

Market Pulse

Transamerica Asset Management, Inc.



2026 Market Outlook Summary

U.S. economy

We believe the economy is capable of approximately 2% cumulative gross domestic product (GDP) growth in the year ahead, driven by positive consumer spending, business fixed investment, and the potential tailwind of lower interest rates. We see inflation remaining somewhat sticky in the range of about 3%, as defined by the combined average of personal consumption expenditures (PCE) and consumer price index (CPI) core rates. All considered, we would view the economic environment as remaining favorable for both stocks and investment-grade corporate bonds.

U.S. fixed income

The Federal Reserve is likely to continue reducing rates, and we see calendar year 2026 likely concluding with a fed funds target range of 3.00%–3.25%. We believe a realistic year-end target on the 10-year Treasury bond yield is approximately 3.75%, thereby creating an overall steepening of the yield curve. With credit spreads currently at historically tight levels, we would view higher-quality investment-grade corporate bonds at the short- to intermediate-term segment of the yield curve as potentially best positioned to deliver income for bond investors with limited price risk.

U.S. stocks

We see further upside for U.S. stocks, and our year-end 2026 price target on the S&P 500 is 7,400. Intermediate- and long-term catalysts include corporate earnings growth, federal reserve rate cuts, positive growth in the economy, and a “lower for longer” tax environment. With comparative valuations remaining close to historic discounts, we continue to like the profile of large-cap value stocks.

International stocks

International developed stocks look positioned to continue moving higher in the year ahead based on potentially lower trading of the U.S. dollar and what remains to be favorable valuations versus U.S. equities. We believe global investors should strongly consider maintaining healthy allocations to international equities and particularly portfolios favoring the Eurozone and Japan.

Wild cards

Wild cards for the year ahead include market sentiment regarding artificial intelligence (AI), the pending appointment of a new Federal Reserve chair, more potential tariff drama, and the November mid-term elections.

Investments are subject to market risk, including the loss of principal. Asset classes or investment strategies described may not be suitable for all investors.

Past performance does not guarantee future results. Indexes are unmanaged and an investor cannot invest directly in an index.

Equities are subject to market risk meaning that stock prices in general may decline over short or extended periods of time. Indexes are unmanaged and an investor cannot invest directly in an index.

Fixed income investing is subject to credit rate risk, interest rate risk, and inflation risk. Credit risk is the risk that the issuer of a bond won't meet their payments. Inflation risk is the risk that inflation could outpace a bond's interest income. Interest rate risk is the risk that fluctuations in interest rates will affect the price of a bond. Investing in floating rate loans may be subject to greater volatility and increased risks.

Growth stocks typically are particularly sensitive to market movements and may involve larger price swings because their market prices tend to reflect future expectations. Growth stocks as a group may be out of favor and underperform the overall equity market for a long period of time, for example, while the market favors "value" stocks. Value investing carries the risk that the market will not recognize a security's intrinsic value for a long time or that an undervalued stock is actually appropriately priced.

Investments in global/international markets involve risks not associated with U.S. markets, such as currency fluctuations, adverse social and political developments, and the relatively small size and lesser liquidity of some markets. These risks may be greater in emerging markets.

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The federal funds rate refers to the target interest rate range at which commercial banks borrow and lend their excess reserves to each other overnight, which is set by the Federal Open Market Committee.

The 10-Year U.S. Treasury bond is a U.S. Treasury debt obligation that has a maturity of 10 years.

The S&P 500® Index is an unmanaged index of 500 common stocks primarily traded on the New York Stock Exchange, weighted by market capitalization.

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