



Macro Pulse for November 30: Outlook for 2026

We're pleased to launch our latest **Macro Pulse: Outlook for 2026!** The outlook is [available on our homepage](#), and we will publish a summary podcast that will be available [here](#).

As we've developed this outlook, we've observed a central point of tension in macro activity and market behavior: many investors feel good about the current state of the markets, but are wary of when conditions will turn. This sentiment is globally pervasive:

- The Fed is easing for now, but could inflation reaccelerate? What might happen if the Fed loses independence?
- U.S. fiscal spending is supporting activity, but when will the buck stop on federal debt?
- The AI boom has supported portfolios across asset classes, but will the thesis break – and when?
- Corporate profitability is holding up well, but what happens if it slips? Will companies turn to layoffs the moment margin pressures kick in?
- Global investors are maintaining overweight positions to the U.S., but will there be another wave of dollar hedging?

On the surface, these concerns make the market setup for 2026 feel tenuous. But when we focus on the fundamentals, we have a **high-conviction, constructive base case** for the coming 12 months built on the following drivers:

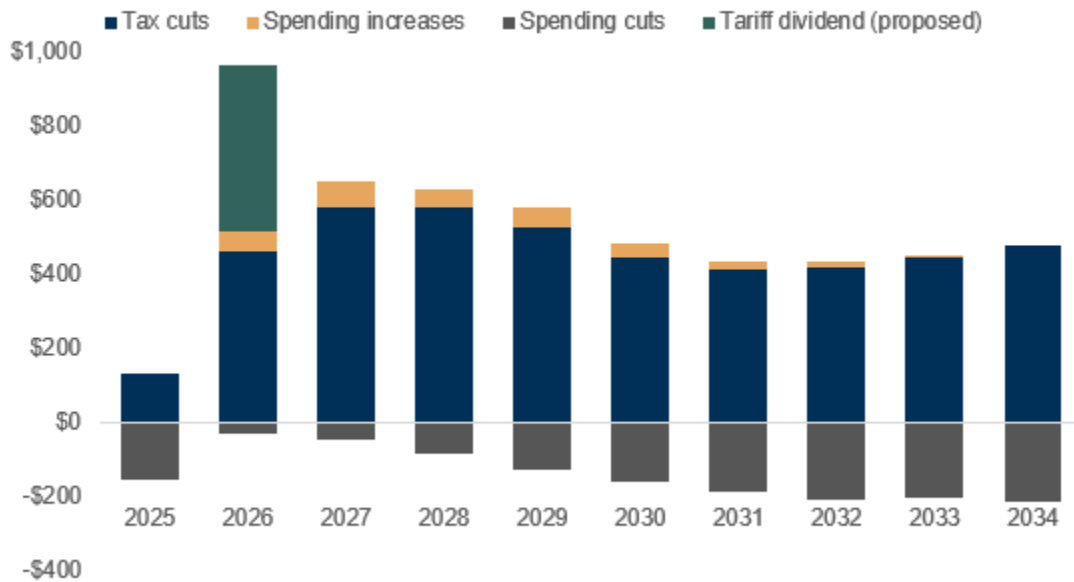
We believe **U.S. capital markets conditions will remain constructive in 2026**, supported by **modest Fed easing, targeted liquidity support**, and a **pro-growth fiscal policy** backdrop ahead of the U.S. midterm elections. We expect these factors to enable a virtuous cycle of **strong corporate profitability, resilient employment conditions**, and **robust consumer spending**.

We expect **AI to remain a concentrated driver** of loose capital markets conditions, with earnings growth driving a strong pace of capital expenditures.

Globally, we anticipate neutral-to-supportive policy environments in Europe, Japan, and China. Though we expect **U.S. assets to remain dominant** – and even overweight – in global portfolios, a shifting geopolitical backdrop is likely to support regional and asset class diversification.

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.

With tax cuts from the One Big Beautiful Bill Act and proposed tariff dividends, fiscal stimulus in 2026 could reach close to \$1 trillion



Sources: New York Life Investments Global Market Strategy, Congressional Budget Office, Joint Committee on Taxation, Yale Budget Lab, November 2025. The tariff dividend is the \$2,000 stimulus proposed by President Trump for households earning less than \$100,000 per year.

