



Edmond de Rothschild AM unveils its investment outlook for 2026

Edmond de Rothschild Asset Management unveils its investment outlook for 2026, focusing on the following key themes:

- United States: less visibility, but no recession in sight
- Expensive markets, AI bubble and public deficits: a trio of risks to watch out for
- Europe: the real catalyst could come from Germany's change of course
- A cautious but aggressive investment strategy focused on diversification, resilience and sovereignty

Beyond AI: preparing for the post-bubble era

There are numerous similarities between the current surge in AI-related stocks and the dot-com bubble: the central role of momentum, extreme valuations, strong participation by retail investors, and circular mega-deals between OpenAI, Nvidia and Oracle. The key question is whether US players will be able to monetise these investments, given the increasingly intense competition between US and Chinese hyperscalers and the fact that returns on investment are still struggling to materialise.

Two additional obstacles are emerging in the United States: **insufficient energy supply** in the face of rapidly rising demand, leading to soaring electricity prices, and the first **incidents in the private credit market**. According to some projections, the rapid growth of the latter makes it one of the main potential sources of financing for data centres by 2030.

The AI market segment remains highly speculative from a long-term investor's perspective. Third-quarter results confirm a slowdown: US earnings growth is no longer driven primarily by the MAG7, which argues for diversification beyond the AI theme alone.

What if the real surprise of 2026 came from Europe?

France remains fragile in budgetary and political terms, but the risk of crisis remains contained. Southern Europe continues to enjoy positive momentum, driven by the NextGen EU plan and the renewed competitiveness of these countries. However, it is Germany that is making the most significant change in doctrine, which is likely to affect the entire continent: a recovery plan whose effects will be felt in 2026, Mr Merz's desire to launch the Capital Markets Union (hitherto blocked by Berlin), and support for European protectionist measures against Chinese steel dumping. This is a real break with the past, aimed at boosting both supply and demand in Europe.

Fed, deficit and politics: a new monetary regime on the horizon

In May 2026, Jerome Powell's term will come to an end. No one knows how far the Fed's independence will be preserved, but we anticipate a more accommodative central bank, if only because of the rotations already planned within the Board after Powell's departure.

With fiscal policies set to be expansionary next year in the three largest G7 countries (United States, Japan and Germany) and public deficits set to widen, the teams at Edmond de Rothschild AM are not favouring long-term bonds. The rebuilding of the term premium seems incomplete compared to historical levels, especially if the Fed were to become too lax under political pressure.

Investment strategy for 2026

Overall, markets remain expensive, while the likelihood of an AI bubble bursting is increasing: the more investment grows, the more doubts about its monetisation intensify. However, macroeconomic factors do not suggest a sustained market downturn at this stage.

Edmond de Rothschild AM's investment teams are therefore approaching 2026 with a relatively balanced allocation between equities and bonds. Caution is warranted at the start of the period, pending greater visibility on the Fed's policy stance, with no marked geographical preference for equities.

We are also cautious on large-cap AI stocks (particularly the MAG7), favouring the Big Data theme, especially user companies, which are best placed to benefit from AI. We are also focusing on companies benefiting from renewed concerns about resilience and sovereignty, both globally and in Europe, with the implementation of the Draghi report being one of the European Commission's priorities.

Over the past two years, momentum has been a very powerful factor. To prepare for a change in regime while remaining invested for the long term, we believe it is preferable to increase the proportion of under-held and undervalued assets that are already showing signs of recovery. This is particularly true of European small caps, which will benefit from more domestic growth, the Capital Markets Union and possible ECB rate cuts. In the United States, expansionary economic policy remains a possibility, which also gives US value stocks a role to play in a diversification strategy. Finally, gold stocks, which are already rising sharply, could rise further if the Fed's reshuffle leads to a more politicised stance.

In the bond universe, spreads are already historically low, but further tightening remains possible as sovereign credit ratings deteriorate. The investment teams therefore favour hybrid financial and corporate debt, mainly issued by investment grade issuers, as well as emerging market debt, which should benefit from the Fed's monetary easing, and finally carry strategies.

Benjamin Melman, Chief Investment Officer at Edmond de Rothschild AM, concludes: *"We are starting 2026 with cautious optimism: we reject the comfort of consensus and bubbles. Markets remain expensive, with AI concentrating excesses, but macroeconomic conditions do not justify a massive withdrawal from risk. We favour a truly diversified allocation between equities and bonds, with a strong bias towards under-held and undervalued assets. Far from following the flow, our concern is to prepare for the next market regime."*

About Edmond de Rothschild

Edmond de Rothschild is an investment house founded on the conviction that, when harnessed for the good of the real economy, wealth can have a meaningful impact and help to rejuvenate the concept of progress.

Driven by a culture of financial foresight for nearly three centuries, Edmond de Rothschild specialises in private banking and asset management, boasting recognised expertise in its main business lines of: wealth management, wealth engineering, life insurance, services for independent wealth managers, corporate finance, private equity, real estate, infrastructure, liquid strategies, and fund administration. The 100% family ownership structure gives the investment house real independence, serving to align with the interests of its clients and fostering the emergence of financial solutions adapted to the specific needs of a client base of families, entrepreneurs and institutional investors. At 31 December 2024, the Edmond de Rothschild Group had over CHF 184 billion in assets under management and a robust balance sheet with a CET1 of 19.7%. With more than 2,700 employees in 29 global locations, it ranks as a key player in the main markets where it operates, including Geneva, Luxembourg, Paris and Monaco.

Edmond de Rothschild is at the heart of a unique ecosystem of businesses ranging from farming, wine-making and hospitality to family philanthropic activities, the Gitana offshore racing team and the perfume house Caron.

Press contact

Edmond de Rothschild

Fany de Villeneuve

+33 6 46 24 69 38

f.devilleneuve@edr.com