Market Pulse

2026 Market Outlook

Transamerica Asset Management, Inc.

2026 year-end forecasts

Forecasts	Year-End 2026
CY U.S. GDP growth	2.00%
Core CPI inflation	3.10%
Core PCE inflation	2.90%
Federal funds rate (target range)	3.00%-3.25%
10-year U.S. Treasury bond yield	3.75%
S&P 500®	7,400

Portfolio positioning	
Asset allocation	Balanced stocks/bonds (60/40)
Fixed income (yield curve)	Short- to intermediate- term (2–10 years)
Fixed income (credit)	Higher-quality investment grade
U.S. stocks	Large-cap value
International stocks	Developed markets, Europe, Japan

All opinions, estimates, projections, and security selections contained herein are those of Transamerica Asset Management, Inc. They do not constitute investment advice and should not be used as a basis for any investment decision. Please reference the end of this presentation for a glossary of terms and additional definitions.

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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.

U.S. economy

Underlying growth remains solid

Economic growth rebounded sharply in 2025 after early weakness. GDP contracted by -0.6% in Q1 but surged to +3.8% in Q2, reflecting resilience despite headwinds of slowing jobs and inflation. Tailwinds such as Fed rate cuts, AI-driven investment, and lower taxes supported this recovery.

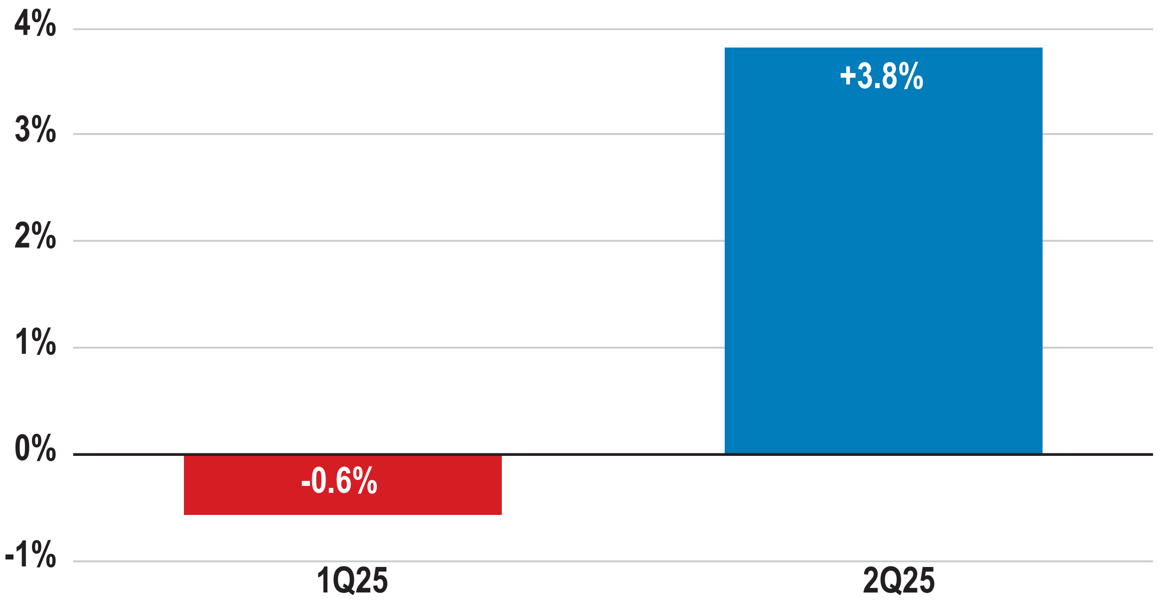
Annualized U.S. GDP growth, Q1 2025–Q2 2025

Headwinds

- Slowing jobs growth
- Stubborn inflation
- Tariff aftermath
- Fed uncertainty

Tailwinds

- Fed rate cuts
- AI capital spending
- Lower tax environment
- Corporate earnings



