

Roadmap update 3Q 2026

Can earnings growth outpace rising rates?



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3Q 2026 roadmap update

Roadmaps serve as a compass, not a GPS. They provide direction but lack pinpoint accuracy. However, without a roadmap, navigating uncertain conditions becomes challenging.



Key events in 3Q 2026

3Q 2026 delivered a modest 1% gain for MSCI World in EUR, taking the year-to-date return to 17%.

Healthcare and energy led sector performance, while semiconductors, homebuilders, and industrials lagged.

The rapid sector rotations of 2Q 2026 cooled off, but single-stock moves kept surprising: Moderna, the US gene-based drug developer, jumped 175% in a single day on cancer vaccine news - the largest one-day move on record for an S&P 500 stock.

Interest rates rose to levels not seen since the early 2000s. Such a move would normally pressure valuations, but robust earnings growth provided a firm floor under equity markets.

Key things for the rest of 2026

3Q 2026 earnings season kicks off in a few weeks, and early indications point to yet another quarter of >25% earnings growth.

Strong 3Q results are expected to confirm 4Q 2026 earnings growth of at least 25%, hence 2026 earnings growth will exceed 25%. This lends support to consensus expectations of additional 17% earnings growth for MSCI World in 2027.

These growth rates are genuinely unusual. I've rarely seen earnings expand this fast outside a rebound from a deep recession. Geopolitical unrest, elevated energy prices, and high real interest rates due to strong credit demand from governments and corporates alike all look set to persist. Yet in valuation terms, higher interest rates are being outrun by earnings growth. Herein lies the central risk: any slowdown in corporate earnings growth could hit stock prices hard.

All told, 2026 is shaping up to be a year with a return above 20% for MSCI World.

Macro economic factors



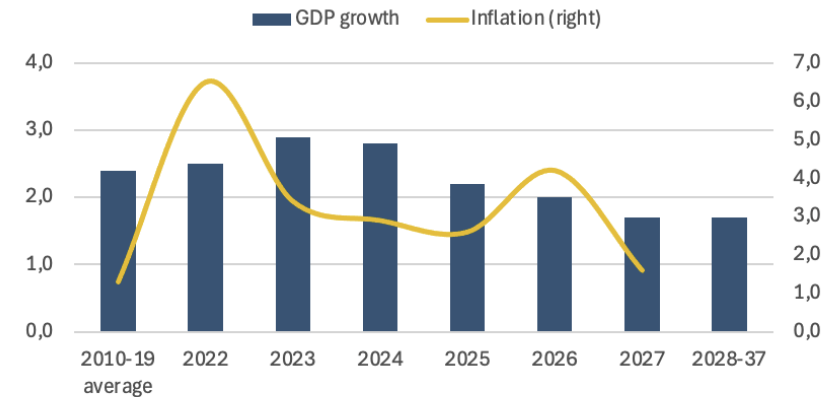
Investment quietly doing the heavy lifting

The OECD raised its 2026 global growth forecast to 2.9% (from 2.8%), as investment growth outpaces unimpressive private consumption. Capital expenditure plans at major technology and cloud-computing companies continue to rise .

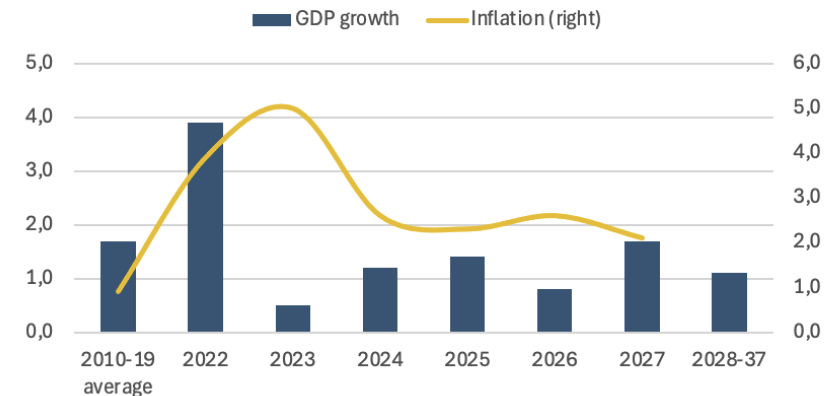
To put the scale in context: global investment runs at roughly 26% of world GDP, or close to \$33tn against a \$126tn global economy. AI data-center infrastructure is still a small slice of that — global data-center capex is set to exceed \$1tn in 2026. That's under 1% of global GDP and roughly 3% of global investment, however the fast-growing nature has made investors and observers alert to the consequences of the capex cycle if and when it fades.

