 2026: **stock growth is baseline**, but the risk profile is determined by **AI monetization** and **energy system constraints**. This helps distinguish "AI stories" from "AI money."
  - Debt/financial repression regime → increased role of **currency diversification** and real assets/commodities/gold.
  - On the income side, the key signal is: **quality bonds 4–7Y** as the core of income/hedge, with tight HY spreads — be cautious with the "yield chase."
  - **For traders**
    - The most "tradable" triggers from the report:
      1. **AI monetization vs. capex** (earnings guidance/FCF at hyperscalers),
      2. **power constraints** (utilities/grid capex/power prices),
      3. **SCOTUS decision on IEEPA tariffs** (headline volatility),
      4. **FX trend against USD** in easing mode.
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## Criticism

1. **Strong dependence on the "AI narrative."** UBS honestly notes the bubble risks and the risk of "AI disappointment," but their basic bullish case largely rests on the assumption that capex will not be excessive and monetization will catch up. This is the main "single point of failure."
2. **Many forecast targets without clear triggers for a rating change.** There are scenarios with numbers, but no "rules" for when you move from base to bear (e.g., what threshold for CPI/pass-through/credit spreads). This reduces the predictive value for tactical decisions without your own checklist.
3. **Policy risks are described as short-term.** UBS argues that political headline risks are often short-lived, but under the tariff/debt regime, this may not be just "noise" but a source of sustained risk premium (especially through FX and the long end).
4. **The commodity part is "tactical" — and rightly so, but it requires discipline.** They themselves warn of long periods of underperformance vs equities; without entry/exit rules, the recommendation easily turns into "perpetual holding" and erodes the result.

# BofA Securities — "US Equity Strategy Year Ahead: 2026 Year Ahead: All bulled up, and no place to go" (Nov. 26, 2025, corrected)

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## Signals

### 1) Base case forecast for SPX: strong earnings, but modest price (multiple compression)

- Target **S&P 500 = 7,100** at the end of 2026 (about **+4.5–5% price return**).
- Earnings forecast: **EPS 2026 = \$310 (+14% YoY)**; at the same time, a **P/E contraction of ~5–10%** is expected (in the text: “~10pt PE contraction”).
- Scenario range: **bear 5,500** (typical decline of **~20%** for a recession) and **bull 8,500** (about **+25%**, corresponding to a "big EPS beat").

**Signal:** According to their model, 2026 is a year where "alpha" is more important than "beta": the market is expensive, and returns should come through earnings delivery rather than multiplier expansion.

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### 2) The growth structure is changing: Capex > Consumption

- Key rate: the market is shifting from a "consumer" bull to a **capex-driven** bull ("Less C, more I").
- Driver: **bonus depreciation / OBBBA** (tax incentives) may **pull capex forward** (“pull forward capex”).
- But they directly fix the risk: "liquidity is now at its peak," and "the direction is more likely to be worse than better": **fewer buybacks, more capex**, fewer expected cuts by the Central Bank, the Fed will **only cut if growth is weak**.

**Signal:** if cash use shifts from buybacks to capex/M&A, then the "fair" multiplier shrinks, but industries where capex generates ROIC/ROIIC will benefit.

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### 3) AI: prepare for an "air pocket" — the main filter is ROIIC – WACC

- They say it straight: **AI monetization TBD**, and **power is a bottleneck**.
- **Hyperscalers have become more capital-intensive than oil majors**; their **capital intensity (CapEx/OCF) has grown from ~13% (2012) to ~64% "today."**
- Capex "no longer fits" into OCF: financing is shifting towards debt; examples include large IG placements at **META/ORCL/RPLDCI**, etc.
- Their proposed "pricing rule": **ROIIC–WACC spread** = benchmark for how much to pay for AI. The spread is currently "healthy" but **may narrow** (growth in leverage + risk premiums from record low levels).

**Signal:** for AI stocks, the key is not "CAPEX growth" but **return on added capital and cost of capital**. When ROIIC–WACC begins to deteriorate, it is a systemic trigger for de-rating.

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#### 4) The "bubble" is not equal to 2000, but some of the metrics are already "like in 2000."

- They note that the S&P is "expensive" according to **19 out of 20** valuation metrics, and according to **9 out of 20**, it is more expensive/comparable to the 2000 bubble.
- At the same time, "why not 2000": the biggest tech names today are **more profitable, less indebted**, and hyperscalers' capex/OCF is **~60%**, which is higher than 10 years ago, but **lower than telecoms in 2000 (~140%)**.

**Signal:** The bubble risk here is **not in weak balance sheets**, but in **the price of expectations + the index's dependence on a narrow group** and the possible AI-debt story.

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#### 5) Tariffs: the main blow to margins is probably still ahead; the trigger is inventories.

- They write: companies have so far "survived" tariffs without hitting margins at the index level, partly due to **pre-ordering** and inventories; but this **cannot go on forever**.
- Logic (if A→B): if **pre-tariff inventory is depleted**, the risk of **margin pressure** will increase in **Q4**; this will limit the ability to pass through costs.
- Their assessment "without mitigation" based on current tariff assumptions: **impact on S&P 500 operating income ~-5.8%**; **Staples/Materials/Discretionary/Industrials** are most sensitive, Tech less so.
- A separate **event trigger**: the US Supreme Court's decision on IEEPA tariffs; in their figures: effective tariff rate **14.7%**, of which **9.5 p.p.** is attributable to IEEPA; if IEEPA is repealed, the base effective rate may be **3-5 p.p. lower**, but the government may replace it with instruments such as Section 122 (up to 15% for 150 days).

**Signal:** what matters is not the rhetoric about tariffs, but **the timing of stock depletion + the IEEPA court calendar** → this provides specific windows of volatility in the margin/guidance.

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#### 6) The credit cycle is "close at hand," but the source of "cockroaches" is private lending.

- They believe that the credit cycle may **not be the same as before**: "shadow lending replaced banks," and traditional credit metrics are less effective at explaining stocks.
- "Cockroaches" are already appearing in private lending; "bad vintage" private investments are coming to maturity.
- Strong rule of thumb (if A→B): "**Fed cutting + credit tightening**" is *the worst* phase for stocks; "**Fed cutting + credit easing**" is *the best*.

**Signal:** in 2026, monitoring should be twofold: not only the Fed, but also **spreads/credit availability**.

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#### 7) Market breadth and positioning: "misses punish" + marginal debt

- They show that the market's reaction to reports has become asymmetrical: **misses are punished more severely than usual** → positioning/fragility signal.
  - **Margin debt** (normalized) is at its peak **in 2021** (before the 2022 bear market) — a risk factor.
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## 8) Sector preferences (their "betting map")

Change: Staples raised to Overweight, Discretionary lowered to Underweight; OW Financials, Real Estate, Materials, Health Care, Energy, and UW Communication Services, Utilities remain. Tech/Industrials — Marketweight.

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## 9) "Small > Large" as the base bet, but with important conditions

- They expect small companies to lead in 2026, citing **accelerated earnings growth for small caps** (consensus: **S&P 600 EPS +19% in 2026** vs. **S&P 500 +13%**).
- But the key risks for small caps are **credit/macro deterioration** or lack of manufacturing recovery.
- Important "mechanics" of small caps: a large share of short-term/floating debt and the refinancing effect; they estimate **a cumulative EBIT hit of ~-32% over 5 years** from refinancing for the Russell 2000 ex-Fins (based on their baseline cut expectations), and "each additional -25 bps cut yields ~+2 pps of benefit."

**Signal:** small caps — the bet is not on "growth in general," but on **easing rates + functioning credit + capex/industrial recovery**.

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## Why it matters to investors/traders

- **For investors**
    - This is a report with a clear framework: "**earnings strong, returns modest**" → the portfolio should be built around **quality earnings + dividend/total return**, rather than hopes for PE expansion.
    - Their key "architectural" shift is **Capex>Consumption**: it suggests which sectors/factors will be prioritized (finance/materials/real sector) and why they are "cooling" consumer discretionary.
    - Regarding AI, a rare useful "filter": **ROIIC-WACC** as a multiplier constraint. This shifts the focus away from faith in numbers.
  - **Trader**
    - You have specific triggers for the mode:
      1. **air pocket on AI** (monetization/energy/debt growth of hyperscalers),
      2. **Fed cutting vs credit tightening/easing** as a "regime matrix,"
      3. **IEEPA ruling** as a calendar source of volatility on rates/margins,
      4. **inventory depletion** → **margin pressure** as timing for guidance revision.
- 

## Criticism

1. **Many strong narratives, but few "switching thresholds"** (except for a couple of places: SSI, IEEPA, ROIIC-WACC). For practical purposes, their ideas need to be translated into numerical monitoring rules (spreads, DSI, ROIIC-WACC, capex/OCF, credit conditions).
2. **The AI part honestly points to the bottleneck, but does not provide an accurate metric for "when the bottleneck is removed"** — this remains external validation (power capacity, interconnection queues, DC project commissioning dates).
3. **The tariff block depends on assumptions** (elasticity, pass-through, FX), which they explicitly note in their EBIT impact models; as a "signal" it is suitable, as an accurate estimate — it needs to be double-checked against your set of sectors/issuers.

# Morgan Stanley — "2026 US Equities Outlook: The Rolling Recovery Is Here" (Nov. 17, 2025)

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## Signals

### 1) Base market target and growth "formula"

- **S&P 500 price target: 7,800.**
- The target is based on **22× forward EPS of \$356.**
- Their top-down EPS trajectory: **2025 \$272 (+12%), 2026 \$317 (+17%), 2027 \$356 (+12%).**  
**Signal:** the report's bet is on a **strong earnings cycle**, while the multiplier, according to their expectations, may **contract slightly** but remain high.