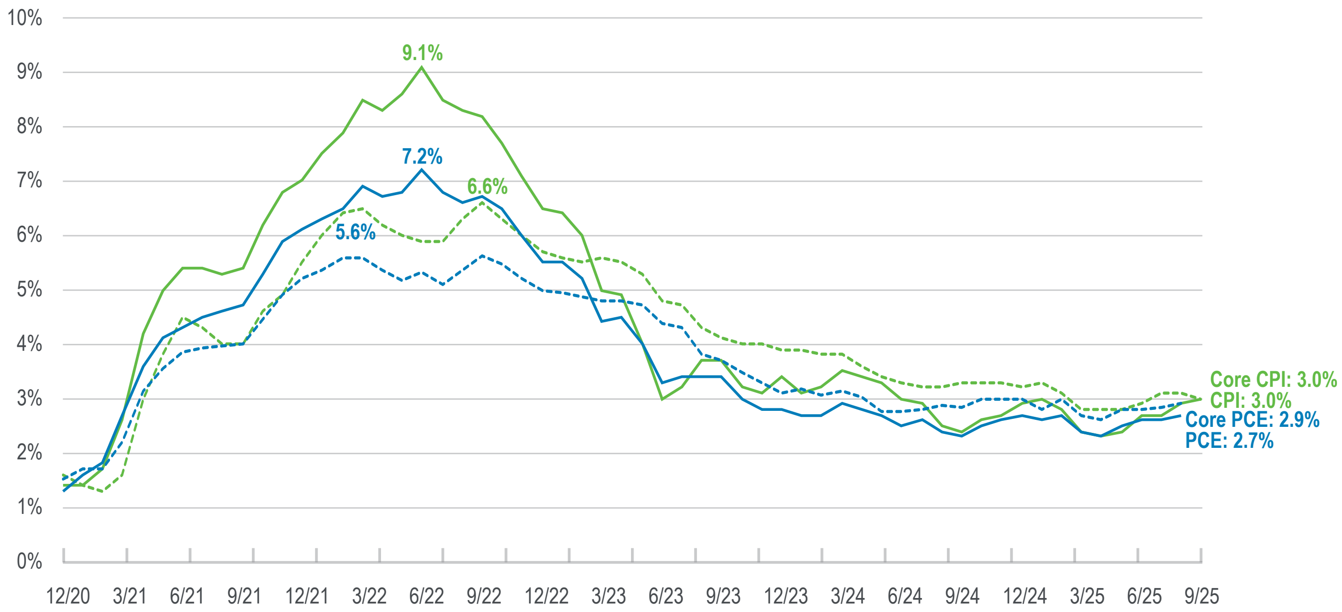
Source: Bureau of Economic Analysis, as of June 30, 2025. Second quarter 2025 GDP, final release.

U.S. economy

Inflation trends

Inflation trends since their cycle peak in 2022 display a continuing downward trajectory as measured by CPI and PCE headline and core measures. CPI reached 9.1% in 2022 and declined steadily to 3% by late 2025, while PCE fell to 2.7%. This sustained moderation reflects easing price pressures after historically high inflation.

Year-over-year inflation rates 2021–2025
Consumer Price Index (CPI) and Personal Consumption Expenditures (PCE)

