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Management

# GLOBAL Insight 2026 Outlook

Special report

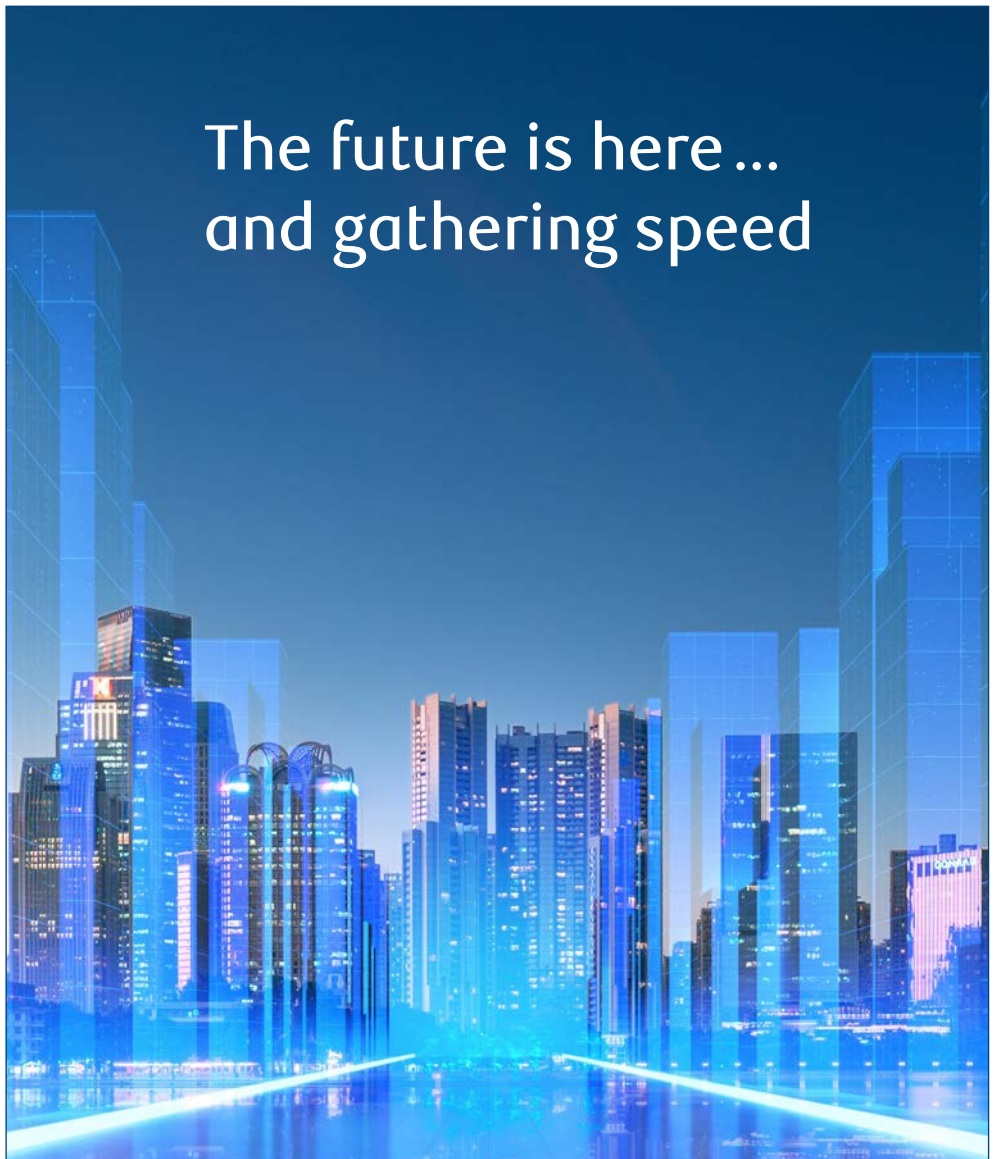
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## Global Insight 2026 Outlook

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Global Insight 2026 Outlook

## Focus article

### Quarter-century crossroads

Looking ahead to the next year is a necessary exercise for investors, but we think it's even more useful to focus on investment themes that can endure for years or even decades. In the next quarter century, some themes that have emerged relatively recently should persist, and new themes have the potential to shape global economic developments and drive certain sectors.

- AI and other revolutionary technologies could be the main economic theme for years if not decades to come, spurring on faster productivity growth and potentially offsetting some of the demographic headwinds that will intensify.
- China's continuing ascent and the shift from a rules-based Western-led global order to a power-based multipolar order look likely to endure.
- India and Southeast Asian countries appear to be on the cusp of making waves in the global economy over the coming decades.
- The rise of the global middle class should continue, with positive implications for stronger demand of discretionary goods and services.
- While we can envisage developed country stock markets generating more modest returns compared to the past few decades, rapid productivity growth should be supportive and, in a best-case scenario, could outmuscle constraining forces.
- Bond markets may remain in their new state of greater alertness as fiscal excesses seem likely to attract greater scrutiny.

**Eric Lascelles**

Chief Economist, RBC Global  
Asset Management Inc.

Somehow, the 21st century is now more than a quarter complete. Amazingly, we are already inhabiting the second quarter of the century—an era that will extend until the distant year of 2049.

Thinking over such long durations is valuable: a broad aperture is a better match for the average investor’s time horizon than the more frenetic year-to-year or even day-to-day analysis that usually prevails. Doing so helps to separate the wheat from the chaff: it is the macro themes that stick around for decades that arguably matter the most.

As a starting point, it is instructive to reflect on the key macro themes of the now-completed first quarter century. Even more so, if far more speculatively, it is useful to ponder the economic themes that could dominate the next quarter century.

First quarter of 21st century	Second quarter of 21st century
China’s rise	China’s continuing ascent
Emerging Markets growth	Rising global middle class Rise of India & Southeast Asia
Globalization Hegemonic world	Deglobalization Multipolar world
Rule-based order: “End of history”	Power-based order: Big countries bully small countries
Tech domination	Tech still dominates Artificial intelligence Faster productivity growth
Souring demographics	Demographic crunch
U.S. economic exceptionalism	Diminished U.S. exceptionalism?
Rising leverage	Fiscal concerns
Commodity supercycle	Climate change Oil demand peaks
European project	Non-U.S. developed nations gain traction

Source - RBC Global Asset Management

## The first quarter century – 2000 to 2024

The rise of China must surely figure centrally in the first quarter of this century. China was admitted to the World Trade Organization in 2001 and enjoyed a rocket-fueled ride, taking over a large swath of global manufacturing and massively increasing its own standard of living along the way.

To a less prominent degree, the first quarter century also saw significant advancement across many emerging-market nations, to the point that these countries now generate over 60 percent of global economic output on a purchasing-power-parity basis (and around 40 percent on a market-exchange-rate basis).

Alongside this, globalization remained a powerful force for much of the quarter century, driving global growth, though it waned considerably over the final decade as Brexit and the introduction of U.S. tariffs marked a significant, late reversal.

It was a quarter century in which the tech sector dominated, with the internet blossoming and smartphones revolutionizing daily life.

Demographics were already souring at the beginning of the quarter century, but the ball really got rolling late in the first decade, and now a range of countries are experiencing outright shrinking populations.

Somewhat less glamorously, and with a number of shuddering speedbumps along the way, the Eurozone project went from its early stages—the European Central Bank was just a year old in 2000, and the physical euro was not introduced until 2002, expanding to 20 countries from 11, issuing common debt, devising bailout mechanisms, centralizing banking supervision—to now engaging in efforts to coordinate energy and military decision-making.

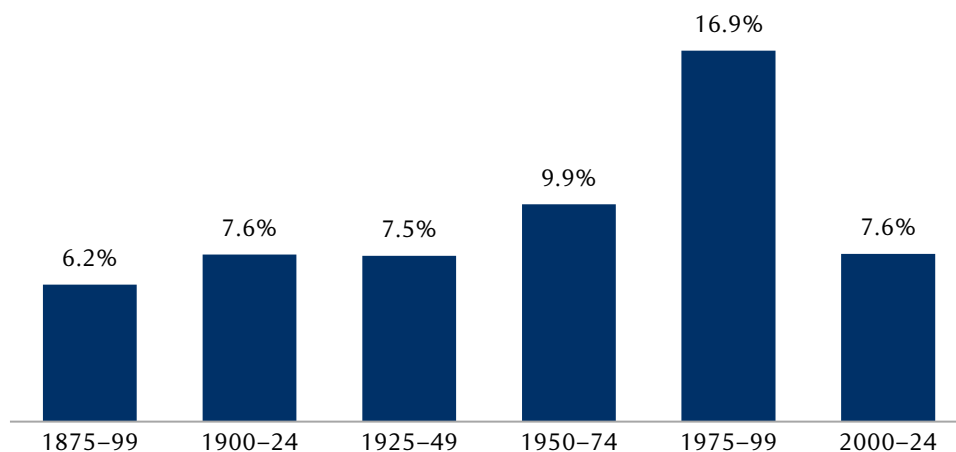
Households leveraged themselves significantly over the first part of the quarter century; at which point, the public sector broadly took over, borrowing extensively through the latter part of that stretch. The bottom line is that quite a lot of debt has accumulated.

There was a commodity supercycle, in significant part because of China's rapid growth and ravenous appetite for raw materials.

Bond yields generally declined over the quarter century, except for a sharp upward tilt in the final few years.

The U.S. stock market performance over the quarter century—crucially defined in this case as Jan. 1, 2000 to Dec. 31, 2024—was fairly pedestrian relative to earlier eras. If that seems surprisingly low, recall that it was a tale of two time periods, with a lost decade from 2000 to 2009 followed by pretty remarkable gains since then.

#### S&P 500 total annualized return



As of 8/18/25. Total return estimated using price index levels from Bloomberg and Robert J. Shiller's data and dividend yield data from Bloomberg and Mulptl.com.

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

## Key events that have since substantially faded

It is worth also reflecting on key forces and events that cast a long shadow over the quarter century but that have ceased to be material economic drivers.