### 2) "Rolling recovery" instead of "rolling recession": indicator shift — the breadth of earnings revisions

- They argue that **the capitulation around Liberation Day** marked the end of a three-year rolling recession and the start of a rolling recovery.
- Quantitative support: **earnings revisions breadth** turned upward ("historic rebound").
- Factual confirmation of "early recovery" in financial statements:
  - **S&P 500 revenue beat rate 2.2%** ( $\approx 2\times$  average),
  - **EPS growth for median stock Russell 3000: 8%** — the highest in  $\sim 4$  years.  
**Signal:** their key "regime" indicator is **the breadth of earnings revisions + the reversal of median earnings**, not the index level.

### 3) Monetary trigger that should "turn on leadership expansion": Fed cuts more than the market expects.

- The "missing ingredient" for a typical early-cycle broadening is **more significant rate cuts** than the market is pricing in.
- The reasons for this are: **moderate weakness in lagging labor data** + the administration's desire to "run it hot" → **a more accommodative policy** (both in terms of rates and balance) over a **6-12 month** horizon.  
**Signal:** if the Fed really becomes "dovish enough," then a transition from narrow leadership to broad leadership (small/cyclicals) is likely.

### 4) Specific near-term risk to the bullish scenario: Fed delay due to data/liquidity

- They directly name the risk: **the Fed may not be dovish enough**, and **tight liquidity** is already putting pressure on high-momentum areas and may continue to do so in the short term.
- Another risk: **delays/failures in the release of labor data** (in the text — due to shutdown/delays in statistics) may delay the Fed's response and undermine timing. **Signal:** for traders, this is not philosophy, but a "timing factor": when liquidity/rates do not confirm, broadening may not occur.

### 5) "Hotter but shorter" as a market model: 2 years "up" / 1 year "off"

- They declare the regime: the economy is in an **inflationary** cyclical regime similar to the post-war period, and cite the **"2 years on / 1 year off"** model as observed since 2020.

**Signal:** if you accept this model, then 2026 in their logic is an "up year," but with the understanding that the cycle may end sooner than usual (risk of tightening later).

## 6) Tax policy as a measurable driver of FCF: cash tax rate down

- According to OBBBA: the key effect is **on cash flow, not on P&L** (due to timing differences).
- They expect **the cash tax rate to test new lows**.
- Specific mechanics: **upfront R&D expensing** (including accelerated deductions for 2022–2024) and **100% bonus depreciation** have been reinstated.

**Signal:** FCF growth may turn out to be better than "earnings," especially in Tech/Comm Services/Healthcare (R&D) and capital-intensive industries (bonus depreciation).

## 7) Shift from "quality vs. 1999": the market is expensive, but quality is higher — measurable

- They back up the "not 1999" thesis with figures:
    - **The FCF yield for median stocks is almost three times higher** than in 2000 (see chart).
    - **The top 10 S&P weights have a median forward P/E of ~31×, which is lower than the peaks in 1999 (44×) and 1998 (35×), and their operating margin in 2025 is significantly higher than in 1999 (chart).**
    - **92% of the S&P 1500 FCF is positive vs. 72% in 1999.**
- Signal:** the "bubble risk" has not been eliminated, but it is based not on unprofitability, as in 1999, but on Fed expectations/timing.

## 8) Small caps: upgrade to Overweight + set of conditions

- They are **upgrading small caps to OW vs large caps**.
- Reasons (as in "if A→B"): early-cycle environment + **compressed cost structures → operating leverage, pent-up demand, rebound EPS revisions breadth, Fed cutting**.
- Additional "hard signal": **small cap relative earnings revisions turning higher** — this is exactly what they were waiting for.
- Small caps are trading at a **~7-turn discount** to large caps in terms of P/E (their chart).

## 9) Sectors/styles: what exactly is OW/UW and why

- Their macro-to-equity conclusion: **cyclicals > defensives, small > large**.
  - Upgrades: **Consumer Discretionary Goods and Healthcare to Overweight**.
  - Positions: **Financials OW, Industrials OW** (repeat).
  - In the appendix table of sector preferences: **Underweight Staples and Real Estate** (and preferences/neutrality for other sectors are marked in a separate row).
- Signal:** this is not just an "opinion": they link Financials to **SLOOS → C&I loan growth**, Industrials to **capex cycle + ISM catch-up**, Healthcare to **rate cuts + cheap valuations**.

## 10) AI adoption: they measure "real benefits" based on 7,400 transcripts

- Method: analysis of **~7,400 earnings transcripts** and **~6,100 conference transcripts** (since 2023) with classification of "quantifiable benefits."
  - The share of companies with *measurable* AI effects is growing:
    - MS "Adopters": **24% in 3Q25 (vs. 21% in 2Q25, 15% in 3Q24)**,
    - S&P 500: **15% in 3Q25 (vs. 14% in 2Q25, 11% in 3Q24)**.
  - By sector: Tech stands out (**39% of companies** in the sector report quantifiable benefits), followed by Comm Services (**26%**) and Financials (**16%**).
  - In a broader accounting of "cost/revenue impacts" (not necessarily with figures): **28% of S&P 500 and 37% of AI adopters**; at the same time, **cost-out is mentioned about twice as often as revenue-in**.
- Signal:** AI is currently being sold to the market as a **marginal/efficiency driver** rather than a revenue driver (this is important for assessing the sustainability of the "AI bet").

## 11) M&A: quantitative forecast for the recovery of the deal cycle

- Fact: **3Q25 announced M&A volumes +43% YoY** (strategic large deals are leading).
- Forecast: global announced M&A volumes **+32% in 2025, +20% in 2026, target \$7.8T in 2027**.
- “Dry powder” private markets: **\$4.2 trillion** ( $\approx$  **\$8 trillion buying power** with leverage).  
**Signal:** M&A is not a “story” but a measurable driver for financials/capital markets, and MS believes that the trough is already behind us.

## 12) “Trade & imbalance” as a risk framework: tariffs, USD, K-economy

- They believe that tariffs are a tool for rebalancing the current account; they note that tariff revenues are being "collected" with a limited impact on the economy "so far," and the cost is shared between exporters/importers/final demand "where there is pricing power" (more industrial than consumer).
- Within the topic of the K-economy: aggregate data "improves" large companies/wealthy households/the public sector — which is why they call the Fed's policy too harsh for "medium-sized businesses."  
**Signal:** if they are right, broadening in small/mid is possible precisely through **cheaper capital + deregulation**, and not through the growth of the "average consumer."

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## Why they are important for investors/traders

- **For investors**
  - This is one of the few reports that focuses on **the market median** (earnings breadth, median EPS), i.e., on "leadership expansion" rather than continued concentration.
  - Tax changes are interpreted as **an FCF catalyst**, which helps separate "beautiful EPS" from **cash** drivers (cash tax).
  - The AI part is useful in that it shifts the discussion from belief to **measurable effects**: growth in the share of companies with quantifiable impact and the dominance of cost-out over revenue-in.
- **For traders**
  - Their trading axis for 2026: **Fed dovishness** → **broadening** → **small/cyclicals**. If the Fed is "late," broadening may break down/be postponed.
  - The M&A cycle (figures + forecast) provides events/impulses in Financials and in individual sectors where "buy growth" and "acquire tech" are prevalent.
  - At Tech within Tech, they provide a ready-made relative idea: **equal-weight software > equal-weight semis**, arguments — reversal of revisions + extreme positioning of HF (semis high, software low).

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## Criticism

1. **The key single point of failure is the Fed.** The entire broadening and small-outperformance construct is based on “more dovish than market expects.” If cuts do not come (or liquidity remains tight), the scenario easily turns into “another year of concentration.”
2. **Terms such as "Liberation Day / rolling recession" are narrative packaging.** The signal here is not in the words, but in the metrics they choose (ERB, median EPS, beats). If these metrics turn down, the story collapses.

3. **Political/fiscal assumptions are built in.** They tie a lot to "run it hot," tax incentives, and deregulation; if there is a change in course/restrictions, the effect may be less than in the base case.
4. **AI adoption data is a strong point, but there is a limitation to measurement.** It only takes into account what management *says publicly* and classifies as "quantifiable"; this may lag behind reality and have a PR bias (especially in tech).

# T. Rowe Price — "2026 Global Market Outlook: Minds, machines, and market shifts"

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## Signals

### 1) US: capex growth + fiscal stimulus, but the Fed may not cut rates at all in 2026

- **AI capex + OBBBA** (capex incentives) are cited as the key reason why the US may shake off its growth scare in 2H25 and **exceed expectations in 2026**.
- At the same time, a tough fork is announced: **expectations for rate cuts in 2026 are "overestimated"**; the Fed may **not cut rates at all** in 2026 if growth does not slow down (inflation + debt + tariffs/immigration prevent a return to 2%).

**Signal (if A→B):** if growth remains steady and inflation stays above target → no Fed cuts  
→ the market is forced to live with higher-for-longer, especially at the long end.

