

Snapshot Q1 2026

This is a summary of
our House View Q1 2026

What's our outlook for Q1?

Set for success in 2026? Stay diversified

The global economy in 2026 looks resilient. We think growth should stay on track thanks to supportive government policies, strong company finances and ongoing developments in artificial intelligence (AI).

Inflation is easing in most markets but remains sticky in the US. Despite potential market volatility ahead of the US midterm elections in November, overall political uncertainty has receded.

In our view, the environment favours risk-taking. AI continues to be a major investment theme – but not a bubble. Opportunities are emerging in the wider AI ecosystem, such as energy and infrastructure.

Balanced portfolios combining tech stocks with emerging markets, precious metals and undervalued currencies could help investors manage risk while aiming for growth.

? Is US growth resilient?

Good headline growth in the US economy hides a more mixed picture. Private consumption is surging among the wealthiest 20%* – but middle class and lower-income Americans are feeling the effects of inflation. Their living standards are improving only slowly, if at all. This divergence could prompt questions about the durability of US growth.

20%

of Americans are enjoying the biggest boost to their spending power

* Source: Moody's and Bloomberg

What's our regional outlook?

US: underlying fragility

The economy shows resilience, but underlying growth may be fragile, with 2026 output projected at 1.4-1.9% – below potential.

Inflation will likely exceed the Federal Reserve (Fed)'s 2% target for a sixth straight year, reaching about 3%.

To bolster growth, the Fed may cut rates by an extra 25 basis points to a target range of 3.25-3.5% by mid-2026.

Europe: balanced outlook

The euro zone outlook for 2026 appears balanced, with inflation likely to dip below 2%. Government policy measures led by Germany will provide support.

Growth should stabilise at 1-1.5%, with the European Central Bank likely to cut rates by 25 basis points in spring.

The Bank of England is set to continue gradual easing by delivering 75 basis points of cuts by June, supporting a modest regional recovery.

Asia: brief rebound

China's GDP growth should briefly rebound in early 2026 due to fiscal stimulus, before settling at a slower pace of 4.2-4.7% for the year amid weak consumer spending.

In Japan, increased fiscal spending may prompt the central bank to tighten more aggressively than the anticipated 25 basis-point hike by mid-2026.

2.9%¹

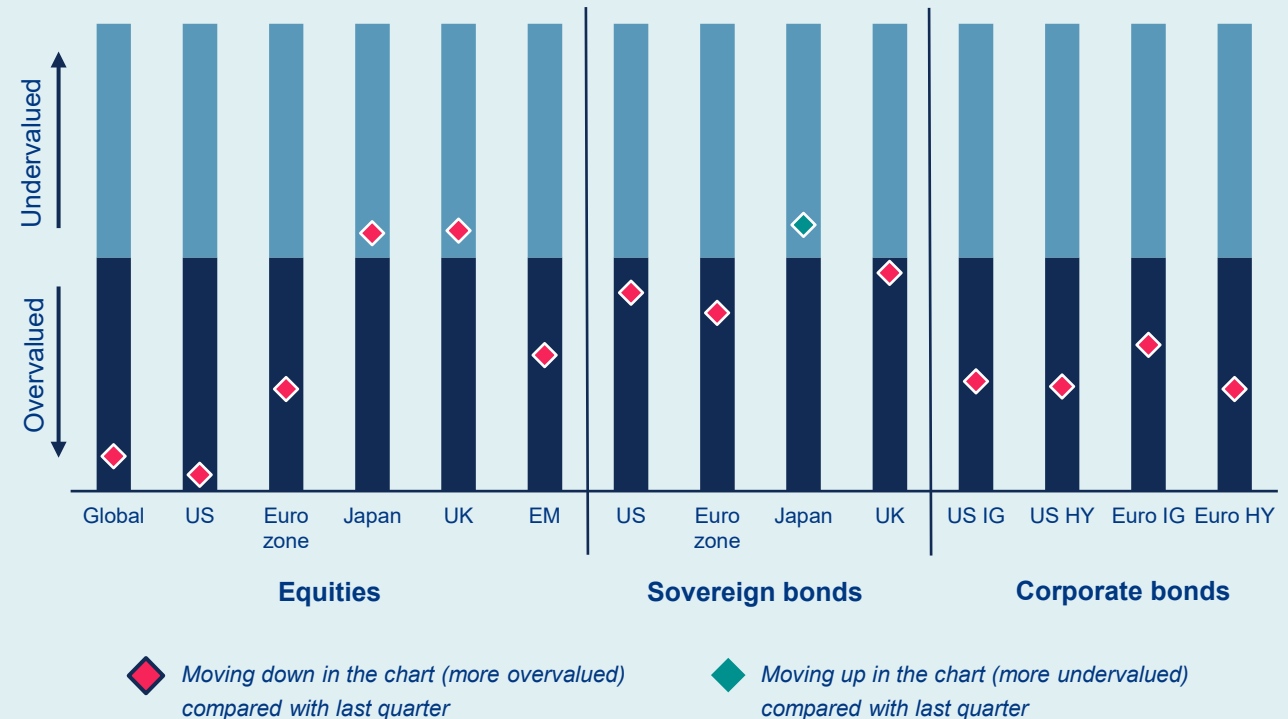
¹ Data: Bloomberg as at December 2025.