- The dot-com bubble burst in the very early part of the quarter century, contributing to a mild economic downturn.
- The War on Terror dominated American foreign policy post-9/11 and into the 2010s, but the geopolitical and military focus has since shifted elsewhere.
- The U.S. experienced a housing bubble and then a housing crash, followed by a financial crisis that prompted the significant tightening of banking regulations (now seemingly on the cusp of being reversed). Economic growth was unusually slow in the years after the financial crisis as private-sector deleveraging took place.
- The European sovereign debt crisis of the early 2010s was a massive test for the European Union (EU), which managed to survive it. The countries most challenged at that time are today some of the fastest-growing economies within the EU.
- The pandemic significantly upset life and economic activity, with some lingering effects including the persistence of working from home, diminished downtowns, and higher public debt.

## The next quarter century – 2025 to 2049

Forecasting is easy—it's the “getting it right” part that is hard. It must be emphasized that most of what comes next is speculative in nature.

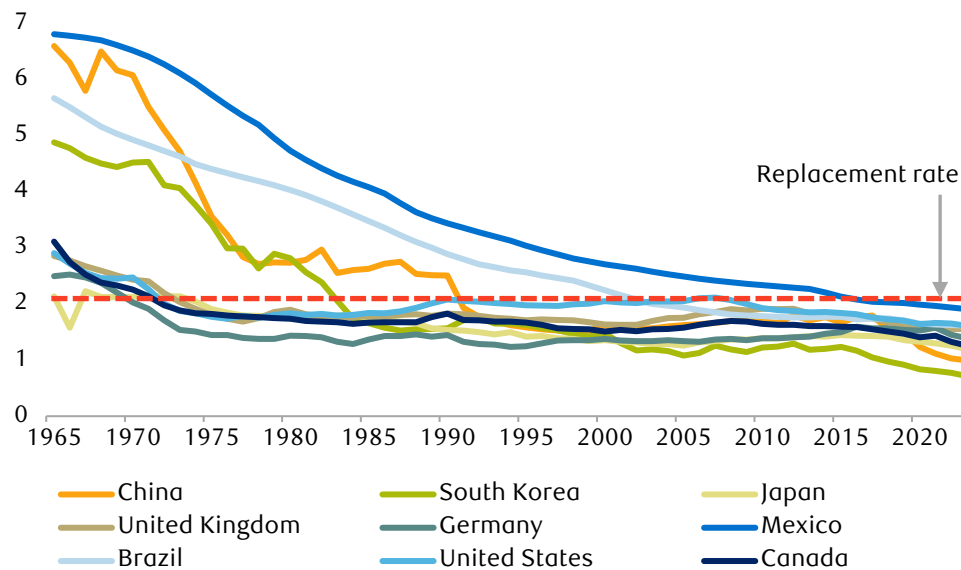
### Continuation of longstanding themes

It is arguably a failure of imagination that so many of the expected themes constitute the continuation of existing themes. But the reality is that many forces exert themselves over time periods even longer than a quarter century.

- China may no longer be growing at 10 percent per year, but it still appears capable of generating fairly remarkable economic growth and of taking an ever-more-central role in the world over the coming decades.
- As China becomes wealthier and other emerging-market economies nip at its heels, the rise of the global middle class should continue, with all the usual implications in terms of greater consumption, stronger demand for discretionary goods and services, and so on.
- The tech sector looks capable of remaining at the center of economic growth and innovation, though AI applications could broaden productivity gains to a larger fraction of the economy.
- Demographic challenges are set to intensify, with fertility rates continuing to fall and longevity continuing to rise. Our demographic model forecasts that the global population peaks in 2066—out of the timeframe of the next quarter century but not significantly so.

## Birth rates have declined across regions, pressuring overall demographics

Fertility rates of select G20 countries (births per woman)



Source - World Bank; data through 2023

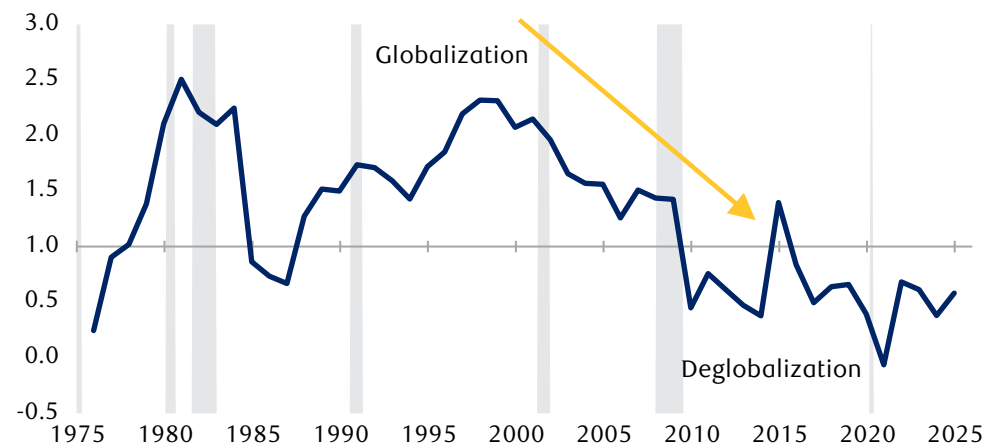
## Relatively new themes that may persist

Now we turn to new themes that may have legs—and could remain relevant for years to come.

- The relatively recent pivot from a hegemonic world with the U.S. as the sole superpower to a multipolar world wherein multiple countries play leadership roles looks likely to be enduring, with China a fierce and formidable competitor for the U.S.
- The prior Western-led, rules-based global order appears to be transforming into a power-based order. Strong countries are less likely to heed international norms and more likely to push smaller countries around. Conflict is likely to increase, and military spending is certain to rise. Geopolitical stability declines.
- AI has now been a central theme for a few years and has shown every ability to remain a central theme—perhaps even the main economic theme—for years and perhaps decades to come.
- Climate change is not new, but its effects are starting to become more visible, more problematic, and less easily reversed. Among many possible consequences, migration pressures could mount from the hottest parts of the world. The political will to combat this force is seemingly fading as other economic and political imperatives dominate.
- The recent pivot toward deglobalization may persist, if hopefully at a somewhat less frenetic pace than the last nine months, as cliques of countries form and nationalization trumps multilateralism.

## Globalization has become deglobalization

Ratio of world merchandise exports to GDP growth



As of 2024. Ratio of 5-year growth of real export of goods to that of real GDP. Shaded areas represent U.S. recessions.

Source - RBC Global Asset Management, International Monetary Fund, Netherlands Bureau for Economic Policy Analysis (CPB), OECD, Macrobond

- The bond market may remain in its new state of greater alertness after a decade-plus of drowsy indifference. In particular, fiscal excesses may attract greater scrutiny, leading to a relatively steep yield curve and bond yields that are not as low as during the 2010s.

## New themes

Finally, we contemplate fresh new themes that could prove highly significant over the next quarter century.

- U.S. exceptionalism is likely to diminish somewhat. While the U.S. economy will probably continue to grow faster than most of its developed-world peers, the growth advantage may not be as great as it has been in recent years. U.S. immigration is down, and questionable public policy decisions could undermine some fraction of the country's long-term growth. Conversely, other countries, startled and awakened by recent events, are re-prioritizing economic growth. Given American domestic political polarization, fiscal excesses, and more competitive posture toward both allies and rivals, the clout of the U.S. dollar and the Treasury market should decline somewhat over time.
- We budget for faster global productivity growth in the decades ahead, given a confluence of exciting and potentially revolutionary technologies, including AI applications in natural language processing, robotics and sensing (potentially combined to great effect in self-driving cars), health care innovations, and beyond. It remains to be seen whether the demand for human labor will decline at the economy-wide level, but if so, there would be far-reaching consequences including structurally higher unemployment, more generous government income supports, and likely a higher tax rate on capital.

- Oil demand is expected to peak around 2029–2034. That doesn't mean that oil drilling will grind to a halt—the decline rate on existing wells is such that exploration will have to continue for the foreseeable future. It also doesn't guarantee that oil prices will fall, as that depends on the sensitive interplay of supply decisions against projected demand. But it does mark a significant change and one of substantial relevance to several industries.
- Not that these countries are unimportant today, but India and several Southeast Asian nations including Indonesia appear to be on the cusp of really making waves in the global economy over the coming decades, given their large populations and rapid growth. Africa should also start to become more relevant, though its biggest impact may be saved for the latter half of the century.
- In financial markets, one might imagine the stock market generating more modest equity returns than over the past few decades, given limits to how much further valuations can rise and perhaps also limits to how substantially profit margins can rise from here. But rapid productivity growth should remain an important support and, in a best-case scenario, could outmuscle other drags.

### About the author

**Eric Lascelles** is Managing Director & Chief Economist for RBC Global Asset Management Inc. (RBC GAM). He maintains the firm's global economic forecast and advises its portfolio managers on key themes and risks. Eric is also a member of the RBC Investment Strategy Committee (RISC), which is responsible for RBC GAM's global asset mix recommendations. In his two decades as an economist, Eric has also worked as a bank economist for another large financial institution, as a trading floor economist, and as a fixed income strategist.



Global Insight 2026 Outlook

## Market overview

### More but less

**Jim Allworth**  
Vancouver, Canada

The combination of lower inflation, lower interest rates, and faster GDP growth required for continued gains won't be easy to achieve. We think “positive” rather than “above average” is the outcome to plan for. In our view, portfolios should be invested up to, but not beyond, their long-term targeted equity exposure with a plan for becoming more defensive when and if needed.

- We can see a plausible path to another year of positive gains for most major stock markets—but likely at a more sober pace.
- Even moderate equity market gains will need recession among the largest economies to be avoided, earnings to grow, and the AI story to stay on the rails.
- GDP growth everywhere needs to shift into a higher gear than is currently embodied in consensus forecasts to lift the prospects for equity market performance beyond the “merely” positive toward “above average.”

We expect equity markets in the developed economies will post more new highs in 2026 and deliver all-in positive returns.

After three successive years of above-average market appreciation, delivering a fourth will be a tall order but not entirely out of the question. Whether equity market returns are “merely” positive or above average, either outcome will depend on the major economies, especially the U.S., avoiding recession and on the current consensus forecasts for GDP, earnings growth, inflation, and interest rates being in the right “ballpark.”

