Investment OUTLOOK

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A monthly round-up of GLOBAL MARKETS *and trends*

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Turning data into dollars in 2026

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Turning DATA *into* DOLLARS *in* 2026

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Summary

The modern economy and financial markets increasingly mirror the 1999 movie, "The Matrix", in which unseen streams of data present an alternative view of our own reality. Big Data and artificial intelligence (AI) are increasingly central to transforming businesses, driving efficiency and profitability. In 2026, investors can benefit from companies that turn data into dollars.

As 2026 gets off to a start we also consider five key themes that could come to drive markets this year in a data driven world. These are favouring equities over bonds, investing in AI-driven sectors, and tapping emerging markets. Gold offers diversification amid uncertainty, while short-duration bonds provide defensive positioning.

Matrix markets

As in "The Matrix" movie, where streams of data silently shape reality, behind the scenes algorithms influence pricing, product design, and consumer behaviour. Every day, vast amounts of digital information are generated. worldwide. This "Big Data" is expected to reach nearly 400 zettabytes by 2028.[1] To put this into perspective, one zettabyte is equivalent to the amount of data on around 250 billion DVDs.[2]

Such an explosion of data presents an opportunity for businesses (see our July 2024 and June 2025 Investment Outlooks). Companies that can harness and analyse this data gain critical insights into customer behaviour, operational efficiency, and market dynamics.

Given the sheer scale of data, AI has become essential to identify spending patterns, predict trends, cut costs and personalise offerings to reduce market frictions (see our December 2025 Investment Outlook). In short, AI-data driven analytics is powering profit margin expansion across industries.

Global equities: profit margin (%)

Source: LSEG Evelyn Partners. Profit Margin is 1-year forward based on earnings per share divided by sales per share. As at 12 Dec 2025

The real story with AI is not just about visible stock market returns, but it is about using unseen data effectively to drive company profitability.

Importantly for investors this theme is feeding into forecasts for 2026. The global economy is expected to grow around 3% in 2026, which is conducive for companies to deliver on analyst expectations.[3] Consensus forecasts for the MSCI All Country World Index (a proxy for global equities) point to Earnings Per Share (EPS) growth of 14% in 2026, up from 10% in 2025, reflecting the AI-driven margin expansion and revenue gains.[4] These fundamentals should underpin equity performance.

AI gets a lift from policy loosening

Alongside a solid profit outlook, policy support is another tailwind for stocks in 2026. President Donald Trump's 'One Big Beautiful Bill Act' delivers front-loaded fiscal stimulus worth nearly 1% of GDP in 2026.[5] Potentially more if Trump can convince Congress to approve his proposal to distribute $2,000 to each household, funded by tariff receipts.[6]

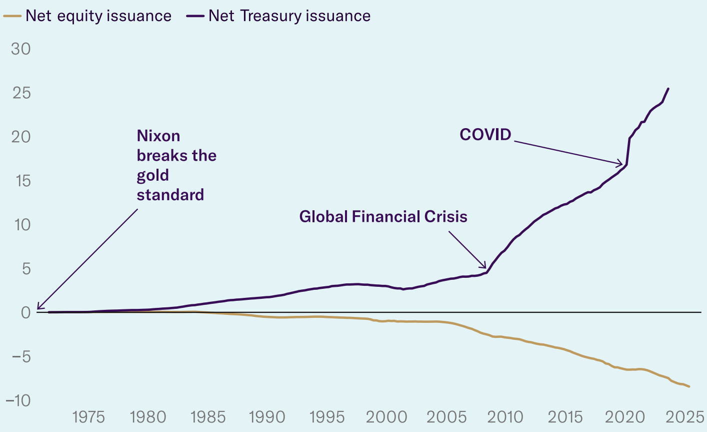
On the monetary side, the Federal Reserve has already cut rates by roughly 1.5 percentage points since September 2024.[7] Traders expect another full percentage point in 2026. Trump's likely appointment of Kevin Hassett as Fed Chair signals a decisively dovish tilt, raising the prospect of further cuts and a weaker US dollar. Historically, a softer dollar implies looser global financial conditions, as market liquidity rises and demand for safe-haven cash declines.

The timing is no accident: Trump wants the economy and markets firing on all cylinders as the US celebrates its 250th anniversary since the adoption of the Declaration of Independence and hosts the FIFA World Cup in July. Politically, Trump's goal is clear: he wants to help his party, the Republicans, to retain their House majority and avoid becoming a lame-duck president in his final two years.

Five themes to focus on in 2026

1) Equities over bonds: A continued economic expansion, coupled with strong earnings growth, makes a compelling reason to favour equities over fixed income. Furthermore, available shares are becoming scarcer when compared to government bonds. When President Nixon broke the gold standard in 1971, which effectively made it easier for the Federal government to issue debt, net Treasury issuance expanded by $25 trillion, while net equity issuance has contracted by $8 trillion.[8]

US cumulative net Treasury and US equity issuance ($ trn)*



Source: LSEG Datastream / Evelyn Partners. Data as at 12/12/2025. *Excludes financial corporations.