Inflation is expected above 4% in 2026 before it eases to 3.6% in 2027 as energy supply recovers. Geopolitics and energy remain the key swing factor for inflation, which in turn anchors long-term interest rates.

USA GDP growth and inflation



Europe GDP growth and inflation



Source: OECD and Conference Board

Earnings factors



MSCI World in EUR up 17% in 2026 so far. The key driver is earnings growth which now stands at >25% for MSCI World.

Global earnings growth started 2026 at a projected 14%; it now stands at >25%, driven by powerful momentum in technology and semiconductors - memory in particular.

3Q 2026 US earnings (the bulk of the global total) are expected to grow 30%, with technology posting an astonishing >60% growth rate off an already-high \$200bn base in 3Q 2025.

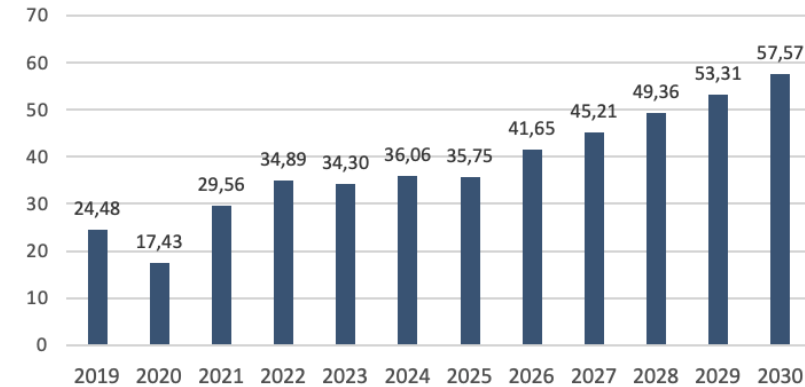
Europe's growth estimate has risen to 17%, from 10% initially, with the upgrade coming from energy and financials. Europe's tech sector is small, but ASML's higher earnings estimates alone account for 2 percentage points of that upgrade.

The reports to watch most closely this quarter: semiconductor and memory makers, semi-equipment makers, and newsflow from the advanced healthcare names in genomics. An outlier is consumer stocks to be monitored for consumers going into hibernation.



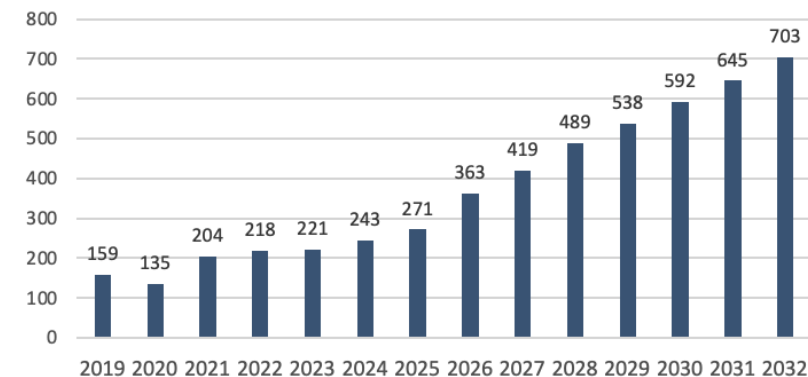
Stoxx 600 EPS

EPS CAGR 2012-25: 5.0%



S&P 500 EPS

EPS CAGR 2012-25: 7.9%



Source: Own data base with updates from Bloomberg, NYSE, Refinitiv and Stoxx

Stock market pattern

The 2026 Roadmap initially projected total shareholder return of 10–15% for MSCI World. Substantial earnings upgrades lifted that to 15–20% in the 2Q 2026 update, and despite headwinds from higher interest rates, the **3Q 2026 Roadmap now points to a total return above 20% for 2026**, as measured by MSCI World in EUR including dividends.