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### 2) Fiscal expansion is a global trend, and the long end is vulnerable

- The document states explicitly: **fiscal spending is growing globally**, and "waves of fiscal expansion" **are putting pressure on government bond supply and yields**.
  - The "Bond & currency glance" (table block) records: **10Y UST 4.11%** (as of Nov. 10, 2025) and **10Y Bund 2.67%**.
  - Their high conviction: **keep duration low** (steeper curves + pressure on long maturity yields) and **overlay through inflation-linked bonds**.
- 

### 3) Europe: "front-loading of tariffs" in 2025 → weaker manufacturing in 2026, ECB may become more dovish

- Key causal statement: **European exports to the US were "front-loaded" in 2025**, so **manufacturing may be weaker than expected in 2026**, which could **push the ECB toward a dovish stance**.
  - But at the same time: **German fiscal expansion could raise bund yields** and "pull" eurozone yields up, tightening financial conditions — which again pushes the ECB towards easing.
  - A separate FX trigger: the risk of **currency-driven cuts** if the **EUR strengthens above 1.20**.
- 

### 4) Japan: BoJ "behind the curve" → risk of stronger hikes than expected

- Japan as an outlier: labor shortage → wage inflation + "already existing" food inflation + possible fiscal stimulus → **BoJ may raise rates more than expected**.
-

## 5) EM: inflation and debt "under control" (especially Asia), but tariffs — a long tail of uncertainty

- Stated: EM (especially Asia) **inflation and debt levels** are "reasonably under control" relative to their own history; the trading system is adapting, but **the effect of tariffs may be felt for years**.
- 

## 6) China: "anti-involution" as a price factor, but PBoC more likely to use quantity tools; 1 cut in early 2026 possible

- China: data likely to soften, real estate under pressure; at the same time, the PBoC **does not want to actively ease rates**, preferring **quantitative credit distribution tools**; **one rate cut in early 2026 is not out of the question**.
  - "Anti-involution" (reduction in the overproduction of export goods) may **increase the prices of these goods**, complicating trade relations — this is a direct inflationary/price risk along the supply chains.
- 

## 7) AI: transition "from hype to profitability" and a new risk layer = debt financing of capex

- The document formulates a turning point: AI has moved from "what is possible?" to "what is profitable?" and investors' focus is shifting to **monetization**.
  - Key risk signal: **capex has accelerated to such an extent that some leaders can no longer finance it solely through internal cash generation**, leading to **an increase in the role of debt financing**, including a potential need for **private credit**.
  - They directly describe the risk mechanics: debt = fixed payments + covenants + sensitivity to rates/spreads/liquidity; if revenue growth lags behind, there is a risk of debt servicing and systemic effects.
  - Specific TAM fact (with the caveat that this is an external forecast): **AMD estimates AI data center chip TAM at \$200bn (2025) → \$1trn (2030)**.
- 

## 8) Equity: "broadening" — leadership extends beyond mega-cap AI, and this is supported by fiscal policy

- Direct thesis: **market participation is expected to expand in 2026**; leadership is shifting to "physical AI" — **energy, cooling, networking, semis**, as well as automation providers.
  - Catalyst number: OBBBA (July) could provide **~\$200–300 billion in stimulus planned for 2026** (front-loaded boost) and support **industrials, materials, and energy** through infrastructure/networks/roads/data centers.
  - Additional driver: **growth in M&A and a more transaction-friendly regulatory environment**.
  - They highlight the following regions: **Japan** (ratings, cash flow, governance), **Europe** (German fiscal policy, physical AI), **China** as a tactical selection, **ex-China EM** (demographics, reforms, supply chain diversification).
- 

## 9) Credit: spreads are very narrow, so selection becomes paramount; at the same time, HY/loans yields are still competitive.

- They note the current environment: **credit spreads are near record lows**, so **selection discipline** is essential; at the same time, carry/yield sub-IG and loans look attractive vs long-term equity returns.
  - Specifics of the current situation (as of Oct. 31, 2025): **US HY default rate ~0.6%**, **US HY yield-to-worst 6.78%**.
  - Within sub-IG, they **slightly prefer loans** over HY bonds due to higher current income, but note that **Fed cuts** will reduce floating-rate yields.
  - Direct signal example: **isolated distressed events/defaults** are expected (referred to as 2025 cases), i.e., the risk is "point-specific" rather than systemic — but that is precisely why selection is more important than beta.
- 

## 10) Inflation-linked and EM local as "value points"; long UST — risk zone

- They mention a clear opportunity: **inflation-protected bonds** (US, parts of Europe, Japan) are "underpriced" in their inflation scenario.
  - For EM: they mention **select opportunities** in nominal EM government bonds (including Czech Republic, Thailand, Brazil, Chile).
  - On the long end in the US: **persistent inflation + fiscal deficits** → pressure on long yields.
- 

## 11) Private markets: "exit doors" (IPO/M&A) are opening; private credit — structural demand

- It is stated directly: **stabilization of rates and lower volatility** are reviving dealmaking; **The IPO backlog of IPO-ready companies** is beginning to enter the market, expanding exit options for PE/VC.
  - There is a measurable gap in private credit: **a \$1.2 trillion financing gap** to deploy PE dry powder (according to their scheme).
  - And more: demand for financing **AI projects (data centers, utilities)** creates new opportunities for private credit, including rescue/structured solutions (preferred equity, mezzanine, structured).
- 

## 12) Tactical asset allocation (their own positions): neutral on equities, underweight on bonds, overweight on cash

- Their multi-asset positioning: **Equities neutral, Bonds underweight, Cash overweight** (due to attractive yields and optionality on dislocations).
- 

## Why it matters to investors/traders

- **For investors**
  - This report formulates the key "mode" for 2026: **capex cycle and fiscal policy support growth**, but **inflation/debt/tariffs** limit "easy rate cuts" → meaning that portfolio balance is built around **quality, inflation hedging, and duration control**.
  - In equities, it is not the slogan "AI" that is important, but the shift in leadership to **physical AI** (energy/networks/cooling/semiconductors/automation) + **international catch-up**.

- In credit, "beta" is dangerous due to narrow spreads → value lies in **selection** and structure (loans vs HY, TIPS, EM local).
  - **For traders**
    - The report provides three practical sources of volatility/setups:
      1. **Fed cuts may not come** (or come later) → movements in rates/duration.
      2. **AI is shifting to debt financing** → risk of credit overlay in tech/infra and increased sensitivity to spreads/liquidity.
      3. **Europe**: manufacturing weakness after front-loading + German fiscal policy → conflicting forces for the ECB and bonds → good environment for relative value in rates/FX.
- 

## Criticism

1. **Many "strategic" theses without thresholds.** For example, "Fed may not cut at all" is a strong signal, but without clear triggers (what level of inflation/employment/expectations will confirm this) — you will have to set the metrics yourself.
2. **The AI part honestly acknowledges the risk of the debt layer, but does not provide numerical KPIs** that need to be monitored (capex/OCF for hyperscalers, net debt/EBITDA, interest coverage, spreads for specific issuers) — this remains outside the scope of the report.
3. **Tactical allocations (neutral equities, OW cash)** reflect their committee position as of the date (Oct. 31, 2025) and may change rapidly with one or two macro surprises; as a "signal," it is suitable as a snapshot.

# Goldman Sachs Asset Management — "Navigating the Nuances Across Public Markets in 2026" (Nov. 18, 2025)

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## Signals

### 1) Extreme concentration in US equities — and it is measurable

- **The top 10 US stocks account for approximately 25% of the global stock market and nearly \$25 trillion in value.**
- **Top 10 S&P 500  $\approx$  40% of capitalization and  $\approx$  30% of index returns.**
- **5 AI hyperscalers (Amazon/Google/Meta/Microsoft/Oracle)  $\approx$  27% of total S&P 500 capex.**

**Signal:** the market is "held" by a narrow core — any change in leadership/dispersion within this core affects the index more strongly than usual.

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### 2) AI capex continues, but key monitoring — FCF/ROI and transition to debt financing

- GSAM notes a shift: hyperscalers have historically financed AI capex from cash flow, but now there is a growing need for external capital.
- **Capex + buybacks/dividends  $\approx$  95% of operating cash flow** over the last 12 months (vs.  $\sim$ 80% in 2019).
- In 2025 (through the end of October), **5 hyperscalers issued  $\approx$  \$90 billion in debt** out of  $\approx$  **\$1.5 trillion** in gross IG issuance.

**Signal:** AI-trade is entering a phase where leverage and cash flow quality are becoming limiting factors for multipliers/spreads.

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### 3) Credit events: not "systemic stress," but isolated cases — but late-cycle behavior needs to be caught in advance

- Examples of credit events (fraud allegations/bankruptcies) are cited as **idiosyncratic**, not as systemic risk growth.
- Their conclusion: the US IG backdrop is more **mid-cycle** than a "late-cycle turn."
- But here's what they're directly monitoring for 2026:
  - the expansion of buybacks "beyond" individual sectors and pressure on leverage/ratings,
  - debt-funded M&A,
  - In utilities: **capex on grid/renewables/data center power demand is outpacing OCF** → caution towards the sector.

**Signal:** systemic risk is not fundamental, but late-cycle "bad habits" could suddenly widen spreads.

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### 4) Rates/curve: bet on central bank divergence and active positioning on the curve (steepening bias)

- GSAM: **neutral** on US rates, but Treasuries may rally if labor market weakness intensifies.
- Clear mention of **steepening bias** in the US and Europe (structural reasons).
- Table of Fed scenarios for the end of 2026 (logic "if A → then B"):
  - hard landing: **-225 bps** and risk-off,
  - soft landing: **-75 bps**,
  - stabilization: **-25 bps**,
  - re-acceleration: **hold**.

**Signal:** the market in 2026 is not a "duration yes/no" game, but rather a question of **where on the curve** and **in which country**.

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### 5) Carry opportunity in loans: they clearly highlight where there is yield and where caution is needed in terms of structure

- Securitized: positive due to carry/relative value/technique; constructive towards **AAA CLO**, interest in **BBB layer**, but active selection is needed.
- **Caution on mezzanine CMBS** due to valuation pressure.
- HY: they claim that credit metrics (interest coverage, default rates) are still "holding up" and the quality mix has improved compared to historical levels.

**Signal:** carry yield exists, but "structural error" (wrong tranche/wrong collateral) becomes the main source of losses.

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### 6) Europe and Japan: fiscal/reindustrialization and politics → window for revaluation, but through selection

- Europe: "paradigm" shifting towards **defense spending, fiscal stimulus/infrastructure, protectionism and domestic growth**.
- Japan: thesis on tailwinds (including corporate governance reforms, NISA as a stimulus for risk assets, possible fiscal stimulus; focus on sectors such as defense/nuclear/tech in the event of such a course).

**Signal:** non-US markets — not "diversification for diversification's sake," but a source of specific return regimes (fiscal/reforms/FX).

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### 7) EM equities: discount to the US as "mathematics" re-rating, but sustainability depends on earnings, not liquidity.

- **EM stocks are trading at a ~40% discount to US stocks on a forward P/E basis** (below the long-term average discount).
- The sustainability of China's rally (in their logic) depends on whether liquidity can be transformed into **durable earnings growth**; risks include tariff rhetoric and policy/regulatory shocks.

