

Four Key Themes Shaping Markets in 2026

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Our Global Head of Thematic and Sustainability Research Stephen Byrd discusses Morgan Stanley's key investment themes for this year and how they're influencing markets and economies.

Welcome to Thoughts on the Market. I'm Stephen Byrd, Morgan Stanley's Global Head of Thematic and Sustainability Research.

Today – the four key themes that will define markets and economies in 2026.

It's Monday, January 26th, at 10am in New York.

If you're feeling overwhelmed by all the market noise and constant swings, you're not alone. One of the biggest hurdles for investors today is really figuring out how to tune out the short-term ups and downs and focus on the bigger trends that are truly changing the world.

At Morgan Stanley Research, thematic analysis has long been central to how we think about markets, especially in periods of extreme volatility. A thematic lens helps us step back from the noise and really focus on the structural forces reshaping economies, industries, and societies. And that perspective has delivered results. In 2025, on average, our thematic stock categories outperformed the MSCI World Index by 16 percent and the S&P 500 by 27 percent. And this really reinforces our view that long-term themes can be powerful drivers of alpha.

For 2026, our framework is built around four key themes: AI and Tech Diffusion, The Future of Energy, The Multipolar World, and Societal Shifts. Now three of these themes carry forward from last year, but each has evolved meaningfully – and one of our themes represents a major expansion on our prior work.

First, the **AI and Tech Diffusion** theme remains central, but has clearly matured and evolved. In 2025, the focus was on rapid capability gains. In 2026, the emphasis shifts to non-linear improvement and the growing gap between AI capabilities and real-world adoption. A critical evolution is our view that compute demand is likely to exceed supply meaningfully, even as software and hardware become more efficient. As AI use cases multiply and grow more complex, the infrastructure – especially computing power – emerges as a defining constraint.

Next is **The Future of Energy**, which has taken on new urgency. Energy demand in developed markets, long assumed to be flat, is now inflecting upwards. And this is driven largely by AI infrastructure and data centers. Compared with 2025, this theme has expanded from a supply conversation into one focused on policy. Rising energy costs are becoming increasingly visible to

consumers, elevating a concept we call the 'politics of energy.' Policymakers are under pressure to prioritize low-cost, reliable energy, even when trade-offs exist, and new strategies are emerging to secure power without destabilizing grids or increasing household bills.

Our third theme, **The Multipolar World**, also builds on last year but with sharper edges. Globalization continues to fragment as countries prioritize security, resilience, and national self-sufficiency. Since 2025, competition has become more clearly defined by access to critical inputs – such as energy, materials, defense capabilities, and advanced technology. Notably, the top-performing thematic categories in 2025 were driven by Multipolar World dynamics, underscoring how geopolitical and industrial shifts are translating directly into market outcomes.

Now the biggest evolution comes with our fourth key theme – which we call **Societal Shifts** – and this expands on our prior work on Longevity. This new framework captures a wider range of forces shaping societies globally: AI-driven labor disruption and evolution, aging populations, changing consumer preferences, the K-economy, the push for healthy longevity, and challenging demographics across many regions. These shifts increasingly influence government policy, corporate strategy, and economic growth – and their impact spans far more industries than investors often expect.

Now crucially these themes don't operate in isolation. AI accelerates energy demand. Energy costs shape politics. Politics influence supply chains and national priorities. And all of this feeds directly into societal outcomes: from employment to consumption patterns. The power of thematic investing lies in understanding these intersections, where multiple forces reinforce one another in underappreciated ways.

So to sum it up, the most important investment questions for 2026 aren't just about growth rates. They're about structure. Understanding how technology, energy, geopolitics, and society evolve together may be the clearest way to see where opportunity, and risk, are truly heading.

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