

2026 Market Outlook

A year of normalisation and waning extremes



Overview

After several years defined by inflation shocks, aggressive rate hikes, trade wars, and sharp market swings, 2026 is shaping up to be a year of gradual normalisation. Inflation is expected to continue easing across most major economies after several years of price growth, allowing central banks to slowly move away from peak interest rates.

Indeed, central banks such as the Bank of England and the Federal Reserve have already shown an appetite to begin reducing interest rates through recent cuts.

However, as the recent dramatic speech by Fed Chair Jerome Powell demonstrated, policymakers are unlikely to introduce aggressive reductions for fear of reviving inflation, preferring a cautious and data-dependent approach.

This points to a macro environment characterised by moderate growth, fewer dramatic policy shifts, and a slower but more stable economic landscape.

Uneven growth and regional divergence

Global growth in 2026 is likely to remain generally positive but uneven. Despite labour markets cooling, the US economy is expected to continue expanding at a slower pace, supported by resilient consumers, modest but not negligible wage growth, substantial public and private investment, and strong corporate profitability.

Europe, on the other hand, is expected to remain constrained by structural challenges that limit its growth potential, including high energy costs, ageing demographics, cautious fiscal policy and weak productivity growth.

In Africa, a mixed economic picture is emerging. Large economies such as Nigeria, Egypt, South Africa and Ghana face the prospect of economic adjustments due to high debt burdens, currency pressures and elevated borrowing costs, while other nations such as Senegal, Côte d'Ivoire, Morocco and Tanzania look set to benefit from infrastructure investment, rising domestic demand and improving policy frameworks.

In Asia, many countries, particularly those connected to technology, semiconductors and advanced manufacturing supply chains, should continue to experience relatively strong economic development. Evidently, rather than collective global growth, 2026 is therefore more likely to be a year in which regional differences shape market outcomes.

AI investment, industrial policy and geopolitical friction shape markets

Artificial intelligence remains one of the most powerful structural forces in the global economy, but 2026 is likely to mark a transition from early-stage infrastructure buildout toward broader commercial and business deployment. Continued investment in data centres, cloud infrastructure and semiconductors will support capital spending and productivity growth, while companies increasingly begin embedding AI into core operations.

At the same time, geopolitical dynamics — including trade restrictions, industrial subsidies and strategic competition between major economies — are increasingly shaping supply chains and corporate investment decisions. While these forces create pockets of opportunity, they also introduce friction, volatility and policy-driven distortions that markets must continuously digest.

Portfolio Considerations for Investors

Focus on quality and pricing power

In a world of moderate growth and persistent cost pressures, companies with strong balance sheets, durable business models and the ability to pass on price increases are likely to thrive the most in 2026 and should be prioritised when constructing portfolios.

Investors should favour exposure to sectors characterized by growing market relevance and dominated by strong companies with competitive advantage, which are better able to absorb cash-flow pressures and market fluctuations.

Exposure to AI and technology remains important, as strong returns in AI-supported sectors are likely to continue; however, this exposure is best achieved through diversified vehicles such as ETFs, thematic funds, or well-balanced, actively managed geographic allocations, rather than reliance on individual companies whose outcomes may be overly dependent on future expectations.

Income and capital preservation regain importance

For investors who favour a more balanced portfolio, fixed income and dividend-paying assets play an integral role, providing income, diversification and stability. While their importance has increased relative to much of the past decade, their role should be considered within the context of individual risk profiles and overall portfolio objectives.

With interest rates remaining well above pre-pandemic levels, investors can now generate a meaningful portion of returns from bond yields alone rather than relying primarily on rising asset prices.

This represents a shift from the 2010s, when near-zero rates forced investors into higher-risk assets to achieve acceptable returns. High-quality government bonds, investment-grade corporate credit and dividend-paying equities now offer attractive income via the same diversified vehicles mentioned previously while also providing portfolio stability.

Over time, as policy rates gradually decline, investors may find opportunities to rotate excess cash into these income-generating assets without materially increasing risk.

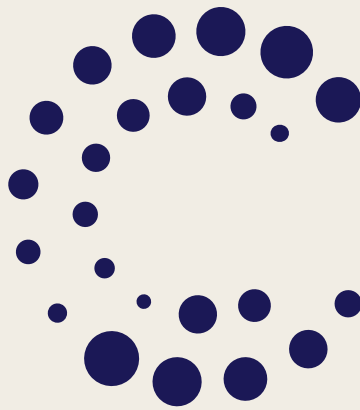
Diversification as a risk-management tool, not a return drag

The combination of regional divergence, technological disruption and geopolitical tensions argues against concentrated portfolio approaches.

Returns in 2026 are likely to be driven by a range of different assets at different times and in different markets, making diversification across regions, sectors and asset classes a sensible investment approach.

Investors may therefore look to build diversified exposure to growth areas such as AI infrastructure, energy and defence, alongside allocations to high-quality bonds and income-generating equities, with regions such as the US, Japan, Taiwan and South Korea representing particularly attractive opportunity sets.

Maintaining broad exposure, combined with periodic rebalancing, allows investors to participate in long-term growth while reducing dependence on any single theme or outcome.



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