

## Executive summary: Global Insight 2026 Outlook

The Global Portfolio Advisory Committee

The future is here ... and gathering speed. We share key insights from our Global Insight 2026 Outlook, highlighting the forces likely to shape financial markets as well as potential investment opportunities for the year ahead and beyond. Links to the full articles are provided.

### Quarter-century crossroads

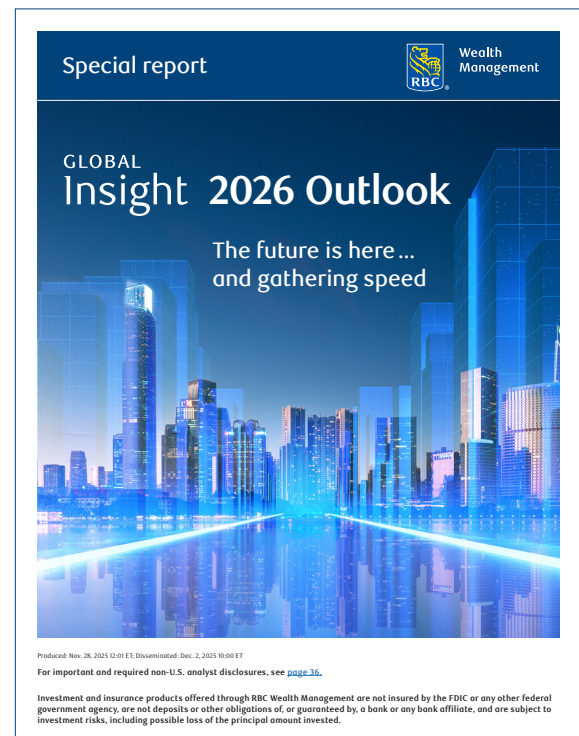
As macro themes that endure for decades arguably matter the most to financial markets, Eric Lascelles, chief economist at RBC Global Asset Management Inc., ponders what is in store for the second quarter of the century. He believes that some long-standing themes will likely recur, some relatively new themes may persist, and new themes may emerge.

#### Continuation of longstanding themes:

- **China** should still be able to generate remarkable, if somewhat slower, economic growth;
- **The global middle class** should continue to grow, as emerging economies rise;
- **Demographic challenges** are set to intensify with fertility rates continuing to drop and longevity rising; and
- **The tech sector** looks capable of remaining at the center of economic growth.

#### Recent themes that may persist:

- The relatively recent **pivot from a U.S.-led Western hegemonic world** order to a multipolar world framework wherein multiple countries play leadership roles;



The Global Insight 2026 Outlook is available [on the web](#) and in [PDF format](#).

For perspectives on the week from our regional analysts, please see [pages 4–5](#).

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For important disclosures, required non-U.S. analyst disclosures, and authors' contact information, see [page 7](#).

Priced (in USD) as of 12/17/25 market close (unless otherwise stated). Produced: 12/18/25, 14:48 ET; Disseminated: 12/18/25, 15:00 ET

- **The shift from a rules-based to a power-based global order**, in which stronger countries are less inclined to respect international norms, could raise the risk of conflict and points to higher military spending ahead;
- **Artificial intelligence** is likely to remain a central theme for decades;
- **The fading of the political will to act against climate change** may continue even as the visible effects of it, including migration from most affected countries, become more visible;
- **Deglobalization** will likely continue—perhaps at a somewhat less frenetic pace than recently; and
- **The bond market** may remain more alert to fiscal excesses, leading to a relatively steep yield curve.

#### Emergent themes:

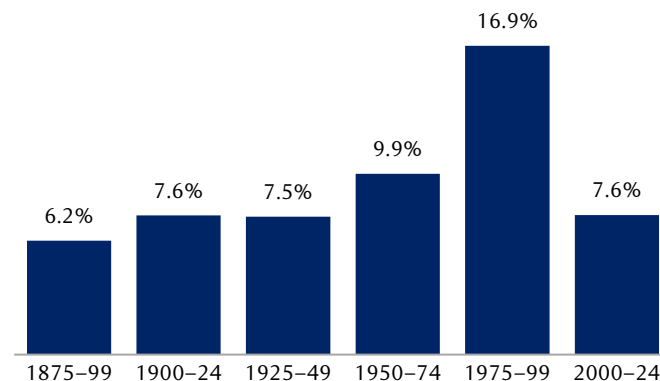
- **The U.S.'s economic growth advantage** could erode as immigration declines and other public policy decisions undermine some fraction of long-term growth. As a result, the clout of the U.S. dollar and the Treasury market could decline somewhat over time;
- **Productivity should grow faster** thanks to a confluence of exciting and potentially revolutionary technologies including AI applications in robotics and sensors, health care innovations, and beyond;
- **Oil demand could peak** around 2029–2034, though oil prices will continue to be determined by the interplay between demand and supply;
- **India and Southeast Asian nations could become increasingly influential** in the global economy given their large populations and rapid growth; and
- **The stock market could generate more modest returns** given limits to how much further valuations and profit margins can rise from current levels.