Where do we see value?

Japan and UK equities still appear undervalued

- While US equities are still richly valued, we think earnings support growth, and valuations are not elevated compared with previous bubbles.
- Japan and UK equities remain undervalued by our metrics.
- Developed market sovereign bonds in our survey are not far from fair value, with Japan sovereign bonds becoming more undervalued than in the last quarter.

End of November 2025



Valuation score = current score relative to historical distribution of scores. Equity valuation based on Shiller-PE, price/book, 12-month forward PE. Sovereign valuation based on 10-year real interest rate and term premium. Corporate bond valuation based on implicit default probability and respective sovereign valuation. Source: Allianz Global Investors Global Economics & Strategy, Bloomberg, Datastream (data as at 30 November 2025). Past performance does not predict future returns. The statements contained herein may include statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. We assume no obligation to update any forward-looking statement. Valuations are based on the latest assumptions about the economic growth outlook.

Where are the potential investment opportunities?

Equities

- US valuations remain high, **but manufacturing capex indicates opportunities** for selective investors.
- Consider **strategic industries in Europe** that are set to benefit from the push for regional autonomy.
- **In China, AI diffusion, biotech out-licensing and reforms** create fertile investment conditions in key sectors.
- **India's "aspiration economy"** is gaining momentum, while globally **life sciences** have turned a corner.

Fixed Income

- **Active duration management is key;** we prefer shorter-dated US government bonds amid yield curve steepening. In Canada, consider yield curve flatteners.
- For longer-dated exposure, we highlight **emerging market sovereign debt from Brazil, Peru and South Africa.**
- Falling trade uncertainty supports **undervalued Asian currencies.**
- In credit, we favour **investment grade financials/utilities** and selected high yield bonds in emerging markets/Asia.

Multi Asset

- **Equities still the top asset class** but try rebalancing US exposure to Asia. In Europe, prefer Spain and small caps.
- In fixed income, **favour yield curve steepeners and moderate duration.** Rate cuts should aid bonds in US/Europe, while Japan faces higher rates.
- **Emerging market bonds** offer attractive carry and resilience and can complement high quality credit.
- **Gold still a long-term conviction.** Consider buying copper based on supply stagnation and green/AI demand.

Discover more insights

Our latest House View

[House View Q1 2026 \(full version\)](#)

Other recent insights



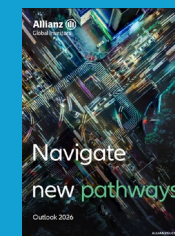
[Five themes that will shape sustainable investing in 2026](#)



[Gold: the portfolio differentiator](#)



[Artificial intelligence: are short-term valuation fears missing the big picture?](#)



[Outlook 2026: Navigate new pathways](#)

Disclaimer

Investing involves risk. The value of an investment and the income from it will fluctuate and investors may not get back the principal invested. Past performance is not indicative of future performance. This is a marketing communication. It is for informational purposes only. This document does not constitute investment advice or a recommendation to buy, sell or hold any security and shall not be deemed an offer to sell or a solicitation of an offer to buy any security. The statements contained herein may include statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. We assume no obligation to update any forward-looking statement.

