Amplia Market Outlook 2026

An Outlook on Outlooks

As the year draws to a close, it is customary for ambitious market participants to publish an outlook for the year ahead. Viewed individually, these outlooks amount to qualified guesses. Viewed collectively, however, they become something more interesting: a distillation of how the market as a whole perceives the world, the economy, and its own future.

What matters is that a capital allocator can outperform the market not only by forming the correct view of how the economy and the corporate sector will evolve, but also by understanding how the market itself perceives the world – and how that perception is likely to change.

If, for instance, I hold a correct estimate that the economy will deteriorate sharply during 2026, I can reposition portfolios defensively: reducing equity exposure, lowering credit risk within fixed income allocations, and tilting further towards defensive sectors. When the downturn materialises, such prudence would naturally be rewarded through smaller losses than those suffered by competitors.

Yet the same portfolio positioning may also be appropriate under an entirely different scenario. Should the economy develop broadly in line with reasonable expectations, but the market as a whole – for example, based on a meta-analysis of the year's aggregated outlooks – prove excessively optimistic, euphoria will gradually give way to disappointment. This may occur without any change in the underlying, plausible economic trajectory. The result would be a pure multiple contraction. Even in such a scenario, disciplined positioning may allow an investor to stand out among peers.

Market outlooks written at year-end are therefore not merely forecasts of the future. They also function as barometers of the prevailing economic orthodoxy – and thus as tools for identifying where the market's collective expectations already reside.

Performance 2025

Equity markets performed well in 2025, with the MSCI World Index up 6.7%. European stock markets showed clearly more enthusiasm than equities on average, and the Nordic indices in particular rose sharply. For example, investors in Finnish equities were finally rewarded for a long period in the wilderness, as the equity index climbed by more than 32%.

Perhaps the biggest surprise was the US dollar, which depreciated by more than 10% against the euro. This substantial move affected returns across all US dollar–denominated asset classes and meant that US fixed-income investments with high credit quality failed to deliver positive returns when measured in euros.

In the commodities space, precious metals clearly outperformed. Gold, which has become a favourite among critics of fiat currencies, returned 66%, but still lagged behind palladium, which gained 79%. Palladium, in turn, was outpaced by silver, which delivered an outstanding return of 148%.

31.12.2025 Equities	Currency	Return mtd (eur)	Return ytd (eur)	Return 12m (eur)
World	USD	-0,5 %	6,4 %	6,4 %
Emerging Markets	USD	1,7 %	17,4 %	17,4 %
US	USD	-1,2 %	3,5 %	3,5 %
EU	EUR	2,8 %	20,5 %	20,5 %
UK	GBP	2,8 %	20,2 %	20,2 %
Japan	JPY	-1,3 %	13,4 %	13,4 %
South-Korea	KRW	10,0 %	75,3 %	75,3 %
China	USD	2,9 %	9,8 %	9,8 %
Finland	EUR	5,0 %	32,2 %	32,2 %
Sweden	SEK	4,8 %	23,0 %	23,0 %

Commodities	Currency	Return mtd (usd)	Return ytd (usd)	Return 12m (usd)
Crude Oil (WTI)	USD	-3,4 %	-19,7 %	-19,7 %
Crude oil (Brent)	USD	-3,2 %	-17,6 %	-17,6 %
Gold	XAU	1,9 %	65,7 %	65,7 %
Silver	XAG	26,8 %	147,5 %	147,5 %
Palladium	XPD	11,4 %	79,1 %	79,1 %
Copper	USD	9,4 %	38,9 %	38,9 %

Bonds	Currency	Return mtd (eur)	Return ytd (eur)	Return 12m (eur)
Euro Government	EUR	-0,6 %	0,7 %	0,7 %
US government	USD	-1,6 %	-6,4 %	-6,4 %
Europe IG	EUR	-0,1 %	3,3 %	3,3 %
US IG	USD	-1,7 %	-4,8 %	-4,8 %
EU HY	EUR	0,3 %	5,2 %	5,2 %
US HY	EUR	0,4 %	6,4 %	6,4 %
Emergin Markets HC	EUR	0,2 %	8,8 %	8,8 %
Emergin Markets LC	EUR	0,0 %	2,5 %	2,5 %