#### Global equities: More but less

We think “positive” rather than “above average” is the outcome to plan for. The “positive returns” outcome depends on the major economies, especially the U.S., avoiding recession and the current consensus forecast for GDP, earnings growth, inflation, and interest rates to be close to consensus forecasts.

The conditions necessary for the S&P 500 to deliver mid-single-digit returns plus dividends in 2026 are likely to occur, in our view. These include some slight further moderation in inflation allowing another cut or two from the Fed, leaving S&P 500 earnings close to the 2026 consensus estimate of \$310 per share. Resilient business and consumer confidence, the lagged effect of monetary easing, and tax-friendly policies should all help boost U.S. GDP and earnings growth.

#### S&P 500 total annualized return



Total return estimated using price index levels from Bloomberg and Robert J. Shiller's data and dividend yield data from Bloomberg and Multpl.com.

For additional insights on macro trends and market performance, please consult the Global Insight 2026 Outlook articles [Quarter-century crossroads](#) and [More but less](#).

Source - RBC Global Asset Management, Robert J. Shiller, Bloomberg, Multpl.com

AI is also very important to U.S. GDP growth expectations because of the dramatic size of big developers' capital spending. Though AI capex will continue to be sizeable, its *growth* will likely slow in 2026, and spending could ultimately run into power-generation constraints.

Outside of the U.S., most developed economies are running stimulative monetary and fiscal policies. Governments are increasing defense spending and central banks are cutting interest rates. They are also faced with many similar challenges, including anemic GDP growth, trade uncertainties, mounting fiscal debt burdens, and fraught politics.

The S&P 500 and large-cap indexes in Canada, Europe, and Japan are all trading at price-to-earnings multiples above their long-term averages. Delivering above-average equity market gains from here would require an unusual confluence of market-friendly economic, inflation, and interest rate conditions. Overall, the conditions necessary for global large-cap indexes to deliver mid-single-digit returns plus dividends in 2026 are much less demanding and more likely to occur.

Portfolios should be invested up to but not beyond a predetermined long-term equity exposure with a plan for becoming more defensive if called for. We would hold Market Weight positions in equities overall.

For our perspectives on regional equity and fixed income markets in 2026, see page 3.

## Global Insight 2026 Outlook: Regional perspectives

### United States

For the equities bull market to persist, we think the economy and corporate profits have to keep growing at healthy clips; the focus of the AI cycle needs to shift to AI applications' productivity and financial benefits accruing outside of the tech sector; and the market turbulence that often accompanies midterm election years will need to be avoided.

Overall S&P 500 profit growth will likely still be heavily impacted by the technology sector given its large share of the market's value. Questions about an AI bubble will likely linger, but for now we see yellow warning signs rather than a full-blown bubble.

The stock market's elevated valuations, though a concern, may be sustainable so long as economic and/or earnings growth do not buckle. We favor dividend growth stocks and the Health Care sector.

Fixed income yields remain historically attractive, but we see scope for modestly higher long-term yields, with core inflation likely to exceed 3.0 percent even as the unemployment rate is projected to rise modestly to 4.6 percent. This would put downward pressure on bond prices and, therefore, total returns.

Credit markets remain historically rich, and we anticipate greater bond supply, largely from tech firms, to weigh on overall performance.

### Canada

The recent federal budget in which the government proposed CA\$280 billion in increased spending and capital investments over five years could provide a further tailwind to the S&P/TSX. We continue to endorse businesses with robust balance sheets, sustainable-to-growing earnings profiles, and proven management teams with a track record of enduring market volatility.

Bank of Canada Governor Tiff Macklem has signaled that the central bank has likely ended easing monetary policy for now. A steeper yield curve, as long-term bond yields have edged higher on deficit concerns, argues for adding duration in portfolios. Higher starting yields for long-term bonds help offset the risk of further steepening.

