

Mid-year market outlook 2026: The tug of war continues

July 01, 2026

While the global expansion stands on solid ground, markets will need to balance competing forces as they head into the second half of the year.

What's the macro outlook at mid-year?

Equities: An upward path

The global economy: On solid ground

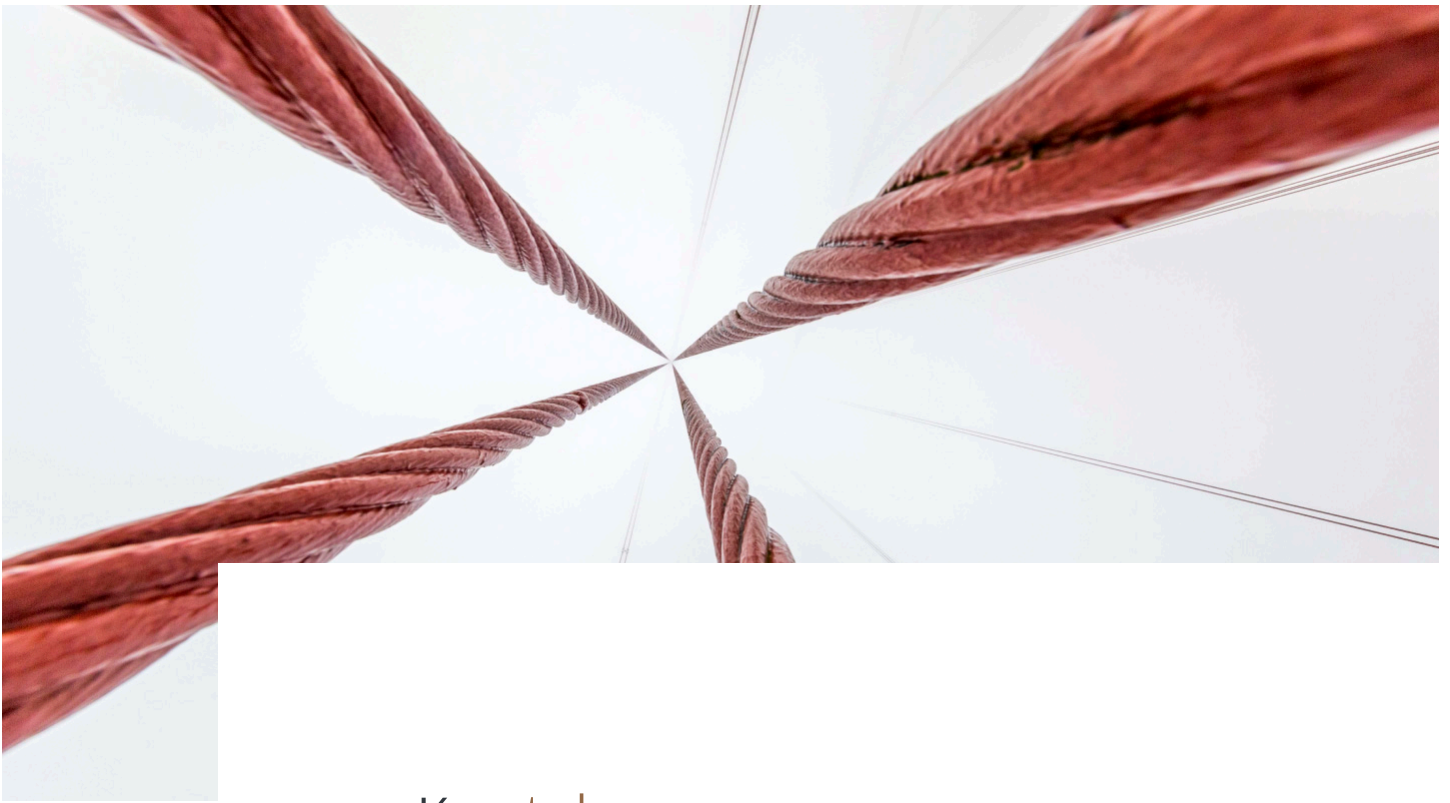
Rates: Higher yields

FX: Bullish dollar view

Credit: Modestly wider spreads

Commodities: A revised framework

Emerging markets: Continued resilience



Key takeaways

Global growth is supported by improving business sentiment, a resilient consumer and a surge in AI-driven capital spending, despite the oil supply shock.