**Signal:** EM upside is possible through re-rating, but the trigger to "break" the story is politics/tariffs + lack of earnings growth.

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# Why it matters to investors/traders

- **For investors**
    - This is a set of *verifiable* "bottlenecks": concentration in equities, capex burden of hyperscalers, debt growth under AI, fiscal/curve, securitized risk segments (CMBS mezz) and sectoral traps (utilities capex>OCF).
    - It helps to build a portfolio not based on "index forecasts" but on modes: **dispersion/selection, carry with the right structure, positioning along the curve.**
  - **For traders**
    - Provides specific "observation triggers" for 2026:
      - debt ratio/spreads among hyperscalers (AI debt),
      - signs of late-cycle (buybacks beyond core sectors, debt-M&A),
      - steepening movements against the backdrop of fiscal policy,
      - risk points in securitized/CMBS.
- 

## Criticism

1. **Many "we believe" statements without numerical thresholds for switching modes.** For example, "close monitoring" is correct, but without KPIs (at what level of leverage/spreads is it already dangerous).
  2. **Recommendations on active management/quant/long-short are structurally logical with high concentration, but this is not a guarantee of alpha:** capacity/fees/correlation constraints and the risk of crowding remain.
  3. **The assessment of "non-systemic credit risk" can quickly become outdated** if the following occur simultaneously: economic slowdown + expansion of debt-M&A + deterioration of AI-ROI. The report describes this as monitoring, but not as a stress test with numbers.
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# Stifel — “SGP 500 in 2026 in a 6,500–7,500 corridor as macro uncertainty persists” (Dec. 11, 2025)

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## Signals

### 1) Base “corridor” for the S&P 500 in 2026: 6,500–7,500 (not a target point, but a range)

- Stifel sets a range of **6,500–7,500** for the S&P 500 in 2026 due to “macro uncertainty”.
- **Bull case: EPS +13% in 2026E** + slight “normal” P/E compression (approximately **–1 P/E point**)  $\Rightarrow$  around **7,500** ( $\approx +9\%$ ).
- **Bear case: ~25%** probability of recession  $\times$  typical market decline of **~–20%**  $\Rightarrow$  “balanced” around **–5%** on the index and a level of **~6,500**.

**Signal:** their model clearly states that 2026 is a year where risk/reward is more symmetrical, so it is more important to manage the regime and hedge rather than bet that “the market will definitely grow.”

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### 2) The main downside factor is the consumer; AI capex does not offset the decline in demand.

- It is stated that **real consumption = 68% of US GDP**, which is “too large” for AI capex to fully offset the deterioration in consumer spending.
  - The logic (if A $\rightarrow$ B): if **real labor income is weak + employment growth slows**, then **real consumption falls**  $\rightarrow$  risk of recession/correction. (Diagram on p. 10: weak real wage income + slow job growth  $\rightarrow$  PCE to early 2010s “secular stagnation” levels).
- 

### 3) The labor market is “thin”: so far, there has been no explosion of unemployment due to a decline in both demand and supply.

- The report states clearly: in the current cycle, **the decline in labor supply and labor demand has so far prevented unemployment from taking off**, but by 2026, labor will still be tenuous.
- They show the context through the Beveridge curve and a comparison with typical recession starts (p. 10).

**Signal:** if this “balance of falling demand and supply” breaks down (demand falls faster), unemployment could rise sharply — and that is the trigger for their bear scenario.

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### 4) “Don’t fight the Fed” only works if the Fed has not made a mistake: the risk is cuts below neutral.

- The report states that the “don’t fight the Fed” rule does not work **if the Fed has already made a mistake**.
- They link this to the idea of **the real rate vs.  $r^*$**  (Laubach-Williams) and the risk of a boom/bust cycle when rates are below neutral (p. 4).

**Signal:** it is not the fact of cuts that is important, but **where** policy is heading relative to neutral.

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## 5) Market assessment: "P/E is not important... as long as it is the only thing that matters"; ERP in the 92nd percentile

- Stifel writes that the S&P 500 is "expensive" and adds a quantitative argument: their **Equity Risk Premium** is in the **92nd percentile** of the distribution for ~65 years (p. 11).
  - This is their "fat tail risk": if macro/credit conditions deteriorate, P/E could become the main channel for the decline.
- 

## 6) Early warning indicator: "low-quality/speculative assets are already breaking down."

- They show that "speculative & over-priced assets tend to lead the way down" and give a current example: the equally weighted "Bag-7" (MSTR, RCLB, PLTR, QBTS, OKLO, HIMS, GME) **broke the uptrend** amid the Fed's first cycle of rate cuts (p. 12).

**Signal:** they use the behavior of the "speculative tail" as an early risk-on/off barometer.

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## 7) AI trade: cracks through FCF and the hyperscalers' credit channel

- They argue that **hyperscalers' capex is "eroding their cash flow,"** and the transition to **term debt** is putting pressure on P/E (p. 13).
- On the chart: the growth of hyperscalers' credit spreads is compared with the decline in their forward P/E (the P/E axis is inverted).

**Signal:** "AI = growth" is no longer purely an equity story and is becoming a **credit story**: debt cost/spreads → multiples.

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## 8) Their main tactical advice: hedge "Big Tech Cyclical Growth" with defensives

- Straight to the point: **hedge existing Big Tech Cyclical Growth exposure** through **Defensive Growth and Defensive Value**.
  - They argue this based on the "abnormally high" gap between Cyclical vs Defensive relative to GDP and the risk of a slowdown (pp. 14–20).
- 

## 9) Macro matrix (growth × inflation): industries and factors are "linked" to the regime

- They construct a "Macro Environment Grid" (p. 15): the X-axis is growth, the Y-axis is inflation; the map shows industry groups and factors (quality, small cap, dividend yield, gold, oil, low vol, bitcoin, etc.).

**Signal:** this is their formalization: they expect performance in 2026 through the choice of a "quadrant" rather than through a single idea.

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## 10) China/PMI: without "more China," they do not expect a rise in US manufacturing

- They write directly: **they see no reason to expect a strong upturn in US ISM Manufacturing** without stronger stimulus from China; they note a lag of **~8 months** from "China credit stimulus" to global PMI (p. 26).

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## 11) Inventories: no signs of restocking (neither among manufacturers nor customers)

- On p. 27: "There have also been no positive signals from inventory restocking...".  
**Signal:** no restocking = weak support for the production cycle → worse for a "broad cyclical rally."

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## 12) FX/styles: dollar overvalued on PPP → long-term bias towards weakness and risk for Growth vs Value

- They show the PPP model: dollar overvaluation implies approximately **-2%/year CAGR DXY** from ~99 to ~80 by the first half of the 2030s (p. 31).
- And they conclude: prolonged USD weakness (similar to 2000–2010) could be **negative for Growth vs Value**.

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## 13) Inflation: not a "new impulse," but "sticky" Core PCE of around 2.7% (and sticky supercore)

- They expect **sticky PCE of ~2.7%** (p. 19) and emphasize that **supercore** (core services ex-housing) remains sticky at around **3–3.5%** (p. 36).  
**Signal:** this hinders the "comfortable" mode of falling rates/growing multiplier.

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## 14) Long narrative (structural): deficits + commodities recovery weigh on Growth leadership

- In the appendices: "High deficits + bottoming commodities signal pressure on Growth leadership" (pp. 38–42).
- They argue that commodities growth in 2025–2035E supports **Value vs Growth, small vs large, non-US vs US** (p. 42).

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## Why it matters to investors/traders

- **For investors**
  - The **6,500–7,500** range is a signal to "not overestimate linear upside" and to build a portfolio that **can survive in the corridor** (carry/diversification/hedging).
  - The fundamental "red flag" is **the consumer (68% of GDP)**: if it breaks down, AI capex will not save the day.

- The changing nature of the AI rally: when **capex eats into FCF and debt grows**, risk shifts to the credit channel, affecting multiples and portfolio quality.
  - **For traders**
    - Their **leading indicators**:
      1. the behavior of the "speculative tail" (Bag-7) as risk-on/off,
      2. credit spreads of hyperscalers ↔ their P/E,
      3. lack of restocking (bad news for cyclicals),
      4. China credit impulse → global PMI with a lag of ~8m (as a signal of future manufacturing "pull").
    - Stifel's tactical idea is formalized: **hedge Cyclical Growth with defensives** (they directly list groups such as healthcare/staples/gold/waste/software).
- 

## Criticism

1. This is a **scenario document**, not a system: there are many "if-then" conclusions, but switching thresholds are not always given (except for individual pieces such as ERP percentiles and lag logic for China).
2. In some places, there is "narrative packaging" (for example, the "Bag-7" list and the parallel with "Sizzling 7" in 1999–2000): this is useful as a heuristic, but it only works as a signal if you fix the metric in advance (relative return/trend breakout/spreads).
3. The long historical section on commodities/populism (p. 41) partly goes beyond the scope of "forecasting power" for trading: there are many causal assumptions that are difficult to verify in real time.

# BofA Global Research — "Global Economics Year Ahead 2026: K-shaped economies with K-shaped risks" (Nov. 23, 2025)

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## Signals

### 1) BofA's baseline macro scenario: steady growth, inflation plateauing, rate cut cycle nearing its end

- **World:** growth of **3.3% (2026)** and **3.4% (2027)**; global inflation stable at **~2.4%**.
- **US:** growth of **2.4% (2026)**; inflation in the US **~2.9% (2026)**; they expect **three Fed rate cuts** "starting in June" (and a terminal rate of **3.0–3.25%**).
- **Eurozone:** growth **~1.0% (2026)**; inflation **~1.6% (2026)**; **last ECB cut in March to 1.75%** and then "stuck" at 1.75%.
- **China:** growth **4.7% (2026)**; inflation **~0% (2026)**; base case **still ~20 bps rate cut +** liquidity/credit measures.
- **Japan:** reverse mode — **further BoJ hikes** (on their trajectory to **1.5% by the end of 2027**).

**Signal:** the world is entering a mode of "last mile easing" (except for Japan), with inflation *not falling further* but "sticking" (sticky services + China exporting deflation in goods).