### United Kingdom

UK equities could continue to perform well as valuations are attractive. We still favor the Financials sector, given the propensity for a high level of shareholder returns. Should the Bank of England loosen monetary policy more than markets currently expect, interest-rate-sensitive industries, such as housing, could outperform.

With lowered fiscal risks following the recent tax-raising budget and looser monetary policy, Gilts could potentially outperform, in our view. Treasury's bond issuance is likely past its peak and is being skewed away from long-dated Gilts due to lower pension funds demand.

### Europe

Economic growth should pick up somewhat in the region in 2026 thanks largely to Germany's increased infrastructure investment and defense spending. The valuation of the STOXX Europe 600 ex UK Index—our preferred proxy for eurozone equities—is slightly above its long-term average, which is warranted, in our view, given the region's improved medium-term growth outlook.

We continue to prefer sectors likely to benefit from fiscal stimulus, such as select Industrials, Materials, and banks.

With increased overall bond supply and our expectation that yields will trend higher in 2026, especially in Germany, we are cautious on European sovereign bonds.

### Asia-Pacific

The Chinese government continues to prioritize technology development, with a focus on high-end manufacturing while domestic companies should continue to benefit from the global AI spending boom, as they supply many key components. The one-year trade truce reached between China and the U.S. should support the Chinese economy and equity market sentiment in 2026.

Japan's new prime minister has announced measures to counter inflation, accelerated the timeline for defense spending increases, unveiled growth strategies for cutting-edge industries, and strengthened the U.S.-Japan alliance. Overall, we view these measures as sufficient to help counter inflation and boost sluggish middle-class consumption.

For more details on these views, please have a look at RBC's Global Insight 2026 Outlook [on the web](#) or in [PDF format](#).

PDF includes forecasts for commodities and currencies.

## UNITED STATES

Michael Roedl – Minneapolis

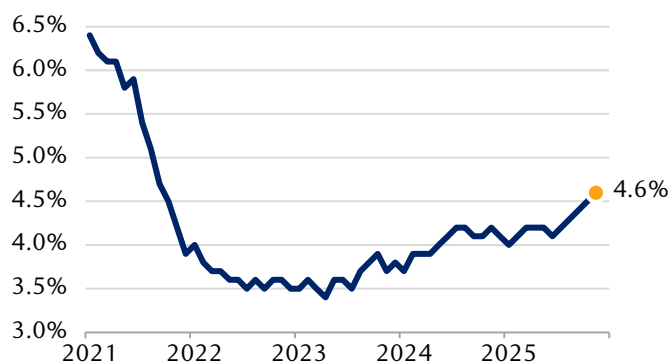
■ Economic data released on Tuesday by the Bureau of Labor Statistics (BLS) revealed **more evidence of a cooling labor market as the U.S. unemployment rate continued its upward climb in November**, increasing to 4.6% from 4.4% in September (due to the government shutdown, no unemployment rate was released for October). However, despite unemployment being the highest in over four years, the increase was partially due to a pickup in labor force participation, a preferable alternative to full-scale layoffs. On the hiring front, while nonfarm payrolls in October showed the largest drop since late 2020 (delayed job tallies were released Tuesday), data was distorted by deferred resignations from federal job cuts, which officially dropped off payrolls data in October. Thus, we believe the nonfarm payrolls data from November is a more accurate depiction of the U.S. labor market, where payrolls increased by 65,000 compared to the Bloomberg consensus of economists that called for a gain of 50,000. **Although Federal Reserve policymakers remain slightly biased toward more rate cuts, certain aspects of Tuesday's jobs report were positive, in our view, perhaps allowing the Fed to take a wait-and-see approach as we enter the new year.**

■ **U.S. retail sales in October were little changed from September after a strong pullback in auto sales was offset by strengthened spending in other categories**, according to a separate Commerce Department report from earlier in the week. Although motor vehicle sales fell 1.6% m/m—likely held down by the expiration of federal tax incentives on electric vehicles—eight of the 13 retail categories posted increases, including a strong advance by department stores and online vendors.