Looking at the price history of the S&P 500 from 1945, there were five instances of at least three years of back-to-back above-average gains (not counting this cycle), including one at four years and one at five.

All values in U.S. dollars and priced as of market close, Nov. 24, 2025, unless otherwise stated.

We think confidence that the S&P 500 can deliver average to above-average returns in 2026 rests on two inter-related premises:

- The U.S. economy avoids recession; and
- The AI story, in particular the forecast for associated capital spending, isn't dealt any serious blow.

Turning first to the economy, the consensus estimate for U.S. GDP growth in 2026 sits at 1.9 percent. Which side of two percent the actual reported growth rate eventually lands on would put our stock market return expectations into one of two quite different historical regimes.

In years where U.S. GDP growth has come in somewhere in the 1.1 percent to two percent range, the S&P 500 has typically struggled. It has delivered positive returns (including dividends) only 40 percent of the time, and the average return has been a chilly minus 3.4 percent. But when GDP growth has landed in the 2.1 percent to three percent range, the equity picture brightened considerably, with the S&P 500's batting average (i.e., percentage of years with positive returns) jumping to 71 percent with the average return at a healthy 11.3 percent.

While consensus estimates for U.S. 2026 GDP growth sit at only 1.9 percent, we think there are some factors at play which might push that growth rate into the potentially more rewarding zone above two percent including:

- The rebound from the government shutdown;
- Fed easing and banks' increasing willingness to lend; and
- A capital spending boost from tax policy changes.

**A rebound from the government shutdown could provide a strong handoff into Q1** (barring a long shutdown episode doesn't repeat during the quarter when Congress and the president need to act on a spending agreement again). Consumers were already downbeat going into the fall, and their mood fell even further as the closure got underway.

The re-opening should lower policy uncertainty. Furloughed workers will receive back pay retroactively as will most benefit recipients. That may not come soon enough to entirely save the holiday shopping season, but we expect consumer resilience will re-emerge in Q1. Spending in the early months of the year should also get a boost from the expected \$50 billion increase in tax refunds flowing from the recently passed budget.

Even as consumer confidence readings were worsening, CEO confidence was trending higher with a growing proportion of companies planning to hire, raise wages, and increase planned capital spending. Equally as important, small businesses have remained more optimistic than not, with the latest National Federation of Independent Business (NFIB) survey showing a growing proportion planning to hire, boost compensation, and spend more on capex. Small businesses are thought to account for as much as 80 percent of new jobs. Both the CEO and NFIB surveys were conducted well before the shutdown had ended.

**Lagged effect of monetary easing.** Changes in monetary policy are thought to act on the economy with a lag of six to 12 months. The 100 basis points of rate cuts in Q4 2024 likely helped the U.S. economy to an above-average Q3 result, and we suspect could have had a positive impact on Q4 had the prolonged shutdown not soured the spending inclinations of consumers.

However, we think the lagged positive effects of those late 2024 rate cuts will continue to be felt in H1 2026, while the Fed's recent rate reductions should show up as better economic activity in H2 2026.

Importantly, as of the September Senior Loan Officer Survey from the Fed, a majority of banks have become more interested in making loans to consumers, while the number of banks lowering lending standards has continued to rise.

**Capital spending to be boosted by tax policy.** New policies in the budget bill allowing for the much faster write-off of expenditures on qualified properties (warehouse, data centers, factories, and other facilities) as well as extending indefinitely the provision allowing the immediate full expensing of both research and development and equipment costs should, in our view, result in a faster rate of capex growth than would otherwise have been the case.

Paradoxically, we think the terminations and phaseouts of many renewable energy projects (including wind and solar) are likely to produce an acceleration of spending on such projects in 2026 as developers push to get in under the wire.

In its September forecast for U.S. GDP growth from 2025 to 2028, the non-partisan Congressional Budget Office, after taking the budget bill into consideration (but not the extent or effects of the shutdown) projected 2025 GDP growth will come in at just 1.4 percent before rising to 2.2 percent in 2026 and then subsiding back below the two percent threshold to 1.8 percent for 2027 and 2028.

### Reasonable assumptions yield positive market returns

How does this GDP growth profile play out for S&P 500 prospects? Lori Calvasina, RBC Capital Markets, LLC's head of U.S. equity strategy, is guided in her views for the coming year by at least two important considerations: one is the historical average relationship between market returns and different levels of GDP growth as noted above; and the other uses assumptions about the likely course of inflation and interest rates to derive an anticipated price-to-earnings (P/E) multiple for the S&P 500 and, hence, scenarios for price levels the index might be expected to reach by or before year-end 2026.

Using consensus estimates for year-end 2026—consumer price index (CPI) 2.60 percent, fed funds rate 3.25 percent, 10-year Treasury yield 4.07 percent—along with S&P earnings of \$308 per share, yields an S&P 500 price level one year out of about 7,100, an appreciation of 7.5 percent from the Nov. 21 closing level of 6,603.

Calvasina's model also generates a more bullish variant where the fundamental inputs reach more P/E-friendly levels—CPI 2.0 percent, fed funds rate 2.50 percent, 10-year yield 3.50 percent—which act to push the price scenario up to about 7,500, a 13.6 percent gain.

One must also consider the possibility inflation and interest rates could move up not down, perhaps not enough to produce a recession but sufficient to put pressure on P/Es. These more bearish variants open up valuation scenarios in the low 6,000s. A U.S. recession, not our forecast, could produce levels that are lower still.

### How does AI fit into the picture?

AI is a rapidly changing component of the U.S. economy through its very large contribution to index earnings and to GDP growth. Recently, the 10 largest capitalization stocks in the S&P 500—eight of which are AI giants—accounted for 43.5 percent of the index value but contributed only 35.3 percent of the earnings. This shows up in the form of markedly higher P/E ratios. The average P/E for the top 10 weights sits near 27x earnings (long-term average 18.6x) while the rest of the index trades at 17.7x (long-term average 15x).

We think investors are willing to pay a premium multiple for the AI leaders because of their superior earnings growth now and their perceived capability to deliver more in the future. We note that the rest of the market, while significantly less expensive than the mega-cap AI leaders, is expensive relative to its own historical average.

AI is also very important to GDP growth expectations in 2026 and beyond because of the dramatic growth in capital spending by the big developers and the expectation that more and more successful applications of AI will emerge which promise to prompt heavy future investment by users.

While the announced 2026 capex budgets for the biggest players add up to over \$400 billion, that probably represents a growth rate slowdown from 2025's blistering pace.

The spending is also running up against constraints, the most important of which is the availability of electric power to run the fast-proliferating data centers. There is very little uncommitted power available. Estimates vary, but the idea that U.S. generating capacity needs to grow by 20 percent over the next five years is widely mooted. Such a rapid expansion seems unlikely to fully materialize over that time span.

Meanwhile, utilities faced with shrinking or no excess capacity, especially in data-center-heavy markets, are applying for hefty rate increases which, if granted, could squeeze corporate profit margins and household disposable incomes. Polls indicate high residential utility prices impacted the recent November off-year U.S. elections, and we think this issue and cost of living in general will factor into the 2026 midterm elections.

## Can everything be good enough at the same time?

Looking across the U.S. economic/market landscape, a delicate tension emerges in several places between consensus earnings estimates and the various components of the economic backdrop needed to deliver them and what price performance one might plausibly expect from the averages.

For example, will GDP growth be strong enough to deliver the 12.8 percent earnings growth embodied in the consensus estimates? At the same time, will it be weak enough that inflation falls to two percent and the Fed feels the need to reduce rates by another 150 basis points, as the model would require for the bullish S&P outcome to prevail?

Or, is the massive AI spending that is already budgeted, combined with the heavy utility-generating capacity capex that the projected AI buildout needs and implies, together with the expressed intentions of large and small companies to hire more, pay more, and undertake more capex consistent with lower inflation? Without lower inflation, will the Fed cut by as much as the bullish case requires, if at all?

Of course, these apparent inconsistencies that come with the bullish argument don't rule out the possibility the market will go on to deliver the bullish outcome. The difficulty of squaring whether there will be a need to aggressively lower the fed funds rate for an economy strong enough to grow S&P earnings by 12.8 percent (the current consensus estimate) might just be a brick in the "wall of worry" the stock market so often confounds investors by climbing.

## Much the same setup in other developed markets

Most developed economies are running stimulative monetary and fiscal policies in the same direction as the United States. These feature rate cutting by central banks, a commitment to much higher defense spending, initiatives to boost power-generation capacity and strengthen grids, as well as to develop AI capability.

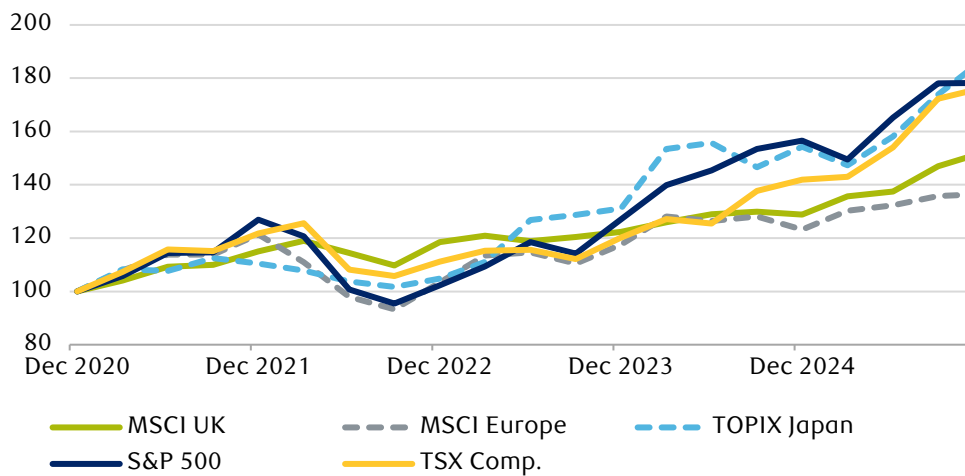
They are also faced with many of the same challenges: anemic GDP growth, trade uncertainties, mounting fiscal debt burdens, and fraught politics.