J.P. Morgan Global Research is constructive on equities and has increased its S&P 500 year-end price target to 7,800.

Elsewhere, it is bullish on the dollar and has revised its oil price framework, with Brent now likely exiting the year at \$78 per barrel (bbl).

In Context

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“Markets will continue to navigate the tension between the ongoing energy supply shock and a resilient growth backdrop, supported by

*improved labor markets and
AI-related capital spending.”*



Hussein Malik

Head of Global Research, J.P. Morgan

What's the macro outlook at mid-year?

The first half of 2026 was defined by elevated macroeconomic and geopolitical uncertainty. However, the global expansion is on solid footing due to improving business sentiment and a resilient consumer.

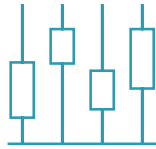
“We see three core themes shaping the second half of 2026. First, markets will continue to navigate the tension between the ongoing energy supply shock and a resilient growth backdrop, supported by improved [labor markets](#). Second, the AI upstream theme will remain a key pillar of growth as the capex cycle broadens. And third, geopolitical fragmentation will persist as a structural source of uncertainty across macro and markets,” said Hussein Malik, head of Global Research at J.P. Morgan. “Against this backdrop, we see a broad realignment of supply chains, and of trade and capital flows, as [security and resilience](#) considerations increasingly take precedence over cost in global investment decisions.”

J.P. Morgan Global Research also expects inflation to be sticky, resulting in uneven and gradual hikes from developed market (DM) central banks. However, the [Federal Reserve](#) (Fed) will likely be on hold for the rest of the year. “This slow, uneven pace, with the Fed staying ‘behind the curve,’ remains a key anchor of our constructive risk asset outlook,” said Fabio Bassi, head of Cross-Asset Strategy at J.P. Morgan.

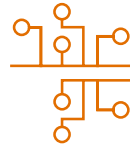
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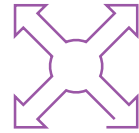
Three core themes for the rest of 2026



Markets to continue navigating tensions



AI upstream theme remains a pillar of growth



Geopolitical fragmentation to

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Equities: An upward path

At the
of 2023,
J.P. Morgan
Global
Research
took
[consensus](#)
[view](#)
[equities](#)
the best
the last
AI

7,800

J.P. Morgan Global Research's
year-end target for the S&P 500

supercycle.
This
optimism still
holds;
consequently,
the team has
increased its
S&P 500
year-end
price target
to 7,800 and
2026 S&P
500 earnings

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per-share
(EPS)
estimate to
\$350 (+29%
year over
year).

“However, it’s important to keep in mind that the path upward will be non-linear, as the market will need to clear various hurdles,” said Dubravko Lakos-Bujas, head of Global Markets Strategy at J.P. Morgan. “Strong back-to-back earnings have reset the bar higher, making it more difficult for companies to significantly surprise to the upside on both earnings and capex. Additionally, extreme crowding in the Momentum factor is at risk of a reversal. The rapidly increasing equity supply expected over the coming quarters, alongside potentially tighter monetary policy, could constrain equity multiples.”

Beyond the U.S., the outlook for international equities is bullish. “The macro backdrop is staying supportive, underpinned by strong earnings momentum. In addition, we believe inflation expectations will not become unanchored,” said Mislav Matejka, head of International Equity Strategy at J.P. Morgan. In this vein, the MSCI Emerging Markets Index is forecast to hit 2,000 by December 2026.