■ **November's U.S. inflation data showed prices increasing at the slowest annual pace since early 2021**, a significant improvement following months of persistent price pressures. The Consumer Price Index (CPI) climbed 2.7% from a year ago, while core CPI, which excludes food and energy prices, rose 2.6%. While the report offers hope that inflation may be on a downward trajectory, **Fed Chair**

## U.S. unemployment continues to march higher

Monthly unemployment rate through November 2025



Source - RBC Wealth Management, Bloomberg

Jerome Powell said last week that the CPI report “may be distorted” due to the government shutdown. Nonetheless, though equity and bond prices rallied after the report’s release, federal funds futures, which track the probability of changes in the federal funds rate, slightly moderated as policymakers remain divided on the course for interest rates in 2026.

## CANADA

David Iacono, CFA &amp; Shizhe Zhong – Toronto

■ **Canadian headline inflation remained unchanged at 2.2% y/y in November, slightly below consensus expectations.** The Bank of Canada’s (BoC) preferred core inflation measures—median and trimmed-mean CPI growth—also showed signs of easing, both coming in at 2.8% y/y, below consensus expectations. The slowdown in core inflation measures broadly reflected easing price increases for services, including rent, travel tours, and accommodation. However, upward pressures remained in key areas, most notably groceries, which surged 4.7% y/y—the largest annual increase since December 2023. According to RBC Economics, roughly 54% of CPI components demonstrated annualized three-month inflation rates exceeding 3%, up from 50% in October. November CPI data remained consistent with RBC Economics’ baseline forecast that the BoC has finished its monetary policy easing cycle and will keep rates steady for the foreseeable future, with a potential hiking cycle beginning in Q1 2027.

■ **BoC Governor Tiff Macklem said the central bank is preparing for its 2026 monetary policy framework review.** Speaking Tuesday in Montreal at his year-end address, Macklem said the BoC does not plan to reconsider its 2% inflation target but acknowledged that shifting global conditions are increasing policymaking complexity. Macklem also addressed the recent acceleration in food price increases, noting that grocery inflation climbed to a nearly two-year high of 4.7% y/y in November. He highlighted several factors driving this increase—notably U.S. coffee tariffs, adverse weather, and weak harvests—that are expected to ease in the coming months. Beyond monetary policy, Macklem also discussed the BoC’s expanding regulatory mandate, including oversight of stablecoins, open banking, and real-time payments. He said stablecoins should maintain a one-to-one peg with a central bank currency and be backed by high-quality liquid assets.

## EUROPE

Frédérique Carrier &amp; Rufaro Chiriseri, CFA – London

■ **The Bank of England (BoE) delivered a 25 basis point (bps) interest rate cut to reach 3.75%—in line with the market and our expectations.** Inflation “is now expected to fall back towards target more quickly in the near term” and inflation risks are “somewhat less pronounced,”



according to the BoE's Monetary Policy Committee statement. Yet division within the committee remained. The hawkish cohort is concerned about anchored inflation expectations and a stall in wage disinflation next year, according to recent business surveys. While "judgements around further policy easing will become a closer call," as the committee put it, we continue to expect a rate cut in Q1 2026.

■ **UK unemployment rose to 5.1% in October from 5.0% in September**—the highest in five years. Private sector wage growth surprised to the downside and decelerated to 3.8% from 4.2%. UK headline and services CPI inflation also surprised to the downside, falling to 3.2% and 4.4% y/y, respectively.

■ **The European Central Bank (ECB) held its key interest rate at 2%**, as widely expected. The ECB's December staff forecasts compared to September showed upward revisions to 2025–2027 GDP growth estimates that were driven by domestic demand, especially in the private sector. Inflation was characterised as "more uncertain than usual" as wages have surprised to the upside; therefore, a high bar for further policy easing remains. We expect no cuts in 2026.

■ **European Commission President Ursula von der Leyen is set to travel to Brazil on Dec. 20 to sign a trade deal with Mercosur countries** (Argentina, Brazil, Paraguay, and Uruguay); however, proceeding with the deal requires final approval of all EU member states, which she has yet to secure at the time of writing. Negotiated over 25 years, the deal would open markets for the EU's industrial products, including cars, and provide access to critical minerals, hence reducing the EU's current reliance on China. For Mercosur countries, the opportunity is exporting agricultural products to the EU.

■ **European farmers—particularly in France, Italy, and Poland—oppose the deal, despite the European trade committee recently adding protective safeguards** in case less expensive South American imports affect their income. Farmers argue South America has looser environmental and animal-welfare rules and that Brussels' support measures are insufficient. Further delays could risk Mercosur countries losing patience and walking away from the deal, in our view. For the EU, failure to sign the deal would widely be seen as a failure to diversify its exports away from the U.S. and its tariffs. It could also jeopardise the other EU trade deals currently being negotiated with India and Malaysia.