The views and opinions expressed herein, which are subject to change without notice, are those of the issuer or its affiliated companies at the time of publication. Certain data used are derived from various sources believed to be reliable, but the accuracy or completeness of the data is not guaranteed and no liability is assumed for any direct or consequential losses arising from their use. The duplication, publication, extraction or transmission of the contents, irrespective of the form, is not permitted. This material has not been reviewed by any regulatory authorities. In mainland China, it is for Qualified Domestic Institutional Investors scheme pursuant to applicable rules and regulations and is for information purpose only. This document does not constitute a public offer by virtue of Act Number 26.831 of the Argentine Republic and General Resolution No. 622/2013 of the NSC. This communication's sole purpose is to inform and does not under any circumstance constitute promotion or publicity of Allianz Global Investors products and/or services in Colombia or to Colombian residents pursuant to part 4 of Decree 2555 of 2010. This communication does not in any way aim to directly or indirectly initiate the purchase of a product or the provision of a service offered by Allianz Global Investors. Via reception of his document, each resident in Colombia acknowledges and accepts to have contacted Allianz Global Investors via their own initiative and that the communication under no circumstances arises from any promotional or marketing activities carried out by Allianz Global Investors. Colombian residents accept that accessing any type of social network page of Allianz Global Investors is done under their own responsibility and initiative and are aware that they may access specific information on the products and services of Allianz Global Investors. This communication is strictly private and confidential and may not be reproduced, except for the case of explicit permission by Allianz Global Investors. This communication does not constitute a public offer of securities in Colombia pursuant to the public offer regulation set forth in Decree 2555 of 2010. This communication and the information provided herein should not be considered a solicitation or an offer by Allianz Global Investors or its affiliates to provide any financial products in Brazil, Panama, Peru, and Uruguay. In Australia, this material is presented by Allianz Global Investors Asia Pacific Limited ("AllianzGI AP") and is intended for the use of investment consultants and other institutional /professional investors only, and is not directed to the public or individual retail investors. AllianzGI AP is not licensed to provide financial services to retail clients in Australia. AllianzGI AP is exempt from the requirement to hold an Australian Foreign Financial Service License under the Corporations Act 2001 (Cth) pursuant to ASIC Class Order (CO 03/1103) with respect to the provision of financial services to wholesale clients only. AllianzGI AP is licensed and regulated by Hong Kong Securities and Futures Commission under Hong Kong laws, which differ from Australian laws.

This document is being distributed by the following Allianz Global Investors companies: Allianz Global Investors GmbH, an investment company in Germany, authorized by the German Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin); Allianz Global Investors (Schweiz) AG; Allianz Global Investors UK Limited, authorized and regulated by the Financial Conduct Authority; in HK, by Allianz Global Investors Asia Pacific Ltd., licensed by the Hong Kong Securities and Futures Commission; in Singapore, by Allianz Global Investors Singapore Ltd., regulated by the Monetary Authority of Singapore [Company Registration No. 199907169Z]; in Japan, by Allianz Global Investors Japan Co., Ltd., registered in Japan as a Financial Instruments Business Operator [Registered No. The Director of Kanto Local Finance Bureau (Financial Instruments Business Operator), No. 424], Member of Japan Investment Advisers Association, the Investment Trust Association, Japan and Type II Financial Instruments Firms Association; in Taiwan, by Allianz Global Investors Taiwan Ltd., licensed by Financial Supervisory Commission in Taiwan; and in Indonesia, by PT. Allianz Global Investors Asset Management Indonesia is licensed and supervised by Indonesia Financial Services Authority (OJK). Investment through mutual funds contains risk. Before deciding to invest, prospective investors must read and understand the prospectus. Past performance does not guarantee/reflect an indication of future performance.

5114475