中信银行(国际)
CHINA CITIC BANK INTERNATIONAL

Will 2026 Replicate 2025's Global Market Boom?

Video highlights:

- Global stocks market performed well in 2025 was driven by factors including central bank rate cuts, the transition of AI from concept to practical applications and valuation re-ratings etc. Specifically, the Asian market benefited not only from the AI theme but also from depreciating USD.
- In 2026, we may see a divergence in global monetary policies. Central banks in Australia, New Zealand, Canada, and Japan may consider rate hikes, while the pace of rate cuts in the US and Europe could slow down. Coupled with the US midterm elections and the transition of the Fed Chair, these factors could lead to more volatile and unpredictable capital flows.
- From 1974 to now, historical data showed that the S&P500 index typically sees significant gains in the period leading up to midterm elections, rising in 9 out of 13 instances (a nearly 70% success rate) with an average gain of over 15%. The down years were primarily influenced by significant headwinds, such as the oil crisis, the Gulf War, economic recessions, and aggressive rate-hike cycles.
- However, as the voting date approaches, political uncertainty tends to intensify market volatility. For example, when calculating from two, four, or six months prior to the vote, the win rate drops to approximately 54%, reflecting how political uncertainty amplifies market volatility.
- Looking into the Asian market, AI companies are significantly increasing capital expenditure and innovating in functions and applications, driving demand for hardware and cloud providers, which directly benefits Asian tech manufacturers. However, investors could also pay attention to the Fed rate cuts and local fiscal stimulus may bolster the US recovery, potentially strengthening the USD and affecting the inflows into Asia. Thus, a balanced strategy while focusing on high-growth AI themes and diversifying into defensive Asian high-dividend stocks is worth considering.
- Historical data showed that from the past five years (excluding 2025), high-dividend stocks outperformed the broader Asian market in the remaining four years. Beyond offering attractive yields, they exhibit lower volatility, providing superior risk-adjusted returns for portfolios.
- In the bond market, global central banks have room to raise interest rates, and the potential of the Fed slowing down its rate cut pace, which would put pressure on bond prices.
- Currently, whether investment-grade or high-yield bonds, credit spreads have narrowed to historically low levels, indicating limited upside potential in bond prices, and an expectation that yield income will form the primary source of potential returns in the fixed-income market. In addition to managing duration, bond portfolios could be diversified across various fixed-income sectors. The yields for most global fixed-income assets currently exceed those of US Treasuries, and their unique characteristics could help bond portfolio to mitigate sensitivity to interest rate risk.

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