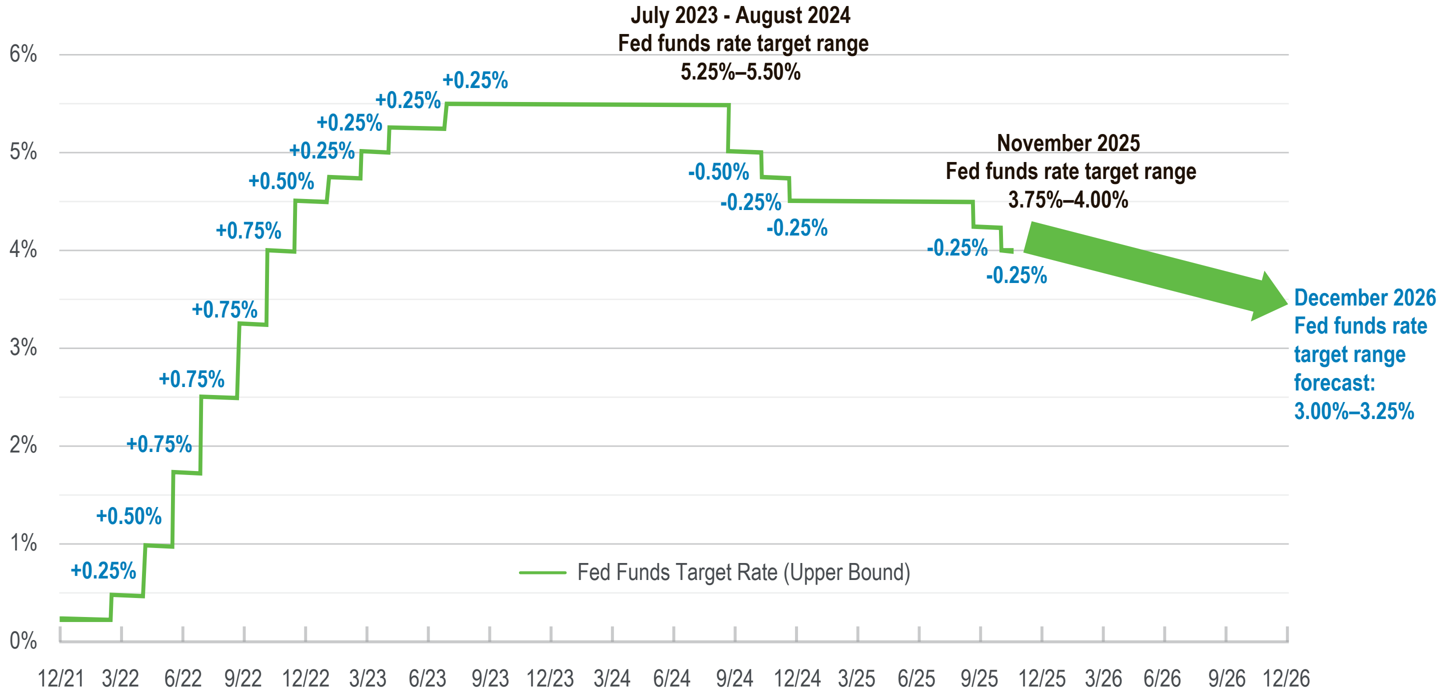


CPI source: Bureau of Labor Statistics, as of September 30, 2025; PCE source: Bureau of Economic Analysis, as of August 31, 2025.

U.S. fixed income

Forecasted path of Fed funds rate

The Fed's tightening cycle peaked at 5.25%-5.50% in 2023-2024. Beginning in late 2024 and continuing through 2025, the Fed implemented rate cuts to counter slowing growth and stabilize markets. Transamerica Asset Management, Inc. projects the Fed's target rate to decline further to 3.00%–3.25% by late 2026, marking a transition toward a more accommodative stance as inflation cools.



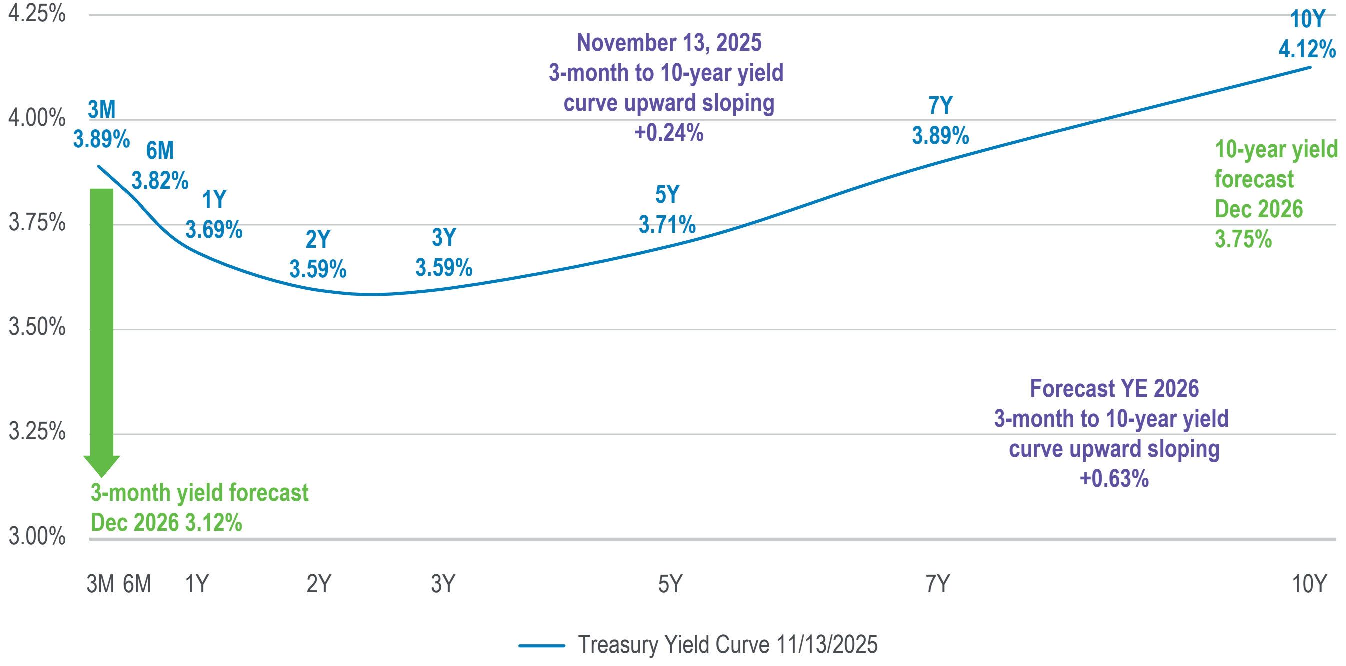
As of November 13, 2025. Source - Fed Funds Target Rate: Federal Reserve Board of Governors. Forecast: Transamerica Asset Management, Inc.