Currencies	Currency	Return mtd (base currency)	Return ytd (base currency)	Return 12 m (base currency)
EUR/USD		1,3 %	12,9 %	12,9 %
EUR/GBP		-0,5 %	5,1 %	5,1 %
EUR/JPY		1,6 %	12,7 %	12,7 %
EUR/KRW		-0,4 %	10,7 %	10,7 %
EUR/SEK		-1,3 %	-5,7 %	-5,7 %
USD/SEK		-2,5 %	-16,4 %	-16,4 %
EUR/SEK		-1,3 %	-5,7 %	-5,7 %
CHF/SEK		-1,1 %	-4,8 %	-4,8 %

Source: Amplia, Bloomberg

The year began dramatically, set to the tone of unguarded rhetoric on trade barriers from the White House, and escalated until Trump was forced to backtrack just days after announcing sweeping tariffs against virtually all trading partners—friendly or otherwise—in April. Toward the end of the year, markets rallied strongly as Trump gradually realised that markets function best without constant drama, while investors themselves learned to pay less attention to a stream of statements that were, to varying degrees, insufficiently thought through.

Macro 2026

In recent years, it has been fashionable to predict a short recession in the United States in the year ahead. Today, very few commentators expect a recession, and the debate has instead shifted to whether GDP growth will settle closer to 2% or 2.5%. At the same time, markets are pricing in more than two interest-rate cuts in the United States next year. With inflation currently hovering around 3%, it is far from certain that the Federal Reserve truly has room for two such cuts. Uncertainty remains elevated, but Chair Powell's most recent remarks suggest only one rate cut in 2026 (and another one in 2027).

With the Fed Chair due to be replaced in May, there is a risk that monetary policy becomes increasingly influenced by the administration in the White House. The announcement that the Fed will begin purchasing short-dated government securities (T-bills) also leaves its mark on the macro backdrop for 2026. The statement was delivered almost in passing, framed as a technical measure to improve reserve conditions within the banking system. However, given that the Treasury has already spent the past year refinancing itself at the very front end of the yield curve, this development may equally be interpreted as a mechanism enabling – in practice, unlimited – monetisation of government debt.

Interest rates are kept low, the Treasury issues short-dated paper, the Fed absorbs the supply for market-stabilising purposes – and the yield curve continues to appear orderly. The political wish-dream is realised: budget constraints cease to bind.

The geopolitical dimension is far from trivial. European policymakers have cautiously pointed out that European central banks hold substantial quantities of US Treasuries, which could theoretically be liquidated should relations with the United States deteriorate. By ensuring that the Fed is both willing and able to absorb large volumes of Treasuries, this potential financial pressure is at least partially neutralised.

Against the backdrop of a wide fiscal deficit and "benign" monetisation – combined with the option of defensive monetisation should geopolitical imbalances translate into selling pressure along the yield curve – the canary in the coal mine is likely to be the US dollar. While the central bank may, if it so chooses, protect the entire Treasury term structure through yield-curve control, the currency itself remains priced by the market.

We therefore assess that the dollar will act as the primary safety valve during 2026. Should long-term yields rise and the yield curve steepen excessively, the move risks becoming self-reinforcing and forcing the Fed into support operations. At that point, attention would swiftly shift from rates to the currency. Our extreme scenario places EUR/USD at 1.30 in the latter part of 2026, with a catalyst level around 4.8% on the US ten-year yield.

In Europe, growth prospects remain weaker, though inflation pressures are also more subdued. The ECB is expected to keep rates unchanged during the first half of the year, but may be compelled to implement one or two rate hikes later in 2026 should growth accelerate and German fiscal stimulus begin to gain traction.