The S&P 500 minus its top 10 weights, together with the large-cap indexes in Canada, Europe, and Japan, are all trading at P/E multiples well above their long-term averages. It's as though investors, leery of the very high multiples in the mega-cap AI growth space, have opted instead for the more palatable multiples to be found outside that high-powered handful, pushing up those cheaper stocks and groups to historically high valuations in the process.

Just as for the U.S., delivering above-average equity market gains from here will require an unusually positive confluence of market-friendly economic, inflation, and interest rate conditions.

## More to come?

Performance of five major equity indexes relative to December 2020



Performance indexed to 100 in December 2020.

Source - FactSet; data through 11/24/25

## Position for less, be happy with more

In our view, the conditions necessary for the S&P 500 and other global large-cap indexes to deliver mid-single-digit returns plus dividends in 2026 (rather than the 13 percent-plus aimed for in the bullish scenario) are much less demanding and more likely to occur. They would include some slight further moderation in inflation allowing another cut or two from the Fed (although perhaps not from other central banks which are already at or closer to their respective “neutral rates”), leaving S&P 500 earnings able to get somewhat close to the consensus \$310 per share estimated as of this writing for 2026. Slower earnings growth is the more likely outcome outside the United States.

As 2026 gets underway, we think portfolios should be invested up to, but not beyond, a predetermined long-term equity exposure—in other words, Market Weight positioning—with a plan for becoming more defensive when and if needed.



## Global Insight 2026 Outlook United States

San Francisco

- There are enough potential catalysts for investors to give the U.S. equity market the benefit of the doubt as 2026 begins.
- Fixed income yields remain historically attractive, but bond prices could face modest downward pressure in 2026 as the Fed ends rate cuts, muting total returns.

## United States equities

**Kelly Bogdanova**  
San Francisco, United States

For the bull market to persist through 2026, we think some catalysts need to converge and an obstacle must be overcome:

- The U.S. economy and corporate profits have to keep growing at healthy clips;
- The focus of the AI development cycle probably needs to start shifting from “AI 1.0” (which has been mostly a capital spending story to build infrastructure and train and run AI models) to “AI 2.0” (where signs of productivity and financial benefits start accruing to companies inside and outside of the technology industry); and
- The market must buck the trend where the S&P 500 has experienced an average 22 percent correction surrounding midterm election years since 1934.

A tall order? Perhaps, but we’re mindful the market has jumped over high hurdles before.

RBC Global Asset Management, LLP’s Chief Economist Eric Lascelles anticipates U.S. GDP will grow 2.2 percent in 2026, right at the 2.2 percent average since 2000 and above the 1.9 percent consensus forecast.

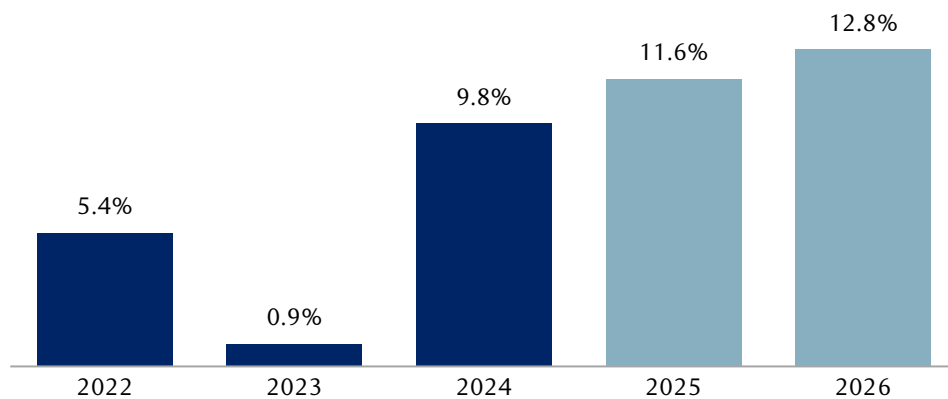
While the gap between tech and non-tech earnings growth rates should shrink further, overall S&P 500 profit growth will likely still be heavily impacted by AI capital spending and cloud computing given these stocks represent a large

All values in U.S. dollars and priced as of market close, Nov. 24, 2025, unless otherwise stated.

share of the market's value (aka capitalization). The 2026 S&P 500 consensus profit forecast looks somewhat lofty to us: 12.8 percent year-over-year growth based on \$310 earnings per share. We're still wary of the market's elevated forward price-to-earnings (P/E) valuation of 21.3x compared to the 18.6x 10-year average; however, we don't think high P/Es will create problems until economic and/or earnings growth begin to buckle.

### Earnings expectations: More growth ahead in 2026?

S&P 500 year-over-year earnings growth (dark blue) and consensus forecasts (light blue)



Source - RBC Wealth Management, Bloomberg (past earnings growth and consensus forecasts for 2025 and 2026); data as of 11/24/25

Questions about whether AI is in a bubble should linger into 2026, at least. We're uncomfortable with certain aspects of the boom, including the recent surge in circular financing deals—when a large AI company invests in a smaller AI company/startup, and the latter uses part or much of the financing to buy hardware and/or services from the large AI company. The possibility that unprecedented capex spending could soon run into power generation and related regulatory constraints is also of concern. But at this stage, we see certain yellow warning signs rather than a full-fledged bubble.

We begin 2026 with a Market Weight allocation to U.S. equities and favor dividend growth stocks because of their defensive characteristics and the Health Care sector due to its potential for improved earnings growth. We advise investors to be nimble overall and vigilant about single-stock and sector exposures by bringing them back in balance when they drift out of bounds.

## United States fixed income

**Thomas Garretson, CFA**  
New York, United States

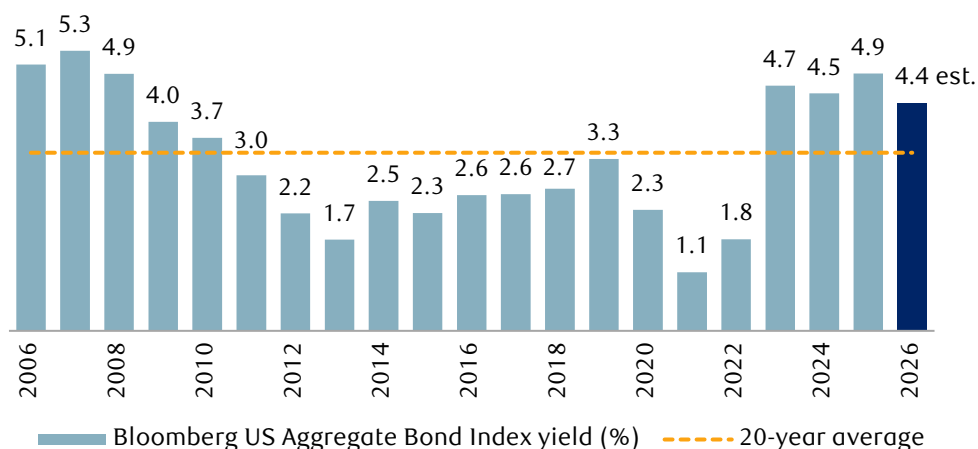
We see the Federal Reserve holding interest rates steady for the bulk of 2026. Near-term bias remains toward further cuts to around 3.75 percent or 3.50 percent. But with core inflation likely to hold north of 3.00 percent next year even as the unemployment rate is projected to rise modestly to 4.6 percent,

in our view, we see little scope for interest rates to fall further. In fact, should recent monetary policy easing—paired with fiscal stimulus via tax cuts—stoke stronger economic activity next year, we think markets could pivot the focus to the potential for rate hikes in late 2026 and into 2027.

2025 was a historically strong year for bond market performance, but we expect more-muted total return prospects for bonds in 2026. The Bloomberg U.S. Aggregate Bond Index, a benchmark comprising investment-grade government and corporate bonds, began 2025 with an average yield of 4.9 percent. But as yields have declined, in turn pushing bond prices higher, the total return realized by investors has been even greater at 7.1 percent, one of the best years since 2000.

### Bond yields likely to open 2026 lower, but still near historically high levels

Beginning index yield (%)




Source - RBC Wealth Management, Bloomberg US Aggregate Bond Index; current yield data as of 11/10/25

Given our expectations of minimal Fed rate cuts, near-average economic growth, and elevated inflation above the Fed's target, we see scope for modestly higher yields, putting downward pressure on prices and therefore total returns. We project the 10-year Treasury yield to end 2026 at 4.55 percent, up from 4.06 percent currently.

Credit markets remain historically rich and exposed to potential headwinds in 2026. The Bloomberg U.S. Investment Grade Corporate Bond Index offers investors just 0.85 percent of incremental yield over comparable Treasuries. We anticipate greater bond supply, largely from tech firms looking to finance AI-related capital expenditures, to weigh on the corporate bond sector and overall performance next year.

Municipal bonds were one of the more attractive fixed income sectors in 2025, but a rally to close out the year has diminished most of its appeal. That said, we see lingering value in bonds beyond 10 years on the curve where yields remain above recent averages.



Global Insight 2026 Outlook

## Canada

Edmonton, Alberta

- The recent federal budget could provide a further tailwind to the S&P/TSX, potentially building on its solid relative performance in 2025.
- A steeper yield curve improves the outlook for taking on duration, while compensation for credit risk remains very slim.