The global economy: On solid ground

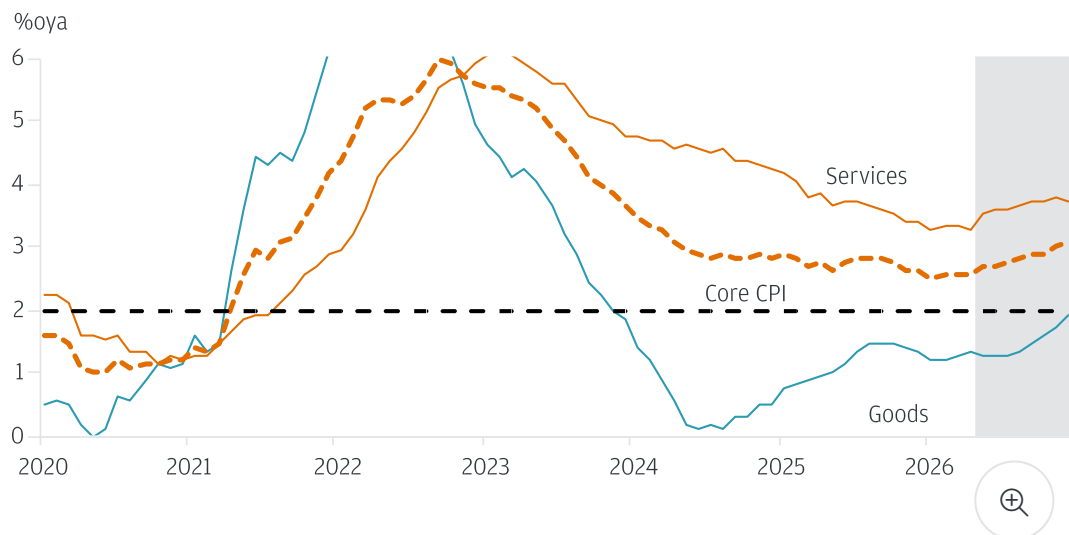
In Context While [the Middle East conflict](#) has materially altered projections for energy prices, the lift in global goods sector activity during the first half of 2026 has proven stronger than expected. “This lift is tempering much of the purchasing power squeeze facing global energy consumers, and we have maintained our projection that the global expansion stands on solid ground this year,” said Bruce Kasman, chief global economist at J.P. Morgan.

However, there are vulnerabilities to the outlook. “Foremost is the risk of a resurgence of conflict that prompts a sharp rise in energy prices. At the same time, the headwind from Western Europe’s recent sentiment slide and China’s continued reliance on exports highlight the potential for divergent regional outcomes,” Kasman noted.

On the whole, [global core inflation](#) is forecast to remain sticky this year – close to its 3% average over 2024-2025. This is especially as new core goods price pressures have emerged as a result of firming demand, supply chain bottlenecks in the tech sector and the energy price pass-through. “Nevertheless, we still see patience for central banks for now. Even with expectations for rate hikes in the coming months, we anticipate global policy rates to rise less than 20 basis points (bp) over the course of this year,” Kasman added.

Global core inflation will likely remain sticky

Global core CPI, ex-China and Türkiye



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Regional outlooks



U.S.: Growth is expected to settle back into the 1.50-1.75% range for the second half of 2026, with the labor market demonstrating resilience and the Fed staying on hold.



Europe: While the region has withstood various structural challenges, the energy shock could generate strong direct effects on inflation via energy prices in the second half.



China: Growth is expected to moderate in the second half, averaging 4.7% year over year in 2026. However, an escalation in tariffs or geopolitical risks could have a pronounced impact on the outlook.

Rates: Higher yields



US rates

Overall, J.P. Morgan Global Research sees yields moving modestly higher through the rest of 2026. “With policy yields rising across DM and local government bonds more attractive to foreign private investors, we think this will act to anchor Treasury yields at higher levels. Given rich relative valuations, we think that two- and 10-year yields will rise to 4.20% and 4.70% respectively at year-end,” said Jay Barry, head of Global Rates Strategy at J.P. Morgan.

However, there are two-sided risks to consider. In a downside scenario where growth deteriorates and markets reprice toward easing, 10-year yields could decline to ~4.20%. Conversely, in an upside scenario where the labor market strengthens further and markets price in additional tightening, 10-year yields could rise toward ~4.80%. “Beyond the Fed’s reaction function, we think global factors are now a bigger structural headwind for strongly positive Treasury returns,” Barry added.

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International rates

“A hawkish global policy mix should keep DM and U.S. yields buoyed at higher levels than prevailed pre-conflict.