These considerations would, however, fade into the background were we finally to see an end to Russia's war of aggression in Ukraine. While Russia signals that it has reached a full-scale war economy – an economic state in which the government redirects resources, production and consumption away from civilian prosperity towards military endurance and the objectives of the conflict – sanctions appear to be eroding material sustainability, making a ceasefire or peace increasingly attractive to the aggressor.

Should 2026 deliver such positive developments, growth across Europe would likely receive a meaningful boost. The reconstruction of Ukraine represents a vast undertaking, with broad European backing, and would generate a primarily European wide demand shock capable of adding an estimated 0.2%–0.5% to GDP growth.

Valuation

During 2025, valuation dynamics have become increasingly bifurcated: the valuations of a small group of technology companies have continued to rise, while the broader market has, at least in part, moved sideways. As noted in the macro section, markets anticipate at least one or two rate cuts in the United States, typically associated with a weakening economic backdrop. Yet current valuations imply accelerating growth and/or rising productivity.

If we attempt to identify the conditions required to justify prevailing valuation levels and monetary-policy projections, the picture becomes demanding: higher unemployment (to relieve inflationary pressure), strong earnings growth (to support valuations), and stable long-term interest rates (to maintain confidence in central banks). In other words, markets are pricing in acceptable GDP growth driven less by traditional cyclical expansion and more by AI-related productivity gains.

Historically, most major market corrections have been preceded by a sharp increase in dispersion across sectors and a narrowing of valuation headroom – precisely the environment we observe today. That said, such conditions have also occurred many times without subsequent corrections. They are therefore necessary, but not sufficient, to cry “wolf”.

In the context of a potential rise in long-term yields, it is relevant to consider where and to what extent equity valuations might be affected. Valuation adjustments reflect changes in the present value of future cash flows, which are primarily driven by changes in

1. real interest rates and inflation,
2. the risk premium, and
3. growth.

Given the current economic backdrop, assessing the realism of growth expectations is challenging, as the scale of AI-driven productivity gains remains highly uncertain. Risk premia fluctuate over time, largely as a function of perceived uncertainty. While uncertainty around outcomes is considerable, risk premia remain relatively low at present due to optimistic sentiment.

All three components of the valuation framework, however, tend to move markets in the same direction. This allows us to focus on a scenario in which inflation rises unexpectedly. Interest rates warrant particular attention, as they naturally lead the discussion to a critical variable: indebtedness. A sharp rise in long-term yields can be interpreted as higher bond-market risk premia or weaker growth, both of which raise debt ratios and interest costs.

The relevance of this dynamic increases with higher levels of indebtedness. Where debt levels are already elevated, rising interest rates may push the economy towards a so-called Minsky moment, in which yields surge due to a loss of confidence in the state’s ability to stabilise the economy. We therefore introduce a penalty for elevated indebtedness in our analysis in the form of a Minsky factor.

Accordingly, we construct a sensitivity table illustrating how equity markets might respond to a 0.5% increase in inflation.

Region	P/E (Fwd)	Inflation 2026 (CPI, %)	Long rate (10Y, %)	Debt/GDP 2026 (%)	Chg. In inflation	Minsky-factor	Int.rate chg.	Chg. in valuation
USA	23,25	2,2 %	4,4 %	122,5 %	0,50 %	1,2	0,9 %	-21,7 %
Europe (proxy: MSCI Europe / Bund 10Y	14,64	2,0 %	2,9 %	92,2 %	0,50 %	1,0	0,5 %	-7,3 %
Japan	15,92	2,0 %	2,0 %	235,0 %	0,50 %	1,8	2,6 %	-41,1 %
UK	12,99	2,0 %	4,8 %	111,4 %	0,50 %	1,1	0,7 %	-8,5 %
EM-basket (EM Asia + BR + MX, market cap weighted)	14,78	2,2 %	3,7 %	80,3 %	0,50 %	1,0	0,5 %	-7,4 %

Source: Amplia Wealth, ECB, IMF, MSCI

The table suggests that a plausible shift in inflation, risk premia or growth would have by far the greatest impact on the Japanese equity market. This reflects not only historical factors, but above all Japan’s exceptionally low interest-rate environment. Decades of deflation and near-zero real rates have enabled Japan to accumulate levels of debt that would otherwise appear unsustainable. The tentative signs of rising inflation observed in 2025 may bring this issue to a head in 2026.

