Allianz Global Investors

OUTLOOK 2026

Navigate new pathways

Summary of key insights

Allianz Global Investors

Outlook 2026

Robust global growth driven by the AI boom is a positive, but explore wider opportunities as dynamics shift

Key takeaways

- We think the global economy in 2026 will prove resilient, supported by tech spending, helping to offset lingering challenges from the trade war
- Inflation is generally under control in key markets and central banks are normalising interest rates – a benign outlook that could favour well-diversified portfolios
- Elevated valuations for AI and related technologies may require further scrutiny – even as strong earnings growth provides a spur for continued market strength
- Stagflation risks and a weaker dollar could lead investors to reduce US exposure, while supporting European and Asian fixed income and boosting gold

What is our macro outlook for 2026?

Global growth to shrug off trade war risks

- Growth will slow only moderately from 2025, supported by AI-driven investment and proactive central bank policies
- Aftershocks from the trade war may continue to disrupt supply chains, leading to a fragmenting of trade and capital flows
- Inflationary trends will diverge across the world: rising above 3% in the US while subdued in Europe and Asia
- Tech valuations and concerns about non-bank lending require caution, but lower interest rates and limited private sector debt levels ease risks

Our global GDP forecast for 2026[1]

Investment takeaway

A more fragmented world may require a truly global approach to diversification in 2026

1 Source: Allianz Global Investors.
Past performance, or any prediction, projection or forecast, is not indicative of future performance.

Stocks in India’s equity market with market caps exceeding USD 5 billion

Where should investors focus?

Growth-friendly policies can sustain market momentum

- In equities, a more expansive fiscal policy and the potential for further interest rate cuts are supporting Europe
- Elsewhere, India stands out as a market with high potential and China offers contrarian opportunities for long-term capital flows
- In fixed income, developed markets duration offers resilience, while emerging market debt can provide yield enhancement and diversification
- Safe havens: the Japanese yen could gain support from the new government and gold remains a key diversification tool