With earnings growth for 2026 now at 27%, the implied stock market return points to further valuation compression; a direct consequence of higher interest rates.

Stocks are forward-looking, and 2027 earnings growth estimates now stand at 17%, up from 14% just three months ago. At that pace of earnings growth, equities can tolerate higher rates, but they're also more likely to be punished for disappointments. More on this in the next section.



Source: price data from MSCI

Roadmap update 3Q 2026



Earnings Growth

Inflation ↑

Government Debt

AI Productivity Boom

AI Productivity

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Tech earnings growth is setting the pace and direction



S&P500 earnings growth driven by tech



Source: consensus from Koyfin

From \$1.1tn to \$4.7tn for S&P500: a structural earnings step-change

Tech and Communication are the primary engines, compounding at 17.8% and 22.4% respectively in 2017-30. But the story isn't only tech: the "rest of the market" (grey) is compounding at 7.9%, in line with overall earnings growth since 2005.

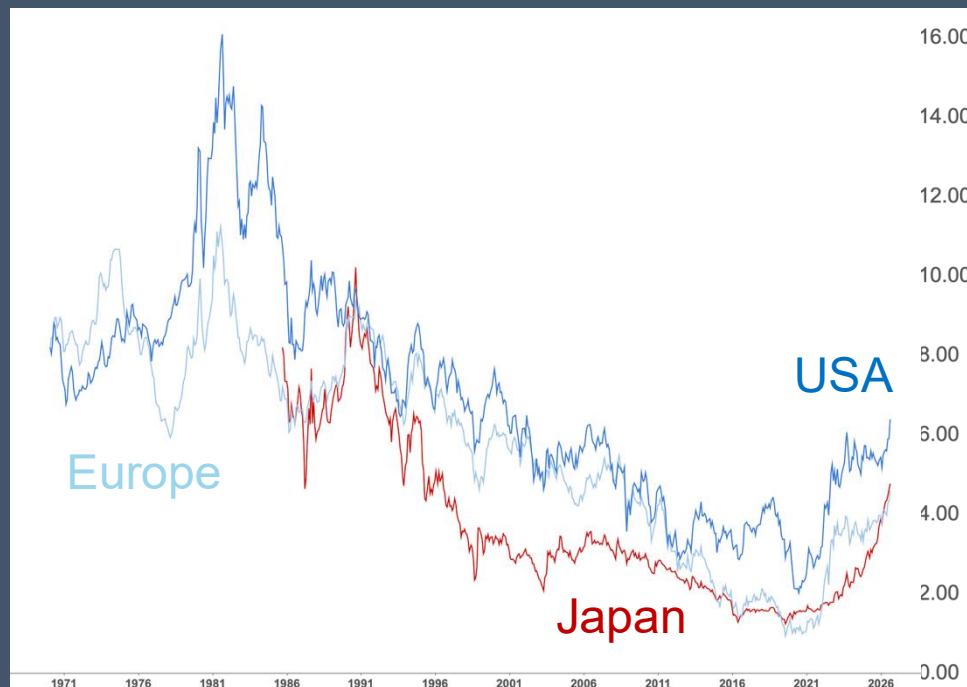
That pace is being set by heavy capex into new revenue streams, and it comes with a few caveats. Some of the growth reflects tax benefits rather than pure operating leverage, and a cash-flow view shows the payoff pushed out a few years you must seed before you harvest. 2026 earnings also get a one-off lift from SpaceX capital gains realized and booked through earnings of Google.

Geographically, the tech-earnings story is more global than the chart alone suggests - Asia is delivering strong tech earnings growth of its own, while Europe's low-tech exposure is a good reason a global mandate matters for capturing the tech growth theme.

