Goldman Sachs Outlooks

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Sharon Bell: My overall outlook for 2026 on European equities is modestly positive. We expect the STOXX 600 to provide high single-digit returns over the next year. There are a number of positive drivers for European equities in 2026. Key will be German fiscal spend. I think another positive catalyst for Europe is the global economic backdrop. We have economic growth improving, we have inflation coming down, interest rates are no longer rising. All of those things provide the perfect backdrop for European stocks. There are several risks for Europe as well as we head into 2026. There are three that we would really highlight. First of all, that Germany is slow to execute on its fiscal plan. Secondly, that there is a sovereign crisis or other political risk in Europe. And thirdly, more broad geopolitical events which are adverse for Europe. Valuations in Europe are no longer cheap, but Europe is still cheap versus other assets like credit, for example, and cheap versus the US equity market. European equities also have a key role to play in broader portfolios. The US equity

market is very concentrated and Europe provides an opportunity to diversify away from that. If there is a sell-off in tech or AI exposure, Europe will be quite well hedged against that.

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