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Ten Investment Themes Shaping 2026: CIO Perspective

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As investors enter 2026, markets are transitioning from a volatile but constructive 2025 into a phase of normalization and recalibration. Economic momentum has moderated, inflation is easing gradually, and central banks are adjusting policy cautiously. In this environment, returns are likely to depend less on broad beta exposure and more on thoughtful positioning, discipline, and selectivity. These ten themes frame our outlook for the year ahead.

1. Slower, Durable Global Growth

Global growth is expected to cool without tipping into contraction. The U.S. remains resilient, supported by solid corporate fundamentals and bifurcated consumers. China continues its structural adjustment, while Europe and parts of Asia remain soft but likely to avoid recession. Investors should favor business models that compound steadily—via cash flows, pricing power, and disciplined capital allocation—as growth slows.

2. Diverging Central Bank Paths

Monetary policy is increasingly differentiated across regions. The Fed appears poised for measured rate cuts, the ECB is likely to hold steady, and the BOJ is expected to raise rates, ending ultra-low rates. The unwinding of the yen “carry trade” (borrowing yen to buy higher-yielding assets) may boost volatility and create opportunities in fixed-income and macro-strategies.

3. Regulation and Fiscal Policy Tailwinds

The “One Big Beautiful Bill” reinforces incentives for domestic investment, capital formation, and productivity-enhancing spending. Provisions supporting immediate expensing, investment credits, and tax certainty may accelerate activity in AI, infrastructure, manufacturing, and R&D. While benefits will be uneven, the backdrop improves earnings visibility for U.S. companies aligned with national priorities.

4. Geopolitics and the New Trade Landscape

Geopolitical risk remains elevated. The Russia–Ukraine conflict continues to shape energy and defense priorities, while China tensions with the U.S. and Japan complicate trade and capital flows. U.S.–Venezuela relations introduce further uncertainty. These forces reinforce trade fragmentation, regionalization, and supply-chain resilience. Diversification, liquidity, and limited concentrations remain essential.

5. Fixed Income: Stabilizing Returns in a Mature Cycle

As U.S. inflation cools and growth stabilizes, Fed easing should guide short-term yields lower. Long-term rates face offsetting pressures from Treasury issuance. Credit spreads may widen modestly, but fundamentals remain sound. Intermediate Treasuries, high-quality corporates, and municipal bonds offer attractive income without excessive risk.

6. AI at the Core: Driving Capital Expenditure

Capital spending remains elevated, driven by AI infrastructure, automation, and supply-chain redesign. Beneficiaries include semiconductors, cloud infrastructure, industrial software, networking, power, and logistics providers. This represents a multi-year cycle, rather than a one-off surge.

7. Opportunity Beyond Mega-Cap Tech

AI-driven investment spills into industrials, utilities, and financials. Aerospace and defense, homebuilding, water infrastructure, and select consumer segments offer durable growth. Valuation dispersion favors active management, while non-U.S. equities—supported by reasonable valuations and a softer dollar—remain a key diversifier.



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8. Alternatives Play a Larger Role

Private equity remains attractive, particularly for operationally focused strategies. Private credit requires selectivity amid tighter spreads and underwriting risk. Infrastructure, commodities, and hedge funds provide diversification, inflation-linked cash flows, and exposure to macro volatility.

9. A New World of Blockchain and Digital Infrastructure

Blockchain is moving from speculation toward infrastructure, with tokenization, stablecoin payments, and settlement efficiency gaining traction. Selective exposure across platforms, infrastructure, and real-world applications can enhance diversification, with measured allocations and regulatory awareness.

10. Portfolio Construction Favors Balance

The theme for 2026 is balance—across growth, defensive and real assets, public and private markets, and global exposures. In a slower-growth, geopolitically complex environment, disciplined diversification and selective risk-taking remain the foundation of portfolio strategy.

Jasmine Yu, PhD, CFA®, Chief Investment Officer, is responsible for investment policies, asset allocation, investment solutions, and portfolio management.

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