U.S. fixed income

Expectations of a changing yield curve

In November 2025, the Treasury yield curve was upward sloping, from 3.89% for the 3-month bill to 4.12% for the 10-year note. Transamerica Asset Management, Inc. forecasts the 3-month and 10-year yields will decline to 3.12% and 3.75%, respectively, by the end of 2026, normalizing at a slightly steeper curve.

U.S. Treasury bond 3-month to 10-year yield curve



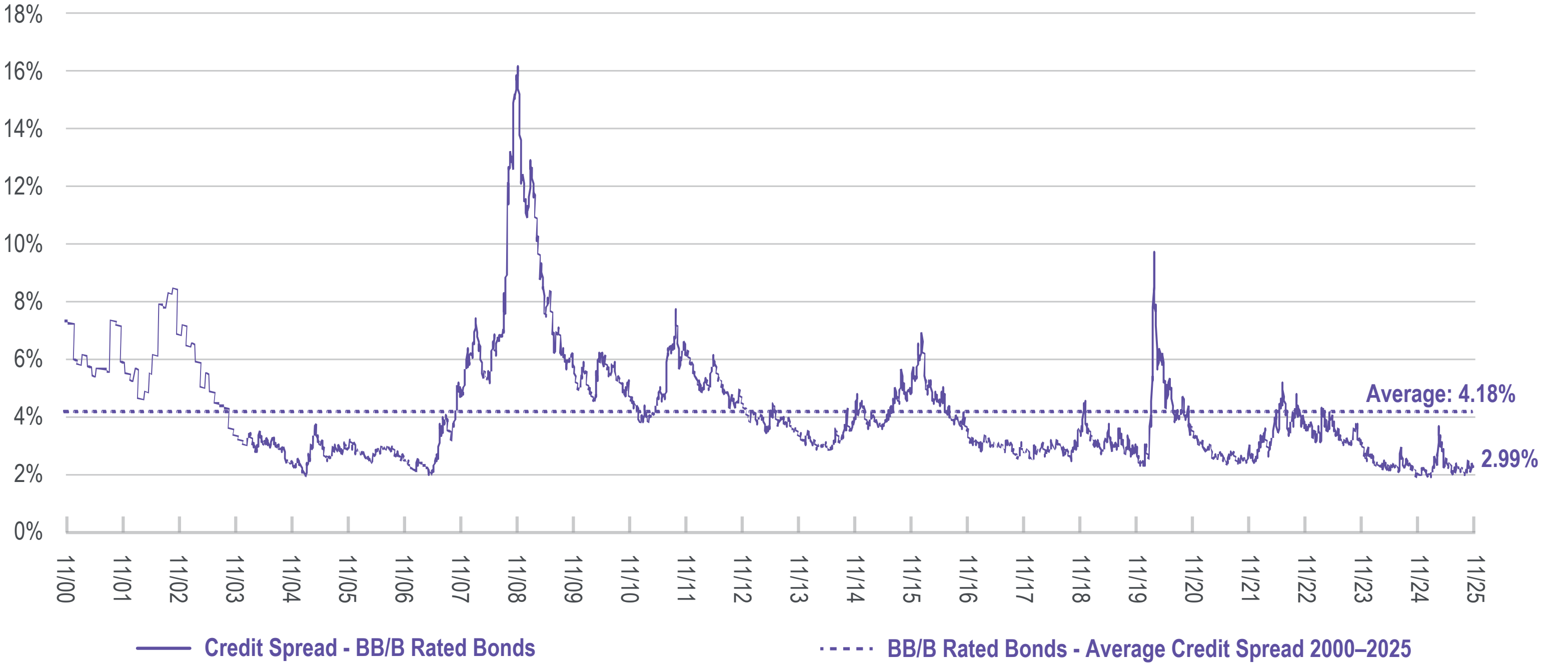
As of November 13, 2025. Treasury Yield Curve Source: Bloomberg. Forecast: Transamerica Asset Management, Inc.