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## Canada equities

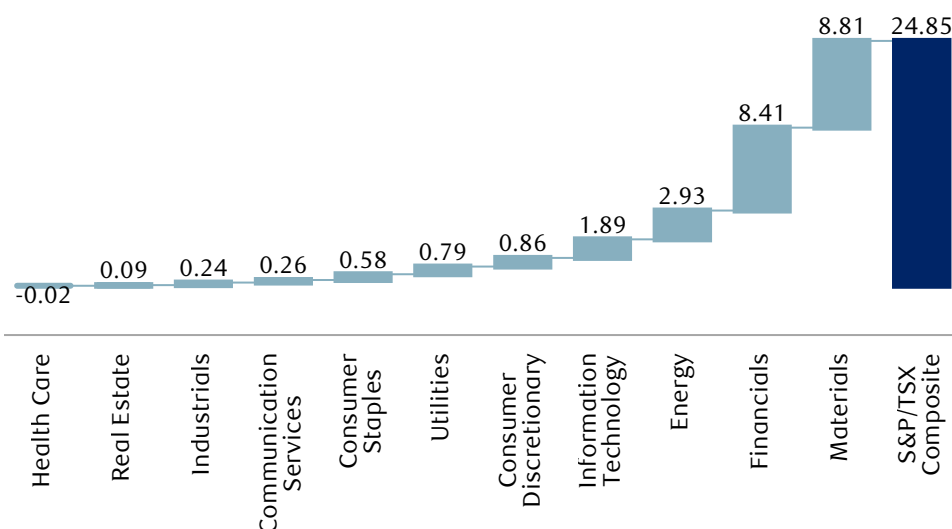
**Matt Altro, CFA**  
Toronto, Canada

In 2025, the S&P/TSX Composite is on pace to produce one of the better returns among developed country equity markets. The S&P/TSX has advanced despite bouts of volatility and a backdrop of subdued economic growth. Outperformance can largely be attributed to all-time high gold prices and an improving outlook for key market segments including domestic lenders. Furthermore, while U.S. administered tariffs remain a key overhang on a global scale, the USMCA has provided shelter to many Canadian industries. As the USMCA comes up for joint review next summer, we are hopeful that the current agreement will remain relatively unchanged. We will continue to watch for further discussions between President Donald Trump and Prime Minister Mark Carney on potential relief for the metals and lumber industries.

Under the 2025 federal budget, the government proposed CA\$280 billion in increased spending and capital investments over five years. Investments are focused on infrastructure, productivity and competitiveness, defence and security, and housing. The federal government hopes to attract considerable private and other public capital—alongside its own capital—to drive a total of CA\$1 trillion in new capital investment.

Current unemployment levels remain elevated, while inflation remains stubbornly above target levels. Despite these conditions, aggregate spending measures suggest the Canadian consumer continues to spend. This dynamic can largely be explained by the economic divide between high- and low-

## Sector attribution for the S&amp;P/TSX Composite 2025 year-to-date total return



Source - FactSet, RBC Dominion Securities; data as of 11/21/25

income Canadians. High-income households are doing more than their fair share of consumption, while we expect value-seeking behaviour to remain a constant in 2026.

At a multiple of 15.9x price-to-earnings valuation, the S&P/TSX continues to trade at a premium to its long-term historical average valuation multiple of 14.7x. However, this premium is significantly lower than the S&P 500's 21.3x multiple relative to its long-term average multiple of 16.6x. Premium multiples place a higher hurdle on economic growth and corporate earnings to meet or exceed expectations to drive higher equity values. That said, the modest premium on the S&P/TSX could provide some insulation in a widespread retracement in equity values. Beyond broad-based macro positioning, 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.

## Canada fixed income

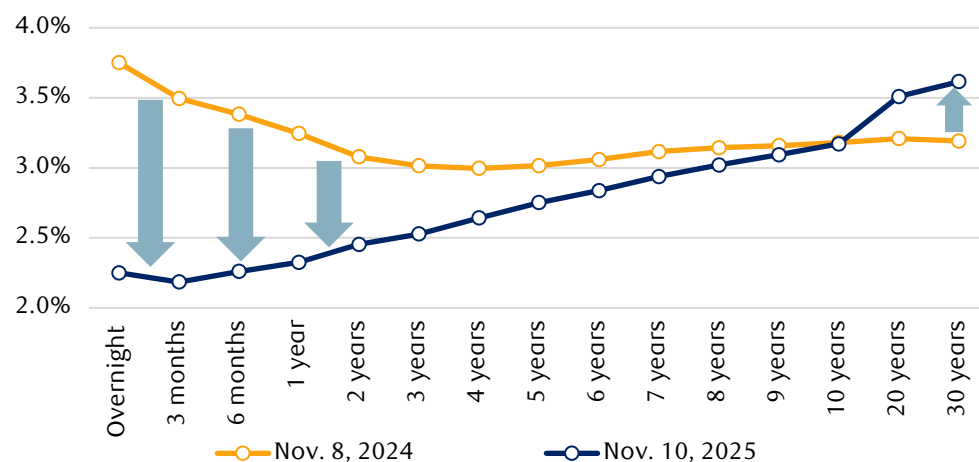
**Brett Feland**  
Toronto, Canada

Except for a six-month pause in the middle of the year, the Bank of Canada (BoC) continued easing monetary policy throughout 2025. The last two 25 basis point (bps) cuts, in September and October, brought the overnight rate to 2.25 percent, the bottom end of the central bank's estimated neutral range at which policy is neither restrictive nor stimulative. To support a stumbling labour market and encourage economic growth that has been dampened by U.S. tariff policy, the BoC has delivered a total of 275 bps worth of cuts since the peak in rates in 2023–2024, more easing than any other G7 nation. Unless growth or employment data deteriorates worse than policymakers

expect, BoC Governor Tiff Macklem has signaled that the central bank is likely finished easing monetary policy for now.

While cutting the overnight rate has brought short-term Canadian yields lower over the last year, longer-term bond yields have actually moved higher. The yield curve has steepened as term premiums—the additional compensation investors receive for buying longer-term bonds—have risen. Much like other G7 nations, fiscal concerns have placed upward pressure on longer-term bond yields and contributed to this curve steepening. Deficits projected in the federal government’s 2025 budget, released in November, were notably wider than those from the 2024 Fall Economic Statement, as the government announced a series of stimulative measures aimed at supporting economic growth.

### Canada sovereign yield curve



Source - RBC Wealth Management, Bloomberg

In our view, a steeper yield curve improves the risk/reward profile for taking on a bit more duration in portfolios, as higher starting yields for longer-term bonds help offset the risk of further steepening. On the other hand, credit spreads, the additional yield investors receive for purchasing corporate bonds over government bonds, started 2025 at historically tight levels, and despite our expectations, tightened further throughout the year. We think credit markets may not be fully appreciating issuer risks, and corporate bonds continue to look expensive, in our view. With compensation for credit risk so slim, at this time we prefer to instead take on additional duration risk in portfolios through somewhat longer-term government bonds and remain cautious with respect to corporate bond exposure.



## Global Insight 2026 Outlook United Kingdom

30 St Mary Axe, aka The Gherkin, London

- The UK faces a delicate economic balancing act, yet opportunities remain in this undervalued equity market.
- A softening labour market, decelerating wage growth, and disinflation are likely to lead to more Bank of England policy easing and Gilts outperformance amid lingering volatility.

## United Kingdom equities

The tax increases imposed on businesses and households in 2025 are expected to further slow economic growth to just 1.2 percent in 2026, according to the Bloomberg consensus forecast. Slowing growth will likely allow inflation to ease further, which could give the Bank of England (BoE) room to cut interest rates beyond the 3.25 percent level that is currently priced in by markets for year-end 2026.

In our view, the risk is that an increasingly unpopular Labour government abandons fiscal discipline. Elected with a landslide majority in July 2024, the government's approval rating has since plunged to 17 percent, according to recent polls. It is hard for us to see it recovering given the belt-tightening imposed on voters. If the government loosens its fiscal stance to spur growth—and its approval rating—financial markets would likely turn jittery, in our view, especially as the UK relies heavily on foreign investors to finance its debt.

For a country that averaged an annual growth rate of two percent in the decade before the pandemic, the UK's sluggish economic performance is disappointing. However, circumstances have changed, and a fairer comparison, in our view, may be with other G7 economies—all of which face their own challenges.

Perhaps because of that external environment and thanks to attractive valuations, the FTSE All-Share Index has gained 15 percent year to date in local currency terms, or 20 percent in U.S. dollar terms, largely outperforming

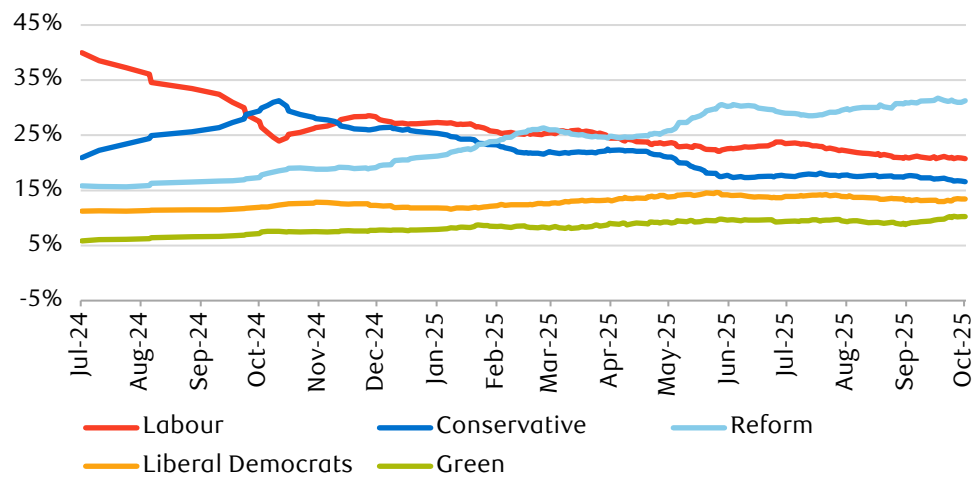
**Frédérique Carrier**  
London, United Kingdom

**Thomas McGarrity, CFA**  
London, United Kingdom

All values in U.S. dollars and priced as of market close, Nov. 26, 2025, unless otherwise stated.

## Labour's popularity plunges, Reform's soars

Polls of voting intentions



Source - Election data vault

the S&P 500's 11 percent year-to-date return. The outperformance is striking, especially given the UK's limited exposure to technology stocks, the main driver of U.S. and Asian stock markets in 2025.

Absent major changes to the UK's fiscal policies, we think UK equities could continue to perform well. Valuations still look attractive to us despite the rally, with the FTSE All-Share Index trading at 12.5x 2026 consensus earnings estimates, significantly below its long-term median price-to-earnings ratio relative to global developed markets, even accounting for sector differences.

