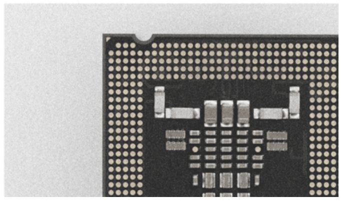
Markets | The Big Take

Here's (Almost) Everything Wall Street Expects in 2026



By Sam Potter
January 1, 2026

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Astronomical expenditure. Uncertain rates of return. Uneven pace of adoption.

By now every firm on Wall Street is well aware of the risks surrounding the artificial intelligence boom. But when it comes to the year ahead, few advocate walking away from what they describe as a "revolutionary" technology. Across the investment outlooks from more than 60 institutions compiled here by Bloomberg News, the optimism is almost universal.

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Monetary Policy: Easy Does It

Global central banks broadly seen leaning into easier policy, aside from the Bank of Japan. The Fed will come under increased political pressure to cut rates, especially once its Chair is replaced, but may be constrained by sticky inflation. A weak labor market may provide an excuse for some US easing, but most firms think the market is currently pricing too many cuts.

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Fiscal Policy: Big Spenders

Sustainability of fiscal expenditure in major countries remains a concern, but little reduction in spending is expected because of political pressures. Bond investors will remain on guard.

NatWest

Governments continue to stimulate their economies. In the US, the "Big Beautiful Bill" includes tax cuts that should boost growth next year, while Germany has shifted from decades of fiscal restraint to a new era of significant borrowing and investment.

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Tariffs: New Normal

No repeat of Liberation Day, and a possibility the Supreme Court strikes down tariffs. In that case, the administration would impose them by other means. In other words, barriers to trade are here to stay, but many firms say the world has adjusted.

Capital Economics

Although it's possible the Supreme Court could strike down parts of the Trump administration's tariff regime, the growing dependence on tariff revenue suggests the authorities will find ways to keep barriers in place.

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Inflation: Sticky Slide

Worst of inflation seen behind us, but ongoing trade barriers and US immigration policy (and its impact on the labor market) mean any cooling of price growth is liable to be slow and could be limited. Risks are seen stacked toward higher inflation.

Capital Group

Inflation likely to remain above Fed's target at 3% to 3.3%, but could drift down if one-off price increases from tariffs wane or economic activity weakens.

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Risks: Policy, AI, Geopolitics

The risks of a policy mistake loom large. Firms see potential for inflation to turn higher as central banks lower rates, with trade barriers a potential catalyst. Stimulative policy at this stage in the cycle could lead to overheating. Bubble or not, the extreme spending to roll out AI coupled with its uncertain payoff is making firms edgy. So is the technology's potential impact on the labor market and established business models. And never underestimate the potential for geopolitical or trade-related shocks.

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Brandywine Global

We anticipate ongoing convergence in relative growth rates after a prolonged period of US exceptionalism. Global investors remain structurally overweight dollar assets, with both economic and geopolitical incentives to reduce these exposures over time.

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Capital Group

Although there are many encouraging signs for the year ahead, there are also clear risks on the horizon, and investors should prepare for inevitable market pullbacks. Stocks are expensive. Sticky inflation and mounting government debt in the US, Europe and elsewhere are also cause for concern.