The United States, combining relatively high indebtedness with elevated valuations, is also highly exposed to changes in discount rates and growth. An estimated −22% impact from a 0.5% rise in rates implies a meaningful probability of a substantial market correction during 2026.

Sentiment

Sentiment in 2025 was characterised by euphoria and an almost complete immunity to negative news. After President Trump stepped back from the most draconian tariff proposals in the aftermath of “Liberation Day” in April, markets rallied and, in effect, never looked back.

Sentiment can be categorised in many ways. At Amplia, we focus on three dimensions:

1. the technical picture – price behaviour viewed through a historical lens;
2. risk appetite – how much investors are willing to pay for protection against market declines;
3. the market’s overall reaction to news – is the glass perceived as half full or half empty?

Sentiment shapes the narrative through which economic and corporate information is interpreted. It is therefore no coincidence that sentiment constitutes the third leg of our three-step process: it determines how we expect markets to respond to news. Fundamentally, sentiment reflects how we believe the market may revise its view of the economy and corporate prospects.

Sentiment can also influence the real economy. A deterioration in sentiment tends, over time, to raise risk premia, increase investment hurdles, and ultimately dampen growth.

Entering 2026, sentiment is exceptionally strong across all dimensions. Equity prices are at record levels, risk-appetite indicators signal complacency and optimism, and almost all news is interpreted positively.

This implies that sentiment can, in practice, only deteriorate. Should investors therefore already seek shelter and wait out the coming storm? Why hold equities at all if a correction seems inevitable? The answer is best framed through a weather analogy: a high-pressure system can persist indefinitely. The most likely continuation of strong sentiment is strong sentiment. Strong sentiment is not, in itself, a contrarian signal – even though every weak sentiment phase has been preceded by a stronger one.

That said, current sentiment helps us shape the uncertainty distribution around our estimates. We can reasonably assume that sentiment has far more room to worsen than to improve from here. This asymmetry is reflected in both macro-outcome distributions and expected return distributions. Incorporating sentiment into our return analysis allows us to form a more accurate picture of uncertainty in 2026 and to judge more effectively when it may be time to apply the brakes.

Return Expectations for 2026

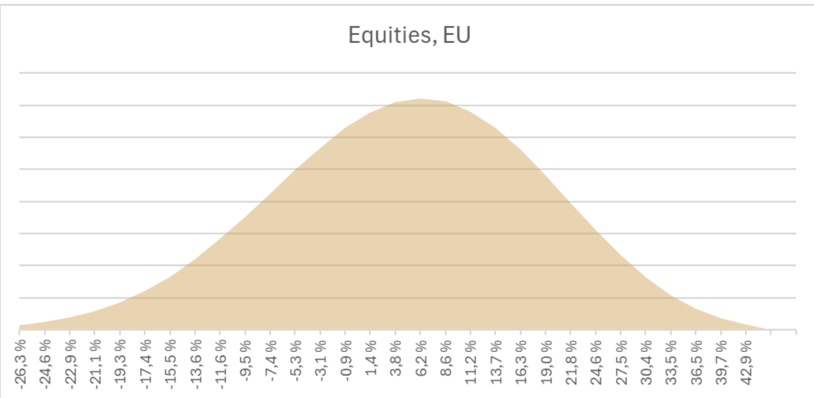
In the CIO's market outlook for 2025, we illustrated the uncertainty distributions surrounding our point estimates under a lognormal framework. All realised outcomes fell within those distributions – hardly surprising, as the purpose of such distributions is to encompass all plausible outcomes.

Where last year's exercise highlighted the futility of point forecasts, this year we focus on something of greater relevance to portfolio management: the asymmetry of uncertainty. If, for example, market A offers an upside of +15% but a downside of −55%, while market B offers +12% and −25%, a rational investor may prefer the latter.