Fast forward to today, and few politicians are willing to tackle the unpopular decision to reduce social welfare costs in developed economies. Simply put, fiscal deficits are likely to remain wide and bond supply high, while CEOs remain incentivised to enhance shareholder returns through corporate buybacks.

2) Value in stocks that utilise AI: As mentioned earlier, sectors that harness Big Data and AI are driving profit margin expansion. Since ChatGPT's (an AI-tool) launch in late 2022, companies in the information technology, communication services, and financials (includes banks) sectors have led margin gains. For instance, banks use AI to analyse transactions and customer interactions for real-time fraud detection and dynamic credit scoring. This improves risk management and lending decisions. From automating back-office tasks to optimising digital platforms, efficiency gains can translate into higher profitability and a competitive edge.

3. An East Side Story with Emerging Market (EM) equities: EMs outperformed developed markets (DM) in 2025 and could repeat this in 2026. China's drive for AI self-reliance and large-scale infrastructure projects is boosting investor sentiment and helping to narrow the valuation gap between EM and DM equities. Furthermore, a weaker US dollar and stronger EPS growth are supportive (see our September Investment Outlook). Analysts currently forecast one-year forward EPS growth of 16% for EMs versus 13% for DMs.[9] Dollar depreciation also eases the burden of repaying gross external debt, which is largely denominated in US dollars.

4. Risks and opportunities in government bonds: Our base case assumes the global economy avoids recession, supported by investment in data centres and US policy easing. However, risks including trade war or further deterioration in global labour markets could dampen growth and push central banks to cut interest rates. This scenario strengthens the case for holding short-duration government bonds with 2–3 years' maturity.

Longer-dated government bonds appear riskier, given debt sustainability concerns, persistent inflation pressures, political uncertainty, and geopolitical tensions. For example, China has cut its share of US Treasuries to 7% (the lowest in 23 years) amid rising US-China tensions.[10]

5. Be bold for gold. Gold's rally to record highs is driven by structural demand led by central banks in emerging economies. Globally, net bullion purchases have accelerated since Western sanctions on Russia in 2022. At the current pace, central banks are on track to buy around 1,000 tonnes for what would be the fourth consecutive year in 2025, compared with an annual average of 48 tonnes sold between 1970 and 2021.[11] This trend reflects a clear preference for security over returns, driven by declining confidence in the US dollar system and concerns about secondary sanctions.

In addition, with Western public debt continuing to rise and gold's proven role as an inflation hedge, as evident in 2022, when equities and bonds fell while gold held steady, holding bullion provides resilience amid geopolitical and financial uncertainty.

Risks to watch out for

AI investment uncertainty: AI-related equities have surged in recent years on expectations that heavy investment in data centres and software will deliver strong returns. If spending slows and revenue generation from investment disappoints, it could trigger broader economic weakness and a sharp correction beyond AI-linked stocks.

Equity valuations: Some global equity valuations may be stretched. Forward price-to-earnings ratio have climbed to 19 times from a post-COVID low point of 12 times in April 2020, though it is still below the 25 times' peak in April 2000.[12]

Global equities 1-year forward price-to-earnings ratio

Source: LSEG Datastream / Evelyn Partners. Data as at 12 December 2025. Global equities is MSCI All Countries World

The price-to-book ratio of 2.6 times is at its highest level for 23 years. High valuations raise the risk that investors hesitate to commit fresh capital and potentially, spark an equity sell-off.[13]

Bond market uncertainty: Overly loose fiscal and monetary policy could reignite inflation, undermining bond markets and pushing yields higher. Separately, in Japan, rising government yields threaten the end of the yen carry trade, a key source of global market liquidity. If this unwinds, funding costs for other government bond markets could spike, amplifying stress across fixed income that could spill over to the global economy and equity markets.

Wrapping up

Like in "The Matrix", today's economy and financial markets run on invisible streams of data. Every click and transaction shapes prices, products and profits often without us noticing. For investors this is more than a trend. Companies that turn data into dollars by using AI and analytics are set to lead the way. In 2026 understanding this hidden digital world is essential to stay ahead in a market in which information drives growth and opportunity.

Speak to us

Sources

[1,2] IDC, Worldwide IDC global DataSphere Forecast, May 2025

[3] IMF, World Economic Outlook, October 2025

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[5] BCA, The US economy is holding up for...for now, 6 June 2025

[6] Independent, Trump allies urge Congress to back his $2,000 tariff checks as president claims they'll be sent in 'mid 2026', November 2026

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