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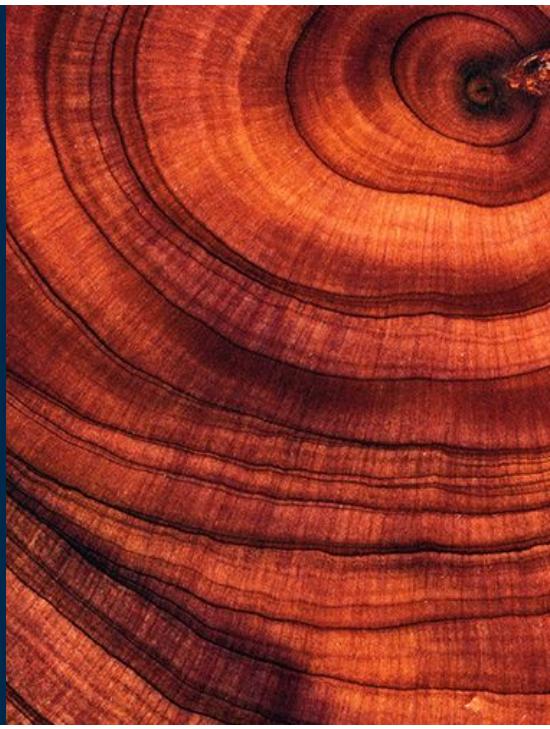
2027 Macroeconomic Outlook: Testing the limits of resilience



November 17, 2026 | Jason Vaillancourt, CFA, Chief Portfolio Strategist; Anthony Willis, Senior Economist, EMEA

From AI-led growth to attractive bond yields, 2027 could offer both broader opportunities and evolving risks for investors to navigate.

Our outlook for 2027 is rooted in the defining features of 2026: resilience and technology. Despite significant geopolitical disruption — particularly in the Middle East — growth has held up better than anticipated. Consensus forecasts are at or above trend growth in major economies, and the conditions for a slowdown are not yet showing up in the data. Markets have also proved robust, recovering from volatility as investors focused on corporate earnings and investment in artificial intelligence (AI).

We expect these forces to continue into 2027, but resilience should not be confused with an absence of risk. Markets may have absorbed successive shocks, but inflationary pressures, government borrowing requirements and the potential for geopolitical escalation still warrant close attention.

Our central view remains constructive. In the U.S., the midterm elections point to a more divided government, which we see as broadly supportive, as gridlock limits the scope for major policy change. AI investment should remain intact despite greater scrutiny, with federal curbs on data center development constrained by presidential veto and state limits or Congressional investigations unlikely to fundamentally impair the AI trade. Risks remain, notably from higher energy prices, inflation and rates, as well as renewed fiscal brinkmanship around government funding and the debt ceiling. Yet with underlying growth remaining resilient, we believe the broader macroeconomic backdrop remains supportive despite these potential sources of volatility.

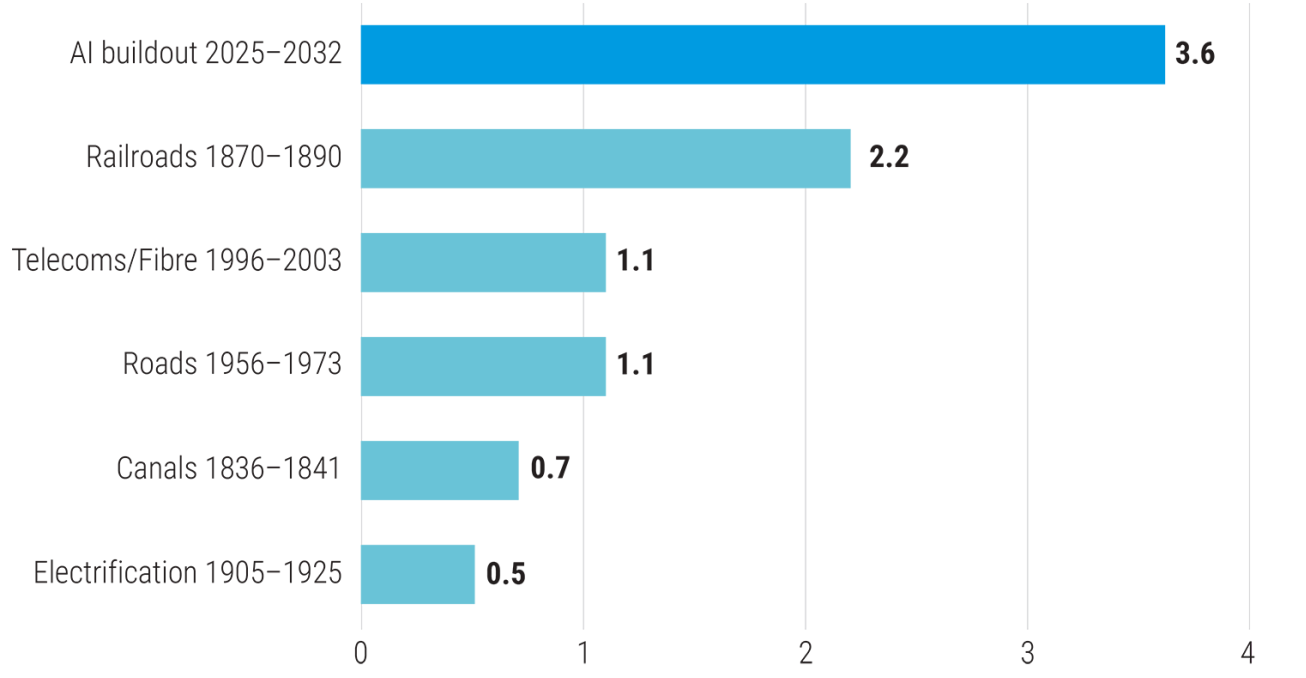
The challenge for 2027 is to identify where this favorable environment can persist and where expectations may have become too demanding.