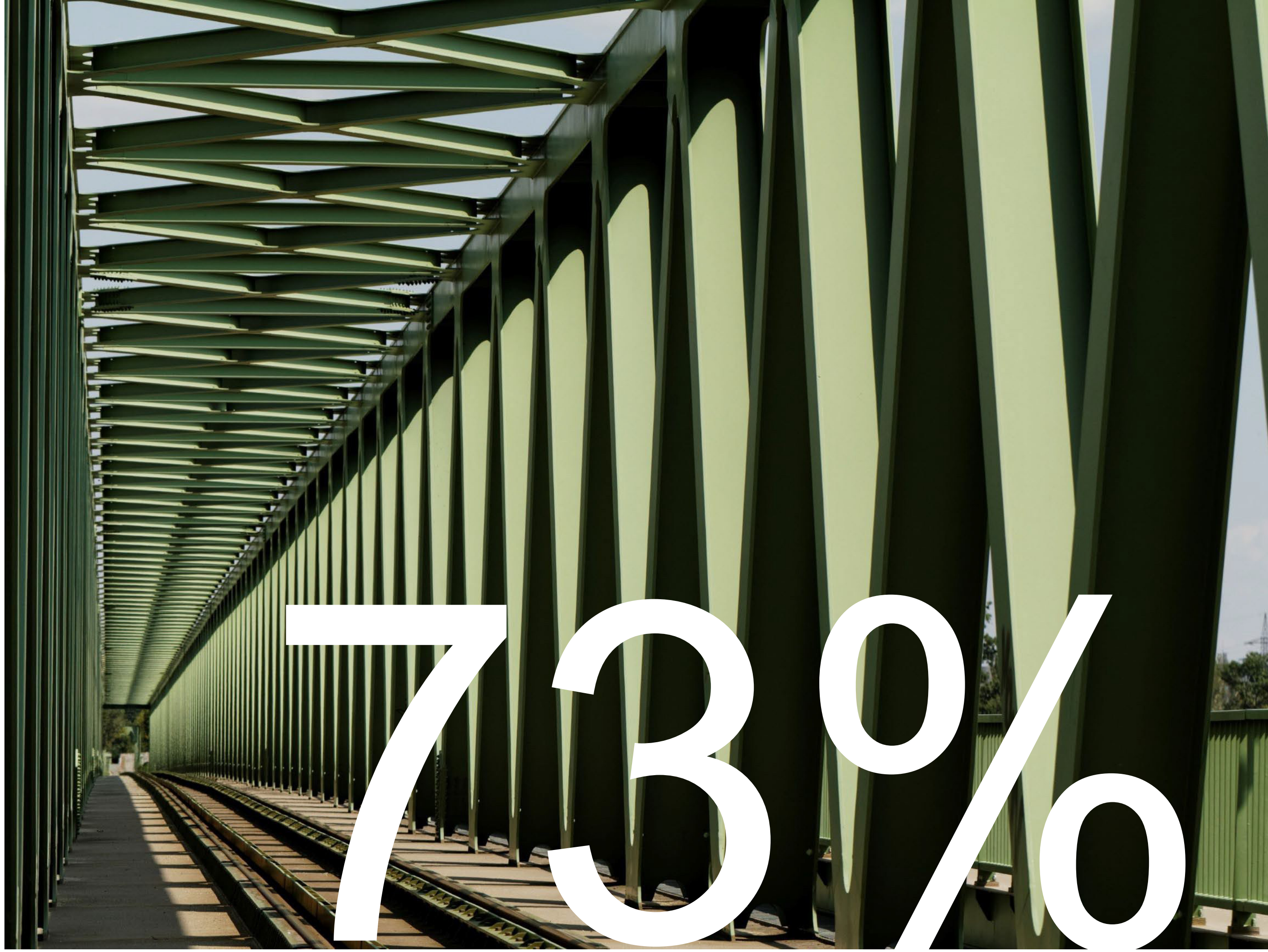
Investment takeaway

Focus on markets buoyed by policy support, long-term growth opportunities, or safe-haven potential

Is it time to reevaluate the US?

The US is still a core of many portfolios – but consider opportunities elsewhere too

- US growth remains robust despite the tax burdens and protectionist policies of Donald Trump
- AI is a powerful source of equity market growth, but index concentration and high valuations may require caution
- While technology stocks remain an essential part of portfolios, investors should be selective to mitigate the risks of any fallout
- Some investors may begin to reduce their US exposure if the US dollar continues to falter as a hedge against equity market downturns



US weighting in the major global equity market index[2]

Investment takeaway

It is more important than ever to look beyond US-dominated market indexes

2 Source: MSCI World Index, 31 October 2025
Past performance, or any prediction, projection or forecast, is not indicative of future performance.

USD of global assets under management expected in global private credit by 2030[3]

What are the key opportunities in private markets?

Private markets are no longer niche

- Secondaries will mature into a core allocation as investors look for new ways to realise profits and improve portfolios
- Funding the energy transition and digital infrastructure will create opportunities in infrastructure
- Private markets are becoming more accessible due to semi-liquid fund structures and regulations such as the European Long-Term Investment Fund (ELTIF) 2.0 in Europe
- As we move into 2026, private markets continue to drive long-term portfolio performance

Investment takeaway

Outperformance will depend on rigorous analysis, transparency and disciplined underwriting

3 Source: Private Markets in 2030, Preqin.
Past performance, or any prediction, projection or forecast, is not indicative of future performance.

What turning points could define 2026?

We asked our CIOs what they are watching

- A broadening of tech spend outside the US could sustain growth and usher in a truly global AI revolution
- Cautious banks could tighten overall lending if credit stress rises. Still, systemic risk appears contained thanks to banks' solid fundamentals
- Elevated single-security volatility and low correlations between securities could act as a catalyst for a sustained correction if market breadth narrows or macro shocks emerge
- Key event risks include US Supreme Court rulings on Federal Reserve Governor Lisa Cook's future and reciprocal tariffs, plus the US mid-terms elections in November 2026

USD of global IT spending predicted in 2026[5]

Investment takeaway

2026 may be more volatile, underlining the need for resilient sources of income

5 Source: Gartner, July 2024.
Past performance, or any prediction, projection or forecast, is not indicative of future performance.

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Outlook 2026: Navigate new pathways

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