U.S. fixed income

High yield credit spreads

Credit spreads remain below historical norms. BB/B-rated bonds trade at 2.99% versus a long-term average of 4.18%, indicating easier financial conditions. This compression reflects strong investor demand and confidence in corporate credit quality amid improving economic outlook.

High yield credit spreads since November 2000



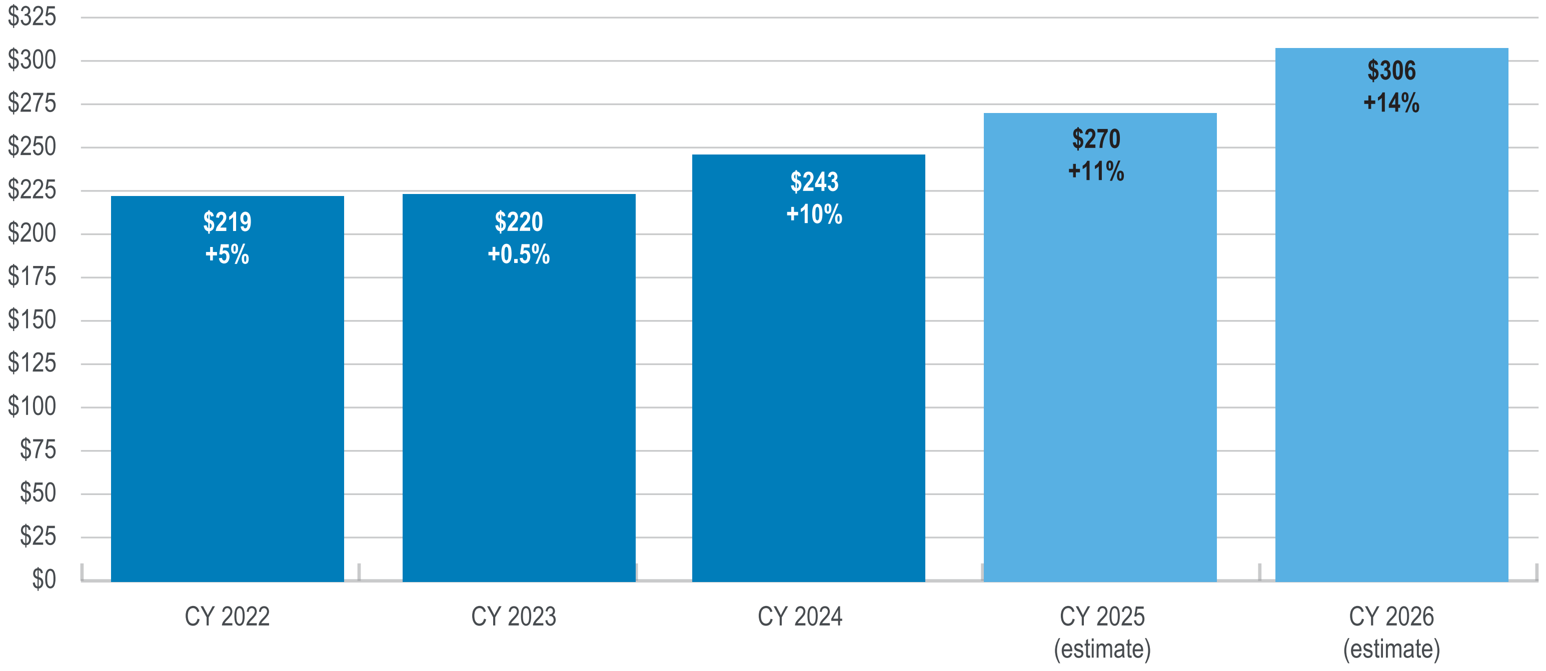
Source: Bloomberg, as of November 13, 2025. BB/B-rated bond credit spreads represented by the spread on the Bloomberg US BB/B Corporate Bond Index. Indexes are unmanaged and an investor cannot invest directly in an index. Past performance does not guarantee future results.

U.S. stocks

Corporate earnings growth

Corporate earnings growth remains robust, with estimates projecting continued expansion for the S&P 500 through 2026, underscoring an optimistic outlook for U.S. equities.