However, the process of agreeing to a longer-term peace framework could be protracted and the indirect impact of the spike in energy prices over the spring should still push inflation higher,” noted Francis Diamond, head of European Rates Strategy at J.P. Morgan. “Overall, we think this limits how much further Bund and gilt yields can fall.”

In this context, J.P. Morgan Global Research sees 10-year Bunds reaching 2.90% by end-2026, with a 2.85–3.15% range over the near term. Likewise, it expects 10-year gilt yields to range-trade over the summer, reaching 4.80% by year-end.

In Context



“Conviction in AI-driven U.S. exceptionalism is rising, supporting USD-bullish outcomes. AI’s increased use as a geopolitical lever could widen the divergence between the U.S. and the rest of the world, to the dollar’s benefit.”



Meera Chandan

Co-head of Global FX Strategy, J.P. Morgan

FX: Bullish dollar view

J.P. Morgan Global Research turned bullish on the [U.S. dollar](#) in March and continues to see the greenback holding strong through year-end. This forecast is underpinned by factors including stabilizing growth, sticky inflation and shades of U.S. exceptionalism.

“[De-dollarization](#) is underway but not USD-punitive, as U.S. cyclical dominance persists with foreign inflows still incoming for equities,” said Meera Chandan, co-head of Global FX Strategy at J.P. Morgan. “In addition, conviction in AI-driven U.S. exceptionalism is rising, supporting USD-bullish outcomes. AI’s increased use as a geopolitical lever could widen the divergence between the U.S. and the rest of the world, to the dollar’s benefit.”

Elsewhere, the outlook for other DM currencies is mixed, even though rate hikes are expected across the board. “Rate hikes that are driven by extreme stagflationary concerns or weakness in rate-sensitive markets are unlikely to be supportive for the currency, especially if the resulting hikes are not enough to get the currency into the high-yielding bucket,” Chandan explained. As such, J.P. Morgan Global Research is bearish on the Canadian dollar, euro, Japanese yen and Swedish krona.

For EM currencies, the pro-cyclical environment has extended, anchored by a reflationary global backdrop, resilient EM growth near potential and a structural inflow wave into the asset class. “This is especially so for higher-yielding currencies and those where central banks are proactively hiking on the back of a strong growth/inflation mix, rather than defensively in response to market pressure,” added Arindam Sandilya, co-head of Global FX Strategy at J.P. Morgan.

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Forecasts for major currency pairs

	September 2026	December 2026
EUR/USD	1.14	1.13
USD/JPY	160	164
GBP/USD	1.30	1.27
AUD/USD	0.71	0.69
USD/CNY	6.70	6.70

Source: J.P. Morgan Global Research



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Credit: Modestly wider spreads

Global credit markets demonstrated resilience during the first half of 2026 due to attractive all-in yields, which drew strong institutional demand for high-quality corporate credit, especially in North America. Credit spreads are tight as a result.

J.P. Morgan Global Research’s base case for most market segments is for spreads to move sideways or widen modestly through the second half of the year. It has revised its spread target for JULI (U.S. high-grade credit) from 85 bp to 95 bp, and continues to see high-yield bond spreads widening to 350 bp by year-end.

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In [private credit](#), regulatory and liquidity headwinds remain. “However, we continue to believe that the challenges confronting the asset class are navigable and far from systemic,” said Stephen Dulake, co-head of Global Fundamental Research at J.P. Morgan. “We ultimately see a long-term reversion to a world where more of marginal dollars committed come from institutional investors such as pension funds, endowments and insurance companies.”

Commodities: A revised framework



Oil

J.P. Morgan Global Research has revised its [oil price outlook](#) for the second half of 2026 on the back of lower-than-expected inventory drawdowns.

“Demand losses during March and April appear to have been substantially larger than anticipated. In particular, Chinese oil demand appears to have fallen much faster, suggesting that the economy may be adjusting to higher energy prices more efficiently than historical experience would imply,” said Natasha Kaneva, head of Global Commodities Strategy at J.P. Morgan. “At the same time, lower-than-expected draws in commercial inventories across the Organization for Economic Co-operation and Development (OECD) suggest materially less upward pressure on oil prices than our original framework suggested.”