We continue to favour attractively valued companies in the Financials sector, given their propensity for a high level of shareholder returns via dividends and share buybacks. Should the BoE loosen monetary policy more than markets currently expect, interest-rate-sensitive industries, such as housing, could outperform.

## United Kingdom fixed income

**Rufaro Chiriseri, CFA**  
London, United Kingdom

Our base case calls for continued softening in the labour market, including wage pressures, leading to increased confidence that the Bank of England will cut interest rates by 50 basis points from December through to Q1 2026. Business surveys expect pay growth to average around 3.7 percent during the year, and we forecast headline inflation to reach 3.5 percent year over year by the second quarter. A wide range of fiscal tightening measures are being backloaded in the 2029-30 period of the budget, while spending is frontloaded. Therefore, the growth impact in 2026 will be minimal and our economists project a gross domestic product growth rate of 1.1 percent for the

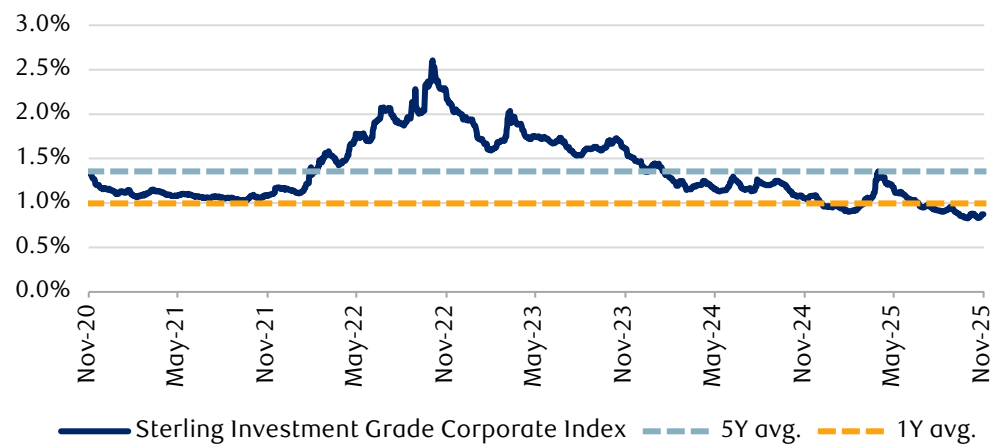
year. The risk to our base case view is the potential for household inflation expectations becoming anchored around the six-month average of 4 percent; this could put pressure on wage demands.

Tax hikes amounting to £26.1 billion, along with the increased “headroom”—the margin of safety between tax and spending plans—to £21.7 billion from £9.9 billion, has been positively received by markets. Against the backdrop of lowered fiscal risks and looser monetary policy, Gilts should remain stable and potentially outperform, in our view. Furthermore, Treasury’s bond issuance is likely past its peak and will continue being skewed away from long-dated Gilts where natural pension demand has fallen. That being said, Gilts could remain volatile, given the delayed fiscal consolidation, and the increased reliance on yield-sensitive investors needed to mop up supply.

UK corporate bonds have largely shrugged off fiscal concerns, with credit spreads—the compensation for credit risk—remaining at tight levels. We forecast a modest widening of spreads into 2026; therefore, we prefer an Underweight position in corporate bonds. However, current yield compensation for interest rate risk is still at compelling levels. Furthermore, we think lower Gilt yields and lower borrowing costs will support the credit sector.

### Corporate spreads are below historical averages

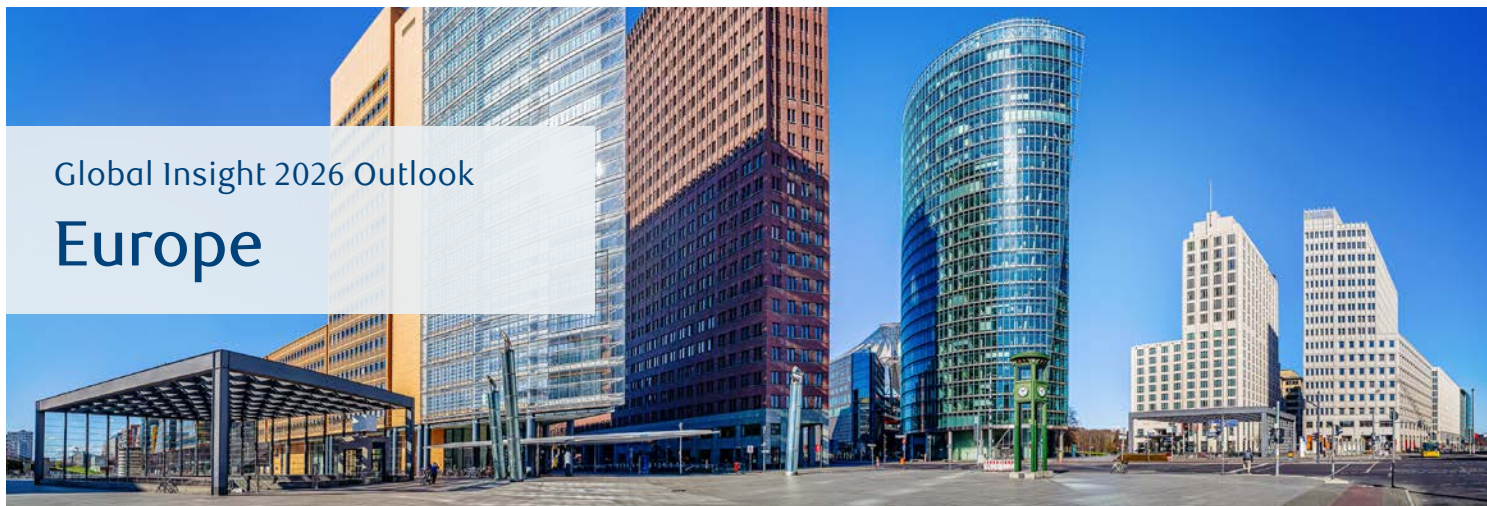
Spreads are the difference in yields between government and corporate bonds



Source - Bloomberg, RBC Wealth Management; data as of 11/10/25

## Global Insight 2026 Outlook

# Europe



Potsdamer Platz, Berlin

- Europe is experiencing the crosscurrents of U.S. tariff-led deflation and domestic reflation—and the latter seems to be winning.
- Bond yields are likely to trend higher as increased corporate and sovereign bond supply faces off with heightened competition for investor demand.

## Europe equities

Europe is facing opposing macroeconomic forces. On one hand, U.S. tariffs and a strong euro are squeezing the export sector, while Chinese competition is intensifying. Countries such as Germany and Italy, with their large industrial export sectors, are pinched the most.

On the other hand, powerful forces are providing a reflationary lift: loose monetary policy, with the European Central Bank (ECB) having cut its benchmark interest rate in half to two percent since mid-2024; expansionary fiscal policies in some countries, with Germany's 10-year €500 billion infrastructure programme being the highlight; and the implementation of structural reforms.

Overall, we believe evidence points to domestic reflationary forces winning. After all, the eurozone region has been growing modestly, beating slower-growth market expectations, and export-exposed countries seem to have avoided recession in 2025. RBC Capital Markets has penciled in 1.5 percent growth for the region in 2026 as Germany's infrastructure investment and defense spending are expected to contribute in earnest.

Progress on structural reforms could underpin growth further. The European Policy Innovation Council found that only some 11 percent of former ECB President Mario Draghi's 383 recommendations for reform have been fully implemented. A year ago, he urged EU leaders to address the bloc's ongoing

**Frederique Carrier**

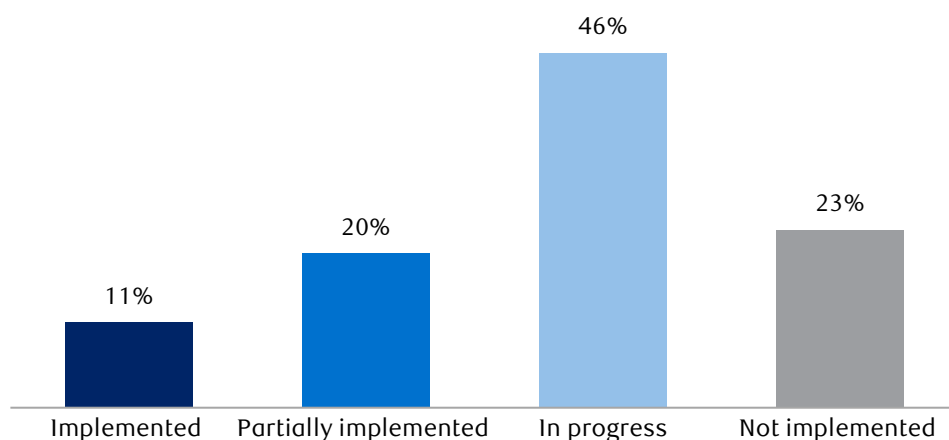
London, United Kingdom

**Thomas McGarrity, CFA**

London, United Kingdom

## Less than one-third of Draghi's reforms have been fully or partially implemented

Percentage of measures at various stages of implementation as of Sept. 4, 2025



Source - European Policy Innovation Council (EPIC), RBC Global Asset Management

productivity shortfall by deepening the single market, boosting innovation, and diversifying supply chains.

Much remains to be done. Unfortunately, political instability in France could hold back progress. Discussions of common borrowing to fund defense and scientific research, as Draghi had suggested, will be hard to advance so long as the EU's second-largest economy has not put its public finances in order. Any delay in the implementation of Germany's infrastructure plan would also limit growth prospects.

The STOXX Europe 600 ex UK Index—our preferred proxy for eurozone equities—trades at 14.8x 2026 consensus earnings estimates. That is slightly above its long-term average, a premium we believe is warranted given the region's fiscal impulse is improving the medium-term growth outlook.

We continue to prefer sectors we think are likely to benefit from fiscal stimulus, such as select Industrials, including defense, and Materials. In our view, banks should benefit from the region's improved medium-term growth outlook, while continuing to provide attractive dividends and share buyback opportunities.