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### 2) K-shaped US economy: consumption is driven by high incomes; low incomes are already weak.

- According to internal BofA data (cards/deposits): **low-income spending growth ~0.7% YoY**, high-income spending **growth ~2.7% YoY** (October, 3-month MA).
- After-tax wage growth: **high-income ~3.7% YoY**, **low-income ~1% YoY** (October, 3-month MA).

**Signal:** aggregate consumption may look "okay" as long as high-income does not break down; but the real vulnerability lies in the "wealth effect" and the labor market, not in the average household.

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### 3) Excess global liquidity = common growth factor for almost all asset classes → main risk for 2026

- They state directly: "**all asset classes rallied in sync**," and the common factor is **excess global liquidity**.
  - The logic of "if A → B": any shock that **tightens global financial conditions** (higher-than-expected inflation / AI repricing / buyer strike in the systemic bond market) → **massive de-risking** + a blow to K-shaped consumption through the negative wealth effect.
- 

### 4) Tariffs: incomplete pass-through → inflation risk may "catch up" in 2026

- They expect **tariff pass-through to continue in 2026** if consumption remains strong.

- An important "calendar" trigger here is the **SCOTUS decision on IEEPA tariffs** (late 2025/early 2026). If they are cancelled, pass-through may decrease in the short term, but **the fiscal deficit** (refunds) will grow, and the outcome for inflation will depend on the scale of the fiscal impulse.
- 

## 5) Fiscal imbalances and the risk of a bond market accident (US/UK/Japan)

- Direct thesis: **fiscal profligacy** remains "unaddressed"; a **buyer strike** is possible in Japan/US.
  - Their connection: fiscal dominance can lead to **financial repression** (QE/YCC/regulatory coercion to purchase debt), and the limit is **inflation and inflation expectations**.
- 

## 6) Private credit as a shock amplifier: already >\$1 trillion AUM

- **US private credit AUM > \$1 trillion (~3.8% of GDP)**.
  - The logic: if there is a "crash" in private credit → contagion to other assets; if there is a crash in other assets → private credit acts as **an amplifier**.
- 

## 7) China: growth is "holding steady," but deflation/overproduction and weak domestic consumption persist

- Their key: **supply > demand** → deflationary pressure; 2026 CPI ~0%; property remains weak; exports remain an important driver.
  - China's fiscal mechanics (in figures): quasi-fiscal instruments/bonds are mentioned (policy financing tools ~**RMB500bn**, frontloaded LGSB quota ~**RMB500bn**; LGSB issuance expected to reach nearly **RMB5tn** in 2026).
- 

## Why it matters to investors/traders

- **For investors**
  - This is a "map of modes": **plateau inflation + last mile easing** → do not base your portfolio solely on "global disinflation", but monitor **sticky services** and "commodity deflation from China".
  - **K-shaped consumption** = portfolio risk through the wealth effect: when risk assets correct, the "top quintile" can quickly reduce spending → this is already a macro channel.
  - **Fiscal + buyer strike risk** → skews risk/return over long duration and increases the value of hedges that do not depend on the "ideal role" of UST.
- **For traders**
  - The report has specific "volatility triggers":
    1. **SCOTUS/IEEPA** (and implications for tariffs + refunds + uncertainty),
    2. **US inflation above price** → repricing by the Fed/curve,
    3. **AI repricing** as a liquidity shock/wealth effect,
    4. **private credit stress** as an amplifier of spreads/risky assets.
  - In regional rates/FX, there is a lot of "central bank divergence" (BoJ hikes vs ECB cuts vs Fed cuts) → favorable environment for relative-value and cross-market setups.

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## Criticism

1. **The strong idea of "excess liquidity" is correct as a framework, but weak as a signal without thresholds.** The document provides almost no numerical "toggle switches" for when to consider liquidity to be "tight" (what level of spreads/real rates/credit conditions).
2. **There is a lot of scenario causality around tariffs/SCOTUS.** This is a really important risk node, but the outcome (growth vs. inflation) depends on the political substitution of tariffs and the market's reaction to the deficit — in the report, this is described in words, not a stress test.
3. **The use of BofA's internal consumer data is a strong point, but it is an "internal panel" that the reader cannot independently reproduce; as a signal — useful as "evidence" — limited.**

# BofA Global Research — "The RIC Report: Year Ahead 2026: The adopters and the dollar" (Dec. 10, 2025)

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## Signals

### 1) Key market variable for 2026: the pace of AI adoption, which is slowing down

- The report states explicitly: **AI stocks have grown, although the adoption rate among companies has begun to slow down** (chart "AIQ ETF vs Census AI adoption", p.1).
  - According to BLS data for large firms (250+ employees), the share of companies using AI **peaked at around 15%** and is not accelerating further (p.4).  
**Signal (if A→B):** if adoption continues to plateau, then the upside for AI stocks requires either **productivity/monetization growth** or a **weakening of the discount rate**; otherwise, there is a risk of "expensive expectations."
- 

### 2) "Is this a bubble?" — BofA says "not yet," but provides a measurable bubble indicator

- **BofA Bubble Risk Indicator = 0.25**, with a "dangerous" threshold of **~0.8** (p.5).
  - They recommend: if the indicator is **>0.8**, **add hedges/defensive** positions rather than "exit completely" (p.5).  
**Signal:** their system does *not* currently show any "bubble instability" in broad indices, but there is a clear trigger when behavior becomes bubble-like.
- 

### 3) Why "not like 2000": profits/balances and financial conditions (cuts), not IPO hysteria.

- Their argument is that "bubbles usually burst during tightening": they expect **two Fed rate cuts in 2026** and a total of **78 rate cuts by central banks around the world** (p.6).
  - "Hyperscaler capex/OCF ~60%" (which is lower than telecoms in 2001 at ~140%) is an important benchmark (p.6).  
**Signal:** their AI overheating risk is not tied to "valuations per se," but to **financial conditions** and **capital intensity/FCF**.
- 

### 4) AI is becoming an infrastructure story: bottleneck = power + equipment + policy

- Expected "power additions" according to utility planners have grown **from 182 TWh (2021) to 803 TWh "today"** (p.7).
- The four largest suppliers of high-voltage equipment had a **backlog of approximately three years** in 2024 (p.7).
- Risk of political backlash due to rising electricity tariffs and local data center restrictions (examples listed) (p.7).  
**Signal:** the speed of capacity/network expansion is *limiting* the pace of AI monetization and multipliers.

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## 5) AI capex and credit: not a bubble, but deleveraging is already underway; monitor revenue concentration

- They note debt growth among hyperscalers: in 2025, **\$121 billion** in debt issuance vs. **\$28 billion** average over 5 years; expect another **~\$100 billion** in 2026 (p.8).
- An example of concentration risk: **66%** of Oracle's **future revenue backlog** is linked to its partnership with OpenAI (p.8).  
**Signal (if A→B):** "debt is okay while revenue is high," but when demand/monetization deteriorates, the credit channel quickly becomes a source of de-rating.

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## 6) Key macro variable (for allocation) 2026–2030: the dollar

- Their FX team sees **the DXY around 95 by the end of 2026** (p.1, p.3).
- The logic: a weak dollar = a sign of "global rebalancing" and potential for "**structurally unloved**" assets (cyclicals, Europe/China equities, EM debt, commodities) (p.3).

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## 7) Core real yields are dismal: US 60/40 yields <1% real return

- They write explicitly: BofA forecasts imply **a real return of US 60/40 <1%** in 2026 (p.1–2).
- In the table: expected return on US equities **~3.7%**, US 10Y **~3.2%** (within their 60/40 calculation) (p.2).  
**Signal:** The "passive core" in their scenario does not provide a target → a satellite portfolio is needed.

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## 8) 2026 yield map by asset: EM debt / gold / Japan look stronger than benchmarks

From Exhibit 2 (p.2) — important figures:

- **EM BB local debt: +10.7%** expected; 10Y max DD **-23.2%**; corr to S&P 0.51.
- **Gold: +8.1%** (their target is **\$4,538/oz**) and low correlation (0.14) (p.2, p.10).
- **Japan equities (TOPIX): +9.3%** (target **3,700**) (p.2).
- **US high yield: +5.8%** (spread 350 bps as a benchmark in the table) (p.2).
- **Europe equities (Stoxx 600): -2.2%** in their forecast (p.2).

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## 9) "Satellite trades" — a specific list of bets (not a philosophy)

They offer six directions (p.9–10):

1. **International small & mid-cap value:** trading at **~12x P/E vs. 27x** for US large growth; earnings growth **7.6%**; low correlation to the US (p.9).
2. **US quality & SMID:** quality as a factor; VFLO (FCF/EV-quality) is stated as a strategy without Mag7 (p.9).
3. **US High Yield:** emphasized that quality is higher than loans/private credit; default rate HY **2.6%**, private credit **~5%**, syndicated loans **~4.3%** (p.9).
4. **EM income (debt + dividend):** EMHY yield **~6.9%** vs BNDX **4.3%** and AGG **<4%** (p.10).