By combining our macro, valuation and sentiment analyses, we arrive at the following estimates and uncertainty profiles in local currencies.

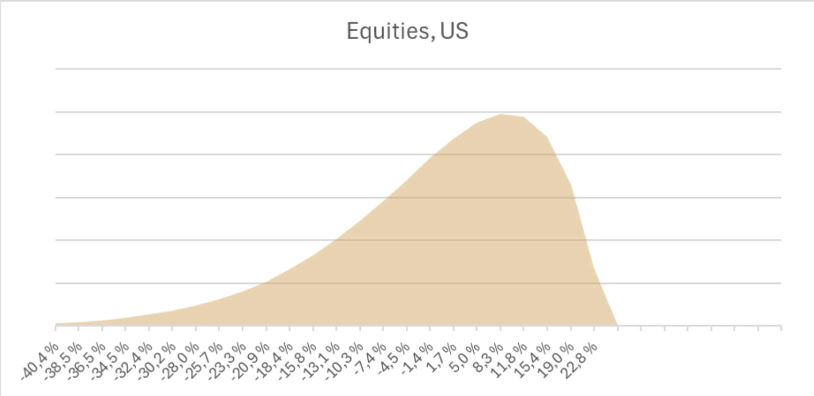
Europe

European equities are expected to deliver a modest return of 6% with volatility of 16%. These estimates remain sensitive to developments in Ukraine, including a potential ceasefire or, in a worst-case scenario, escalation. Volatility is relatively low due to moderate valuation levels. The uncertainty distribution is highly symmetric.



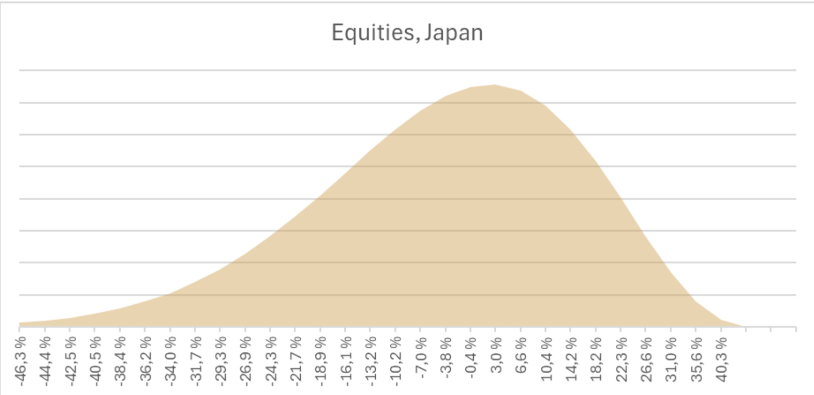
United States

US equities are expected to return approximately 8% in 2026 with volatility of 22%. This represents a marked increase relative to 2025 and reflects heightened tensions across the economic outlook (including the mid-term elections), valuation (elevated P/E multiples), and sentiment (priced for perfection). Given unusually high expectations, downside risk is materially larger.



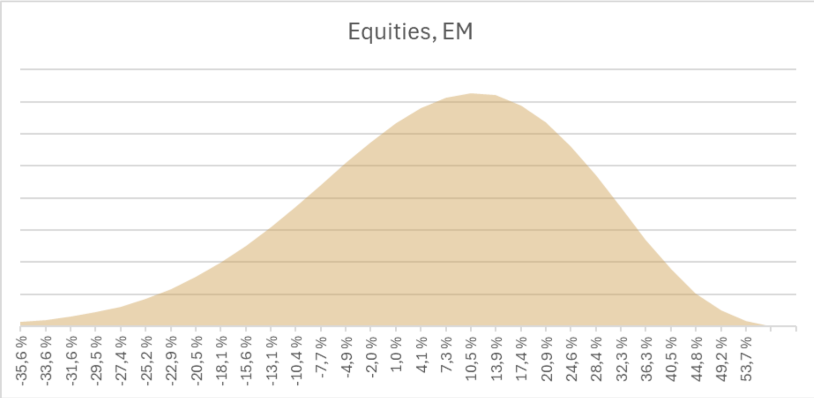
Japan

Japanese equities are expected to return only 3% in 2026 with relatively high volatility of 24%. This reflects exposure to inflationary pressures, demographic headwinds, and very high indebtedness. Given the exceptionally low interest-rate environment, valuation risk is inherently elevated.