AI: From infrastructure boom to economic returns

AI remains the dominant theme shaping the global economy and is perhaps the largest investment cycle in modern history. The scale of investment in data centers, computing capacity and associated infrastructure is extraordinary, and planned spending suggests the buildout will continue beyond 2027.

AI investment projected to be the U.S.'s biggest infrastructure boom

Size of selected capital expenditure booms as a share of U.S. GDP (%)



Source: Van Nieuwerburgh, Columbia Business School, September 2026.

Crucially, this is not simply a story about a handful of technology companies. The investment cycle is now moving through the supply chain, benefiting semiconductor manufacturers, industrial equipment providers, construction businesses and other companies supplying the infrastructure.

The next phase should be defined by the transition from building capacity to demonstrating economic returns. The question is how quickly adoption translates into measurable gains in productivity and revenues, and how widely those benefits spread through the economy. That transition will not be seamless: some investment will prove inefficient, pockets of overcapacity may emerge and adoption will take time.

Inflation and the limits of monetary policy

Inflation remains a key uncertainty for 2027. The Middle East conflict has exposed vulnerabilities in energy supplies and refining capacity, while defense spending, supply chain diversification and greater economic security could also add price pressures.

Our base case is for inflation to remain manageable, with easing housing costs and moderating wage growth providing support in the U.S. Central banks are also better placed than in 2022, when inflation was already elevated and monetary policy exceptionally accommodative. A repeat of that acute shock is not our central expectation.

Nevertheless, a prolonged conflict could keep inflation elevated as higher energy and refined product costs feed through the economy. Even as annual inflation falls, households and businesses may face a persistently higher cost base. Central banks face a difficult trade-off: monetary policy is a blunt instrument against supply disruption rather than excessive demand.

Renewed price pressures would affect bond yields, equity valuations and the scope for interest rate cuts. Equally, progress toward resolution in the Middle East or Ukraine could free up energy and commodity supplies, turning inflationary headwinds into tailwinds and giving central banks room to ease.

Fiscal pressures and the competition for capital

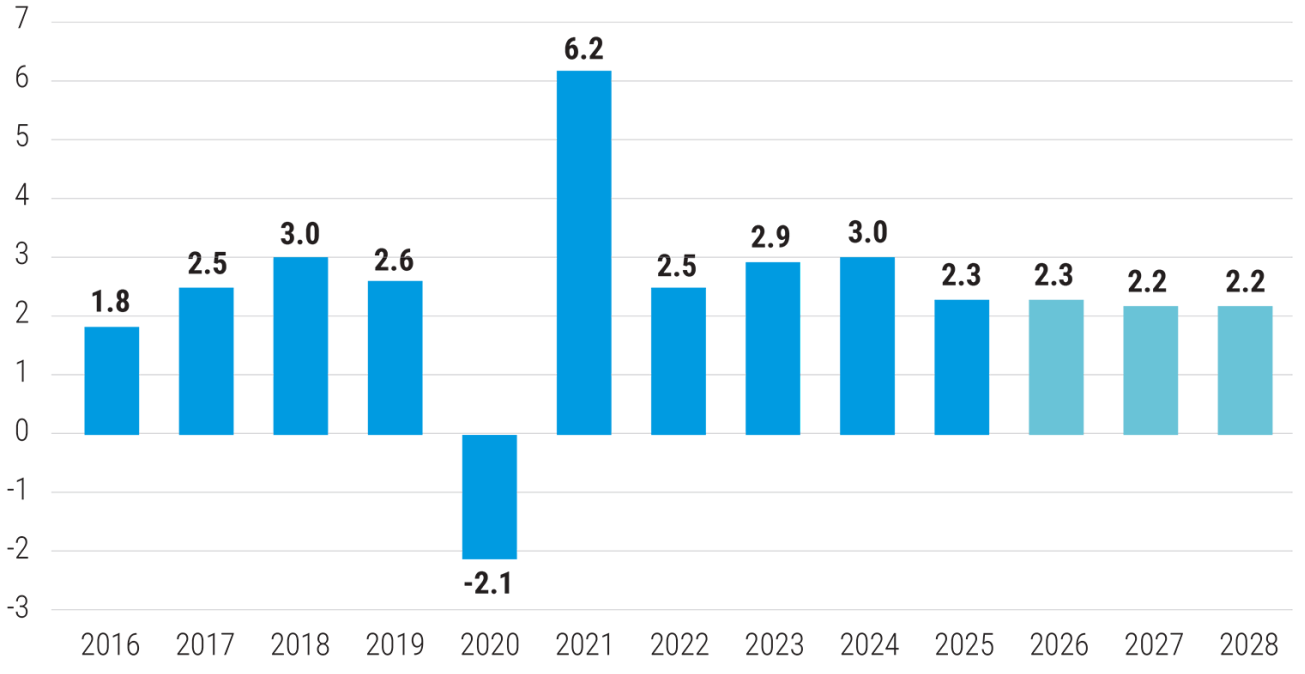
Bloomberg estimates economic trend growth at 2%-2.3% in the U.S. against 1.2%-1.5% for the U.K., 1%-1.3% for the eurozone and 0.7%-1% for Japan,[1] and government spending will increasingly differentiate economies. Germany's investment plans could boost growth, while China may provide further infrastructure and domestic support. Japan also has scope for fiscal support, although its public finances remain a significant constraint. In the U.S., earlier stimulus is fading and scope for further measures may be limited. In Europe, constrained public finances also leave France and the U.K. with less room to act.