5. **Gold & commodities:** gold **\$4,538**; central banks are buying gold (at a rate of **~830 tons** in 2025) (p.10).
  6. **Targeted themes (AIQ / AIRR / URA):** URA **+86% YTD**, AIRR has outperformed Russell 3000 since 2012 (p.10).
- 

## 10) The technical block for SPX provides specific risk/upside levels (for hedging)

- Resistance: **6,920 / 7,000 / 7,168–7,210**; Support: **6,744 / 6,520 / 6,360 / 6,212–6,200** (p.11).
  - Their stance: **"S&P 500: Long and hedged."** (p.11).
- 

## Why it is important for investors/traders

- **For investors**
    - The main practical conclusion of the report: **the core (60/40) provides a weak real return**, so adding "satellites" is not a matter of taste, but an attempt to increase the expected real return.
    - Their "AI theme" translates into measurable KPIs: **adoption rate, capex/OCF, power bottlenecks, debt issuance**. This provides a monitoring structure, not a belief.
    - FX (USD) is their "main macro-toggle" for international diversification and commodities/EM.
  - **For traders**
    - For 2026, they are effectively proposing two axes:
      1. **AI risk** (adoption slowing + infrastructure constraints + debt growth),
      2. **USD-shift** (DXY to 95 as a "rebalance" scenario) — this is fuel for rotations in EM/commodities/international value.
    - Plus, you have ready-made **SPX levels** for the "long + hedge/rolling" scheme (p.11).
- 

## Criticism

1. **An important "weakness" in their base case is AI adoption.** They acknowledge the slowdown in adoption, but the further causality (how quickly this will be reflected in profits/prices) is not formalized by thresholds such as "if adoption < X → then ...".
2. A **strong focus on DXY as "one variable" for allocation** is a useful heuristic, but in reality, the dollar may fall for "bad" reasons (risk premium/fiscal), and then asset correlations may behave differently than in a "healthy rebalancing." This is not stress-tested numerically in the report.
3. **Satellite trades are sometimes based on historical returns/comparisons** (e.g., commodity strategy dynamics) and may suffer from regime dependency; without rebalancing/exit rules, this can easily turn into "eternal themes."

# J.P. Morgan Asset Management — "2026 Year-Ahead Investment Outlook: AI Lift and Economic Drift"

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## Signals

### 1) US macro trajectory in 2026: "hot at first, then cooling off"

- JPMAM forecast: **growth and inflation will accelerate in early 2026** due to OBBBA effects, then **high tariffs + lower immigration** will lead to **slower growth and cooling inflation**.
- Based on their trajectory: **4Q25 ~1% growth, 1H26 >3%**, then **1–2% in 2H26** (after the effect of tax refunds wears off).
- Inflation: **y/y inflation will rise until June 2026**, but the **CPI peak will be <4%**, then **decline to ~2% by the end of 2026** (factors: lower oil prices, slowdown in shelter).

### 2) Tariffs: currently being absorbed by retailers, in 4Q and 2026 the transfer to prices will intensify

- Fact: tariff revenues **average >\$29 billion per month (June–October)**.
- Logic: **if tariff levels remain unchanged, they will push up inflation and depress real spending** in 1H26, and then the effect will **fade** as a macro factor.

### 3) Immigration/labor supply: "very weak job growth" may coexist with stable unemployment

- JPMAM thesis: there are signs of a **sharp decline in net immigration**, possibly even an **absolute decline in the working-age population**, and this will continue in 2026+.
- Consequence (if A→B): **Slow job growth** may be combined with **stable unemployment** because **supply is shrinking**. This will also **slow real GDP** in 2026 and beyond.

### 4) K-shaped economy: "the rich drive services," the low/middle class is under pressure

- JPMAM directly describes **K-shaped expansion**: high-end consumption is supported by wealth growth, while **low- and middle-income groups** are feeling the pressure; rate-sensitive sectors such as **housing** remain soggy.

### 5) AI capex: already "macro-significant" in scale and accelerating

- They estimate **data center capex at ~1.2–1.3% of GDP** (not all of it is included in GDP due to equipment imports), but the pace is "significant by historical standards."
- According to their Exhibit: total cloud/hyperscaler capex is growing to **~\$588 billion in 2026E** (bar chart from 2019–2026E).

### 6) AI adoption: no longer just "talk," but paid implementations — but vulnerability in bottlenecks

- Data from the text: **9% of US firms** report integrating AI into production; **44% are already paying** for an AI model/platform.
- Risk triggers (if A→B): **slowdown in adoption, power constraints, faster-than-expected hardware obsolescence, or external liquidity shock** → impact on the AI cycle through earnings/wealth effect.

### 7) Fed: rate path "flat" due to split within FOMC

- JPMAM expects **2–3 Fed rate cuts by the end of 2026**.
- Important signal: there is a **wide range of opinions** within the Fed (at one meeting, dissent was "for 0 cuts"; at another, "for more aggressive easing"), which increases the risk of **rate volatility**.

## 8) Rate ranges: the market will be range-bound + slight steepening

- Their working corridors:
  - **UST 2Y: 3.50–3.75%**
  - **UST 10Y: 4.00–4.50%**
  - Overall thesis: long rates **range-bound** and **moderate steepening**.

## 9) US stocks: "expensive and looks bubbly," but earnings support; risk — "unfulfilled broadening"

- Earnings forecast: **S&P 500 earnings +11% (2025) and +13% (2026)**.
- However, broadening remains weak: **EPS estimates for 2026 have been revised upward by +3.4% for Mag 7 and downward by –1.2% for S&P 493** since the beginning of the year (see chart on p. 7).
- Risk: expectations are based on **earnings acceleration in 2H26** "without a clear catalyst" (this is a clear red flag for the risk of disappointment).

## 10) AI is "not like 1999," but sensitivity has increased due to concentration in earnings and capex

- The "not a bubble in terms of quality" argument: **FCF margin tech ~20%**, more than twice as high as in the late 1990s → ability to self-finance.
- But concentration is high: tech sectors accounted for **36% of S&P 500 profits** and **56% of the index's capex growth** over the past 12 months → vulnerability to missteps.

## 11) International equities: 2025 was a "perfect storm" (P/E + FX), in 2026 the focus is on earnings

- Fact: international equities **+31% in USD**, outperforming the US by **+1520 bps** (the largest since 1993).
- Breakdown: contribution of **multiple expansion ~+15 p.p.**, contribution of weak dollar **~+7 p.p.**
- In 2026, they expect **earnings growth** to be the main contributor, as **the earnings gap between the US and ex-US is narrowing** (except for China).

## 12) "Diversification isn't dead, it's just different": the return of bond yields + the role of alternatives

- Their straightforward thesis: **fixed income is attractive again**, but **active selection** is needed (credit, securitized, global bonds, munis).
- Portfolio idea: transition to **"60/40+"**, where alternatives are added for a specific outcome; the argument is that **stock/bond correlations may remain positive without a recession**.

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## Why it matters to investors/traders

- **For investors**
  - This is a report on **the regime**: in 2026, growth/inflation is likely to surge at the beginning of the year, followed by a cooling off (OBBBA → tariffs/immigration). This changes the approach to duration and risk selection.

- The key risk for stocks is **the gap between Mag7 and the rest of the market** in terms of earnings revisions (specific figure +3.4% vs -1.2%). This is a signal of concentration and the risk of earnings disappointment outside the narrow core.
  - In international stocks, the mechanics of 2025 (P/E + USD) are important. If in 2026 the driver shifts to earnings, then the focus should be on markets/sectors where earnings growth is actually confirmed.
  - **For traders**
    - Clear volatility triggers: **SCOTUS on IEEPA tariffs**, possible **tariff rebates** before the midterms, and **any disruption in the AI cycle** (earnings miss, power crunch, liquidity shock).
    - The UST 2Y/10Y ranges effectively set the "game" for 2026: **not betting on a single outcome**, but trading in a corridor + steepening slope.
- 

## Criticism

1. **Many conditional constructions without KPI thresholds.** They list triggers (tariff pass-through, power constraints, adoption slowdown), but do not provide numbers such as "here is level X → we change the regime." This reduces its applicability as a mechanical system.
2. **Broadening in equities is the weak point of their positive case.** They themselves show that Mag7's earnings revisions are stronger than 493's, and that acceleration in 2H26 "without a catalyst" is a potential minefield.
3. **The general bias in favor of "active selection" and "alternatives"** is logical for the management company and its audience, but it is important for readers to separate signals from the product framework (evergreen funds, democratization of access, etc.).

## Signals

### 1) "Three Ds" = structural megatrends that will shape demand for real assets for decades

- Brookfield formulates the core of private capital opportunities as **the Three Ds: digitalization, deglobalization, and decarbonization** — this is not a cycle, but a **structural transformation**. **Signal:** this is not a "theme of the year," but a long tail of capex/M&A/private lending around infrastructure, energy, industrial chains, and real estate.
- 

### 2) Infrastructure supercycle: needs >\$100 trillion by 2040

- Estimate: **global infrastructure investment needs > \$100T by 2040**. **Signal:** infrastructure is experiencing a "macro tailwind" in terms of capital volume, regardless of short-term fluctuations in rates/cycles.
- 

### 3) AI is turning infrastructure into a "bottleneck": \$7 trillion on the AI value chain alone

- Brookfield claims: AI could deliver **up to \$10T in productivity gains** over a decade, but this requires **~\$7T in infrastructure investment** across the chain (DC, power generation, GPUs/compute, semiconductor manufacturing, fiber).
  - Data center "power price": **>\$10 million per MW** for hyperscale DC, and **>\$30 million per MW** for internal compute infrastructure (chips). **Signal:** the limiter of AI growth is not demand for models, but the **speed of physical infrastructure deployment** (power/grid/chips/fiber). This shifts profits from "pure software" to "bricks and wires."
- 

### 4) Capex hyperscalers are accelerating, and AI energy intensity is growing non-linearly

- Their schedule: hyperscaler capex **~\$270B (2024) → ~\$400B (2025F) → ~\$1,000B (2030F)**.
  - AI workloads: **up to 10×** more power per rack vs. conventional compute, with another **5–10×** growth expected as rack density increases. **Signal:** even "rapid capex growth" may not keep up with demand for power → assets that reduce time-to-power (grid upgrades, behind-the-meter generation, gas/nuclear, storage) receive a premium.
- 

### 5) Networks are a clear bottleneck: aging + connection queues + required investments

- **>70%** of global transmission lines are over **25 years** old; connection queues for new renewables projects are **up to ~10 years**.