S&P 500 net operating income annualized and estimated growth 2022–2026



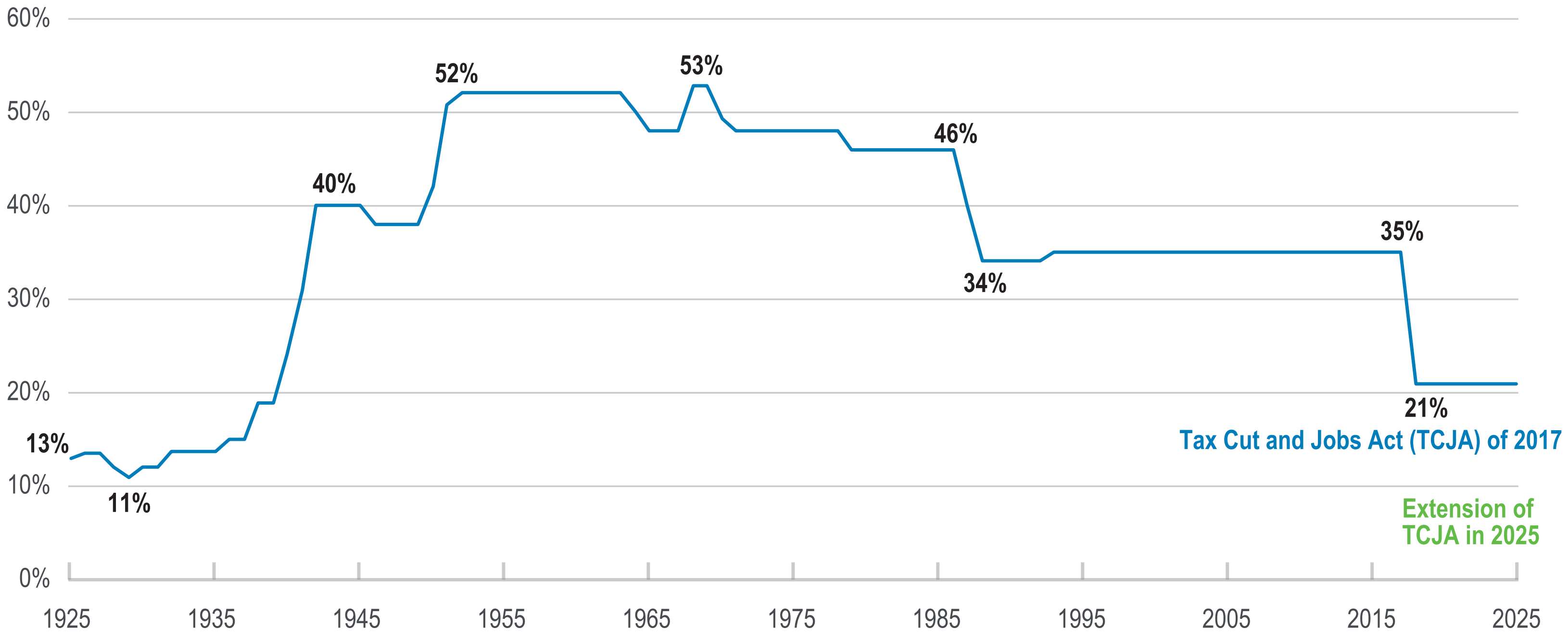
Source: FactSet Earnings Insight, as of November 7, 2025.

U.S. stocks

"Lower for longer" tax environment

Corporate tax rates have trended lower for decades, declining from over 50% in the mid-20th century to 21% today. This “lower for longer” environment provides structural support for earnings and equity valuations, reinforcing competitive positioning for U.S. corporations.