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## Europe fixed income

Our base case forecast calls for eurozone GDP growth of 1.6 percent in 2026, boosted by increased regional fiscal expenditures, notably the loosening of the German fiscal brake and €500 billion in infrastructure spending that Germany is planning over the next decade. This should lead to a modest uptick in inflation, keeping the European Central Bank's (ECB) monetary policy rate at two percent. The risks to our base case are tariff headwinds and delays in fiscal spending, which could suppress economic growth and

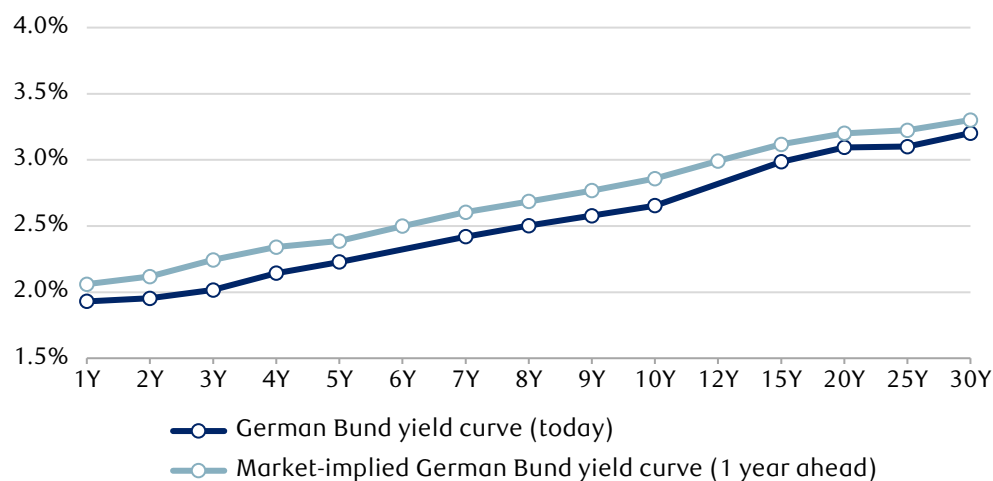
**Rufaro Chiriseri, CFA**  
London, United Kingdom

ultimately lead to inflation undershooting the ECB's two percent target over the medium term.

Germany has the fiscal headroom to borrow, while France's unpredictable political backdrop makes fiscal tightening seem like a tall order. French sovereign bond yields are likely to remain at or above Italian yields. On the other hand, Italy is on track to potentially exit the EU's excessive deficit procedure by 2026. Elsewhere, we think the fiscal deficits of Spain, Portugal, and Greece are likely to remain well controlled and these nations' sovereign bonds should outperform in a competitive yield environment. With increased overall bond supply and our expectation that yields will trend higher in 2026, especially in Germany, we prefer an Underweight position in European sovereign bonds.

### Bund yields expected to rise over the coming year

Current German Bund yields and market-implied Bund yields in a year's time



Source - RBC Wealth Management, Bloomberg; data as of 11/6/25

In corporate bonds, we forecast modest widening of investment-grade credit spreads—the additional compensation for credit risk—and a more pronounced widening in high-yield spreads. While high-yield bond default rates have fallen from cycle peaks and stabilised, we project an uptrend in defaults in 2026 driven by idiosyncratic factors. Investors' ongoing robust demand for yield and fiscal expansion should remain supportive for credit spreads, and we expect the high-yield sector to outperform the investment-grade space. Within investment-grade, we think opportunities remain in the Autos sector due to attractive valuations versus historical averages and relatively strong balance sheets. For similar reasons, we think there are compelling opportunities in the Telecoms, Utilities, and Financials sectors.



## Global Insight 2026 Outlook Asia-Pacific

China Central Television building, Beijing

- Domestic policies and improved external relations could support the uptrends of Chinese and Japanese equities.
- Asian credit markets are remarkably resilient, but given historically low credit spreads, quality will matter more than yield in 2026.

## Asia-Pacific equities

China and the U.S. have reached a one-year trade truce, which should support the Chinese economy and market sentiment in 2026, in our view. We recall that the major corrections in Chinese equities in 2025 were largely due to U.S.-China trade tensions. The latest deal reached in October appears more durable and is likely to set the stage for a more sustainable rally, in our view.

Stable global trade relationships should support Chinese exports, which have seen volumes growing but prices dropping. An increase in shipments to the U.S. could help ease price pressures. Beijing's macroeconomic policy is likely to become more supportive of domestic demand in 2026, given the government's ambition to boost domestic consumption over the next five years. However, we think the initial steps may be small and experimental.

The Chinese government continues to prioritize technology development, with a focus on high-end manufacturing. As a result, we expect capital expenditure in related sectors to continue growing. We believe Chinese companies are well-positioned to benefit from the global AI spending boom, as they supply many key components. The primary risk, in our view, is a potential reversal in global AI spending, which could have a ripple effect in China.

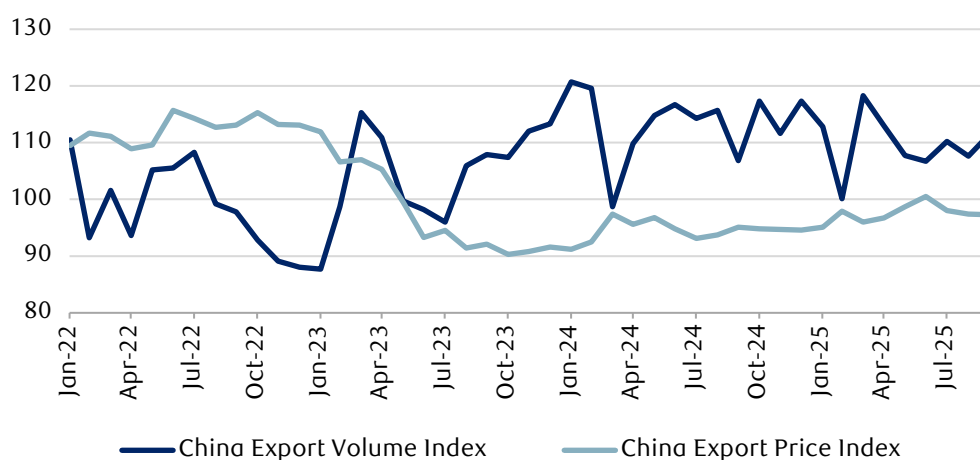
The Japanese equity market rose sharply in October, and while short-term volatility is likely, we expect further upside in the new year. Japan welcomed its first female prime minister, Sanae Takaichi, and her government is enjoying an unusually high approval rating. Since becoming prime minister in October, Takaichi has announced measures to counter inflation, accelerated the

**Jasmine Duan**  
Hong Kong, China

**Nicholas Gwee, CFA**  
Singapore

## A U.S.-China trade truce could be supportive to the Chinese export sector

Chinese export volumes have shown resilience, but export prices are falling



Source - RBC Wealth Management, Bloomberg; monthly data through September 2025

timeline for defense spending increases, and unveiled growth strategies for cutting-edge industries. In her very short time in office, we also witnessed a strengthening of the U.S.-Japan alliance.

We see “Sanaenomics” as a catalyst for Japanese equities, and we view her fiscal measures to be sufficient to help counter inflation and boost sluggish middle-class consumption.

We reiterate our long-term constructive view on Japanese equities given a sustainable two percent inflation target seems in sight; renewed investment from friendshoring and onshoring; improving returns on equity and shareholder returns; resilient domestic demand supported by high household savings and wage hikes; inbound tourism; and elevated domestic inflows from individual investors under the revamped Nippon Individual Savings Account scheme.

## Asia-Pacific fixed income

**Shawn Sim**  
Singapore

Asian credit markets head into 2026 on firm footing after a resilient 2025. Asian investment-grade credit spreads remain anchored by steady economic growth, contained inflation, and ample domestic liquidity. Corporate credit fundamentals are sound, leverage has moderated, and supply remains disciplined. Even high-yield segments have weathered global rate volatility for most of 2025, underscoring Asia’s resilient credit markets.

Regional policymakers are likely to stay proactive in balancing growth and fiscal prudence. Governments of export-oriented economies—such as China, South Korea, Japan, and Thailand—are expected by most investors to sustain targeted fiscal support to offset the drag from U.S. tariffs and subdued global demand. This should help anchor long-term yields and contain funding

volatility. Yet, we believe elevated valuations and thinning fiscal buffers across several economies mean returns will hinge on credit selection and structural themes rather than broad market rallies.

China's credit cycle should move toward stabilization in 2026. Systemic risks appear to be easing as real estate developers deleverage, and policy remains geared toward steady, productivity-driven expansion. Domestic investors will continue to be a key stabilizing force, in our view, while sectors linked to consumption and technology provide selective upside. Within China, we prefer investment-grade bonds issued by central state-owned entities and high-quality private companies.

#### Asia ex Japan USD corporate IG credit spread



Source - RBC Wealth Management, Bloomberg; data as of 10/31/25

Japan's policy shift is set to be a defining force in regional markets, in our opinion. The Bank of Japan's (BoJ) gradual normalization of monetary policy and a more expansionary fiscal stance by the new Takaichi administration have caused Japanese government bond (JGB) yields to rise, and not without credit implications. Higher JGB yields are prompting more Japanese corporates to issue U.S. dollar-denominated bonds, increasing Japan's role in Asian credit markets. Although this may potentially widen credit spreads at the longer end of the yield curve, we think strong domestic demand driven by lower U.S. dollar hedging costs should support positive returns and provide attractive relative valuations for global investors.

Looking ahead, we believe the Asian credit outlook for 2026 points to more moderate returns, driven by stable fundamentals, net negative new supply—whereby more bonds are being paid back than newly issued—and selective value in higher-quality issuers.

## Global Insight 2026 Outlook

# Commodities



### Oil

The price of oil remained volatile throughout 2025, driven by a confluence of geopolitical tensions, persistent macroeconomic uncertainty, and a seemingly intensifying supply overhang as OPEC+ continued to release barrels into the market pushing above-ground inventories to new highs. This dynamic has shifted looking ahead to 2026. While the global macroeconomic landscape shows few clear signs of improvement, OPEC+ has opted to pause additional output increases for the first quarter of the year. We believe this strategic adjustment has the potential to remove some of the downward pressure and provide some degree of support for prices in the new year.