Governments must finance deficits, defense commitments and aging populations, while technology companies increasingly turn to debt to fund AI infrastructure. We believe this competition could keep bond yields above post-global financial crisis levels, creating opportunities for selective investors as borrowers offer more attractive returns to secure funding. Fiscal sustainability and demand for government debt will be increasingly important in assessing sovereign markets.

U.S. growth has also been remarkably stable. Successive shocks should have weighed on activity, while the AI capex boom and strong corporate profits should have lifted it — yet neither has moved growth far from trend for long.

Remarkable U.S. economic stability

U.S. GDP growth, 2016–2028 (%)



Source: Bloomberg, October 28, 2026. Figures for 2026-2028 are estimates.

Equities: Follow the earnings, not the excitement

We remain constructive on equities, supported by a relatively favorable economic outlook and strong earnings growth. Importantly, the earnings improvement has extended beyond U.S. technology companies across several regions and sectors.

However, a compelling growth theme does not necessarily make an attractive investment. Enthusiasm for AI has raised expectations, leaving share prices vulnerable if earnings fail to exceed ambitious forecasts. The key is not simply to identify businesses that benefit, but to assess how much of that potential is already reflected in valuations.

Emerging markets offer opportunities, particularly in Asia, where technology supply chains are important drivers of earnings. China could also become more attractive if policymakers succeed in stabilizing its housing market and encouraging consumers to spend. India faces a more challenging near-term backdrop, while country-level differences underline the importance of selectivity.

For investors, the lesson is that regional diversification alone may not be enough. AI exposure increasingly cuts across geographical boundaries, making it important to understand the underlying drivers of individual markets and companies.

Fixed income: More attractive, but not without risk

Higher yields have improved the investment case for fixed income. Government bonds offer more compelling income than during recent prolonged low-yield environments, while recent market volatility has created potential tactical opportunities in U.S. Treasuries, U.K. gilts and German bunds.

Although 2022 left investors understandably wary, the economic and inflationary conditions behind that sell-off were unusual. By contrast, fixed income provided protection during several risk-off episodes in 2026, reinforcing its potential value within a diversified portfolio.

That said, government bonds should not automatically be treated as a short-term safe haven. Persistent inflation and fiscal pressures could cause yields to rise and prices to fall, meaning investors may experience volatility even when holding high-quality debt.

Corporate credit also offers attractive income, but valuations are less compelling where spreads are tight. We would distinguish between earning a reasonable coupon and having sufficient protection against deterioration. If a risk event widens spreads, opportunities could emerge given generally healthy corporate balance sheets and earnings.

The bottom line: What changes for 2027?

2027 brings a broader foundation for returns, supported by continued AI investment, resilient corporate earnings and attractive bond yields. Yet geopolitical shocks, inflation and competition for capital, not least to fund AI itself, suggest the path to those returns may not be smooth.

We believe investors should maintain exposure to structural growth themes without allowing them to dominate portfolios. As such, diversification remains essential, but for 2027 the task is more specific: monitoring whether different regional holdings depend on the same AI spending cycle; distinguishing the beneficiaries of investment from those bearing its costs with inadequate reward; and separating attractive bond income from adequate compensation for credit risk.

The central question is not whether AI or the global economy will continue to grow, but whether that growth will meet the expectations already embedded in markets. In a world in which resilience has repeatedly surprised us, disciplined portfolio construction and selective investment will remain just as important as identifying the next opportunity.

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Jason Vaillancourt is chief portfolio strategist for Columbia Threadneedle Investments. He is responsible for crafting the firm's capital markets outlook and communicating global macro views to Columbia Threadneedle's clients and stakeholders across all channels, working closely with the global investment teams. In addition, he holds the CFA® designation.

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To find out more,
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1As of October 26, 2026

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