History of the U.S. marginal corporate tax rate



Source: Internal Revenue Service

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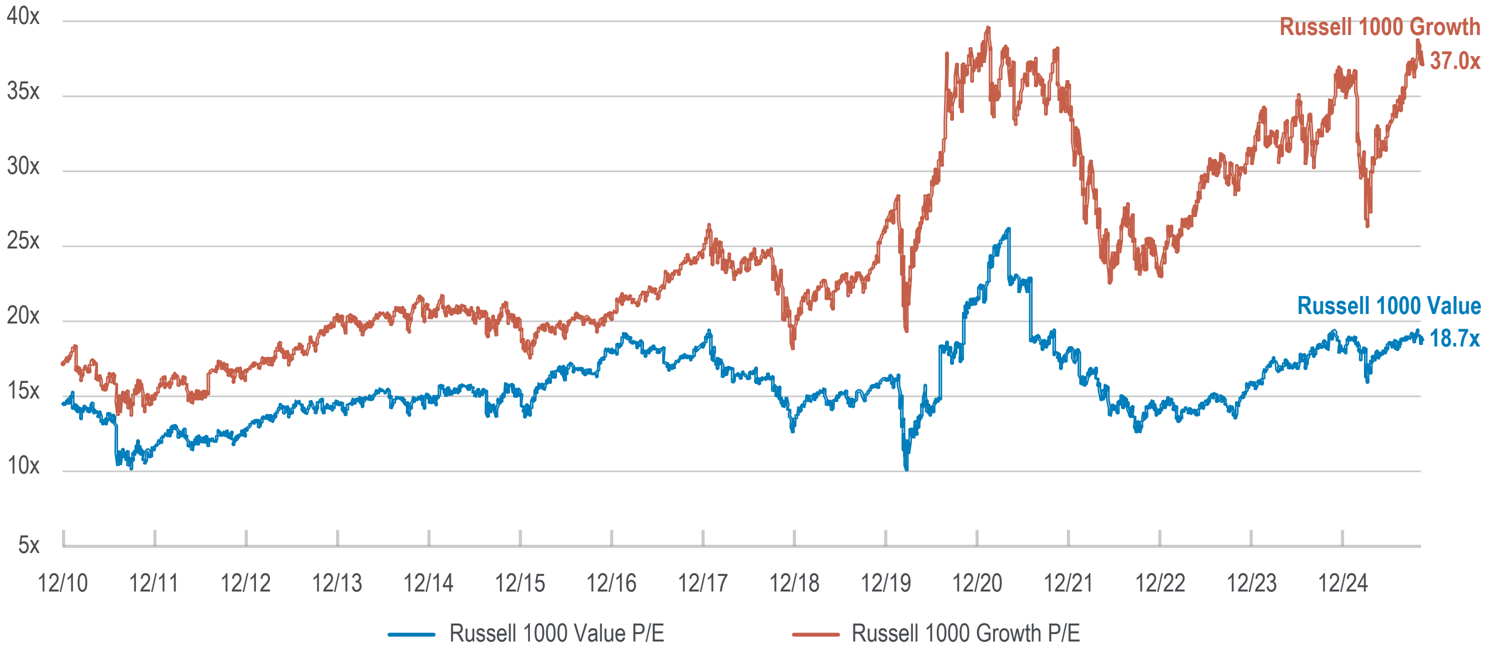
U.S. stocks

Value vs. growth – comparative valuations

Growth stocks have maintained a valuation premium over value. The Russell 1000 Growth has consistently traded at a higher P/E multiple compared with the Russell 1000 Value over the period from 2010 to 2025.

Russell 1000 Growth vs. Russell 1000 Value
Price to trailing 12-month earnings multiples, December 2010–August 2025



Source: Bloomberg. as of November 13, 2025.
Indexes are unmanaged and an investor cannot invest directly in an index. Past performance does not guarantee future results.

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International stocks

Decline in U.S. dollar

The U.S. dollar has weakened steadily in 2025. The DXY index has fallen 8.6% from December 31, 2024, improving the performance of international equities.