- Estimate: Annual network investments must **exceed \$600 billion per year by 2030** to replace old assets, integrate renewables, and ensure reliability.  
**Signal:** Grid de-bottlenecking is not ESG, but a necessity. Beneficiaries: Transmission upgrades, utility capex programs, regulated/inflation-linked tariff base.
- 

## 6) Energy: “any-and-all” (renewables + storage + nuclear + gas) — not a slogan, but a system requirement

- Brookfield estimate: global investment in power ~\$3.3T in 2025, and >60% in renewables, storage, and grid optimization.
  - Data centers: BNEF forecast for the US — **106 GW by 2035**, which is +36% compared to their forecast just **7 months earlier** (i.e., forecasts are "lagging behind").
  - **4 hyperscalers (AMZN/GOOGL/MSFT/META) — ~90% of global clean energy contracting for data centers.**  
**Signal:** “any-and-all” means that the market will not choose a single winner. Returns will go to those who provide **speed, reliability, and contracts** with creditworthy counterparties (and know how to build/operate).
- 

## 7) Batteries are becoming the “supporting structure” of networks; their cost has fallen by ~95% since 2016.

- Fact: battery costs —~95% since 2016.
  - In the US: >50% of utility-scale storage deployed by 2026 will be **paired with solar** (solar+storage as the default model).  
**Signal:** storage is not an "EV story," but an infrastructure component that solves congestion/intermittency.
- 

## 8) Nuclear — a return to the mainstream: the US goal is 10 new reactors by 2030 + \$80 billion minimum

- In the text: The US has made nuclear energy a strategic priority: **start construction on 10 new reactors by 2030** and announced a **minimum of \$80B** to launch the program with Westinghouse.  
**Signal:** nuclear energy is a long chain (construction + service + fuel + modernization), and "service/spare parts/fuel" are often no less important than megaprojects.
- 

## 9) Private equity: "operations > financial engineering" — now it's math

- Almost **1/3** of buyout capital is over **4 years** old, and the unrealized value of portfolios has grown to ~\$3.5T.
- Industry imbalance: the number of PE firms **has tripled** relative to the capital raised → **3:1** gap between fundraising targets and available capital.
- A very specific formula:
  - at a **5% rate** and **70% LTV**, ~4–5% **earnings growth** is needed to achieve a **20% IRR**;
  - at a **7.5% rate** and **55% LTV**, you need ~8.4% **earnings growth** for the same **20% IRR**.  
**Signal:** there is no more "cheap leverage" → managers who know how to **generate margins/efficiency**, and not just catch multiple expansion, will survive.

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## 10) Real Estate: 2026 as a year of "tactical mode" — liquidity has returned, but selectivity will prevail

- Estimate: 2025 CMBS issuance on track to **exceed \$120 billion**, the highest since 2007 (repeated in both the RE and Credit sections).
- "Uneven liquidity": stress among some managers/assets creates deals for well-capitalized players.
- Housing: US — **home prices +87% since 2016**; senior housing: **15 million baby boomers** will reach the age of **70–85** in 5 years; by 2030, new supply will cover **< 1/3** of demand.
- Data centers as "power-driven real estate": example transaction — sale of a logistics site for a DC at **1.5×** the "logistics" valuation of the land.  
**Signal:** real estate is "open" again, but the driver of revaluation is **power access + operational management + supply shortage**, not "rate down → everything grows."

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## 11) Credit: spreads are narrowing, the default wave is not fundamental, but dispersion and structure are key

- Brookfield: spreads **are** compressing, fundamentals **are** "broadly sound," **no evidence of a systemic wave of defaults**, but underwriting discipline is required.
- Real estate credit: **~\$1.9T** in loans maturing in the next 2 years; new 2025 loans priced approximately **+150 bps** higher than those being repaid.
- Corporate credit: spreads near tight, but direct lending premium **~150 bps** still available (illiquidity comp).
- Infrastructure debt: Brookfield highlights historically **low defaults and high recoveries** in infrastructure/project financing vs. conventional corporates (Moody's chart on cumulative defaults/recoveries).  
**Signal:** In credit 2026 is the year where beta is worse, and **alpha = collateral + structure + counterparty + covenant + sector**.

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## Why it matters to investors/traders

- **For investors**
  - This is one of the most "material" (physical) views of 2026: AI = not just chips, but **power + grid + storage + land**. This helps to build a portfolio around bottlenecks rather than hype.
  - In PE, Brookfield offers something rare: **exactly how much earnings growth is needed at other rates and LTV**, i.e., it turns "operations are important" into arithmetic.
  - In real estate/credit, the key practical signal is that "liquidity has returned," but the market has become **two-speed** (prime/proper collateral vs. everything else).
- **For traders**
  - Sources of "tradable" volatility:
    1. hyperscalers' capex expansion and its "connection" with debt/partnerships,
    2. grid bottlenecks (queues, permits, capex programs),
    3. CRE credit refinancing wall (\$1.9T maturities) as a trigger for dislocations in certain segments.

# Criticism

1. **A document from an alternative seller.** Many facts are correct, but the default logic leads to "more private/real assets." This is a bias that needs to be kept in mind.
2. Some of the large figures (e.g., \$7T AI infra / \$10T productivity gains) are **estimated scenarios**. They are useful as a scale, but not as an "accurate forecast."
3. "There is no systemic wave of defaults" — may be true at the base level, but the document itself acknowledges **return dispersion** and "pockets of stress": this means that errors in selection/structure will cost more than before.

# BofA Global Research — “Global Research Highlights: BofA’s views on 2026” (Dec. 8, 2025)

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## Signals

### 1) US: 5 “tailwinds” → growth above consensus (but with reservations about inflation)

Verifiable statements and figures:

- BofA base case (US Econ): **GDP 2.4% in 2026 and 2.2% in 2027.**
- Five drivers for 2026:
  1. **OBBBA will add +0.3–0.4 p.p. to growth in FY26** through consumption and capex stimulus,
  2. The lag effect of **Fed cuts** already made will support activity in **2H26.**
  3. trade policy will become **more supportive of growth** (even if IEEPA tariffs are abolished),
  4. **AI investments** will continue to support the economy,
  5. and base effects from the shutdown **will mechanically boost** growth in 2026.

**Signal:** this is not a "default recession" but an "economy holding steady" scenario, where the key risks are shifting to **inflation/interest rates/liquidity** rather than a collapse in demand.

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### 2) Inflation is "sticky" and above target for longer → risk for the long end and multipliers

- BofA raised its forecasts for 4Q/4Q 2026: **headline PCE 2.6%, core PCE 2.8%**; at the same time, they write that **core PCE will be >3% until 3Q26** due to the "trickle-through" of tariffs, and core inflation will remain >2% (rates close to neutral).

**Signal:** easing is possible, but **cheap duration** is not guaranteed; inflation may limit the decline in yields and maintain the risk premium.

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### 3) Labor market: break-even job growth is low (due to immigration), but the risk is a nonlinear disruption

- BofA estimates that immigration restrictions have reduced the breakeven job growth to approximately **~20k jobs per month.**
- Their baseline scenario: job growth **~50k/month**, unemployment **peaking at 4.5% in 4Q25–2Q26**, then **4.3% by 4Q26.**

**Signal:** weak payrolls alone may not mean a recession (if supply falls), but if labor demand "breaks down," a sharp rise in unemployment is possible.

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### 4) Equity view BofA: strong earnings, but "nowhere to go" in terms of price due to P/E compression.

- Target Savita Subramanian: **S&P 500 = 7,100 in 2026** (approximately **~5% price return**).

- Model: **EPS +14% (to ~\$310)**, with a **5–10% compression of the multiplier**.
- Logic: liquidity is now at full blast, but the direction is worse: **fewer buybacks, more capex**, fewer expected cuts, the Fed will cut "only if growth is weak."

**Signal:** 2026 is a year when the index may grow little, but the value of **breadth/selection** is increasing within the market.

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## 5) AI: the bet is not on hyperscalers, but on "adopters"; the risk is the conflict between "AI is laying people off" vs. "consumption is stable."

- They write directly: "**less bullish on hyperscalers**, more bullish on **AI adopters** (but this may not happen soon)"; and separately note the risk of tension between **AI/job displacement** and sustainable consumption.

**Signal:** for 2026, the key is not "another year of mega-caps," but **when AI benefits begin to appear in the profits of a wider range of companies**.

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## 6) Hartnett mode: "BIG" and "MID" as a trading construct for 2026 (and the main toggle switch — CPI)

- Hartnett remains long **BIG = Bonds, International, Gold**; and suggests starting to "trade MID": **long Mid-caps / short IG bonds / short USD**.
- Their "one-decision market": **CPI 3% → 2% = bullish, 3% → 4% = bearish**.
- They expect UST 5Y to fall to **~3% in H1** amid Fed cuts and labor market weakness (u-rate ~5% is their condition).

**Signal:** the main driver of the regime is **inflation**, not "just rates"; and there is a clear positioning map (BIG/MID).

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## 7) REIT: "re-rate" begins; valuation as in crises, plus tailwinds from supply/liquidity/refi

- BofA REITs: background "most positive in years"; drivers — macro stability, multi-year decline in new supply, potential for rate cuts and refi relief.
- They note: REITs are trading **~15–20% below NAV**, "crisis era" levels; balance sheets are strong → buybacks/external growth possible.

**Signal:** public REITs are trading at a discount to private values; this gap may close as liquidity/rates normalize.

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## 8) US Housing: Homebuilder stocks have been overvalued, but fundamentals remain weak.

- According to Zonda: **50% of builders** say demand in November is weaker than expected; reasons include consumer confidence/affordability and fear for jobs.
- Incentives are high: **~65% buydowns around 4%**, and **prices reduced on 40% of listings**; Zonda does not expect incentives to be sharply cut in the spring.

- Forecast: single-family starts **~8% in 2025** and **flat in 2026**; BofA mortgage rate at the end of 2026 **~6.25%** (almost the same as now) — that is, "lower rates" do not necessarily save affordability.

**Signal:** The housing cycle remains range-bound, and a decline in short rates may not lead to a noticeable drop in mortgage rates.

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## 9) Semis: NVDA is at a "troubled" P/E, but the discussion is shifting from capex to competition (GPU vs. TPU).

- BofA semis: NVDA is at **~25x forward P/E** (close to historical trough), while SOX has risen and the rally has broadened.
- The debate has shifted to competition: OpenAI vs. Gemini; TPU (Google/AVGO) vs. NVDA GPU; plus the roadmap (Vera Rubin 2H26).