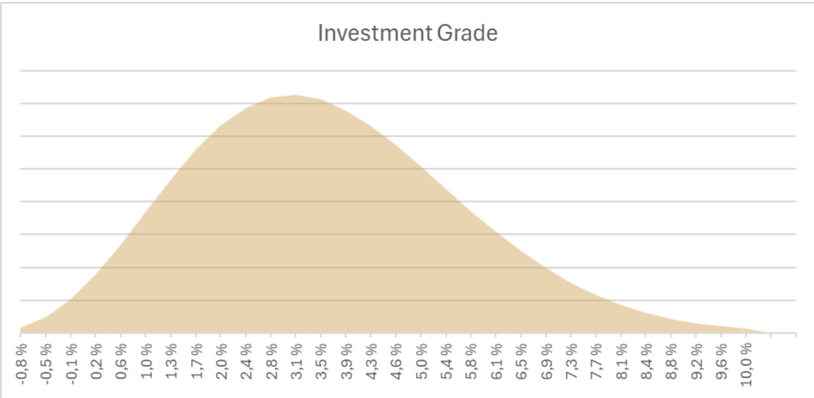
Emerging Markets

Emerging markets, traditionally dependent on global growth, are expected to return 10% with volatility of 21% in 2026. While expected returns are attractive, outcomes would be particularly challenging in a scenario of rising trade barriers and declining global trade.



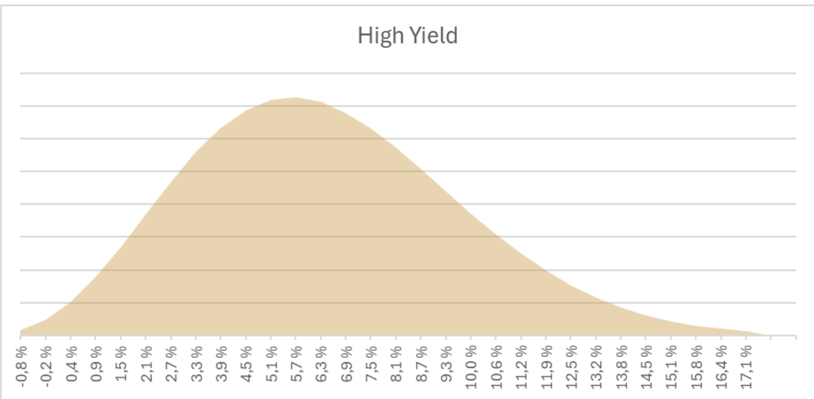
Investment Grade

Investment-grade bonds are expected to experience a "lognormal" year, delivering a return of 3.1% with volatility of 2.5%, consistent with historical norms and current yield levels.



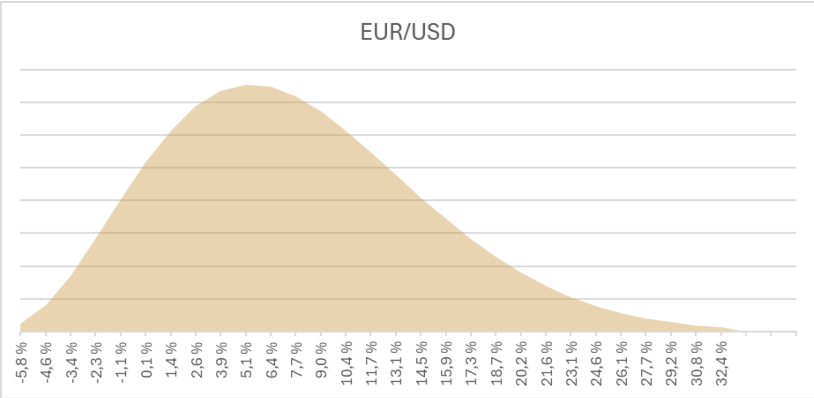
High Yield

High-yield credit is expected to follow its historical trajectory, delivering returns of 5.5% with volatility of 4%.