DXY since December 31, 2024

Source: Bloomberg, as of November 13, 2025.
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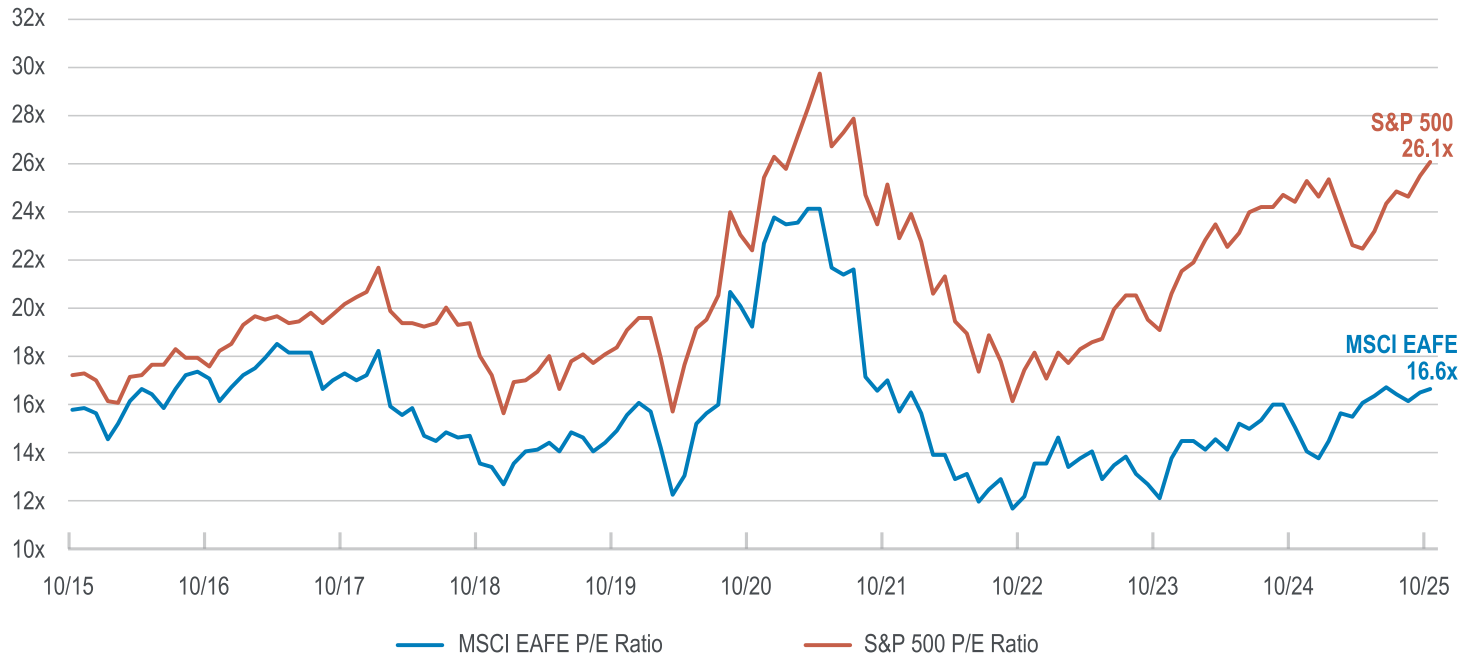
International stocks

MSCI EAFE vs. S&P 500 comparative valuations

Valuation trends show international equities maintain a persistent discount to U.S. stocks. The price-earnings ratio of the MSCI EAFE has been consistently lower than the S&P 500 over the 10 years from 2015 to 2025, underscoring relative attractiveness of non-U.S. markets despite global volatility.

Comparative valuations 2015–2025



Source: Bloomberg, as of October 31, 2025

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Portfolio positioning 2026

Transamerica Asset Management, Inc.'s summary of potentially favorable portfolio positioning in regard to asset allocation, fixed income, and equities for 2026 and beyond.

Asset Allocation	Fixed Income	Equities
1. Balanced allocations stocks/bonds 2. 60/40 providing strong mix of capital appreciation and income	1. Most favorable on high quality investment-grade bonds 2. Short- to intermediate-term portion of yield curve (2-10 years)	1. Favorable on U.S. stocks 2. Most favorable on large-cap value 3. Favorable on international developed, Europe, and Japan

The above strategy overview is intended to illustrate major themes for the identified period. No representation is being made that any particular account, product, or strategy will engage in any or all of these themes.

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Glossary & index definitions

CPI: Consumer price index

GDP: Gross domestic product

PCE: Personal consumption expenditures

The **Bloomberg US BB/B Corporate Bond Index** measures the performance of the high-yield, fixed-rate, U.S. dollar-denominated corporate bond market for securities with credit ratings of "BB" or "B".

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

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 **MSCI EAFE Index (Europe, Australasia, Far East)** is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. & Canada.

The **Russell 1000 Growth Index®** measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 1000 Value Index®** measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

The **S&P 500® Index** is widely regarded as the best single gauge of the U.S. equities market. The index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. The S&P 500 Index® focuses on the large-cap segment of the market; however, since it includes a significant portion of the total value of the market, it also represents the market.

The **U.S. Dollar Index** is a measure of the U.S. dollar's value relative to its most significant trading partners' currencies: EUR, JPY, CAD, GBP, SEK, and CHF.

Indexes are unmanaged. The figures for the index reflect the reinvestment of all income or dividends, but do not reflect the deduction of any fees or expenses which would reduce returns. Investors cannot invest directly in indexes.

Important information

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

Past performance does not guarantee future results.

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.

Equities are subject to market risk meaning that stock prices in general may decline over short or extended periods of time. 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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