Bond yields a 20 year highs



10 year bond yields since 1970



Source: investing.com

The hyperscaler group is executing the largest peacetime capital deployment in corporate history

Combined capex for US based hyperscalers are projected to be 1 trillion \$ per year for the next few years. Lots of that capital comes from their own cash flow, but its not enough and credit markets have been asked to fork up billions.

Inflation being up to the 4% level in 2026 also adds to higher long-term interest rates. And on top comes government lending as almost all governments run budget deficits that need to be funded.

USA could 'celebrate' 40 trillion \$ of government debt in 3Q 2026, a milestone bond markets cheered by having rates at the highest level since the early 2000s.

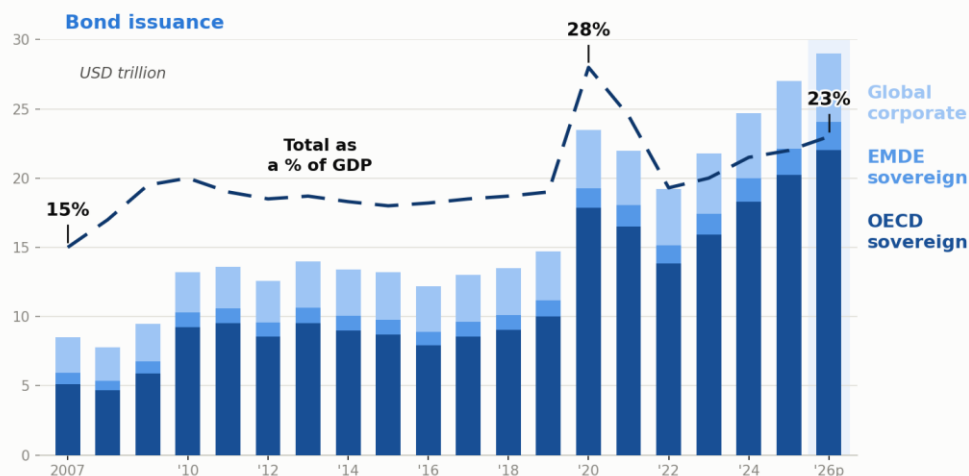
Inflation can come down, but the borrowing needs will likely persist for years. One off-ramp is higher productivity from applied AI, which in turn increase the pace of economic growth and subsequently tax incomes. This scenario is not visible yet, but its worth keeping an eye on.

Credit demand on the rise



Bond issuance nearing 30 trillion \$

Sovereign and corporate bond issuance reached a record in 2025, with USD 29 trillion projected for 2026



Source: OECD

Record bond supply meets a higher-for-longer rate world

Sovereign and corporate bond issuance is hitting new records. In 2026 its 29 trillion \$. And as mentioned in the 1Q 2026 BMC roadmap update, USA is set for almost 10 trillion \$ debt rollover in 2027. Most of it in shorter duration and should not be an issue, but non-US investors hold around 2 trillion \$ of that debt and they need to be convinced it's a good investment to stay in USD bonds.

Higher rates is a clear motivation factor in that respect.

Governments running persistent deficits and corporates capex needs (including the AI buildout) are both drawing on the same pool of savings. And on the sidelines are investors involved in Private Equity investments. PE investments are illiquid and the exit routes are congested, so a new phenomenon has emerged; NAV lending, where loans are issued to provide liquidity until the private equity investment is sold/capitalized.

Credit demand push up the price of capital (real interest rates)



USA 10 year real interest rates
(10 year bond yield minus inflation)



Source: St Louis Fed

Real rates back to pre-GFC levels

Given the increasing demand for credit its no surprise interest rates are up. Real rates are up 3.5% percentage points in real terms since the Covid-period when central banks flooded the monetary systems with capital. That's a huge move.

The US 10-year real rate has in the past averaged 1-2%, so the current level just below 3% has not been seen since mid 2000s.

