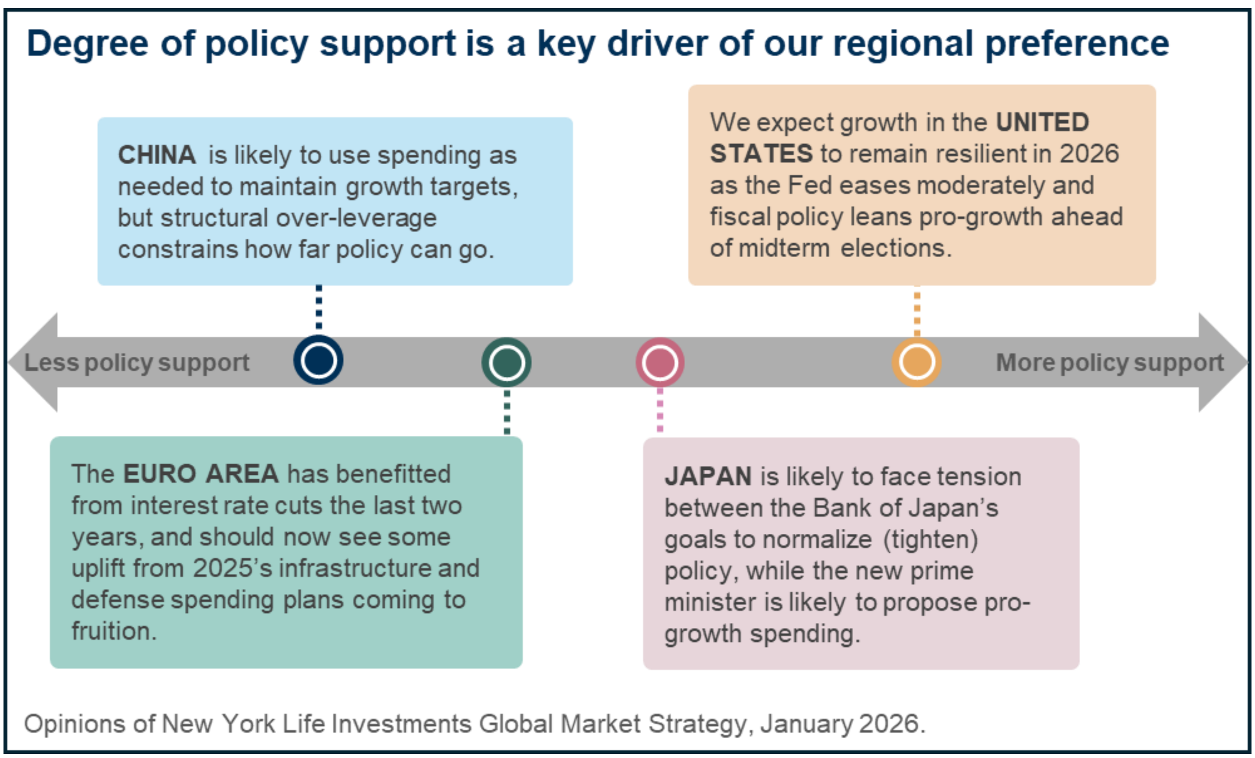
New York Life Investments'
Global Market Strategy team
Lauren Goodwin · Julia Hermann · Sarah Hirsch · Michael LoGalbo

## Macro Pulse for January 4: A refresher on our outlook for 2026

**Macro Pulse: Outlook for 2026** – and a 2-pager summary – are available on our homepage, as well as a podcast available here.

We have a constructive outlook for public and private capital markets in 2026. But when valuations are rich, market performance is narrow, and global policy shifts present steepening risks for sovereign curves globally, investors need to focus on the areas where they have highest conviction. As we kick off 2026, we'd like to offer a brief refresher of our top convictions for 2026.

**Policy support**. As the U.S., Europe, Japan, and many other countries get later in their economic and credit cycles, the degree of policy support becomes a critical determinant for the 2026 outlook *because it can extend the cycle*. While we expect neutral-to-supportive policy environments in Europe, Japan, and China, **we expect the U.S. to come out on top in extent of policy support** from both the Fed (modest further easing; targeted liquidity support) and pro-growth fiscal policy (from the One Big Beautiful Bill Act and an inclination to further support the economy if growth falters ahead of the midterms).




**Capital markets conditions**. We believe **U.S. capital markets conditions will remain constructive in 2026**, supported by policy – but primarily because we expect **AI to remain a concentrated driver** of loose capital markets conditions, with earnings growth driving a strong pace of capital expenditures. A resilient market backdrop should contribute to further **improvements in private markets activity**. We remain optimistic about private markets' resilience given strong credit quality, new sources of liquidity, and democratization of access.

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**Makeup of economic growth.** We expect policy support and loose capital markets conditions to enable a virtuous cycle of **strong corporate profitability**, **resilient employment conditions**, and **robust consumer spending**. Because consumer activity comprises about two thirds of GDP in the U.S., the influence of profitability on employment expectations, and in turn the influence of employment on consumer health, is a critical underpinning of our constructive view.

**Risks.** Of course, the crystal ball is often a little cloudy. Upside risks to inflation and downside risks to the labor market are always present. For 2026, we highlight that **the key trigger for a reacceleration of inflation has shifted** from tariffs to the cycle itself: the "soft landing" has not allowed inflation to have a hard landing.

We are also mindful of risks that land outside the "realm of normalcy": a loss of Fed independence, or overly stimulative fiscal policy ahead of the midterm elections. While neither is our base case, we believe these inflationary risks would be met with higher long rates.

For our in-depth base case view for 2026 and global risks, see our full outlook here.

### Portfolio strategy

**Diversification** and **quality** are two critically important portfolio construction approaches that have fallen by the wayside in the "lower for longer" era of the last 15 years. We believe both these themes are likely to pay next year as the credit cycle matures in the U.S., rewarding both disciplined selection and global diversification.

**Diversifying our allocation in 2026**

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|---|---|
| **AI and policy-driven uplift** | • Moderately risk-on across asset classes<br>• Closing underweights to small cap (now neutral)<br>• Maintaining large-cap U.S. tech exposure (neutral to a market-weight benchmark)<br>• Bull steepener effect prominent in Treasuries, barring long rates risks (in which case we'd expect a bear steepener)<br>• Expect rangebound dollar |
| **Global transitions are costly** | • Inflation is sticky; reacceleration would be a policy "brake"<br>• Building commodity satellites (gold, precious metals industrial metals) sourced from equity sleeves<br>• Slightly hawkish in our U.S. Fed view |
| **New deployments used to diversify** | • Using new cash to balance overall exposure, bringing underweights in value, ex-U.S. exposure, and small cap back to neutral<br>• Junk may outperform in brief moments: look past this and stay in quality<br>• For qualified investors, using resilient mid-market private credit and equity |

Opinions of New York Life Investments Global Market Strategy, January 2026.

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