As such, J.P. Morgan Global Research now sees Brent averaging \$86 per barrel (bbl) in the third quarter and \$80/bbl in the fourth quarter, before exiting the year at \$78/bbl. “The impact could carry into 2027, pushing next year’s price outlook lower as well,” Kaneva said. “Even so, our revised framework continues to imply prices in the second half of the year well above what is currently embedded in the forward curve.”



Metals

[Gold prices](#) could still push \$6,000/oz by December 2026, but this is becoming increasingly conditional on rates pricing. “While the structural bullish drivers underpinning the multi-year uplift in precious metals – namely debasement, fiscal risks and geopolitical fracturing – largely remain intact, the increasing specter of Fed rate hikes has turned a pause into a deeper freeze for precious

metals prices for now,” said Gregory Shearer, head of Base and Precious Metals Strategy at J.P. Morgan.

Looking at industrial metals, the overall backdrop is supportive, which will likely prop up demand. [Copper prices](#) could even push toward \$15,000/mt, especially if [new tariffs](#) incentivize imports into the U.S. before they come into force, thus further tightening the ex-U.S. market. “Risks are still skewed toward reaching a very bullish pinch point driven by rapidly dwindling ex-U.S. inventories,” Shearer added.



Natural gas

Following the announcement of a ceasefire deal between the U.S. and Iran in mid-June, international natural gas prices fell around 15%. “In our view, these moves appear overdone, as we still assess near-term balances, especially in the third quarter, as fundamentally tight,” said Otar Dgebuadze, who specializes in European Natural Gas and Global LNG research at J.P. Morgan.

The tightness in the physical market, as reflected in distressed storage levels in Europe, is further amplified by rising demand for [liquefied natural gas](#) (LNG) in Asia as well as a slowdown in marginal supply growth outside of the Middle East. In addition, a return to full production capacity in Qatar still looks to be months away. “Restarting upstream output and liquefaction trains, and re-establishing the broader supply chain, including fleet availability, loading logistics and insurance, is likely to take time and could extend into late summer or September,” Dgebuadze added.

Global commodity price forecasts

Brent crude	Gold	Copper	Wheat
\$78/bbl	\$6,000/oz	\$14,800/mt	\$5.80/bu

Source: J.P. Morgan Global Research; forecasts for December 2026



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Emerging markets: Continued resilience

So far, most emerging markets (EM) have withstood the energy shock better than expected, though the inflationary impulse has led to a sharp repricing of central banks' outlooks. Already, some central banks across EM are tilting more hawkish as price pressures continue to build.

“As we enter the second half of 2026, we expect the reflationary backdrop to persist, with heightened risks from U.S. rates repricing – even as the grip of oil prices on EM markets likely wanes,” said Luis Oganés, head of Global Macro Research at J.P. Morgan. “A sustained procyclical environment remains our key assumption, with EM growth expected to be near potential in the second half.”

Overall, while challenges exist – including tail risks for energy prices and a hawkish Fed pivot – the macro landscape is supportive for EM. “A resilient cyclical backdrop, low fundamental vulnerabilities and the proactive stance of several EM central banks will likely allow for continued carry outperformance, even as higher inflation and a likely hawkish shift by the Fed could challenge the asset class,” Oganés said.

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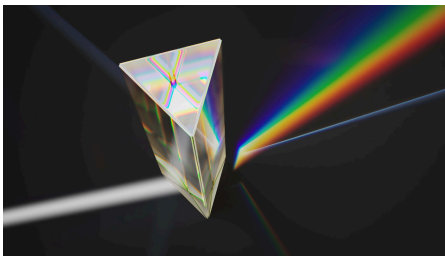
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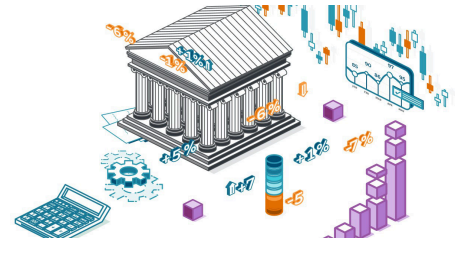
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