### Natural Gas

Despite bouncing off the 2025 lows, natural gas prices have remained depressed compared to prior-year levels, a result of robust supply additions and storage volumes that continue to sit above the five-year averages. As the market works through these elevated supply levels into 2026, we think significant structural demand tailwinds are poised to provide support in the medium term. Key drivers include surging power demand from AI data centers, increased general power burn, and growing export demand fueled by an expansion in liquefied natural gas export capacity.

### Gold

The price of gold reached new all-time highs in 2025, driven by a combination of geopolitical risk, a declining interest rate environment, policy uncertainty, and global central banks diversifying reserves away from the U.S. dollar. Looking ahead to 2026, RBC Capital Markets expects continued central bank purchases and sustained macroeconomic uncertainty to maintain sufficient demand to keep bullion prices elevated.

### Copper

There has been a mix of drivers resulting in higher copper prices for 2025, with the key ones being escalating supply disruptions amid sustained demand. Despite Chinese economic data revealing factory activity shrinking for most months throughout the year, robust growth in China's EV production and

### Matt Altro, CFA

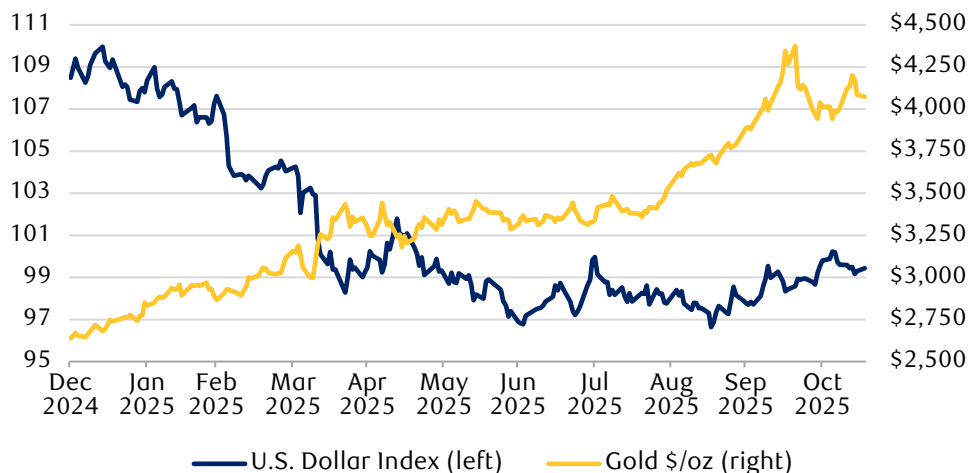
Toronto, Canada

### 2026 commodities forecasts

Commodity	Price
Oil (WTI \$/bbl)	60.06
Natural gas (\$/MMBtu)	3.80
Gold (\$/oz)	3,931
Copper (\$/lb)	4.50
Soybeans (\$/bu)	11.00
Wheat (\$/bu)	5.65

Source - RBC Capital Markets forecasts (oil, natural gas, gold, copper), Bloomberg consensus forecasts (soybeans, wheat); data as of 11/17/25

### Gold rises as central bank demand remains strong amid U.S. dollar weakness



Source - Bloomberg; data through 11/17/25

ongoing renewable energy installations help act as offsets. If the declining rate environment in the U.S. continues, RBC Capital Markets believes we should see higher copper prices through 2027.

### Agriculturals

Tariff gyrations and an absence of Chinese buyers for U.S. soybeans and Canadian canola have depressed commodity markets. Brazil, Argentina, and Australia have all benefitted by taking additional market share. Policy uncertainty may linger into the first half of 2026. Tariff volatility notwithstanding, we think much will hinge on end-of-harvest crop USDA reports. If carry-over stocks prove to be larger than consensus expectations and Chinese buyers are slow to return, prices could remain range-bound at what we see as less-than-satisfactory levels.

Global Insight 2026 Outlook

## Currencies

### U.S. dollar: Structural USD weakness remains unchanged

We think the dollar will continue to be on a structural path lower in 2026, driven by more interest rate cuts in the U.S. and an ongoing asset reallocation out of the greenback into other major currencies such as the euro, unless economic data in the U.S. improves unexpectedly. Foreign investors are also likely to increase their hedge ratios on U.S. assets, which requires selling USD, as the cost of hedging would drop with more interest rate cuts in the U.S. in 2026. The independence of the Federal Reserve may also be put in question again and weigh on the dollar, with U.S. President Donald Trump likely to opt for a more dovish nominee to replace current Fed Chair Jerome Powell, whose term ends in May 2026.

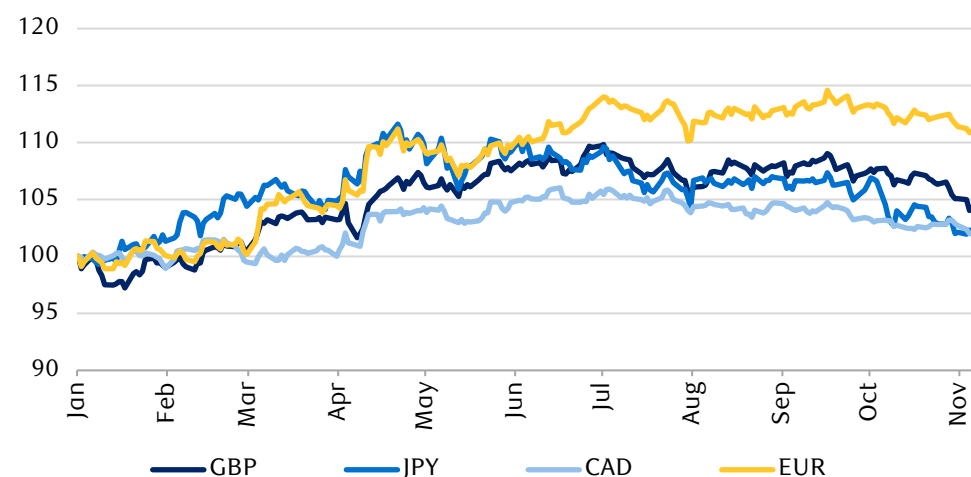
Nicolas Wong, CFA  
Singapore

### Euro: Maintaining a 1.24 target for year-end 2026

RBC Capital Markets expects EUR/USD to trend higher in 2026, driven by improving European economic growth in 2026, a rotation of assets from the U.S. to Europe, and as the cost of hedging U.S. assets falls for European

The euro was one of the outperformers against the dollar in 2025 and we expect further gains in 2026 as the Fed cuts interest rates further

Indexed return of four major currencies against the U.S. dollar



Source - RBC Wealth Management, Bloomberg, data through 11/6/25

investors. There are risks to this view, however, as U.S. productivity growth currently outperforms Europe's and we see no attractive European alternative to U.S. Treasury bonds. Also, the U.S. dominates Europe in AI and technology, and political risks in Europe could flare up in 2026. On balance, RBC Capital Markets is comfortable with a target of 1.24 on the EUR/USD for 2026.

### Canadian dollar: USD/CAD target at 1.31 for year-end 2026

RBC Capital Markets expects USD/CAD to reach the low 1.30s in 2026, with the interest rate gap between the U.S. and Canada forecast to narrow materially by the end of 2026. RBC Capital Markets notes risks around the U.S.-Mexico-Canada Agreement (USMCA) renegotiations, but as long as exemptions remain in place for Canada, the U.S. effective tariff rate on Canadian imports should remain low versus the rest of the world. Canada is exempt from most U.S. tariffs, except for specific sectors like steel, aluminum, and automobiles, all of which face steep tariffs.

### British pound: Sources of resilience in the long term

The pound could find support from higher interest rates in the UK, which, in our view, would make the currency an attractive target for investors looking to invest in high-yielding sovereign instruments. RBC Capital Markets also notes resilience in UK economic data this year, with growth of one percent in H1 2025 that could potentially be another source of support for the pound going forward.

### Japanese yen: Supported by domestic hedging activity

RBC Capital Markets expects a significant financial transformation in Japan that could lead to the yen strengthening in 2026. First, domestic investment is becoming increasingly attractive due to rising yields in Japan, which will reduce the need of Japanese investors to buy foreign assets. Second, RBC Capital Markets anticipates hedging on foreign assets to grow, which requires buying the yen and selling the foreign currency in the forward market. RBC Capital Markets is forecasting USD/JPY at 130 by end-2026.

### 2026 currencies forecasts

Currencies	Forecast Dec. 2026
U.S. Dollar Index	92
EUR/USD	1.24
USD/CAD	1.31
GBP/USD	1.43
USD/JPY	130

Source - RBC Capital Markets estimates; data as of 11/17/25

## Research resources

This document is produced by the Global Portfolio Advisory Committee within RBC Wealth Management's Portfolio Advisory Group. The RBC Wealth Management Portfolio Advisory Group provides support related to asset allocation and portfolio construction for the firm's investment advisors / financial advisors who are engaged in assembling portfolios incorporating individual marketable securities.

The Global Portfolio Advisory Committee leverages the broad market outlook as developed by the RBC Investment

Strategy Committee (RISC), providing additional tactical and thematic support utilizing research from the RISC, RBC Capital Markets, and third-party resources.

The RISC consists of senior investment professionals drawn from individual, client-focused business units within RBC, including the Portfolio Advisory Group. The RISC builds a broad global investment outlook and develops specific guidelines that can be used to manage portfolios. The RISC is chaired by Daniel Chornous, CFA, Chief Investment Officer of RBC Global Asset Management Inc.

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Portfolio Analyst, RBC Wealth Management Portfolio Advisory Group U.S., RBC Capital Markets, LLC

**Frédérique Carrier** – Co-chair

Managing Director & Head of Investment Strategy, RBC Europe Limited

**Luis Castillo** – Head, Fixed Income Strategies, RBC Wealth Management Portfolio Advisory Group, RBC Dominion Securities Inc.

**Rufaro Chiriseri, CFA** – Director & Head of Fixed Income, British Isles, RBC Europe Limited

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