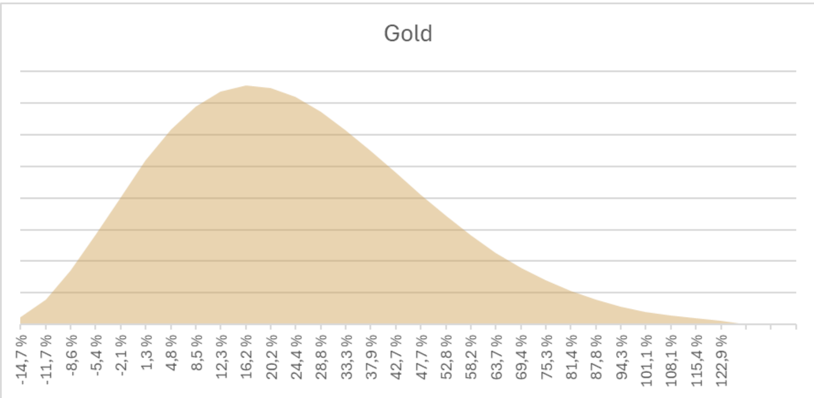
EUR/USD

We expect the US dollar to weaken by approximately 5%. We are slightly more cautious than the options market, assuming average volatility of 8.5%. Our point estimate places EUR/USD at approximately 1.24 by the end of 2026.

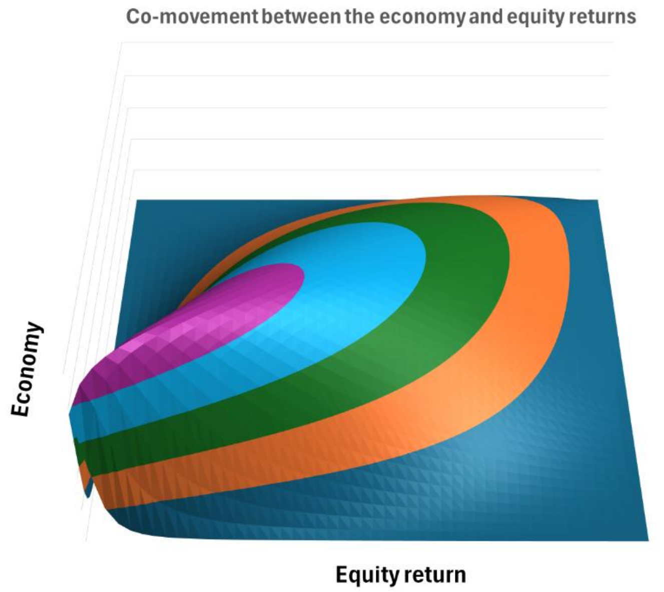


Gold

Given gold's prominence in the current environment, we also provide an explicit estimate for this asset. As debt ratios in the Western world strain at the seams and geopolitical tensions continue to support demand, we assign a modest (?) price target of USD 5,100 per ounce, corresponding to a 15% increase with volatility of 24%.



From a more mathematical perspective, it becomes particularly interesting to compare market outcomes with the global economy using a copula framework, in which correlations increase as economic conditions deteriorate alongside falling markets. Drawing on historical data and experience, we can assess the co-movement between the economy and equity markets and thus form a view of risk across different economic scenarios.

