

SELF INVESTED

# TRENDS IN FINANCE 2026



PART ONE

# LESSONS *from* 2025

# DON'T FEAR ALL TIME HIGHS

All-time highs feel scary. But historically, they're normal, frequent, and often followed by strong long-term returns.

- All-time highs are not rare
- Fear comes from misunderstanding pullbacks
- Valuations alone don't predict market direction
- Data beats emotion
- Records are meant to be broken

# PANIC IS A SIGNAL, NOT A STRATEGY

April saw a sharp fear-driven selloff tied to recession and tariff concerns. The S&P 500 fell 12% in just four days (one of the largest short-term drops in history).

- In fast-moving, 24/7 news cycles, fear spreads quicker than facts
- The edge belongs to investors who can stay calm in the eye of the storm



# THE MARKET IS A SERIES OF COMEBACKS

April marked one of the worst starts to a year in market history. The S&P 500 was down 15% by April 8, the 4th worst start ever (*Only comparable years: 1932, 1939, and 2020*)

- From the April low, the market rebounded 37%
- Markets experience drawdowns every single year
- The average intra-year drawdown is about 14%

# THIS IS WHY YOU DIVERSIFY

U.S. stocks have outperformed international stocks for 16+ years (the longest stretch in history) Investors are saying: “Why own anything other than the S&P 500?”

- In 2024, the performance gap was extreme: (U.S. stocks: +25%, Emerging markets: +8%, Europe: +2.4%)
- The purpose of diversification isn't performance chasing; it's regime change protection (This year showed early signs of reversal: Emerging markets & Europe outperformed U.S. stocks)
- Today, ~40% of the S&P 500 is concentrated in the top 10 stocks. Concentration works... until leadership rotates (History shows leadership always rotates)

# EVERY BEAR MARKET IS DIFFERENT

Bear markets vary widely in depth, duration, and recovery. Not all 20% declines are equally dangerous for investors. Recent bear markets have been fast and shallow.

- The last true prolonged bear markets were: 2000–2002 (Tech Bubble), 2008–2009 (Financial Crisis)
- These took years, not months, to recover: 2000–02: ~75 months to regain prior highs. 2007–09: ~55 months

# TIME IS MORE VALUABLE THAN MONEY

Household net worth has increased roughly 6× over the last 30 years.

Wealth has grown, but time has not.

- We track asset allocation obsessively, but rarely think about time allocation
- Time is the only currency we spend without knowing the balance. No one knows how much time they have left to enjoy what they're building
- Loss and life events are reminders to prioritize now
- On average, we get about 80 summers, if we're lucky. Don't wait for "someday" to live

PART TWO

# BIG PICTURE TRENDS *People Are Talking About for 2026*



# Macro & Economy: Marginally stronger global growth

RESEARCH

## 2026 Economic Outlook: Moderate Growth With a Range of Possibilities

Nov 19, 2025

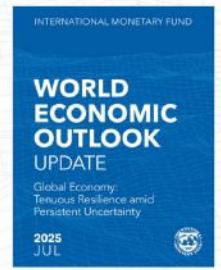
U.S. consumer spending and capital expenditures on AI are likely to drive moderate growth as global inflation slows.

### Global growth expected to decelerate as trade-related distortions wane

Global growth is projected at 3.0 percent for 2025 and 3.1 percent in 2026, an upward revision from the April 2025 *World Economic Outlook*. This reflects front-loading ahead of tariffs, lower effective tariff rates, better financial conditions, and fiscal expansion in some major jurisdictions.

Global inflation is expected to fall, but US inflation is predicted to stay above target. Downside risks from potentially higher tariffs, elevated uncertainty, and geopolitical tensions persist.

Restoring confidence, predictability, and sustainability remains a key policy priority.



# Inflation and labor market dynamics

## Fed policy shifts and rate-cut expectations



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### Major central banks deliver biggest easing push in over a decade in 2025

By Karin Strohecker and Sumanta Sen

December 23, 2025 5:23 AM EST · Updated 13 hours ago



### **Bonds resumed their role as a diversifier, and outperformed cash**

After several years of elevated stock/bond correlations, **bonds once again behaved as ballast** in 2025, rising during equity pullbacks and benefiting from the Fed resuming rate cuts.

# Market Direction: Continued equity resilience but mixed valuations; Possible moderation in stock returns over the long run

**BlackRock**  
ADVISOR CENTER

## Key Takeaways

- 2025 showed the importance of staying invested in a diversified portfolio: global stocks delivered strong returns despite several pullbacks.
- Bonds returned to being a stabilizer, and Fed rate cuts provided additional tailwinds supporting bond returns over cash.
- Looking to 2026, many of our investors remain constructive on stocks, particularly U.S. and emerging markets, while seeking balance through bonds, alternatives, and option strategies.