**Signal:** in AI semis, the key risk/opportunity for 2026 is the **redistribution of share and architectures**, not just "capex is growing."

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## 10) Transport/logistics: spot rates are rising due to tightening supply (capacity), not demand.

- Dry-van spot rates ex-fuel rose to **\$1.61/mile** (from \$1.55 a week earlier) — the highest since January 2025; the driver is tightening capacity (regulatory measures, closures/bankruptcies).
- Their shipper demand indicator is "murky" at around **50**, below the average for past freight recessions.

**Signal:** rate growth — "supply shock," so the sustainability of the movement depends on whether capacity squeezing continues.

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## Why it matters to investors/traders

- **For investors**
    - This consolidates BofA's "2026 mode": **growth is holding steady**, but **inflation is sticky**, so portfolio returns will depend on **selection (market breadth) and the right duration/credit quality**, rather than on beta alone.
    - Identifies sectors/themes where there is a "price skew": REIT (discount to NAV), housing (stocks ahead of fundamentals), semis (valuation vs. competition), transport (capacity shock).
  - **For traders**
    - There is a "mode switch": **inflation** (Hartnett CPI branching) and **tariff pass-through in core PCE**.
    - There are tactical constructs: **BIG (Bonds/International/Gold)** and **MID (midcaps vs. IG vs. USD)**, plus a "broad" SOX rally as a signal of a narrative shift within the AI chain.
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## Criticism

1. This is a **digest**, not a unified model. It aggregates the opinions of different teams; in some places, the theses may pull in different directions (e.g., "growth is sustainable" vs. "AI shock may hit equity/credit and consumption").
2. There are many "ifs" without formal switching thresholds (except for Hartnett's CPI logic and some specific forecasts for PCE/unemployment). To turn this into a system, you need your KPIs and levels.
3. There is a built-in "sell-side bias" in the presentation style (including stock reports/coverage clusters). — useful as a map, but it does not guarantee predictive power for specific securities without additional verification.

# BlackRock Investment Institute — “2026 Global Outlook: Pushing limits”

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## Signals

### 1) “There is no longer a neutral position”: the market has become factor-concentrated

- Key assertion: with several **mega forces** dominating, "it is impossible not to make a big bet" — **even the broad index** is now an active bet.
  - Quantitative support: the share of daily S&P 500 returns explained by a **single dominant factor** (after controlling for value/size/momentum) **has increased significantly** (PCA/PC1, rolling 252d).  
**Signal:** The decline in breadth and the rise of a single driver mean that diversification across indices/regions is increasingly becoming a hidden active bet.
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### 2) AI buildout is scaling to a level where micro becomes macro.

- External estimates of **AI corporate capex ambitions: \$5–8 trillion globally by 2030** (they use the upper limit for stress calculations).
  - The contribution of investment to US growth in 2025 (in their estimate) **is approximately three times higher than the historical average** and **will continue in 2026**, allowing growth to hold steady even with a cooling labor market (no hiring, no firing).  
**Signal:** for the 2026 market, the key is not "usual macro drivers" but **the AI capex wave**, because it is already sufficient to drive the aggregates.
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### 3) The "capex ↔ revenue" match for AI does not yet converge at the hyperscalers level.

- Their calculation: if we take the upper capex scenario (\$8T by 2030), then **the bottom-up revenue growth forecast for hyperscalers (~\$1.6T) falls short** of the revenue needed for a **9–12% IRR** on this capex.
  - To make the numbers add up at the macro level, they model a scenario: AI adds **+1.5% to growth** (productivity), which expands **economy-wide revenues by ~\$1.1T/year**, which is "enough" to justify the upper capex—but it is **not a fact** that these revenues will go to "AI builders."  
**Signal:** the market is shifting from a "capex story" to a **battle for revenue pools** — and this is, by definition, an active selection of winners/losers.
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### 4) "Leveraging up": AI construction inevitably leads to increased debt and vulnerability to yield spikes.

- They are fixing the transition: AI investments are **front-loaded**, revenue is **back-loaded** ⇒ debt is needed to get through the "financing hump."
- For large cloud "builders," the average **debt-to-equity ratio** is **~0.54x** (as of Nov. 26) — meaning there is "room" to increase debt.

- The backdrop: US public debt at post-war highs, corporate leverage lower ⇒ **the private sector will pull financing**, but this creates vulnerability to **bond yield spikes** and **term premium** growth.  
**Signal:** the risk for the AI chain in 2026 is not only "monetization" but also **the cost of capital/term premium**, i.e., the credit channel.
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## 5) Long USTs are no longer an "autopilot hedge": tactical underweight long Treasuries

- BlackRock's direct position: **tactical underweight long-term U.S. Treasuries**, reason — growth in term premium due to debt burden and price-sensitive buyers, plus the risk of yield spikes amid conflicting inflation and debt sustainability goals.  
**Signal:** the long end's portfolio "ballast" role has weakened; the risk profile of hedges is shifting.
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## 6) Physical constraints on AI in the US: the main bottleneck is energy/land/connections

- Assessment: US data centers could consume **15-20%** of current electricity demand **by 2030**, with some estimates as high as **25%** (spread between demand-based and supply-based estimates).
  - Limitations: backlog of projects for connection to networks + slow permitting; and conclusion in the text: capex plans may be **reduced** if limitations "bite."
  - Contrast: China is building faster generation/transmission (including nuclear), reducing costs through the scale of solar/battery chains.  
**Signal:** "AI growth" in the US may be driven not by demand for compute, but by **time-to-power**.
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## 7) Geopolitical fragmentation: defense and energy as "forced capex"

- Fact signal: NATO is targeting **5% of GDP for defense by 2035** (vs. the previous target of 2%), Germany is removing the "debt brake" for defense/infrastructure.  
**Signal:** Defense budgets in Europe are a medium-term driver of demand (defense tech) and a political driver of investment in energy/utilities.
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## 8) "Future of finance": stablecoins have become a structural bridge rather than a niche

- Market fact: market cap of stablecoins >**\$250 billion (as of Nov. 27, 2025, Coingecko)**.
  - Regulatory fact: **Genius Act (2025)** provided a framework for payment stablecoins; interest is prohibited, but there is a "marketing rewards" structure that could potentially compete with deposits/MMFs.  
**Signal:** the growth of stablecoins is not "crypto noise" but a possible channel for changing liquidity/lending transmission (at sufficient scale).
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## 9) Private credit: a phase of dispersion and "shakeout" is beginning; retail semi-liquid may increase volatility

- Their thesis: private credit is entering a **more uneven phase**: large players are more stable, while small players are experiencing growing stress; spreads have narrowed, and standards have deteriorated in some areas.
  - Chart: Covenant default rates are **significantly higher** for smaller borrowers than for large ones (broken down by revenue/EBITDA).
  - Important mechanics: **retail flows in semi-liquid private credit** are likely procyclical and may **amplify volatility** in times of stress.  
**Signal:** alpha in private credit = quality of manager/documentation/workout; beta may become more dangerous due to product structure.
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## 10) Infrastructure: valuation window "cheap relative to equities," and demand is structural

- Fact assessment: listed infrastructure is trading at a **deep discount** to MSCI World on EV/EBITDA — **below GFC levels**, comparable to the COVID shock; BlackRock believes this is more about rates than fundamentals.  
**Signal:** infrastructure is a "quasi-mandatory" layer for AI (power + networks + communications), but the market is currently pricing it as a victim of rates.
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## 11) EM: 2025 was the sweet spot (local debt + FX), followed by a transition to hard currency

- They believe that the rally phase for EM local bonds in 2025 is "ending" (already priced in) and are switching to **EM hard-currency debt overweight**: carry, limited issuance, improved fundamentals, and a series of sovereign rating upgrades.
  - At the same time, **they are** tactically **neutral** on EM equities, while strategically focusing on **India** (demographics/digitalization/role as a "connector country").  
**Signal:** Their "EM bet" is not on overall risk appetite, but on **the quality of sovereign balances + hard-currency yields**.
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## 12) Specific tactical "over/under" (operational positioning signals)

From the "tactical granular views" table:

- **Equities:** US overweight; Japan overweight; Europe neutral; EM neutral; China neutral.
  - **Fixed income:** long UST underweight; Japanese gov bonds underweight; **US agency MBS overweight**; EM hard currency overweight; long-term IG credit underweight.  
**Signal:** this is their "battle plan" for 6–12 months: risk-on via US equities, but with a clear avoidance of long duration and a focus on MBS/EM HC.
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## Why it matters to investors/traders

- **For investors**

- A new "risk axis" has been clearly formalized: **AI = capex + energy + credit**, not just software/chips. This helps to seek exposure to bottlenecks (power/grid/infrastructure) and be less dependent on who gets the AI revenue.
  - Portfolio approach: if "diversification is a mirage," then you need to design a **Plan B** and select **idiosyncratic** sources of return (private markets, HF) and active management in advance.
  - **Trader**
    - Mode triggers that can be monitored:
      - term premium growth/contraction and bond yield spikes (risks for leveraged AI construction),
      - speed of lifting energy grid restrictions (confirmation/failure of capex plans),
      - dispersion in private credit (increase in covenant defaults among small players → stress marker),
      - rotation from EM local to EM hard currency (phase change).
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## Criticism

1. This is a strong **narrative of "mega forces,"** but many conclusions are based on scenario logic (e.g., "1.5% growth boost from AI," "patents as a leading indicator") without thresholds for "when to recognize that the scenario is not materializing."
2. "Diversification is a mirage" partly depends on their method (PCA and factor-style control). This is a useful signal about concentration, but it does **not** mean that diversification is "dead" — rather, that it requires **other tools** and more precise assembly.
3. Skepticism about gold as a long-term hedge is a valid position, but in the report it is presented as a thesis without a full stress test for different inflationary/geopolitical regimes; in practice, gold is better interpreted as a **tactical tool**, as they write.