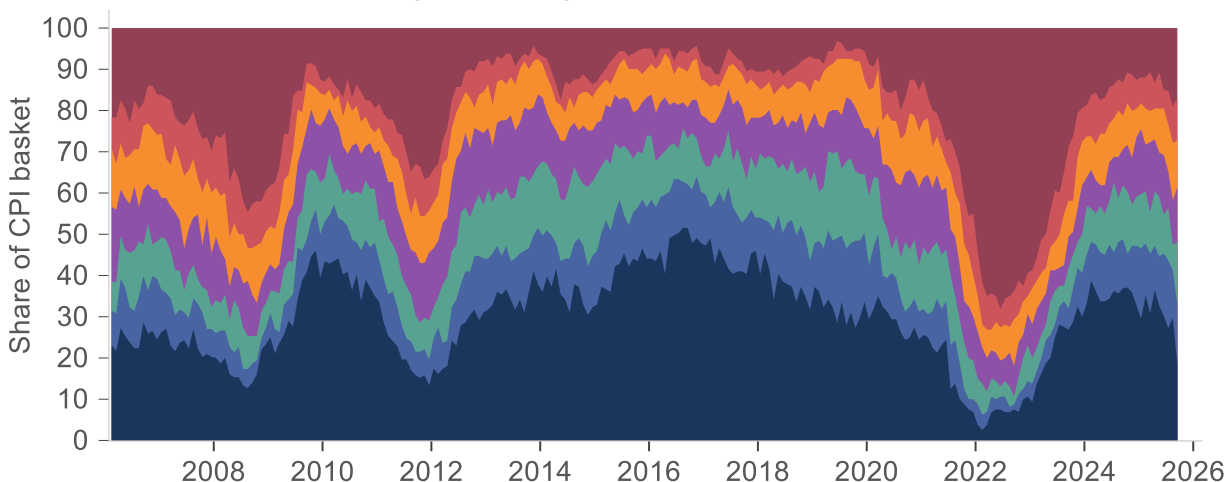
Of course, we could be wrong about any – or all – of the components of our base case. **The primary risk we see to markets in 2026 is cyclical economic overheating, driving a reacceleration in inflation** that could derail our expectations for a supportive policy environment. We were rightly mindful of upside inflation risks in 2025, but our view has shifted away from tariffs as the primary trigger. We now see the most likely inflationary driver as the cycle itself, in which policy support meets an already above-trend pace of economic growth.

For our in-depth base case view for 2026, see our [full outlook here](#).

A greater share of goods are now seeing prices reaccelerate

Distribution of price changes in the CPI basket

■ Share of CPI basket components rising over 5% annually ■ 4-5% ■ 3-4% ■ 2-3%
■ 1-2 percent ■ 0-1% ■ Unchanged or falling



Sources: New York Life Investments Global Market Strategy, U.S. Bureau of Labor Statistics (BLS), U.S. Bureau of Economic Analysis (BEA), Macrobond, November 2025.

Portfolio strategy

Our constructive base case acknowledges that macro risks are likely to build, but not break, in 2026. Accordingly, we are focusing on diversification and quality this year.

Diversification has always mattered theoretically, but the last 15 years of “lower for longer” interest rates and stable U.S. outperformance have driven a visible shift in portfolio construction: portfolios have shifted more to equity, more to U.S. assets, and even more towards unhedged exposures. In 2026, we expect investors to continue recalibrating: rebalancing regional allocations, currency exposure, and inflation hedges.

Similarly, **quality** has not consistently paid over the last 15 years as “lower for longer” encouraged and rewarded excessive risk-taking. But as the U.S. credit cycle matures, we expect conditions to shift in favor of credit discipline and selectivity.

Accordingly, we’ve made the following shifts in allocation:

- Staying invested in large cap equities (market-weight neutral)
- Upgrading small cap exposure from underweight to neutral, focused on quality names benefiting from AI and policy tailwinds
- For new equity deployments, diversifying equity exposure into (1) financials, (2) materials and digital infrastructure tied to the AI theme, (3) high quality small caps, and (4) developed ex-U.S. equity
- Balancing short duration credit exposure (IG/HY/muni) with longer duration in munis
- Within a core bond allocation, favoring structured credit. Within credit, maintaining an underweight position to floating rate bank loans.

**Diversifying our allocation in 2026****AI and policy-driven uplift**

- Moderately risk-on across asset classes
- Closing underweights to small cap (now neutral)
- Maintaining large-cap U.S. tech exposure (neutral to a market-weight benchmark)
- Bull steepener effect prominent in Treasuries, barring long rates risks (in which case we'd expect a bear steepener)
- Expect rangebound dollar

Global transitions are costly

- Inflation is sticky; reacceleration would be a policy "brake"
- Building commodity satellites (gold, precious metals industrial metals) sourced from equity sleeves
- 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
- Junk may outperform in brief moments: look past this and stay in quality

Opinions of New York Life Investments Global Market Strategy, November 2025.

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