Ostrum ASSET MANAGEMENT

PRESS RELEASE

Paris, November 26th, 2026

2027 OUTLOOK

Has the shock passed or are markets entering a new regime?

In 2026, the conflict in the Middle East sent shockwaves through financial markets: higher energy prices prompted central banks to react swiftly and pushed long-term rates to levels not seen since 2008. As 2027 approaches, this shock continues to weigh on risk premia, while a busy electoral calendar, particularly in France, adds a further layer of uncertainty.

This combination of high real rates, underlying inflation above target and volatility raises a central question for 2027: is the 2026 shock behind us, or have markets entered a new regime?

Against this backdrop, Axel Botte, Head of Market Strategy, Alexandre Caminade, CIO, Sovereigns, Emerging Markets & Aggregate, Philippe Berthelot, CIO, Credit & Money Markets, and Frédéric Leguay, Head of Fundamental Equities, share Ostrum AM's outlook for the year ahead: broadly resilient growth that remains exposed to geopolitical, political and financial uncertainties; high real rates that offer both carry and protection; a constructive view on European credit; and European equities supported by earnings growth.

Markets: growth under constraints, between inflationary pressures and monetary vigilance

Driven by the surge in artificial intelligence investment, global expansion should continue in 2027, according to **Axel Botte, Head of Market Strategy**.

In the United States, AI accounts for more than half of US growth, but it is also fueling inflation that is hurting consumers, as well as a considerable trade deficit. Its crowding-out effects will weigh on policy choices, as the Democratic majority in Congress looks set to be less favourable to the sector, and tighter financial conditions will make AI investment more uncertain. The labour market nevertheless appears to be stabilising and US growth should come in at around 2% next year, while inflation would slow without returning to the Fed's target.

In the eurozone, the recovery will depend on a busy political calendar: elections in France, Germany and Italy will follow the Spanish general election of November 2026. Growth should reach around 1% in 2027, with wide disparities between countries. In Germany, public investment will continue to support activity, while AI is encouraging business creation. Spain, for its part, will seek to sustain solid growth despite a stricter migration policy and the need to revive housing construction. Finally, in France, after mediocre growth in 2026, market pressure could force austerity policies following the April-May presidential election.

China appears even more dependent on the technology sector than the United States: weak domestic demand and the reduction of overcapacity are weighing heavily on activity, which is increasingly reliant on exports.

On the monetary front, the restrictive stance set by Kevin Warsh should persist in 2027, with constant vigilance against the risk of price slippage. For its part, the ECB will monitor the "second-round effects" of inflation on wages, and another rate hike looks likely in March.

Rates: between high yields and multiplying risks

For **Alexandre Caminade, CIO, Sovereigns, Emerging Markets & Aggregate**, 2026 marks a turning point for bond markets. The conflict in the Middle East triggered a rise in energy prices in early March, in particular crude oil, refining margins and gas. Central banks reacted swiftly to the pick-up in inflation, pushing long-term rates to levels not seen since 2008. This increase primarily reflects the real-rate component, as inflation expectations remain contained thanks to central bank credibility.

In 2027, real rates should remain high, supported by resilient growth and core inflation above central bank targets. This environment weighs on the risk premia that eurozone sovereigns are already paying and will have to continue to pay over the coming quarters.

Political risk now compounds geopolitical risk, with elections due in Italy, in five German Länder and, above all, in France. As the eurozone's second-largest economy, France faces two major risks: the trajectory of its public finances and the election cycle, with the presidential and legislative elections scheduled between April and June 2027. The OAT issuance programme, which is larger than in 2026 and concentrated in the first part of the year, could prove difficult to execute. By comparison, emerging markets offer notable advantages: solid fundamentals and attractive yields.

2027 is thus shaping up to be another year of interest rate volatility, with political risks in the eurozone, uncertainty over the Fed's reaction and concerns over deficits. Nevertheless, high real rates in the United States and Germany offer both high carry and protection against certain risk scenarios.

Credit: a constructive view despite higher volatility

Philippe Berthelot, CIO, Credit & Money Markets, and his teams are entering 2027 with a fairly constructive view of European credit, even though they expect more volatility, and therefore more opportunities, than in 2026. Uncertainties surrounding artificial intelligence, geopolitical and political risks and US private credit could fuel this volatility.

Once again, macro and microeconomic fundamentals remain solid. Philippe Berthelot believes that the default rate for European High Yield should remain contained and below its historical average. Growth should stay positive in Europe and the United States. Core inflation of 2.6% in Europe is not an obstacle for most of the credit universe.

Investment Grade* spreads recently reached 85 basis points (26/10/2026, versus swaps), their highest level of the year. The overall yield, close to 4.4%, has not been seen for almost ten years. High Yield* shows the same pattern, at 339 bps and 7.1% respectively. (**ICE BofA indices ER00 and HE00 respectively*)

These levels can absorb a great deal of bad news, as long as there is no recession, which remains the main threat to this asset class.

Tech company earnings, oil prices and the elections in Europe (including France) remain to be watched. Ostrum AM's Credit teams remain cautious on highly indebted companies, cyclical sectors in general, and real estate, which is very sensitive to interest rates.

In the absence of significant refinancing pressure in 2027, volatility could instead create opportunities. Yield is back, and so is dispersion, a genuine source of alpha in active portfolio management.

Ultimately, these factors, combined with the continued rise in real rates over the past 12 months (which weighs negatively on risky asset classes), point to slight spread widening in IG and HY in 2027.