## ASIA-PACIFIC

Belmen Woo – Singapore

■ **In China, sentiment in the property sector soured again on the back of weak November data.** New home prices dropped 0.39% m/m, real estate investment fell 30% y/y, and new home sales contracted 28% y/y. In an unexpected turn of events, partially state-owned property

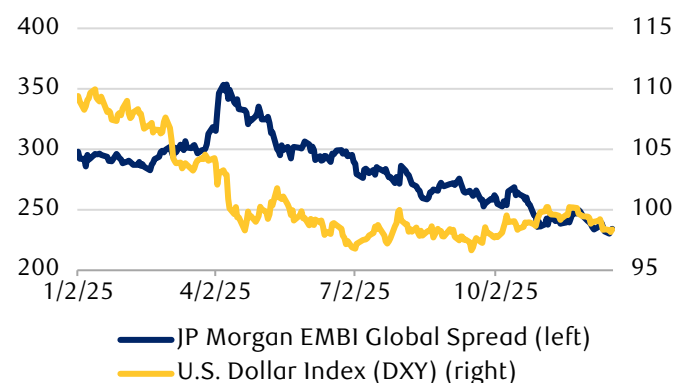
developer China Vanke failed to secure bondholder approval to extend its RMB 2 billion onshore bond payment that was due on Dec. 15. Rising default risks are increasing pressure on policymakers to step up efforts to stabilize the ailing housing market.

■ **The focus in Japan is on Friday's Bank of Japan (BoJ) monetary policy meeting** at which the central bank is widely expected by market participants to raise its benchmark rate by 25 basis points (bps) to 0.75%, the highest level in three decades. However, investors are likely to scrutinize BoJ Governor Kazuo Ueda's guidance for the future rate path. While a rate hike usually helps strengthen the currency, investors have been pricing in dovish messaging as there is still uncertainty about how Prime Minister Sanae Takaichi's pro-stimulus government could combat rising inflation and stimulate economic growth. The yen appreciated as much as 0.92% to 154.40 against the U.S. dollar midweek before paring most of the gains and moving back to 155.92 as of the time of this writing. RBC Capital Markets expects the yen to strengthen to 147 by Q4 2026.

■ **In fixed income markets, the continued weakening of the U.S. dollar has shined a spotlight on U.S. dollar-denominated emerging market (EM) bonds.** A depreciating dollar tends to act as a tailwind for EM fixed income assets as EM borrowers of dollar debt (companies and countries alike) experience a windfall on their balance sheets as the cost of servicing debt drops, potentially stimulating both corporate and economic growth. The JP Morgan EMBI Global Spread Index, used to track the performance of global USD emerging bonds, has had strong year-to-date performance, tightening about 62 bps in credit-spread terms (21% return). With dollar weakening likely to persist due to U.S. labor market uncertainty and easing monetary policy, we believe EM fixed income assets are positioned to continue performing well in 2026 on the back of robust economic growth, solid fundamentals, and increasing capital inflows.

## Emerging market credit spreads rally on USD weakness

JP Morgan EMBI Global Spread vs. U.S. Dollar Index (DXY)



The EMBI Global Spread measures the difference (spread) in yield between U.S. dollar-denominated emerging market sovereign bonds and comparable U.S. Treasuries. When this index moves down (the spread tightens), this is positive for performance.

Source - RBC Wealth Management, Bloomberg; data through 12/17/25

## MARKET Scorecard

Equity returns do not include dividends, except for the Brazilian Ibovespa. Bond yields in local currencies. Copper Index data and U.S. fixed income returns as of Tuesday's close. Dollar Index measures USD vs. six major currencies. Currency rates reflect market convention (CAD/USD is the exception). Currency returns quoted in terms of the first currency in each pairing.

Examples of how to interpret currency data: CAD/USD 0.72 means 1 Canadian dollar will buy 0.72 U.S. dollar. CAD/USD 4.3% return means the Canadian dollar has risen 4.3% vs. the U.S. dollar year to date. USD/JPY 155.70 means 1 U.S. dollar will buy 155.70 yen. USD/JPY -1.0% return means the U.S. dollar has fallen 1.0% vs. the yen year to date.