Overall, our medium-run outlook for multiasset portfolios remains constructive, with positive after-inflation returns likely to continue. In 2026, U.S. technology stocks could well maintain their momentum given the rate of investment and anticipated earnings growth. But let us be clear: Risks are growing amid this exuberance, even if it appears "rational" by some metrics. More compelling investment opportunities are emerging elsewhere even for those investors most bullish on AI's prospects. Our conviction in this view is growing, and it parallels investment returns in previous technology cycles. Our capital market projections show that the strongest risk-return profiles across public investments over the coming 5-to-10 years are, in order:

1. High-quality U.S. fixed income
2. U.S. value-oriented equities
3. Non-U.S. developed-market equities

**Vanguard**<sup>®</sup>

# Sector & Asset Focus: AI and technology infrastructure

Goldman  
Sachs

What We Do   Insights   Our Firm   Careers

Investor Relations   Pressroom   World

ARTIFICIAL INTELLIGENCE

## Why AI Companies May Invest More than \$500 Billion in 2026

Gold and precious  
metals

International and  
emerging markets

Healthcare  
and  
consumer  
staples

MARKETS

Emerging Markets Stocks Can  
Balance Volatility from the AI  
Trade

PART THREE

# ARE WE *in an AI* BUBBLE?



# What Is a Bubble?

Robert Shiller

Psychology & contagion



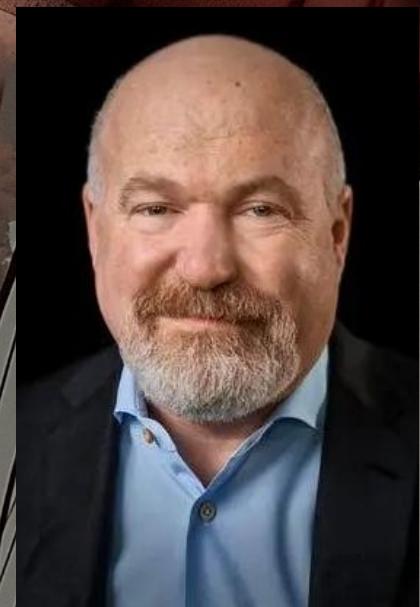
Eugene Fama

Predictability limits



Cliff Asness

Valuation extremes



## TRUE BUBBLES COMBINE

- Emotional excitement
- Prices disconnected from realistic outcomes
- Inability to time the peak

# WARNING SIGNS TODAY: VALUATIONS & CONCENTRATION

Valuations are very high by historical standards. The Shiller CAPE ratio is above 40 (around the 98th+ percentile)

- Only one other period looked similar: 1999–2000
- High valuations alone don't prove a bubble, but they do raise risk
- Today's valuations are concentrated, not market-wide
- A small group of mega-cap companies is driving most of the valuation
- These companies are priced for extraordinary future earnings
- Unlike past cycles, today's "leaders" were already trillion-dollar companies
- This creates a level of valuation concentration we've never seen before

# WARNING SIGN #2: EXTREME CONCENTRATION IN TECH LEADERS

*S&P 500 now a 10-stock show — market concentration hits record 42%, smashing Dot-Com peak*

Market leadership has become highly concentrated. 10 years ago, the Magnificent 7 were ~10% of the S&P 500. Today, they represent roughly 40%: a record high.

- This level of concentration is higher than at the dot-com peak
- One stock, NVIDIA, now makes up ~8.5% of the index
- A small group of stocks is driving a disproportionate share of returns
- Concentration boosts returns on the way up — but increases risk if expectations break
- Valuations reflect very high expectations of future earnings
- Some stocks are priced close to perfection



# If a Bubble Deflates, Not Everything Falls the Same

- Even in major bear markets, returns are uneven
- Not all assets decline equally (valuations matter)
- 2000–2009 is known as the “lost decade” for U.S. stocks. But diversified portfolios still held up reasonably well
- Assets that helped during that period: Real estate (REITs), Emerging markets, Small-cap stocks, Bonds
- The biggest losses came from concentrated exposure to large-cap growth
- Today, valuation gaps still exist: U.S. large caps: extremely expensive (high CAPE), Europe & international markets: far more reasonable
- Diversification isn’t about predicting crashes; it’s about **survivability**

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