European equities: a market up 10% thanks to sustained earnings growth

In Europe, equity markets should move into positive territory in 2027, driven by earnings growth that remains favourable and more balanced. The trend nevertheless depends on companies' ability to preserve their historically high profitability as disinflation begins to set in.

Supported by a long-awaited recovery in earnings momentum and reasonable valuations, European indices maintained their favourable trajectory in 2026 despite a volatile environment. According to **Frédéric Leguay, Head of Fundamental Equities**, the 2027 market year in the eurozone should continue to be driven by earnings growth, expected at +8% after 22% in 2026, but more evenly spread.

In Europe, against a backdrop of near-stable monetary and fiscal policy, investment growth should remain solid but decelerate. There could also be a slight improvement in the consumer environment if energy prices fall and the many tense situations are clarified.

Eurozone earnings, which grew strongly in 2026 at +22%, should rise again, this time more evenly. Ostrum AM expects eurozone EPS growth of 8%, around 5 points below the analyst consensus of 13%. Valuations, which edged down in 2026 because of higher rates, should have a more neutral impact in 2027. Under-owned, European equities should continue to attract capital thanks to their relatively attractive valuations and a lasting appetite for private issuers. Close monitoring remains warranted on the slowdown in the AI investment cycle and the consequences of disinflation for corporate profitability, which is currently very high.

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Gaëlle Malléjac, Global CIO at Ostrum AM, concludes: "*Investors are entering 2027 in a profoundly transformed environment.* ***The economic cycle is extending, but it comes with durably high real rates, inflation above central bank targets, and geopolitical and political risks that are making their way into risk premia.*** *Artificial intelligence remains a major driver of growth and investment, while now also being a market risk in its own right.*

In this new regime, the rates level once again offers carry and protection against certain risk scenarios. European credit continues to benefit from solid fundamentals and more attractive spreads, but vigilance will be required as dispersion increases in an increasingly complex environment. European equities should remain supported by earnings growth.

In this context, ***performance will depend less on the direction of markets alone than on essential selectivity: issuers, maturities, sectors****. Dispersion and episodes of volatility should therefore create new opportunities for active management."*

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About Ostrum Asset Management

Ostrum Asset Management, a European asset manager dedicated to institutional investors, stands out for its commitment to advancing finance for positive societal impact. The firm strives to deliver durable value for its clients' investments, enabling them in their social focus centered on life-stage goals such as retirement, health, and protection against life's risks (life & disability and P&C insurance). Ostrum Asset Management is among the European leaders in institutional asset management[1], providing support to its clients across the entire investment value chain, with a full range of solutions, a set of insurance-based (equities, fixed income, multi-assets), active (fixed income, money market, equities) and quantitative management offerings, combined with a comprehensive suite of dedicated services. Guided by an integrated ESG framework geared toward sustainable performance, Ostrum Asset Management oversees €382 billion in assets[2/3] for major institutional clients (insurers, pension funds, mutual health insurers, corporates). The firm positions itself as a long-term partner, delivering proactive, personalized, and transparent end-to-end support in service of responsible investing[4]. Ostrum Asset Management is an affiliate of Natixis Investment Managers. Asset management company regulated by the AMF under n° GP-18000014, dated August 7th, 2018. Limited company with a share capital of 50 938 997 euros – Trade register n° 525 192 753 RCS Paris – VAT: FR 93 525 192 753 – Registered Office: 43, avenue Pierre Mendès-France 75013 Paris www.ostrum.com

1. IPE Top 500 Asset Managers (Investment & Pensions Europe) ranked Ostrum AM as the 12th largest European institutional asset manager, as at 12/31/2025. Any reference to a ranking, a rating or an award provides no guarantee for future performance.
2. Source: Ostrum Asset Management, consolidated data at end-September 2026. The services provided for a given client may concern certain services only.
3. Change in the methodology used for the reporting of assets, effective January 1, 2025.
4. Ostrum AM was one of the first French asset manager signatories to the PRI in 2008. More details: www.unpri.org.

About Natixis Investment Managers

Natixis Investment Managers' multi-affiliate approach connects clients to the independent thinking and focused expertise of more than 15 active managers. Ranked among the world's largest asset managers[1] with nearly $1.5 trillion assets under management[2] (€1.3 trillion), Natixis Investment Managers specializes in high-conviction active investment strategies, insurance and pension solutions, and private assets, and delivers a diverse offering across asset classes, styles, and vehicles. The firm partners with clients in order to understand their unique needs and provide insights and investment solutions tailored to their long-term goals. Headquartered in Paris and Boston, Natixis Investment Managers is part of Groupe BPCE, the second-largest banking group in France through the Banque Populaire and Caisse d'Epargne retail networks. For additional information, please visit Natixis Investment Managers' website at im.natixis.com | LinkedIn: linkedin.com/company/natixis-investment-managers.

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1. Survey respondents and publicly available data ranked by Investment & Pensions Europe/Top 500 Asset Managers 2026 ranked Natixis Investment Managers among the top 25 largest asset managers in the world based on assets under management as of December 31, 2025.
2. Assets under management (AUM) of affiliated entities measured as of September 30, 2026, are $1,495.7 billion (€1,316.8 billion). AUM, as reported, may include notional assets, assets serviced, gross assets, assets of minority-owned affiliated entities and other types of nonregulatory AUM managed or serviced by firms affiliated with Natixis Investment Managers.

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