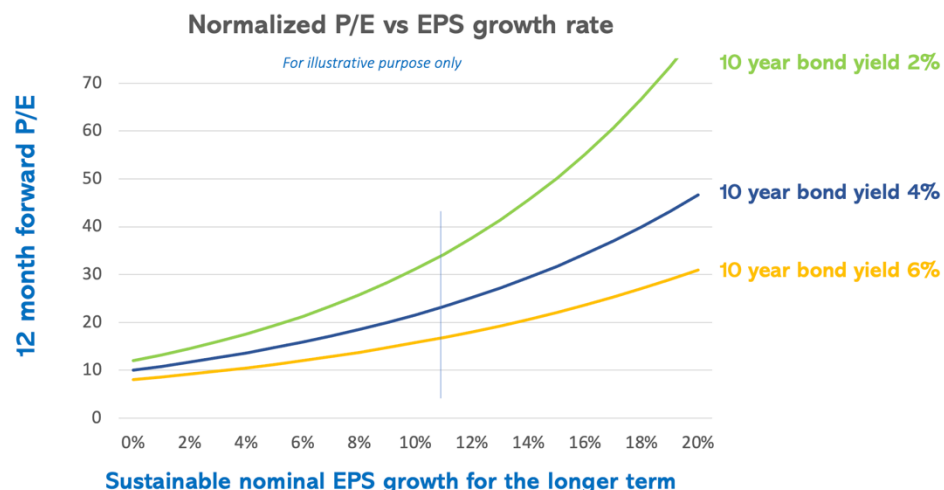
As the previous chart showed, record sovereign and corporate bond issuance is competing for savings at a time when central banks are shrinking their balance sheets rather than absorbing supply.

Looking into 2027 and the possible lower inflation forecast by OECD bodes for lower interest rates, however as demand keeps being strong real-rates are likely to stay elevated until demand declines. And a demand decline could happen simply because the price of capital is too high.

How much does earnings need to grow to outrun higher rates?



The relation between interest rates, valuation and earnings growth



Source: own model Ole S  berg

Can earnings growth neutralize higher interest rates?

Yes, but it depends. There's no exact science to how the relationship between interest rates, earnings, and earnings growth translates into a specific valuation level as company-specific factors, fund flows, money supply, newsflow etc all influence the overall pricing of stocks.

This chart is a simple illustration of how that relationship works: for any given growth rate, a change in interest rates produces an almost mechanical change in valuation. A company growing earnings at 10% is estimated to warrant 30x forward earnings when the 10-year rate is 2%, 22.5x when it's 4%, and 15x when it's 6%. It's the same company and the same growth rate — yet the implied share price differs enormously. Europe with 3.6% bond yield and P/E 14.1x for 2027 seems safe given the 9% earnings growth rate towards 2030. USA with 5.2% bond yield and P/E 18.4x for 2027 also seems all right, but growth should keep pace in both regions to support current price levels.

3 scenario's for the next 2-3 years



Scenario	Probability	Return profile
Bear	20%	Minus 25-35%
Base	50%	Plus 10-25%
Bull	30%	Plus 30-50%

Measured on MSCI World in EUR

- AI investment pace declines while the real interest rate rises above 3%
- Consumers retrench and the global economy run into a soft patch
- Earnings grow as expected
- The real rate stays at 1–2%
- Applied AI increase productivity and there's a broader participation
- Productivity and profitability rise more than expected on applied AI
- Lower inflation, real rate at 1%
- Rising valuations due to lower rates and higher earnings growth



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BMC manage four funds



Global Stock Market

BMC philosophy, investment process and ESG analysis

Shared idea generation

30-40 holdings

BMC Global Technology

An Investment in the future

15-20% targeted return

Launched 2025

25-35 holdings

BMC Global Select

World's Finest Companies

15% targeted return

Started 2014

30-40 holdings

BMC International

World's Finest companies Ex-USA

15% targeted return

Launched 2025

30-50 holdings

BMC Global Small Cap

World' Finest Entrepreneurs

15-20% targeted return

Started 2022

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