Source - Bloomberg; data as of 12/17/25

Equities (local currency)	Level	MTD	YTD	1 yr	2 yr
S&P 500	6,721.43	-1.9%	14.3%	11.1%	42.4%
Dow Industrials (DJIA)	47,885.97	0.4%	12.6%	10.2%	28.4%
Nasdaq	22,693.32	-2.9%	17.5%	12.9%	53.2%
Russell 2000	2,492.30	-0.3%	11.8%	6.8%	25.5%
S&P/TSX Comp	31,250.02	-0.4%	26.4%	24.4%	52.2%
FTSE All-Share	5,266.90	0.5%	17.9%	17.7%	27.1%
STOXX Europe 600	579.79	0.6%	14.2%	12.9%	21.6%
EURO STOXX 50	5,681.67	0.2%	16.0%	15.0%	24.9%
Hang Seng	25,468.78	-1.5%	27.0%	29.3%	51.7%
Shanghai Comp	3,870.28	-0.5%	15.5%	15.1%	31.5%
Nikkei 225	49,512.28	-1.5%	24.1%	25.8%	50.2%
India Sensex	84,559.65	-1.3%	8.2%	4.8%	18.3%
Singapore Straits Times	4,575.48	1.1%	20.8%	20.4%	46.8%
Brazil Ibovespa	157,327.26	-1.1%	30.8%	26.2%	20.8%
Mexican Bolsa IPC	62,528.06	-1.7%	26.3%	24.0%	9.4%
Gov't bonds (bps change)	Yield	MTD	YTD	1 yr	2 yr
U.S. 10-Yr Treasury	4.151%	13.8	-41.8	-24.8	24.0
Canada 10-Yr	3.426%	27.8	20.1	28.4	30.6
UK 10-Yr	4.475%	3.5	-9.3	-4.9	78.8
Germany 10-Yr	2.864%	17.5	49.7	63.4	84.8
Fixed income (returns)	Yield	MTD	YTD	1 yr	2 yr
U.S. Aggregate	4.33%	-0.4%	7.1%	6.2%	9.1%
U.S. Investment-Grade Corp	4.84%	-0.5%	7.4%	6.2%	10.2%
U.S. High-Yield Corp	6.70%	0.0%	8.0%	7.5%	18.1%
Commodities (USD)	Price	MTD	YTD	1 yr	2 yr
Gold (spot \$/oz)	4,342.04	2.4%	65.4%	64.0%	115.0%
Silver (spot \$/oz)	66.33	17.4%	129.5%	117.2%	178.0%
Copper (\$/metric ton)	11,582.48	3.1%	33.9%	30.6%	37.0%
Oil (WTI spot \$/bbl)	56.85	-2.9%	-20.7%	-18.9%	-20.4%
Oil (Brent spot \$/bbl)	60.58	-4.1%	-18.8%	-17.2%	-20.9%
Natural Gas (\$/mmBtu)	4.11	-15.3%	13.0%	24.2%	64.9%
Currencies	Rate	MTD	YTD	1 yr	2 yr
U.S. Dollar Index	98.3900	-1.1%	-9.3%	-8.0%	-4.1%
CAD/USD	0.7253	1.4%	4.3%	3.8%	-3.0%
USD/CAD	1.3788	-1.4%	-4.1%	-3.6%	3.0%
EUR/USD	1.1741	1.2%	13.4%	11.9%	7.8%
GBP/USD	1.3377	1.1%	6.9%	5.2%	5.5%
AUD/USD	0.6606	0.9%	6.8%	4.2%	-1.4%
USD/JPY	155.7000	-0.3%	-1.0%	1.5%	9.5%
EUR/JPY	182.8000	0.9%	12.3%	13.5%	18.0%
EUR/GBP	0.8777	0.1%	6.1%	6.3%	2.1%
EUR/CHF	0.9343	0.2%	-0.6%	-0.2%	-1.5%
USD/SGD	1.2913	-0.4%	-5.4%	-4.3%	-3.1%
USD/CNY	7.0440	-0.4%	-3.5%	-3.3%	-1.1%
USD/MXN	18.0059	-1.6%	-13.5%	-10.8%	4.6%
USD/BRL	5.5145	3.4%	-10.7%	-9.8%	11.5%

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As of September 30, 2025

Rating	Count	Percent	Investment Banking Services Provided During Past 12 Months	
			Count	Percent
Buy [Outperform]	862	59.24	277	32.13
Hold [Sector Perform]	552	37.94	140	25.36
Sell [Underperform]	41	2.82	5	12.20

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