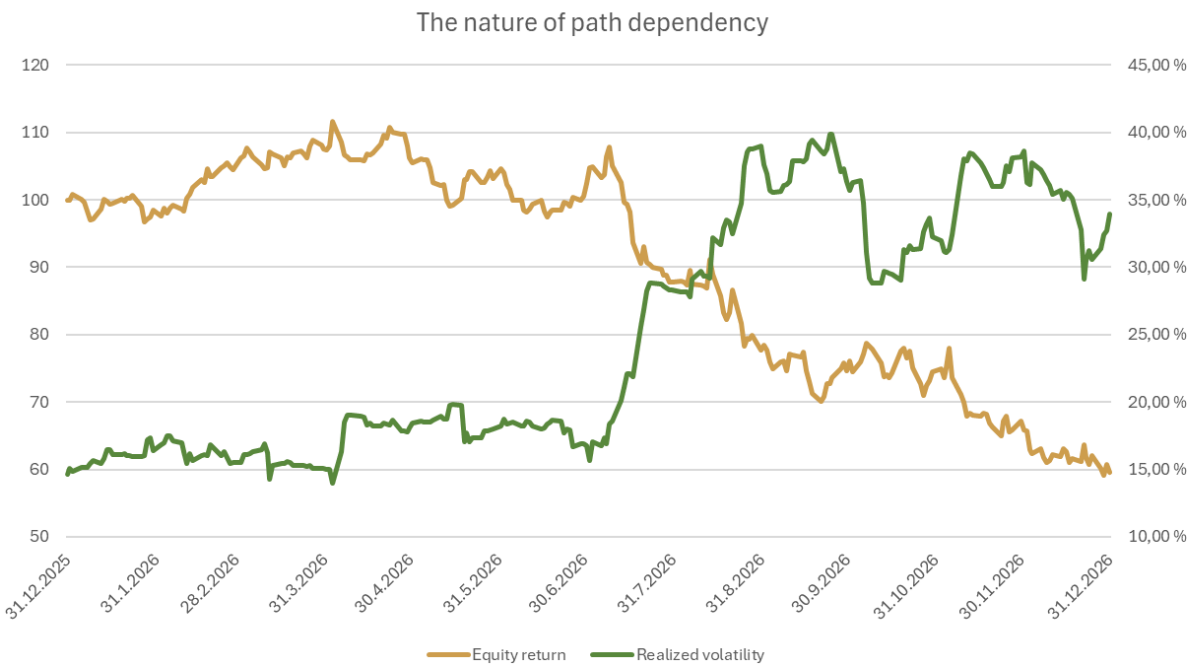


The illustration highlights how equity returns may vary widely even when the economy is strong, yet how rapidly markets can collapse if economic conditions weaken. When valuations require an economic bullseye, there is little margin for error.

Black Swans and Forecasts

The difficulty with forecasts lies in how little is required for their underlying assumptions to unravel. In stochastic theory, this is described as path dependence: the final outcome depends critically on the path taken along the way. As noted in our discussion of sentiment, a market correction may itself dampen corporate investment appetite, thereby becoming self-fulfilling.

Heightened market anxiety often begets further anxiety: panic breeds panic. Plausible simulations of market dynamics based on our assumptions frequently generate paths in which volatility spikes, risk premia rise, and justified valuations fall.



This simulation illustrate how a single unforeseen event – a black swan – may influence sentiment and, through it, the economy and valuations, driving equity markets lower amid rising volatility.

The fundamental weakness of point forecasts is that they are, by definition, wrong. Even the most sophisticated analyses can only outline the shape of uncertainty; realised outcomes will always reflect the cumulative impact of events along the way.

At the time of writing, we know that Russia's war of aggression, US mid-term elections, the persistence or removal of tariffs, the independence of the Federal Reserve, and proximity to various Minsky thresholds all have the potential to alter the outlook for 2026 abruptly. Beyond these lie the true unknown unknowns – the black swans that may, and inevitably will, materialise.

By keeping our map pockets stocked with contingency plans for known unknowns, we can be well prepared. For black swans, however, there is no substitute for preparedness itself: continuous monitoring, readiness to act, and disciplined execution when required – in other words, adherence to the investment process.

If we understand the anatomy of individual uncertainties, we may be able to sketch the contours of overall market uncertainty – and that, at the very least, takes us a meaningful distance along the road.

2 January 2026

Kind regards,

Mikael Simonsen